

KUREHA



KUREHA CORPORATION
Business Report 2021

Year ended March 31, 2021

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



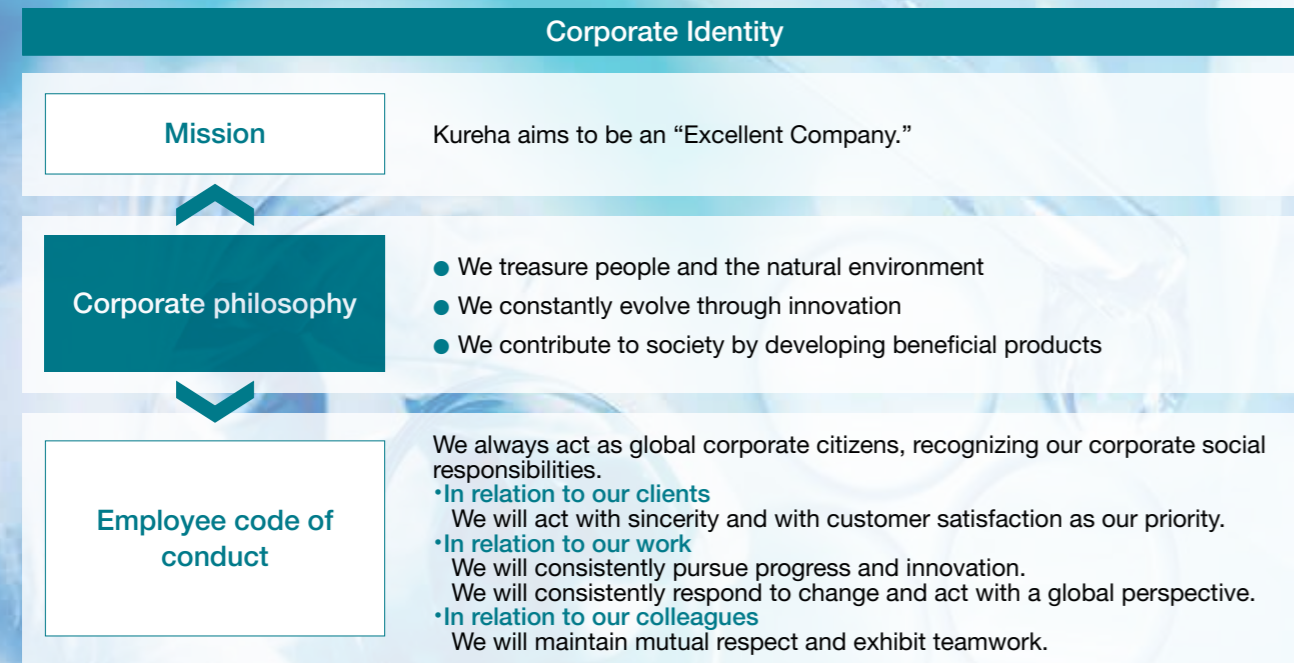
KUREHA

KUREHA CORPORATION

The Pursuit of Excellence

Becoming an Excellent Company in Specialty Chemicals

In pursuit of “a great leap forward,” we at Kureha will continue to pursue our goal of being a company that creates the products which meet the needs of the times.



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Editorial Policy

Thank you for reading the Kureha Business Report.

The purpose of this report is to share with stakeholders the current status of the Kureha Group and the direction in which it is headed.

Until FY2020, the Business Report was prepared mainly as English materials to help overseas investor understand the Group, focusing on the contents of the Annual Securities Report. However, from FY2021, we have decided to prepare this report simultaneously in Japanese and English in order to provide information to as many people as possible.

We have also changed the publication format from paper to PDF. Due to the impact of the spread of COVID-19, there are fewer opportunities for face-to-face delivery, and this change is intended to reach more people.

We hope that this Business Report will deepen your understanding of the Company and show its appeal.

Contents of the Report

■ Reporting Period

In principle, the reporting period is the same as the fiscal year (April 2020 to March 2021). However, some sections of this report may differ from the fiscal year.

■ Reference Guidelines

ISO 26000 Guide to Social Responsibility
Ministry of the Environment “Environmental Reporting Guidelines (2012 Edition)”
Ministry of the Environment “Environmental Accounting Guidelines (2005 Edition)”

■ Date of Issue

February 2022 (updated annually in principle)

■ Disclaimer

This report includes not only past and present facts about Kureha Corporation and group companies, but also forecasts of the future based on plans and outlooks at the time of publication and issuance. These forecasts are assumptions or judgments based on the information available at the time of writing and can be invalidated by unforeseen changes in conditions. In addition, some of the figures in the tables and graphs have been revised from previous years due to changes in the target range and revision of the calculation method.

Thank you for your understanding.

Information Disclosure

The Kureha Group mainly uses the following reporting tools and strives to disclose information systematically.

Kureha Business Report: PDF (Japanese/English)
Kureha Report: Booklet/ PDF (Japanese)

This report presents the financial, management and overall business conditions of Kureha Corporation, with investors and shareholders as the primary readers.



Kureha website (CSR)

This website includes information on CSR activities, detailed performance data, and past reports.





Driven by innovation, we strive to be a high value-added enterprise that benefits society through differentiated specialty chemicals. We are determined to bring Kureha's Challenge to fruition.

Yutaka Kobayashi

President & Chief Executive Officer

Looking Back on FY2020—Effects of the Coronavirus Pandemic

Although vaccinations are progressing in developed countries, as of November 2021 about 250 million people globally have been infected by the coronavirus and more than five million have died. These are terrible circumstances, and I would like to begin by expressing my deepest sympathies to those affected by COVID-19 and the families who have lost loved ones, as well as my sincere respect and gratitude to medical staff and others working to support society in these difficult times.

Kureha Group moved swiftly to adapt to this new reality. To ensure employee safety, prevent the spread of infection, and maintain a stable supply of products, we have since February last year strengthened our employee health management system, refrained from business trips, improved the remote work environment, and implemented a work-from-home system. These measures have enabled us to maintain stability in production and sales despite the pandemic, which has severely affected the world economy

and caused a temporary slowdown in the in-vehicle lithium-ion secondary battery (LiB) market.

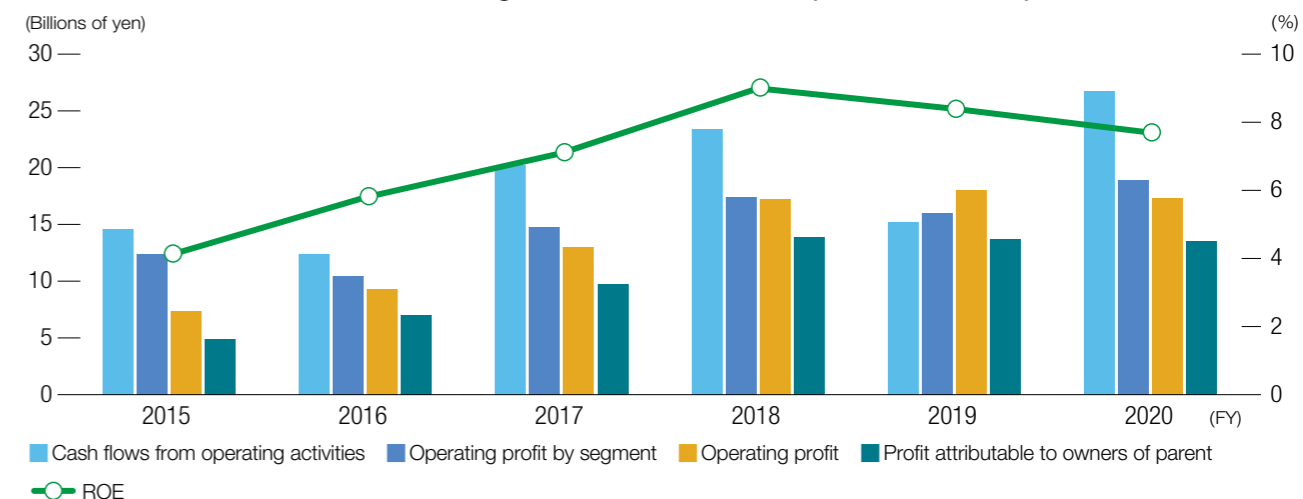
From Q2 FY2020, sales recovered and then expanded. In the Specialty Plastics segment, sales of household products and fishing lines rose as people stayed at home and an "outdoor leisure boom" emerged. As the Group's multi-axis business portfolio includes businesses related to shale oil and gas, the pandemic had limited impact on performance. Kureha also generated temporary revenue from the treatment and disposal of disaster waste in Other Operations. As a result, revenue in FY2020 increased 1.5% year on year to 144.6 billion yen, while operating profit decreased 4.3% to 17.3 billion yen due to the disappearance of gains on real estate sales recorded in FY2019. Profit attributable to the owners of Kureha was 13.5 billion yen, a year-on-year decrease of 1.6%.

Achievements and Measures to Complete from Kureha's Challenge 2020

Let us look back at the five years from FY2016, when we formulated the mid-term management plan Kureha's Challenge 2018 (FY2016–FY2018). At this time, we projected gradual decreases in revenue and operating profit for our

agricultural and horticultural fungicide *Metconazole / Ipconazole* and *Kremezin*, a therapeutic agent for chronic renal failure, due to competition with generic products and drug price revisions. Launched in the 1990s, both products

Kureha's Challenge Performance Trends (FY2016 Onward)



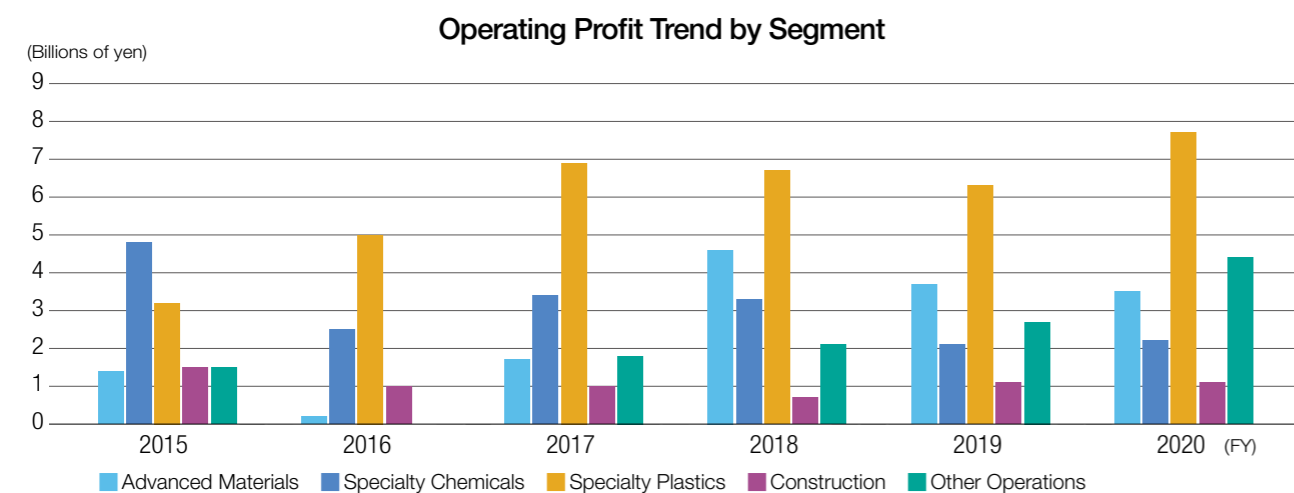
Top Message

had long been profitable. The plan thus sought to implement a range of reforms.

These reforms were effective in reducing costs across both the parent and group companies. In the Specialty Plastics segment, we spun off the blow bottle business (demerger) as its profits base was unstable due to all raw materials being purchased from outside Kureha, while targeting higher profits in the consumer goods category, which includes home products such as *NEW Krewrap* plastic wrap and the *Seaguar* fishing line. In Other Operations, we strengthened the profit base in the environmental business (treatment and disposal of industrial waste such as low-concentration PCBs) by acquiring a final disposal site for industrial waste.

Moreover, the entire company has been working as one to expand the Advanced Materials segment, which has been positioned as a future growth driver. While the pandemic delayed profit growth for polyglycolic acid (PGA), which is used in frac plugs for shale oil and gas extraction, sales of vinylidene fluoride resin (PVDF), a binder material in LiBs, have grown sharply with the spread of electric vehicles and we expect further expansion.

In this way, we have steadily improved the Kureha Group's profitability in the five years since FY2016. In fact, segment-by-segment operating profits and operating cash flow increased even in FY2020, when the pandemic damaged economies worldwide.



Re-Extending Kureha's Challenge

FY2020 was the final year of Kureha's Challenge 2020, which is an extension of the mid-term management plan Kureha's Challenge 2018. As a company driven by innovation, we have defined the Kureha Group's ideal as "a high-value added enterprise that develops differentiated products in the field of specialty chemicals and continually contributes to society." We are now working to realize this goal. The challenge is two-fold.

On the one hand, among the plan's five management goals, we recognize that only the strengthening of the PVDF business has proceeded as planned. The remaining four—expand the PGA business and generate profit; optimize business models for existing businesses; globally explore

and develop new businesses; and strengthen management foundations—have yet to be met.

On the other hand, there is a growing number of issues that require new initiatives, driven by rapid social changes and new demands placed on businesses. Japan's government has declared that it will be carbon neutral by 2050 as part of the fight against global warming. In response, the Kureha Group will seek to reduce CO₂ emissions from energy sources by 20% from 2013 levels by 2030. We must now consider concrete measures to achieve this goal. Furthermore, as Japan's aging and declining population makes corporate recruitment more difficult, we have also introduced work style reforms. This is vitally

important as our competitiveness springs from talented and committed employees.

In light of these changes in the internal and external environment, we are determined to follow through with Kureha's Challenge. To this end, we have drafted the mid-

term management plan Kureha's Challenge 2022 (final stage of Kureha's Challenge extension plan), to be implemented over FY2021 and FY2022.

Kureha's Challenge 2022 (Final Stage of Kureha's Challenge Extension Plan)

Following through on Remaining Tasks, Identifying New Issues for the Future, and Creating an Action Plan

The final stage of the extension plan rests on two pillars. First, completing the measures remaining from the previous mid-term management plan, such as solidifying the foundation for the PGA business and identifying and developing new businesses. Second, clarifying the future vision of Kureha Group and formulating an action plan to fulfill this vision from a medium- to long-term perspective.

Resolving outstanding issues will strengthen the Group's earnings base and improve corporate value in the medium- to long-term (until 2030). Identifying issues far in advance and creating an action plan will enable us to develop differentiated products as a specialty chemical company and grow as a high value-added enterprise that continually contributes to society. By pursuing excellence across aspects of finance, environment, and society, we seek to become a group that is highly regarded by all stakeholders even after 2030.

Four Management Goals

The final stage of the Kureha's Challenge extension plan contains four management goals.

"Expansion of Advanced Materials businesses" sets out three priority issues. First, to expand the PVDF business, we will start construction of a third PVDF factory in Changshu, Jiangsu Province, China. Second, to solidify the foundation of the PGA business, we will increase the market share of PGA frac plugs with focus on medium- and high-temperature mining areas, while developing improved products for low and ultra-low temperature conditions, with a view to market launch in 2022. In the polyphenylene sulfide (PPS) business, we will work with domestic partners to raise profitability.

Under **"Optimization of existing businesses,"** we will categorize businesses by factors such as profitability, growth potential, and differentiation, and review strategies and growth

measures for operations facing drastic changes in the business environment. Also, to develop new applications for existing products, we will activate personnel exchanges between research and business divisions and strengthen marketing activities.

"Identification and development of new businesses" narrows down the themes that have been developed and commercialized so far and accelerates the development of promising themes. We will also strive to significantly raise our contribution to the resolution of long-term social issues, such as reducing environmental impacts. To that end, we will accelerate innovation by integrating in-house and external technologies, which in turn will create new businesses.

"Strengthening management foundations" addresses several key issues. We will continue to fortify our new performance-focused personnel system; strengthen production technology and cost-competitiveness by promoting digitization; and strengthen Sustainability Management with a view to fulfilling the UN Sustainable Development Goals and achieving carbon-neutrality.

Our new personnel system, introduced in October 2021, emphasizes role- and performance-based compensation and seeks to allocate human resources to the right place. To fully



Top Message

utilize senior expertise, we will gradually raise the retirement age to 65 from March 2022. Our ambition is to realize a corporate culture in which Kureha's growth and transformation is driven by strongly motivated employees who take pride in their work as professionals.

Kureha's Carbon Neutrality Committee, established as a dedicated organization in April 2021, was expanded into the Carbon Neutrality Project in September. Tasked with promoting a circular economy and supporting Japan's goal of carbon neutrality by 2050, the Project will not only seek to reduce greenhouse gas and waste emissions within the Group, but also develop and commercialize selected technological themes.

Kureha's future will be shaped by a range of environmental, social, and economic changes, such as Japan's move toward carbon neutrality in 2050, the transition to a resource-recycling society, the marine plastics problem, global population growth, demographic aging, and more. While all of

these will significantly impact on the Group's business environment, they also represent opportunities for Kureha to apply its expertise.

I am confident that the features and strengths of the Group's technologies and products can be applied to energy and resource conservation, wastewater and exhaust purification, increased grain production, extended food expiration dates, and more, thus contributing to comfortable, environmentally friendly lifestyles.

Kureha will realize sustained corporate value growth by developing such product groups using technologies that other companies do not possess, differentiate them in the market with high functionality and high quality, and grow them into global businesses.

Together with our employees, we will follow through on the final stage of the Kureha's Challenge extension plan and complete the Group's foundation for future sustainable growth.



Status and Future of PVDF and PGA, the Main Products of the Advanced Materials Segment

Expanding the PVDF Business Revenue of 18 Billion Yen in FY2020 (+37% Year on Year)

As electric vehicles become more common, it is vital that we expand the production capacity of PVDF to meet growing demand for in-vehicle LiBs. In February 2019, we completed the expansion of the Iwaki Plant (Iwaki City, Fukushima Prefecture) and started commercial production. The manufacturing facility in Changshu, China increased its production of in-vehicle LiB binders last year. We are now selling to major battery manufacturers in South Korea and China.

In Q1 FY2020, the pandemic triggered inventory adjustments of electric vehicles and in-vehicle LiBs. However, from Q2 the industry started to recover in China and Europe, and revenue and operating profit from PVDF grew significantly as governments and automobile manufacturers announced carbon neutrality goals and outlined shifts from gasoline-powered vehicles to electric vehicles, which prompted major battery manufacturers to expand production.

