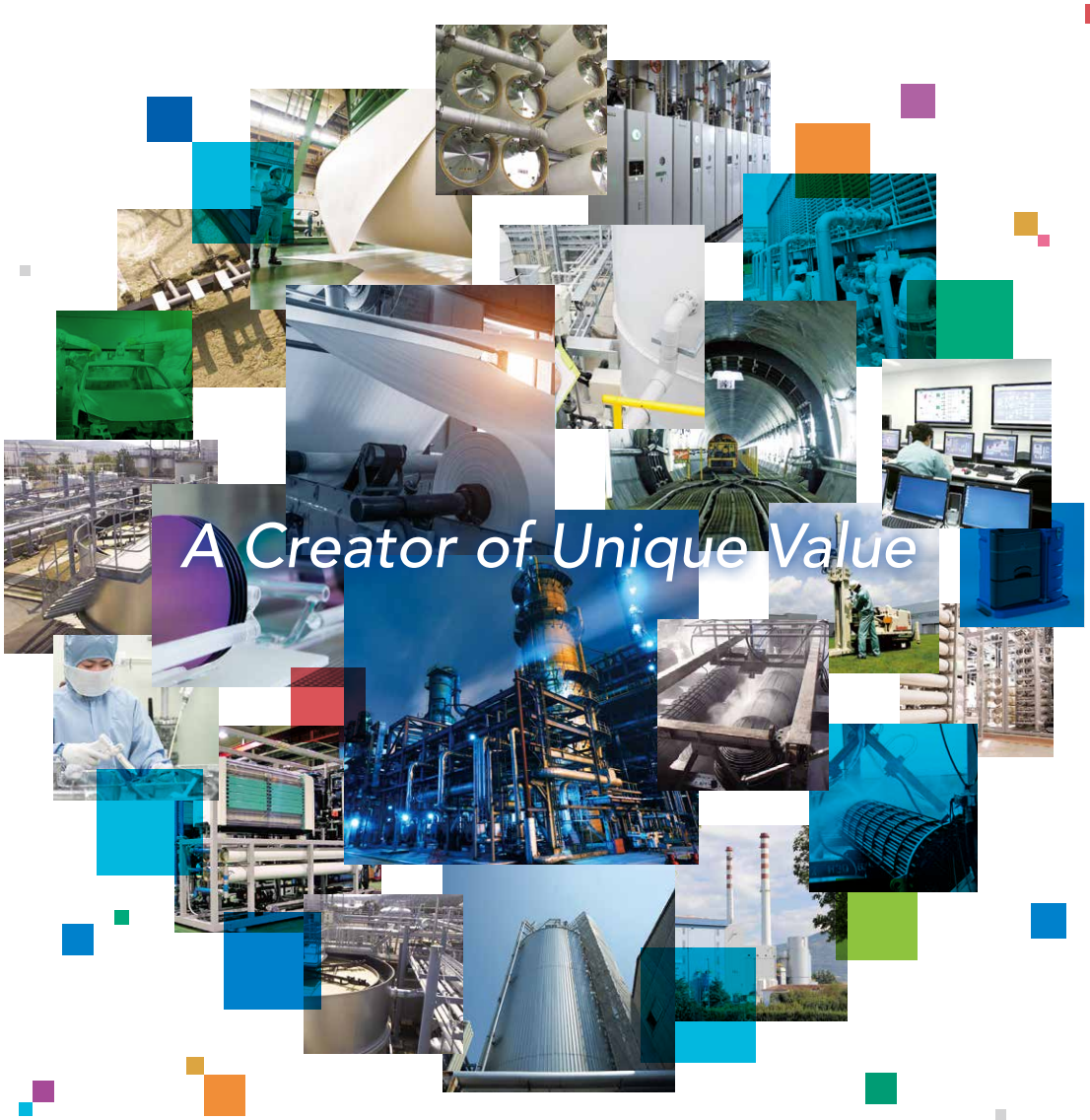
KURITA

KURITA WATER INDUSTRIES LTD.

Integrated Report 2021

Fiscal year ended March 31, 2021



We strive to put our corporate philosophy into practice by constantly creating shared value with society.

Integrated Report 2021

The COVID-19 pandemic that began in 2020 is causing major changes in the awareness of society and companies with respect to risk and business continuity and forcing structural changes in society as a whole. Concern for climate change, human rights and other social issues is increasing at an accelerating rate, and companies also are reexamining the importance of their own roles in realizing a sustainable society.

Amid these changes, the Kurita Group has reaffirmed the importance of our business in supporting society and industry in the fields of water and the environment and our unshakeable values, which are encapsulated by our corporate philosophy: "Study the properties of water, master them, and we will create an environment in which nature and man are in harmony." The Group's philosophy expresses the commitment we have had since our founding to pursue the provision of new value and contribute to society. A reexamination of our raison d'être as a company, however, has led us to review our own business from the standpoint of social issues.

As a result, the Kurita Group, through discussions by our Board of Directors, has formulated "Kurita's Value Creation Story," which provides a roadmap for generating corporate value over the long term and for sustainably growing together with society in order to put the corporate philosophy into practice. Going forward, the Group will extend its contacts beyond industry to all of society, and will bring about positive change in society by providing new value through solutions that utilize its "water knowledge."

It is our hope that this report will help explain the basic stance of the Group and provide an opportunity for constructive dialogue with all stakeholders.

July 2021

Michiya Kadota

President and Representative Director

Contents

Integrated Report 2021 1

Kurita Group Overview 2
- History of Value Creation 2
- Philosophy System 4
- Business Fields 5
- Kurita's Value Creation Story 6
- Performance 8

Kurita Group Business Strategy 10
- Interview with the President 10
- Financial Strategy 15
- Medium-Term Management Plan: Maximize Value Proposition 2022 (MVP-22) 16
- CSR Initiatives 18

The Kurita Group's Businesses 24
- Opportunities and Risks in Business Flow 24
  - Digital Strategy Division 24
  - Solution Business Division 25
  - Research and Development Division 26
  - Japan Sales Business Division 28
  - Global Business Division 29
  - Engineering Division 30
- Main Business Models 32
- Review of Operations by Segment 34
  - Water Treatment Chemicals 34
  - Water Treatment Facilities 36

The Platform for Value Creation 38
- Directors, Members of the Audit & Supervisory Board, and Executive Officers 38
- Corporate Governance 40
- Risk Management 50
- Compliance 54
- Human Resources Management 56
- Environmental Improvement Activities 58

Financial Information 62

Detailed financial information can be found in the IR section of Kurita's website.
Kurita Group IR: https://ir.kurita.co.jp/en/index.html

Corporate Information 71

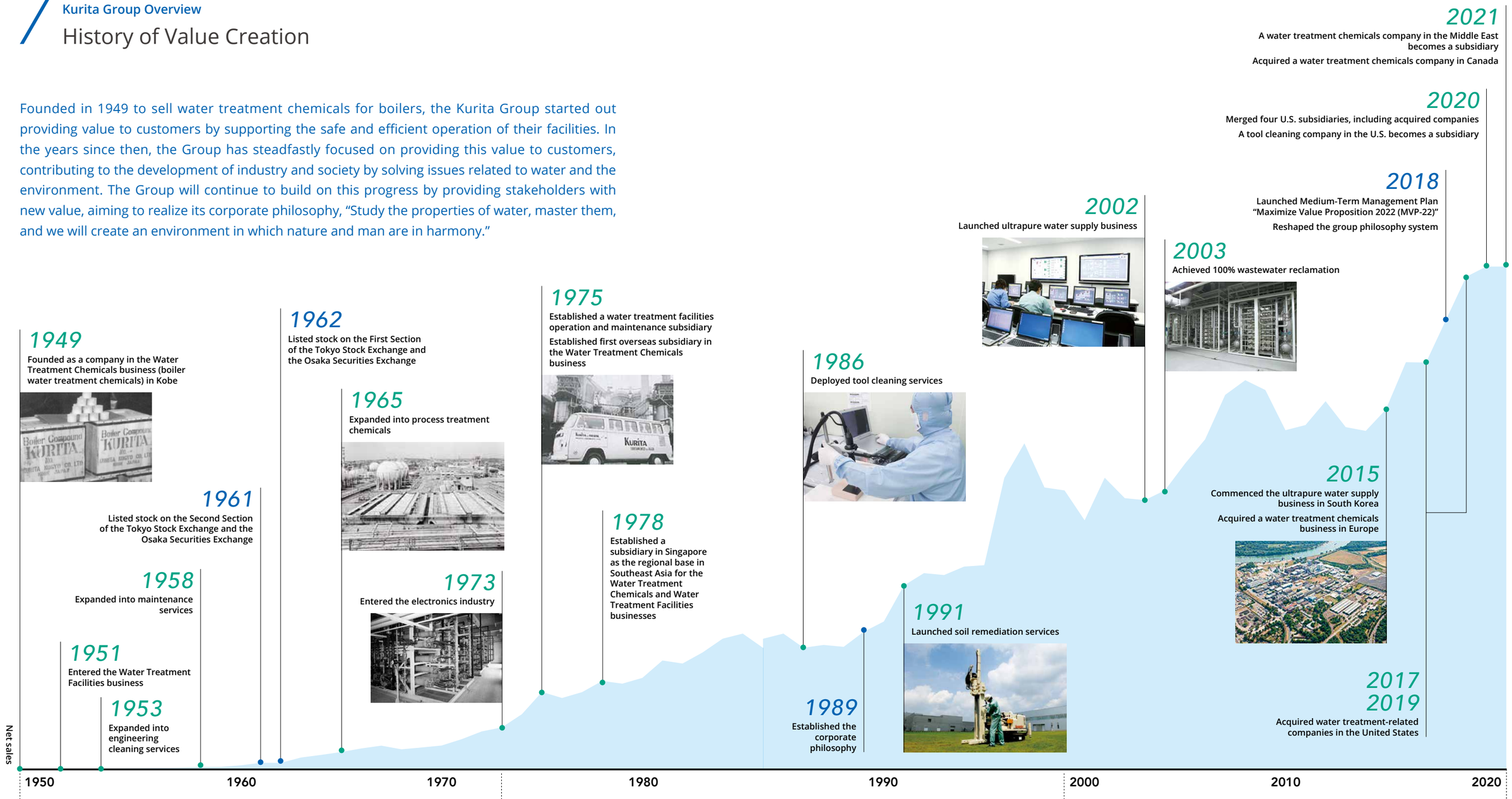
Disclaimer

This report contains forward-looking statements from Kurita Water Industries Ltd. and its consolidated subsidiaries pertaining to plans and strategies. These forward-looking statements are based on currently available information, and actual results may vary significantly from the forward-looking statements contained in this report due to a range of variable factors.

* Trademarks (products, services, logos) used in this report belong to the Company or to owners who have approved the Company's use of the trademarks.

History of Value Creation

Founded in 1949 to sell water treatment chemicals for boilers, the Kurita Group started out providing value to customers by supporting the safe and efficient operation of their facilities. In the years since then, the Group has steadfastly focused on providing this value to customers, contributing to the development of industry and society by solving issues related to water and the environment. The Group will continue to build on this progress by providing stakeholders with new value, aiming to realize its corporate philosophy, "Study the properties of water, master them, and we will create an environment in which nature and man are in harmony."



Post-War Recovery Period (1949–1954) / High Economic Growth Period (1954–1973)

Kurita Establishes the Spirit and Business that Form its Foundation

Kurita's founder developed an innovative business model that combined optimal treatment and effect verification based on data with the experience-based treatment that was the mainstream approach to boiler water treatment in Japan at the time. The principle of "Providing the unique value that only Kurita can create" became the driving force for realizing the model, and it lives on today in the Kurita Group's DNA. Against the background of development in Japanese industry, the Company established the three functions of water treatment chemicals, water treatment facilities, and maintenance services. By supporting the steel, pulp and paper, and petrochemical industries with water treatment solutions, the Company achieved steady growth.

Stable Growth Period (1973–1991)

Development as an Environmental Company and Establishing a Position in the Field of Water Treatment for Electronics Industry

Information Society Development Period (1991–1999)

As areas all over Japan experienced worsening pollution issues accompanying economic growth, Kurita made its mark as an environmental company by working to solve pollution due to industrial and household wastewater. In the 1980s, Kurita established a firm position as a provider of water treatment solutions for the electronics industry by meeting the industry's growing demand for advanced water treatment with ultrapure water technology. In 1989, marking its 40th anniversary, Kurita formulated the current corporate philosophy. It shared its mission of creating shared value with society in the fields of water and environment, and expanded its business to include soil remediation.

Period of AI and IoT Advancement (1999–)

New Business Model Deployment and Global Business Expansion

In 2002, as the electronics industry continued to develop even further with the advance of IT, Kurita developed a new service contract-type business model in the form of the ultrapure water supply business. Subsequently, the Company continued to change its business model, creating various new services that identified customers' issues from the perspectives of saving water, reducing CO_2 emissions, and reducing waste, and provided solutions for them. From 2015, the Company began full-fledged expansion into overseas business through M&A, and is promoting global development of total solutions.

Philosophy System

The missions that the Kurita Group will fulfill in society into the future, its medium- and long-term visions, and its ways of thinking and values as the foothold for achieving them are stipulated as the Kurita Group Philosophy System.

Corporate Philosophy

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

1. Kurita Group will contribute to facilitate the coexistence and shared prosperity of the natural environment and human society by creating shared value with society through water.
2. Kurita Group will generate new functions and value for water, through further exploration and exploitation of the fundamental properties of water.
3. Each individual of Kurita Group will adopt its customers' point of view and solve their water and environmental issues, by making full use of its unique technologies, products and services.

* The corporate philosophy was set out in 1989 to mark the 40th founding anniversary of the Company.

Corporate Vision

"A Creator of unique value to the solution of water and environment," contributing to the realization of a sustainable society.

1. Kurita Group will seek to create shared value with society such as environmental preservation and the effective use of resources, and will realize its corporate philosophy, by continuing to innovate and through businesses contributing to the natural environment, industry and people's lives.
2. Kurita Group will, as an indispensable partner, create value for customers such as "pursuit of safety," "productivity enhancement" and "reduction of environmental impact."
3. Kurita Group will evolve its "service business" and will provide customers, at speed, with comprehensive solutions making full use of Kurita's technologies, products and services in water treatment chemicals, water treatment facilities and maintenance services.

Basic Policy

The basic policy encompasses the management direction and aims of the Group and forms the foundation of the Kurita Group Philosophy System

1. **Kurita Group Code of Conduct**
2. **Corporate Governance Policies**
3. **Basic Policies for Constructing an Internal Control System**
4. **CSR Policy**
5. **Kurita Group's Policy on BCM (Business Continuity Management)**
6. **Kurita Group Human Rights Policy**
7. **Kurita Group Anti-Bribery Policy**
8. **Kurita Group Antitrust Policy**

Core values

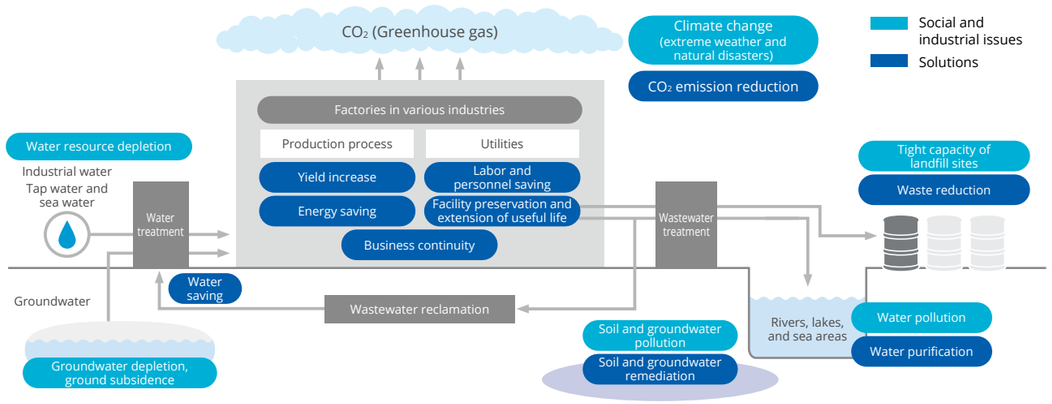
Stipulates the basic values guiding judgments and actions to be shared by all officers and employees in conducting business activities.

Fairness | Transparency | Integrity | Safety | Compatibility

Kurita Group Philosophy System | https://www.kurita.co.jp/english/philosophy_vision/index.html

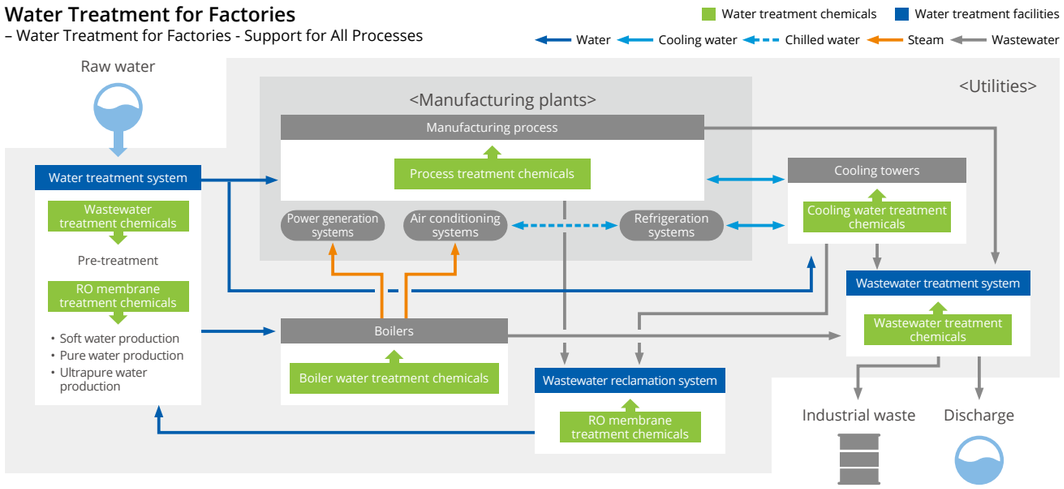
Business Fields

Social and Industrial Issues and Water Treatment Solutions

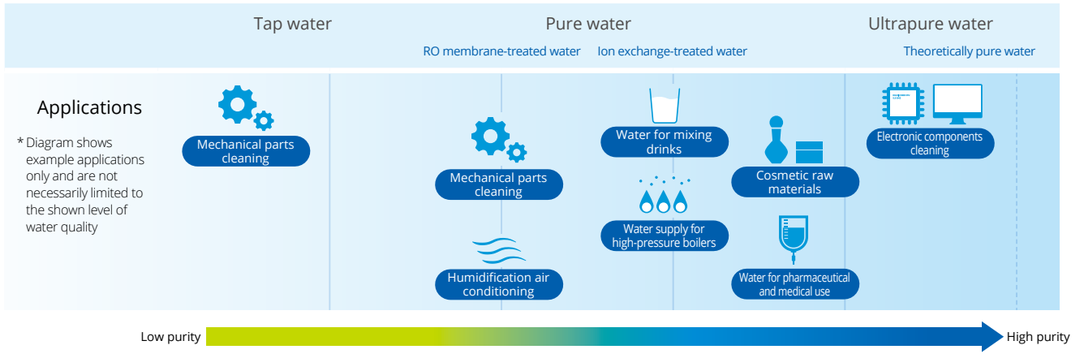


Water Treatment for Factories

– Water Treatment for Factories - Support for All Processes



Water Purity and Related Applications



Kurita's Value Creation Story

The Kurita Group has acquired various contacts on the frontlines of industry and society during its long involvement in the water treatment sector. We intend to utilize our "water knowledge"—the accumulation of issues we have identified and information we have acquired from our extensive experience in the field—to create solutions for social issues that are aligned with the characteristics of individual industries and regions and thereby maximize value for customers while creating shared value with society.

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

Corporate Vision "A Creator of unique value to the solution of water and environment," contributing to the realization of a sustainable society.

