

Summary of the Q&A Session at the Sustainability Briefing  
for the Fiscal Year Ending March 2024

Date and time: January 16 (Tue.), 2024, 15:00~16:30

Notice: This summary is a reference designed for the convenience of those who could not attend the briefing stated above. Please note that this is not a word-for word transcript of all remarks made at that session, but is a summary prepared by Kurita Water Industries Ltd.

Q. It has been more than 3 years since you began focusing on the CSV business. Have you seen a change in how customers respond to this business? How is it being received by customers? Also, please talk about the number of models, the success rate and how your sales approach has changed.

A. For customers that prioritize non-financial value and, in particular, environmental contributions, we propose CSV business models that support the achievement of each customers' environmental contribution targets. Our proposals are well received. As the needs of each customer differ, we are building out the lineup of our models and expanding globally to ensure we are able to provide appropriate solutions in the appropriate locations.

While increasing the number of models is important, we emphasize the development of CSV business models expecting large scale that have a high impact for both Kurita and the customers. While there are some models that are smaller scale, we can generate significant value through accumulating application records. We aim to create business by focusing on the magnitude of the value proposition we can offer to customers.

Q. You have a plan to increase human resources for digital technology from the current 180 to 750 over 5 years. What are the digital skills that you are most focused on cultivating? Also, what are the changes in Kurita's business that you aim to achieve upon reaching your target of 750?

A. We began the development of human resources for digital technology several years ago by first strengthening our base. From this fiscal year, we are working on how best to leverage generative AI in our businesses, including team members that have joined through an open posting where we accepted self-recommendations. We have high hopes that building out our human resources for digital technology will first contribute to accelerating the speed of our businesses.

In providing solutions to our customers, we also aim to go beyond merely providing chemicals or facilities. We want to increase human resources that will enable the visualization of our value proposition in the form of data, a combination of production-related data from the customer's plant and the impact of water treatment. We believe that the impact of the increase in human resources for digital technology will enhance our value proposition.

Q. At 82, the number of CSV business models has increased significantly since May 2023. I imagine that the number of models that can be horizontally expanded is limited; does this mean that directionally the number of models will decrease in the future? Also, on profitability, is it fair to assume that you have been able to improve the direct CoS ratio of 10% for each individual model compared to non-CSV business?

A. In the first fiscal year of PSV-27, we believe that we are reaping the benefits of the focus on the CSV business during MVP-22. Historically, the vast majority of models were developed by the non-consolidated Kurita Water Industries. However, there has been an increase in CSV business by group companies, including overseas entities. We are now starting to see the creative activities of the group as a whole bear fruit.

With regard to the direction of the number of models, each of the models in the current CSV business have locked in superiority in terms of social or economic value. Provided such superiority does not deteriorate, we expect that the overall direction of the number of models will increase.

On profitability, given that we are implementing a more rigorous management framework under PSV-27, the overall CSV business has locked in a 10-percentage point margin advantage compared to the non-CSV businesses. We have confirmed the latest profitability for not only the newly selected models but existing models, selecting only those where economic value is locked in. We expect this will be a key driver of profit improvement under PSV-27.

Q. You have indicated that your analysis of the IP landscape shows a new direction for the precision tool cleaning business. Please comment on your plans, such as the specific analytical results on which you will base your strategy and the likely timeframe for incorporating the results of your analysis in your strategy.

A. The precision tool cleaning business has been impacted by recent conditions in the semiconductor market: improving the business is a key issue. In response, we undertook an analysis of the IP landscape, examining the patents owned by Kurita and its peers. We were able to confirm the potential to deploy a new element on top of traditional cleaning content. In addition, ideas for partnerships necessary to make this a reality have emerged. We are in the process of working toward commercialization; as such I cannot comment on specifics at this time.

Q. I believe that efficiency is an important perspective in considering intellectual property strategies. As you promote offensive and defensive initiatives, how are you filing or protecting your patents from the perspective of business continuity and development? How are you analyzing this internally? Also, I believe that you are taking an organic approach by reporting on the detection of signs of new needs to the Executive General Manager of Innovation and the Board of Directors Meetings. Is it possible to give us an image of which business divisions provide the core members for such initiatives?

A. We believe patent filings provide protection when we share the fruits of our R&D efforts with our customers (products, engineering, applied technology, business models including services, etc.), in addition to protecting our R&D findings. We also consider the

use of intellectual property, focusing on ensuring we have the necessary IP rights for a new business before moving forward, rather than seeking to lock in IP rights after developing a new business.

In terms of efficiency, we have established patent committees for each technological area, consisting of representatives from R&D, Sales, Engineering and Production. Based on this, we aim to efficiently consider IP strategies.

Q. I have a question for Director Takayama. Are there discussions from the perspective of biodiversity at Sustainability Advisory Council? With regard to water, while the focus is on improving on historical performance, there are those that suggest that from the standpoint of impact and dependency, the use of water itself represents a global risk. How does Kurita think about its use of water? Also, is the discussion different when looked at from the perspective of biodiversity?

A. The Sustainability Advisory Council has met twice at this point. The third meeting will be very soon. At the first meeting, we discussed the themes that should be the focus going forward. Initially, we also considered debating each of the materialities. However, given the Board of Directors' strong interest in whether the foundations to support the expansion of the CSV business, which is the core of the growth strategy, are in place, and whether there were major issues which must be overcome to grow this business, our conclusion was that we would begin by discussing the current status and challenges for the CSV business.