We will continue to strengthen our production system to meet the demands of the growing LiB market. The Iwaki

Plant is constructing an upstream process (scheduled for completion in spring 2022), and a third PVDF plant (production capacity 10,000 tons/year) in Changshu, China will start commercial production in 2024. These additions will almost double Kureha's PVDF production capacity.

Solidifying the Foundation of the PGA Business for a Return to Profitability in 2023

In October 2016, we established Kureha Energy Solutions LLC (Houston, United States) and started direct sales of PGA frac plugs used in hydraulic fracturing during shale oil and gas extraction. Sales grew steadily until FY2019, but FY2020 saw decreased revenue as US shale oil and gas production halved due to the sharp drop in crude oil prices and the pandemic curtailed energy demand.

With US demand for gasoline and aviation fuel now regaining its pre-corona strength, we aim to grow revenue by strengthening sales activities in response to the recovery in shale oil and gas production, with a view to returning to profitability in 2023. Our PGA plugs stand out due to their degradability and require less post-treatment after fracking than conventional metal plugs, saving energy and labor for miners.

PGA is a hydrolytic and biodegradable resin with higher strength and gas barrier properties than existing engineering

plastics, and we expect it to be widely used in the future. While expanding the frac plug-centered PGA business, we will continue R&D into this material with a view to expanding usage to applications that can help resolve environmental issues, such as marine plastic pollution.

Meeting the Expectations of All Stakeholders

Although vaccinations are progressing in Japan and overseas, the pandemic is not yet over, and it is difficult to discern what will come post-corona. Even so, we see governments, companies, schools, societies, and individuals working steadily toward the transition to a circular economy and global decarbonization, as outlined in the UN Sustainable Development Goals.

Kureha Group is committed to doing its part. We are an enterprise that leverages talented employees and proprietary technologies to provide products and services that can reduce environmental impacts and contribute to a sustainable society. Through profit growth, we strive to raise our corporate value and meet the expectations of stakeholders.

Regarding shareholder returns, our basic policy is to strengthen our corporate structure to achieve medium- to long-term growth, enhance internal reserves in preparation for future business development, and pay stable and

continuous dividends. We will acquire treasury stock that can be flexibly leveraged in consideration of the given financial situation. We have also set a return on equity (ROE) target of 8% to raise capital profitability, effective from our previous mid-term management plan. In the future, we will also begin managing businesses and investments based on the rate of return on invested capital (ROIC).

As per the revised Corporate Governance Code published June 11, 2021, we recognize the need to enhance ESG information disclosure and promote dialogue with stakeholders. To this end, we have renewed our website's CSR section in line with the Global Reporting Initiative (GRI) and strengthened Kureha's sustainability reporting. Business Report 2021, which you are now reading, includes my discussion with outside directors about the Board of Directors and the governance of the Company.

Kureha Group is committed to full information disclosure and will continue to maintain an open dialogue with stakeholders and listen to their views, while maintaining sustained corporate value growth.

We thank you for your investment and confidence in us and look forward to your continued support.

Kureha's History

A Proud History of Developing Original, Innovative Technology

1934 Showa Jinken Co., Ltd., the predecessor company, was established.

1939 Merged with Kureha Spinning Co., Ltd.

1944 Establishment

Kureha Chemical Industry Co., Ltd. was established. Produced monochlorobenzene, caustic soda, chlorobenzene, chloronaphthalene, etc.



Kureha Chemical Industry Nishiki Plant

1949 Listed on the Tokyo Stock Exchange.

1954 The Tokyo Research Center (now the Central Research Center) was established.

1953

Following World War II, Kureha began exploring high-degree applications for chlorine produced with caustic soda. One of the first products to emerge from this R&D was polyvinylidene chloride, developed through Kureha's own efforts without reliance on foreign technologies. We later made use of our original technologies in such areas as organic synthesis and polymeric chemistry to develop an extensive lineup of chemicals and plastics.



Sausage ligation process using a stamping machine

1960

Kureha developed the world's first crude oil pyrolysis technique. The technology derived from this project formed the cornerstone for the creation of carbon products and *Kremezin*, a therapeutic agent for chronic renal failure. In 1960 Kureha also developed *Krewrap*, the first household plastic wrap in Japan, and in 1977 *KRESTIN* (an anticancer agent).



Original design of *Krewrap*

1958 Received the 8th Deming Prize.

1962 The Nishiki Plant Research Center (now the Central Research Center) was established.

1965 Construction of the new head office building (in Tokyo's Nihonbashi Horidome-cho) was completed.

1969 Developed the world's first technology for crude oil cracking. Launched sales of carbon fiber *Kreca*.

1975 The Food Research Laboratory (now the Polymer Processing Research Laboratories) was established.

1977 Launched sales of anti-cancer agent *Krestin*.

Petrochemical process development

1987

Focused on developing unique and specialty products and various products for the world. Launched sales of engineering plastic *Fortron KPS* in 1987.



Fortron KPS

1986 The Ibaraki Research Laboratory (now the Polymer Processing Research Laboratories) was established.

1989

Released *New Krewrap* in which the package design was changed to a fresh-fruit pattern with functional improvements.



New Krewrap

1991 Launched sales of therapeutic agent for chronic renal failure *Kremezin*.

1993 Launched sales of agricultural fungicide *Metconazole*, *Ipconazole*, negative electrode material for lithium-ion secondary batteries *CARBOTRON P* and binder for electrodes *KF Polymer*.

2000

Launched sales of *Kremezin* fine grain.

2003

Withdrew from the commodities business under a program of selection and concentration. This restructuring aimed at expanding the scope of our specialty business, with a focus on advanced materials, pharmaceuticals and agrichemicals, and high-barrier packaging materials.

2015

Started commercial production of the PVDF China plant.



Plant of KUREHA (CHANGSHU) FLUOROPOLYMERS CO., LTD.

2012 Started commercial production of the polyglycolic acid (PGA) U.S.A. plant.

2005

In 2005, the company name was changed from Kureha Chemical Industry to Kureha Corporation. This rebranding was part of an effort to expand our business and achieve global growth, without being bound by the image of a chemical company. Kureha continues to provide beneficial products that help improve the global environment and lives of people around the world.

KUREHA

Corporate brand logo

High chlorine utilization

Specialty orientation

Global development

Kureha Group's Value Creation

Growth Strategy

Foundation for Value Creation

Data Section

Major Main Business, Products and Services, and Features

Advanced Materials

Advanced Materials include a variety of plastic and carbon products. **Polyphenylene sulfide (PPS)**, an engineering plastic with heat resistance and other features, is used in automobile parts and electronic housing. **Polyvinylidene fluoride (PVDF)** is used in binders for lithium-ion (LiB) secondary batteries, industrial valves and other products such as fishing lines, speakers and sensors that are handled by the Group. **Polyglycolic acid (PGA)**, which boasts high gas barrier performance in addition to biodegradability, is expected to develop as a material for shale gas and oil downhole tools.

Carbon products include carbon fiber and spherical activated carbon. Carbon fiber is mainly used as a heat insulating material in high-temperature heat treatment furnaces, and spherical activated carbon contributes to society in the fields of gas adsorption and water purification.

In addition, **Kureha Microspheres**, which are thermally expandable microcapsules, are used as a resin additive to reduce the weight of automobile parts and soles and to provide heat insulation.

Products	Major applications
	PPS Fortron KPS Bag filter, engine room parts, electrical/electronic parts, water mixer taps
	PVDF KF Polymer Lithium-ion secondary battery, filter, guitar string, chemical valve
	KF Piezo Sensors, violin pickups, speakers
	Microsphere KUREHA Microsphere Interior material, weather strip, glass run channel, sole, wallpaper

Challenges Solved by Products and Services

- Improves fuel efficiency and reduces CO₂ emissions by making vehicles lighter (PPS)
- Reduces CO₂ emissions by promoting electric vehicles equipped with LiBs (PVDF)
- Develops industry and creates new products by popularizing semiconductor products (carbon products)
- Refines wastewater and cleaning exhaust (carbon products)
- Promotes securing energy resources efficiently (PGA)

Sustainable social development and contribution to the SDGs

- Mitigates global warming by saving resources and reducing greenhouse gas emissions
- Secures safe water and cleaning of the global environment
- Contributes to industrial infrastructure and technological innovation





Specialty Chemicals

Specialty Chemicals include agrochemicals, pharmaceuticals, and basic industrial chemicals. There are two kinds of agrochemicals, the fungicide **Metconazole** used for wheat and corn, and the seed disinfectant **Ipconazole**. As the world's population grows and food demand increases, we are contributing to solving social issues.

In pharmaceuticals, we handle the therapeutic agent for chronic renal failure **KREMEZIN** and the therapeutic agent for chronic renal failure in cats **COVALZIN**.

As for basic industrial chemicals, we sell inorganic chemicals such as caustic soda and hydrochloric acid produced at the Kureha Iwaki Plant, and chlorobenzenes produced only by Kureha in Japan.

Products	Major applications
	Agrochemicals Metconazole Agricultural fungicide active ingredient for wheat, corn, rapeseed, and soybean, etc.
	Ipconazole Seed treatment fungicide active ingredient for rice (Japan) Seed disinfectants for corn, wheat, soybean, etc. (Overseas)
	Pharmaceuticals KREMEZIN Therapeutic agent for chronic renal failure
	COVALZIN Therapeutic agent for chronic renal failure in cat

Challenges Solved by Products and Services

- Protects crops from harmful insects, improves productivity and ensures production volume (**Metconazole**)
- Is effective with low-dose agrochemicals against crop disease (**Ipconazole**)
- Supports the healthy lives of people and cats (**KREMEZIN**, **COVALZIN**)
- Promotes effective use of limited raw materials through electrolysis of industrial salts (chlorine, caustic soda, chlorobenzene)

Sustainable social development and contribution to the SDGs

- Increases food productivity and secure food production volume
- Supports the healthy lives of people
- Promotes efficient use of natural resources







Specialty Plastics

Household products include the home-use wrap film **New Krewrap**, which uses a plastic cutter that anyone can cut easily. Because it is made from PVDC film that is resistant to oxygen and water vapor, it is possible to preserve food while maintaining freshness and moisture. In addition, the **Kichinto-San series**, which makes kitchen activities fun and convenient, aims to make everyday housework more comfortable from the customer's point of view in the areas of cooking, hygiene and preservation.

Krehalon Film, a food packaging material for commercial use, is made from PVDC, which is the same raw material as **New Krewrap**. Because it can be sterilized at high temperatures and pressures, **Krehalon Film** is mainly used for packaging retort sausages, enabling them to be stored at room temperature.

In leisure-related products, we have launched the world's first fluorocarbon fishing line **Seaguar** to support fishing activities for customers.

Products	Major applications
	Household products NEW Krewrap Home-use wrap film
	Kichinto-San series • Cooking Foil sheet, cooking sheet, draining garbage bag, storage container
	• Fishing line Seaguar series
	• Packaging material for commercial use Film for sausage

Challenges Solved by Products and Service

- Reduces waste (**New Krewrap**)
- Provides customers with a more comfortable routine of housework (**Kichinto-San series**)
- Enables long-term preservation of fish and meat sausages (**Krehalon Film**)
- Supports fishing life (**Seaguar**)

Sustainable social development and contribution to the SDGs

- Reduces food loss
- Ensures safe and stable food



Construction and Other Operations

Construction and Other Operations mainly consist of businesses of Kureha Group companies. Construction businesses include construction and civil engineering by the **Kurehanishiki Construction Group**, which contributes to local communities in and around Fukushima Prefecture.

Other businesses include the environment, transportation and hospital businesses. We operate **Kureha Ecology Management Co., Ltd.**, which specializes in the treatment of hazardous waste, in the environmental business; **Kureha Unyu Co., Ltd.**, which specializes in the transportation of chemical products, in the transportation business; and **Kureha General Hospital (Kureha-kai Medical Corporation)**, which is a core hospital in the southern part of Iwaki City, in the hospital business.

Products	Major applications
	Kurehanishiki Construction Co., Ltd. Providing safe, secure, and comfortable living environments related to construction, civil engineering, housing, and plants
	Kureha Engineering Co., Ltd. Maintenance and management of Kureha's plant
	Kureha Ecology Management Co., Ltd. Appropriate treatment and disposal of industrial waste
	Kureha Special Laboratory Co., Ltd. Environmental and physiochemical testing and analysis

Challenges Solved by Products and Service

- Provides safe, secure and comfortable living environments (Kurehanishiki Construction Co., Ltd.)
- Enables proper management and treatment of industrial waste and use of waste heat (Kureha Ecology Management Co., Ltd.)
- Supports research in the field of environmental protection and pharmaceuticals (Kureha Special Laboratory Co., Ltd.)
- Provides logistics aiming for safety, reliability and efficiency (Kureha Unyu Co., Ltd.)
- Contributes to industrial development in response to needs from a wide range of chemical fields (Kureha Trading Co., Ltd.)
- Contributes to local communities through medical care and provision of high-quality medical care (Kureha General Hospital)

Sustainable social development and contribution to the SDGs

- Realizes a low-carbon society
- Ensures the health of all people
- Promotes environmental conservation and energy conservation through industrial waste treatment



Growth Driver

Resolving Social Issues with Technologies and Values That Connect Present and Future

Alongside current businesses, Kureha is pushing the limits of core technologies in organic synthesis, polymers, carbon control, evaluation, and process engineering. Looking to the society of the future, we have positioned the environment, energy, life science, electronics, and mobility as priority areas for future R&D. Through fusion with other technologies, we will create growth drivers enabling Kureha to resolve social issues.

▶ Expanding Demand for In-Vehicle Lithium-Ion Batteries for a Carbon-Free Society

The global momentum toward carbon-neutral societies is in full swing, and environmental regulations are being tightened across the world.

The European Commission will virtually ban the sale of vehicles with internal combustion engines in 2035. US President Joe Biden has signed an executive order that includes the goal of maximizing the ratio of zero-emission vehicles to 50% in 2030. Similarly, China has announced that by 2035 all new vehicles sold will be environmentally friendly, with half being either BEVs*1 and FCVs*2.

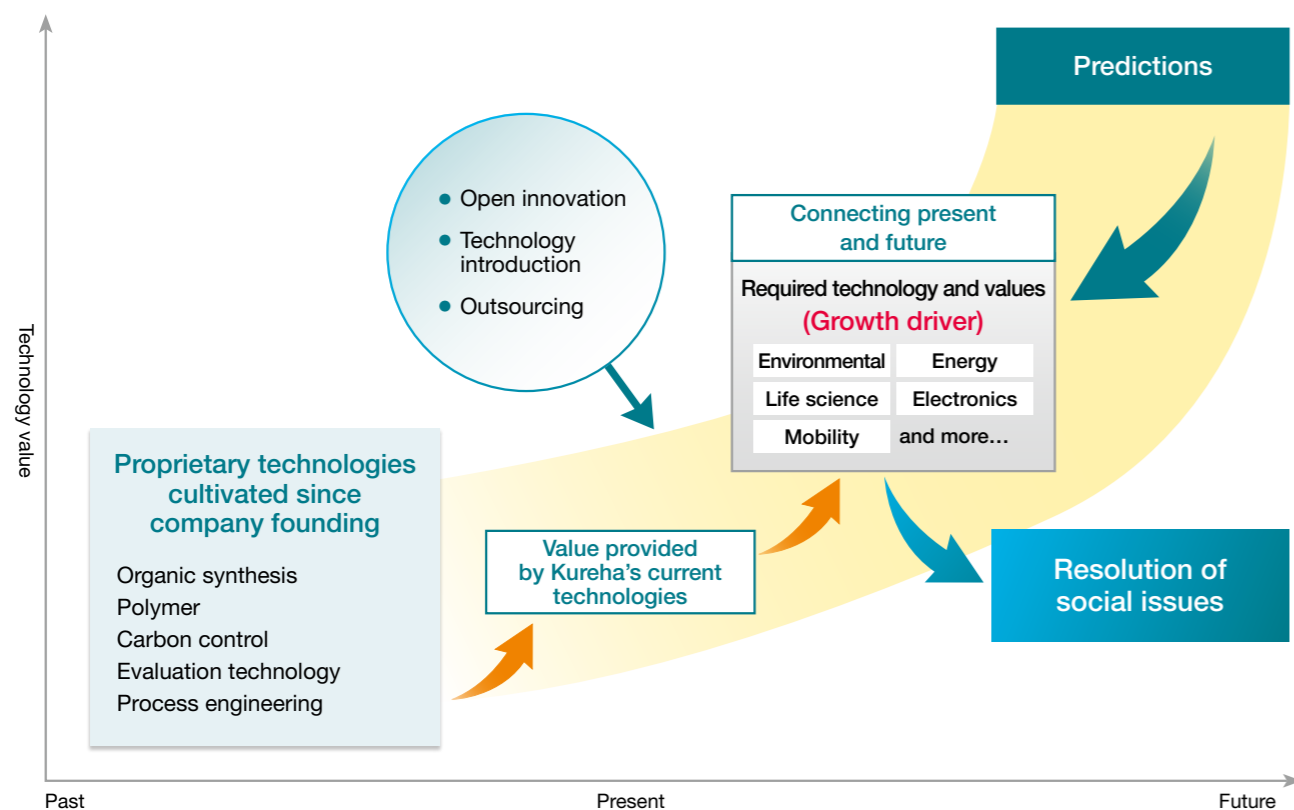
We can thus expect the electric vehicle proportion of global automobiles sales to increase rapidly in the future. In-vehicle batteries are a key technology enabling this shift to

electrification. Most electric vehicles use lithium-ion batteries (LiBs) due to their light weight, high energy density, and low capacity deterioration from repeated charging and discharging.

There is now strong demand for resolving remaining LiB issues such as improving reliability, increasing capacity to extend mileage, increasing output to improve driving performance, achieve high-speed charging and discharging, reducing battery costs, and improving charging equipment.

*1 BEV: An electric vehicle powered by a battery charged using an external power source.

*2 FCV: An electric vehicle that uses an on-board fuel cell for electricity generation and is powered by an electric motor.