Major Trends Facing the Kurita Group

- Damage to Social Infrastructure Caused by Climate Change
- Changes in Work Styles and Lifestyles
- The Advance of Globalization and Increasing Wealth Inequality
- Fresh Water Scarcity and Uneven Water Distribution
- Changing Energy Policies
- Industrialization and Urbanization of Developing Countries
- Advances in Digital Technology and Innovation Acceleration
- Heightened Safety Awareness

The Kurita Group's Materiality

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

Management Resources
(Fiscal year ended March 31, 2021)

Financial Capital

Equity attributable to owners of parent	¥253,089 million
Interest-bearing debt	¥52,123 million

Human Capital

Number of employees	Consolidated: 7,465 Japan: 3,843 Overseas: 3,622 Parent: 1,561
Expansion of training opportunities	

Intellectual Capital

R&D expenses	¥5,317 million
R&D personnel	Approx. 180
R&D bases	Japan, Germany, Singapore, etc.
Number of patents held	2,597
Synergies generated through cross-Group projects	

Manufactured Capital

Assets that support the creation of products and services	
Property, plant and equipment	¥117,603 million
Group network	
Japan	31 companies
Overseas	42 companies

Natural Capital

Water intake	2.43 million m³
Energy consumption	652 TJ

Social and Relationship Capital

- Inclusion in ESG Indexes
- Corporate citizenship initiatives
- A supply chain to support society on a global scale
- ISO certification

Water knowledge

Information, data and experience related to water treatment in industry and society

Technology Development Capability
Addressing water-related issues faced by diverse industries and society in an agile manner

Identifying True Issues
Thanks to personnel who address social issues in a sincere manner

Diverse Solutions
Optimized for the characteristics of each industry and region as well as social issues

Operation of Wide-Ranging Businesses
Integrating water treatment chemicals, water treatment facilities, maintenance services and related businesses

Diverse Business Models
Based on accurate prediction of value provision

DX

Customer Intimacy

Diverse Points of Contact with Sites

Maximizing Customer Value

- Highly accurate predictions of and commitment to value provision
- Reduced operating costs at customers
  (Raw material costs, utility costs, etc. + decision-making costs, capital costs, etc.)
- Increase in shared value with customers and society

High Profitability and Sustainable Growth

MVP-22 Management Targets
(Fiscal year ending March 31, 2023)

- Net sales organic growth rate 3% or more
- Business profit margin 15%
- Return on equity (ROE) 10% or more

- Solving issues related to water resources (water-saving) 240 million m³*
- Realizing sustainable energy use (CO_2 emission reduction) 10,000 t*
- Reducing Waste 450,000 t*

* Amount of the reduction in environmental impact of customers - the amount of the Kurita Group's own environmental impact

▶ Please see pages 20-21 for more details.

Winning the Trust of Customers and Society and Building a Sustainable Society

Help achieve the SDGs

Long-term initiatives

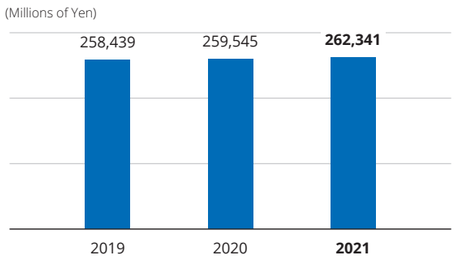
- Number of people that can benefit from improvement in water resources 700 million people (Fiscal year ending March 2031)
- Reduction in Scope 1 and 2 emissions 27.5% (Fiscal year ending March 2031) 100.0% (Fiscal year ending March 2051)
- Reduction in Scope 3 emissions 27.5% (Fiscal year ending March 2031)

▶ Please see pages 20-21 for more details.

Performance (Fiscal years ended March 31)

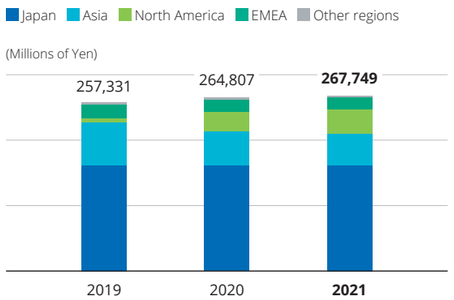
Financial Capital

Orders



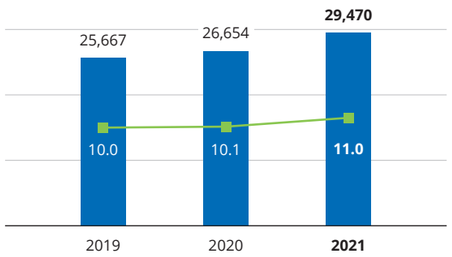
Demand for some products in the Water Treatment Chemicals business and for some domestic maintenance services was affected by the COVID-19 pandemic, but orders rose year on year, supported by firm demand from the electronics industry and the consolidation of Pentagon Technologies Group, Inc.

Sales



The COVID-19 pandemic weighed on sales of some products in the Water Treatment Chemicals business and in the Water Treatment Facilities business in Japan, but sales increased year on year due to progress with major facilities projects for the electronics industry in East Asia and the consolidation of Pentagon Technologies Group, Inc.

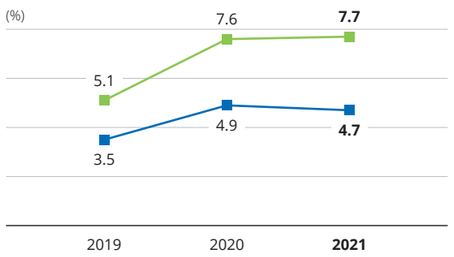
Business Profit and Business Profit Margin



Business profit increased despite a negative impact on sales from the pandemic. Profit growth was supported by tighter control of SG&A expenses through cost reduction, increased efficiency in materials procurement and an overhaul of product and service lineups at overseas subsidiaries, leading to an improvement in the cost of sales ratio.

Business profit = Net sales - Cost of sales - Selling, general and administrative expenses

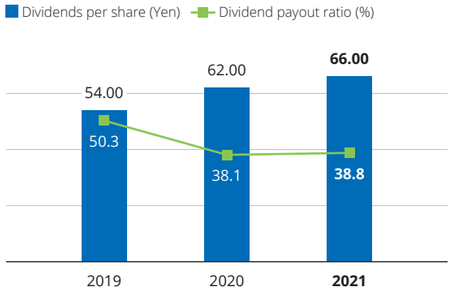
Return on Assets (ROA) and Return on Equity (ROE)



Profit attributable to owners of parent reached a record-high, driven by sales growth and margin improvement. However, ROA declined slightly due to an increase in total assets resulting from active investment in promising businesses. Also, there was only modest improvement in ROE due to higher retained earnings.

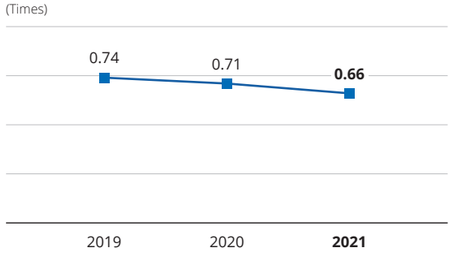
ROA = Profit attributable to owners of parent ÷ Total assets (Average) × 100
ROE = Profit attributable to owners of parent ÷ Equity attributable to owners of parent (Average) × 100

Dividends per Share and Dividend Payout Ratio



Kurita's policy is to continuously increase dividends where possible. In line with that policy, the dividend was increased for the 17th consecutive year. However, there was only a slight increase in the dividend payout ratio due to an increase in earnings per share.

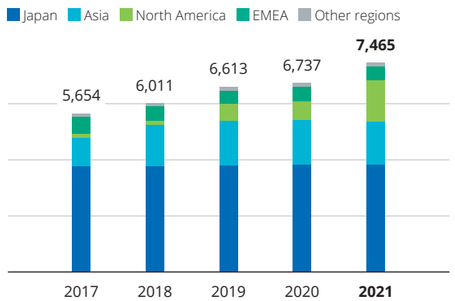
Total Assets Turnover



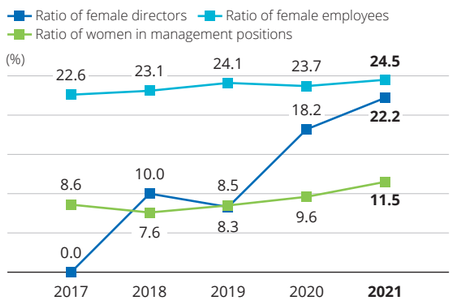
Total assets turnover declined, reflecting an increase in property, plant and equipment due to capital investment in the ultrapure water supply business and the booking of goodwill related to the consolidation of Pentagon Technologies Group, Inc., versus only a modest increase in sales.

Human Capital

Number of Employees by Region

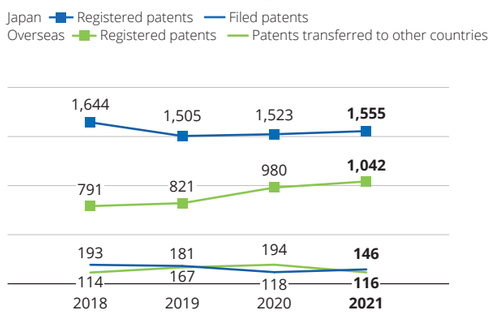


Ratio of Female Directors and Employees



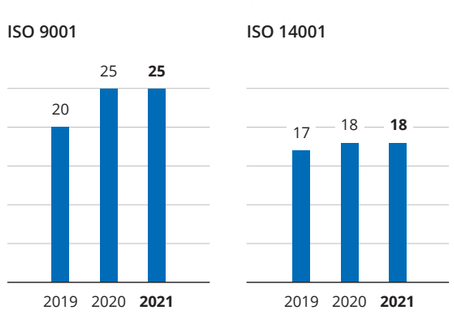
Intellectual Capital

Number of Patents Pending



Social and Relationship Capital

Number of Certified Companies



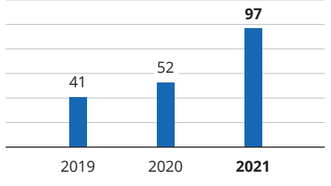
Natural Capital

The Kurita Group aims to support environmental impact reduction*1 in the operations of its customers offset and even exceed the environmental impacts of its own business. To this end, we have set numerical targets for the "amount of the reduction in environmental impact of customers - the amount of the Kurita Group's own environmental impact," with regard to water, CO_2, and waste.

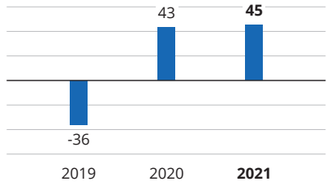
*1 The Kurita Group has defined products, technologies, or business models that contribute significantly to water-saving, CO_2 emissions reduction, and waste reduction compared to previous levels as the "CSV business." The reduction of environmental impact from customers' operations is calculated based on results of applying the CSV business. Further information about the CSV business can be found on pages 19 and 59.

Kurita Group KPI: Customer Impact Reduction – Kurita Group Impact

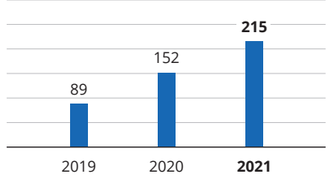
Water savings at customers – Amount of water intake used in our business activities (million m³)



CO_2 emissions reduction at customers – CO_2 emissions from our business activities (1,000 t)*2



Waste reduction at customers – Waste generated from our business activities (1,000 t)



*2 "CO_2 emissions from our business activities" include emissions generated from the ultrapure water supply business, which comes under Category 13 of Scope 3, as well as emissions in Scope 1 and 2 stipulated in GHG (Greenhouse Gas) protocol.

Interview with the President

Accelerating Kurita's transformation to achieve the goals of MVP-22

Q What is your take on Kurita's operating environment and results in the fiscal year ended March 31, 2021?

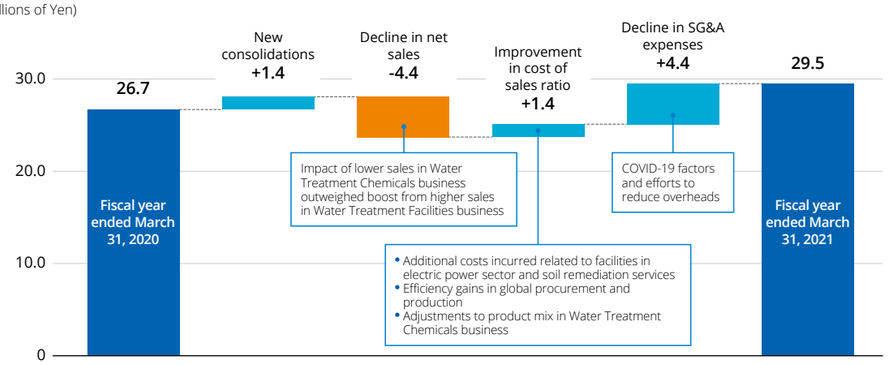
Our operating environment was obviously impacted by the COVID-19 pandemic, which led to lockdowns, restrictions on movement and other measures worldwide to prevent the spread of infection, dealing a major blow to economic activity everywhere. In Japan, production activity in the manufacturing sector declined and capital investment plans were postponed due to a slump in demand in both Japan and overseas. In China, economic activity started to normalize, but Europe, North America and the wider Asia region continued to face challenging economic conditions. Despite these conditions, the electronics sector – the Group's core market – saw continued growth in demand for semiconductors, electronic components and other products, driven by wider uptake of AI and 5G technologies, as well as the increase in working from home. These trends supported strong capital investment and high capacity utilization rates in the electronics sector in Japan and overseas.

The Group's orders and net sales increased only slightly due to the impact of the pandemic, but profits continued to rise year on year. Orders and net sales were lifted by the consolidation of U.S. tool cleaning business Pentagon Technologies Group, Inc., but our business was affected by weaker demand for water treatment chemicals due to lower capacity utilization rates at customer plants and by delays to maintenance and soil remediation plans at customers in general industrial sectors in Japan.

Business profit* increased 10.6% year on year, reflecting an improvement in the cost of sales ratio and a decline in selling, general and administrative expenses. Despite additional costs booked by some domestic businesses, we reduced the cost of sales ratio by making global procurement activities more efficient and by overhauling product and service lineups at overseas subsidiaries. Selling, general and administrative expenses declined due to efforts to reduce overheads, complemented by a drop in expenses related to restrictions on business travel and an increase in working from home. In addition, under other income, we booked a liquidation gain on contract termination settlements with a customer in the ultrapure water supply business and gains on the sale of idle assets. As a result, operating profit increased year on year and profit attributable to owners of parent reached a record high.

Factors Affecting Business Profit (YoY)

(Billions of Yen)



* 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.

Q What progress did Kurita make with initiatives in the third year of the Maximize Value Proposition 2022 (MVP-22) plan?

We are working to create shared value with society under the MVP-22 medium-term management plan, which puts CSR at the core of our management. Our aim is to provide new value to customers while also achieving high levels of profitability by dramatically increasing the quality and speed of business processes. In the fiscal year ended March 31, 2021, the plan's third year, we faced the challenge of the global pandemic, but we continued to actively execute the plan's priority measures to drive a transformation in our business that dismantles preconceived ideas.

First, in order to provide total solutions, we continued to focus on creating solution models that incorporate products, technologies, services and contracts that can be deployed horizontally. We completed six new models, including a service that helps manufacturing plants reduce water usage by optimizing the operation of RO membrane treatment facilities. Including models already developed, we now have a lineup of 13 solution models. While the deployment of these models is slightly behind schedule due to restrictions on movement at customer sites and delays to verification testing amid the pandemic, we have established a solid platform to drive growth in the fourth year of the plan and beyond.

Second, we continued to put the highest priority on driving forward the Group's digital transformation (DX) in order to change business processes and transform business models. In April 2020 we established a new Digital Strategy Division to lead the Group's DX strategy. As part of that strategy, we launched a joint initiative called the Meta-Aqua Project with subsidiary Fracta, a U.S.-based AI startup, to promote DX in water treatment and create related AI and IoT products. The project has already led to the development of an AI-based solution that optimizes the operation of water treatment facilities, reducing electricity consumption and operation and management costs. We also continued to implement Groupwide procurement, production and logistics activities under our Global Supply Team project. The project, which brings together the top supply chain managers from each Group company, has three main aims: leverage the Group's networks to optimize procurement and production, share expertise to reduce costs, and reinforce the Group's business continuity systems in logistics and other areas. In the fiscal year ended March 31, 2021, these efforts led to a larger decrease in the cost of sales than in the previous fiscal year, raising prospects for a sustained improvement in profitability going forward.

Global Supply Team Initiatives

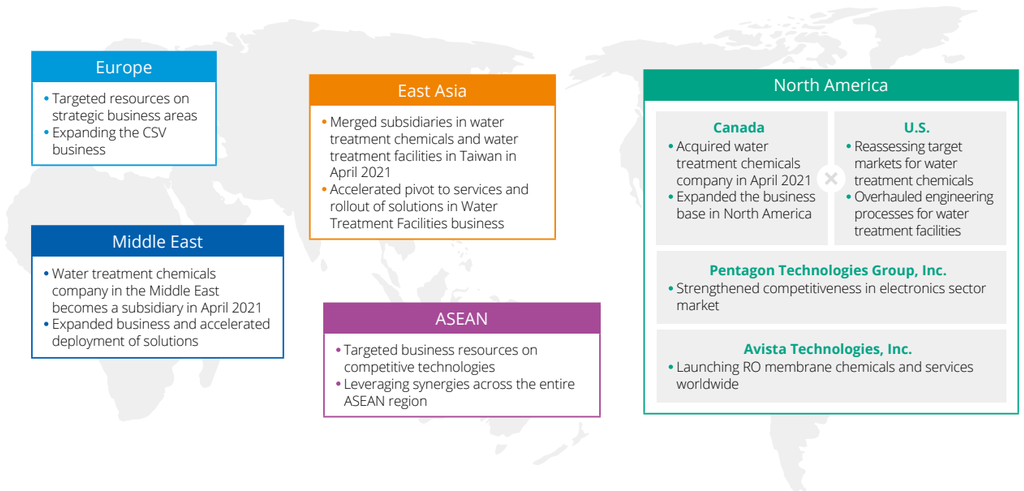
Water treatment chemicals procurement	Water treatment chemicals manufacturing	Water treatment facilities
• Joint purchasing • Switch to lower-cost raw materials • Select same raw materials / suppliers for the whole Group	• Improve work efficiency through behavioral analysis • Optimize packaging and promote 3Rs (reduce, reuse, recycle) • Increase efficiency by sharing Groupwide manufacturing expertise	• Select same parts and materials for the whole Group • Consolidate purchasing of parts and materials • Use internal Group resources effectively

Overseas, we worked to improve profitability from both a global and local perspective, backed by our operating framework in Japan, Asia, EMEA and the Americas, which has been built up through M&A activity in recent years. In terms of global initiatives, we are now into the second year of Project Acorn, which brings together all the Group's products, technologies and other business resources related to RO membrane chemicals. In addition to creating a common global lineup of products, the project is also steadily delivering results in other areas, such as an optimized Groupwide production system and a human resources training program that will give our people the skills to drive the next phase of business expansion. In terms of local initiatives, we retargeted all our marketing resources in the ASEAN region on high-value-added products, technologies and services, and in Europe we overhauled our product lineup to put greater focus on high-margin products. These initiatives lifted profitability in both the ASEAN and Europe regions, contributing to the improvement in the Group's profit margin. In the U.S., post-merger integration (PMI) efforts at Kurita America, Inc., a new subsidiary created by combining several local subsidiaries, fell short of expectations due to a major hit from the COVID-19 pandemic. However, Pentagon Technologies Group, Inc. became a consolidated subsidiary, giving us more contact points with potential customers in the expanding electronics sector.

In terms of non-financial performance, we began work on tackling climate change after setting new long-term targets for reducing CO_2 emissions in line with the recommendations of the TCFD*1. In addition, we joined the Water Resilience Coalition as a co-founder. The coalition is an initiative established under the UN Global Compact (UNGC)*2 to address issues related to water resources. Through the coalition, we started work on developing an integrated platform for water resources and establishing medium- and long-term targets and activity benchmarks for securing water resources in the world's water-stressed areas. We also set up a dedicated organization to accelerate the Group's diversity & inclusion efforts and formulated a vision and related measures.

*1 Task Force on Climate-related Financial Disclosures: Established by the Financial Stability Board (FSB) to promote the disclosure of climate change-related information by companies and to explore ways for financial institutions to address climate change.
*2 A non-binding initiative to encourage companies and groups worldwide to act as good corporate citizens and help realize sustainable growth by exerting responsible, creative leadership.

Stepping Up Business Expansion Tailored to Local Market Characteristics



Q What measures are you planning for the fiscal year ending March 31, 2022, the fourth year of MVP-22?

The current fiscal year will be a critical period for the ultimate success of MVP-22. We are aiming for further improvements in profitability by creating shared value and by rapidly providing value to customers, supported by an accurate understanding of the issues faced by society today.

