

# FY2021 3Q Results

KUREHA CORPORATION

February 4, 2022

## I. FY2021 3Q Results

- FY2021 3Q Overview 3-5
- Segment Results 6-10
- Financial Position 11

## II. FY2021 Full-Year Forecast (Updated)

- FY2021 Financial Forecast 13 -17

## III. Supplementary Materials

- PVDF Business Updates 19
- PGA Business Updates 20
- Returning to Shareholders 21
- ESG Information 22-26

# I. **FY2021 3Q Results**

(Period April 1 – December 31, 2021)

# FY2021 3Q Overview

KUREHA CORPORATION

(in billions of yen, except per-share value)

	FY2020 3Q	FY2021 3Q	Change YOY
Revenue	105.7	<b>123.1</b>	17.4 (+16.5%)
Core operating profit	14.6	<b>17.9</b>	3.3 (+22.5%)
Adjustments	0.0	0.1	0.0
Other income	0.5	0.7	0.2
Other expenses	0.6	0.5	-0.1
Operating profit	14.6	<b>18.2</b>	3.6 (+24.9%)
Financial income	0.5	0.5	-0.0
Financial expenses	0.2	0.1	-0.0
Profit before income tax	14.9	<b>18.5</b>	3.6 (+24.4%)
Profit attributable to owners of Kureha Corp.	11.8	<b>13.3</b>	1.5 (+13.1%)
Basic profit per share	¥603.64	<b>¥682.48</b>	

## Vs. FY2020 3Q

- Revenue growth driven by Advanced Materials, Specialty Chemicals and Specialty Plastics more than offsetting slower sales in Construction and Other Operations
- Higher core operating profit resulting from improved gains in Advanced Materials, Specialty Chemicals and Specialty Plastics, partially offset by a decline in Other Operations
- Operating profit increased as a result of higher core operating profit
- Profit attributable to the Company increased as a result of higher operating profit and profit before taxes

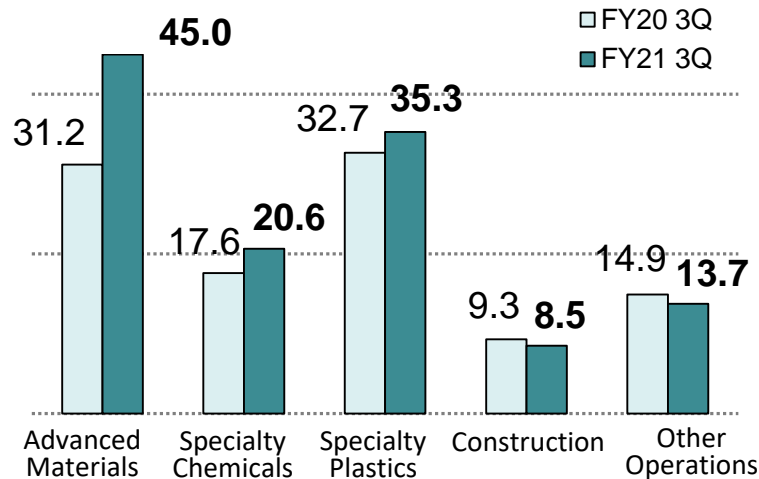
# FY2021 3Q Overview

KUREHA CORPORATION

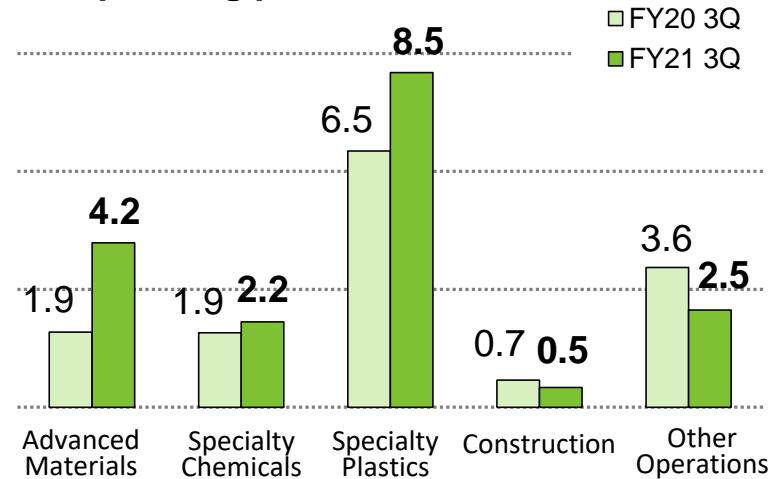
## Segment performance (vs. FY2020 3Q)

(in billions of yen)

### Revenue



### Core operating profit



### Factors attributing to changes in operating profit

AM: Higher sales volumes of PVDF, PPS and other plastic products

SC: Higher organic chemicals volumes

SP: Higher home products and fishing lines volumes

CO: Impact of delays in civil engineering projects, partially offset by a higher number of construction projects in the private sector

OO: Absence of post-typhoon waste treatment projects

# FY2021 3Q Overview

KUREHA CORPORATION

(in billions of yen)