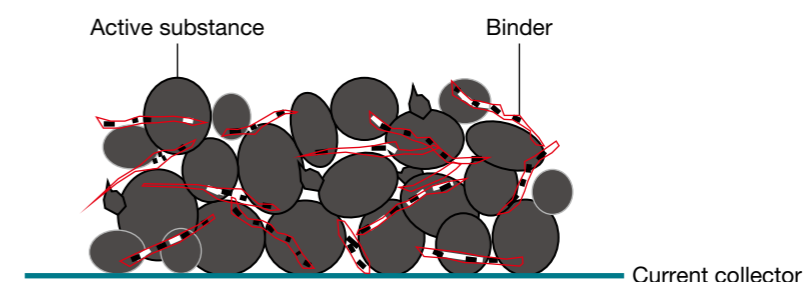


▶ Kureha Hold Some 40% of the World Market for In-Vehicle PVDF Binder Materials

LiBs are secondary batteries that charge and discharge by moving lithium ions (Li+) between positive and negative electrodes. The main components are electrodes, a separator that separates and insulates between the positive electrode and the negative electrode, and an electrolytic solution. As a binder material, Kureha's vinylidene fluoride resin (PVDF) is critical to the functioning of LiBs.

The electrodes function as "active substances" that transfer electrons (e-) and stores and releases lithium ions.

The binder, which is an adhesive, connects them to the current collectors. The adhesiveness of the binder, an important characteristic, determines battery performance. It must be able to firmly adhere the active substances to each other, as well as the active substances to the current collector. However, the binder also has an internal resistance that affects conductivity, so it should exhibit as little adhesiveness as possible.



Kureha's PVDF exhibits high adhesion to active substances, electrical stability across a wide potential range, and high permeability for lithium ions. It meets all performance aspects required of a binder.

In particular, the PVDF grade known as special polymer exhibits high adhesive performance even in a small amount and is sold as a binder for ternary LiBs. Demand for using such batteries in electric vehicles is expanding due to their high capacity, high energy density, and high safety.

To manufacture PVDF, Kureha uses a method called suspension polymerization, which enables high functionality through a special form of polymerization. Few companies manufacture PVDF in this way, as it requires special polymers. Due to the high quality of Kureha's special polymers and solid track record, our PVDF is widely used in

in-vehicle LiBs globally. By upgrading and innovating unique technologies, we can continuously raise the performance and quality of our products and respond promptly to the needs of customers and society.

To meet growing demand for in-vehicle LiBs, Kureha is now constructing new facilities to increase production capacity from the current 11,000 tons (Japan and China) to 21,000 tons by summer 2024. To reduce environmental impact and costs, we will also work to raise production efficiency.

Furthermore, as a pioneer of LiB binders, we will anticipate the needs of the times and support the development of solid-state battery technology for next-generation vehicles.



PVDF



Kureha holds around a 40% share of the worldwide market for automotive PVDF binders.

Establishing Kureha's Challenge 2022 with the Re-Extended "Kureha's Challenge"

After completing the final year of Kureha's Challenge 2020, which was an extension of the Kureha's Challenge 2018 mid-term management plan, we formulated Kureha's Challenge 2022, an extension for another two years. We will follow through to resolve issues and aim to fulfill our vision of what Kureha wants to be.

Review of FY2020

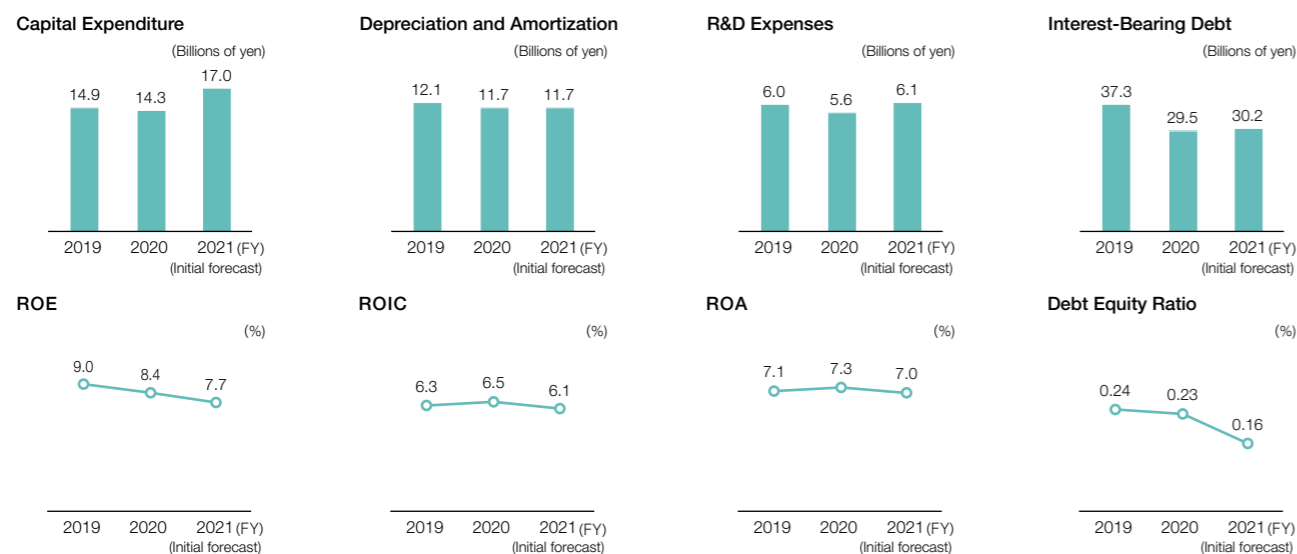
The two-year period of Kureha's Challenge 2020 (KC2020) was designated as "a period to lay the foundation for future expansion." During this time, Kureha's operations were guided by the following management goals: (1) expand the PGA business and generate earnings, (2) strengthen the PVDF business for further expansion, (3) optimize the business models of existing businesses, (4) explore and develop new businesses in Japan and overseas, and (5) strengthen our management foundations.

In FY2020, the final year of KC2020, earnings in the Advanced Materials segment and Other Operations expanded, but earnings in the Specialty Plastics segment,

whose main markets are the shale oil/gas industry and the automobile industry, fell short of the target due to the negative impact of COVID-19 on the domestic and overseas economies from the beginning of the fiscal year. Accordingly, operating profit was 17.3 billion yen, down slightly from the previous fiscal year, primarily due to an impairment loss in the PGA business. Except for (2) strengthen the PVDF business for further expansion, we recognize that we are still halfway to achieving four of the stated management goals.

Below is an outline of the results for each management goal.

Management goals	Results for two years
(1) Expand the PGA business and generate earnings	Decreased sales led to increased losses. There were also delays in new product development.
(2) Strengthen the PVDF business for further expansion	Achieved profit target and began construction of a new facility at the Iwaki Factory to increase production capacity. Construction plans for an additional factory are also under consideration.
(3) Optimize the business models of existing businesses	The home products business achieved its profit target and the transfer (company split) of the blow bottle business was completed. Profit growth was slow in the PPS business, while commercial-use packaging materials business was sluggish.
(4) Explore and develop new businesses in Japan and overseas	Promoted collaboration with multiple start-up firms. Invested resources in the development of new agrochemical and PVDF products.
(5) Strengthen our management foundations	Achieved cost reduction targets and promoted digitalization and operational efficiency.



Note: The figures in FY2021 are the planned figures for the mid-term management plan KC2020.

Summary of the Mid-Term Management Plan: Kureha's Challenge 2022 (the Final Stage of Kureha's Challenge Extension Plan)

(Basic Stance)

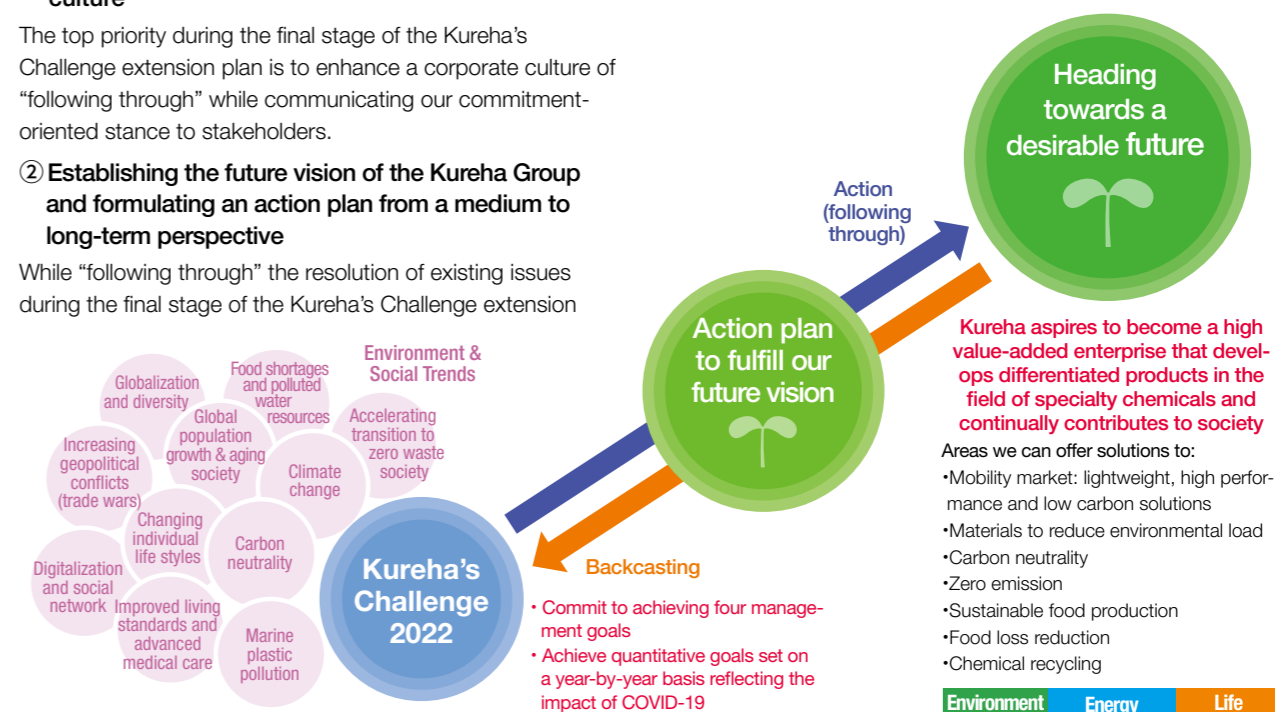
① Instilling a "follow through" attitude in our corporate culture

The top priority during the final stage of the Kureha's Challenge extension plan is to enhance a corporate culture of "following through" while communicating our commitment-oriented stance to stakeholders.

② Establishing the future vision of the Kureha Group and formulating an action plan from a medium to long-term perspective

While "following through" the resolution of existing issues during the final stage of the Kureha's Challenge extension

plan, we will also set specific goals and action plans to achieve sustainable growth into the future.



(Management Goals and Priority Measures)

(★ indicates new priority measures)

① Expand the Advanced Materials businesses

- Solidify the foundation of the PGA business by expanding the market share of existing products and launching/expanding sales of new products
- Expand profits from the PVDF business and start construction of a new factory
- Improve profitability in the PPS business by strengthening cooperation with business partners

② Optimize existing businesses

- Review business strategies and measures in response to changes in the business environment
- Develop new applications for existing products

③ Identify and develop new businesses

- Develop and commercialize environmental load reduction technology to contribute to society ★
- Accelerate ongoing product development
- Create new businesses through collaborations that bring together in-house technology and external technologies

④ Strengthen the management foundations

- Introduce and disseminate a new personnel system (further emphasize roles and performance orientation and extend the retirement age) ★
- Continue to strengthen production technology and cost-competitiveness
- Advance digitalization and strengthen IT-related human resources
- Strengthen ESG management with an eye toward SDGs and carbon neutrality ★

(FY2021 Plan)

Quantitative targets

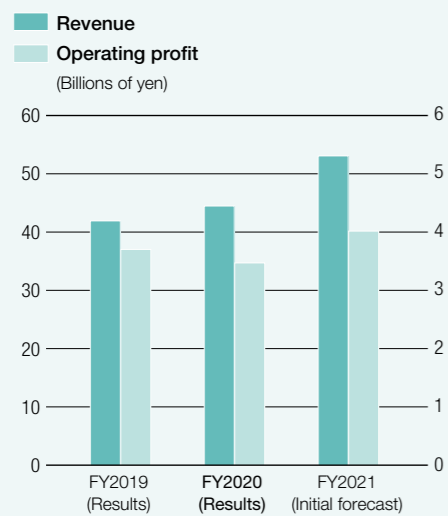
Given that the impact of COVID-19 on the domestic and overseas economies remains unclear, the plan outlines quantitative targets to be achieved on a year-by-year basis.

	FY2020 results	FY2021 plan
Revenue (Billions of yen)	144.6	150.0
Operating profit (Billions of yen)	17.3	15.0
Operating margin (%)	11.9	10.0
Profit attributable to the owners of parent (Billions of yen)	13.5	10.7
Earnings per share (Yen)	691.33	548.22

(Presumptions) Currency exchange rates: US\$1=¥107, €1=¥128, CHN¥=¥16.5; Crude oil prices: \$60/bbl (1st half year), \$55/bbl (2nd half year)

Review of Operations

Advanced Materials



Key products

- Polyphenylene sulfide (PPS)
- Polyvinylidene fluoride (PVDF)
- Polyglycolic acid (PGA)
- Carbon fibers
- Bead-shaped activated carbon

FY2020 Results

In the advanced plastics business, revenue increased as a result of higher sales of polyvinylidene fluoride (PVDF) for binders for lithium-ion (LiB) rechargeable batteries, although sales of polyphenylene sulfide (PPS) and processed polyglycolic acid (PGA) for shale oil and gas drilling applications decreased. Operating profit remained unchanged due to a rise in operating losses in the PGA business and a decrease in earnings from U.S. joint ventures accounted for by the equity method.

In the carbon products business, revenue and operating profit fell due to a decrease in sales of carbon fibers for sliding materials for automotive parts and insulation materials for high-temperature furnaces.

FY2021 Forecast

Amid a gradual recovery in the shale oil and gas drilling market, we aim to expand sales of PGA in existing markets (mid- and high-temperature wells) through flexible pricing and design improvements in existing products, which we initiated in the second half of 2020. Demand for PVDF binders for automotive LiBs is growing due to the rapid expansion of the electric vehicle market, but sales growth will slow reflecting limited production capacity. Sales of PPS are expected to rise due to the contribution of the new 5,000-ton plant completed in January 2021. Based on the above, we expect revenue and operating profit to increase in the advanced plastics business.

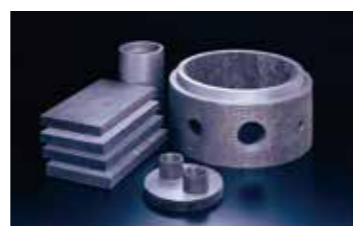
Shipments of carbon fiber are forecast to remain at the same level as in the previous fiscal year, due to a time lag before orders are placed, although some customers, such as those using carbon fiber for insulation materials, are operating well. Revenue and operating profit in the carbon products business are expected to decline due to soaring raw material prices and differences in the product mix.



Polyvinylidene fluoride (PVDF)
PVDF is a super engineering plastic with an excellent balance of chemical resistance and moldability, used in such fields as electronic materials and water treatment membranes.



Polyphenylene sulfide (PPS)
Kureha's PPS has excellent mechanical strength, heat resistance, chemical resistance and flame resistance, and is highly regarded worldwide as a super engineering plastic.



Carbon products
Kureha's carbon products have excellent heat resistance and offer a wide variety of product shapes such as thread, felt, sheet and cylindrical shape.

Pick Up

Current Status and Strategy of the Polyglycolic Acid (PGA) Business

Kureha is the only company in the world to successfully mass-produce PGA, a biodegradable resin with high gas barrier properties. The material is shaped into so-called frac plugs, which are used in shale oil and gas extraction in North America.

In FY2020, the market shrank to less than half due to crude oil price fluctuations caused by the pandemic. Although oil prices have gradually recovered since then, the return to pre-corona levels is expected to take time.

While Kureha faces headwinds due to current market conditions, our PGA plug still only accounts for a few percent of the total frac plug market and is in the phase of increasing its share among conventional metal frac plugs. To increase the attractiveness of our product, we have moved away from the conventional strategy emphasizing added value to one based on quantity-based, flexible pricing. We have also opened five service centers to quickly reflect end-user feedback in our products. Such fine-tuning to specific needs in combination with speedy delivery has led our PGA plug to enjoy a very high level of customer satisfaction.

To expand our presence, we are also developing new frac plug grades. Underground conditions, such as temperature, vary widely across shale oil and gas wells. Many wells in the Permian Basin, which is the largest market in North America,

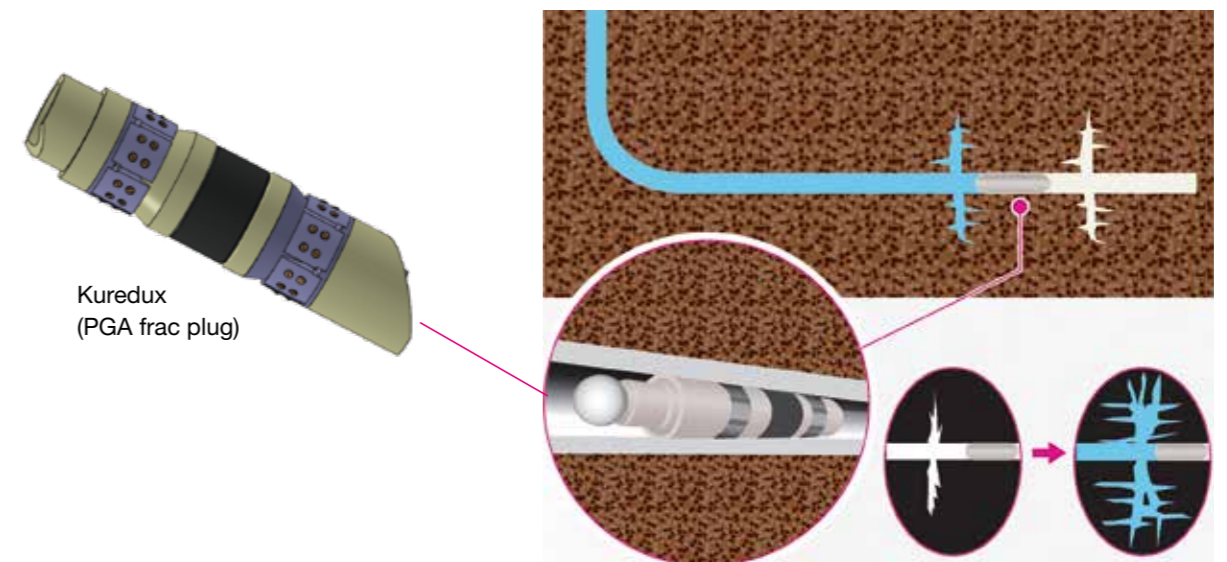


have low underground temperatures, which has required us to develop a new ultra-low temperature grade in addition to existing grades.