First, we will continue to implement DX to drive change in business processes and transform business models. Using digital tools, AI and IoT, we will accumulate information and data from diverse points of contact with sites and utilize this "water knowledge" across the entire value chain – such as development, sales, engineering, and facility operation and management – to establish and implement ways of creating value for customers. We will also work with partners across the Kurita Group to develop data-driven solutions that underpin new business models. We also plan to step up activities under our Meta-Aqua Project, launched in the previous fiscal year, which aims to optimize and improve the efficiency of water treatment facilities and introduce more automation into design processes.

Additionally, we will build a framework to deliver solutions that help increase corporate value for customers by balancing improvements in economic value with CSR implementation, such as reducing high-level environmental impact. Leveraging our deep understanding of customers' manufacturing processes, we aim to expand our range of highly effective total solutions and our CSV (Creating Shared Value) business. Also, to increase contact points with customers through new business model development, we will utilize web-based platforms to build a framework for providing diverse water treatment solutions.

In order to optimally utilize the Group's business resources, we absorbed wholly owned subsidiary Kurita Engineering Co., Ltd. through a merger in April 2021. Our goal is to increase profitability by integrating the company's engineering cleaning business with related operations in the Group to establish a framework for delivering total solutions covering water treatment facilities, water treatment chemicals and cleaning services, creating a core business in the public and industrial infrastructure market. In engineering processes, we aim to reinforce engineering chains and supply chains by using alliances with startup companies to free up our engineers for deployment in core businesses. Moreover, to foster a culture of innovation based on diverse perspectives and backgrounds, we will continue to upgrade programs and systems that support diversity in our workforce and different ways of working.

Reinforcing the Group's overseas business base will be a key challenge in the year ahead. In North America, we will push ahead with our Kurita America, Inc. PMI plan, which was delayed by the COVID-19 pandemic, to establish a more efficient production and sales structure. In April 2021 we acquired Keytech Water Management, a Canadian water treatment chemicals company, giving the Group a business base in Eastern Canada, where much of the country's industry is located. We aim to generate synergies with other North American subsidiaries by deploying solutions across the region in their shared general industrial market. Also in April 2021, we converted Kurita AquaChemie Ltd., a joint venture with AquaChemie DMCC, into a consolidated subsidiary in order to reinforce our business in the Middle East region. The subsidiary has local manufacturing sites, which will be key to business expansion. In Asia, we aim to further improve profitability in the ASEAN region by channeling business resources into new business models, such as remote facility monitoring and services that realize significant reductions in CO_2 emissions. In Taiwan, where we have combined our water treatment chemicals and water treatment facilities subsidiaries, we aim to accelerate the deployment of total solutions that draw on their combined capabilities.

Q What is your long-term vision for Kurita?

The COVID-19 pandemic provided us with an opportunity to reconfirm the key role the Kurita Group plays in ensuring business continuity at many customers that support society and industry. We need to consider two things: how can we contribute to the creation of a sustainable society, and what value can we provide to support the continuity of customers' businesses. To achieve that, the whole Group has to accelerate its transformation based on a redefined view of water treatment's value to society. In the three years since the start of the MVP-22 plan in April 2018, we have taken steps to change our business processes and transform our business models, putting greater emphasis on customer issues. In the next two years, we need to focus closely on customer value, and beyond that, social value. Every manager and employee in the Group will need to work even harder to dismantle preconceived ideas and maximize value across the Group's entire value chain, including customers and business partners, based on issues faced by society.

In 2020, the Board of Directors discussed the Group's value creation story – what Kurita needs to do to sustainably create value with society. The resulting value creation story sets out how the Group's core competences dovetail with the Group's purpose of "Winning the trust of customers and society and building a sustainable society." Kurita has points of contact with diverse customers in many industries. Our "water knowledge" derived from information and insights into various water-related issues faced by those customers, is Kurita's competence and will underpin the Group's long-term growth. By changing how we do business to focus more on social issues and by providing solutions that leverage our "water knowledge", we can provide new value to society. In this way, we can drive positive change in society and industry, which is the Group's ultimate purpose. We have only defined the broad outline of the value creation story at this stage, but we will develop it further into a more robust, structural reform process by establishing a comprehensive framework of individual strategies, KPIs and evaluation systems.

Q What is your closing message for stakeholders?

To achieve the numerical targets in the MVP-22 plan – a business profit margin of 15% and ROE of 10% or more – we have implemented a range of priority measures in the face of the global pandemic. These measures are starting to bear fruit, supporting a steady improvement in the quality of earnings. In the plan's remaining two years, we will accelerate strategy execution in order to transform Kurita into a highly profitable, global corporate group that creates shared value with society. I hope we can count on your continued support as we continue to transform the Kurita Group to generate sustained growth.

July 2021

Michiya Kadota

President and Representative Director

Financial Strategy

Shuji Shirode

Director
Executive General Manager of Corporate Control and Administration Division

Sources and Uses of Funds

The Kurita Group has targeted funds on asset-owning businesses, such as the ultrapure water supply business, while also investing in growth fields with prospects for high profit margins. Since 2015, we have also actively used funds for overseas M&A deals, such as the acquisition of a water treatment chemicals business in Europe. To meet these very large funding demands, we use the Group's own capital resources, as well as external sources of funding. In the fiscal year ended March 31, 2020, we raised capital by borrowing from banks, and in the fiscal year under review, we issued unsecured bonds. Going forward, we will continue to use debt financing where necessary, while balancing that with sound finances and capital efficiency. Cash and cash equivalents at the end of the fiscal year under review were at an appropriate level, given the characteristics of the Group's businesses and from the perspective of business continuity.

Key Investments

In the fiscal year ended March 31, 2021, we made a number of key investments. In Japan, we used funds for capital investments in the tool cleaning business and in asset-owning businesses such as the ultrapure water supply business. We also invested in our new research and development base, scheduled to open in April 2022. Additionally, funds were used to realign and upgrade manufacturing sites to reinforce the water treatment facility manufacturing system. The Group also acquired intangible assets, including software to build a proprietary IT platform. Overseas, we acquired additional shares in Pentagon Technologies Group, Inc., a tool cleaning business in the U.S., making it a consolidated subsidiary. Capital investments overseas included the construction of a new head office for Kurita America, Inc. following the integration of the Group's local subsidiaries in the U.S., and investment in the Group's research and development base in Europe.

Improving Capital Efficiency and Generating Funds

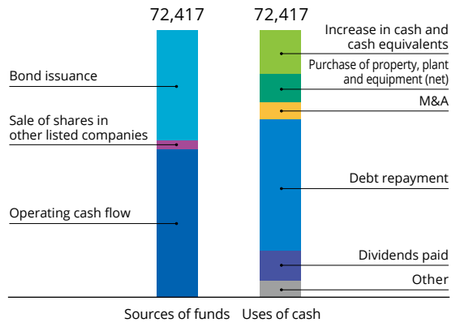
We plan to continue investing heavily in growth businesses while also reducing assets to improve capital efficiency and generate funds. Specifically, we are winding down our shareholdings in other listed companies. In the fiscal year ended March 31, 2021, we sold all the Group's shares in two companies and reduced holdings in two other companies. For the remaining 24 stocks in the Group's portfolio, we will continue to reduce holdings while taking into account the feasibility and timing of further sales. Additionally, we aim to shorten the cash conversion cycle and build a cash management system.

Shareholder Returns

In the fiscal year ended March 31, 2021, we increased dividends paid from capital surplus for the 17th 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. We will continue to prioritize internal reserves – funds entrusted to us by shareholders – for investments in growth businesses, but we will also consider buying back shares if surplus cash increases, while also taking into account the share price level.

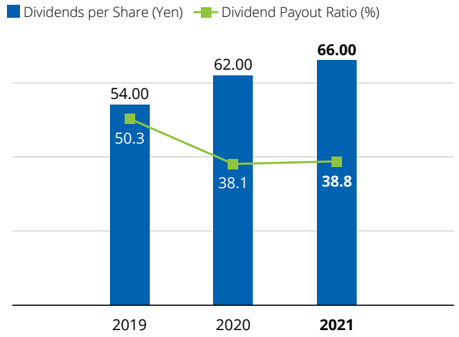
Actively Investing in Growth and Diversifying Funding

(Fiscal year ended March 31, 2021) (Millions of Yen)



Dividends per Share and Dividend Payout Ratio

(Fiscal years ended March 31)



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 Third-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, 2021

Result: **11.0%**

Return on equity (ROE)

Target **10% or more**

Fiscal year ended March 31, 2021

Result: **7.7%**

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

Target Improved capital efficiency in each business segment

Initiatives by Priority Measure

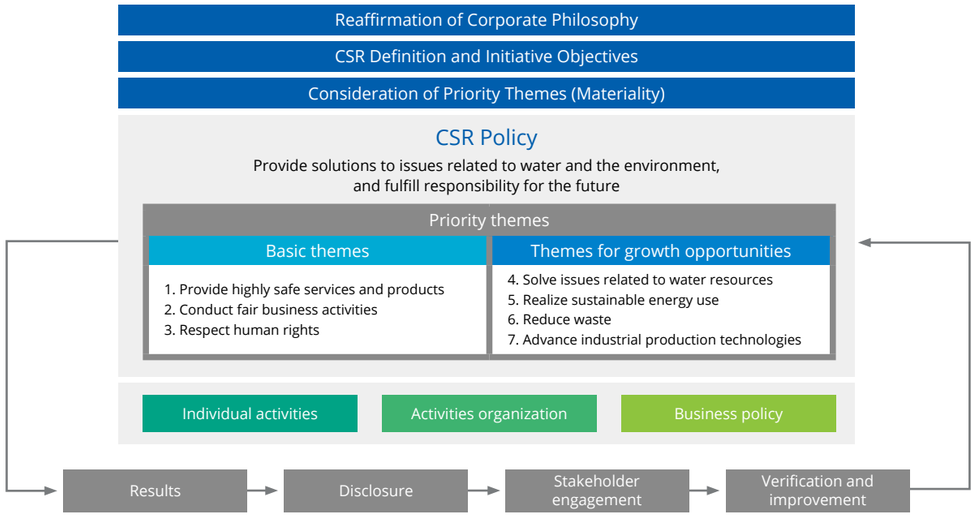
Priority Measures	Initiatives for the Fiscal Year Ended March 31, 2021	Achievements of the Fiscal Year Ended March 31, 2021
1 **Development of CSV Business** Expand earnings with highly unique technologies, products, or services that contribute to the natural environment, industry and people's lives.	• Continuously review CSV business • Build systems to ascertain profitability of CSV business and underpin new management KPIs	• Increased CSV business orders and expanded business lineup • Established systems to ascertain profitability and added profitability of the CSV business to management KPIs
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.	• Create solutions models that provide new value to customers • Step up market development using sales promotion activities in global and domestic markets	• Completed another six solutions models, taking total to 13 models • Built regional marketing system covering five global areas • Stepped up rollout of digital marketing
3 **Rebuilding of manufacturing system for water treatment facilities** Rebuild the manufacturing system and processes to dramatically increase quality and speed.	• Establish UX Group • Use AI to automate design process and build digital twin simulator (DTS) • Use HR tech* to optimize deployment of personnel and teams * The application of big data analysis, AI, cloud computing and other advanced IT-related technologies for a wide range of human resource operations, including hiring, development, and assignment.	• Developed wide-ranging business alliances, including with startup companies, and pushed ahead with DX in supply chain • Automated design processes to reduce personnel costs and improve cost accuracy and built basic DTS system • Started operation of backbone system with functionality to determine status of human resources, and used the system to realign and manage organizations
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.	• Work with Fracta to digitalize businesses based on AI technologies	• Developed algorithm to underpin data-driven business support functions for engineering work in Engineering Division • Developed algorithm to underpin data-driven energy efficiency improvements and cost reduction for RO membrane operation in large-scale ultrapure water production systems
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.	• Enhance mathematical models for water treatment phenomena to support use of AI and IoT, and develop advanced water treatment systems based on those models • Expand and reinforce RO solutions by combining RO membrane treatment technologies from across the Group, including Avista Technologies	• Developed compact, energy-efficient waste water treatment facilities using mathematical model based on water and microorganism flow analysis in waste water treatment facilities • Enhanced water treatment simulator functions to improve design efficiency • Expanded lineup of global products, centered on RO membrane antifouling agents and cleaning agents, and built global technical support network
6 **Establishment of the Group governance system** Improve the effectiveness of internal controls in Group companies.	• 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 in Japan	• Worked with subsidiaries and used monitoring guidelines to strengthen governance at indirectly owned subsidiaries • Reviewed and improved the Kurita Group's Basic Policy and Management Monitoring System in line with laws and business customs of each country • Formulated shared Group measures and established mechanism for each Group company's Board of Directors to self-evaluate progress with initiatives to address issues within their operations

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.

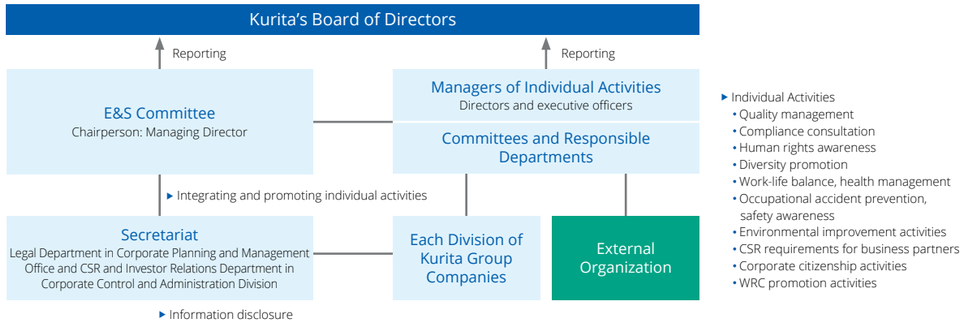
Kurita Group's CSR Framework

Under its MVP-22 medium-term management plan, the Kurita Group is reorganizing the CSR activities it has conducted to date, while also 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 (Environment, Social and Governance) investment is indispensable to creating business opportunities and enhancing risk response capabilities.



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 Environmental & Social (E&S) Committee, who is the Company's Managing Director, is responsible for integrating and promoting these activities, and directors and executive officers are assigned as managers for individual activities.



E&S Committee

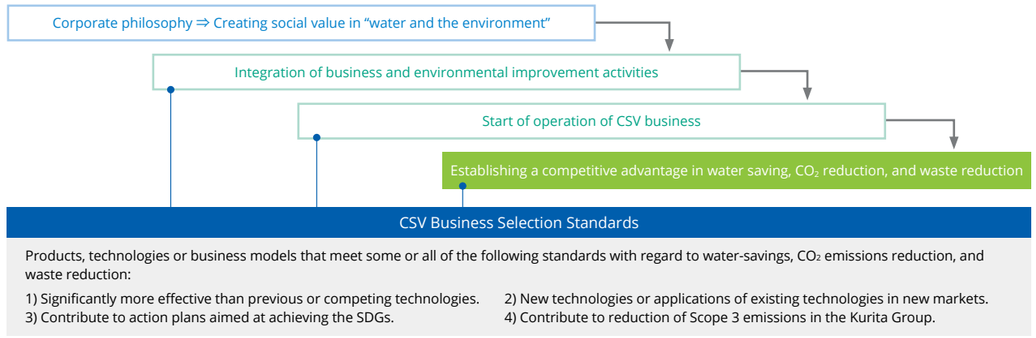
The E&S Committee oversees the Kurita Group's CSR initiatives and works to increase the Group's competitive advantage by further enhancing business competition capabilities and risk response capabilities.

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.

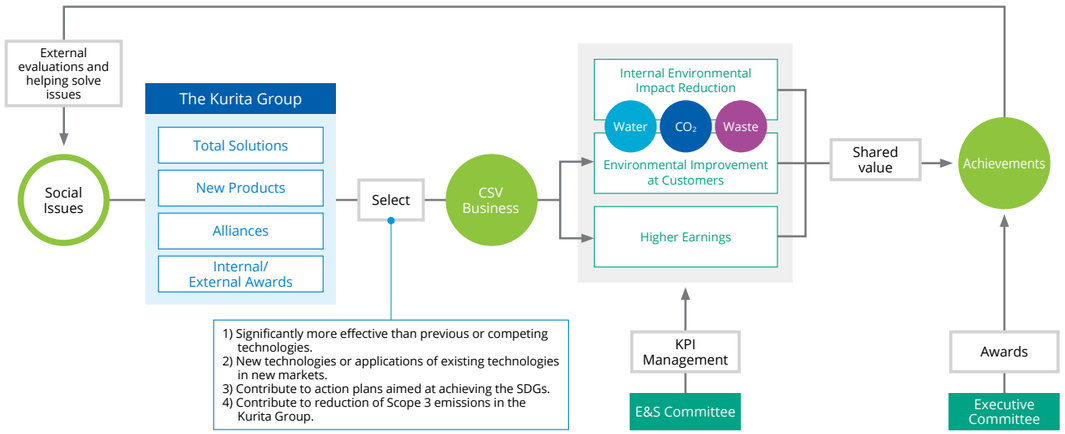
Promotion of CSV Business

The Kurita Group has defined products, technologies, or business models that contribute significantly to increased water-savings, CO_2 emissions reduction, 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 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.

CSV Business at the Core of CSR Promotion



System for Promotion of CSV Business



CSR Policy and Achievement Status

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 10 Principles of the United Nations Global Compact (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.

Kurita Group KPI: Customer impact reduction – Kurita Group impact

The Kurita Group collects and discloses data on the environmental impact of its business activities in line with two international standards – the Greenhouse Gas (GHG) Protocol and the GRI Standards. Based on that data, the Group sets reduction targets and works to reduce its environmental impact. Due to the lack of international standards that can measure reduction in environmental impact at customers through our business activities, which is one of the features of the Kurita Group, we have devised a proprietary KPI to show the Group's value creation: Customer impact reduction – Kurita Group impact, and we are compiling data for actual reduction and impact.

Kurita Group KPI: https://www.kurita.co.jp/english/csr/csr_activity_growth/environmental_policy/index.html

Provide Solutions for Issues Related to Water and the Environment, and Fulfill Responsibility for the Future

	Priority themes	Contribution to the SDGs	Initiatives toward 2030	Metrics	Medium- to long-term targets for the fiscal year ending March 31	Target year	Targets for the fiscal year ended March 31, 2021	Result	Evaluation*1
Basic themes	1. Provide highly safe services and products	3, 12	Maintain social trust by developing and providing services and products reflecting considerations for safety, health, and the environment.	1) Rate of product safety evaluations for newly developed products	100%	FY2023	100%	100%	Achieved
				2) Rate of front-line employee participation in regular safety training directly related to products and services	100%		100%	100%	Achieved
	2. Conduct fair business activities	16	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%	FY2023	100%	100%	Achieved
	3. Respect human rights	3, 5, 8, 10	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	100%	FY2023	100%	100%	Achieved
				2) Rate of participation in safety training related to site operations	100%		100%	100%	Achieved
Themes for growth opportunities	4. Solve issues related to water resources	3, 6, 9, 11, 14, 15	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 m³	FY2023	66 million m³	97 million m³	Likely to be achieved
				Number of people that can benefit from improvement in water resources*2	700 million people	FY2031	—		
	5. Realize sustainable energy use	7, 9, 11, 13, 15	Optimize energy use in living and in industries, and introduce technologies for creating energy throughout society.	CO_2 emissions reduction at customers – CO_2 emissions from our business activities*3	10,000 t	FY2023	52,000 t	45,000 t	Likely to be achieved
				Scope 1 and 2 emissions reduction (rate of reduction since fiscal year ended March 31, 2020)*4	27.5%	FY2031	—		
					100%	FY2051	—		
				Scope 3 emissions reduction (rate of reduction since fiscal year ended March 31, 2020)*4	27.5%	FY2031	—		
	6. Reduce waste	11, 12, 15	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	450,000 t	FY2023	173,000 t	215,000 t	Likely to be achieved
	7. Advance industrial production technologies	8, 9	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%	FY2023	42%	39%	Achieved

*1 Evaluations of themes 1, 2 and 3 are based on annual goals and results.
Evaluations of themes 4, 5 and 6 are based on annual results relative to medium- and long-term targets.
Medium-term target for theme 7 is set based on levels necessary for the Kurita Group to continue providing products, technologies or business models to society that drive improvements in industrial production technology.
Consequently, evaluation of theme 7 is based on medium-term target and result for the fiscal year under review.

