Kurita Water Industries Ltd.

2nd
ESG Briefing

(Securities code: 6370)

March 11, 2022

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1 Kurita's Corporate Governance Reforms

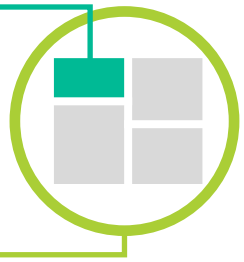
President and Representative Director

Michiya Kadota

Management strategy transformation and corporate governance reforms

What are needed to take risks proactively and decisively

- Ample liquidity on hand
- Firm balance sheet



Trans-formation

Active cash utilization for growth investment

- Overseas M&A
- Investment in ultrapure water supply business and other service contract-type businesses

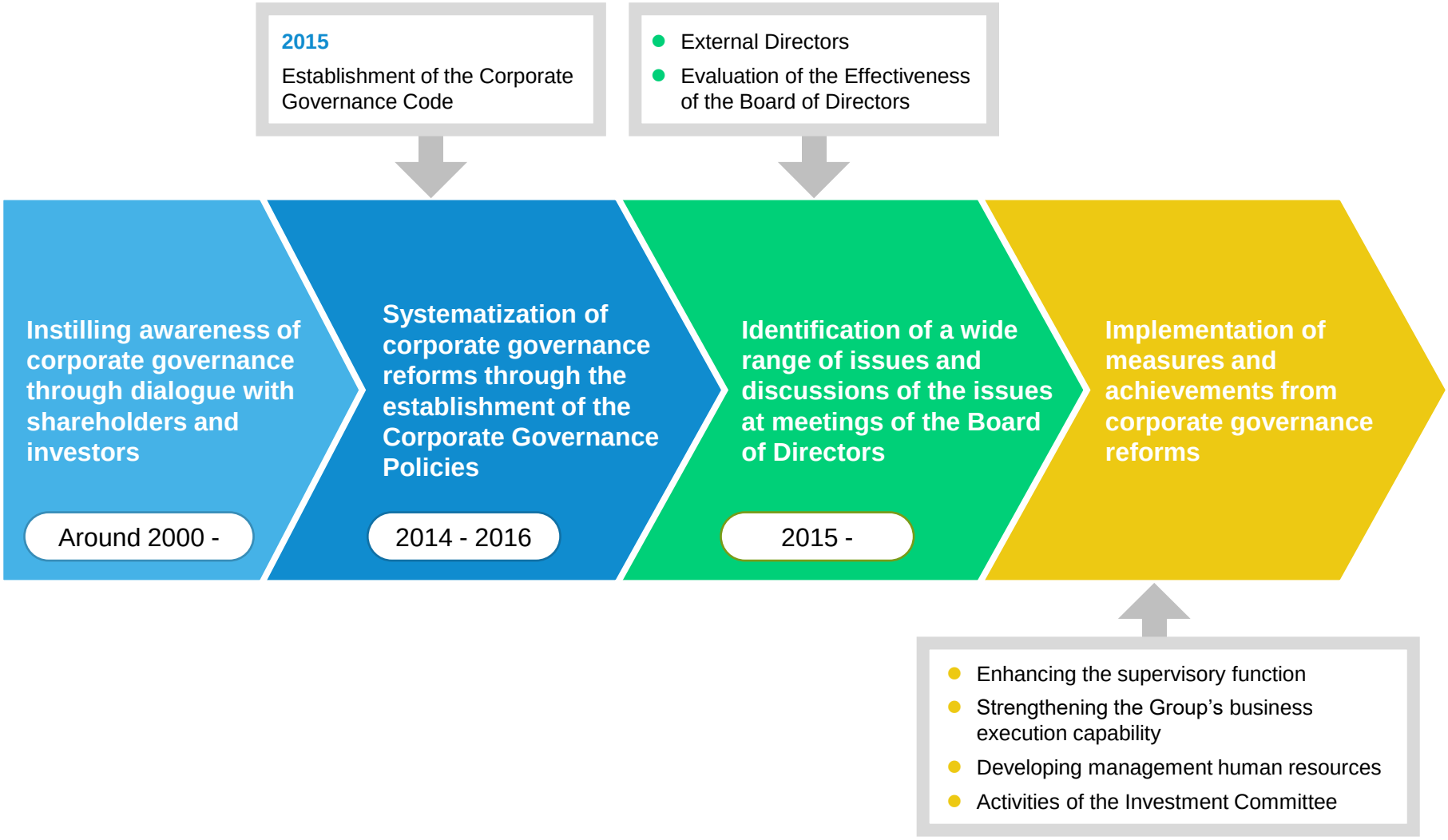
Enhancing supervision of management

Enhancing business execution capability

Corporate governance reforms

Steps of corporate governance reforms

Systematization and implementation of measures based on policies



Enhancing the supervisory function and business execution capability

Reinforcing the supervisory function of the Board of Directors and the executive officer system

	FY ended 03/2015	FY ending 03/2022
Internal Directors	9 people	5 people
External Directors	1 person	3 people
Executive Officers	9 people	12 people

Authorities and responsibilities of executive officers
(From FY ended 03/2019)

Top-level executives
who implement business execution under the supervision of the Board of Directors