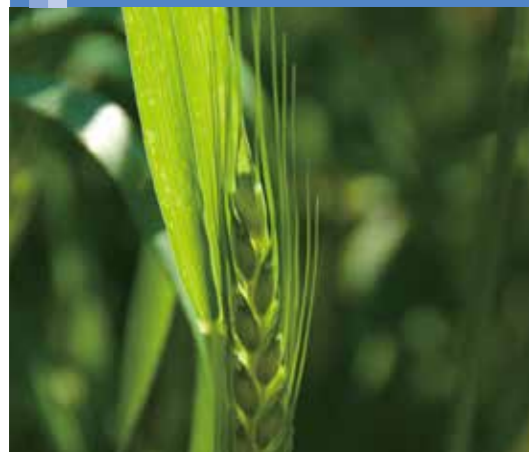
Although the development of this new grade has been delayed from the initial plan, we are proceeding with resin modifications and design adjustments to the frac plug to improve degradability. Through such refinement, we aim to increase our market share in the Permian Basin.

Our goal of expanding and generating profit from the PGA business was not met during the previous mid-term management plan, Kureha's Challenge 2020. However, we are determined to succeed during the final stage of the Kureha's Challenge extension plan (2021 to 2022). By 2023, we aim to return to profitability by increasing the share of PGA frac plugs in North America.

Shale Oil and Gas Extraction Process



Specialty Chemicals

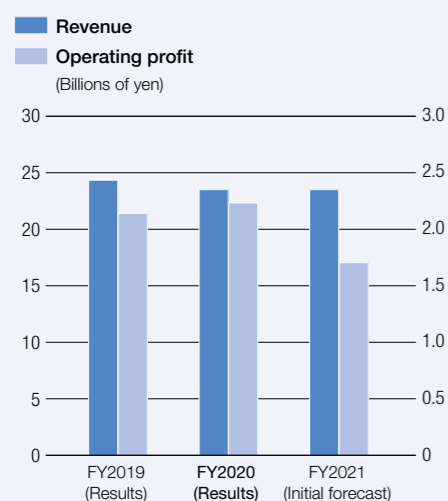


FY2020 Results

Sales of *KREMEZIN*, a therapeutic agent for chronic renal failure, decreased, but sales of *Metconazole* and *Ipconazole*, agriculture and horticulture fungicides, increased due to the relatively peaceful global climate and favorable grain planting. Accordingly, revenue and operating profit in the pharmaceutical and agrochemical business increased. In the industrial chemicals business, both revenue and operating profit decreased due to lower sales of inorganic and organic chemicals as a result of a drop in domestic industrial production caused by COVID-19.

FY2021 Forecast

Although National Health Insurance (NHI) drug prices are scheduled to be revised in Japan, sales are expected to increase due to the expansion of sales of *KREMEZIN* tablets in Japan and overseas, while sales of agricultural and horticultural fungicides are forecast to decline gradually due to intensified competition with other products. Revenue and operating profit are expected to decline in the pharmaceutical and agrochemical business, partly due to an increase in development costs for new agrochemicals. In the industrial chemicals business, revenue and operating profit are expected to rise reflecting a recovery in domestic industrial production.



Key products

- Agricultural and horticulture fungicide
- Therapeutic agent for chronic renal failure
- Caustic soda
- Hydrochloric acid
- Sodium hypochlorite
- Monochlorobenzene
- Para-Dichlorobenzene
- Ortho-Dichlorobenzene



Metconazole
•Agriculture and horticulture fungicide



Ipconazole
•Agricultural and horticultural seed treatment fungicide



KREMEZIN[®] Tablets 500 mg
•Therapeutic agent for chronic renal failure

Specialty Plastics



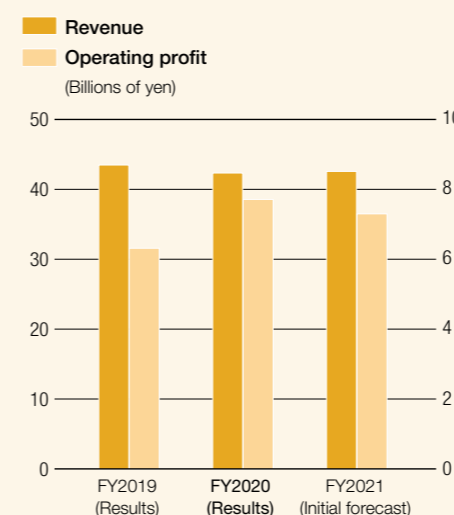
FY2020 Results

In the consumer goods business, revenue and operating profit increased as a result of higher sales of *New Krewrap* home-use wrap film and *Seaguar* fluorocarbon fishing lines. In the food packaging materials business, revenue and operating profit fell due to a decrease in sales of heat-shrink multilayer films and the transfer of the blow bottle business in the previous fiscal year.

FY2021 Forecast

Sales of home products are expected to decline slightly as a result of a rebound in stay-at-home demand in the previous fiscal year in anticipation of recovery from the COVID-19 pandemic. Sales of fishing lines are forecast to remain at the same level as in the previous fiscal year. Revenue and operating profit in the consumer goods business are expected to decline due to higher raw material prices and higher expenses.

With regard to heat-shrink multilayer films, the European restaurant market is forecast to recover from the COVID-19 pandemic, but sales of packaging materials for business use are expected to decline and operating profit is forecast to remain flat due to a decrease in sales of PVDC films for Southeast Asia.



Key products

- Household wrap film
- Draining bag for sink
- Food plastic containers and cooking sheet
- PVDF fishing lines
- Polyvinylidene chloride (PVDC) film
- Heat-shrink multilayer film
- Machinery for auto-seal food packaging



NEW Krewrap
•Home-use wrap film



Seaguar
•Fishing lines



Krehalon ML
•Packaging of block ham, meat and cheese

Construction and Other Operations

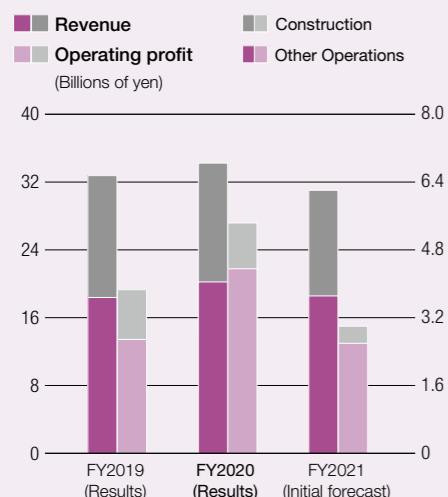


FY2020 Results

In the construction-related business, revenue and operating profit decreased as private construction projects were suspended or postponed due to the impact of COVID-19, although public works projects remained unchanged from the previous fiscal year. In the environmental business, revenue and operating profit increased due to a rise in the disposal of low-concentration polychlorinated biphenyl (PCB) waste and the disposal and treatment of disaster waste generated temporarily. In the transportation business, revenue and operating profit were unchanged from the previous year. In the hospital business, revenue decreased and the operating loss increased.

FY2021 Forecast

In the construction-related business, revenue and operating profit are expected to decline due to a drop in orders for private construction work and a rise in construction costs due to the impact of COVID-19. In Other Operations, although revenue in the transportation business and hospital business are expected to increase slightly, revenue and operating profit are expected to decline due to a decrease in the disposal and treatment of disaster waste in the environmental business.



Kurehanishiki Construction Co., Ltd.
FY2020 construction results: Wood pellet and PKS storage facility for AWEP
Onahama Biomass Power Generation Project



Himeyuri Sogyo Co., Ltd. (Industrial waste final disposal plant)

Key products

- Civil engineering and construction
- Plant engineering and maintenance
- Industrial waste treatment and environmental-related treatment facilities
- Physicochemical analysis, measurement, testing and inspection
- Transport and warehousing
- Medical care services

Special Feature Kureha's R&D

As expressed by our corporate philosophy, which states that “We contribute to society by developing beneficial products,” we continue to strive toward resolving social issues through R&D.

Our mid-term management plan, Kureha's Challenge 2022, aims to realize this goal and further strengthen our R&D. Key measures include using research to thoroughly differentiate our existing businesses as well as exploring new business opportunities in Japan and overseas. The most important thing is to complete the tasks that were not achieved in the previous mid-term management plan, Kureha's Challenge 2020. Furthermore, we will tackle new tasks in response to changes in social conditions.

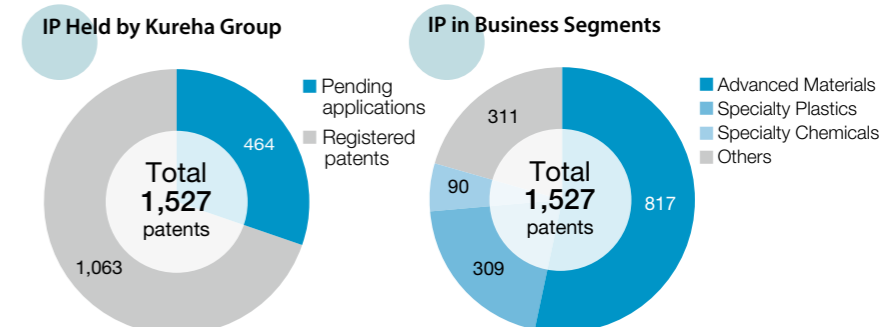
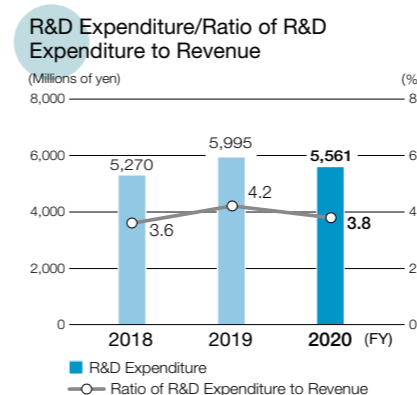
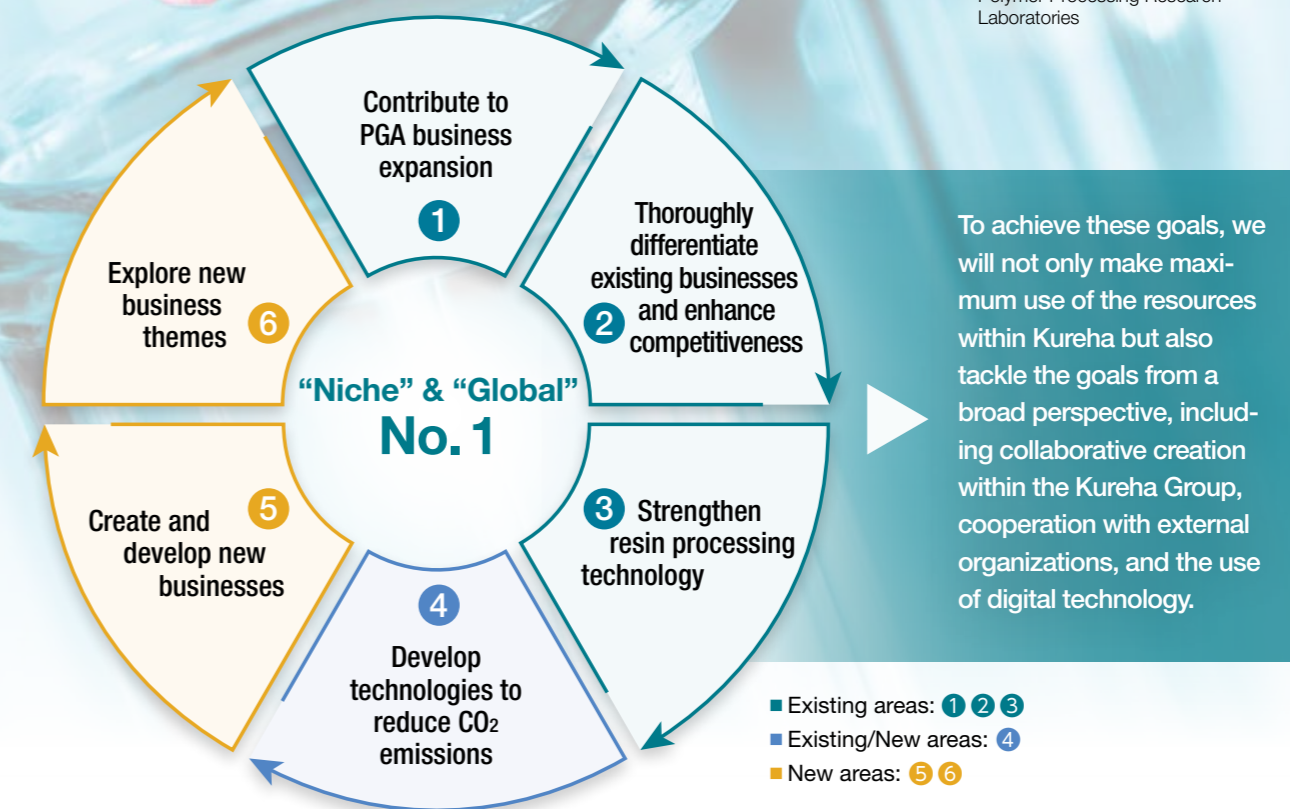


Central Research Center / Safety Research Center



Polymer Processing Research Laboratories

Six Priority Issues



Corporate Governance

Based on the Corporate Governance Guidelines, Kureha strives to enhance management transparency, secure relationships of trust with stakeholders, and fulfill its corporate social responsibility and achieve sustainable growth. We will also work to enhance the effectiveness of corporate governance in the Group.

Basic Policy on Corporate Governance

Kureha aims to enhance its internal control functions, including the implementation of compliance, to conduct fair and transparent management, and to enhance the effectiveness of corporate governance based on the

Corporate Governance Guidelines. In this way, we aim to achieve sustainable growth and enhance the Group's corporate value over the medium to long term.

Corporate Governance Structure

To strengthen corporate governance and expedite decision-making and business execution in the Group's management, we will clarify management oversight and execution responsibilities.

regarding audit plans and the status of audits to ensure mutual cooperation.

Board of Directors

The Board of Directors, which is limited in size to a maximum of 10 directors, of whom at least two should be independent outside directors who do not concurrently serve as executive officers, makes decisions on important management issues and supervises execution. Independent outside directors are appointed based on standards that take into account the requirements for independence stipulated by financial instruments exchanges.

Executive Committee

The Executive Committee, which consists of the President & CEO and executive officers as key members, deliberates on the Company's important management issues. The consolidated Executive Committee also exchanges views on management policies and business strategies to strengthen consolidated management.

Audit & Supervisory Board

The Audit & Supervisory Board consists of four or fewer Audit & Supervisory Board members, including two or more independent outside Audit & Supervisory Board members, and has appropriate knowledge of finance and accounting. The Audit & Supervisory Board members monitor the deliberation processes of board's resolutions and reports and audit the execution of duties. In addition, Audit & Supervisory Board members exchange opinions with the independent auditor and the Internal Control and Auditing Department

Independent Auditor

Kureha has appointed Ernst & Young ShinNihon LLC as its independent auditor and has been subjected to fair and impartial accounting audits by properly providing management information.

Internal Control and Auditing Department

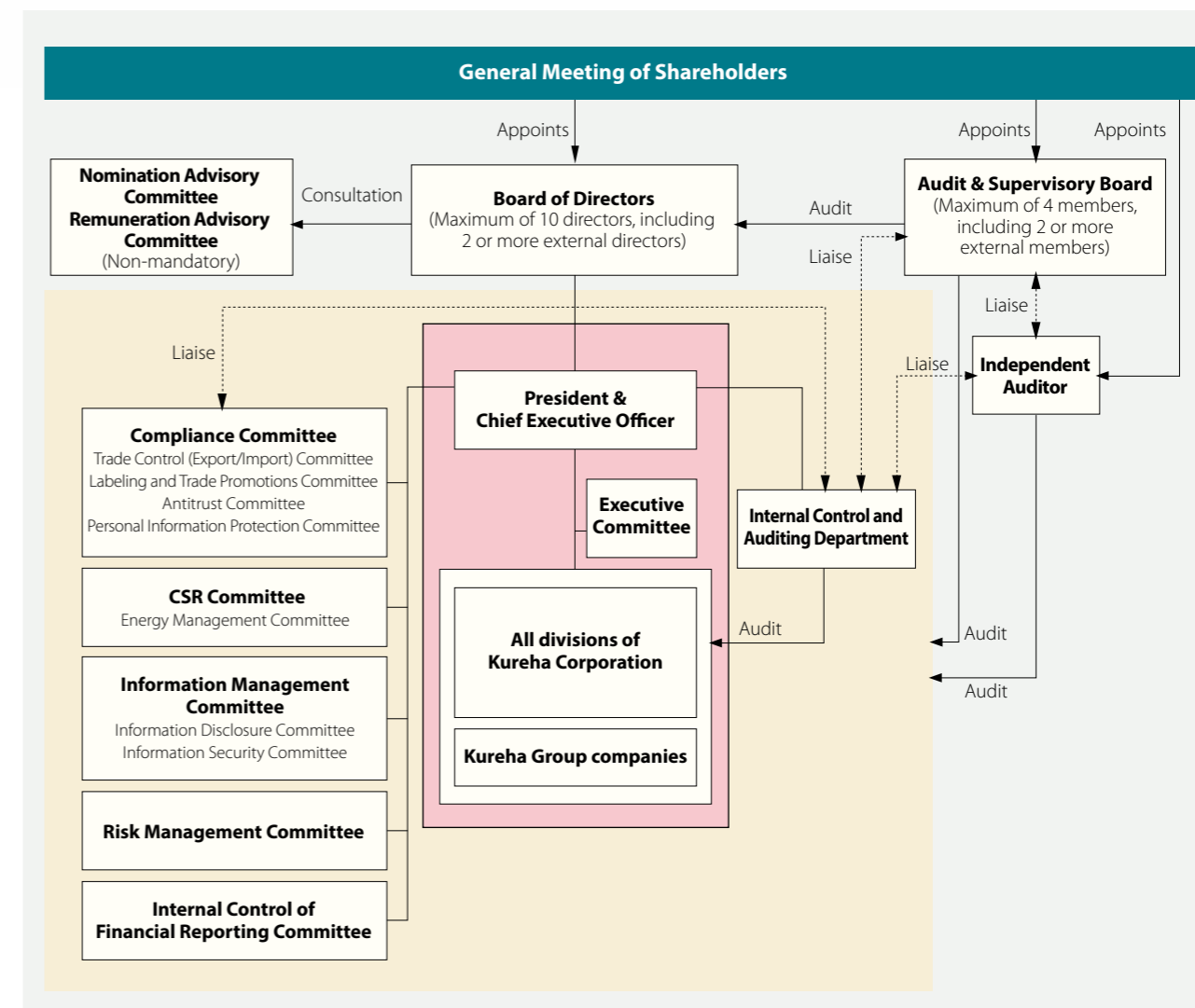
The Internal Control and Auditing Department, which acts independently of other departments, assesses and verifies the suitability and effectiveness of internal management control systems, makes suggestions and recommendations regarding improvements, and reports the results of audits to the Board of Directors and others. By doing so, we ensure a system that contributes to improving management efficiency and public trust in Kureha.