*2 Number of people that can benefit from improvement in water availability, water quality, and water accessibility in highly-stressed basins. This target was added from the fiscal year ending March 31, 2022, so no information has been provided for target, result and evaluation for the fiscal year ended March 31, 2021.
*3 "CO_2 emissions from our business activities" include emissions generated from the ultrapure water supply business, which comes under Category 13 of Scope 3, as well as emissions in Scope 1 and 2 stipulated in the GHG Protocol.
*4 These targets were added from October 2020, so no information has been provided for targets, results and evaluation for the fiscal year ended March 31, 2021.

Initiatives to Address Climate Change

The Kurita Group views climate change as an urgent issue that needs to be addressed globally, and based on the TCFD*1 Recommendations, the Kurita Group will continuously reduce GHG generated by our business activities and contribute to reducing GHG emissions for our customers through our business activities.

To promote these initiatives, the E&S Committee evaluates risks and opportunities for the Kurita Group and considers targets and measures to achieve sustainable growth. Furthermore, the Group has set long-term targets aligned with the SBTi*2 goal of limiting global warming to well below 2°C and established a Promotion System supervised by the Board of Directors.

*1 Task Force on Climate-related Financial Disclosures
*2 Science Based Targets initiative

For more details, click on the link below.

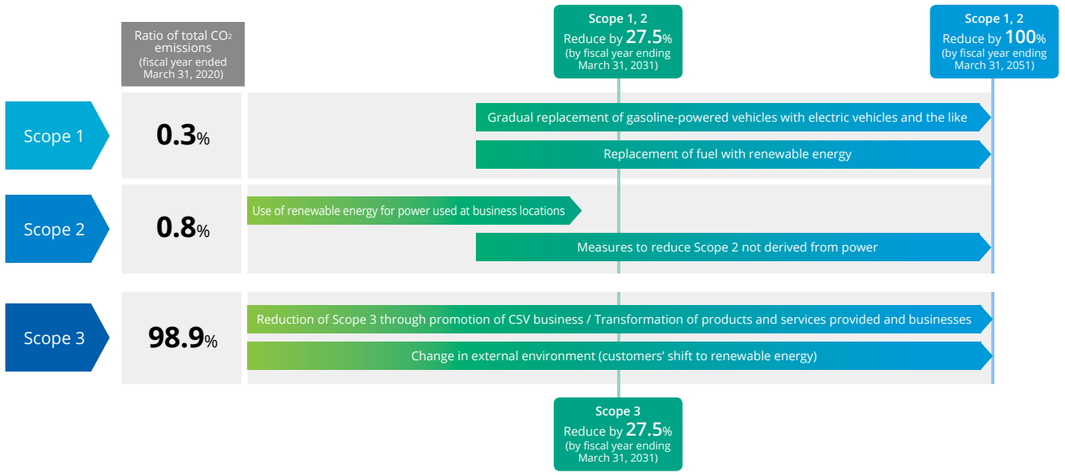
Initiatives to Address Climate Change https://www.kurita.co.jp/english/csr/csr_activity_growth/climate_change/pdf/issues_E.pdf

Risks & Opportunities: Evaluation and Measures

● Risks ● Opportunities

Type		Details of risks & opportunities	Kurita Group measures
Policy and Legal	● ● ●	Introduction or increase of carbon tax Regulations for products and services with high GHG emissions Dissemination of supportive policy incentives to the conversion to energy with low GHG emissions	■ Low-carbon products and services by utilizing digital technology and reviewing designs, etc. ■ Reduction of Scope 1 and 2 emissions by switching to alternative fuels and renewable energies ■ Development and expansion of renewable energy-related businesses such as biomass power generation
Technology	● ●	Substitution of existing products and services with lower emissions options	
Market	● ● ●	Decreasing demand from fossil fuel-related sectors Increasing demand in electronics industry due to the acceleration of DX Soaring costs of raw materials and energy	
Physical Risks	● ●	Increasing factory shutdowns and construction delays due to extreme weather events such as cyclones and floods Increasing operating rate of cooling equipment	■ Continuous strengthening of business continuity in preparation for natural disasters such as flood control
Resource Efficiency	● ●	Dissemination of efficient production and distribution processes Reduction of water usage	■ Utilization of digital technology and development of low-power technology ■ Development and expansion of renewable energy-related businesses such as biomass power generation
Energy Sources	● ●	Dissemination of energy with low GHG emissions Conversion to distributed energy resources	
Products & Services	● ●	Increasing demand for products and services with low GHG emissions Increasing diverse technical needs for reducing GHG emissions	
Resilience	● ●	Substitution and diversification of fuel and water resources	

Schedule for Achieving the Targets



Solving Water Resource Issues Through Initiatives by the Water Resilience Coalition

Kurita is a Leadership Committee member of the Water Resilience Coalition (WRC), established in 2020 to lead industry efforts to achieve global water resilience. As an initiative under the UNGC, WRC is implementing a range of initiatives to attain medium- and long-term quantitative targets related to water resources. The Kurita Group will leverage technological strengths cultivated through its global water treatment operations to help achieve the targets, while also launching activities in water-stressed basins where it currently has no experience in order to gain new "water knowledge" to support the Group's sustained growth.

Water Resilience Coalition

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

Leadership Committee members (11 companies)

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

Participating Companies

Members (13 companies)

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

(as of July 2021)

External Evaluation (as of July 2021)

Inclusion in ESG Indexes

FTSE4Good Index Series

FTSE Blossom Japan Index

Sompo Sustainability Index

MSCI ACWI ESG Leaders Index
MSCI World ESG Leaders Index

MSCI Japan
ESG Select Leaders Index

The MSCI Japan Empowering Women Index (WIN)

Evaluation by ESG Rating Organization

ISS-ESG

Evaluation by Supplier Evaluation Organization

EcoVadis

* The inclusion of Kurita Water Industries Ltd. in any MSCI index, and the use of MSCI logos, trademarks, service marks or index names herein, do not constitute a sponsorship, endorsement or promotion of Kurita Water Industries Ltd. by MSCI or any of its affiliates.
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Opportunities and Risks in Business Flow

Marketing | R&D | Sales and Orders | Technology and Design | Maintenance | Manufacturing and Engineering | Procurement and Quality Control

Digital Strategy Division

Toshitaka Kodama

Executive General Manager of Digital Strategy Division

Opportunities and Risks

Opportunities
- Pandemic spurring shift to outsourced facility operation and management, maintenance, remote monitoring and predictive maintenance
- Customer solution needs expanding into areas that increase social value, such as reducing CO_2 emissions, water usage and waste
- Advances in digital technology enabling virtual consulting activities across broader fields and with more diverse customers

Risks
- Failure to remain competitive due to delays with internal DX that set back business reform
- Legal damages or business disruption due to cyberattacks or data leaks caused by weak information security

Building IT platforms to support business transformation

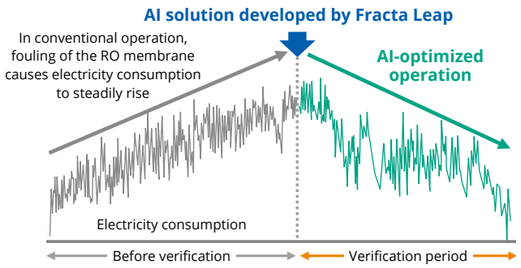
The way we do business is set to change dramatically. The COVID-19 pandemic is accelerating the shift from physical to virtual business processes. For a company like Kurita, with its strong physical links with customers, there is a risk we could be forced out of the water treatment market by competitors from other sectors with strong IT capabilities if the Group fails to rapidly change the way it does business. In the Digital Strategy Division, we are doing our part to support Kurita's business transformation by building new IT platforms and harnessing digital transformation (DX) to create new business models.

To develop new business models, we started by bringing together all the vast but separate data resources of the Group's different divisions to create a fully integrated big data resource that can be used in project proposals. One example is how we worked with Fracta Leap Inc. to collect and analyze water treatment data. The results have led to significant changes in our existing approach based on years of experience in facility operation. With our new approach, we have created an integrated base of explicit knowledge accumulated by our highly skilled engineers and various technology information. This is complemented by data gathered from multiple five-sense sensors, as well as AI analytics and other technologies, supporting the creation of data-driven business models.

With these new business models, we can predict changes and abnormalities in water quality using data from numerous customer sites, allowing us to optimize consumables replacement, maintenance schedules and water treatment chemical dosing, supporting a predictive maintenance approach. Looking ahead, we plan to leverage the Group's ability to handle the needs of many different industries to solve issues faced by customers at multiple plants and by entire regions.

Constructing IT platforms will be key to that approach. We aim to build flexible, highly efficient platforms and train personnel so they have the high level of IT literacy needed to operate the systems. We will also look into working with partners in other sectors to create platforms that harness the Group's competitive advantages in water treatment.

AI-optimized facility operation reduces electricity consumption



Solution Business Division

Masaya Kawai

Executive General Manager of Solution Business Division

Opportunities and Risks

Opportunities
- Growing demand for solutions that help increase non-financial value in business activities
- More diverse and faster ways of approaching customers driven by shift to digital technologies
- Increase in Kurita's non-financial corporate value through provision of solutions that address customers' social issues

Risks
- Loss of business opportunities and decline in corporate value due to inability to adapt to changes in society and industry

Developing solutions through diverse points of contact with customer sites

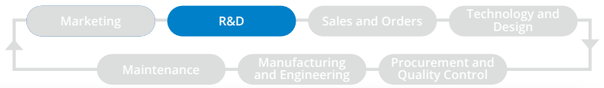
Kurita has typically developed and provided solutions that improve plant productivity and reduce environmental impact by analyzing issues faced by customers in their business operations. However, in recent years, investors and other stakeholders have been focusing more on companies' non-financial value, as well as their economic value. As a result, more of our customers are looking to tackle and solve social issues as a way of improving corporate value. In response to that change, we plan to use three approaches to address a wide range of needs.

First, for customers that want to play a key role in solving social issues, Kurita's sales, technology and marketing divisions will work together to build a relationship with the customer across all areas of their business, from frontline operations to the management level, and even encompassing business strategy. The aim is to be their reliable, long-term partner. This type of relationship will allow us to uncover underlying needs that the customer may not have noticed within their efforts to address social issues. Using that information, we will provide optimized, advanced solutions that increase the customer's corporate value and also contribute to society.

Second, for customers that need water treatment solutions that boost productivity and reduce environmental impact at the business frontline, we will use digital tools to create a platform that rapidly provides standardized business models and services to tackle diverse issues. Here, the aim is to provide value in the form of reliability and safety through our strong ongoing relationships with customers across many industries.

Third, we plan to create new businesses in fields where the Group currently does not have exposure. Looking at the Kurita Group's business from a longer-term perspective, there is a risk we could lose out on business opportunities if we continue to only operate in existing markets and fail to adapt to changes in society and industry. To respond to future market developments, we need to develop new businesses that address multiple social issues, mitigating the risk of opportunity losses and helping the Group capture new business.

Customer contact point	Approach
Frontline – management level	Provide advanced solutions for social issues being addressed by the customer
Diverse business sites in different sectors	Use digital tools to rapidly provide solutions for multiple customer issues
New markets	Create new businesses arising from social issues



Research and Development Division

Tatsushi Kuramae

Executive General Manager of Research and Development Division

Opportunities and Risks

Opportunities
- Rising demand for products and services that help increase non-financial value across all business activities
- Competitive advantages from developing technology for the shift to alternative energy

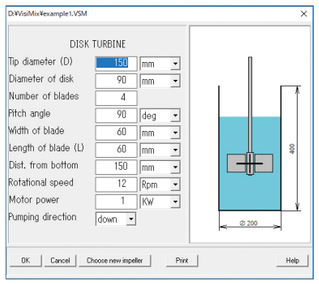
Risks
- Loss of competitiveness due to delays in developing technology compatible with 5G

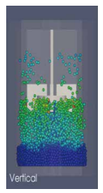
Stepping up R&D that meets the needs of industry and society

Increasing non-financial value in business activities is becoming more important for companies. In response, Kurita is working to develop new technologies that help customers tackle social issues highlighted by the SDGs, such as problems with water resources and climate change. To address the paradigm shift to decarbonization driven by the transition from fossil fuels to alternative energy, the Kurita Group is upgrading existing technology that produces biogas from wastewater and general waste, and utilizing open innovation to develop next-generation energy technologies such as microbial fuel cells that generate electricity directly from wastewater, as well as water treatment technology needed for the production and use of ammonia and hydrogen, two promising next-generation fuels.

Meanwhile, the uptake of high-bandwidth, high-speed 5G communication infrastructure is likely to accelerate the shift to fully optimized, fully automated management of water treatment and utility processes, which until now has been limited to certain water treatment units due to constraints on communication capacity, analytical processing speed and sensor installation. This creates opportunities for Kurita to offer new services, but there are also risks if we fail to keep up with the shift to these services in our industry. Amid that trend, we are working to maintain our technological lead by leveraging the Group's many years of expertise in water treatment and engineering theory to formulate mathematical models for complex water treatment phenomena. These models are being embedded into AI and IoT technologies to underpin proprietary analysis and control systems. In parallel, we are developing water treatment facilities, systems and chemicals designed to be used with these new optimized control systems.

To accelerate development of these pioneering technologies, we will open a new R&D base in Europe in the fiscal year ending March 31, 2022, and a new fundamental R&D center with an integrated technology training facility in Japan in the fiscal year ending March 31, 2023. To complement this cutting-edge R&D environment, we will focus on levelling up the skills of all the Group's researchers and engineers.





Simulation analysis of fluid flow processes

R&D Activities

The Group is prioritizing the development of new products and technologies to support the provision of innovative solutions that increase customers' corporate value and competitiveness and that help to address issues faced by society.

Also, as a Group with a business platform that now extends from Japan and Asia to Europe and the Americas, our technology development activities are becoming increasingly global. We are stepping up joint development projects between Kurita Water Industries and overseas Group companies and introducing more joint development themes to bolster our lineup of globally compatible products and technologies. At the same time, our sites in Japan, Germany, Singapore and North America are expanding their range of products tailored to the needs of local markets. We are also encouraging exchanges of research staff between the sites to drive the development of products and services that meet a wide range of industrial and social needs.

Achievements in the Fiscal Year Ended March 31, 2021

R&D staff	Approx. 180	R&D expenses	¥5.3 billion (2.0% of net sales)

Research Theme	Main Results
Product development	■ Chemical products that are highly effective in controlling microorganism buildup and removing organic matter, contributing to the stable and energy-efficient operation of facilities with water treatment membranes, and environmentally friendly, phosphorus-free cooling water treatment technology, which is in high demand overseas ■ Technology that improves the operational stability and profitability of biogas power generation facilities by increasing the generation of methane from waste that is hard to decompose, and a related navigation system that optimizes the input of waste raw materials ■ Water flow control technology that supports energy-efficient operation of ultrapure water production systems by tracking water volume usage in customer manufacturing processes
Advanced technology development	■ An in-house designed, high-performance polymer that is highly effective in preventing scale buildup for a wide range of water quality levels, aimed at air-conditioning cooling water systems in in-land factory and building sites ■ Ultra-microscopic material dissolution technology and dissolution control technology using high-grade water for use in the processing and cleaning of new memory materials and wiring materials for next-generation semiconductors
Advanced digital technology development	■ AI-powered diagnostic imaging system for early detection of problems inside water tanks, supporting stable operation and labor-saving in monitoring of ultrapure water supply and wastewater treatment facilities ■ Simulator to support the design of optimal water treatment processes for ultrapure water production systems that meet contractual requirements and the needs of customers
Reinforcing the Group's technological foundation	■ Acquisition of expertise related to (i) control of microorganism buildup with highly safe, proprietary cooling water treatment chemicals that use a non-disinfectant approach, and (ii) water treatment membrane contamination mechanisms caused by macromolecular matter in biological treatment of wastewater ■ Research into dissolution behavior of metals and fine particles from pipes in ultrapure water production systems, and development of methods to prevent contamination by metals and fine particles when ion-exchange resin is replaced ■ Development of simulation models for (i) microorganism behavior in biological wastewater treatment, and (ii) mixture conditions in water treatment chemical reaction tanks

Utilizing Intellectual Property

The Kurita Group is working to increase its competitiveness by building a patent network that covers both element technologies and business models. For solution models, which are vital to the development of our total solutions approach, we clearly identify the source of each solution's competitiveness from the model development stage. In the fiscal year ended March 31, 2021, we added a further seven solution models to our portfolio of protected intellectual property (IP) assets and started efforts to establish common Group rules for protecting the Group's IP rights and for preventing infringement of rights held by other companies in various countries and regions where the Group operates. In the fiscal year ending March 31, 2022, we plan to continue these initiatives, as well as reinforce our IP rights management structure by establishing reporting lines and a centrally managed IP information system to promote sharing of IP information across the Group.

TOPIC

Kurita Ranked Top for Patent Assets in Japan's Engineering Sector

According to a ranking from Patent Result Co., Ltd., published in March 2021, Kurita is the leading company in the engineering sector for patent assets. The ranking is based on an analysis of patents filed by engineering companies between April 1, 2019 and March 31, 2020 and assesses both the quality and quantity of patent assets registered during that period. Kurita received a high ranking due to notable patents for water treatment methods and facilities that use RO membranes and other technologies.

Japan Sales Business Division

Yoshio Yamada

Executive General Manager of Japan Sales Business Division

Opportunities and Risks

Opportunities
- Acceleration in CSV business driven by ESG and climate change initiatives at customers
- New business proposal opportunities for business continuity needs
- Demand for remote monitoring and automated operation spurred by labor-saving needs at customer business sites

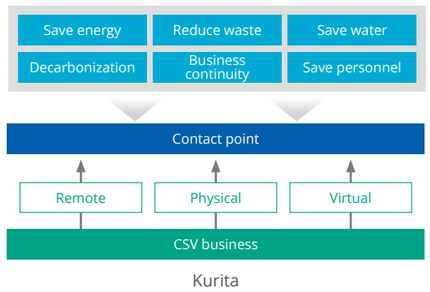
Risks
- Mistimed business proposals due to slow sharing of customer information
- Loss of business opportunities from delays in DX (ICT/AI) and business differentiation
- Loss of customer trust due to poor progress in personnel training, including at Group companies

Creating new value for customers with a focus on information sharing

Over the last year, customers have shown growing awareness of ESG and climate change issues. That change in stance is also evident in the targets of recently released medium-term management plans. We see this trend as a major opportunity to accelerate the development of the Group's CSV business by providing solutions that reduce energy and water usage, cut waste and help customers transition to decarbonized business models. Kurita's absorption of subsidiary Kurita Engineering in April 2021 should also support expansion in the CSV business, which will now be able to develop new proposals that include engineering cleaning. Our approach of always asking, "how can we maximize value for customers?" is also leading to changes in the mindsets of all our sales personnel.

Meanwhile, the COVID-19 pandemic has spurred a clear change in customer needs towards business continuity and work style reforms. Amid a shortage of frontline site managers and personnel with the skills to succeed them, we are seeing a transition to automated and unmanned operations through the use of sensor-based remote monitoring systems that manage water quality, chemical dosing and inventories. The pandemic has also restricted our own sales activities, so we have introduced online tools and other innovative approaches to change the way we run our sales activities. Specifically, we have secured business contacts with customers using either remote or physical interactions and overhauled frontline testing regimes and data collection methods, which has accelerated business processes, including solution model contracts.

While this will open up more opportunities to develop our CSV business and deploy total solutions, we will also need to improve information sharing between divisions and Group companies and train personnel. As a company with strengths derived from diverse points of contact with customer sites, delays in sharing information within the Group could see us fall behind our competitors in business proposals. To mitigate that risk, we are accelerating efforts in this area by introducing ICT to support information sharing and building systems to manage project progress. Personnel development is another area we need to tackle to create proposals that offer new value. That will mean training and securing staff who have the expertise to optimize water and energy usage across all areas of customer plants. Kurita is now putting more emphasis on helping younger employees acquire those skills, including staff at Group companies, and stepping up their deployment across the Group.



Global Business Division

Yasuo Suzuki

Executive General Manager of Global Business Division

Opportunities and Risks

Opportunities
- M&A that accelerates business transformation by introducing new corporate culture
- Growth in market share by building a stronger presence in local markets

Risks
- Global pandemic
- Disruption to global supply chains caused by geopolitical instability
- Construction of global internal control system not keeping up with rapid business expansion

Using M&A to help change the Group

Kurita has set ambitious targets under its MVP-22 plan. In the past, the Group has been able to steadily grow earnings, led by its domestic businesses. However, we are unlikely to reach our targets if we continue to follow that approach, so the main thrust of the plan is to dismantle preconceived ideas and approaches.