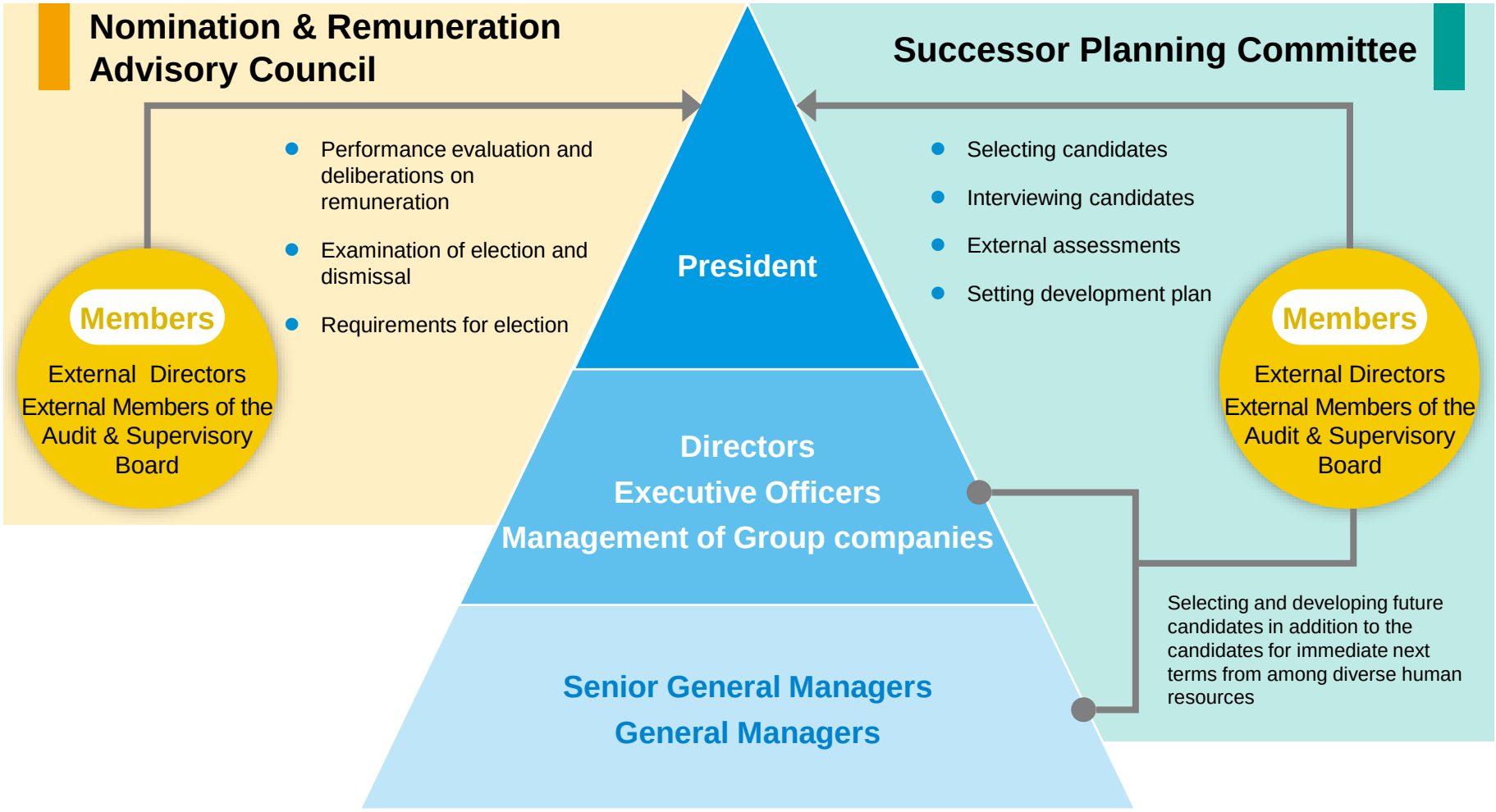
1-year
Appointment

Performance-linked remuneration
similar to that for directors

Evaluated by the **Nomination & Remuneration Advisory Council**

Developing and selecting management human resources

Creation of a system for producing human resources on a long-term basis



Note: The president is included among the members of the Nomination & Remuneration Advisory Council when nomination of and remuneration for personnel other than the president are discussed. The president and executive senior managing director are included among the members of the Successor Planning Committee for personnel other than the president are discussed.

Establishing Group governance

Enhancement of the Group's business execution capability in the aspect of governance

- Reorganization of the Kurita Group Philosophy System
  - Revision of Corporate Vision
  - Establishment of Basic Policies (CSR Policy, Human Rights Policy, etc.)
  - Improving Business Policy
- Establishing Kurita's Value Creation Story
- Establishment of the D&I Vision

Shared values

- Process of nomination by the Head Office
- Involvement of the Successor Planning Committee in the development of management candidates at overseas Group companies

Nomination

- Introduction of Management Monitoring System
- Understanding of monitoring results by the Board of Directors of Kurita Water Industries

Audits

Group companies in Japan and other countries

74 companies

- Introduction of a performance-linked remuneration system that is similar to the one for officers of Kurita Water Industries
- Evaluation based on KPI common to the Group
- Evaluation of each company's representative by the president of Kurita Water Industries Ltd.

Remuneration system

- Consolidation of functions to manage sales companies in Japan as shared services
- Establishment of regional headquarters and transfer of authority
- Introduction of the Group's overall manager for each of the functions such as accounting, quality, and DX

Internal Control

Expansion through M&As
Group reorganization

Future direction

Implementing governance reforms that support the creation of shared value with society

Systematizing corporate governance reforms

MVP-22 medium-term management plan

Establishing a rock-solid earnings base

Organizing a system that supports business changes

- Enhancing supervisory function from diverse perspectives
- Reinforcing the executive officer system
- Developing management human resources
- Establishing Group governance

Redefining businesses based on social issues and achieving sustainable growth

Establishing a system that supports creation of social value

Enhancing measures to address sustainability issues

- Adopting sustainability KPI to the remuneration system

Human resources management of the overall Group

2 Human Resource Strategy for Value Creation

Corporate Planning and Management Office,
Diversity and Engagement Department
General Manager

Mitsuhiro Kokura

Important capital for achieving management strategies

Human resources are the driving force supporting the value creation story.

Study the properties of water, master them, and we will create an environment in which nature and man are in harmony.