Nomination Advisory Committee (Non-mandatory)

The Nomination Advisory Committee deliberates on matters concerning the appointment and dismissal of the President & CEO, representative directors and directors, as well as candidates to succeed the President & CEO and relevant succession plans, and examines the content of proposals to the Board of Directors.

Remuneration Advisory Committee (Non-mandatory)

The Remuneration Advisory Committee deliberates on matters related to the system and policies regarding remuneration for directors and executive officers and examines the content of proposals to the Board of Directors.



Assessment of the Effectiveness of the Board of Directors

To enhance the functions of the Board of Directors, Kureha analyzes and assesses its effectiveness annually and discloses a summary of the results.

Since FY2019, we have conducted a questionnaire survey of all directors and Audit & Supervisory Board members on the "Assessment of the Effectiveness of the Board of Directors" and conducted a review based on the results of the assessment at the regular meetings of the Board of Directors. Specifically, we assessed (1) the composition of the Board of Directors, (2) the management of the Board of Directors, (3) the agenda of the Board of Directors, (4) a system of support

for external directors, the roles of Audit & Supervisory Board members, and the expectations for Audit & Supervisory Board members, and (5) the relationship with stakeholders. As a result, we confirmed the proper implementation of all items and the effectiveness of the Board of Directors as a whole.

Corporate Governance Report

The information on Kureha's corporate governance is also presented on the website.

https://www.kureha.co.jp/en/csr/governance/corp_governance.html

Internal Control System

The Board of Directors has adopted a resolution on the “Basic Policy on Internal Control Systems.” To ensure that the Group complies with laws and regulations and conducts our business operations in an appropriate manner, we are working to establish various committees, develop internal rules, and respond to laws and regulations. We also review the performance of internal control systems every year and publish a summary of the review in our Business Report.

As for internal control of financial reports to ensure their reliability, we have established basic rules and implement management’s assessment and certified public accountant’s auditing of the effectiveness of the internal control of financial reports, as stipulated in the Financial Instruments and Exchange Law. At the same time, under the responsibility of the President & CEO, we publish Internal Control Reports.

Policies on Determination of the Amount and Calculation Method of Executive Remuneration

Basic Policies on Executive Remuneration

The Board of Directors determines the remuneration for directors and executive officers based on corporate performance, while considering enhancement of medium to long-term corporate value, and in accordance with the remuneration structure and levels appropriate to the roles and responsibilities required of each executive for securing and maintaining appropriate human resources.

Executive Remuneration Package and Determination Process

(Directors)

- The remuneration for directors consists of “monthly remuneration” as fixed remuneration, “bonus,” which is performance-based, and “remuneration in the form of stock acquisition rights as stock options.” The remuneration for external directors consists solely of “monthly remuneration.”
- The total amount of “monthly remuneration” is resolved at the General Meeting of Shareholders, and individual amounts are determined by the Board of Directors based on the amount determined according to their position and rank. In principle, the remuneration package for both full-time and part-time directors only includes a fixed amount, and does not include allowances, etc. In accordance with the resolution of the 94th Ordinary General Meeting of Shareholders (held on June 27, 2007) and the 103rd Ordinary General Meeting of Shareholders (held on June 24, 2016), the annual amount of fixed remuneration for directors (maximum of 10 directors) is 440 million yen or less (of which the amount paid to external directors is 60 million yen or less).
- The amount of “bonus” is based on the profit attributable to owners of parent for each fiscal year. The total amount is resolved at the General Meeting of Shareholders, and the individual amount for each director is determined based on an evaluation by the President & CEO, who is entrusted by the Board of Directors.

The result of the evaluation is deliberated on by the

Remuneration Advisory Committee to ensure the objectivity and transparency of the remuneration amount.

- The total amount of “remuneration in the form of stock acquisition rights as stock options” is resolved at the General Meeting of Shareholders, and the individual amount for each director is determined based on an evaluation by the President & CEO on the business execution status of each director and the degree of their contribution to the business performance in the relevant fiscal year. The result of the evaluation is deliberated on by the Remuneration Advisory Committee to ensure the objectivity and transparency of the remuneration amount. The fair value of stock options is calculated based on the Black-Scholes model and other reasonable grounds and determined by the Board of Directors. In accordance with the resolution of the 94th Ordinary General Meeting of Shareholders (held on June 27, 2007), the annual amount of remuneration in the form of stock acquisition rights as stock options for directors (maximum of 10 directors) is 40 million yen or less, which is separate from the fixed remuneration. External directors are not eligible for stock options.
- The Remuneration Advisory Committee deliberates on matters related to policies concerning the remuneration structure and system for directors and executive officers and examines the content of proposals submitted to the Board of Directors. During the current fiscal year, the Remuneration Advisory Committee met twice to review the remuneration structure and system for directors.
- No indicator goals for performance-based remuneration have been set for the current fiscal year.

(Audit & Supervisory Board Members)

- The remuneration for Audit & Supervisory Board Members consists solely of “monthly remuneration” as fixed remuneration. The total amount is resolved at the General Meeting of Shareholders, and the individual amount for each Audit & Supervisory Board Member is determined through discussion by Audit & Supervisory Board Members at a

meeting of the Audit & Supervisory Board. In principle, they are not paid allowances.

In accordance with the resolution of the 94th Ordinary General Meeting of Shareholders (held on June 27, 2007),

the annual amount of fixed remuneration for Audit & Supervisory Board Members (maximum of 4 members) is 120 million yen or less.

Total Amount of Remuneration by Executive Officer Classification, Total Amount by Remuneration Type, and Number of Eligible Executive Officers

Executive officer classification	Total remuneration (million yen)	Total remuneration amount by type (million yen)			Number of eligible executive officers
		Basic remuneration	Performance-based remuneration	Non-monetary remuneration	
Directors (excluding external directors)	215	127	70	18	3
Audit & Supervisory Board members (excluding Outside Audit & Supervisory Board members)	18	18	—	—	1
Outside directors	30	30	—	—	3
Outside Audit & Supervisory Board members	29	29	—	—	2

Total Consolidated Remuneration for Each Executive Officer

Name	Total consolidated remuneration (million yen)	Executive officer classification	Company category	Total remuneration amount by type (million yen)		
				Basic remuneration	Performance-based remuneration	Non-monetary remuneration
Yutaka Kobayashi	118	Directors	Submitting company	67	40	11

Note: This only shows the figures for those whose total consolidated remuneration is 100 million yen or more.

Shareholding Status

Criteria and Approach for Classification of Investment Shares

Kureha holds shares either for the purpose of pure investment or for purposes other than pure investment and classifies them according to this difference. The shares classified as shares for pure investment are held for the purpose of receiving profits from fluctuations in the value of shares or dividends from the shares. The shares classified as shares for purposes other than pure investment are held based on the assumption that they will contribute to current business as well as the sustainable and medium to long-term enhancement of corporate value. Kureha does not hold shares for the purpose of pure investment. As for internal control of financial reports to ensure their reliability, we have established basic rules and implement management’s assessment and certified public accountant’s auditing of the effectiveness of the internal control of financial reports, as stipulated in the Financial Instruments and Exchange Law. At the same time, under the responsibility of the President & CEO, we publish Internal Control Reports.

Investment Shares held for Purposes other than Pure Investment

Policy on shareholdings, method for verifying the reasonableness of shareholdings, and details of verification of appropriateness of shareholdings for each stock conducted by the Board of Directors

Kureha holds the shares of its business partners if it is judged that doing so will contribute to current business as well as the sustainable and medium and long-term enhancement of corporate value. The Board of Directors verifies the significance of holding shares for purposes other than pure investment by examining whether the purpose of shareholdings is appropriate and whether the benefits and risks of holding the stock are commensurate with the cost of capital.

We will reduce stocks that are deemed no longer necessary in stages, taking into account a comprehensive range of factors, including dialogue with business partners, the impact on the market, and whether capital is being used effectively. In fiscal 2020, we decided to reduce 5 stocks based on the results of the examination at the Board of Directors meeting held on May 15, and as of the end of March 2021 we held 53 stocks. (Sold all shares of three out of five stocks we held)

Risk Management / Information Management

Business Continuity Plan (BCP)

In May 2014, we developed and strengthened countermeasures to large-scale disasters such as earthquakes and formulated a Business Continuity Plan (BCP). In FY2019, we started updating our BCP to include countermeasures to storm and flood damage, which have been increasingly severe in recent years. As for the head office, if a large-scale flooding from rivers in and around Tokyo metropolitan area or its suburbs, there may be a situation where employees are not able to come to the head office for a considerable period of time due to damage to each employee and paralysis of transportation. In order to continue operations under these circumstances, consideration is being given to business execution at other sites or at home.

We will continue to review the ever-changing natural disaster scenarios to establish and further enhance the BCP.

Recently, due to the global COVID-19 pandemic, we have set up task forces and teams at all sites (head office, factories, domestic and overseas group companies), which work in tandem by sharing policies and information on the status of each region and site, and discussing/implementing countermeasures to various issues to ensure the safety of our employees against infection from COVID-19.

Overseas Crisis Management System

Kureha and group companies have formulated a manual for expatriates and business travelers to use in crises to ensure employee safety and minimize damage in the event of an emergency overseas. We are also providing a medical assistance service run by a crisis management company for our employees while they are overseas.

We also support our expatriates and overseas employees by providing crisis management information, timely alerts, instructions on travel restrictions, etc.

Protection of Personal Information

It is our social responsibility to protect all personal information provided to us. Therefore, we acquire and manage all personal information in accordance with our policies for the protection of personal information and specific personal information.

Information Security Measures

Securing safe and reliable controls for appropriate sharing and utilizing of all business-related information is one of our most important management issues.

We collect a wide range of data related to information security and continually implement the following measures:

(1) Take countermeasures to cyberattacks

Our system to detect and block external cyberattacks is kept in stable operation by a 24/7 year-round monitoring service provided by a cybersecurity vendor.

(2) Assess risk of information assets

We are reducing risk by systematically assessing the security risks of our information assets and implementing countermeasures.

(3) Prevent information leaks

We have a security vendor regularly carry out diagnostics to confirm that overall security remains at a high level.

(4) Educate and train about information security

We continually provide information security education to all employees. We also conduct simulations of targeted threats so that employees learn what to do when they receive suspicious emails.

(5) Fight the spread of COVID-19 (by remote access tools for business continuity)

During this pandemic, we are working to ensure that employees are aware of the information security risks of using remote access tools while working from home by establishing oaths and encouraging their thorough implementation.

Kureha's Basic Information Security Policy is posted on its website.

<https://www.kureha.co.jp/en/csr/governance/risk.html#risk06>

Countermeasures to Information System Disasters

Our Enterprise System and electronic file systems operate in robust data centers in Japan. As a disaster countermeasure, we also have duplicated data stored in a cloud-based system.

Furthermore, we have introduced a cloud-based system for internal emails so that emails can be sent within the company even in the event of a disaster.

Compliance

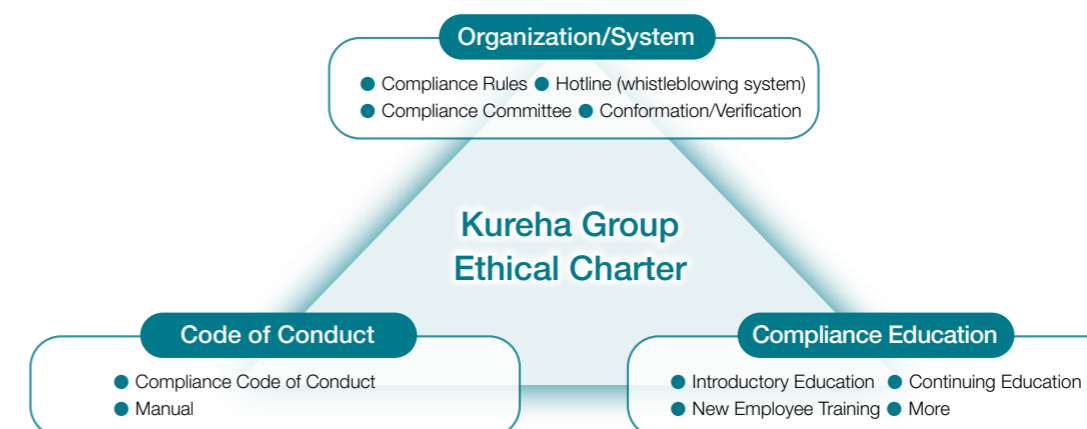
Compliance System

We established the Kureha Group Ethical Charter as a code of conduct for directors and employees of the Kureha Group. The Compliance Committee, chaired by a director, provides training and other education through the Compliance Handbook, which contains the Compliance Code of Conduct, so that each

employee is aware of the importance of compliance.

The Internal Control and Auditing Department, under the direct control of the President, evaluates and verifies the appropriateness and effectiveness of internal control systems, including compliance, in internal audits.

Outline of the Kureha Group Ethical Charter



Initiatives for Compliance Education and Awareness

- Conducting compliance awareness surveys (including group companies)
- Introductory training for new employees
- Group training for promoted executives
- E-learning (for promoted executives and new employees)
- Information exchange meeting between Kureha and group companies on education and case study
- Internal audits on security trade management
- Reviews on antitrust, personal information protection, etc.
- Revision of the Compliance Code of Conduct manual
- Revision of the Kureha Group Ethical Charter (clarification of the human rights policy for FY2020)

Whistleblowing System

We also have a hotline (whistleblowing system) employees can use if they discover a compliance problem, have a question, or are unsure of how to handle something. Internal rules prohibit people from being treated detrimentally for reporting or consulting on the hotline.

Fiscal year	2018	2019	2020
The number of reports*	5	2	10

* Includes domestic group companies

Board of Directors



President & Chief Executive Officer

Yutaka Kobayashi
(December 25, 1951)

Apr. 1974 Joined the Company
Jan. 1998 General Manager of Human Resources Department in Iwaki Factory
Jun. 2000 Chief Executive Officer of Kureha Chemicals (Singapore) Pte. Ltd.
Jan. 2003 General Manager of Related Companies Administration Department
Apr. 2004 General Manager of Corporate Strategies Division
Apr. 2005 General Manager of Chemicals and Agrochemicals Division
Jun. 2005 Director; General Manager of Chemicals and Agrochemicals Division
Jun. 2007 Senior Vice President; General Manager of Chemicals and Agrochemicals Division (Position changed due to introduction of Executive Officer System)
Apr. 2008 Senior Vice President; General Manager of Chemicals and Agrochemicals Division and New Business Division
Jun. 2009 Member of the Board; Senior Vice President; General Manager of Chemicals & Agrochemicals Division and New Business Division
Apr. 2010 Member of the Board; Senior Vice President; General Manager of PGA Division; General Manager of Chemicals & Agrochemicals Division; Managing Director of New Business Division
Jun. 2010 Member of the Board; Senior Vice President; General Manager of PGA Division; General Manager of Chemicals & Agrochemicals Division
Apr. 2012 Member of the Board; Senior Executive Vice President; Chief Sales & Marketing Officer; General Manager of PGA Division
Sep. 2012 Member of the Board; Chief Executive Officer; General Manager of PGA Division
Apr. 2013 Member of the Board; Chief Executive Officer (current position)



Executive Vice President

Michihiro Sato
(June 21, 1960)

Apr. 1984 Joined the Company
Apr. 2006 General Manager of Home Products Marketing & Development Department
Jan. 2011 General Manager of Household Goods Marketing Department
Apr. 2012 Deputy General Manager of Home Products Division
Jan. 2013 Deputy General Manager of Plastics Processing Factory, Manufacturing Sector
Apr. 2013 Vice President; General Manager of Plastics Processing Factory, Manufacturing Sector
Apr. 2015 Senior Vice President; General Manager of Research & Development Division
Jun. 2015 Member of the Board; Senior Vice President; General Manager of Research & Development Division
Apr. 2017 Member of the Board; Senior Vice President; General Manager of Manufacturing & Technology Division; General Manager of Research & Development Division
Apr. 2020 Member of the Board; Senior Vice President; Managing Director of PGA Business; Managing Director of Research & Development; General Manager of Manufacturing & Technology Division
Apr. 2021 Member of the Board; Executive Vice President; Managing Director of PGA Business; Managing Director of Research & Development; General Manager of Environment, Occupational Health and Safety, and Quality Assurance Division; Project Manager of New Business Creation Project (current position)



Senior Vice President

Yoshio Noda
(January 19, 1959)

Apr. 1981 Joined the Company
Jun. 2001 General Manager of Finance Department
Jan. 2007 General Manager of Corporate Strategies Department
Apr. 2011 Deputy General Manager of Chemicals & Agrochemicals Division
Apr. 2012 Vice President; General Manager of Chemicals & Agrochemicals Division
Apr. 2013 Vice President; General Manager of Corporate Planning Division; Project Manager of Promotion of Corporate Managerial Reform
Apr. 2014 Senior Vice President; General Manager of Corporate Planning Division; Project Manager of Promotion of Corporate Managerial Reform
Jun. 2015 Member of the Board; Senior Vice President; General Manager of Corporate Planning Division; Project Manager of Promotion of Corporate Managerial Reform
Apr. 2016 Member of the Board; Senior Vice President; General Manager of Corporate Planning, Finance & Accounting Division; Project Manager of Promotion of Corporate Managerial Reform
Apr. 2017 Member of the Board; Senior Vice President; General Manager of Corporate Planning, Finance & Accounting Division; General Manager of CSR Division; Project Manager of Promotion of Corporate Managerial Reform
Jun. 2017 Member of the Board; Senior Vice President; Managing Director of Administration Division; Managing Director of Internal Control and Auditing; General Manager of Corporate Planning, Finance & Accounting Division; General Manager of CSR Division; Project Manager of Promotion of Corporate Managerial Reform
Apr. 2018 Member of the Board; Senior Vice President; Managing Director of Internal Control and Auditing; General Manager of Finance & Accounting Division; General Manager of Administration Division; General Manager of CSR Division; Project Manager of Promotion of Corporate Managerial Reform
Apr. 2019 Member of the Board; Senior Vice President; Managing Director of Internal Control and Auditing; Managing Director of Quality Assurance; General Manager of Finance & Accounting Division; General Manager of Administration Division; Project Manager of Promotion of Corporate Managerial Reform
Apr. 2021 Member of the Board; Senior Vice President; Managing Director of Internal Control and Auditing; General Manager of Finance & Accounting Division; General Manager of Administration Division; Project Manager of Project for Promotion of Corporate Managerial Reform (current position)