US and European companies that joined the Group through M&A deals can support that process by bringing in a new mindset to drive change in the Kurita Group. I hope the Group can take on board the more open and dynamic approach of US and European companies to help change the way we do business, while recognizing and retaining our existing strengths built up in Japan and the Asia region. Under Project Acorn, which is headed up by the CEO of Kurita subsidiary Avista Technologies, Inc., we are targeting growth by combining all the Group's RO membrane-related water treatment chemicals and services into an integrated business portfolio. Also, under our One ASEAN Project, we have improved profitability in the ASEAN region by treating the business activities of multiple Group companies in Southeast Asia as a single company. By adopting proposals and approaches developed outside Japan, our overseas operations are increasingly making a contribution to the Group, which is boosting local staff motivation and feeding into a positive cycle of business reform.

Along with these global projects, we are also targeting growth at individual local companies. We still see considerable room for growth in share in each market. To build optimal operating structures for each area, we will draw on technological, engineering and financial support from Japan while also training up local personnel, including at the management level.

The COVID-19 pandemic dealt a major blow to post-merger integration (PMI) efforts at our newly integrated subsidiary in North America. Projected efficiency gains and rationalization measures were disrupted, but we are now preparing to restart the PMI process. However, the pandemic has opened up the opportunity for new business initiatives, including remote monitoring and analysis of customer facilities. Along with the pandemic, recent geopolitical instability has cast a shadow on global supply chains. Until now, Kurita has pursued cost optimization in supply chains based on uniform global standards, but we are now looking at building a more flexible system to mitigate supply chain risk.

The One ASEAN Project has improved profitability in the region

Engineering Division

Hirohiko Ejiri

Executive General Manager of Engineering Division

Opportunities and Risks

Opportunities
- Accelerated conversion of Group's accumulated expertise to explicit knowledge through use of digital technology
- Growing needs for innovative and stable engineering systems that contribute to customer business continuity

Risks
- New entrants into water treatment market from other industries, making full use of AI and digital technologies
- Bottlenecks in raw material and parts procurement due to the pandemic and geopolitical risk
- Delays to technological innovation due to slow progress with training and deploying engineers based on diversity

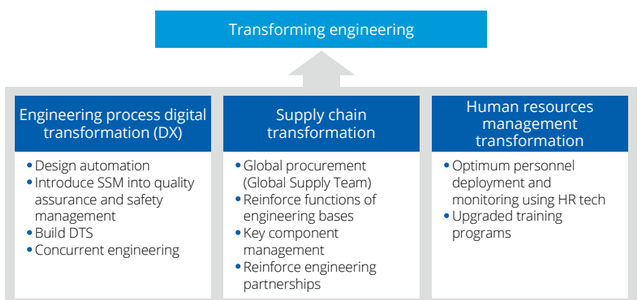
Turning risks into opportunities by transforming engineering

To address opportunities and risks posed by changes in the operating environment, we believe awareness of the need for transformation and action to bring about transformation are more important than maintaining the status quo. In the Engineering Division, we are working to transform the Group's engineering activities in three ways.

The first is engineering process digital transformation (DX). Utilizing various engineering-related information from across the Group, we automated design processes and introduced a Stress-Strength Model (SSM) in quality assurance in the fiscal year ended March 31, 2021, helping to improve efficiency by controlling additional project costs and reducing the time needed for the design phase. We also continued to work on the development of digital twin simulators (DTS). In the fiscal year ending March 31, 2022, we are extending SSM to safety management and speeding up the entire engineering process by working closely with design and production partners to introduce concurrent engineering into tasks and processes in engineering chains that tend to be serialized.

Second, we are building supply chains that take into account geopolitical risk, as well as costs. Existing initiatives to optimize the procurement of raw materials for water treatment chemicals using the Group network will be expanded to include parts procurement for water treatment facilities. In the fiscal year ending March 31, 2022, we plan to strengthen the functions of engineering bases in East Asia and Japan, and based on geopolitical risk considerations, work to appropriately source and secure key components such as membranes, filters and ion exchange resins for water treatment facilities. We will also step up cooperation with existing partner companies and reinforce engineering partnerships, including alliances with startup companies.

Third, we are training human resources to drive the transformation of engineering activities. We are already seeing some progress with our human resources (HR) tech, which is helping us train and deploy personnel to positions that match their attributes and skills. In the fiscal year ending March 31, 2022, we will roll out personnel initiatives tailored to the individual situations of each employee in order to maximize output. And we aim to increase the effectiveness of HR tech by upgrading training programs, including courses to bolster the digital skills of employees.



Quality and Safety Management Initiatives

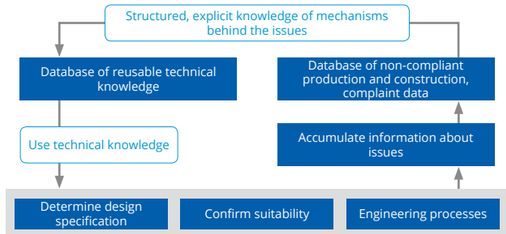
Initiatives to improve quality and ensure safety at manufacturing and construction sites not only help Kurita retain the trust of customers and society, they also underpin all the Group's engineering processes. Kurita has formulated the Kurita Group Product Quality Policy and the Kurita Group Occupational Health and Safety Policy and worked to embed them across the Group. However, amid growth in the number of Group companies and the reorganization of our operating sites and businesses, we launched a new program of Groupwide quality and safety management initiatives in April 2020 to further raise awareness of the policies and increase their effectiveness. We will also ascertain quality levels and the safety situation at manufacturing and engineering sites operated by Group companies, build a system to respond rapidly to any issues, and create a framework to support standalone improvement activities by each Group company.

Key initiatives in the fiscal year ended March 31, 2021

Minimizing Cost Overruns

Information about production issues, such as non-compliant products and services before supply to customers and complaints from users after supply, are recorded and shared via an internal database. This data is used in our new SSM, which aggregates the data and builds a knowledge base of all non-compliant information. This allows us to identify and accumulate knowledge about the structural mechanisms behind the issues, preventing further cost overruns. In the fiscal year ended March 31, 2021, we started using SSM in the project order approval process, as well as in design and construction processes, helping to reduce cost overruns as a ratio of sales. We plan to extend the use of SSM to Group companies in Japan and overseas to strengthen quality management across the Group.

Cost Overrun Prevention Cycle Using SSM



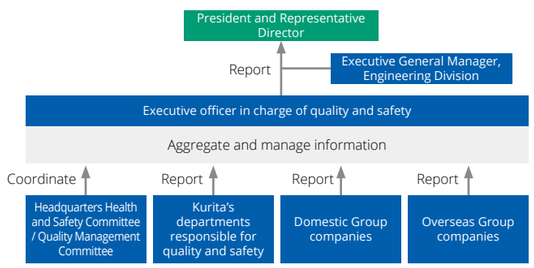
Cultivating Safety Culture

In the fiscal year ended March 31, 2021, the number of work-related accidents declined year on year, but there were some incidents in the water treatment chemical manufacturing process and during the operation of water treatment facilities. Kurita has been working to cultivate safety culture for some time, but in the fiscal year under review, we implemented safety culture checks in each division. With the checks, we identified the level of safety culture based on criteria such as hazard perception, work process management and materials management, and the balance of each criteria within the organization. Data from the checks was used to improve areas of weakness. We plan to extend this initiative to Group companies in the future. Also, after improvements achieved with SSM in design and quality control, we decided to start using SSM in safety management. This allowed us to create a base of explicit knowledge about past accidents and near misses, reducing workplace risk.

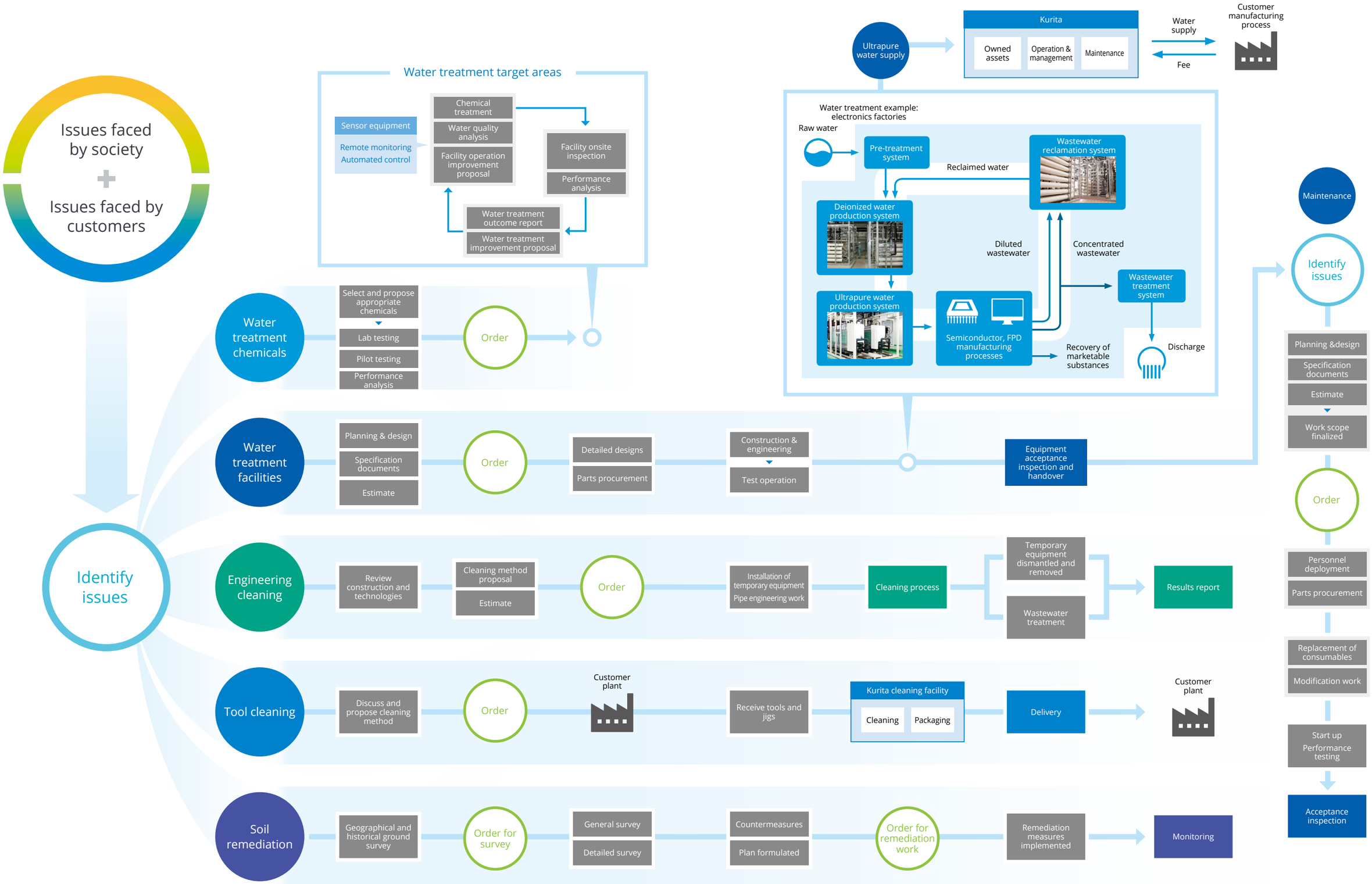
Understanding Groupwide Quality and Safety Information

In the fiscal year ended March 31, 2021, we asked an external party to carry out a quality survey of seven domestic Group companies with engineering functions in order to ascertain quality levels at Group companies. Issues identified in the survey were incorporated into quality improvement targets at each company for the following fiscal year and were used to develop improvement measures. These measures are now being implemented with support from Kurita. We also standardized the reporting procedure in Japan and overseas for workplace accidents and products that are not compliant with quality criteria, in order to establish a system which centrally manages and communicates the information across the Group.

Quality and Safety Reporting System



Main Business Models



Water Treatment Chemicals

Results in the Fiscal Year Ended March 31, 2021

Orders ¥103,579 million — Year-on-Year Change −9.0%

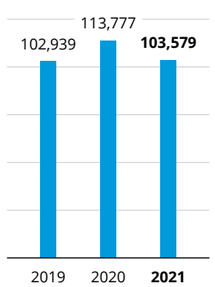
Business Profit ¥12,287 million — Year-on-Year Change +5.3%

Net Sales ¥103,231 million — Year-on-Year Change −9.2%

Operating Profit ¥11,816 million — Year-on-Year Change +16.7%

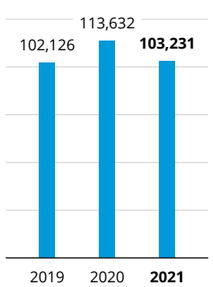
Orders

(Millions of Yen)



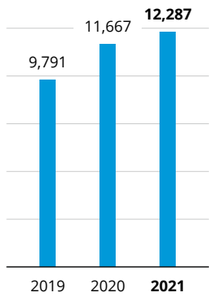
Net Sales

(Millions of Yen)



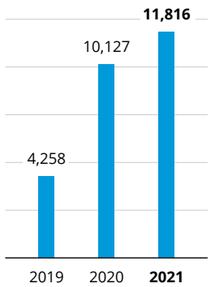
Business Profit

(Millions of Yen)



Operating Profit

(Millions of Yen)



Fiscal years ended March 31

Overview of the Fiscal Year Ended March 31, 2021

In Japan, amid a slowdown in economic activity due to the COVID-19 pandemic, orders and net sales declined year on year, reflecting a drop in capacity utilization at facilities operated by most customers, except in the electronics industry. Orders and net sales also fell overseas. All regions were affected by the pandemic and the yen strengthened against some currencies, weighing on earnings at overseas consolidated subsidiaries on a yen basis. Despite a negative impact from the drop in net sales, business profit rose year on year due to an improvement in the cost of sales ratio and measures to reduce expenses. Operating profit also increased, mainly reflecting a decline in extraordinary items. Other expenses such as impairment losses booked in the fiscal year under review were lower than losses on the sale of fixed assets recorded in the previous fiscal year.

Main Initiatives

- Service contract-based business expanded in Japan, driven by wastewater treatment stabilization services using coagulation sensors and services that improve facility heat transfer efficiency with dropwise condensation technology.
- Overseas, the lineup of low-margin products and services was reduced and replaced with products and services with high profit margins.
- Profitability improved overseas through closer cooperation between Group companies in each region and optimization of business functions.
- The business pushed ahead with a Groupwide project to bring together all the Group's products and technologies related to RO membrane chemicals.
- Costs were reduced through the global procurement of raw materials.
- The introduction of remote working in sales activities and wider adoption of remote monitoring led to lower expenses.

Principal Products and Services

Boiler Water Treatment Chemicals

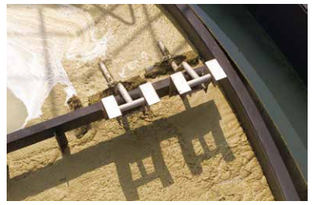
Boilers are widely used for production processes in plants and air conditioning in office buildings. Boiler water treatment chemicals are used to prevent faults that may arise in boilers and ensure stable, efficient operation. They also help to save energy by preventing loss of heat efficiency in the boiler.

Cooling Water Treatment Chemicals

Cooling water treatment chemicals are used to treat cooling water used in plants and office buildings. By preventing problems in pipes and heat exchangers and inhibiting the growth of harmful Legionella bacteria in cooling towers, these chemicals help to save resources and energy and contribute to safer workplaces.

Wastewater Treatment Chemicals

Wastewater treatment chemicals are used to treat the many forms of industrial wastewater discharged by plants and domestic sewage to prevent any negative impact on the local environment. Proper treatment of wastewater contributes to the reduction of environmental impact.



Process Treatment Chemicals

Process treatment chemicals are used in manufacturing processes in the oil refining, petrochemical, steel, and pulp and paper industries, where they help to maintain and improve production efficiency and product quality.

Reverse Osmosis (RO) Membrane Treatment Chemicals

RO membrane treatment chemicals remove deposits that can reduce the filtering performance of RO membranes used in wastewater reclamation and seawater desalination facilities. By preventing clogging of the membranes, the chemicals contribute to stable, efficient operation of the facilities.

Treatment Chemicals for Automobile Painting Booths

Water treatment chemicals that separate residual paint contained in water in automobile painting booths ensure that circulating water is of appropriate quality, helping to improve productivity and reduce environmental impact.

Treatment Chemicals for Incinerators

Treatment chemicals for incinerators enable consistent treatment of hazardous substances, such as heavy metals contained in fly ash, and control emissions of acidic gas, thereby helping to reduce environmental impact.

Treatment Chemicals for Civil Engineering

In civil engineering projects, the Group uses chemicals to develop greenspaces, treats construction sludge appropriately and reduces sprayed concrete dust, among other applications.

Chemical Dosing and Injection Equipment

The Kurita Group provides water treatment-related equipment for a wide range of applications, such as automatic water quality management systems that use chemical dosing and injection equipment and sensing technologies. By enabling stable operation of customers' facilities, this equipment contributes to labor saving and reduced environmental impact.

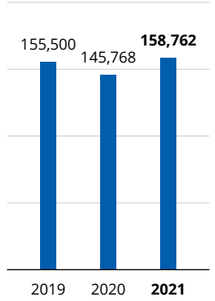
Water Treatment Facilities

Results in the Fiscal Year Ended March 31, 2021

		Year-on-Year Change
Orders	¥158,762 million	+8.9%
Business Profit	¥17,129 million	+13.7%
Net Sales	¥164,518 million	+8.8%
Operating Profit	¥19,634 million	+12.9%

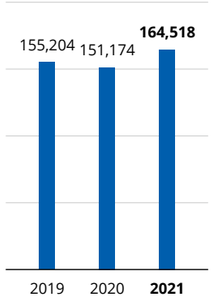
Orders

(Millions of Yen)



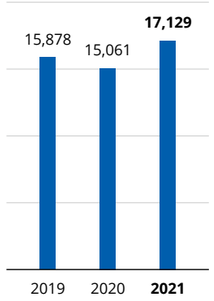
Net Sales

(Millions of Yen)



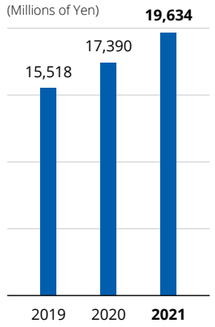
Business Profit

(Millions of Yen)



Operating Profit

(Millions of Yen)



Fiscal years ended March 31

Overview of the Fiscal Year Ended March 31, 2021

In Japan, orders for water treatment facilities supplied to the electronics industry increased year on year, but net sales declined. Orders for maintenance services supplied to the same industry were flat, but net sales increased. In general industry, orders and net sales from maintenance services declined as customers pushed back the timing of maintenance projects. Orders for water treatment facilities from the electric power industry declined, but net sales increased on progress with construction in existing orders. Net sales in the ultrapure water supply business rose, supported by supply contracts initiated in the previous fiscal year. Soil remediation orders and net sales declined year on year, reflecting a pullback in large-scale projects and delays to some remediation plans.

Overseas, orders and net sales increased due to the consolidation of Pentagon Technologies Group, Inc. In the electronics industry in East Asia, progress with large-scale projects in Taiwan and South Korea supported growth in net sales.

Despite the booking of additional costs by some businesses, business profit increased year on year due to the consolidation of Pentagon Technologies Group, Inc. and measures to reduce expenses. Operating profit also increased, reflecting growth in business profit and a liquidation gain on contract termination settlements in the ultrapure water supply business.

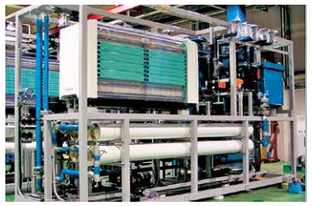
Main Initiatives

- In Japan, the business focused on expanding its lineup of total solutions by creating a market-specific organizational framework incorporating water treatment chemicals.
- Kurita acquired additional shares in U.S.-based Pentagon Technologies Group, Inc., making it a consolidated subsidiary.
- Automation of water treatment facility design processes reduced costs.
- Service contract-based business increased, driven by pure water supply services and reclaimed water supply services, which use remote monitoring to manage facility operation and maintenance.
- Working with subsidiary Fracta, a U.S.-based startup venture, the business made progress with optimizing water treatment facility operation as part of broader efforts to utilize AI and IoT.

Principal Products and Services

Ultrapure Water Production Systems

Ultrapure water production systems remove ions, microscopic particles and bacteria from water to produce water that is as close as possible to theoretically pure H_2O—an essential ingredient in the production of semiconductors and FPDs.