<b>FY2020 3Q</b>	<b>AM</b>	<b>SC</b>	<b>SP</b>	<b>CO</b>	<b>OO</b>	<b>Total</b>
Revenue	31.2	17.6	32.7	9.3	14.9	105.7
Core operating profit	1.9	1.9	6.5	0.7	3.6	14.6
Intersegment adjustment						0.0
Other income						0.5
Other expenses						0.6
Operating profit						14.6
Finance income						0.5
Finance costs						0.2
Profit before income tax						14.9
Profit for the period						11.8

<b>FY2021 3Q</b>	<b>AM</b>	<b>SC</b>	<b>SP</b>	<b>CO</b>	<b>OO</b>	<b>Total</b>
Revenue	45.0	20.6	35.3	8.5	13.7	123.1
Core operating profit	4.2	2.2	8.5	0.5	2.5	17.9
Intersegment adjustment						0.1
Other income						0.7
Other expenses						0.5
Operating profit						18.2
Finance income						0.5
Finance costs						0.1
Profit before income tax						18.5
Profit for the period						13.3

# Segment Results: Advanced Materials

KUREHA CORPORATION

(billions of yen)

	FY2020 3Q	FY2021 3Q	Change %
<b>Advanced Materials</b>			
Advanced plastics	20.1	<b>30.9</b>	+53%
Carbon products	3.8	<b>4.4</b>	+17%
Other	7.3	<b>9.7</b>	+32%
<b>Segment revenue</b>	31.2	<b>45.0</b>	+44%
<b>Core operating profit</b>	1.9	<b>4.2</b>	+119%

## Vs. FY2020 3Q

Revenue  Operating Profit 

### Advanced plastics

PPS: Revenue up, operating profit up  
Increased production capacity and sales volume; an increase in equity in PPS-related affiliate earnings

PVDF: Revenue up, operating profit up  
Higher sales volume; improved production volume for value-added specialty polymers; pricing efforts to align with rising costs for raw materials and fuels

PGA: Revenue up, operating profit down  
Higher frac plug sales volume; increased costs associated with the U.S. PGA manufacturing plant (due to the lack of production activity)

### Carbon products

Revenue up, operating profit up  
Increased carbon fiber volumes for applications as automotive sliding materials and insulation materials for industrial high-heat furnaces

### Other

Revenue up, operating profit up  
Higher sales volumes of plastic products manufactured by Group companies

# Segment Results: Specialty Chemicals

KUREHA CORPORATION

(billions of yen)

	FY2020 3Q	FY2021 3Q	Change %
<b>Specialty Chemicals</b>			
Agrochemicals	5.6	<b>6.3</b>	+13%
Pharmaceuticals	3.1	<b>3.4</b>	+9%
Industrial chemicals	4.3	<b>5.5</b>	+27%
Other	4.6	<b>5.4</b>	+18%
<b>Segment revenue</b>	17.6	<b>20.6</b>	+17%
<b>Core operating profit</b>	1.9	<b>2.2</b>	+15%

Vs. FY2020 3Q

Revenue  Operating Profit 

## Agrochemicals & Pharmaceuticals

Revenue up, operating profit flat

Sales volume growth for agrochemical fungicides and a therapeutic agent for chronic kidney failures ('Kremezin'); impact of mandatory drug price revisions; higher raw material costs

## Industrial chemicals

Revenue up, operating loss narrowed

Sales of organic chemicals and other key products recovered in the industries resuming production activities



# Segment Results: Specialty Plastics

KUREHA CORPORATION

(billions of yen)

	FY2020 3Q	FY2021 3Q	Change %
<b>Specialty Plastics</b>			
Home products	17.5	<b>18.8</b>	+8%
Fiber products	2.9	<b>3.5</b>	+23%
Packaging materials	8.7	<b>9.8</b>	+12%
Other	3.5	<b>3.1</b>	-13%
<b>Segment revenue</b>	32.7	<b>35.3</b>	+8%
<b>Core operating profit</b>	6.5	<b>8.5</b>	+31%

Vs. FY2020 3Q

Revenue  Operating Profit 

## Home products & Fiber products

Revenue up, operating profit up  
Increased sales volumes of 'NEW Krewrap' and 'Seaguar' fishing lines

## Packaging materials

Revenue up, operating profit up  
Robust sales of PVDC film in Asia markets leading to profit growth; sales expansion of heat shrink multilayer film in Europe offset by higher raw material costs, resulting in operating loss on par with prior year

# Segment Results: Construction

KUREHA CORPORATION

(billions of yen)

	FY2020 3Q	FY2021 3Q	Change %
<b>Construction</b>			
Construction	14.5	<b>13.4</b>	-8%
Elimination (Intercompany sale)	-5.2	<b>-4.9</b>	--
<b>Segment revenue</b>	9.3	<b>8.5</b>	-9%
<b>Core operating profit</b>	0.7	<b>0.5</b>	-28%

## Vs. FY2020 3Q

Revenue ↓ Operating Profit ↓

### Construction

Lower revenue and profit impacted by delays in civil engineering projects, despite a higher number of construction projects in the private sector

# Segment Results: Other Operations

KUREHA CORPORATION

(billions of yen)