Outside Director

Osamu Tosaka
(December 11, 1946)

Apr. 1971 Joined Ajinomoto Co., Inc.
Mar. 1994 Vice President, Ajinomoto Heartland, Inc. (USA)
Jul. 1999 General Manager of Institute of Fermentation Technologies, Ajinomoto Co., Inc.
Jun. 2001 Member of the Board; General Manager of Kyushu Plant, Ajinomoto Co., Inc.
Apr. 2002 Member of the Board and General Manager of Corporate Kyushu Office; General Manager of Kyushu Plant, Overseas Food and Amino Acid Company, Ajinomoto Co., Inc.
Jun. 2003 Member of the Board; Corporate Vice President; General Manager of Kyushu Office; General Manager of Kyushu Plant, Overseas Food and Amino Acid Company, Ajinomoto Co., Inc.
Jul. 2004 Member of the Board; Corporate Vice President; General Manager of Kawasaki Office; Vice President of Seasoning and Food Company; General Manager of Kawasaki Plant I, Overseas Food and Amino Acid Company, Ajinomoto Co., Inc.
Apr. 2005 Member of the Board; Corporate Vice President; Vice President of Food Company; General Manager of Kawasaki Office, Food Company, Ajinomoto Co., Inc.
Jun. 2005 Representative Director; Corporate Senior Vice President of Ajinomoto Co., Inc.
Jun. 2007 Representative Director; Member of the Board; Corporate Executive Deputy President of Ajinomoto Co., Inc.
Jun. 2011 Advisor of Ajinomoto Co., Inc.
Jun. 2014 Retired from Ajinomoto Co., Inc.
Jun. 2016 Outside Director, the Company (current position)



Outside Director

Kazunari Higuchi
(January 3, 1957)

Apr. 1990 Joined The Fuji Bank, Limited (currently Mizuho Bank, Ltd.)
Mar. 2006 General Manager, Kabutocho Corporate Banking and Securities Business Division, Mizuho Corporate Bank, Ltd. (currently Mizuho Bank, Ltd.)
Apr. 2008 General Manager, Settlement & Clearing Services Division, Mizuho Corporate Bank, Ltd. (currently Mizuho Bank, Ltd.)
Apr. 2009 Executive Officer, General Manager, Internal Audit Division, Mizuho Corporate Bank, Ltd. (currently Mizuho Bank, Ltd.)
Apr. 2010 Resigned from Mizuho Bank, Ltd.
Advisor, Mizuho Research Institute Ltd. (currently Mizuho Research & Technologies)
Managing Executive Officer, Mizuho Research & Technologies
Apr. 2011 Resigned from Managing Executive Officer, Mizuho Research & Technologies
May 2011 President and CEO, UC Card Co., Ltd.
Director, Qubitous Co., Ltd. (currently Credit Saison Co., Ltd.)
Mar. 2016 Resigned from Director, Qubitous Co., Ltd. (currently Credit Saison Co., Ltd.)
Apr. 2016 Adviser, UC Card Co., Ltd.
Jun. 2016 Resigned from Adviser, UC Card Co., Ltd.
Audit & Supervisory Board Member, Taiyo Nippon Sanso Corporation (currently NIPPON SANSO HOLDINGS)
Resigned from Audit & Supervisory Board Member, NIPPON SANSO HOLDINGS
Jun. 2020 Outside Director, The Michinoku Bank, Ltd. (current position)
Outside Director, the Company (current position)

Audit & Supervisory Board



Audit & Supervisory Board member

Masaru Kiriyama
(January 16, 1958)

Apr. 1980 Joined The Yasuda Mutual Life Insurance Company (currently Meiji Yasuda Life Insurance Company)
Apr. 1992 Associate Manager, International Investment Dept., The Yasuda Mutual Life Insurance Company, seconded to Yasuda Life America Capital Management, Ltd. (currently Meiji Yasuda America Incorporated)
Apr. 1994 Manager, International Investment Dept. International Business Div., Yasuda Mutual Life Insurance Company
Apr. 1997 Manager, Asset Management Head Office, Yasuda Mutual Life Insurance Company, seconded to Yasuda Investment Advisory Company (currently Meiji Yasuda Asset Management Company Ltd.)
Apr. 2001 Group Manager, Securities Investment Dept. Fixed Income Investment Group, Yasuda Mutual Life Insurance Company
Jan. 2004 Manager, Risk Management Control Dept., Meiji Yasuda Life Insurance Company
Apr. 2007 Internal Auditor, Internal Audit Dept., Meiji Yasuda Life Insurance Company
Apr. 2013 Deputy General Manager, Human Resources Dept., Meiji Yasuda Life Insurance Company
Apr. 2016 Senior Internal Auditor, Internal Audit Dept., Meiji Yasuda Life Insurance Company
Jan. 2018 Specially appointed Senior Internal Auditor, Internal Audit Dept., Meiji Yasuda Life Insurance Company
Jun. 2019 Retired from Meiji Yasuda Life Insurance Company
Audit & Supervisory Board member, the Company (current position)



Audit & Supervisory Board member

Toru Yoshida
(May 13, 1958)

Apr. 1981 Joined the Company
Apr. 2003 General Manager of Accounting Department, the Company
Apr. 2012 Vice President; General Manager of Accounting Center
Apr. 2016 Adviser to General Manager of Corporate Planning, Finance & Accounting Division
Jun. 2016 Audit & Supervisory Board member, the Company (current position)



Outside Audit & Supervisory Board member

Yukako Oshimi
(August 11, 1976)

Oct. 2002 Joined Nagashima Ohno & Tsunematsu
Apr. 2011 Seconded to Ricoh Company, Ltd.
Aug. 2014 Resigned from Nagashima Ohno & Tsunematsu
Sep. 2014 Partner, SHIBATA, SUZUKI & NAKADA (current position)
Jun. 2015 Audit & Supervisory Board Member (Outside), JP-HOLDINGS, INC.
Dec. 2015 Outside Member, Risk Management and Compliance Committee, ORIX Asset Management Corporation (current position)
Oct. 2018 Resigned as Audit & Supervisory Board Member (Outside), JP-HOLDINGS, INC.
Mar. 2019 Outside Auditor, FUJI SOFT INCORPORATED (current position)
Jun. 2019 Audit & Supervisory Board member, the Company (current position)
Dec. 2020 Outside Audit and Supervisory Board Member, CMK Corporation
Jun. 2021 Retired from CMK Corporation

Executive Officers

Senior Vice President	Naomitsu Nishihata	President, Kureha America Inc.; Deputy Managing Director, PGA Business; Deputy Project Manager, New Business Creation Project
Senior Vice President	Koji Suyama	General Manager, Home Products & Packaging Materials Division
Senior Vice President	Hiroyuki Tanaka	General Manager, Iwaki Factory, Manufacturing & Technology Division; Project Manager, Carbon Neutrality Project
Vice President	Katsuhiro Natake	General Manager, Advanced Products Division
Vice President	Satoshi Yonezawa	General Manager, Chemicals Division
Vice President	Masahiro Namikawa	General Manager, Corporate Planning & Strategy Division
Vice President	Hiroyuki Sato	General Manager, Research & Development Division

Governance Appropriate for Kureha as a Innovation-Driven Company

We held a three-party roundtable discussion among President Kobayashi, who has been pushing forward with business reforms and business restructuring, including the Reform Promotion Project, since assuming the position of CEO in September 2012, and Directors Tosaka and Higuchi, who have been committed to strengthening corporate governance as external directors, and asked them to talk about Kureha's Board of Directors and governance.



THEME 01 Welcome to Kureha

Aiming to Make Kureha an Even Better Company

Tosaka: When I met Mr. Kobayashi, I vividly remember that the first thing you as President said was, "I want to make Kureha a better company and I want my employees to be happy." After hearing your enthusiasm, I decided to bet my life here.

Kobayashi: At that time, the Board of Directors felt that there was insufficient discussion about what direction our company's technology should be headed. While explaining that situation, I asked for your help.

Tosaka: You, as President, said to me that you are not really familiar with technical fields.

Kobayashi: As you have a lot of experience in the responsible position as the head of technology at a major manufacturing

company, I wanted to hear your honest opinions on how you view Kureha and what are our weaknesses. In addition, I wanted to change the atmosphere in which innovative technologies and products do not come into being.

Tosaka: Kureha is a company with a very serious corporate culture. Moreover, top management is not arrogant and humbly listens to the opinions and suggestions of external directors. The reason I work so hard is because I sincerely feel that Kureha can become an even better company.

Kobayashi: Our company celebrated its 77th anniversary in 2021. By the 100th anniversary, I hope to transform our company into a company group that is needed by the general public and can further enhance its value. That's why I want to hear your frank opinions about how the general public views our company so that we can actively reform what needs to be changed.

Driving the Entire Company from a Management Perspective

Kobayashi: After appointing Mr. Tosaka as Director, I wanted to welcome someone with a management perspective on group governance to join our company as an external director.

Higuchi: I have experience working as a top executive at a subsidiary of a group company. I heard that you also took note of my experience working overseas.

Kobayashi: Yes, that's right. As you have experience as a corporate auditor at a major company, I believed that you would be able to make up for our company's shortfalls.

Higuchi: Our company is enthusiastic about nurturing employees and developing human resources. Of particular

note is "Kobayashi-juku," which is an academy hosted by the President and aimed at providing hands-on training to next generation management and mid-level executive candidates.

Kobayashi: I have hosted a training program for five years in which I gathered about ten candidates for executive officers in their fifties, and held an overnight two day camp every month for a year and presented the final report to the executive officers at that time. In addition, I also hosted "Shin-Kobayashi-juku" for employees in their forties for three years. It was a handmade human resource development and executive training program in which each participant deepened the themes they came up with while listening to my experience face to face.

Higuchi: It's a really wonderful effort to provide your own hands-on training to employees.

THEME 02 Roles of Outside Directors

Preparing for the Worst Scenario

Tosaka: I have a lot of experience in managing companies in financial difficulties and running businesses that needed to be closed. Our management team plays a role in ensuring corporate stability and sustainability for making our stakeholders happy. The management team has also been giving advice to the Kureha Group from the viewpoint of not breaking up the company and providing monitoring and supervision to prevent mistakes.

Kobayashi: Director Tosaka's idea of preparing for the worst scenario was something our company did not have.

Tosaka: Things don't always turn out well. The idea of preparing for the worst scenario is important for a company's survival. Because things don't always go well, it's also important to have the courage to accomplish what we have started.

Higuchi: It is important to prepare for the worst scenario even in the process of optimizing the business portfolio. The mindset of deciding on, evolving, and changing the composition of our business portfolio is also relevant to our management strategy.

Kobayashi: We thoroughly reviewed our strategic scenarios for key businesses. We have been discussing ways that the Group can survive and amending our business strategy to ensure its survival.

Higuchi: All operating companies take appropriate risks in their relationships with the market and customers and control those risks to generate profits. The worst scenario is what we need to consider in risk management amid the rapid changes in the business environment caused by the COVID-19 pandemic.

Kobayashi: Had our company not been prepared for the worst scenario, we might have faced a serious situation in the

fiscal year ended March 31, 2021. Thanks to your frank advice, we were able to take early action.

Providing Appropriate Support by Closely Monitoring the Management Team at Normal Times

Higuchi: In my view, at normal times, external directors must closely monitor the management team while focusing on providing as much support as possible.

Tosaka: At the Kureha Group, the President and all the employees are taking a rigorous hands-on approach to workplace management and corporate management while keeping in mind the basics. I also believe that our workplace is the reflection of truth.

Higuchi: President Kobayashi is taking a hands-on approach for various businesses and is deeply involved in them under your control.

Kobayashi: When I became an executive officer, there was an atmosphere of a vertical divisional structure, and discussions at the Executive Committee were sluggish. When I assumed the position of President, I wanted to appoint someone with a vision to achieve overall corporate optimization to the position of an executive officer or a director. So, I decided to take the initiative to nurture human resources and get myself directly involved in various things.

Higuchi: Our company has been managing diversified businesses with various profit pillars by taking advantage of its historical strengths.

Kobayashi: Diversified business management is what makes our company attractive, so we will continue to advance it. However, we must make sure that the Board of Directors and

the Executive Committee have members who can point out and comment on issues of other divisions with a vision to achieve overall corporate optimization. For this reason, we have been reforming the Board of Directors and the Executive Committee to allow for deep and serious discussion with a small number of members.

Invigorating Discussions with an Open Mind and Unique Perspective

Tosaka: I think the best form of defense is to be open-minded. What we must do is to disclose information properly and ensure that the Board of Directors and the Executive Committee have open-minded discussions. To this end, it is important to consider improvement measures by monitoring various information and the workplace.

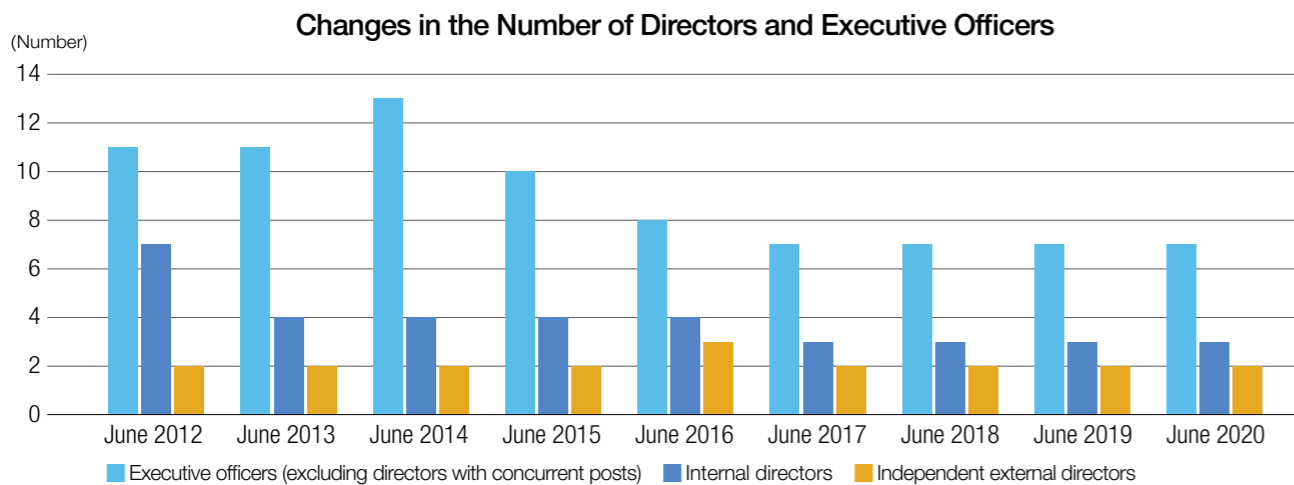
Higuchi: The important role of external directors is to reflect the viewpoints of various stakeholders in the meetings of the

Board of Directors and Management by making full use of the unique networks that external directors have. It is also important to make comments and suggestions from an independent perspective and, in recent years, it has also been important to respond to ESG and environmental issues, as well as market restructuring by the Tokyo Stock Exchange.

Kobayashi: I strongly believe that management is about people. As you two have said, I need people who can discuss things from the same perspective as I do with an open and independent mindset.

Higuchi: So, that's why you have started working on developing human resources.

Kobayashi: I have been involved in various duties in a short period of time, developing and devising my own approaches, overcoming crises, and fulfilling my role. I implement job rotation because I want mid-level executives, executive officer and director candidates, and executive officers to have a diverse work experience background like I do.



THEME 03 Kureha's Board of Directors that Makes Effective Use of External Directors

Thorough and in-depth discussions

Higuchi: Our company's Board of Directors is exceptionally effective and has in-depth discussions. The Board of Directors, which consists of five directors and three Audit & Supervisory Board Members, discusses freely and in depth.

Tosaka: I have never seen or heard of any listed company that has such a board of directors. I can say for sure that the Board of Directors discusses things thoroughly. We receive a variety of information, including information materials for the Board of Directors, almost every day.

Higuchi: We discuss after fully understanding such information and information materials for the Board of Directors, so

naturally we can discuss deeply. Moreover, the Board of Directors actively incorporates the opinions and suggestions we as external directors make and what we discuss into management practices.

Kobayashi: That's because once, when I saw the business plan of an investment project, I had regrets about not discussing it more in depth and not reflecting the opinions from people with different viewpoints. Such experience made me realize the need to strengthen the functions of the Executive Committee and the Board of Directors. That's why I have worked to improve the effectiveness of the Board of Directors since my appointment as President.

Higuchi: So, after learning a lesson from such experience, you decided to make sure that information is disclosed and shared thoroughly. Information materials for Executive Committee meetings and technical meetings, which are held before meetings of the Board of Directors, can be viewed online, and it is also possible to visit the Iwaki Factory and interview executive officers. Kureha's Board of Directors is open-minded and has in-depth discussions, unlike that of any other listed company.

Board of Directors Appropriate for a Innovation-Driven Company

Tosaka: I voluntarily participate as an observer in technical meetings in which research laboratories and manufacturing divisions participate. Technical terms confuse me a little at times, but since the basic idea for research and manufacturing in the manufacturing industry is the same, I give suggestions and opinions that make people think that Kureha may not have common sense in light of basic principles.

Kobayashi: We value the suggestions and opinions of Director Tosaka's as a starting point for discussing whether the technology is appropriate in the eyes of the public. Before learning a lesson from bitter experience in a project, I think the Executive Committee and the Board of Directors used to pass resolutions based on our internal logic.



Higuchi: That is unthinkable now.

Tosaka: At technical meetings, I also express straightforward opinions.

Kobayashi: As part of efforts to develop successors to the Nomination Advisory Committee, two or three executive officers and group companies' presidents from Japan and overseas participate as special members in our company's Board of Directors meetings and report on the execution of duties.

Higuchi: We are also required to give our suggestions and opinions from various viewpoints, so we need to do a lot of preparations for meetings of the Board of Directors, and we discuss things very seriously in the tense atmosphere. I think that executive officers and group company presidents who attend as special members also need to have a high level of concentration like us and have gained valuable experience.

