

# Interview with the President

*Kurita is working to create shared value together with society under the MVP-22 plan, which puts CSR at the core of our business.*



## What operating climate did Kurita face in the year under review and how did the business perform?

In the fiscal year ended March 31, 2020, persistent trade friction between the U.S. and China and disruption surrounding the Brexit issue weighed on economic growth in China and Europe. Towards the end of the fiscal year, the slowdown was compounded by a rapid deterioration in economic growth caused by the widening outbreak of novel coronavirus disease (COVID-19). In Japan, production activity weakened in the second half of the fiscal year due to an increase in consumption tax and sluggish exports. In the electronics industry – the Kurita Group’s main market – customers in Japan, China and South Korea delayed decisions on facility investment amid weak smartphone sales and a downturn in the semiconductor market.

Despite that challenging environment, the Kurita Group reported

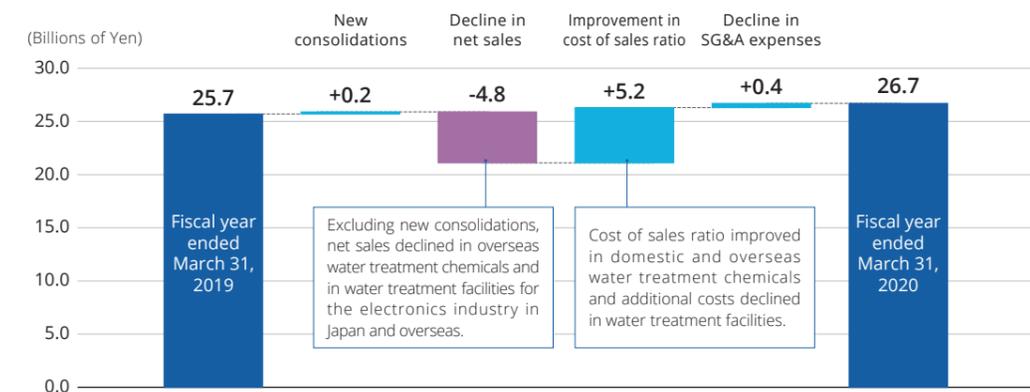
higher profits year on year. Orders were lifted by the consolidation of a number of businesses – U.S. Water Services, Inc., which was acquired and became a subsidiary in the previous fiscal year, and U.S.-based Avista Technologies, Inc. and Avista Technologies (UK) Ltd., which supply reverse osmosis (RO) membrane chemicals and services. However, total orders rose only slightly year on year due to a decline in major projects in the Water Treatment Facilities business. Net sales increased, driven by the new businesses that joined the Group, but excluding that factor, net sales fell year on year. Several factors weighed on net sales. Yen appreciation against overseas currencies pushed down sales at overseas subsidiaries in yen terms compared with the previous fiscal year, the Group streamlined low-

margin product lines in the Water Treatment Chemicals business, and sales of water treatment facilities declined in Japan and overseas amid weak demand from the electronics industry.

Although orders and net sales missed our projections, the Group reported an increase in business profit\* year on year thanks to an improvement in the cost of sales ratio. We took steps to improve the

ratio by adjusting the product mix in the Water Treatment Chemicals business, cutting costs by overhauling global procurement activities, and reducing one-off additional costs in the Water Treatment Facilities business. Operating profit also increased, supported by those factors and a significant improvement in net other income and expenses.

Factors Affecting Business Profit (YoY)



\* Business profit is an internal earnings indicator, which is calculated based on net sales after deducting cost of sales and selling, general and administrative expenses to give a more consistent picture of earnings. Business profit is not defined under International Financial Reporting Standards (IFRS), but the Company voluntarily discloses the indicator for reference purposes.

## What progress did Kurita make with MVP-22 initiatives in the plan's second year?

We are working to create shared value together with society under the Maximize Value Proposition 2022 (MVP-22) medium-term management plan, which puts CSR at the core of our business. Our aim is to help tackle and solve issues faced by society and provide new value to customers. We are doing that by dramatically increasing the quality and speed of our work, leveraging customer intimacy as the clear source of the Kurita Group’s competitiveness.

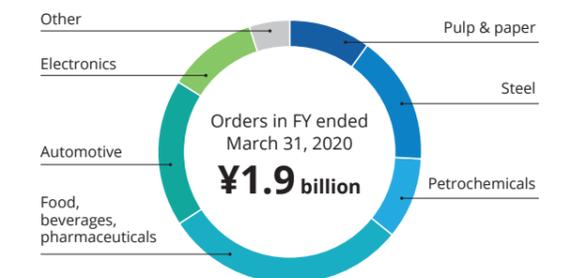
As key initiatives to provide new value to customers, we are developing “Creating Shared Value” (CSV) business and total solutions. The Kurita Group defines CSV business as products, technologies or business models that substantially reduce environmental impact while also contributing to an improvement in profitability. Under the MVP-22 plan, we are working to expand the Group’s CSV business. In the fiscal year ended March 31, 2020, we finished putting in place systems covering all aspects of CSV business, from how CSV businesses, products and technologies are selected to performance monitoring. CSV business orders also exceeded our target for the fiscal year ending March 31, 2023.