	FY2020 3Q	FY2021 3Q	Change %
<b>Other Operations</b>			
Environmental engineering	10.9	<b>9.9</b>	-9%
Logistics	5.8	<b>6.2</b>	+7%
Hospital operations	3.0	<b>3.1</b>	+3%
Others	1.8	<b>1.7</b>	-3%
Elimination (Intercompany sale)	-6.5	<b>-7.2</b>	--
<b>Segment revenue</b>	14.9	<b>13.7</b>	-8%
<b>Core operating profit</b>	3.6	<b>2.5</b>	-30%

## Vs. FY2020 3Q

Revenue ↓ Operating Profit ↓

### Environmental engineering

Lower revenue and profit impacted by the absence of post-typhoon waste treatment projects, despite volume growth for low-level PCB wastes treatment

### Logistics

Revenue and operating profit remained at prior year's levels

### Hospital operations

Revenue and operating profit remained at prior year's levels

# Financial Position

KUREHA CORPORATION

## Assets

	Mar. 31 2021	Dec. 31 2021	Change
Cash and cash equivalents	17.8	<b>22.2</b>	4.3
Trade and other receivables	28.2	<b>36.1</b>	7.9
Inventories	36.5	<b>36.2</b>	-0.3
Other current assets	3.7	<b>5.0</b>	1.2
<b>Total current assets</b>	86.2	<b>99.4</b>	13.2
Property, plant and equipment	120.2	<b>118.4</b>	-1.8
Intangible assets	2.2	<b>3.4</b>	1.2
Investments and other assets	48.3	<b>51.7</b>	3.4
<b>Total non-current assets</b>	170.7	<b>173.5</b>	2.8
<b>Total assets</b>	256.9	<b>272.9</b>	16.0

## Liabilities and Equity

(billions of yen)

	Mar. 31 2021	Dec. 31 2021	Change
Trade and other payables	19.2	<b>24.4</b>	5.2
Interest-bearing debt	29.5	<b>28.4</b>	-1.1
Provisions	7.8	<b>6.2</b>	-1.6
Other liabilities	14.9	<b>16.0</b>	1.1
<b>Total liabilities</b>	<b>71.4</b>	<b>75.1</b>	<b>3.7</b>
Shareholders' equity	18.2	<b>18.2</b>	-
Capital surplus	14.9	<b>14.7</b>	-0.2
Less: Treasury stock	-8.7	<b>-8.7</b>	-0.0
Retained earnings	154.2	<b>165.1</b>	10.9
Other components of equity	5.3	<b>7.1</b>	1.8
Non-controlling interests	1.7	<b>1.5</b>	-0.2
<b>Total equity</b>	<b>185.5</b>	<b>197.9</b>	<b>12.3</b>
<b>Total liabilities and equity</b>	256.9	<b>272.9</b>	16.0

## **II. FY2021 Full-Year Forecast**

(Period April 1, 2021 – March 31, 2022)

# FY2021 Financial Forecast

KUREHA CORPORATION

Notice: FY2021 financial forecast has been updated as of February 4, 2022.

(in billions of yen, except per-share values)

	FY2020	FY2021e	Change YOY
Revenue	144.6	<b>166.0</b>	21.4 (+14.8%)
Core operating profit	18.9	<b>23.5</b>	4.6 (+24.7%)
Adjustments	0.1	--	-0.1
Other income	0.9	0.8	-0.1
Other expenses	2.5	1.3	-1.2
Operating profit	17.3	<b>23.0</b>	5.7 (+33.2%)
Financial income	0.7	0.4	-0.3
Financial expenses	0.2	0.4	0.2
Profit before taxes	17.7	<b>23.0</b>	5.3 (+29.6%)
Profit attributable to owners of Kureha Corp.	13.5	<b>16.5</b>	3.0 (+22.3%)
Basic profit per share	¥691.33	<b>¥845.40</b>	
Interim dividend per share	¥85.0	<b>¥85.0</b>	
Year-end dividend per share	¥85.0	<b>¥125.0</b>	

## Vs. FY2021

- Revenue expected to rise on higher sales volumes of PVDF, PPS, PGA, home products and fishing lines, despite slower sales in construction and environment businesses
- Higher core operating profit likely supported by Advanced Materials and Specialty Plastics, more than offsetting declines in environment and other businesses
- Operating profit to increase as a result of higher core operating profit
- Profit before taxes to increase as a result of higher operating profit
- Profit attributable to the Company to increase as a result of higher profit before taxes