Wastewater Treatment Systems

Wastewater treatment systems detoxify the many forms of wastewater discharged by plants to ensure that it does not negatively impact the surrounding environment.

Wastewater Reclamation Systems

Kurita provides systems for reclaiming and recycling wastewater. Moreover, by reclaiming valuable substances included in the wastewater, the systems help to conserve resources and reduce costs.

Methane Fermentation System for Biogas Power Generation

The system recovers biogas by generating methane from the fermentation of industrial waste, food leftovers and other waste collected from the local area, helping to reduce waste emissions.

Maintenance Services and Systems Management

Kurita provides maintenance services to prevent deterioration in performance and problems arising in water treatment facilities and to meet customer needs for lower environmental impact and greater productivity. Kurita also manages systems and facilities for customers.

Ultrapure Water Supply Business

Kurita installs and owns proprietary water treatment systems at customers' plants, handles the operation and maintenance of those systems, and charges customers for the supply of ultrapure water. This service reduces the level of investment required and the burden of system operation management for customers.

Tool Cleaning

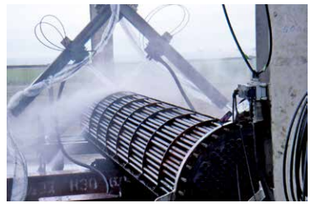
Using Group facilities, Kurita cleans and removes any deposits that adhere to tools and jigs used by customers in the manufacture of semiconductors and FPDs. The provision of tool cleaning services helps customers to maintain and improve productivity.

Soil Remediation

Kurita conducts pollution assessments and remediation of soil and groundwater polluted by harmful substances. Using various decontamination methods, Kurita helps customers to hedge against the risk of soil pollution. Other services include support for the effective use or sale of restored land.

Engineering Cleaning

Kurita provides engineering cleaning services using chemicals, high-pressure water and other methods to clean accumulated deposits from boilers, heat exchangers and pipes, ensuring that large-scale plants such as industrial complexes and electric power plants continue to operate safely and efficiently.



Directors, Members of the Audit & Supervisory Board, and Executive Officers (As of June 29, 2021)

Directors

President and Representative Director
Michiya Kadota

2016 President and Representative Director (to present)
2014 Director
2013 Executive Officer
1983 Joined Kurita Water Industries Ltd.

Executive Senior Managing Director and Representative Director
Hirohiko Ejiri

2021 Executive Senior Managing Director and Representative Director (to present)
2020 Executive General Manager of Engineering Division and Chief Business Officer for Facilities Business (to present)
2019 Managing Director
2016 Director
2014 Executive Officer
1985 Joined Kurita Water Industries Ltd.

Managing Director
Yoshio Yamada

2019 Executive General Manager of Japan Sales Business Division and Chief Business Officer for Chemicals Business (to present)
2018 Managing Director (to present)
2014 Director
2011 Executive Officer
1982 Joined Kurita Water Industries Ltd.

Managing Director
Yasuo Suzuki

2020 Managing Director (to present)
Executive General Manager of Global Business Division and Chief Business Officer for Global Business (to present)
2018 Director
2014 Executive Officer
1997 Joined Kurita Water Industries Ltd.

Director
Shuji Shirode

2021 Director (to present)
Executive General Manager of Corporate Control and Administration Division (to present)
2018 Executive Officer
2016 Joined Kurita Water Industries Ltd.

External Directors

External Director
Ryoko Sugiyama

2018 Head and Representative Director of Gifu Shimbun Co., Ltd. (to present)
2017 External Director of Kurita Water Industries Ltd. (to present)
2015 External Director of UACJ Corporation (to present)
2010 External Director and Audit and Supervisory Committee Member of LECIP Holdings Corporation (to present)
Professor at the Faculty of Social and Environmental Studies of Fuji Tokoha University (current Tokoha University)
2007 Director of Sugiyama & Kurihara Environmental Consultants, Inc. (to present)
1996 Established Sugiyama & Kurihara Environmental Consultants, Inc., Representative Director

External Director
Keiko Tanaka

2019 External Director of Kurita Water Industries Ltd. (to present)
2018 Vice President of Nissan Financial Services Co., Ltd. (to present)
2014 Ambassador Extraordinary and Plenipotentiary of Japan to Uruguay
2013 Acted as Vice President of JATCO Ltd.
1984 Joined NISSAN MOTOR CO., LTD.

External Director
Kenichiro Kamai

2021 External Director of Kurita Water Industries Ltd. (to present)
2019 Executive Advisor of ADVICS CO., LTD.
2015 Director and Executive Vice President of ADVICS CO., LTD.
2014 Executive Senior Managing Director of ADVICS CO., LTD.
2012 Managing Executive Officer of DENSO CORPORATION in charge of Development Division
2009 Executive Senior Managing Director of SOKEN, INC.
1978 Joined NIPPONDENSO CO., LTD. (current DENSO CORPORATION)

Members of the Audit & Supervisory Board

External Member of the Audit & Supervisory Board
Kenjiro Kobayashi

2016 External Member of the Audit & Supervisory Board of Kurita Water Industries Ltd. (to present)
2010 Representative Director and Executive Vice President of Japan Industrial Solutions Co., Ltd.
1977 Joined Japan Development Bank (current Development Bank of Japan Inc.)

Member of the Audit & Supervisory Board
Yukihiko Mutou

2019 Member of the Audit & Supervisory Board (to present)
2018 Director
2016 Executive Officer
1991 Joined Kurita Water Industries Ltd.

External Member of the Audit & Supervisory Board (Part time)
Toshiaki Tada

2020 External Member of the Audit & Supervisory Board of Kurita Water Industries Ltd. (part time) (to present)
2012 Audit & Supervisory Board Member, ITOCHU Techno-Solutions Corporation (to present)
2005 Partner, HIBIYA SOGO LAW OFFICES (to present)
1996 Joined HIBIYA SOGO LAW OFFICES
1996 Registered as an attorney

Executive Officers

Koichi Iioka
Senior Executive Officer

Toshitaka Kodama
Senior Executive Officer
Executive General Manager of Digital Strategy Division

Hisashi Tanabe
Executive General Manager of Corporate Planning and Management Office

Tatsushi Kuramae
Executive General Manager of Research and Development Division

Seiji Ueda
Deputy Executive General Manager of Engineering Division

Kunihiro Kuse
Senior General Manager of Engineering Group, Engineering Division

Masaya Kawai
Executive General Manager of Solution Business Division

Takehiro Nozue
Senior General Manager of Marketing Group, Solution Business Division

Shingo Yamaga
Senior General Manager of EMEA and Americas Operation Group, Global Business Division

Hiroaki Mori
Senior General Manager of Administration Group, Japan Sales Business Division

Jiro Tanaka
Senior General Manager of Industrial Infrastructure Group, Japan Sales Business Division

Katsuya Amano
Senior General Manager of Electronics Industries Group, Japan Sales Business Division

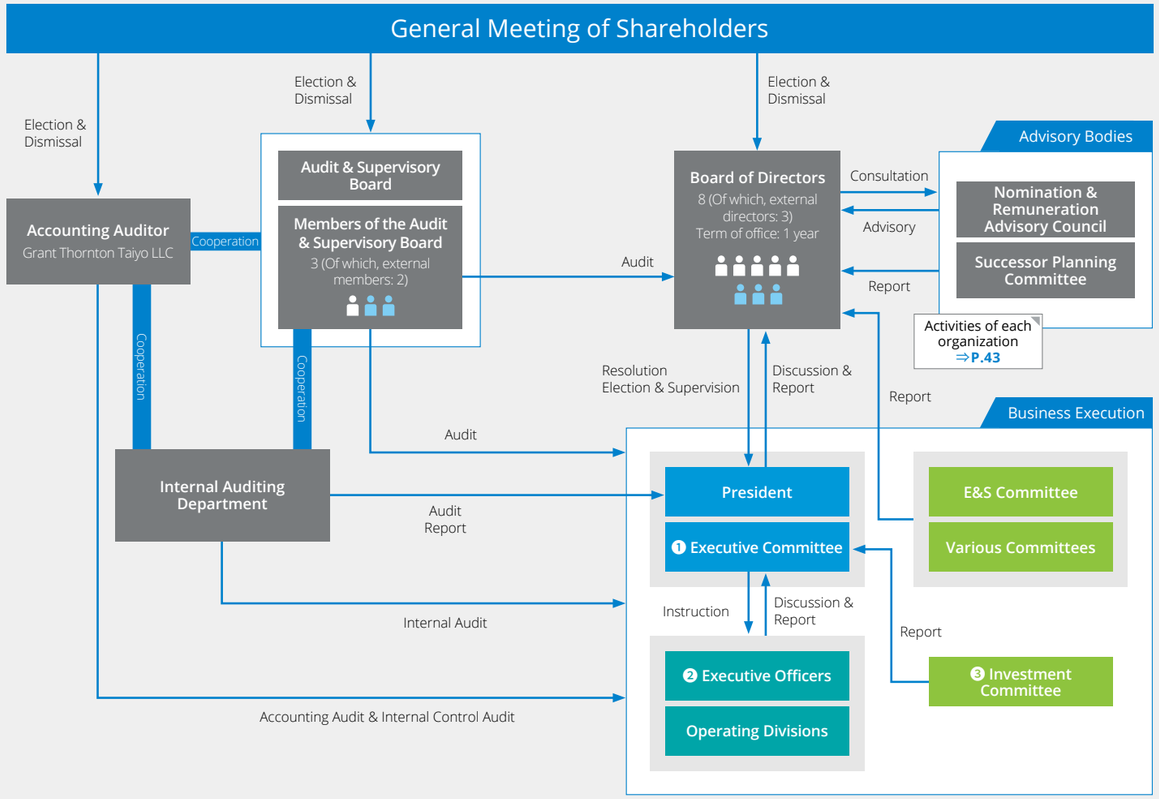
Corporate Governance

Basic Concept

The Kurita Group aims to contribute broadly to society through corporate activities in the fields of water and the environment in accordance with the Kurita corporate philosophy, "Study the properties of water, master them, and we will create an environment in which nature and man are in harmony." The Kurita Group will work to promote sustainable growth and enhance its corporate value in the medium and long term, deferring to the rights and position of various stakeholders such as customers, business partners, employees, shareholders, and local communities while striving to meet their expectations. To this end, the Kurita Group is striving to establish corporate governance, with the aim of realizing transparent, fair, prompt, and decisive decision-making measures and highly effective management supervision.

Corporate Governance Structure

As a company with an Audit & Supervisory Board, Kurita's Board of Directors is responsible for decision-making and supervision of business execution. The Board sets the Group's strategic direction and supervises management in general to support sustained growth. It also makes decisions on business execution related to important investment and financing projects, the transfer of business, and other key matters. For other matters, business execution is decided by the Executive Committee, which is composed of management executives, or by management executives who have been given authority under the Internal Decision Approval and Review Rules.



Business Execution Structure

❶ Executive Committee

The Executive Committee reviews matters to be resolved at Board of Directors meetings when necessary to expedite and facilitate the decision-making process. The Executive Committee consists of the president and representative director, directors at the level of managing director and above, and directors and executive officers designated by the president.

❷ Executive Officers

The Company introduced an executive officer system in June 2005 to strengthen business execution capabilities. As of June 29, 2021, there were 10 executive officers, including two senior executive officers. Executive officers are employed based on appointment contracts.

❸ Investment Committee

To enhance and strengthen the screening of investments and financing of the Kurita Group, the Company established the Investment Committee in April 2017. The role of the Investment Committee is to pre-screen investment and financing projects to be discussed by the Board of Directors or the Executive Committee and report the pre-screening results and major discussion points to the Board of Directors and the Executive Committee. The Investment Committee has helped enhance the quality of discussions and the speed of investment decision-making by the Board of Directors and the Executive Committee by organizing major discussion points prior to meetings.

In accordance with the policy of striving to maintain return on equity (ROE) at levels above the cost of shareholders' equity, when making an investment decision, the Kurita Group sets a hurdle rate in consideration of risks for each investment project against the cost of capital.

Timeline of Corporate Governance Improvements (fiscal years ended March 31)

	Corporate governance structure	Remuneration system	Other
2006	■ Introduced the executive officer system		
2007			■ Formulated Basic Policies for Constructing an Internal Control System
2009		■ Abolished the retirement benefit system for directors	
2014	■ Appointed an independent external director ■ Reduced the term of office for directors from two years to one		■ Established liability limitation contract provisions for external directors and external members of the Audit & Supervisory Board
2016	■ Established Nomination & Remuneration Advisory Council ■ Started evaluating the effectiveness of the Board of Directors		■ Formulated Corporate Governance Policies
2017		■ Increased the proportion of remuneration linked to consolidated results performance and introduced a performance-linked stock compensation program	
2018	■ Appointed a female external director ■ Established the Investment Committee		
2019	■ Established the Successor Planning Committee	■ Revised the remuneration system for executive officers	

Roles and Results of the Investment Committee (The fiscal year ended March 31, 2021)

Roles	■ Pre-screening of investment projects to be discussed by the Board of Directors or the Executive Committee ■ Report the pre-screening results and major discussion points to the Board of Directors or the Executive Committee	
Constituent members	Chairperson: Deputy executive general manager of the Corporate Planning and Control Division Members: General manager of the Corporate Planning Department, general manager of the Risk Management Department, general manager of the Finance and Accounting Department, general manager of the International Finance Control Department, and general managers of business management departments in charge of sales and production	
Results in the fiscal year ended March 31, 2021	Number of meetings held	21
	Number of projects pre-screened	Equity investment and M&A projects: 6 Capital investment projects: 7 Financing and fund procurement projects: 6 Company establishments, relocations, reorganizations: 5 Total: **24**
(Reference) Investment Standard	Hurdle rate calculated as "cost of capital + risk premium for each project"	

Composition of the Board of Directors

The Board of Directors shall be organized in a way that complements the necessary knowledge, experience and diversity over the entire Board for appropriate management decision making and supervision of business execution. The Company will ensure that the Board will consist of personnel with a high degree of expertise in various business fields, management planning, finance and accounting, legal affairs, and technologies, etc., taking into consideration gender, international experience, etc. External directors in particular shall have a background in corporate management, as well as expertise and skills that are important for corporate management but also difficult to obtain internally.

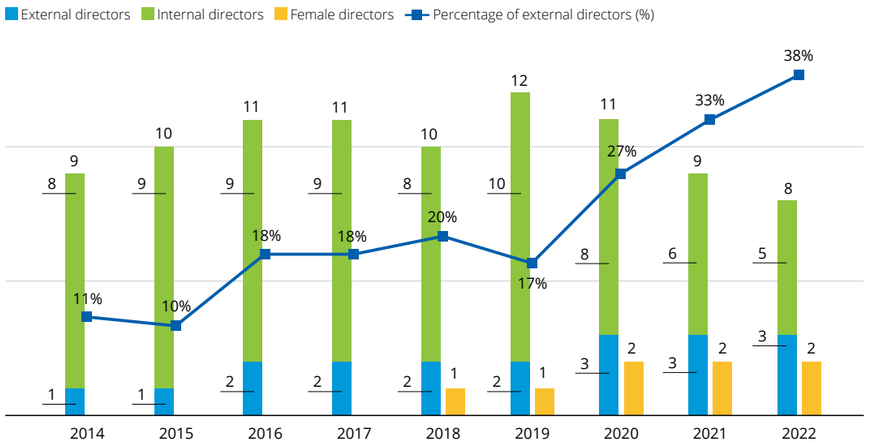
In the fiscal year ended March 31, 2021, digital transformation (DX) was added to the list of expected areas of expertise and experience for external directors when determining the composition of the Board of Directors. Amid the rapid shift to digital technology in society, business process DX has also become a pressing issue for the Kurita Group. The Company therefore needs to appoint directors with knowledge and experience in the DX field to conduct oversight. On June 29, 2021, the Company appointed Kenichiro Kamai as an external director. Mr. Kamai has experience in the DX and development field.

Distribution of Knowledge and Experience in the Board of Directors

Name	Sales		Management planning	Finance and accounting Legal affairs Human resources	R&D Production Technology	Knowledge and experience expected of external directors			
	Japan	Overseas				Corporate management	Environment	International	DX and development
Michiya Kadota			●	●		—	—	—	—
Hirohiko Ejiri	●	●	●		●	—	—	—	—
Yoshio Yamada	●				●	—	—	—	—
Yasuo Suzuki	●	●			●	—	—	—	—
Shuji Shirode			●	●		—	—	—	—
Ryoko Sugiyama (external director)	—	—	—	—	—	●	●		
Keiko Tanaka (external director)	—	—	—	—	—	●		●	
Kenichiro Kamai (external director)	—	—	—	—	—	●			●

Note: This table is created based on the brief personal histories, positions and assignments in the Company, and reasons for deciding to make the person a candidate for director provided in Proposal No. 2 of the Notice of Convocation of the 85th Ordinary General Meeting of Shareholders.

Composition of the Board of Directors (fiscal years ended/ending March 31)



Advisory Councils for the Board of Directors

Nomination & Remuneration Advisory Council

The Company has in place a Nomination & Remuneration Advisory Council, a voluntary committee to increase transparency in the decision-making process regarding remuneration for directors and nomination of directors and members of the Audit & Supervisory Board. In the fiscal year ended March 31, 2021, the Council met three times to discuss nominations (directors) and one time to discuss remuneration. The Council is chaired by an external director, with the main members being the external directors and the external members of the Audit & Supervisory Board.

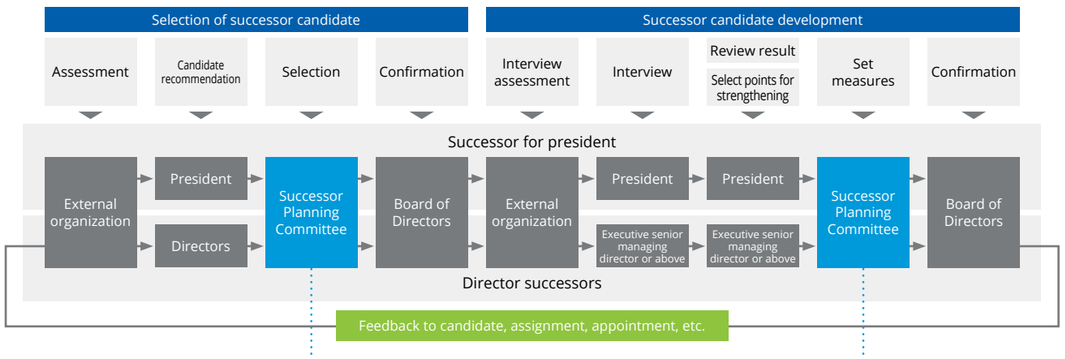
The chairperson of the Board of Directors consults with the Nomination & Remuneration Advisory Council beforehand when proposals are made to the Board of Directors regarding candidates for director or member of the Audit & Supervisory Board or remuneration for directors. The Council reports on the suitability or unsuitability of the candidates to the Board of Directors, which makes decisions based on the reports.

Profile of Nomination & Remuneration Advisory Council (Fiscal year ended March 31, 2021)

		Constituent members	Results in the fiscal year ended March 31, 2021
Nomination	Candidates for directors Candidates for representative directors Candidates for executive directors	■ Three external directors ■ President ■ One full-time external member of the Audit & Supervisory Board	■ Determining the appropriateness of all candidates for director
	Candidates for members of the Audit & Supervisory Board	■ One full-time external member of the Audit & Supervisory Board ■ President ■ One full-time member of the Audit & Supervisory Board ■ Executive general manager of the Corporate Planning and Control Division	—
Remuneration		■ Three external directors ■ President ■ One full-time external member of the Audit & Supervisory Board	■ Performance evaluation of directors and executive officers ■ Discussion of the appropriateness of incentive remuneration ■ Discussion of the appropriateness of fixed remuneration

Successor Planning Committee

The Company has in place the Successor Planning Committee, mainly comprising external officers, as an organization for selecting successor candidates for the president, directors, and executive officers and deciding on measures for their development. The committee references objective information such as external organization assessment results for the successor candidates and selects successor candidates for the president, directors, and the executive officers, as well as setting the development measures for the successor candidate for president and directors, and reports these to the Board of Directors.