Diverse points of contact with sites

Technology Development

Identifying true issues

Water knowledge

Diverse solutions

Operation of wide-ranging businesses

Diverse business models

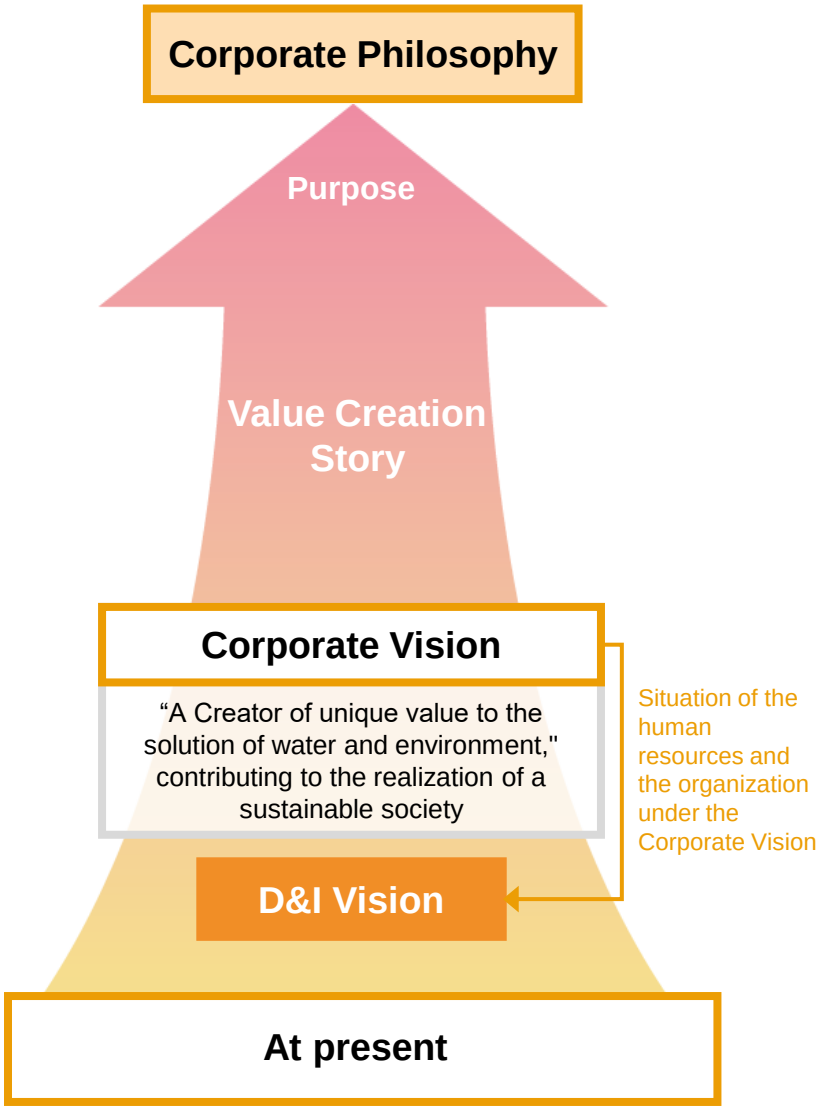
Changing society and industries with "water knowledge"

Maximizing customer value

High profitability and sustainable growth

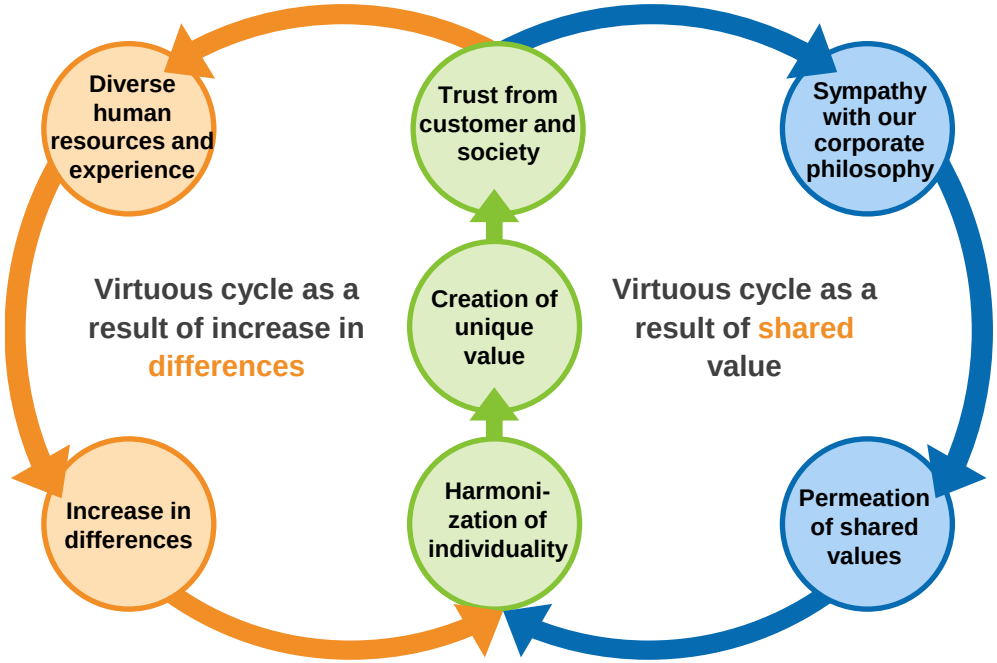
Winning trust from customers and building a sustainable society

D&I Vision: Situation of the human resources and the organization under the Corporate Vision



D&I Vision

The corporate group that continues to create unique value through interaction among diverse people who care about water and the environment and who accept each other's differences.



Human Resource Strategy for Value Creation

Determining directions based on business strategy and environmental changes

Human resources policy

A group of professionals in a range of fields who obtain joy from their contributions to customers, society and the global environment through their work at the Kurita Group with their commitment to creating new value

Direction of the organization

Organizational culture

- Transformation into a group with a high level of engagement where D&I has permeated

Organizational Structure

- The Group headquarters oversees development, technology, and other functions to improve the level of operations.
- Active participation of locally recruited employees in countries other than Japan

Direction of human resources utilization

Utilizing and securing human resources

- Continuous enhancement of active participation of human resources in technological fields that support Kurita
- Creation of new value by digital specialists who drive DX

Personnel system

- Developing a human resources system where the Group will have two strengths: cooperation among human resources and the active participation of individuals who possess a high degree of expertise

Changes in the external environment

- Changes in the ideas about Japanese-style employment, such as the order of seniority and permanent employment
- Diversification of work styles
- Development of digital technologies and growth in demand for digital specialists

Changes in the internal environment

Expanding overseas businesses through M&A

	FY ended 03/2014	FY ended 03/2021
Ratio of overseas net sales	Approx. 20%	▶ Approx. 40%
Ratio of overseas employees	Approx. 20%	▶ Approx. 50%

Value Creation Story

Initiatives for developing organizational culture

Driving behavior changes by permeating D&I

Steps of initiatives

Training and workshops for management-level employees

- Participation of 256 management-level employees of Kurita
- Promoting understanding of D&I and unconscious bias and eliminating boundaries between organizations through discussion between management-level employees as a way of practicing behavioral changes, thus driving the creation of conditions which facilitate collaboration

Workplace discussion

- Held at 212 sections of Kurita
- Relationship between D&I and operational innovations was discussed under the theme of workplace innovation to understand the current status of D&I at each section.

Internal PR in the Group

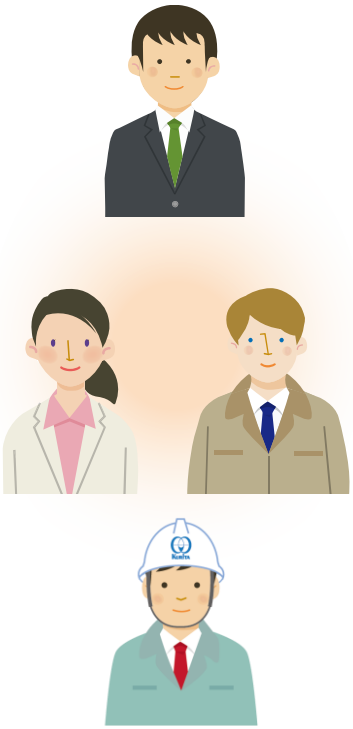
- Distribution of video messages on D&I from executive general managers of divisions

- Introduction of the D&I Vision, human resource strategy, etc.