THEME 04 Kureha's Governance Reform and Succession Development

Decisions by Top Management That Drive Governance Reform

Kobayashi: The Kureha Group was also facing the challenge to address its inward-looking culture. I believed that the Group would not be able to achieve sustainable growth if many directors and executive officers keep making important management decisions based on our internal logic.

Tosaka: Governance reform is all about serious decisions made by top management on the direction of this company. We cannot take a bottom-up approach to governance reform.

Higuchi: Group governance is what I am focusing on. At the Kureha Group, director and executive officer candidates are appointed as presidents and directors of subsidiaries, which are utilized as a place for human resource development. We have also strengthened group governance integrated with that of the parent company.

Tosaka: We still have a lot of work to do, but I think we have come closer to what we want to do step by step.

Kobayashi: The current system was established through various processes. We have made considerable progress in strengthening our supervisory functions as the first step. I think the next step we need to take is to further enhance our ability to enforce governance as required by the revised Corporate Governance Code.



Nomination Advisory Committee that Identifies Future Management Candidates

Tosaka: The Nomination Advisory Committee and Remuneration Advisory Committee were established in June 2018. In particular, the Nomination Advisory Committee is operated with the aim of identifying internal and external human resources in a transparent manner and appointing them to management positions.

Higuchi: The Committee meets and has effective discussions with candidates. Based on such discussions, the Board of Directors makes a final decision.

Tosaka: We meet with not only director candidates but also executive officer candidates to evaluate their competence. That makes our company special besides the participation of special members at the Board of Directors' meetings.

Kobayashi: I believe that, in order to make sure that we

discuss technology properly as a sound innovation-driven company, efforts must be made to increase the number of technical human resources, including executive officers. It is also important that you two external directors provide support for making progress with identifying talent.

Tosaka: From now on, we will have to deepen discussions on the issues of ESG management, the diversity of executive officers required by the revised Corporate Governance Code, and risk management approaches.

Higuchi: In the future, we should also focus on IR activities that promote our company to the outside world. I would like to take part in activities to promote understanding of our company among various stakeholders, such as efforts to evolve the CSR Report into an integrated report.

Kobayashi: Thank you. We are still in the middle of governance reform. Let's carry it through to the end.



THEME

05 Challenges Abound, but the Future Is Bright

Aiming to Be a High-Value-Added Company That Continues to Contribute to Society

Tosaka: Our company has amazing potential, human resources, and technology, and uses great materials for products, but is not fully taking advantage of them. We must confront the challenges facing the Group by viewing them from three perspectives, including long-term, fundamental, and holistic perspectives.



Kobayashi: The question is how our company can add something extra to the product range that has blossomed from the innovative technologies and materials accumulated by our predecessors.

Tosaka: We need to shift our mindset to the concept of market-in from the concept of product-out, which is the concept of matching our technological strengths to customer needs.

Higuchi: It is also important to consider how we identify the needs of overseas customers and apply them to our products. If we can identify the needs for applying our company products and technologies, we will have more our opportunities to grow globally.

Kobayashi: Even materials that have been around for forty or fifty years have the potential to create new applications and markets utilizing existing products and technologies if researchers make exhaustive efforts to approach the market.

Tosaka: Under our medium term business strategies, we solidify our foundation, and identify and explore potential businesses, including new businesses. In order to thoroughly deepen discussions on such medium term business strategies, we have a challenge to achieve results by ensuring that we make quick progress in implementing initiatives that are to be finalized and concentrating our resources.

Kobayashi: The most recent challenge is to strengthen the foundation of the PGA business. We will carry it through to the end to create a business that can make profit contributions to some extent. At the same time, we will rigorously promote the creation of new businesses through collaborations that bring together in-house technology and external technologies.

Higuchi: Every day, all the executive officers under the President have active discussions on the growth strategies for 2030. Taking full advantage of the strengths of our management style of information sharing and thorough discussion, we

will continue to create an environment in which diverse human resources can play an active role and a system for appropriate evaluation.

Kobayashi: Recently, we are actively recruiting mid-career employees. We aim to become a high-value-added company that continues to contribute to society in the specialty chemical field, together with those who have professionalism in a different culture from that of Kureha. Thank you for talking with me today.

Tosaka & Higuchi: Thank you.

Enhancing Human Capital: Introduction of a New Personnel System

Aiming to Create People and Organizations That Bring About Change

Kureha introduced a new personnel system full scale in October 2021 with the aim to create a corporate culture in which each employee can independently and autonomously fulfill their roles and respond swiftly to changes in the business environment by having a sense of challenge, speed, and growth.

Under the new system, we aim to transform Kureha into a company in which employees take pride in their work as professionals and realize job satisfaction and personal growth, while having a sense of commitment to continuously practice a challenge, speed, and growth mindset.

Background to the Introduction of the New Personnel System

In response to rapid progress of technological innovations such as AI and IoT, global environment conservation and climate change mitigation, the economy, market and society are changing significantly, and there has been an increased emphasis on new working styles, carbon neutrality, and sustainability. In order for our company to respond to such rapid changes in the business environment and survive global competition, it is essential to secure and develop human resources who can take leadership in management strategies, research development, and production technologies by always having the mindset of making changes and who can play an active role globally. To this end, our company introduced a new personnel system on October 1, 2021, with the aim of creating a corporate culture in which each employee can independently and autonomously fulfill their roles and respond

swiftly to changes in the business environment, and ensuring sustainable enhancement of corporate value as a high-value-added company that is technology development oriented.

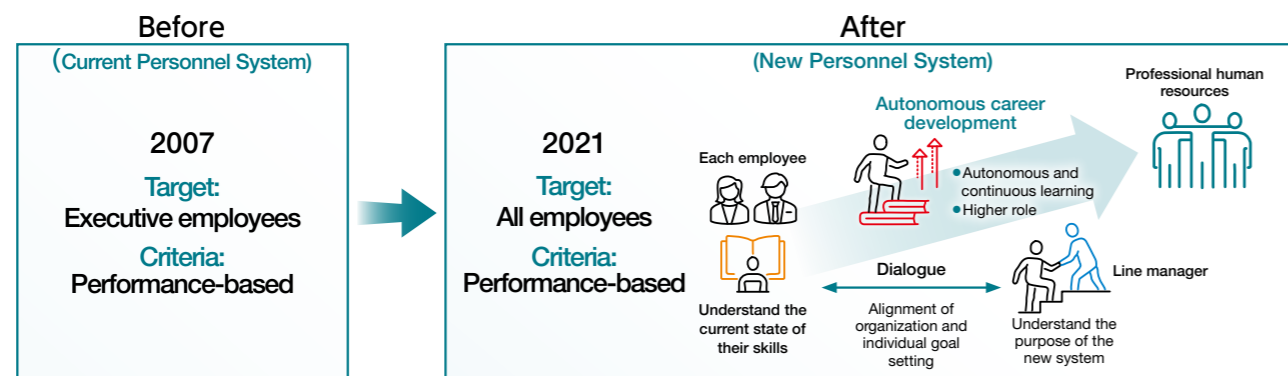
In Japan, due to the declining of birthrate and aging population, the number of people in the 20 to 64 age group, which represents the core of the labor force, is expected to decrease significantly in the future (The population is expected to decrease from 69.25 million in 2019 to 55.43 million in 2040.) Amid the expected contraction of the domestic market and labor shortage, all employees, including senior employees aged 60 and over, are expected to play a more active role. Therefore, we have decided to gradually extend the retirement age to 65 in a phased manner, starting from employees who reach 60 in fiscal 2022.

Overview of the New Personnel System

Since 2007, our company has operated a personnel system that treats executive employees according to their roles, duties, and performance. This system will be expanded to all employees as a new concept of human resource management. We will promote changes in the awareness and behavior of employees to ensure that each employee sets a higher goal and plays an active role with a mindset of challenge, speed, and growth.

At the same time, under the slogan of "autonomous career development," we support employees to become professionals

who can take on higher roles and perform their duties by understanding the current state of their skills and learning autonomously and continuously. The line manager who leads the organization serves as a key person to ensure that all employees understand the purpose of the new system, and that organizational goals are incorporated into the goal setting of subordinates, and thereby promotes appropriate evaluation and career development through dialogue.



< Concept >

Major Shift in the Concept of Human Resource Management

Strengthening performance-based HR management: Strengthening the system of role- and duty-based compensation

We ensure that compensation is determined based on the roles, duties, and performance of each employee regardless of age, gender, and whether an employee is a new graduate or a mid-career employee.

Senior employees playing active roles: Extending retirement age to 65

By ensuring alignment of compensation with roles, duties, and performance as the basis of our human resource management, we will continue paying compensation to employees based on their roles, duties, and performance after age 60 until age 65.

Required Mindset and Action



Contributing to a Sustainable Society as an Innovation-Driven Company

As corporate activities become more global, stakeholders are demanding more corporate social responsibility (CSR). CSR activities are an important factor in maintaining and improving corporate value.

The Kureha Group will promote CSR activities based on its corporate philosophy and basic CSR policy to fulfill its social responsibilities as a corporation and contribute to the development of a sustainable society.

Renovation of CSR Site

On Wednesday, September 1, 2021, we redesigned the CSR site of the Kureha's website to provide a greater volume of information and enhance the content of disclosures.

The CSR site used to provide an overview of the Kureha Group's CSR activities and the annual CSR Report in the form of a booklet.

In recent years, companies are expected by stakeholders to improve the content of information on CSR activities and disclose information in accordance with global standards for their corporate evaluation. Therefore, we have decided to respond to such expectations by enhancing our CSR site in addition to issuing our CSR Report in the form of a booklet. The recently redone site is designed to target various stakeholders based on the GRI Standard, the global standard for information disclosure. In addition, the report ("ESG Report") consists of E (Environment), S (Society) and G (Governance) content. In addition to such content, various quantitative data related to ESG are disclosed in tabular form

as "ESG Data Collection." Past reports are saved in a downloadable PDF format for printing in the CSR Report Archive.



Kureha's CSR Site

<https://www.kureha.co.jp/en/csr/>



Revision of the Kureha Group Ethical Charter

The recently redesigned CSR site also contains the Kureha Group Ethical Charter, which was revised in November 2020. The Kureha Group Ethical Charter was established in 2003, and Kureha has been committed to respecting human rights in all aspects of its corporate activities such as interacting with various people, including its employees, consumers, local communities, business partners, and other stakeholders. In accordance with the Guiding Principles on Business and Human Rights, an international standard for companies to address human rights issues that was approved by the United Nations in 2011, and the Charter of Corporate Behavior of the

Japan Business Federation (Nippon Keidanren), which was revised in 2017 based on the Guiding Principles on Business and Human Rights, the revised Kureha Group Ethical Charter sets forth our company's new policies concerning respect for human rights and expresses support for the Guiding Principles of the United Nations. As a specific initiative, we have included the details of specific initiatives related to respect for human rights in the Compliance Code of Conduct of Kureha, which is an implementation guideline of the Ethical Charter, and we are working to disseminate them among employees.

Initiatives for Climate Change Mitigation

The Paris Agreement was concluded as a world-wide measure to combat climate change, and Japan along with many other developed countries have declared the goal of carbon neutrality* by 2050 and are actively promoting measures and technological innovations necessary to reduce greenhouse gas (GHG) emissions. Fighting climate change and achieving carbon neutrality is one of the most important issues for the Kureha Group, toward which we will make a united effort under the following basic policy:

* Carbon neutrality: bringing the balance of greenhouse gas emissions overall to zero. In other words, by subtracting absorption/removal from emission, we should reach net zero.

Basic Policy on Climate Change

Fighting climate change is one of the most important issues for the Kureha Group. We will work to actively reduce GHG emissions related to our business activities in order to fulfill our corporate social responsibility.

In FY2020, we conducted an informational survey on energy use and CO₂ emissions for the entire group, our energy demand forecasts, the circumstances of the countries and regions where each Group company is located, and various countermeasures for climate change mitigation. We have formulated the following CO₂ emission reduction target for FY2030 based on that survey.

Kureha Group's CO₂ Emission Reduction Target

The Kureha Group's CO₂ emissions from energy use should be reduced in phases to a total of 376 thousand tons, a 20% reduction from FY2013, by FY2030. (CO₂ emissions from energy use were 470 thousand tons in FY2013)

To achieve this target, we will curb the operation of the coal-fired power plant at the Iwaki Factory, switch to renewable energy as the main power source at other Kureha offices and Kureha Group companies, and improve efficiency when replacing large-scale facilities and equipment, and promote various energy-saving activities in line with the plan.

At the same time, in April 2021, we established an independent unit called "Carbon Neutrality Committee" within our company. In September, we established a company-wide "Carbon Neutrality Project," under which we have been considering specific initiatives to further improve reduction targets and achieve targets, and developing technologies.

The Kureha Group is working to reduce the amount of final disposal by reducing the amount of waste generated from production activities at its production sites and promoting the recycling of resources.

At the Iwaki Plant, we are working to improve the recycling rate by outsourcing recycling of coal ash, which is a by-product produced in the coal-fired plant at the site, to a recycling company. We are also working to reduce the amount of waste generated at each manufacturing plant by improving production efficiency, but the amount of industrial waste generated and the amount of final disposal has remained flat due to increased production and expansion. We will work to further reduce waste by promoting stable plant operations, developing high-efficiency processes, and introducing new recycling technologies.

At our resin processing sites, we are working proactively to reduce production losses, develop products that reuse production losses, and recycle such losses. With the aim of reducing to zero the final disposal of polyvinylidene chloride waste, which accounts for the majority of waste, we changed the disposal method in FY2020. This has helped us gradually reduce the volume of landfill waste and, since February 2021, the amount of final disposal has been zero. As a result, the amount of polyvinylidene chloride waste sent to landfills in FY2020 was reduced by approximately 30% as initially planned, and the amount of final disposal is expected to be reduced to zero in and after FY2021.

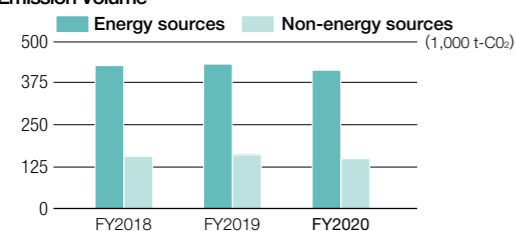
Promoting resource recycling and reducing the amount of final disposal is also an important issue for our company, and we will therefore continue promote zero emission of industrial waste by setting targets.

Financial and Non-Financial Highlights

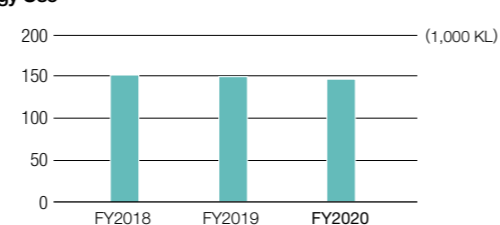
Financial Information (Japanese GAAP)	Unit	FY2011	FY2012	FY2013	FY2014	FY2015
For the year:						
Net sales:	Million yen	¥128,358	¥130,550	¥148,124	¥150,182	¥142,549
Domestic	Million yen	97,461	98,269	105,588	103,943	96,025
Overseas	Million yen	30,897	32,281	42,536	46,239	46,524
Net sales by segment:						
Advanced Materials	Million yen	31,253	27,650	32,815	36,187	36,536
Specialty Chemicals	Million yen	30,182	32,833	36,615	35,535	31,182
Specialty Plastics	Million yen	37,672	40,900	45,291	46,519	44,210
Construction	Million yen	16,300	14,967	17,238	16,721	16,201
Other Operations	Million yen	12,950	14,197	16,163	15,218	14,418
Operating income	Million yen	8,472	8,458	11,902	14,551	12,600
Net income attributable to owners of parent	Million yen	1,460	3,212	7,365	9,195	7,342
Capital expenditure	Million yen	14,360	19,984	16,468	17,557	12,139
Depreciation and amortization	Million yen	9,580	8,882	9,096	8,261	9,877
Research and development expenses	Million yen	5,080	4,389	4,586	4,978	4,885
Cash flows from operating activities	Million yen	12,144	10,246	14,058	12,533	14,045
Cash flows from investing activities	Million yen	(14,169)	(19,595)	(20,444)	(18,766)	(6,026)
Cash flows from financing activities	Million yen	370	10,264	4,673	5,042	(9,328)
Year-end:						
Total assets	Million yen	¥186,223	¥205,284	¥224,459	¥249,697	¥236,633
Net assets	Million yen	88,554	96,211	106,190	120,624	119,274
Interest-bearing debt	Million yen	56,683	68,448	77,225	86,636	79,685
Amounts per share:						
Net income—basic	Yen	¥ 8.51	¥ 18.71	¥ 42.87	¥ 53.53	¥ 42.73
Net assets	Yen	510.37	546.69	604.00	687.80	686.06
Cash dividends	Yen	10.00	10.00	11.00	12.00	11.00
Ratios:						
Operating income to net sales	%	6.6%	6.5%	8.0%	9.7%	8.8%
Net income to net sales	%	1.1	2.5	5.0	6.1	5.2
Return on equity	%	1.7	3.5	7.5	8.3	6.2
Return on assets	%	4.3	3.4	5.7	6.5	4.9
Equity ratio	%	47.0	45.7	46.2	47.3	49.8

Non-Financial Information (Environment-Related Data)