At the second meeting, we deepened our discussion of the CSV business. Our plan is to consolidate the results of the discussions at the upcoming third meeting, to be reported to the board of directors. We haven't sufficiently discussed the next themes at this point but we believe that biodiversity is an important theme worthy of discussion going forward.

Q. I would like to ask Director Takayama about the progress and her assessment of the CSV business.

A. I believe solid progress is being made on implementing initiatives. For the board of directors, while the achievement of the numerical targets set out by the executive is an important consideration, we are more interested in understanding the progress on the development of the foundation and organizational framework which would enable the achievement of the numerical targets.

The growth of the CSV business is based on initiatives in the innovation and existing areas. In particular, there is a high degree of difficulty associated with creating innovation in the innovation area, where the foundations, such as the human resources from which the creative capability derives and the DX framework, are important. It is difficult to clearly measure the progress on the development of these foundational elements, but I believe that the executive is implementing initiatives in response to the current challenges that have emerged.

In addition, for the growth of the CSV business in existing areas and areas that are an

extrapolation of existing areas, the initiatives are less challenging than those in the innovation area. I believe the executive has a solid sense of progress in this area. That said, one of Kurita's strengths is its strong customer relationships but I think it may be challenging to expand the CSV business by solely relying on historically strong customer relationships. The CSV business is one in which the customer fully recognizes the social value that is generated and rewards Kurita for that value. There may be cases where under the framework of the existing customer approach a customer could choose not to adopt a model. I think it is important for each employee to have a deep understanding of this point and to enable employees to take an approach that goes beyond the conventional approach. On progress in existing areas, while the employees are not yet of a mindset where they could make customers understand 100% of the social value, I believe the executive is aware of the issues and is making solid progress in implementing improvements.

- Q. How do you feel about progress on expanding the CSV business globally? Kurita has a focus on creating new models as well, but please provide an update on progress to date and your expectations for the future, in terms of leveraging the capabilities of the overseas bases and synergies with acquired companies.
- A. The overseas group companies are proactively engaged in the CSV business. Each overseas company is considering which CSV business is the most compelling in light of individual industry characteristics for a wide array of industries, and focusing on the group company's individual areas of strength.

For example, a South Korean group company is proactively tackling expansion into the new area of oil refining and petrochemicals and has already won multiple contracts. The processes of oil refining and petrochemical production require massive amounts of energy. In this area, the Kurita Dropwise Condensation Technology model makes significant contributions to not only reducing steam volumes but enhancing productivity as well. Based on this track record, our Japanese and Middle East group companies are proposing and implementing this model at their oil refining and petrochemical customers.

Also, we are leveraging the expertise and CSV business of Avista, which has strengths in RO membrane solutions, to make proposals in Europe, the Middle East and the U.S., as well as China, where the uneven distribution of water is an issue. We now have a full lineup of models that can be deployed globally. In addition, our group companies are also contributing to the creation of new models as well.

- Q. On the slide "Solve Issues Related to Water Resources" where you refer to wastewater reclamation, you state you can provide recycled water as an alternative to not only domestic water but tap water as well. Currently, with semiconductor fabs being built in multiple locations around the world, there is concern about significant water shortages. I have also heard that it is now necessary to recycle the water used in the fabrication process. Is this already happening? Is this something where Kurita can provide further added value?

- A. In the electronics industry, wastewater reclamation is an area of strength for Kurita. As the semiconductor production process evolves, there has been an increase in the number of treatment materials used in the production process. For customers in the electronics industry, how to appropriately apply such treatment materials and effectively use water is a key issue. There are needs for wastewater reclamation from customers in all regions.

In the General Industries area as well, China, for instance, is struggling with the issue of the uneven distribution of water. Water is indispensable to manufacturing. Our service business is focused on efficiently recycling wastewater: leveraging technology of Kurita's CORR™ system to use water efficiently. We also have a pure water supply service, which is an easy-to-use water supply service, and a service where we recycle waste cooling water (blow-down water).

- Q. In manufacturing plants, is tap water the most frequent application for recycled water?
- A. In the electronics industry, the most frequent application is the recycling of wastewater back into ultrapure water.
- Q. You have a target of significantly increasing your human resources for digital technology from the current 180 to 750. You have already begun implementing automation in the design process. Do you expect to expand this further? Please talk about the proportion of human resources you expect to allocate to innovation areas versus existing areas, for each of human resources for development, intellectual property and digital technology.
- A. We have not set specific ratios for existing and innovation areas. Basically, we require human resources as we strengthen our initiatives in innovation areas. However, we also require human resources to promote transformation in the existing areas as we seek to create value driven by customer issues. It is difficult to clearly distinguish between the two.
- A. Additionally, we do have a group company, Fracta Leap, which is a gathering of digital specialists. The specialists are having an impact on Kurita's human resources on the business side. On top of the automation of design, the Innovation Division is also undertaking materials informatics initiatives. This is another way in which the expansion of human resources for digital technologies is also having an impact.
- Q. In the past, Kurita has made a number of acquisitions. Now that around 1 year has elapsed since the easing of pandemic restrictions, have you been able to accelerate the PMI process for the acquired companies?
- A. I believe we have been able to accelerate the creation of synergies with group companies. Last week, the team from Arcade, an acquisition we made in Europe, visited us in Japan, engaging with our domestic electronics industry engineering, sales and precision tool cleaning teams. We are in the midst of discussions about how best to leverage Arcade across the Kurita group and deploy Kurita group technologies and products in Europe. We are also making steady progress on PMI in the U.S., which is very reassuring. Going forward, we aim to make further progress on integration across the group while providing value to customers around the world.

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