We also made progress with developing total solutions. Working groups that combine marketing, sales, technologies and development functions were formed for each market and began work on devising solutions models. Our solutions models

encompass contracts for products, technologies and services and are designed to be rolled out for a wide range of customers. In the fiscal year ended March 31, 2020, we completed six solutions models, including one model that improves water quality and productivity on paper processing lines by combining our expertise in water treatment chemicals, IT and sensing technologies. In addition, we put in place a framework to promote the Group’s new total solutions. Specifically, we integrated domestic sales departments

### Solutions Model Orders

Solutions models being adopted by a wider range of industries



### M&A and Measures by Region

North America				
Company	Kurita America Inc.	Avista Technologies, Inc.	Kurita Fracta Holdings, Inc.	Pentagon Technologies Group, Inc.
History	1996 Established Kurita America, Inc. 2017 Acquired Fremont Industries, LLC 2019 Acquired U.S. Water Services, Inc. 2020 Merger	2019 Acquisition	2018 Investment; became a consolidated subsidiary	2019 Investment; became an equity-method affiliate 2020 Additional investment; became a consolidated subsidiary
Business details	Water treatment chemicals, water treatment facilities and maintenance	RO membrane chemicals and related services	Software services	Tool cleaning services
Current situation and measures	Aiming to increase profitability by improving efficiency and providing total solutions after completing business integration	Aiming to expand into the global market by utilizing the resources of the Kurita Group	Aiming to contribute to more advanced water treatment services by utilizing AI	Aiming to strengthen competitiveness in the electronics industry

Europe		Asia	
Company	Kurita Europe GmbH	Avista Technologies (UK) Ltd.	Hansu Co., Ltd.
History	2015 Acquisition 2017 Purchase of production facility for pulp & paper chemicals 2018 Sale of aluminum compound business	2019 Acquisition	1974 Investment; became an equity-method affiliate 2017 Additional investment; became a consolidated subsidiary
Business details	Water treatment chemicals	RO membrane chemicals	Water treatment chemicals
Current situation and measures	Profitability has improved due to efforts to increase efficiency; aiming to expand business in the Middle East region	Aiming to capture demand in new European markets	Profitability has improved since the acquisition; aiming to increase market share in South Korea

previously separated along product and business lines into a single sales division targeting specific markets and regions. Another step we took was to establish Kurita Kitakantou Co., Ltd. as a single sales entity to provide water treatment chemicals and maintenance services on a one-stop basis, replacing several standalone sales offices. These new business models and organizational changes show how the various initiatives to transform our business are now gaining momentum.

We have also been working to expand and improve the profitability of overseas businesses, which along with the development of new business models, is a key theme for the Group. To create a platform to provide total solutions in North America, we merged U.S. Water Services, Inc. with our existing subsidiaries in the U.S., Kurita America Inc. and Fremont Industries, LLC, to form a newly established integrated company, also called Kurita America Inc. The new company started operations in April 2020. In addition, with the acquisition of Avista Technologies, we have gained highly competitive technologies in the RO membrane chemicals market and a RO membrane management service business model.

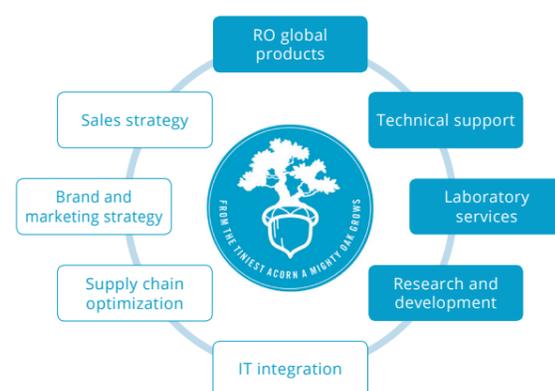
In January 2020, we launched Project Acorn, a global initiative that draws on the Group's business resources related to RO membrane chemicals, including products and technologies. Leveraging global synergies, we aim to increase RO membrane chemicals-related sales from ¥8 billion currently to ¥10 billion by the fiscal year ending March 31, 2023. Separately, in order to strengthen our competitive position in the electronics industry overseas, we acquired additional shares in U.S. company Pentagon Technologies Group, Inc., making it a consolidated subsidiary in April 2020. We expect the company's tool cleaning business to support the Group's profit growth going forward.

As part of efforts to reinforce the cost control structure, which is key to improving profitability, we continued to rebuild our water treatment facility manufacturing system. We have reduced errors in the design phase by introducing an automated design system. In procurement, our global supply team (GST) contributed to the

Group's profitability through activities to establish a global supply chain. We also created a personnel map of engineers in our production system to help us train and better utilize human resources involved in production activities.