Providing opportunities for active participation of diverse human resources

Connection between people that creates unprecedented value

Diverse human resources



Opportunities for active participation of diverse human resources (e.g., Project Acorn)

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Interactions with people inside the Group and external people

Kurita Innovation Hub

Research institution

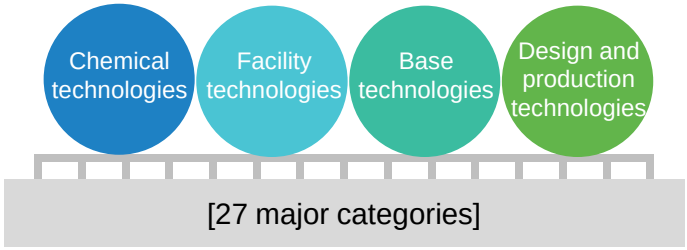
Startups

Utilizing and securing engineers in technological field and digital specialists

Strengthening development of human resources who drive value creation

Engineers in technological field

Technological fields that support Kurita



Kurita-Technical Education Program

- Medium- and long-term human resources reinforcement and well-planned successor development
- Group-wide utilization of skills, knowledge, and experience

Deepening and developing water treatment technologies

Collaborations

Digital specialists

- Planning and driving strategies based on DX
- Business model development
- Building infrastructure and providing IT services

Utilization of Digital Technologies

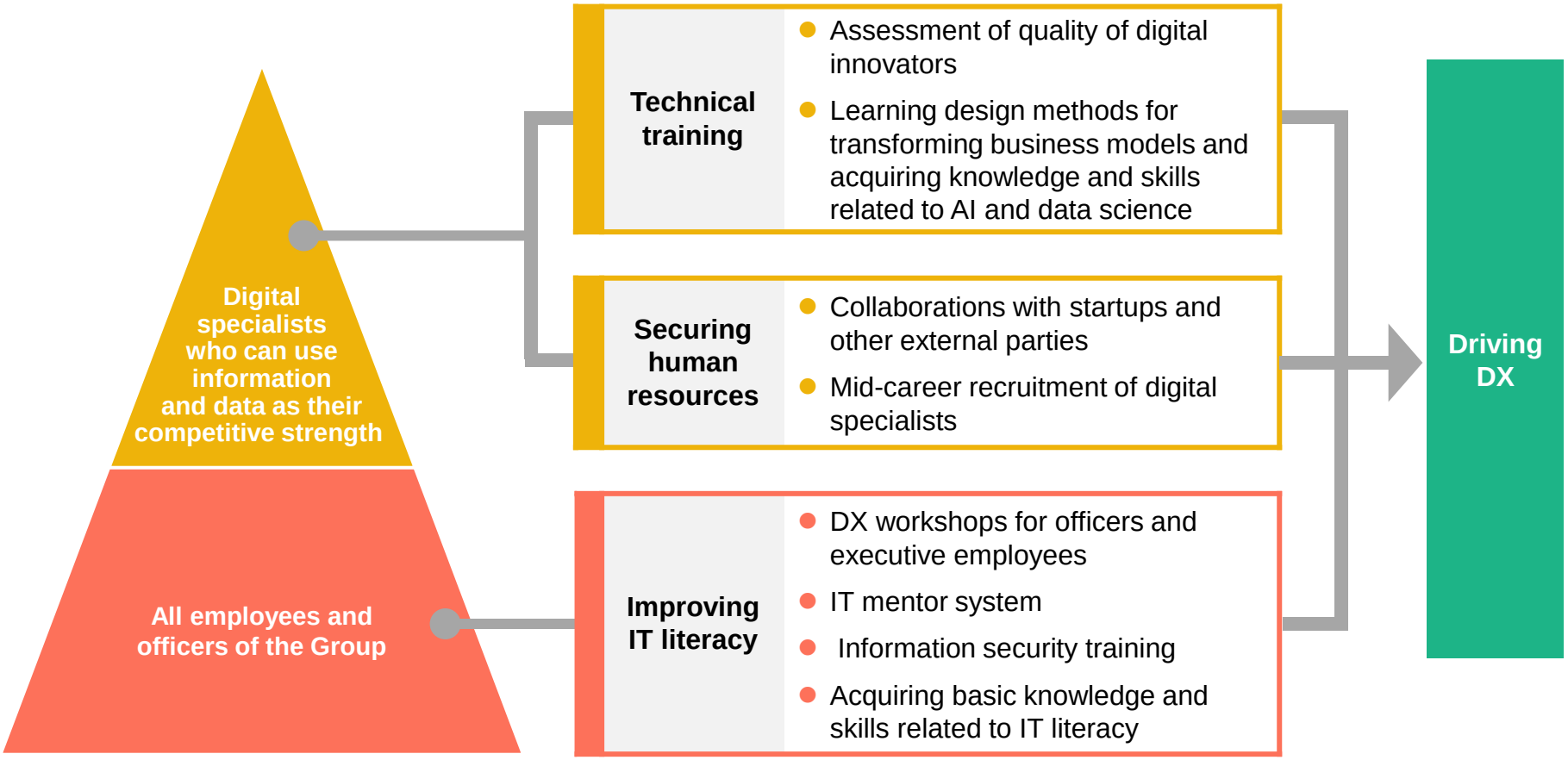
- Creating digital businesses
- Collecting "water knowledge," making it explicit knowledge, and utilizing it