Successor Planning Committee members

Matter for discussion	Members
Selection of president's successor candidate	Three external directors One full-time external member of the Audit & Supervisory Board
Selection of directors' successor candidates Selection of executive officers' successor candidates Setting of development measures for successor candidates, etc.	In addition to the above four, the president and executive senior managing directors

(Fiscal year ended March 31, 2021)

Fulfilling the Function of the Audit & Supervisory Board Members

In the fiscal year ended March 31, 2021, the Audit & Supervisory Board held 11 meetings, which were attended by all members of the board (Mr. Toshiaki Tada attended all nine meetings of the Audit & Supervisory Board held since his appointment on June 29, 2020 at the 84th Ordinary General Meeting of Shareholders). Key matters considered and discussed by Audit & Supervisory Board members included the formulation of audit policies and plans, the preparation of audit reports, selection of the Accounting Auditor, remuneration for the Accounting Auditor and details of proposals to be presented to the Annual General Meeting of Shareholders. The Board developed and implemented audit plans targeting priority areas, such as the internal control system (including internal control over financial reporting), the development and implementation of the risk management system and audits of progress regarding priority measures in business plans.

Cooperation with the Accounting Auditor, the Internal Auditing Department and External Directors

In regular meetings between the president and all members of the Audit & Supervisory Board, the president provides details about the Company's management policy, growth strategies, business issues and other topics, while members of the Audit & Supervisory Board provide recommendations based on audit activities. The members of the Audit & Supervisory Board also hold regular meetings with the Accounting Auditor to confirm the independence of the Accounting Auditor, verify the performance of their duties and discuss and exchange opinions about accounting audits. From the fiscal year under review, key audit matters were also thoroughly discussed. Regular meetings are also held with external directors to exchange opinions about the Company's business management in general.

The Audit & Supervisory Board discusses internal audit plans with the Internal Auditing Department in charge of internal audits of the Company and exchanges opinions with them about audit results and evaluations of internal control over financial reporting, risk management, etc. The Internal Auditing Department conducts internal audits of the Company and Group companies to identify any issues related to business execution or other problems and submits reports to the president about areas that require improvement.

Participation in Key Meetings and Inspections of Group Companies

Full-time members of the Audit & Supervisory Board attend meetings of the Board of Directors, Executive Committee, the E&S Committee and other important meetings, and audit business execution by the directors and oversight duties of the Board of Directors. In addition, they conduct audits of key management departments and carry out field audits of business sites and Group companies to verify the asset position of the entire Kurita Group and the development and operation of the internal control system by directors at Group companies. Full-time members of the Audit & Supervisory Board share information from meetings of the Executive Committee and other key meetings and the details and results of audits and field audits with the part-time member of the Board on a timely basis. In addition, the part-time member of the Audit & Supervisory Board proactively provides opinions during meetings of the Board of Directors and during regular meetings with the president, drawing on their legal expertise and background.

Onsite audits of overseas affiliated companies scheduled for the start of the fiscal year were cancelled due to the COVID-19 pandemic. However, as an alternative, appropriate audits of the sites were conducted through online meetings and other methods. Business reports, financial documents and other materials were also appropriately audited through wider use of online meetings and electronic files.

Experience, Capability, and Knowledge of the Audit & Supervisory Board Members

Name		Experience, Capability, and Knowledge	Attendance (Fiscal year ended March 31, 2021)	
			Board of Directors' meetings	Audit & Supervisory Board meetings
Kenjiro Kobayashi	External member of the Audit & Supervisory Board Independent officer	Mr. Kenjiro Kobayashi has been active in different fields to those of the Kurita Group's businesses and has high expertise in the areas of finance, management planning, new business development, M&As, etc., along with a wealth of international experience.	16/16	11/11
Yukihiko Mutou		Mr. Yukihiko Mutou has held important positions in the Administrative Division. He possesses a wealth of knowledge and experience in the areas of finance, accounting, and management.	15/16	11/11
Toshiaki Tada	External member of the Audit & Supervisory Board Independent officer	Mr. Toshiaki Tada has special knowledge as well as a wealth of experience and deep insight into corporate legal affairs as an attorney who has worked in Japan and overseas.	13/13	9/9

Evaluation of the Effectiveness of the Board of Directors

The Board of Directors analyzes and evaluates its effectiveness every year in order to fulfill its expected roles and functions more effectively.

Evaluation Method

The evaluation is carried out via a written survey with each of the respondents identified. Following a discussion using the aggregated results, the Board of Directors evaluates its effectiveness, identifies problems, designates issues to be addressed and establishes measures. These matters are then adopted by a resolution of the Board. The survey is revised each fiscal year based on the results of the previous year's survey. In the 2020 survey, after the Ministry of Economy, Trade and Industry's Digital Governance Code came into force, new items were added to the survey to confirm the level of oversight related to the implementation and building of the DX promotion framework.

Evaluation Method	Self-Evaluation This evaluation was conducted via a written survey, with each of the respondents identified. Following a discussion using the aggregated results, the Board of Directors evaluated its effectiveness, clarified issues and adopted measures for the future.
Evaluation items	The following six themes were evaluated 1) Roles and responsibilities of the Board of Directors 2) Collaboration with members of the Audit & Supervisory Board and external directors 3) Composition of the Board of Directors 4) Operation of the Board of Directors 5) Contributions of individual directors and members of the Audit & Supervisory Board 6) Dialogue with shareholders
Evaluation period	January to December 2020

Evaluation Results

According to the evaluation results for January to December 2020, the average self-evaluation of all directors and members of the Audit & Supervisory Board was generally good in all six areas, indicating that the Board of Directors is operating effectively. "Operation of the Board of Directors" was the most highly evaluated category, as internal directors, external directors and members of the Audit & Supervisory Board all raised their evaluation ratings. However, in the "roles and responsibilities of the Board of Directors" category, items related to the building and monitoring of the DX promotion structure, which were added as items to the survey for the fiscal year under review, received relatively low valuations compared with other items.

Issue

To accelerate business model transformation and business process reforms using DX, the Board of Directors needs to increase its involvement.

Measures

The Board of Directors will gain a better understanding of the activities of the DX Committee, which oversees the Group's DX, and the Digital Strategy Division, which is tasked with implementing Groupwide DX activities. The Board will also discuss and provide direction regarding the prioritization of short-term and medium- to long-term initiatives and the allocation of management resources.

Status of Initiatives to Tackle Issues Raised in Previous Evaluation Results

To address the issue from the previous survey – Identify and deepen discussion on specific themes in order to support the creation of long-term corporate value – we formed an integrated business management working group comprising directors, executive officers, and managers at the senior general manager grade and higher to comprehensively discuss the Group's value creation story and the best ways of using management resources to realize the story. The discussions led to the formulation of a clearly defined value creation story to fulfill the Group's purpose of "Winning the trust of customers and society and building a sustainable society." After further discussion by the Board of Directors, the value creation story was approved. The value creation story will also be used in stakeholder engagement.

Remuneration for Directors and Members of the Audit & Supervisory Board

The Company's remuneration system for directors excluding external directors is composed of fixed remuneration as base remuneration, and incentive remuneration linked to business results. External directors and members of the Audit & Supervisory Board, who perform oversight functions, receive only fixed remuneration.

Amounts of fixed remuneration are decided for each job title in the case of directors and for each work arrangement in the case of members of the Audit & Supervisory Board. A portion of the remuneration is appropriated for the directors' and Audit & Supervisory Board members' Shareholding Scheme to purchase the Company's shares so that directors and members of the Audit & Supervisory Board share the risk of stock price fluctuation with shareholders.

To provide an incentive to directors (excluding external directors) to continuously increase corporate value, the Company provides short-term and long-term incentive remuneration. Short-term incentive remuneration consists of remuneration linked to consolidated performance, remuneration linked to the results of operations overseen by each director, and remuneration related to other contributions. The amount of short-term incentive remuneration is calculated by multiplying an amount equivalent to 1/12 of fixed remuneration by a predetermined coefficient that fluctuates depending on the level of achievement of performance indicators for each type of remuneration. The performance indicator for remuneration linked to consolidated performance uses four levels based on 10% increments in the level of attainment of the consolidated operating profit target, above and below a level of attainment of 100%. For remuneration linked to the results of operations overseen by each director, the applied performance indicators are the differences between actual results and plan targets for consolidated return on equity (ROE) and for consolidated business profit margin. For remuneration related to other contributions, the applied performance indicators include the implementation of large investment projects and other developments not reflected in performance for the relevant fiscal year, such as enhancing the quality of the corporate structure and M&A deals. For the long-term incentive remuneration, the Company has introduced a performance-linked stock compensation program under which points are awarded according to business performance and job title during the term of office, and shares of the Company are granted at the time of retirement in an amount corresponding to the number of accumulated points. Profit attributable to owners of parent is used as the performance indicator for long-term incentive remuneration.

The system and level of remuneration and the performance evaluation of directors are adopted by resolution of the Board of Directors after consulting in advance with the Nomination & Remuneration Advisory Council. Based on reports provided by the Nomination & Remuneration Advisory Council, the Board of Directors decides the allocation of remuneration of the directors within the total amount determined by the Annual General Meeting of Shareholders. The allocation of remuneration for each member of the Audit & Supervisory Board is adopted by resolution of the Audit & Supervisory Board.

Remuneration System for Directors and Members of the Audit & Supervisory Board

Payment Ratio of Base Remuneration and Incentive Remuneration (Average)

Base remuneration		Performance-linked remuneration		Total
	Of which, payment to shareholding scheme	Short-term incentive remuneration	Long-term incentive remuneration	
50%-90%	10%-20%	0%-30%	10%-20%	100%

Remuneration for Directors and Members of the Audit & Supervisory Board

Total amount of remuneration, etc., for each officer classification, total amount by type of remuneration, etc., and number of eligible officers (Fiscal year ended March 31, 2021)

Officer classification	Total amount of remuneration, etc. (millions of yen)	Total amount of remuneration by type (millions of yen)			Number of eligible payees for base remuneration
		Base remuneration	Performance-linked remuneration	Amount of non-monetary remuneration, etc., in performance-linked remuneration	
Directors (excluding external directors)	438	242	195	49	7
Members of the Audit & Supervisory Board (excluding external members)	34	34	—	—	1
External officers	89	89	—	—	6

Independent External Directors

The Company's external directors are appointed for a term of one year and may concurrently hold positions at up to three listed companies including the Company. The external directors use their knowledge and specialist insight accumulated through management experience to evaluate business management and provide opinions from the perspectives of the Kurita Group's sustainable growth and increasing corporate value over the medium to long term, helping to enhance the rationality and transparency of decision-making by the Board of Directors.

The activities of the independent external directors include making proactive statements and proposals in Board of Director meetings, as well as attending as observers in internal committees such as the E&S Committee, the Solutions Business Committee, and the Health and Safety Committee. They also make onsite visits to gain a deeper understanding of operations for evaluating management. In the fiscal year ended March 31, 2021, external directors were unable to visit business sites due to the COVID-19 pandemic. Instead, they conducted dialogue with relevant departments to gather information on topics likely to be of use.

As members of the Nomination & Remuneration Advisory Council and the Successor Planning Committee, external directors also help to enhance the suitability and transparency of discussions in both bodies and work to ensure appropriate evaluations of executive candidates through individual interviews with candidates.

Status of External Directors (As of June 29, 2021)

Post	Name	Number of meetings of the Board of Directors attended (Fiscal year ended March 31, 2021)	Reasons for election as a director
Directors	Ryoko Sugiyama	Board of Directors' meetings: 15/16	Ms. Ryoko Sugiyama is an expert on the environment and waste and has held important positions such as an external director of listed companies. The Company judged that she is capable of providing opinions from an outside perspective, different from those within the Company, and increasing its rationality and transparency. In addition, Ms. Sugiyama was judged to be capable of supervising the execution of duties by directors, based on her high expertise and wealth of experience in the environment field.
	Keiko Tanaka	Board of Directors' meetings: 16/16	Ms. Keiko Tanaka has experience in business fields that differ from those of the Kurita Group and a great deal of knowledge about public relations and marketing, as well as international experience. The Company judged that she is capable of using these skills to express opinions from an outside perspective to increase the rationality and transparency of the Company's management, and to supervise the execution of duties by directors.
	Kenichiro Kamai	—	Mr. Kenichiro Kamai has a wealth of experience, including overseas, in business fields that differ from those of the Kurita Group, and he has considerable insight in DX and development. The Company judged that he is capable of expressing opinions from an outside perspective to increase the rationality and transparency of the Company's management and to supervise the execution of duties by Directors, based on his experience of management at multiple companies and his expertise in the fields of DX and development.

Dialogue with Shareholders and Investors

The Kurita Group respects the interests of shareholders in management and strives to listen to its shareholders and investors and promote constructive dialogue with them in order to contribute to increasing medium- to long-term corporate value. In communicating information, the Company emphasizes fairness and transparency. The materials and summary of the Q&A sessions of the Company's presentation meetings are posted on Kurita's investor relations website to ensure fair information disclosure.

IR Activities

The Group strives to secure opportunities for dialogue with institutional investors in Japan and overseas and individual investors in Japan through various presentations, conferences, and individual meetings. The president is the main speaker at the financial results briefings. The executive general manager of the Corporate Control and Administration Division is responsible for routine dialogue, except during silent periods, and works with personnel responsible for IR and CSR activities. In the fiscal year ended March 31, 2021, the Kurita Group held its first-ever ESG Briefing. Amid the pandemic, the Company was able to conduct dialogue with investors by switching from face-to-face meetings to phone and online meetings. However, the Company cancelled overseas IR roadshows and briefings for shareholders held after the Ordinary General Meeting of Shareholders.

IR Activities in the Fiscal Year Ended March 31, 2021

	Dialogue events	Number of events
Institutional investors (including shareholders)	Financial results briefings	4 times
	Small group meeting	1 time
	Individual meeting	Total approx. 250 times
	ESG briefing	1 time
Individual investors (including shareholders)	Briefing for individual investors	1 time
	Letter to Shareholders	1 time

Communication with People Responsible for Exercising Voting Rights

The Company is working to increase opportunities for dialogue with institutional investors responsible for exercising voting rights to listen to their opinions and use them to improve management. In the fiscal year ended March 31, 2021, the Company expanded its dialogue with major shareholders overseas. Personnel responsible for investor and shareholder relations had online meetings with major investors in Japan and overseas 17 times to hear the voting policies of institutional investors and to exchange opinions on improving the Group's management and corporate governance. The opinions and requests of institutional investors were swiftly relayed back to management.

Initiatives to Continuously Improve Convenience for Exercising Voting Rights

Initiative	Starting time
Adoption of full-color convocation notices	June 2018
Increase in English translation scope of the convocation notice	June 2018
Preparation of English version of the corporate governance report	October 2016
Early disclosure prior to distribution of convocation notice	June 2016
Preparation of English-language convocation notice (reference documents)	June 2013
Dialogue with shareholders	November 2011
Adopted electronic voting for exercise of voting	June 2006
Joined Electronic Voting Platform for exercise of voting rights	June 2006

Shareholdings of Other Listed Companies

The Company holds shares of other listed companies to strengthen business relationships. We verify the economic rationale for mutual shareholdings by comparing expected gains based on capital cost and gains from holding the shares. We also examine the relationships with companies whose shares the Company holds by carefully examining our transaction histories with them. Based on the results of this examination, the Board of Directors reviews the appropriateness of holdings periodically and at other times as necessary, and reduces the number of shares held. Funds gained from the sale of the shares are allocated to capital investment and M&As.

Policy		■ In some cases, the Company holds shares of other listed companies to strengthen business relationships, etc. ■ When holding such shares, the Company makes efforts to minimize the risk of holding the shares. The rationale for holding each stock is reviewed on a regular or timely basis by the Board of Directors. Based on the results of the examination, the Company works to reduce the holding of shares of other listed companies. ■ The Company exercises voting rights for each proposal based on whether it will contribute to an increase in shareholder value. ■ If a shareholder indicates its intention to sell the Company's shares, the Company will not prevent the shareholder from making such sale, etc.
Review of shareholdings	Frequency	■ Once a year or as necessary
	Standard	■ Total of operating profit and dividends received is less than expected return for five consecutive years ■ An improper incident occurs, etc.
Record of sales	Fiscal year ended March 31, 2019	■ 13 of 37 stocks (includes partial sales of 4 stocks)
	Fiscal year ended March 31, 2020	■ 2 of 28 stocks
	Fiscal year ended March 31, 2021	■ 4 of 26 stocks (includes partial sales of 2 stocks)

Messages from External Directors

Using specialist knowledge to monitor management

Ryoko Sugiyama
External Director

Kurita has made good progress with its corporate governance system. There are three external directors on the board, and that number feels right. My emphasis is on monitoring management using my expertise in the environmental field. Briefings on agenda items ahead of Board of Director meetings are a valuable opportunity to help external directors function effectively. Better understanding of agenda items leads to more efficient board discussions. Opportunities to visit business sites and talk to employees at the frontline of Kurita's business also give external directors valuable information to participate in discussions.

Also, I have observed discussions about formulating Kurita's value creation story, which has given me a clearer understanding of reports submitted to the board. In the environmental field, Kurita's long-term strategy to achieve its targets for 2030 and 2050 are increasingly important. By clearly laying out our long-term strategy, we can present a vision that goes beyond our medium-term management plan, which should help to further increase the motivation of our employees.

Diverse perspectives are needed to achieve new heights

Keiko Tanaka
External Director

Looking back over the past year, I think the biggest change has been Kurita's growing acceptance of the need to implement diversity initiatives, resulting in the creation of a dedicated diversity promotion department. However, diversity still needs to be improved at the management level, as there are no non-Japanese directors on the board. As an external director, I see my role as preventing groupthink from taking hold in the board. To introduce more diverse perspectives and views into management, I think Kurita needs to cultivate and deploy personnel with a global mindset.

I also agree with Ms. Sugiyama. Briefings on agenda items before board meetings and opportunities to visit frontline business sites are very useful in helping us fulfill our roles. In the succession planning process, meeting candidates face-to-face is a valuable opportunity to gain a deeper understanding of their career background and character.

Kurita's business is set to play an increasingly important role in society. I will do my part to help Kurita spread its technologies and expertise developed in Japan to the global market.

Promoting the "Sampo-yoshi" business philosophy

Kenichiro Kamai
External Director

I was appointed as an external director in June 2021. In my business career, I have tried to live up to the principles of the "Sampo-yoshi" (good for everyone) business philosophy: good for buyers, good for sellers, good for society. That will also be my fundamental approach in my role as external director. In board discussions on agenda items, I will approach the debate from the standpoint of external stakeholders to ensure the interests of shareholders, customers and society in general are taken into account. I've already heard that discussions can be lively in the Nomination & Remuneration Advisory Council and the Successor Planning Committee. I want to help further elevate discussions and play an effective role in corporate governance. I also hope to contribute to development activities that help Kurita become an outstanding "seller."

In everything I do as an external director, I believe my role is to put forward ideas and opinions from a new perspective.

Risk Management

Basic Concept

The Kurita Group defines risk as any event that makes its sustainable growth and enhancement of the Group's corporate value uncertain. Because the Group's decision-making tends toward risk avoidance, we are working to prevent missed opportunities for business growth by clarifying risks that should be taken for the sake of sustainable growth and enhancing corporate value while implementing appropriate measures to reduce losses.

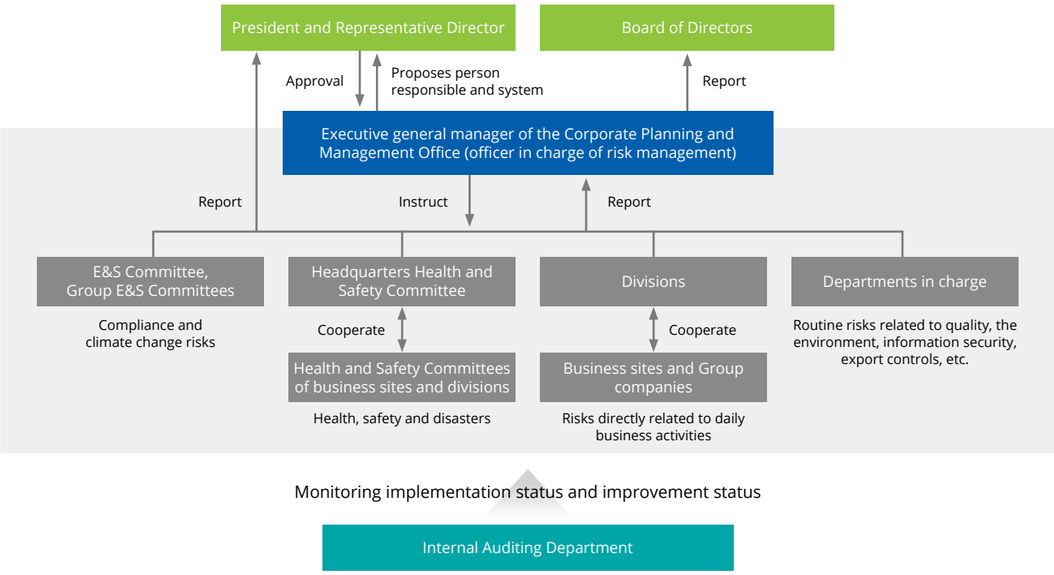
Risk Management System

The executive general manager of the Corporate Planning and Management Office is responsible for monitoring risks and implementing risk management in the Kurita Group. The executive general manager regularly analyzes and evaluates the Group's risks and conducts ongoing monitoring based on the Group-wide risk map, as well as takes steps to prevent risks from occurring.