To support Group business management, we took a number of steps to reinforce group governance. Specifically, we launched a Management Monitoring System for group companies in Japan and overseas, led by the Internal Auditing Department, which reports directly to the president. Using the system, we upgraded governance rules in line with the Kurita Group Business Policy and verified implementation status. Additionally, in order to strengthen governance at group companies in Japan by enhancing the effectiveness of boards of directors, we verified conditions within the board at each company and developed measures to tackle any issues related to effectiveness. The Company itself also took several steps to improve governance, including making improvements to the Successor Planning Committee's candidate selection process for president and directors and reducing holdings of shares in other listed companies.

#### Project Acorn: Eight Task Forces



### What kind of company is Kurita aiming to be in the post-COVID-19 world?

The COVID-19 pandemic forced the lockdown of entire cities and led to restrictions on movement worldwide, resulting in severe limitations on economic and corporate activity. In just a few months from the initial outbreak, the value systems of society and industry were completely upended. Business continuity plans (BCPs) have become a priority issue for companies and the pandemic appears to be accelerating the shift to digitization in society and industry, with activities increasingly shifting from physical to remote and from real to virtual interactions.

In last year's interview, I also talked about how the digital transformation of society and industry represents a major opportunity. However, I warned that if the Kurita Group is too late to catch the wave of innovation, existing business models will become outdated and be left behind by the market. The COVID-19 outbreak has not changed those opportunities or risks, it has accelerated them. By driving digital transformation (DX) in all our business processes, we have the opportunity to create new value for society through our total solutions for water treatment. Conversely, if we are slow to respond, we face the risk of losing markets to competitors or even to new market entrants from other industries.

However, by supporting customer BCPs in the post-COVID-19 world, I see an opportunity for Kurita to show how it can play an important role as a corporate Group that creates shared value with society by responding to public needs. Kurita Group companies have continued to supply products and services worldwide despite the pandemic. By ensuring our own businesses continue to operate, we are keeping customer operations running smoothly and helping to maintain the functions of society and industry.

In terms of business processes, our existing lineup of physical services, such as taking water samples at customer sites and analyzing them offsite, are likely to see a decline in value as digitization spurs the creation of alternative services. In parallel, remote services, which use online design presentations, sensors and software, are likely to gain in value. Not all physical services will fall by the wayside. The value of services such as personnel training to

improve emergency responses related to BCPs and to strengthen frontline business capabilities is likely to increase. By reassessing the value of services that are best provided physically and by combining them with remote services, Kurita has a major opportunity to dramatically transform its business processes and business models. Using the pandemic as a rare opportunity to dismantle preconceived ideas, I want the Kurita Group to become a vital partner for society and industry in the new post-COVID-19 world.



### What measures are planned for the third year of MVP-22?

In the fiscal year ending March 31, 2021, the plan's third year, our first aim is to promote CSV business and step up the deployment of total solutions. We will fine-tune our sensitivity to social issues and deepen our understanding of customers' businesses to help us create new business models and launch them in the market. Our goal is to increase profitability by building up earnings from high-margin solutions models.

Our second aim is to transform business processes. In April 2020, we integrated all the Group's IT-related departments into a new Digital Strategy Division, which is tasked with driving digital transformation. We plan to utilize big data resources gathered from our ultrapure water supply facilities and the AI technologies and expertise of U.S. subsidiary Fracta to create new value. In water treatment facility manufacturing, we will also enhance the value we



provide customers by using more automation in design processes and introducing a digital twin simulator.

In the fiscal year ended March 31, 2020, we made the decision to relocate the Kurita Global Technology Center, our main domestic R&D site. The new center, scheduled to open in April 2022, will also transform the Group's development processes. Our strong commitment to scientific hypothesis and practical experiments will remain the same, but we plan to maximize time allocated for experiments and analysis by encouraging remote working to ensure the development center is primarily a place for conducting experiments. The new center will therefore be equipped with IT infrastructure and technology that facilitates remote monitoring of experiments, virtual presentations and other innovative approaches.

Our third aim is increase profitability in overseas operations. Leveraging the business platforms and technologies acquired through M&A, we plan to improve profitability from both a global and local perspective. In terms of global initiatives, we will reinforce our position in the RO membrane chemicals and services market, centered on Avista Technologies. Locally, we aim to rapidly generate synergies from the integration of our subsidiaries in the U.S. and develop new water treatment chemicals and technologies that reflect the needs of each region. We also plan to expand our recurring income business in East Asia, using EPC projects as an entry point to provide other services such as membrane cleaning and resin regeneration.

## Q What is your closing message for stakeholders?

The COVID-19 pandemic has led to many changes in society's values and priorities. However, the Kurita Group's vital role of contributing to society and industry by providing solutions that address issues related to water and the environment is fundamentally unchanged. We want to prioritize funds entrusted with us by shareholders and investors on growth businesses, such as new solutions models and the ultrapure water supply business, which is expected to be highly profitable.

Despite the increasingly uncertain economic outlook, we have no plans to change our current dividend policy of working to continue raising the dividend, because we are confident in the Group's cash

flow-generating capabilities. We will also consider share buybacks while balancing the Group's cash on hand and funding requirements and taking into account share price trends.