Driving DX

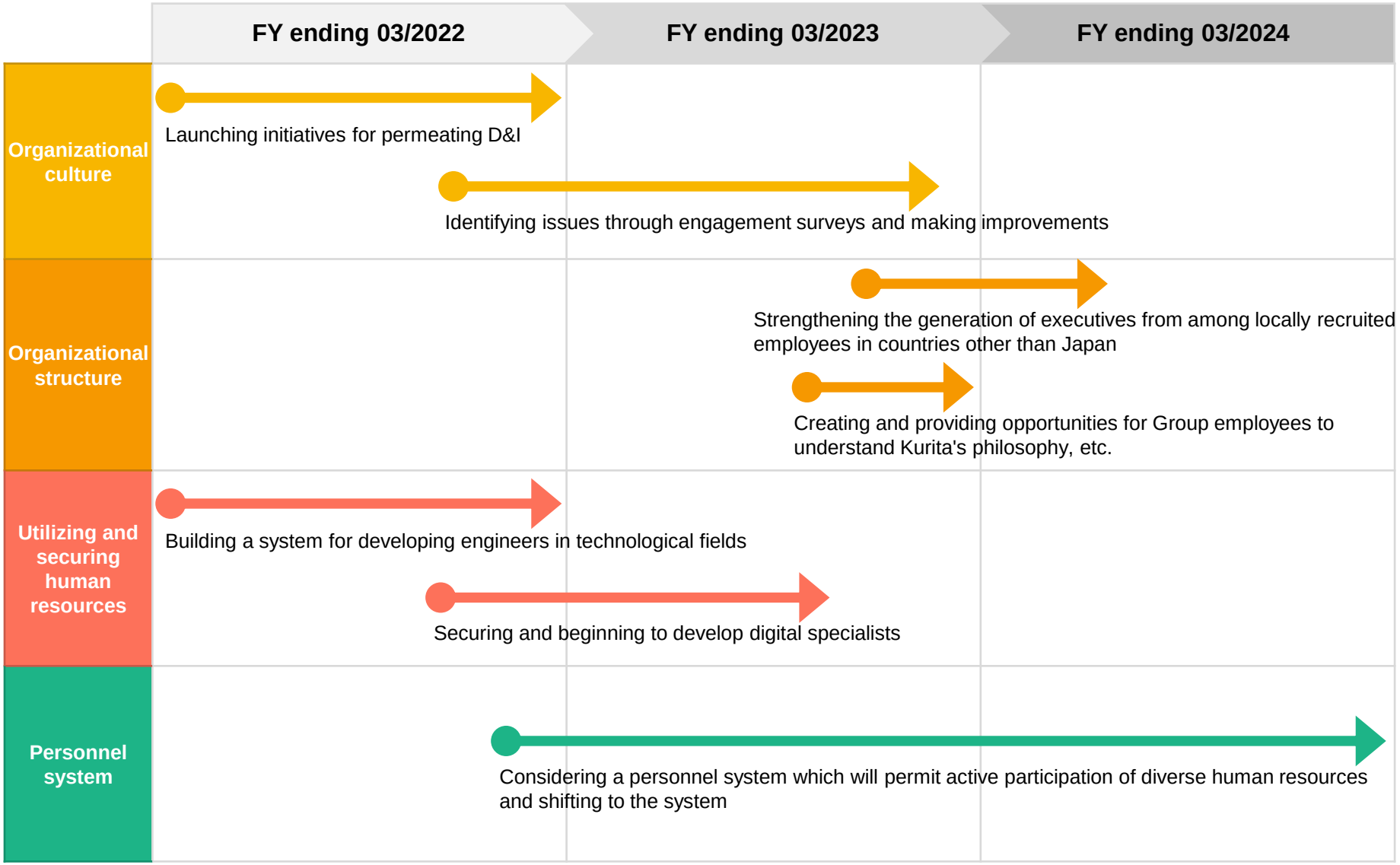
Creating outside-the-box solutions and business models that only Kurita could create

Utilizing and securing digital specialists

Creating businesses which combine diverse points of contact with sites and digital technologies

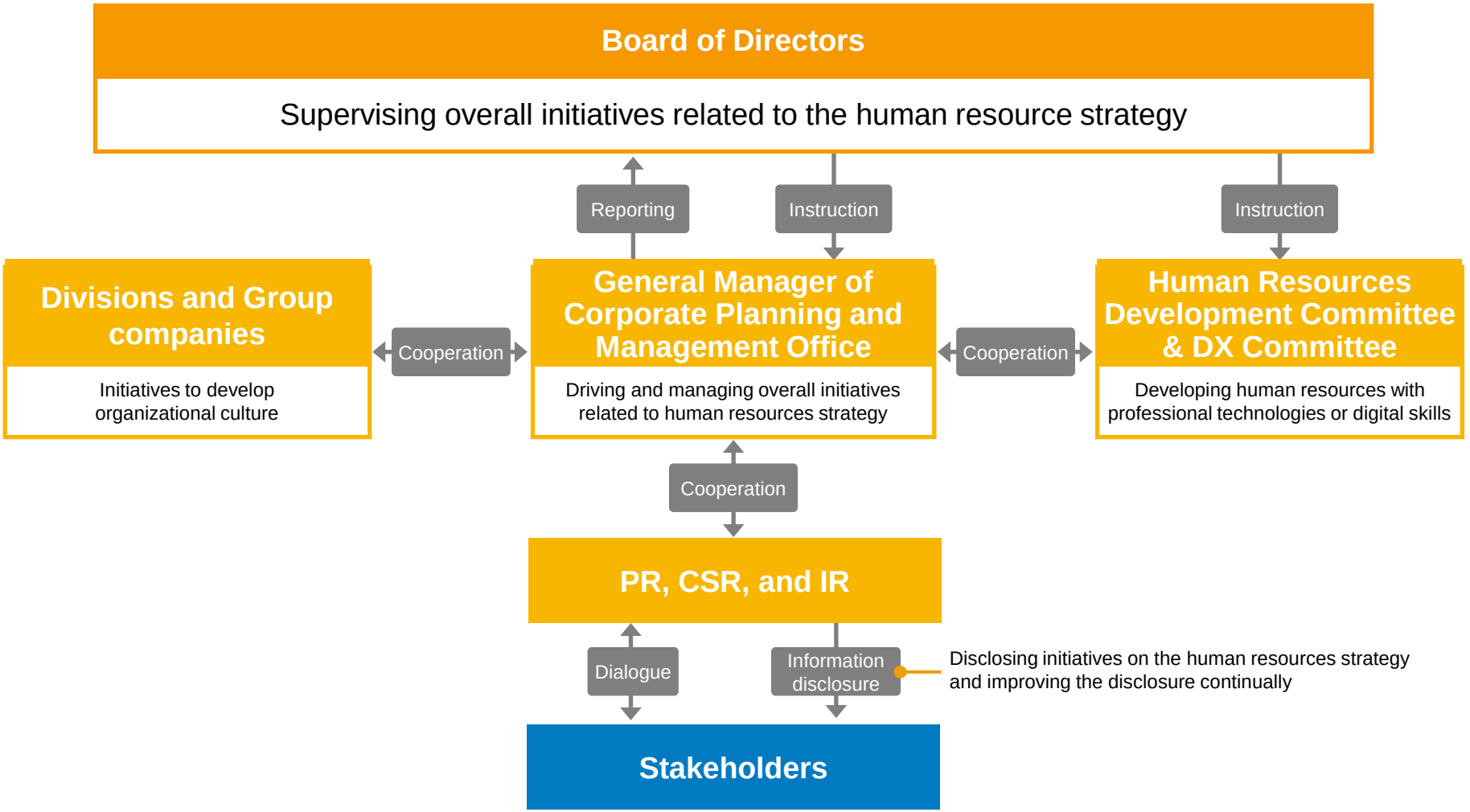


Future Initiatives



System for promoting the human resource strategy

Promotion system to which the Board of Directors is committed



3 Creating Shared Value with Society

Corporate Control and Administration Division,
CSR and Investor Relations Department
General Manager