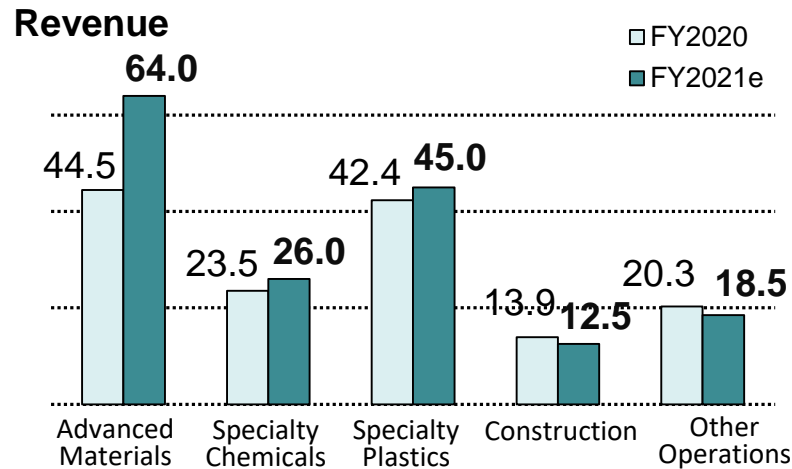


# FY2021 Financial Forecast

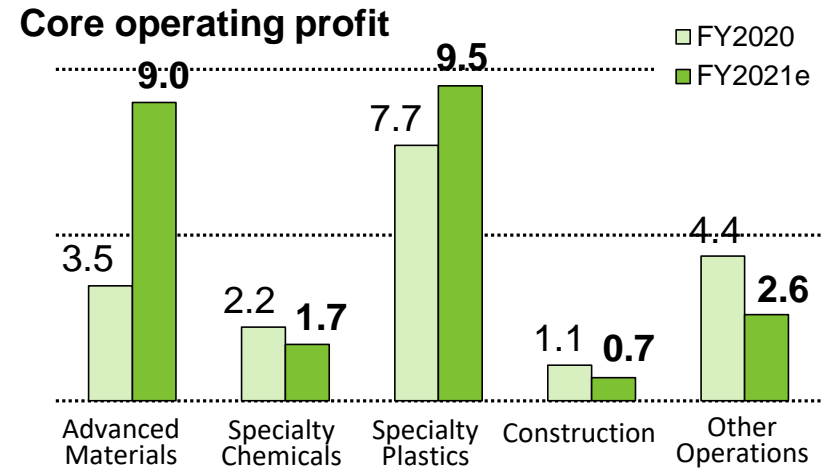
KUREHA CORPORATION

## Segment performance (vs. FY2020)

(in billions of yen)



FY2020: ¥144.6bn    FY2021e: ¥166.0bn



FY2020: ¥18.9bn    FY2021e: ¥23.5bn

## Factors attributing to changes in operating profit

AM: Continued strong demand for PVDF binder in the automotive sector, production and sales volume increase for PPS, sales volumes recovered for carbon fiber and other products in post-pandemic industries

SC: Higher raw material cost, impact of mandatory drug price revisions

SP: Sales volume growth for home-use wrap film and other plastic products

CO: Fewer high-margin construction projects, intensifying market competition

OO: Absence of post-typhoon waste treatment projects

# FY2021 Financial Forecast

KUREHA CORPORATION

(in billions of yen)

<b>FY2020</b>	<b>AM</b>	<b>SC</b>	<b>SP</b>	<b>CO</b>	<b>OO</b>	<b>Total</b>
Revenue	44.5	23.5	42.4	13.9	20.3	144.6
Core operating profit	3.5	2.2	7.7	1.1	4.4	18.9
Intersegment adjustment						0.1
Other income						0.9
Other expenses						2.5
Operating profit						17.3
Finance income						0.7
Finance costs						0.2
Profit before income tax						17.7
Profit for the period						13.5

[FY2020]  
 - Other expenses include an impairment loss (¥1.6bn) and a loss on retirement of non-current assets (¥0.4bn)

<b>FY2021e</b>	<b>AM</b>	<b>SC</b>	<b>SP</b>	<b>CO</b>	<b>OO</b>	<b>Total</b>
Revenue	64.0	26.0	45.0	12.5	18.5	166.0
Core operating profit	9.0	1.7	9.5	0.7	2.6	23.5
Intersegment adjustment						
Other income						0.8
Other expenses						1.3
Operating profit						23.0
Finance income						0.4
Finance costs						0.4
Profit before income tax						23.0
Profit for the period						16.5

[FY2021e]  
 - Other expenses include an one-time increase in retirement benefit obligations (¥0.55bn)