I hope we can count on your continued support as we transform our business to create an unshakeable earnings base that is resilient to the toughest of operating environments.

July 2020

**Michiya Kadota**  
President and Representative Director

## Kurita Group Business Strategy

# Financial Strategy



**Shuji Shirode**  
Executive Officer  
Deputy Executive  
General Manager of  
Corporate Planning and  
Control Division

### Changes in the Group's Balance Sheet

For many years, the Kurita Group's balance sheet has effectively been debt-free. Our policy is to use funds entrusted with us by shareholders to actively invest in growth, while also ensuring a disciplined approach to investment. However, the Kurita Group has many strong cash-generating businesses, which has allowed us to use shareholder funds for working capital as well as capital expenditures. Since acquiring a water treatment chemicals business in Europe in January 2015, Kurita has been actively investing in overseas M&A, while also stepping up investment in the ultrapure water supply business, which is based on a business model that uses the Kurita Group's proprietary assets. To meet significant demand for funds to support those activities, we secured funding through a commitment line contract in the fiscal year ended March 31, 2020, supplementing active use of the Group's internal funds. As a result, cash and cash equivalents at the end of the fiscal year under review were at an appropriate level, given the nature of the Group's businesses and from the perspective of business continuity.

### Key Investments

In the fiscal year ended March 31, 2020, we invested in assets in the ultrapure water supply business and acquired other property, plant and equipment. In the U.S. and U.K., we acquired RO membrane-related businesses, and in the U.S., we acquired shares in Pentagon Technologies Group, Inc., which operates a tool cleaning business. In April this year, we bought additional shares in Pentagon Technologies Group, Inc., taking our stake to 51% and making the company a consolidated subsidiary. In addition, the Company decided to establish a new research and development base to maintain and enhance technological competitiveness. We plan to transfer R&D functions to the new location in 2022. The new global technology center will cost approximately ¥30 billion to build and we plan to fund the project using internal funds and debt.

### Outlook

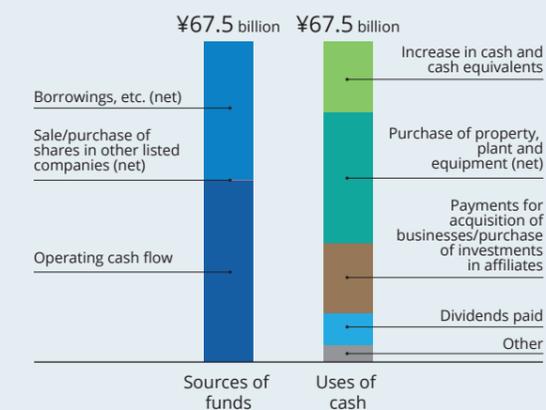
Going forward, we plan to continue investing aggressively while also streamlining assets to improve capital efficiency and create new sources of funds. Specifically, we are reducing our holdings of shares in other listed companies to generate cash. In the fiscal year ended March 31, 2020, we sold shares in only two listed companies, but we will continue to look into the feasibility of further reducing our holdings while keeping a close eye on the best timing for disposals.

### Dividend Policy

In the fiscal year ended March 31, 2020, we increased dividends paid from capital surplus for the 16th consecutive year, in line with our policy of increasing dividends as much as possible, based on a dividend payout ratio target of 30-50% over five years. Despite considerable uncertainty about when the COVID-19 outbreak will be brought under control, we will continue to work to increase the dividend without adjusting our existing dividend policy.

### Actively Investing in Growth and Diversifying Funding

(Fiscal Year Ended March 31, 2020)



### Dividends per Share and Dividend Payout Ratio



# Medium-Term Management Plan: Maximize Value Proposition 2022 (MVP-22) (April 1, 2018 – March 31, 2023)

**Basic Policy** Maximize customer intimacy by dismantling preconceived ideas and dramatically raising the quality and speed of our work.

## Management Targets and Second-Year Results

Place emphasis on profitability and capital efficiency

Net sales organic growth rate

Target **3% or more**

Business profit margin

Target **15%**

Fiscal year ended March 31, 2020 result: **10.1%**

Return on equity (ROE)

Target **10% or more**

Fiscal year ended March 31, 2020 result: **7.6%**

Adoption of business segment management using return on invested capital (ROIC)

Target **Improved capital efficiency in each business segment**

## Initiatives by Priority Measure

### Priority Measures

### Initiatives for the fiscal year ended March 31, 2020

### Initiatives for the fiscal year ending March 31, 2021

Priority Measures  
**1**

#### Development of CSV Business

Expand earnings with highly unique technologies, products, and services that contribute to the natural environment, industry and people's lives.

- Order targets and value provision targets achieved and reset
- Scope of CSV business selection expanded to include unique products supplied by Group companies

- Continuously review CSV business
- Build systems to ascertain profitability of CSV business and underpin new KPIs

Priority Measures  
**2**

#### Enhancement of total solutions

Rapidly develop total solutions for customers that make full use of Kurita's technologies, products and services in water treatment chemicals, water treatment facilities and maintenance.