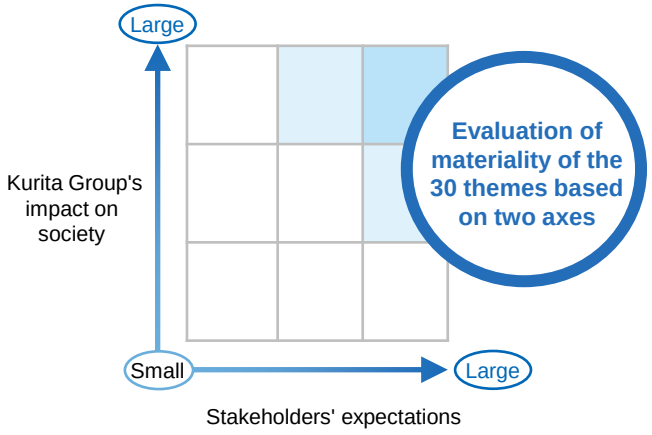
Kosuke Arai

Defense (improving risk response capabilities) and offense (improving business competitiveness through CSV)

Reaffirmation of Corporate Philosophy

Defining CSR and sorting out objectives of initiatives

Consideration of Priority Themes (Materiality)

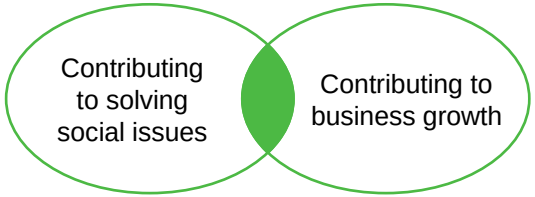


CSR Policy

Provide solutions for issues related to water and the environment, and fulfill responsibility for the future

Priority themes	
Basic themes	Themes for growth opportunities
1. Provide highly safe services and products	4. Solve issues related to water resources
2. Conduct fair business activities	5. Realize sustainable energy use
	6. Reduce waste
3. Respect human rights	7. Advance industrial production technologies

CSV（Creating Shared Value）

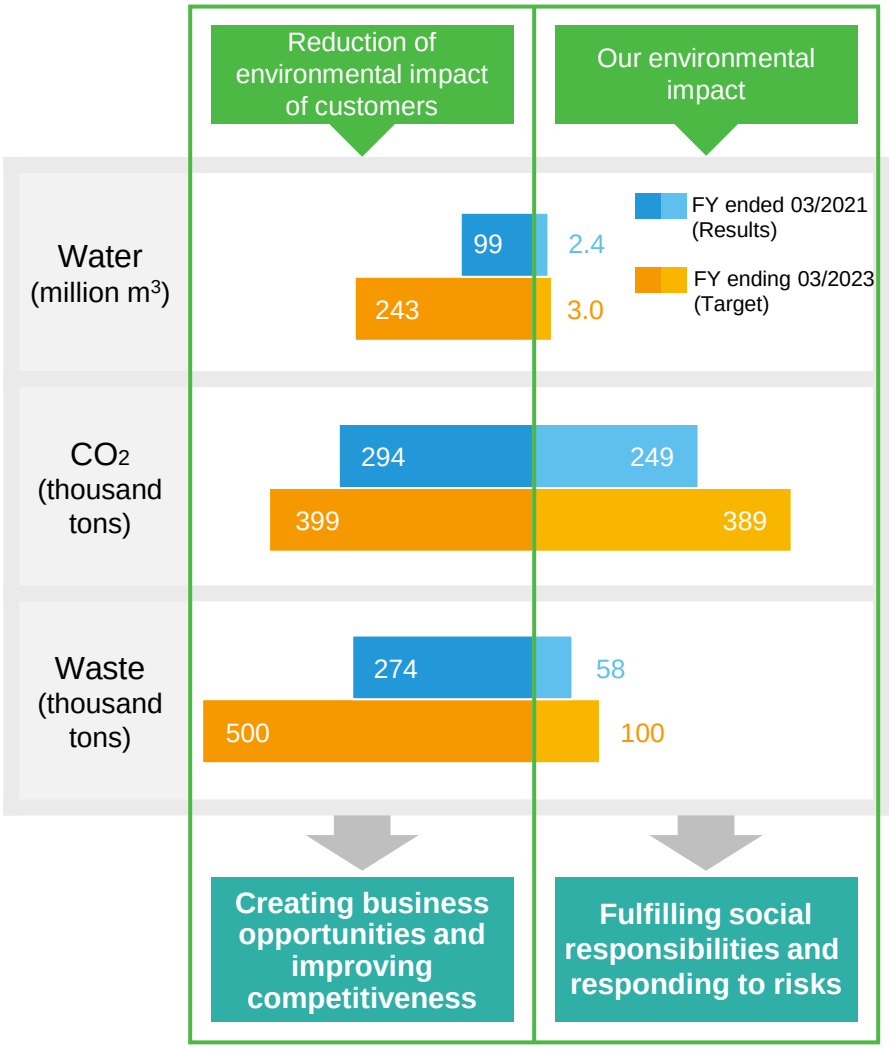


Initiatives reflecting characteristics of Kurita's businesses and social demand

Theme		Metrics	Category
Theme 4	Solve issues related to water resources	Water savings at customers – Amount of the water intake used in our business activities	Characteristics of Kurita's businesses
		Number of people that can benefit from improvement in water resources	Global initiative
Theme 5	Realize sustainable energy use	CO_2 emissions reduction at customers – CO_2 emissions from our business activities	Characteristics of Kurita's businesses
		Reduction of Scope 1 and 2 emissions	Social demand
		Reduction of Scope 3 emissions	Social demand
Theme 6	Reduce waste	Waste reduction at customers – Waste generated from our business activities	Characteristics of Kurita's businesses

Initiative taken by applying characteristics of Kurita's businesses

Reducing environmental impact of both customers and Kurita



Kurita's environmental improvement activities

Environmental improvement in both aspects

Customers' environmental improvement (Development of CSV business)	Kurita's internal environmental improvement

Measuring the impact on society with the formula of Customer impact reduction − Kurita Group impact