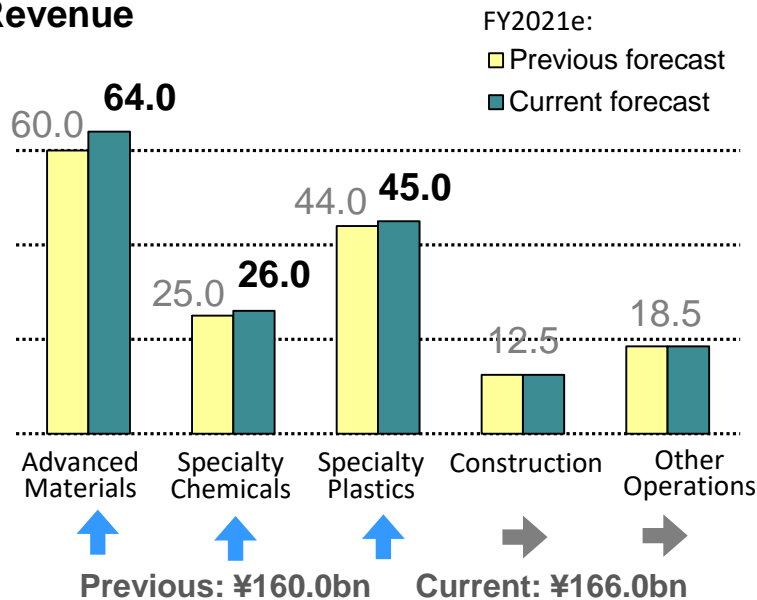
# FY2021 Financial Forecast

KUREHA CORPORATION

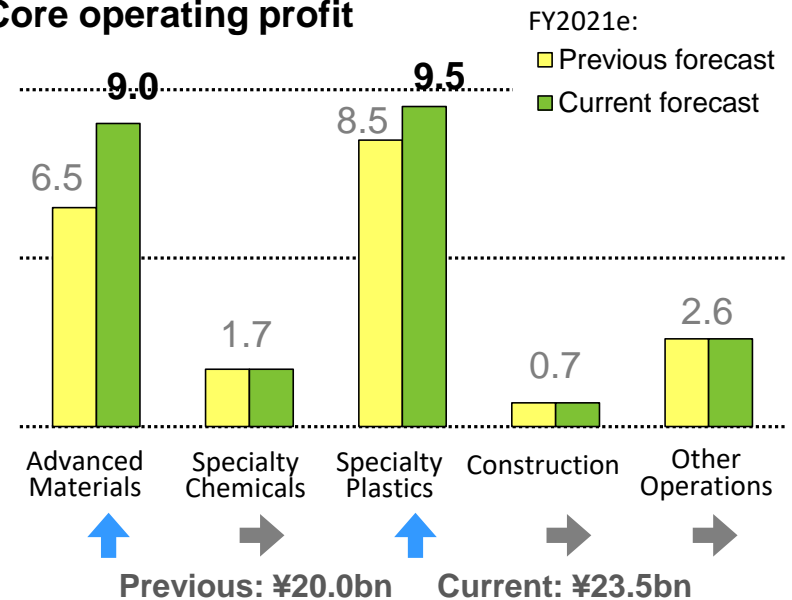
## Segment performance (vs. Previous forecast)

(in billions of yen)

### Revenue



### Core operating profit



## Factors attributing to changes in operating profit

AM: Higher sales volumes of PVDF, carbon fiber and other functional resin products

SC: (No change from previous forecast)

SP: Higher sales volumes of home products, fishing lines and packaging film

CO: (No change from previous forecast)

OO: (No change from previous forecast)

# FY2021 Financial Forecast

KUREHA CORPORATION

(in billions of yen)

## FY2021e Previous forecast

	AM	SC	SP	CO	OO	Total
Revenue	60.0	25.0	44.0	12.5	18.5	160.0
Core operating profit	6.5	1.7	8.5	0.7	2.6	20.0
Intersegment adjustment						0.0
Other income						0.8
Other expenses						1.3
Operating profit						19.5
Finance income						0.5
Finance costs						0.5
Profit before income tax						19.5
Profit for the period						14.0

[Previous forecast]  
Other expenses include an one-time increase in retirement benefit obligations (¥0.55bn)

## FY2021e Current forecast

	AM	SC	SP	CO	OO	Total
Revenue	64.0	26.0	45.0	12.5	18.5	166.0
Core operating profit	9.0	1.7	9.5	0.7	2.6	23.5
Intersegment adjustment						
Other income						0.8
Other expenses						1.3
Operating profit						23.0
Finance income						0.4
Finance costs						0.4
Profit before income tax						23.0
Profit for the period						16.5

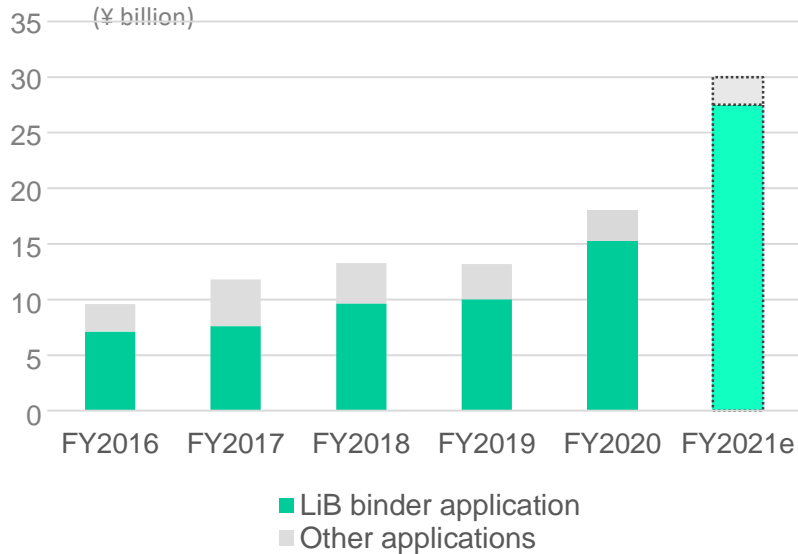
(Current forecast)  
Other expenses include an one-time increase in retirement benefit obligations (¥0.55bn)