- Completed six new solutions models that create value for customers
- Integrated all of Kurita's domestic sales functions to create platform for deployment of total solutions
- Established Kurita Kitakantou to provide water treatment chemicals and maintenance services

- Create solutions models that provide new value to customers
- Step up market development using sales promotion activities in global and domestic markets

Priority Measures  
**3**

#### Rebuilding of manufacturing system for water treatment facilities

Rebuild the manufacturing system and processes to dramatically increase quality and speed.

- Established concepts to use AI to overhaul design and engineering processes
- Identified contractual and technical risks in design and engineering processes
- Improved effectiveness and strengthened implementation of SSM\*  
\* Stress-Strength Model: System to collate and share incompatible information

- Establish UX Group
- Use AI to automate design process and build digital twin simulator
- Use HR tech\* to optimize deployment of personnel and teams  
\* The application of big data analysis, artificial intelligence (AI), cloud computing and other advanced IT-related technologies for a wide range of human resource operations, including hiring, development, and assignment.

Priority Measures  
**4**

#### Creation of new business and the promotion of innovation

Expand and enhance existing business fields while creating new business fields that will become major new sources of earnings.

- Acquired Avista Technologies, highly competitive player in RO membrane chemicals market

- Work with Fracta to digitalize businesses based on AI technologies

Priority Measures  
**5**

#### Strengthening the foundation and promotion of research and development

Build a strong foundation as a technology-oriented company and promote advanced research and development.

- Reinforced fluid analysis capabilities, process simulation technologies, micro-volume analysis capabilities as technological platform
- Developed advanced sludge treatment facility management support system to reduce waste volume and personnel levels, developed technology to control the conversion of waste into biogas
- Developed proprietary, advanced functional materials such as radioactive substance absorption materials and high-performance water treatment chemicals

- Enhance mathematical models for water treatment phenomena to support use of IoT and AI, develop advanced water treatment systems based on those models
- Expand and reinforce RO solutions by drawing on RO membrane treatment technologies from across the Group, including Avista Technologies

Priority Measures  
**6**

#### Establishment of the Group governance system

Improve the effectiveness of internal controls in Group companies.

- Launched Management Monitoring System to verify establishment and operation of rules based on Kurita Basic Business Policy
- Identified issues related to effectiveness of Board of Directors at domestic Group companies and developed measures to solve issues

- Embed Management Monitoring System
- Implement initiatives to improve effectiveness of rules in line with characteristics and situation at each Group company
- Implement measures to improve effectiveness of Board of Directors at Group companies

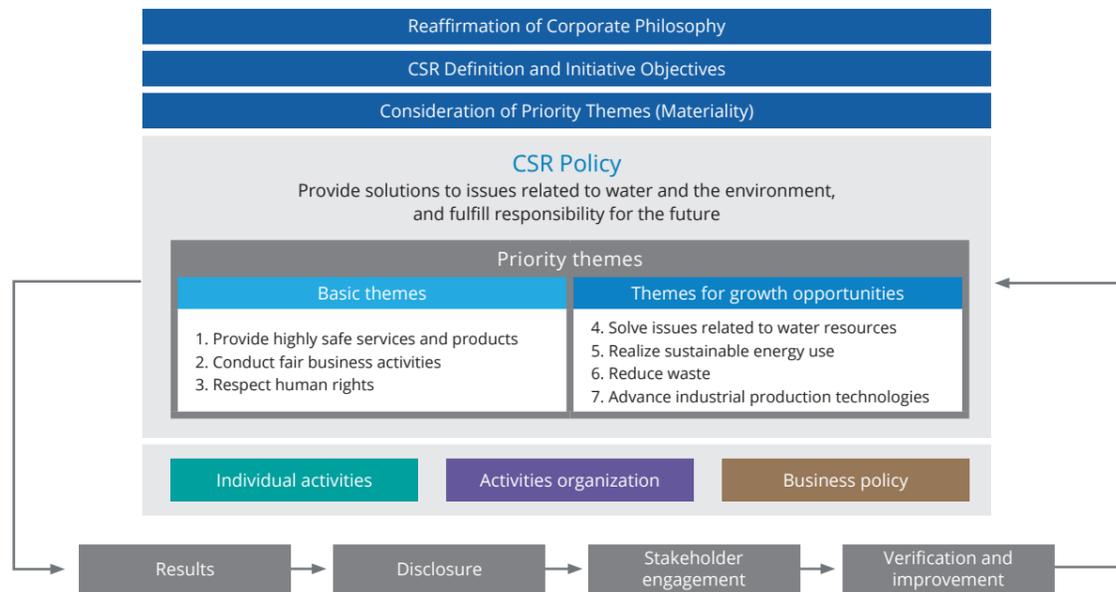
# CSR Initiatives

The Kurita Group has positioned CSR at the core of its management strategy in order to realize its corporate philosophy while achieving sustained growth and is strengthening its CSR initiatives accordingly.