Solving social issues and achieving business growth (Creating shared value)

Fulfilling social responsibilities and reducing business risks

Risk assessment

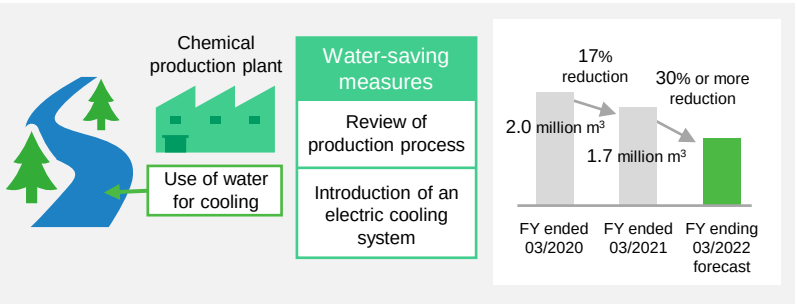
Impact on society | Business risks

Each business base of the Group

Selecting premises at which initiatives should be taken preferentially and planning measures

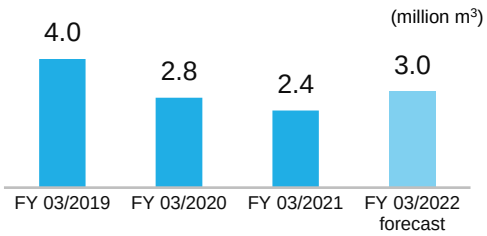
- Examples of improvement

  Ludwigshafen plant, Kurita Europe GmbH



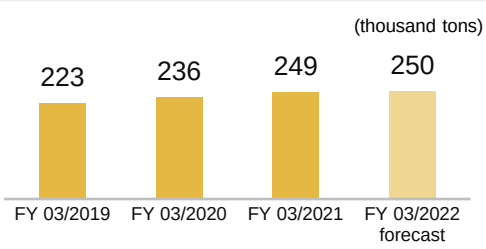
Theme 4 Water Resources

Our water intake



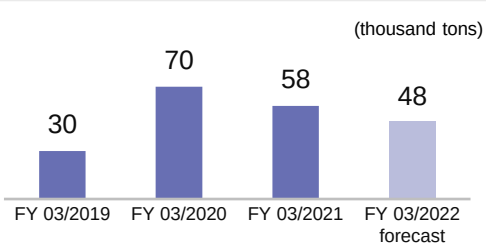
Theme 5 Energy

Our CO_2 emissions



Theme 6 Waste

Our industrial waste emissions



* The above data are based on our approach in 2018, when we set the targets, and therefore differ from data on "water intake" under the GRI Standards and ESG data we aggregate and accumulate based on the GHG Protocol.

Customers' environmental improvement activities (Development of CSV business)

Creating business opportunities and improving competitiveness

CSV (Creating Shared Value) businesses

Products, technologies, and business models that contribute to saving water and reducing CO_2 emissions and waste more greatly than conventional ones

(FY ended 03/2021: 48 types in total)

Selection standards

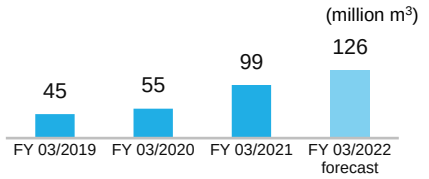
- Must: Superiority to conventional/competing technologies
- Must: Applying new or existing technologies in new markets
- Must: Contributing to SDGs action plan
- Contributing to reducing Scope 3 emissions by the Kurita Group (new addition)

KPI

- Reduction of environmental impact
- Orders
- Business Profit Margin

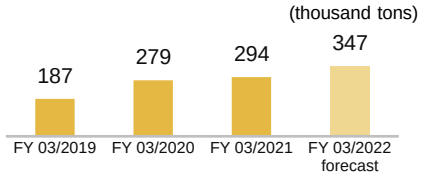
Theme 4 Water resources

- CORR system
- Reverse osmosis membrane treatment chemicals, etc.



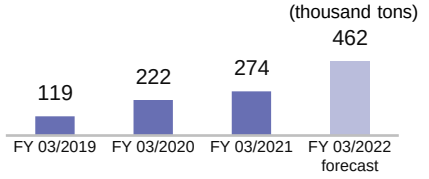
Theme 5 Energy

- Kurita Dropwise Technology
- Water treatment system using IoT etc.,

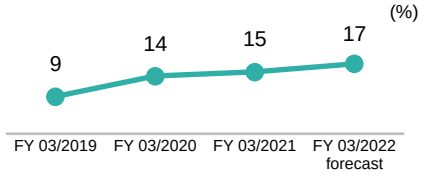


Theme 6 Waste

- Wastewater treatment 3S solution using coagulation sensor
- Reducing the volume of wastewater sludge, recycling it into resources, etc.



CSV business orders Ratio to net sales



- Selecting and developing CSV businesses to focus our efforts on each region/market
- Using environmental value for performance evaluation

Setting targets aligned with the Well Below 2°C indicated by SBTi

	Percentage of emissions FY ended 03/2020	Scope1, 2 27.5% reduction (Target for FY ending 03/2031)	Scope1, 2 100% reduction (Target for FY ending 03/2051)
Scope 1	0.3%	●Gradual replacement of gasoline-powered vehicles with electric vehicles and the like ●Replacement of fuel with renewable energy	
Scope 2	0.8%	●Use of renewable energy for power used at business locations ●Measures to reduce Scope 2 not derived from power	
Scope 3	98.9%	●Reduction of Scope 3 through promotion of CSV business ●Transformation of products and services provided and businesses ●Change in external environment (customers' shift to renewable energy)	
		Scope 3 27.5% reduction (Target for FY ending 03/2031)	

Process of selecting measures

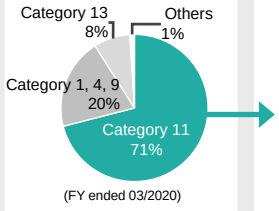
Selection of risks based on scenario analysis

Extent of Impact

Likelihood

Formulation and implementation of the Group's measures

Breakdown of Scope 3 emissions



(FY ended 03/2020)