## III. Supplementary Materials

# PVDF Business Updates

KUREHA CORPORATION

## PVDF: Revenue (FY2016 – 2021e)



## Production Enhancement Plans

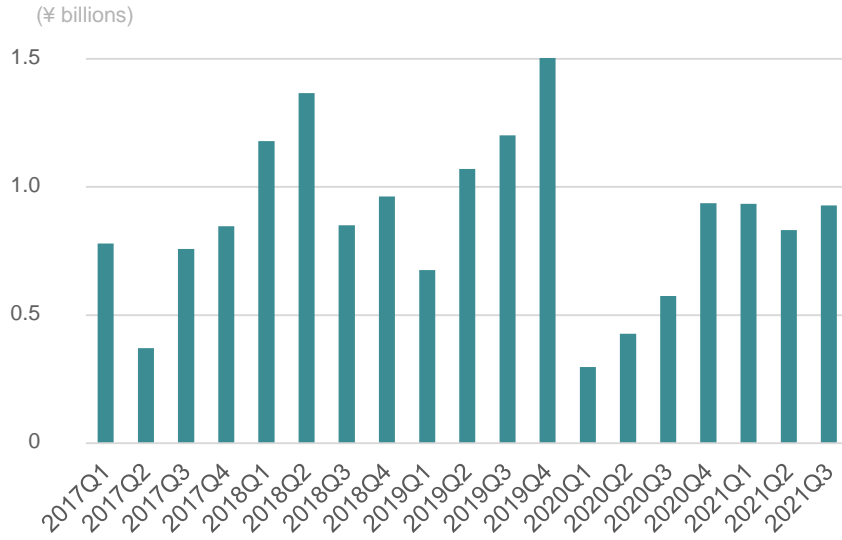
Year	Capacity increase
FY2022	Increase production of specialty grade polymers at the Iwaki Factory (Nameplate capacity unchanged)
FY2024	Start up a new plant in Changshu, China (Capacity increase of 11,000tpa)

- A roughly 40% market share held by Kureha PVDF in the automotive cathode binder segment; primary customers including major Chinese and South Korean lithium-ion battery manufacturers
- Full-capacity production continuing at both Japan Iwaki Factory and China Changshu facility since mid 2020
  - The Changshu plant begins production and shipment of specialty PVDF polymers in May 2020
- FY2021 business revenue and profit expected to increase vs. FY2020
  - Effective pricing efforts to reflect rising raw material cost, including price formula agreements signed by major customers
  - Increased production and sale of high value-added specialty polymers
  - Improved overall productivity
- Will complete upgrading the Iwaki plant and increase the production of specialty polymers in 4QFY2021, commercial operations scheduled to start in FY2022
- Kureha Group's total PVDF production capacity to reach 21,000tpa in FY2024
  - Will start up the 2<sup>nd</sup> PVDF plant (10,000tpa) in Changshu, China by Summer 2024