## Kurita Group's CSR Framework

Under its MVP-22 medium-term management plan, the Kurita Group is reorganizing the CSR activities it has conducted to date and is strengthening initiatives with CSR at the core of management. The Group has determined that contributing to

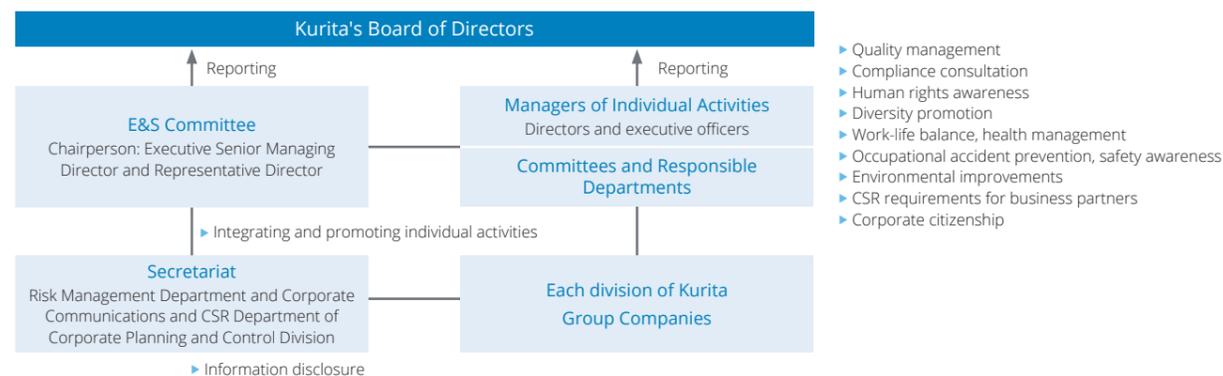
global efforts like the UN's Sustainable Development Goals (SDGs) and ESG investment is indispensable to creating business opportunities and securing a competitive advantage into the future.



## Promotion System

The Kurita Group positions the themes stipulated in its CSR Policy as material issues and engages on a Group-wide basis in individual activities in the areas of 1) corporate governance, 2) product and service liability, 3) fair operating practices, 4) respect for human rights, 5) appropriate labor practices, 6) environmental improvement, and 7)

corporate citizenship. The chairperson of the Environment & Social (E&S) Committee, who is the Company's executive senior managing director and representative director, is responsible for integrating and promoting these activities, and directors and executive officers are assigned as managers for individual activities.



## E&S Committee

The E&S Committee oversees the Kurita Group's CSR initiatives and works to increase the Group's competitive advantage by further enhancing business competition capabilities and risk response capabilities. Specifically, the committee sets the activity targets and key

performance indicators for each of the themes in the CSR Policy as the CSR medium-term plan, then confirms progress on the targets while identifying issues and making improvements. At the same time, the committee confirms stakeholders' expectations of the Kurita Group and their issues, and verifies the Group's CSR initiatives.

## CSR Policy

The CSR Policy comprises two types of themes: "Basic themes," which prevent damage to the Group's value, and "Themes for growth opportunities," which promote creation of shared value with society at large. We have set forth our "Initiatives toward 2030" for each theme.

This policy was formulated upon deliberations on materiality by the E&S Committee and subsequent confirmation by the Board of

Directors. Materiality was identified by specifying a total of 30 sustainability-related themes, making reference to the GRI Standard, the OECD Guidelines for Multinational Enterprises, the UNGC, and the SDGs, among others, based on two aspects: 1) stakeholders' expectations of the Kurita Group and 2) the Kurita Group's impact on society.