Reducing Scope 3 emissions with CSV businesses

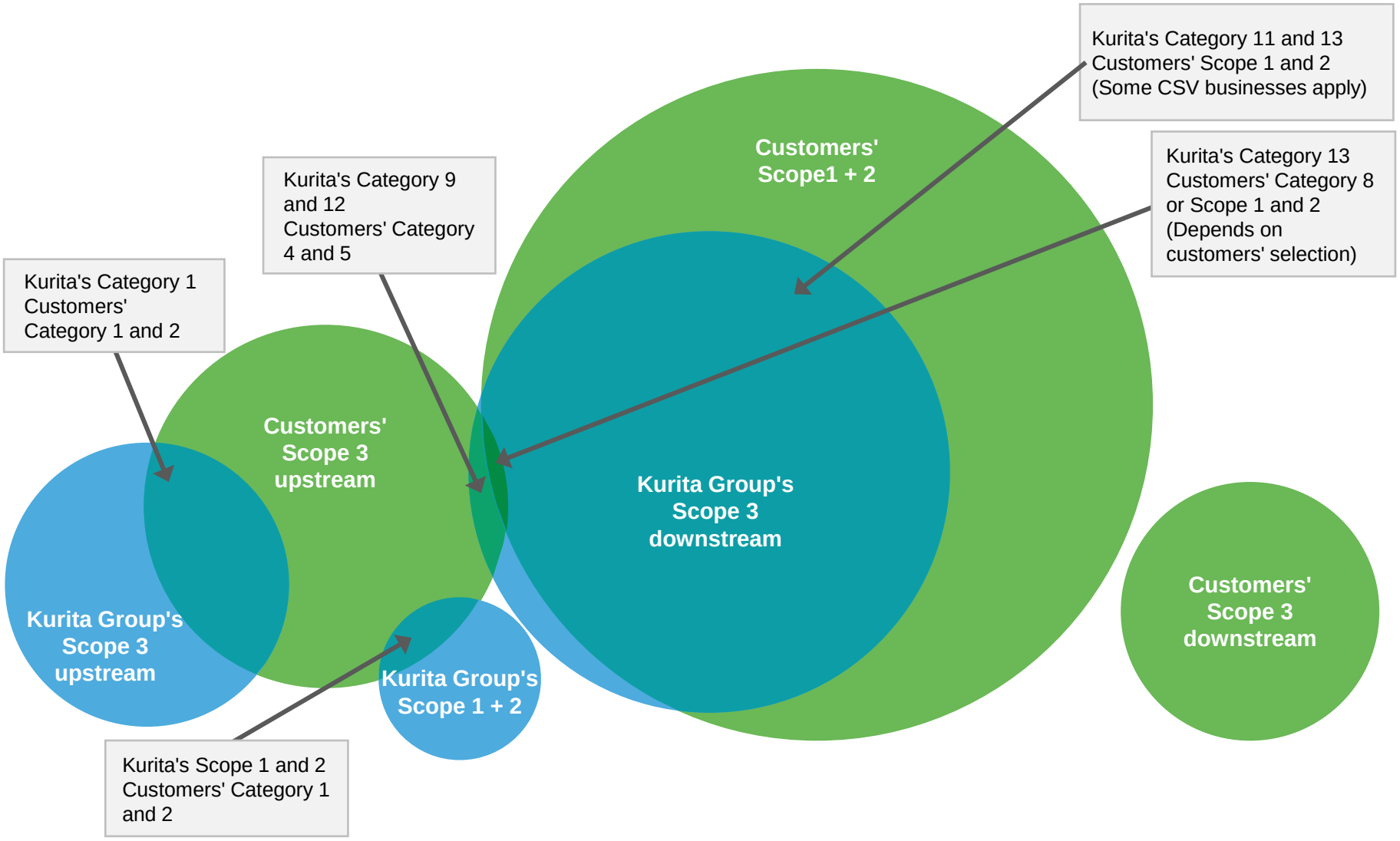
Water treatment systems with low environmental impact

Methane fermentation system for biogas power generation

Focusing efforts also on avoided emission (customers' environmental improvement), which does not fall into Scope 1 to 3.

Establish a competitive advantage

Relationship of Scope1, 2, and 3 emissions by Kurita and customers



Note: The size of the circle illustrates the amount of emissions by the Kurita Group/customers. Given the characteristics of products and services, Scope 1 to 3 of the Kurita Group and those of customers differ in position. The relationship is indicated based on general ideas estimated at present.

Participating in industry-driven initiatives as a leadership committee member

Water Resilience Coalition

2050 Vision

Global water resilience ..... Creating a world in which water can be consistently supplied to the required place, in the required quantity, and at the required quality.

Our Pledge

- Improve water availability, quality and accessibility in basins facing serious water resource problems
- Raise the global ambition of water resilience through public and corporate outreach
- Implement measures to resolve water resource problems across the entire value chain

United Nations Global Compact

The CEO Water Mandate

Water Resilience Coalition

Leadership committee members (11 companies)

- Anheuser-Busch InBev
- Diageo
- PVH
- Gap
- Microsoft
- Cargill
- Dow
- Ecolab
- STARBUCKS
- 3M
- Kurita

Participating companies

Members (15 companies)

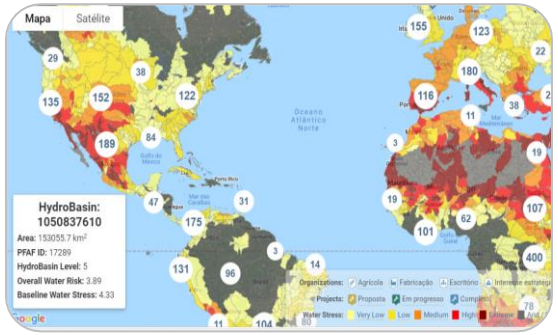
- The Coca-Cola Company
- Woolworths
- Cummins
- Levi Strauss & Co.
- IHG Hotels & Resorts
- Danone
- Colgate
- HEINEKEN
- gsk
- PhosAgro
- DUPONT
- MARS
- Reckitt Benckiser
- BAYER
- Braskem

(As of March 2022)

Applying "water knowledge" and acquiring new knowledge

Global water resilience

- Participation in the formulation of indices for measuring achievements from basin activities and reporting the format
- Enhancement of functions of the Water Action Hub, a comprehensive platform related to water



Spreading rules and driving information disclosure

Collective initiatives

Participants

WRC member companies/ NGOs
+
Other companies/ NGOs, public offices, etc.

Creating platforms related to water resources and standardizing relevant initiatives

Launch of basin activities aimed at solving water resource issues in North America

Basin
Colorado River (Seven states in the United States)

Method
Considering collective initiatives that take advantage of Kurita's solutions

Implementing activities and increasing basins where activities are implemented

KURITA

Forward-looking Statements

This presentation contains forward-looking statements, business plan projections, and judgments based on information available to management at the time of writing. Due to the existence of a variety of risk factors and uncertainties, actual results may differ from those specified or implied by these forward-looking statements and projections.

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