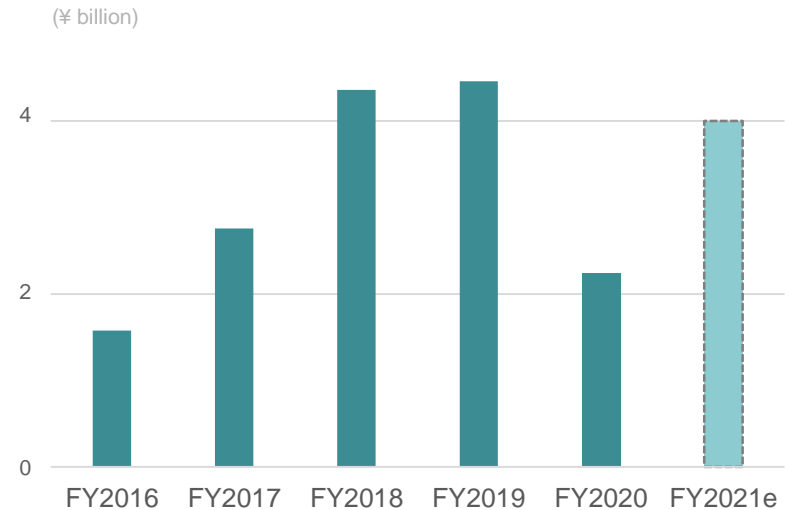
# PGA Business Updates

KUREHA CORPORATION

## PGA: Quarterly Revenue



## Yearly Revenue (FY2016- 2021e)



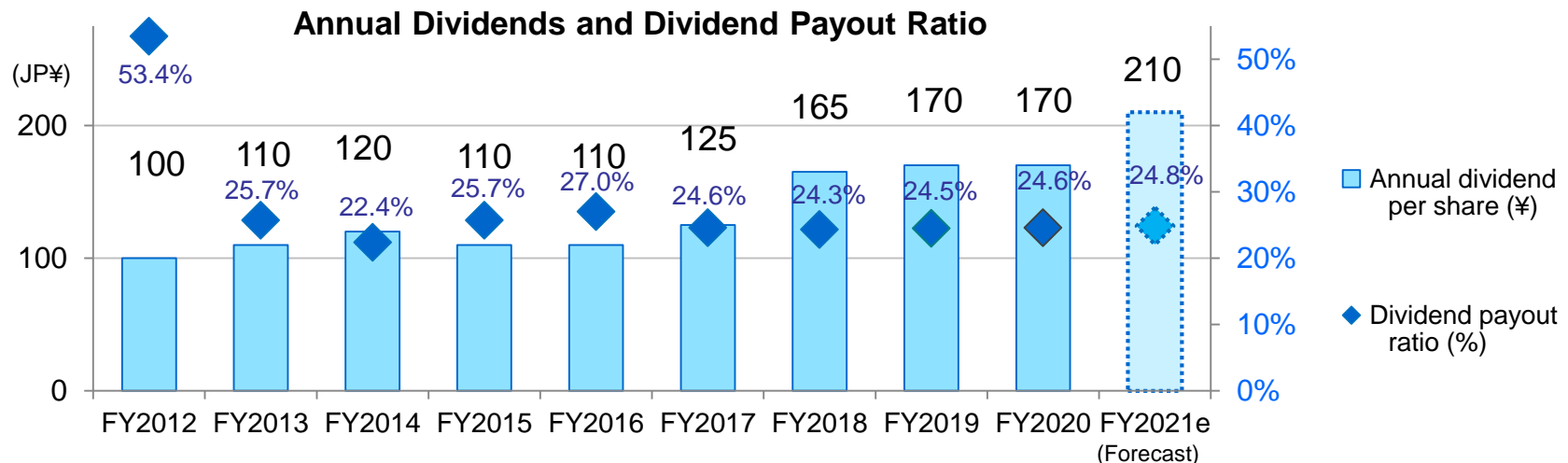
- Shale oil and gas production activities are gradually returning in the post-pandemic economy
- Kureha continues to focus on expanding its frac plug market share in mid- and high-temperature shale fields by ways such as strategic pricing, product improvement and expanded sales of full-bore frac plugs, while also accelerating the development of new PGA plugs suitable for ultra low-temperature fields

# Returning to Shareholders

KUREHA CORPORATION

## Revised Forecast for FY2021 Dividend

- Kureha's basic policy regarding dividend distribution is to pay a steady dividend to shareholders over a long period of time, while strengthening the Company's financial structure to sustain long-term growth and future business development. Based on this policy, Kureha has maintained a consistent dividend payout over the years regardless of occasional swings in its financial performance.
- As the Company's current earnings forecast for FY2021 exceeds its previous forecast, which has been upwardly revised and announced on November 9, 2021, Kureha will raise the annual dividend to 210 yen, up from 185 yen of its most recent forecast.



### Notes:

- Kureha conducted a ten-to-one share consolidation on October 1, 2016. All figures in this chart are presented on a post share consolidation basis for comparison purposes
- Accounting standards: Japanese GAAP (before and in FY2015); IFRS (in and after FY2016)
- Commemorative dividends of ¥10 are included in the annual dividends of FY2014 and FY2018
- Share repurchases completed: ¥3bn in FY2018, ¥5bn in FY2019

Strengthening ESG management in line with the United Nations' Sustainable Development Goals and toward carbon neutrality is one of our priority measures in the 'Kureha's Challenge 2022' mid-term management plan (FY2021-2022).

Our initiatives and progress in the areas of climate change response, diversity in core human resources and Board Directors selection have been updated in our CSR Report and Corporate Governance Report published last year.



## CSR Report 2021

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

(CSR Report ESG Data Collection)

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

**Corporate Governance Report** \*Updated on Dec. 22, 2021

[https://www.kureha.co.jp/en/ir/pdf/20211222\\_CG%20Report.pdf](https://www.kureha.co.jp/en/ir/pdf/20211222_CG%20Report.pdf)