Provide solutions to issues related to water and the environment, and fulfill responsibility for the future				
	Priority themes	Initiatives toward 2030	Targets for the fiscal year ending March 31, 2023	
Basic themes	<b>1. Provide highly safe services and products</b> 3 HIGHLY SAFE SERVICES AND PRODUCTS, 12 ENVIRONMENTAL IMPROVEMENTS	Maintain social trust by developing and providing services and products reflecting considerations for safety, health, and the environment.	1) Rate of safety evaluations for newly developed products*1 2) Rate of front-line employee participation in regular safety training directly related to products and services	100% 100%
	<b>2. Conduct fair business activities</b> 16 FAIR BUSINESS ACTIVITIES	Maintain fair and transparent trade based on free competition. Maintain sound relationships with politics and administration.	Rate of participation in compliance-related training among officers and employees	100%
	<b>3. Respect human rights</b> 3 HUMAN RIGHTS AWARENESS, 5 HUMAN RIGHTS, 8 DIVERSITY PROMOTION, 10 WORK-LIFE BALANCE	Support and respect international norms related to human rights and promote human rights initiatives by following the Guiding Principles on Business and Human Rights established by the United Nations.	1) Rate of training conducted in relation to human rights among officers and employees 2) Rate of participation in safety training related to site operations*2	100% 100%
Themes for growth opportunities	<b>4. Solve issues related to water resources</b> 3 HIGHLY SAFE SERVICES AND PRODUCTS, 6 SUSTAINABLE ENERGY USE, 9 WASTE REDUCTION, 11 ENVIRONMENTAL IMPROVEMENTS, 14 CLEAN WATER, 15 USE OF WASTE	Supply water at the optimum quality and quantity by securing as much water as necessary for the life of all people and the development of industry by applying technologies for saving, purifying, and reusing water.	Water savings at customers – Amount of water intake used in our business activities	240 million m <sup>3</sup> *3
	<b>5. Realize sustainable energy use</b> 7 SUSTAINABLE ENERGY USE, 9 WASTE REDUCTION, 11 ENVIRONMENTAL IMPROVEMENTS, 13 CLEAN WATER, 15 USE OF WASTE	Optimize energy use in living and in industries, and introduce technologies for creating energy throughout society.	CO <sub>2</sub> emission reductions at customers – CO <sub>2</sub> emissions from our business activities	10,000 t *3
	<b>6. Reduce waste</b> 11 ENVIRONMENTAL IMPROVEMENTS, 12 ENVIRONMENTAL IMPROVEMENTS, 15 USE OF WASTE	Introduce technologies for using waste as resources and technologies for controlling the amount of waste in order to achieve zero waste.	Waste reduction at customers – Waste generated from our business activities	300,000 t*3
	<b>7. Advance industrial production technologies</b> 8 DIVERSITY PROMOTION, 9 WASTE REDUCTION	Make full use of big data on water to contribute to innovations in production efficiency and product quality in industries.	Proportion of themes falling into "Contribution to improvement of production process" to product development themes	35%

\*1 Regarding "Proportion of themes falling into 'Safety improvement' and 'Response to legal changes' to product development themes," needs related to safety improvement and response to legal changes vary with the prevailing circumstances, so the target was revised in the fiscal year ended March 31, 2020 in order to facilitate more effective initiatives. Refer to page 20 for more details.

\*2 Regarding the "Severity rate," definitions and calculation methods differ depending on the country, so the target was revised in the fiscal year ended March 31, 2020 so that it could be pursued on a Group-wide basis. Refer to page 20 for more details.

\*3 The products, technologies and business models selected for the CSV business, which contributes to environmental impact reductions by customers, have increased, and provision of the CSV business to customers has made steady progress, so the target has been revised.

## CSR Initiatives

### Achievement Status of Targets for the fiscal year ended March 31, 2020

Priority themes	Target	Target		Result	Evaluation
		Fiscal year ending March 31, 2023 (initial plan)	Fiscal year ended March 31, 2020		
1. Provide highly safe services and products	1) Proportion of themes falling into "Safety improvement" and "Response to legal changes" to product development themes	15%		Target changed*1	
	2) Rate of front-line employee participation in regular safety training directly related to products and services	100%	100%	100%	○
2. Conduct fair business activities	Rate of e-learning course completion by relevant employees	100%	100%	100%	○
3. Respect human rights	1) Rate of training conducted in relation to human rights among officers and employees	100%	100%	100%	○
	2) Severity rate*2	0.005		Target changed*2	
4. Solve issues related to water resources	Water savings at customers - Tap water used in our business activities	50 million m <sup>3</sup>	77 million m <sup>3</sup>	52 million m <sup>3</sup>	△
5. Realize sustainable energy use	CO <sub>2</sub> emission reductions at customers - CO <sub>2</sub> emissions from our business activities	0 t	-43,000 t	43,000 t	○
6. Reduce waste	Waste reduction at customers - Waste generated from our business activities	100,000 t	292,000 t	152,000 t	△
7. Advance industrial production technologies	Proportion of themes falling into "Contribution to improvement of production process" to product development themes	35%		37%	○

○: Achieved △: Partially achieved

\*1 Needs related to safety improvement and response to legal changes vary with prevailing circumstances, so revisions were made in the fiscal year ended March 31, 2020 to make initiatives more effective, and the target was changed to "Rate of safety evaluations for newly developed products." Initiatives to achieve this target have been conducted since October 2019. After revising the target, the rate of product safety evaluations in the fiscal year ended March 31, 2020 was 100%. Refer to page 19 for the post-revision target for the fiscal year ending March 31, 2023.

\*2 Definitions and calculation methods differ depending on the country, so revisions were made in the fiscal year ended March 31, 2020, and the target was changed to "Rate of participation in safety training related to site operations." Initiatives to achieve the target have been conducted since April 2020. Refer to page 19 for the post-revision target for the fiscal year ending March 31, 2023.

### Kurita Group KPI: Customer impact reduction - Kurita Group impact

The Kurita Group has set a unique KPI of "Customer impact reduction - Kurita Group impact" in themes for growth opportunities. The Kurita Group aims to achieve a reduction of environmental impact through its business that offsets and even exceeds the environmental impact generated by its business and to this end it is compiling data for actual reductions and impact.

Kurita's carbon dioxide emissions for Theme 5 include data corresponding to Scope 3 under the current Greenhouse Gas (GHG) Protocol, but no changes will be made through the fiscal year ending March 31, 2023, the period of the CSR medium-term plan, for the sake of the continuity of CSR activities and KPIs.