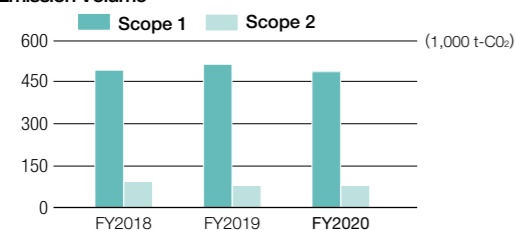
CO₂ Emission Volume



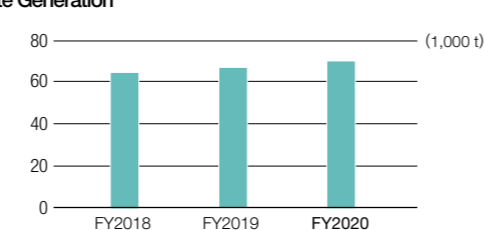
Energy Use



CO₂ Emission Volume



Waste Generation

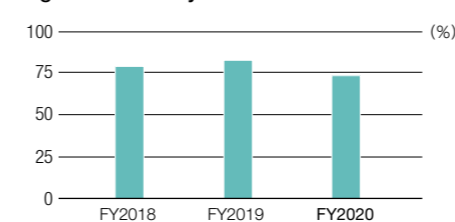


Financial Information (IFRS)	Unit	FY2016	FY2017	FY2018	FY2019	FY2020
For the year:						
Revenue:	Million yen	¥ 132,294	¥ 147,329	¥ 148,265	¥ 142,398	¥ 144,575
Domestic	Million yen	97,630	107,145	103,862	102,718	100,678
Overseas	Million yen	34,664	40,184	44,403	39,680	43,897
Revenue by segment:						
Advanced Materials	Million yen	33,369	41,640	45,749	41,842	44,465
Specialty Chemicals	Million yen	25,866	26,176	27,309	24,331	23,543
Specialty Plastics	Million yen	42,791	45,397	45,148	43,473	42,352
Construction	Million yen	13,934	17,354	12,415	14,457	13,919
Other Operations	Million yen	16,332	16,760	17,643	18,293	20,294
Operating profit	Million yen	9,255	12,973	17,172	18,041	17,263
Profit attributable to owners of parent	Million yen	7,001	9,697	13,933	13,719	13,493
Capital expenditure	Million yen	10,304	9,768	13,174	14,928	14,322
Depreciation and amortization	Million yen	10,191	9,898	10,310	12,110	11,672
Research and development expenses	Million yen	4,734	4,962	5,270	5,995	5,561
Cash flows from operating activities	Million yen	12,350	20,178	23,377	15,150	26,704
Cash flows from investing activities	Million yen	(1,071)	(9,698)	(8,363)	5,483	(3,876)
Cash flows from financing activities	Million yen	(11,727)	(10,415)	(15,478)	(19,353)	(12,516)
Year-end:						
Total assets	Million yen	¥ 234,907	¥ 242,281	¥ 247,352	¥ 246,890	¥ 256,923
Total equity attributable to owners of parent	Million yen	124,297	150,193	160,551	164,990	183,830
Interest-bearing debt	Million yen	71,007	48,089	39,018	37,317	29,506
Amounts per share:						
Basic profit per share	Yen	¥ 407.38	¥ 507.48	¥ 679.55	¥ 692.61	¥ 691.33
Owners' equity per share	Yen	7,232.89	7,271.67	7,922.58	8,453.07	9,418.64
Cash dividends per share	Yen	110.00*	125.00	165.00	170.00	170.00
Ratios:						
Operating profit to revenue	%	7.0%	8.8%	11.6%	12.7%	11.9%
Profit attributable to owners of parent to revenue	%	5.3	6.6	9.4	9.6	9.3
Return on equity	%	5.8	7.1	9.0	8.4	7.7
Return on assets	%	3.8	5.3	7.1	7.3	7.0
Owner's equity ratio	%	52.9	62.0	64.9	66.8	71.6

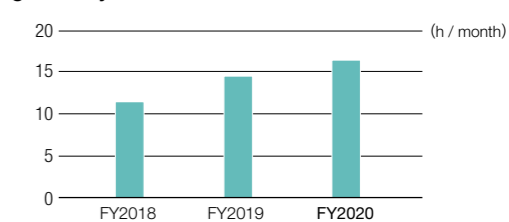
* Translation is based on the ratio of the reverse stock split of 10 common shares to 1 common share as of October 1, 2016.

Non-Financial Information (Social Data)

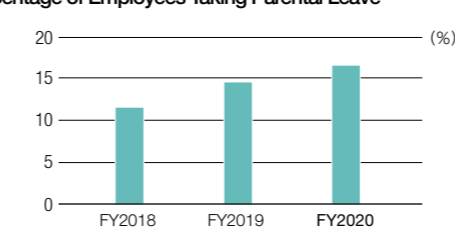
Percentage of Paid Holidays Taken



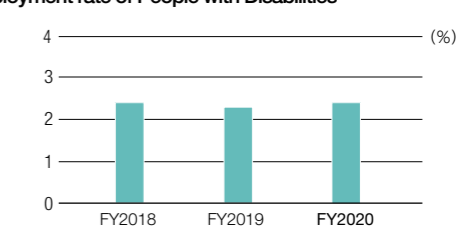
Average Monthly Overtime Hours



Percentage of Employees Taking Parental Leave



Employment rate of People with Disabilities



Consolidated Statements of Financial Position

Kureha Corporation and Consolidated Subsidiaries
As of March 31, 2020 (FY2019) and 2021 (FY2020)

	Millions of yen	
	FY2019	FY2020
ASSETS		
Current assets:		
Cash and cash equivalents	¥ 7,268	¥ 17,834
Trade and other receivables	28,327	28,212
Other financial assets	2	3
Inventories	38,240	36,452
Other current assets	5,173	3,735
Total current assets	79,011	86,237
Non-current assets:		
Property, plant and equipment, net	119,782	120,171
Intangible assets, net	842	2,202
Investments accounted for using equity method	13,120	14,042
Other financial assets	24,574	22,407
Deferred tax assets	2,599	1,569
Other non-current assets	6,958	10,292
Total non-current assets	167,879	170,686
Total assets	¥246,890	¥256,923

	Millions of yen	
	FY2019	FY2020
LIABILITIES AND EQUITY		
Current liabilities:		
Trade and other payables	¥ 19,424	¥ 19,221
Bonds and loans payable	15,549	7,841
Other financial liabilities	1,582	1,724
Accrued income taxes	4,750	2,587
Provisions	6,339	6,379
Other current liabilities	6,473	7,110
Total current liabilities	54,121	44,865
Non-current liabilities:		
Bonds and loans payable	18,648	19,014
Other financial liabilities	2,580	2,145
Deferred tax liabilities	1,221	1,795
Provisions	1,465	1,388
Net defined benefit liability	295	291
Other non-current liabilities	1,932	1,900
Total non-current liabilities	26,144	26,536
Total liabilities	80,266	71,402
Equity:		
Shareholders' equity:		
Capital stock, no par value	18,169	18,169
Capital surplus	15,044	14,897
Less: Treasury stock, at cost	(8,693)	(8,697)
Retained earnings	135,918	154,166
Other components of equity	4,551	5,294
Total equity attributable to owners of parent	164,990	183,830
Non-controlling interests	1,633	1,690
Total equity	166,623	185,521
Total liabilities and equity	¥246,890	¥256,923

Consolidated Statements of Profit or Loss

Kureha Corporation and Consolidated Subsidiaries
For the fiscal years ended March 31, 2020 (FY2019) and 2021 (FY2020)

	Millions of yen	
	FY2019	FY2020
Revenue	¥142,398	¥144,575
Cost of sales	100,265	101,702
Gross profit	42,132	42,872
Selling, general and administrative expenses	28,105	25,438
Share of profit of entities accounted for using equity method	1,998	1,472
Other income	13,447	872
Other expenses	11,431	2,516
Operating profit	18,041	17,263
Finance income	545	703
Finance costs	642	219
Profit before tax	17,944	17,748
Income tax expense	4,117	4,136
Profit for the year	13,827	13,611
Profit attributable to:		
Owners of parent	13,719	13,493
Non-controlling interests	108	118
Total	¥ 13,827	¥ 13,611
Profit per share (in Yen):		
Basic	¥ 692.61	¥ 691.33
Diluted	692.03	690.51

Consolidated Statements of Changes in Equity

Kureha Corporation and its Consolidated Subsidiaries

FY2019 (From April 1, 2019 to March 31, 2020)

Millions of yen

	Total equity attributable to owners of parent					
	Capital, no par value	Capital surplus	Treasury stock, at cost	Retained earnings	Other components of equity	
					Stock acquisition rights	Exchange differences on translating foreign operations
BALANCE—APRIL 1, 2019	¥18,169	¥15,044	¥(3,689)	¥122,363	¥63	¥(3,686)
Cumulative effect of accounting change				(13)		
Restated balance—April 1, 2019	18,169	15,044	(3,689)	122,349	63	(3,686)
Profit for the period				13,719		
Other comprehensive income						(1,172)
Comprehensive income	—	—	—	13,719	—	(1,172)
Acquisition of treasury stock			(5,003)			
Share-based payment transaction					17	
Dividends				(3,608)		
Equity transactions with non-controlling interests				0		
Reclassification from other components of equity to retained earnings				3,457		
Total transactions with owners	—	—	(5,003)	(150)	17	—
BALANCE—MARCH 31, 2020	¥18,169	¥15,044	¥(8,693)	¥135,918	¥80	¥(4,858)

Millions of yen

	Total equity attributable to owners of parent					
	Financial assets measured at fair value through other comprehensive income	Remeasurements of defined benefit plans	Capital, no par value	Total	Non-controlling interests	Total equity
BALANCE—APRIL 1, 2019	¥12,286	¥ —	¥ 8,664	¥160,551	¥1,616	¥162,167
Cumulative effect of accounting change			—	(13)		(13)
Restated balance—April 1, 2019	12,286	—	8,664	160,537	1,616	162,153
Profit for the period			—	13,719	108	13,827
Other comprehensive income	824	(325)	(672)	(672)	(35)	(707)
Comprehensive income	824	(325)	(672)	13,046	72	13,119
Acquisition of treasury stock			—	(5,003)		(5,003)
Share-based payment transaction			17	17		17
Dividends			—	(3,608)	(54)	(3,663)
Equity transactions with non-controlling interests			—	0	(0)	0
Reclassification from other components of equity to retained earnings	(3,782)	325	(3,457)	—		—
Total transactions with owners	(3,782)	325	(3,439)	(8,594)	(55)	(8,649)
BALANCE—MARCH 31, 2020	¥ 9,329	¥ —	¥ 4,551	¥164,990	¥1,633	¥166,623

FY2020 (From April 1, 2020 to March 31, 2021)

Millions of yen

	Total equity attributable to owners of parent					
	Capital, no par value	Capital surplus	Treasury stock, at cost	Retained earnings	Other components of equity	
					Stock acquisition rights	Exchange differences on translating foreign operations
BALANCE—APRIL 1, 2020	¥18,169	¥15,044	¥(8,693)	¥135,918	¥ 80	¥(4,858)
Profit for the period				13,493		
Other comprehensive income						1,696
Comprehensive income	—	—	—	13,493	—	1,696
Acquisition of treasury stock			(3)			
Share-based payment transaction						29
Dividends				(3,318)		
Equity transactions with non-controlling interests		(146)				
Reclassification from other components of equity to retained earnings				8,073		
Total transactions with owners	—	(146)	(3)	4,755	29	—
BALANCE—MARCH 31, 2021	¥18,169	¥14,897	¥(8,697)	¥154,166	¥110	¥(3,161)

Millions of yen

	Total equity attributable to owners of parent					
	Financial assets measured at fair value through other comprehensive income	Remeasurements of defined benefit plans	Capital, no par value	Total	Non-controlling interests	Total equity
BALANCE—APRIL 1, 2020	¥ 9,326	¥ —	¥ 4,551	¥164,990	¥1,633	¥166,623
Profit for the period			—	13,493	118	13,611
Other comprehensive income	5,068	2,021	8,786	8,786	121	8,908
Comprehensive income	5,068	2,021	8,786	22,280	240	22,520
Acquisition of treasury stock			—	(3)		(3)
Share-based payment transaction			29	29		29
Dividends			—	(3,318)	(56)	(3,374)
Equity transactions with non-controlling interests			—	(146)	(126)	(273)
Reclassification from other components of equity to retained earnings	(6,052)	(2,021)	(8,073)	—		—
Total transactions with owners	(6,052)	(2,021)	(8,044)	(3,439)	(183)	(3,623)
BALANCE—MARCH 31, 2021	¥ 8,345	¥ —	¥ 5,294	¥183,830	¥1,690	¥185,521

Consolidated Statements of Cash Flows

Kureha Corporation and Consolidated Subsidiaries
For the fiscal years ended March 31, 2020 (FY2019) and 2021 (FY2020)

Millions of yen

	FY2019	FY2020
Cash flows from operating activities:		
Profit before tax	¥ 17,944	¥ 17,748
Depreciation and amortization	12,110	11,672
Impairment loss	5,218	1,624
Gain on bargain purchase	(1,460)	—
Gain on sale of businesses	(1,200)	—
Finance income	(544)	(469)
Finance costs	312	211
Share of (profit) loss of entities accounted for using equity method	(1,998)	(1,472)
(Profit) loss on disposal and sale of property, plant and equipment, and intangible assets	(9,585)	402
(Increase) decrease in trade and other receivables	2,427	428
(Increase) decrease in inventories	(419)	2,286
Increase (decrease) in trade and other payables	(3,410)	753
Increase (decrease) in provision	(55)	(47)
Increase (decrease) in net defined benefit asset and liability	(457)	(469)
Other, net	(197)	1,902
Subtotal	18,684	33,063
Interest and dividends received	1,757	1,475
Interest paid	(274)	(218)
Income taxes paid	(5,016)	(7,615)
Cash flows from operating activities	15,150	26,704
Cash flows from investing activities:		
Proceeds from sales of property, plant and equipment, and intangible assets	10,826	23
Payments for purchases of property, plant and equipment, and intangible assets	(13,649)	(12,878)
Proceeds from sales of investment securities	6,146	9,582
Purchase of investment securities	(624)	(13)
Proceeds from purchase of shares of subsidiaries that result in change in scope of consolidation	1,409	—
Proceeds from sale of businesses	1,677	—
Proceeds from government grants	79	—
Other, net	(381)	(590)
Cash flows from investing activities	5,483	(3,876)
Cash flows from financing activities:		
Dividends paid	(3,608)	(3,318)
Dividends paid to non-controlling interests	(54)	(56)
Net increase (decrease) in commercial paper and short-term loans payable	1,293	(6,889)
Proceeds from non-current loans payable	6,000	1,965
Repayments of non-current loans payable	(9,250)	(2,603)
Repayments of bonds	(7,000)	—
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	—	(318)
Acquisition of treasury stock	(5,003)	(3)
Other, net	(1,729)	(1,291)
Cash flows from financing activities	(19,353)	(12,516)
Effect of exchange rate changes on cash and cash equivalents	(1)	254
Net increase (decrease) in cash and cash equivalents	1,278	10,566
Cash and cash equivalents at beginning of year	5,989	7,268
Cash and cash equivalents at end of year	¥ 7,268	¥ 17,834

Corporate Data and Stock Information

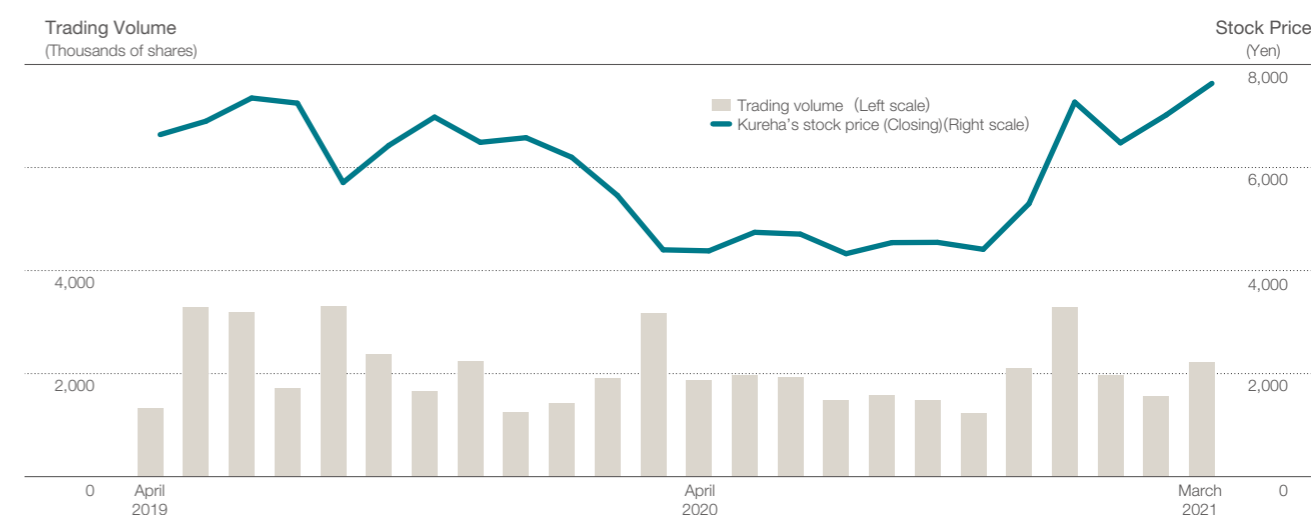
Corporate Data (March 31, 2021)

Corporate Name	Kureha Corporation
President & CEO	Yutaka Kobayashi
Establishment	June 21, 1944
Headquarters	3-3-2, Nihonbashi-Hamacho, Chuo-ku, Tokyo 103-8552, Japan Tel: 81-3-3249-4666 Fax: 81-3-3249-4744
Paid-in Capital	¥18,169 million
Business Outline	Manufacturing and sales of functional materials, specialty chemicals and plastics
Number of Employees	4,293 (Consolidated)
Group Companies	28 consolidated subsidiaries and 2 equity-method affiliates
Major Overseas Bases	United States, Germany, the Netherlands, France, Belgium, UK, Australia, China and Vietnam

Stock Information (March 31, 2021)

Security Code	4023
Number of Shares of Common Stock Issued	19,517,755 shares
Number of Shareholders	10,740
Stock Exchange Listings	Tokyo Stock Exchange
Fiscal Term	April 1– March 31
Ordinary General Meeting of Shareholders	June
Transfer Agent	Mizuho Trust & Banking Co., Ltd. 3-3, Marunouchi 1-chome, Chiyoda-ku, Tokyo
Independent Auditor	Ernst & Young ShinNihon LLC

Stock Prices Movement



Major Shareholders (March 31, 2021)

Name of shareholder	Shares held (thousands)	Shareholding Ratio (%)
Custody Bank of Japan, Ltd. (Trust Account)	2,031	10.4
The Master Trust Bank of Japan Ltd. (Trust account)	1,603	8.2
Meiji Yasuda Life Insurance Company	1,374	7.0
Japan Trustee Service Bank, Ltd. (Trust account 9)	787	4.0
Tokio Marine & Nichido Fire Insurance Co., Ltd.	550	2.8
Mizuho Bank, Ltd.	400	2.0
J.P. MORGAN BANK LUXEMBOURG S.A. 380578	333	1.7
Mizuho Trust & Banking	266	1.4
Custody Bank of Japan, Ltd. (Trust Account 5)	258	1.3
Custody Bank of Japan, Ltd. (Trust Account 4)	249	1.3

Note: Number of shares held is rounded down to the nearest thousand share. The percentage of shareholding is calculated excluding treasury stock.

Shareholder Composition (Shareholding Ratio)