Kureha Group's CSR



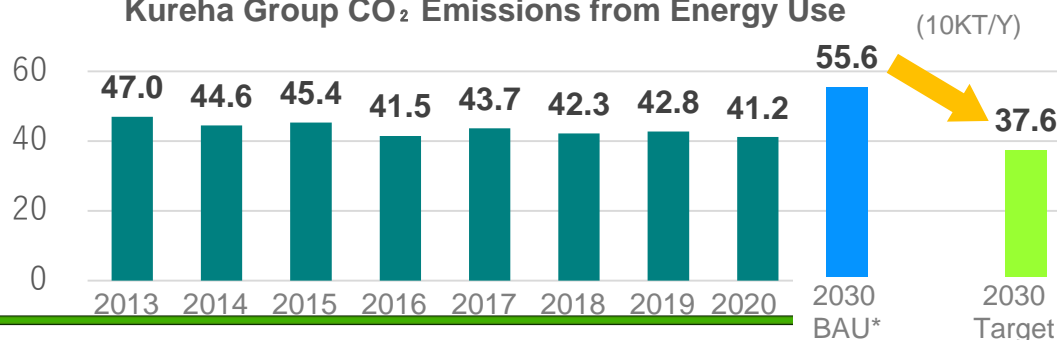
CSR Material Issues

# (1) Climate Change Response

KUREHA CORPORATION

- Responding to climate change aimed at the achievement of net zero is a top priority challenge in the Kureha Group as well. Kureha Group has established a basic policy for climate change response and is addressing this challenge across the entire Group.
- **Target of GHG emissions reduction and Carbon Neutrality Project**  
 In FY2020, the Company investigated the state of energy use and CO<sub>2</sub> emissions for the entire Group, estimated future energy demand, and conducted a survey to obtain information about the situation and various responses in the countries and regions where Group companies are located. Based on these investigations, the Company formulated CO<sub>2</sub> emissions reduction targets for FY2030.  
 In addition, due to the Japanese government's announcement of new GHG emissions reduction targets in April 2021, the Kureha Group also further reviewed its own CO<sub>2</sub> emissions reduction targets and decided to strengthen and accelerate its company-wide initiatives. To this end, a new Carbon Neutral Project was established in October 2021 as a company-wide project, under which initiatives for the Kureha Group to achieve carbon neutrality in 2050 are managed and promoted.
- **Disclosures under the TCFD or equivalent frameworks**  
 Kureha has now commenced scenario analyses in line with the TCFD Recommendations. It is evaluating the climate change-related risks and opportunities for the Kureha Group, reflecting them in management strategies and risk management, identifying their financial impact, and proceeding with preparations for the appropriate disclosure of information.

Kureha Group CO<sub>2</sub> Emissions from Energy Use



\*Business as usual



**KUREHA**



## (2) Diversity in Core Human Resources

KUREHA CORPORATION

### Policy, Targets

#### ■ Ensuring Diversity in Promotion, etc. of Core Human Resources

- Kureha employs and promotes diverse human resources who have different knowledge and experiences, based on their personal attributes, including abilities and achievements, to meet management and business needs.
- It promotes personnel to management positions based on whether or not they will be able to sufficiently fulfill the roles and responsibilities required as executives or department managers, while taking diversity of human capital into account.

#### ■ Status of and voluntary, measurable targets for ensuring diversity

- Women, foreign nationals, and mid-career hires currently account for 5.4%, 0.4%, and 8.3% of management positions respectively in FY2021.
- To ensure diverse human capital, **Kureha has set a target of 20% or more for the percentage of women recruited for career-track positions**, and it will also strive to increase the percentages of women, foreign nationals, and mid-career hires in management positions to above the current levels.

Number of women employed for potential management positions and their representation in management (Kureha Corp.)



Numbers of total employees and those above manager levels (Kureha Corp., as of March 2021)

Employees	1,676 (367)
Managers	277 (15)

\*Parenthesized numbers are female

# (3)The Board of Directors

## Policy & Procedure: Appointment of Directors

- The Board of Directors makes decisions on the appointment of Directors and Vice Presidents appropriately **based on the evaluation of factors such as the Company's business performance while ensuring transparency and fairness of the Company's decision-making**. When appointing Directors, achieving a balance of knowledge, abilities, and experience within the Board of Directors as a whole, as well as diversity and the maximum number of Directors are taken into account, with most emphasis being given to experience in corporate management.
- Based on the above policy, the Nomination Advisory Committee, non-mandatory advisory board to the Board of Directors deliberates on the appointment of Directors and Vice Presidents, and **the chairperson of the Nomination Advisory Committee proposes to the Board of Directors the results of the review of the details for the resolution of the appointment**.

## View on the Balance between Knowledge, etc. of the Board of Directors and on Diversity & Board Size

- Based on the size and details of businesses of Kureha and Group companies, the Board of Directors consists of up to ten individuals, **of which at least one-third shall be Independent Outside Directors**.
- In appointing Directors, the Company **places the highest priority on their experience in corporate management**. And by creating a skills matrix that lists candidates' areas of expertise and experience, and combining different specialist areas and backgrounds, the Company comprehensively takes into account factors such as the balance of knowledge, skills and experience within the Board of Directors as a whole; its diversity including gender, international character, career background, and age aspects; and the appropriate size of the Board to make the final decision.

# (3)The Board of Directors

KUREHA CORPORATION

## Nomination Advisory Committee and Remuneration Advisory Committee

- With regard to matters concerning the appointment and remuneration of the Chairman of the Board of Directors, President & Chief Executive Officer, Representative Director, Directors, Vice Presidents with Title, and Vice Presidents in order to ensure transparency in the decision-making process of the Board of Directors and strengthen accountability to stakeholders, Kureha established the Nomination Advisory Committee and the Remuneration Advisory Committee on June 26, 2018 as a non-mandatory advisory board to the Board of Directors.
- Each of the Committees consists of three or more Directors, **the majority of whom are Outside Directors, and is chaired by an Outside Director.**
- The Nomination Advisory Committee deliberates on matters concerning the appointment and dismissal of the Chairman of the Board of Directors, President & Chief Executive Officer, Representative Director, and Directors, candidates to succeed the President & Chief Executive Officer and plans for their training, and matters concerning the appointment and dismissal of Vice Presidents with Title and Vice Presidents, and reviews the details of matters to be referred for discussion and resolution at the Board of Directors.
- The Remuneration Advisory Committee deliberates on matters related to policies on the structures and systems of remuneration for Directors and Vice Presidents, the details of remuneration, etc. for individual Directors and other matters, and reviews the details of matters to be referred for discussion and resolution at the Board of Directors.

# Disclaimer

KUREHA CORPORATION

- This document is supplied to provide a deeper understanding of our company, and is not intended for soliciting investment or other actions.
- This document has been prepared by Kureha Corporation based on the information currently available and acquired by the Company. Actual performance may produce results that differ from the plans presented in this document due to unforeseeable events and factors.
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