GRI Standards were partially revised in 2018, and the Company's ultrapure water supply volume in its ultrapure water supply business was defined as "water discharge (sent for use of other organizations)." The ultrapure water supply business takes water from customers, processes it at the Company's facilities into ultrapure water and

supplies it back to customer production plants. Ultrapure water after use is recovered and treated at the Company's facilities and reused as ultrapure water. Ultrapure water supplied is not discharged outside factories as is, so the Company excludes ultrapure water supply volume from the scope of calculations for wastewater volume. Disclosure data from January 2021 will include ultrapure water supply volume within the scope of calculations, so from the standpoint of the data, the Kurita Group will become a company that uses a large volume of water.

The Kurita Group will continue to enhance targets and data disclosure in line with the GHG Protocol and GRI Standards. Two KPIs will be utilized, one in line with international standards and one that expresses the unique way the Kurita Group creates value, "Customer impact reduction - Kurita Group impact," and through this the Group will work to both improve the environment through its business and reduce environmental impact down the entire supply chain.

### External Evaluation (as of July 2020)

#### Inclusion in ESG Indexes



#### Evaluation by ESG Rating Organization



#### Evaluation by Supplier Evaluation Organization



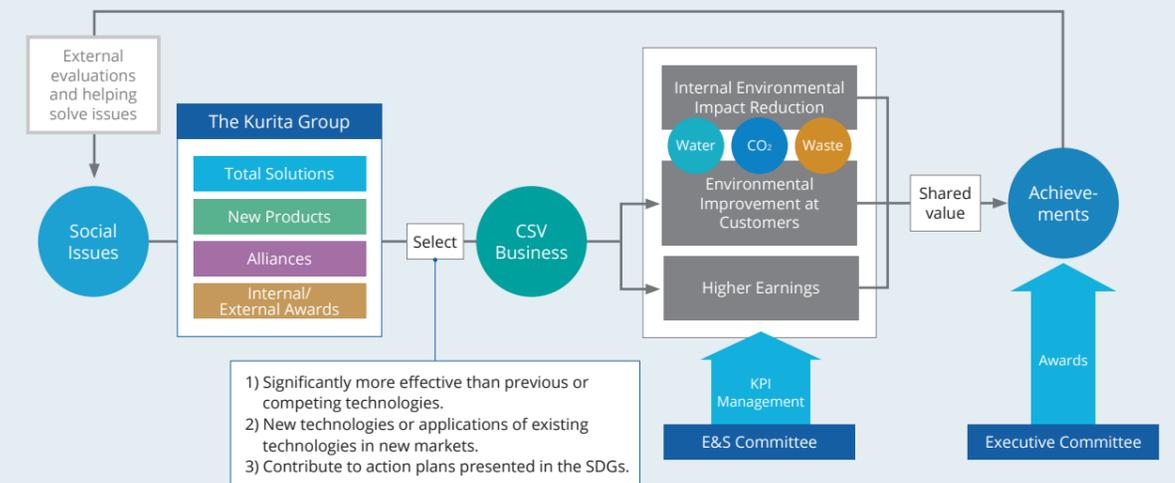
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### CSR Activities: Topics

#### Promotion of CSV Business

The Kurita Group has defined products, technologies, and business models that contribute significantly to increased water-savings, CO<sub>2</sub> emission reductions, and waste reduction compared to previous levels as the "CSV business." Through their creation and provision to customers, we will promote the creation of shared value with society. Furthermore,

"Development of CSV Business" is one of the priority measures of the MVP-22 plan, and we have established key performance indicators (KPIs) for this, engaging in initiatives linked with the plan. Various measures are conducted to promote the CSV business, including development from the standpoint of social issues and establishment of an awards program.



- 1) Significantly more effective than previous or competing technologies.
- 2) New technologies or applications of existing technologies in new markets.
- 3) Contribute to action plans presented in the SDGs.

#### Participation in Water Resilience Coalition

The Company is pleased to announce that in July 2020 it joined the Water Resilience Coalition ("WRC") as a Co-Founder. The WRC is a new organization established under the CEO Water Mandate, a United Nations Global Compact initiative. It will launch industry-driven initiatives for the preservation of water resources in water-stressed basins all over the world. Through its participation in the WRC, the Kurita Group works with other companies and organizations to preserve and restore the world's water resources with the aim of achieving the SDGs and realizing its corporate philosophy.

The Company has also participated in the UN Global Compact and has endorsed the CEO Water Mandate.



#### Promoting Response to Climate Change based on TCFD Recommendations

The Kurita Group views climate change as an urgent issue that must be addressed through collective global action. It continues to reduce greenhouse gas emissions from business activities while also using its business to help customers reduce their own emissions. To realize sustained growth going forward, the Kurita Group, in agreement with the TCFD\* recommendations, will

promote initiatives and information disclosure on the basis of the recommendations.

\* Task Force on Climate-related Financial Disclosures