In the event of a risk that could have a serious impact on Kurita's business, the executive general manager formulates systems with those responsible for responding to the risk, obtains approval from the president and the representative director, and immediately issues instructions. Those responsible for responding to the risk promptly take action and report to the president and the representative director and the executive general manager of the Corporate Planning and Management Office regarding the impact of the risk, progress with mitigation and measures to prevent reoccurrence.

The E&S Committee is responsible for tackling material risks related to compliance and climate change, while the chairperson of the Headquarters Health and Safety Committee is responsible for material risks related to health, safety and disasters. The executive general manager of each division is responsible for responding to risks directly associated with day-to-day business operations, and each division identifies and evaluates risks related to the operations and Group companies it is in charge of. Also, responding to commonly seen risks relating to quality, the environment, information security, export controls, and so on are handled by the respective departments responsible. The executive general manager of the Corporate Planning and Management Office, the chairperson of each committee and the executive general manager of each division report periodically to the Board of Directors on the status of risk management implementation, and report as necessary to the Board of Directors on the occurrence and impact of material risks. Furthermore, the Internal Auditing Department monitors the execution status and improvement status of risk management measures.

Risk Management System



Identifying Risks and Formulating Response Measures

The Kurita Group uses a Group-wide risk map to identify potential risks in its business activities and assess risks against monitoring benchmarks. The Kurita Group also determines material risks for the Group based on the expected impact of those risks and the likelihood of them occurring.

Material risks are mapped for each division, and divisions devise response measures, incorporate them into business plans and manage progress, including at Group companies. Progress is regularly reported to the Board of Directors, which discusses and formulates material risk and response measures for the next fiscal year, including responses to emerging risks caused by changes in the operating environment.

In the fiscal year ending March 2022, among high-impact risks with a strong chance of materializing, country risk—including the impact of U.S.-China trade friction—and strategic risk related to integrating IT and developing digital businesses are being classified as risks requiring close monitoring, and we are planning to strengthen our response to them.

Risk Management PDCA Cycle

Groupwide Risk Map

Risk category	Main risks	Report section/information related to response measures	
Operating environment risk	▪ Contraction in existing markets due to customers reducing factory operating rates and reining in capital investment ▪ Decline in prices for products and services due to intensifying competition ▪ Spikes in prices for raw materials and other inputs ▪ Decline in yen translation amounts due to changes in exchange rates and other factors	▪ Interview with the President ▪ Opportunities and Risks	P10-14 P24-31
Country risk	▪ Changes in regulatory frameworks and abrupt political and economic changes in Kurita's markets	▪ Opportunities and Risks	P24-31
Disaster risk	▪ Human and business losses caused by pandemics or natural disasters	▪ BCM Policy	P52
Strategic risk	▪ Failure to attain goals in medium-term management plan due to delays with organizational reforms, business restructuring ▪ Slow pace of business expansion caused by delays with launching new businesses, executing growth strategy ▪ Delays with developing businesses matched to customer needs and characteristics of each country/region ▪ Failure to remain competitive in water treatment market due to delays with introducing IT and building digital businesses	▪ Interview with the President ▪ Medium-Term Management Plan ▪ Opportunities and Risks	P10-14 P16-17 P24-31
Business risk	▪ Failure to provide competitive products, services or solution models in a timely manner ▪ Claims for damages and additional costs due to defects or deficiencies in products or services ▪ Loss of competitiveness due to outflow of technical expertise ▪ Slowdown or lack of progress with improving the profitability of overseas businesses driving the Group's growth ▪ Accidents/injuries or work stoppages at customer plants caused by the Company	▪ Opportunities and Risks	P24-31
Financial risk	▪ Loss of public trust caused by inadequate internal controls related to financial reporting ▪ Deterioration in profitability or cash flow due to poor management of Group companies ▪ Write-down of goodwill caused by weak earnings at acquired companies	▪ Financial Strategy ▪ Medium-Term Management Plan ▪ Basic Policies for Constructing an Internal Control System	P15 P16-17 —
Labor risk	▪ Health issues caused by long working hours ▪ Decline in ability to adapt diversity and other changes in operating environment	▪ Human Resources Management	P56-57
Legal and compliance risk	▪ Loss of public trust due to legal or compliance violations and information breaches ▪ Infringement of intellectual property rights	▪ Compliance ▪ Utilization of Intellectual Property	P54-55 P27

• The above table is not an exhaustive list of the Kurita Group's risks.
• Please click on the link below for more details about risk factors related to the Group's business conditions, financial accounts and other items in the Annual Securities Report that could have a material impact on investor decisions.

Business Risks and Other Risk Factors https://ir.kurita.co.jp/en/corporate_governance/risk_factors/index.html

Business Continuity Management (BCM) Policy

The Kurita Group has formulated a Kurita Group's Policy on BCM (Business Continuity Management) to set out the Kurita Group's principles for handling emergencies that pose a risk to the continuity of the Group's businesses, such as severe earthquakes, typhoon, storm and flood damage or pandemics. The policy enables Kurita Group officers and employees to make judgements and act appropriately by clarifying our basic approach as follows:

1. Highest Priority on Ensuring the Preservation of Human Life

The Kurita Group will place highest priority on ensuring the peace of mind and safety and security of officers and employees and their family members.

2. Early Restoration of Business Operations

The Kurita Group will endeavor to quickly restore operations at its own facilities, completed projects and projects under construction. In this way, it will make efforts to supply products and services in a stable manner and to support recovery efforts at clients.

3. Community Support

The Kurita Group will support reconstruction of the local community while working to prevent secondary disasters at its own sites.

Measures to Address Flood Damage Risk

The increase in major typhoons and torrential rainfall in Japan in recent years is raising the risk of both human losses and lost business opportunities, so in the fiscal year ended March 2021 we assessed the risk of flood damage at domestic sites in the Kurita Group. A risk of flood levels of 0.5 meters or higher was found at 66 sites, so measures were taken to ensure the safety of employees and maintain business continuity.

In terms of initiatives to ensure the safety of employees, we relocated sites with particularly high flood risk, and for existing facilities, we surveyed local characteristics and weather factors to create guidelines for returning home or evacuations that provide flood safety sites and evacuation routes, and also conducted awareness-raising and drills at each site. We also drew the attention of employees to the importance of addressing flood risk while working at home, and for residents of dormitories and company housing with high flood risk, we promoted moves to safer locations.

Regarding initiatives for business continuity, we confirmed the efficacy of current facilities and measures at manufacturing, production and analysis sites in Japan and established emergency procedures for transferring work processes to alternative sites and contracting out manufacturing. At sales branches and business offices, we worked to digitize important documents.

Going forward, we will continue raising awareness of these guidelines and conducting related drills, and we plan to strengthen measures when relocating sites or establishing new ones, including prior surveys of flood damage risk for sites and facilities.

Risk Management During the Pandemic

The Kurita Group recognizes that risks have materialized as a result of changes in the business environment—that include people voluntarily staying at home and office attendance being restricted—related to the spread of COVID-19. For example, reduced operating efficiency, delays in business model development, and stagnation in business activities (order reception, manufacturing and supply), and the entire Group has taken measures in response.

Initiatives for Securing Business Operations and Ensuring the Safety of Employees

The Group has built backup systems for the case in which an executive involved in business execution or a manager responsible for a business division contracts COVID-19, and we have also established reporting channels for Group companies through which we work to quickly gather accurate information. In addition, we have defined work processes in each organization that ensure business continuity for customers and the Group, or that meet societal requirements, as operations essential for continuity and implemented backup systems for the case in which employees of the Group or partner companies involved in these processes contract COVID-19. Moreover, we created COVID-19 Guidelines for all employees that contain transmission prevention measures and response flows if someone is feeling unwell and raised awareness of them at all Group companies.

Since the end of February 2020, the Group has recommended remote work—working from home primarily—for all processes that do not need to be carried out onsite. To implement this recommendation and accelerate its appropriation by employees, infrastructure has been reinforced by installing communication tools and providing the means to network with internal systems, and management has worked at home to raise awareness of the approach among employees. In addition, we also worked to revise administrative processes, such as holding meetings online, digitizing meeting materials and making application procedures paperless. As a result, remote work at Kurita Water Industries for the fiscal year ended March 2021 was over 70%.

In December 2020, we reviewed our conventional work formats and compiled information on achievements and problems, and then based on this, we established a basic policy on new working styles that combine remote work and work at the office or in the field based on the premise of the pandemic continuing. Regulations were also created for working at home. Going forward, we will continue striving to maintain an environment that allows employees to work safely and maximize their performance.

Promoting Work from Home

Paperless procedures	Accelerating remote communication	Infrastructure reinforcements
• Digitized contract documents • Digitized internal applications • Faxes saved digitally • Digital seals	• Company events held online • Communication tools utilized • Internal training on digital tools	• Augmented/backup internet lines • Mobile devices distributed • Security measures

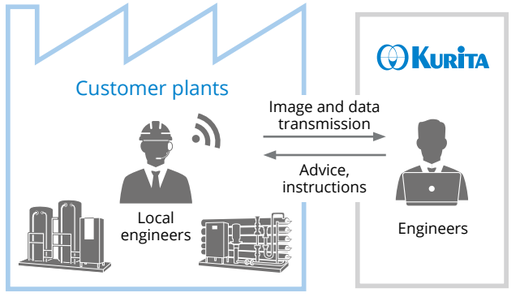
Remote work rate of over 70%
(Fiscal year ended March 2021) (Parent company)

Contribution to Customers' Business Continuity

Through water treatment, the Kurita Group helps maintain operations at plants and facilities of customers that support the infrastructure of industry and society. To ensure customer sites remain up and running, we conduct efficient procurement in the Group overall and implement anti-infection measures that include partner companies, and we are also working to reform business models and processes based on remote operations.

At ultrapure water supply sites for the electronics industry, we continue to utilize labor-saving tools such as remote monitoring systems to maintain stable water quality and quantity, and these also minimize onsite work as an anti-infection measure. We also launched the DX diagnostic service as a new business model. The service remotely detects trouble and issues with water treatment at plants based on images taken with wearable cameras and proposes solutions, which are possible even when admission to customer plants is restricted. This enables engineers to immediately respond on a remote basis. The service is mainly being rolled out in the ASEAN region.

DX Diagnostic Service



Maintaining Contact Points with Customers

Because the Group works to identify issues from contact points with customers in diverse industries and provide value that exceeds expectations, losing opportunities to communicate with customers is a major operational risk. The spread of COVID-19 put restrictions on face-to-face sales activities and technical support, which are our strengths, but the Group worked to maintain contact with customers by holding seminars and technical consultations online. In the fiscal year ended March 2021, we held 26 online seminars in Japan and abroad related to our main products and services, including S.sensing and reclaimed water supply services, and around 2,300 people participated. In addition, Kurita launched the Avista Membrane Treatment Solutions virtual capabilities experience focused on our unique approach to evaluate, diagnose, and apply solutions for membrane systems. The virtual experience simulates an actual exhibition booth used by sales and technical staff to introduce Avista membrane chemicals and services globally.

Avista Membrane Treatment Solutions virtual capabilities experience

Compliance

Basic Concept

The Kurita Group conducts compliance activities that go beyond simply adhering to legal regulations, aiming to be a corporate group trusted by society and held in high esteem by all people who work in the Group. The Kurita Group Code of Conduct underpins all compliance activities. The code sets out how everyone who works in the Group should conduct themselves and has been translated into multiple languages to raise awareness across the Group. To improve the effectiveness of compliance activities, each Company division and Group company formulates and updates their own compliance guidelines to pinpoint specific areas of behavior in the Code of Conduct that are especially relevant to their organization.

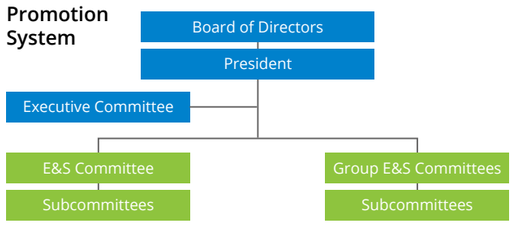
Stakeholder	Compliance areas
Society / global environment	Human rights, the environment, social contribution, repudiation of all links with antisocial forces, etc.
Shareholders / investors	Appropriate record-keeping and information disclosure, prevention of insider trading
Customers / business partners	Safe products and services, fair and appropriate trading, prevention of corruption, etc.
Employees	Health and safety, rigorous management of sensitive data and personal information, prevention of conflicts of interest, etc.

Kurita Group Code of Conduct
https://www.kurita.co.jp/english/philosophy_vision/pdf/philosophy_vision_01.pdf

Promotion System

The Kurita Group has established the E&S Committee and the Group E&S Committee as organizations to oversee compliance activities. Both committees are chaired by a managing director of the Company, and the Group E&S Committee's members are representatives of Group companies. The committees are tasked with deciding policies and key measures related to compliance activities, which are conveyed to all employees through subcommittees in each Company division and Group company.

Promotion System



Main Initiatives

Promoting Fair Business Practices

The Kurita Group has formulated the Kurita Group Anti-Bribery Policy and the Kurita Group Antitrust Policy to ensure fair business practices are promoted throughout the entire Group, in conjunction with the Kurita Group Code of Conduct. In the fiscal year ended March 31, 2021, Kurita formulated the Group Guideline on Anti-Bribery and the Group Guideline on Antitrust, which set out specific rules to prevent illegal behavior in relationships with public officials and representatives of competitor companies. In the fiscal year ending March 31, 2022, these guidelines will be communicated to all officers and employees in the Kurita Group. They will also form the basis of regular training.

Achievements in the Fiscal Year Ended March 31, 2021

Anti-bribery	▪ Formulated the Group Guideline on Anti-Bribery ▪ Provided e-learning program for all Kurita Group officers and employees (100% participation rate)
Antitrust compliance	▪ Formulated the Group Guideline on Antitrust

Respect for Human Rights

The Kurita Group's businesses are dependent on relationships with many stakeholders, making human rights an important factor in business management. As a member of society, Kurita has formulated the Kurita Group Human Rights Policy to fulfill its responsibility to stakeholders on human rights and to contribute to the sustainable development of society. Within the Group, we have formulated common guidelines that set out basic approaches to human resources management, such as management development, sincere employment, and respect for diversity. These guidelines are integrated with the initiatives of each Group company based on its individual circumstances, such as country, region, culture, and corporate culture. Training is also conducted on a regular basis to raise awareness of human rights among officers and employees. To promote respect for human rights across the entire supply chain, Kurita calls on suppliers to respect basic human rights, such as prohibiting forced labor and child labor and eliminating discrimination. We carry out regular surveys of suppliers to monitor and verify compliance with basic human rights. In the fiscal year ending March 31, 2022, we will start human rights due diligence* investigations of employees, suppliers and local communities to identify and prevent any negative impacts.

* Process of identifying material risk of human rights violations in the value chain, including forced labor, child labor and harassment, and measures to prevent or mitigate risk

All-Employee Survey

The Kurita Group conducts an annual Compliance Behavior Survey of all Group employees and dispatch staff to evaluate the outcomes of compliance activities and identify any potential compliance risks. The results of the survey are used by the Company divisions and Group companies to plan and improve compliance activities. In the fiscal year ended March 31, 2021, 7,503 employees and temporary staff took the survey, equating to a response rate of 98.8%.

Preventive Compliance Measures

The Kurita Group develops compliance improvement targets and measures to prevent issues with compliance before they occur. Specifically, based on a Non-Compliance Risk Map, which is a list of roughly 60 legal infringement risks, the Company divisions and Group companies set priority measures tailored to their respective characteristics, referencing the results of the Compliance Behavior Survey conducted in the previous fiscal year. In the fiscal year ended March 31, 2021, we focused on preventing inappropriate accounting.

Whistle-Blowing and Consultation Desk

To ensure everybody who works in the Kurita Group feels comfortable in the workplace, the Kurita Group has established a consultation desk in the Group and at outside organizations to provide advice about questions or concerns related to the Kurita Group Code of Conduct and other internal regulations and to handle reports about behavior that infringes the Code, laws and regulations or the Group's internal rules. The consultation desk is also available for Kurita Group business partners to receive advice or report legal violations or misconduct by the Kurita Group. Anybody using the consultation desk to receive advice or report a violation is protected from unfavorable treatment. Kurita uses the consultation desk to rapidly identify and rectify misconduct. In the fiscal year ended March 31, 2021, the consultation desk was accessed 21 times in Japan and two times overseas.

Promoting Equitable Relationships with Business Partners

The Company and its domestic Group companies conduct annual business transaction compliance surveys of small and mid-size suppliers as part of efforts to promote equitable business relationships. If necessary, Kurita instructs the relevant department to investigate the situation or make improvements, which are confirmed later through follow-up contact. The survey was originally focused on the parent company's business partners, but in the fiscal year ended March 31, 2021, the scope of the survey was expanded to include business partners of the Kurita Group in Japan to gain a better picture of the Group's business transactions.

	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021
Scope of survey	Business partners of parent company	Business partners of parent company and domestic Group companies
Survey method	Written responses	Written and electronic responses
Number of companies	1,058	1,286

Human Resources Management

Basic Concept

The Kurita Group sees human resources as the bedrock for sustainable growth. We work to attract and develop human resources while passing on the "water knowledge" we have accumulated over many years and strive to maintain an environment where individual employees can hone their own abilities and expertise and proactively put them to good use. Moreover, we promote an organizational culture that empowers diverse human resources whose various perspectives and backgrounds give rise to innovation.

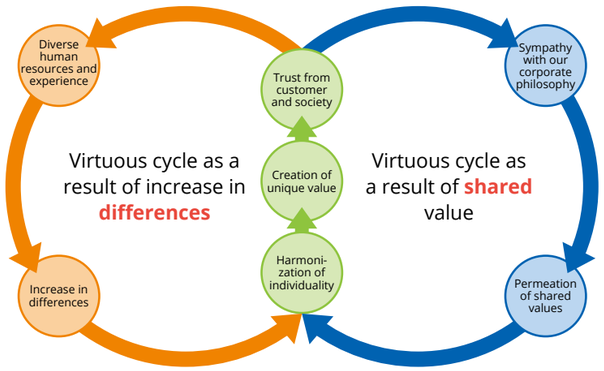
Diversity and Inclusion Initiatives

The average length of service of female employees at the Company is relatively long, but further promoting women's participation and advancement in the workplace, starting with promoting women to managerial positions, remains a pressing issue. Our global network has expanded through M&A activities, and we now have approximately 7,500 employees as of March 31, 2021.

In October 2020, we established a dedicated unit to accelerate progress on diversity, particularly women's participation and advancement, and began working to understand the current state of the issue more accurately. We also formulated a vision of what the Kurita Group hopes to achieve through the promotion of diversity and inclusion. Beginning in April 2021, we have endeavored to instill this vision into the Group and foster a culture that makes work meaningful for all employees and enables them to demonstrate their individual abilities while also introducing various programs to make the company a more comfortable place to work.

Our Vision for Diversity & Inclusion

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.



Initiatives for Diversity at the Kurita Group

Promotion of Women's Participation and Advancement in the Workplace	In the five-year plan for the period from April 2018 to March 2023, Kurita Water Industries has set the following targets. ■ At least 15 women in management positions by April 1, 2023 ■ Achieve a ratio of 30% or more for women among new graduate recruits for career track positions Initiatives to achieve these targets: (1) Career planning support for women in career track positions (2) Increase the ratio of female recruits (3) Expand the roles of female employees (4) Support career development through the self-reporting system
Employment of Personnel with Disabilities	Securing employment opportunities for people with disabilities by expanding business sites operated by special subsidiary With Kurita Ltd.
Gender Diversity	Establishment of SOGIE* minority consultation desk *SOGIE is an abbreviation combining sexual orientation, gender identity and gender expression.
Developing Overseas Talent	Training is conducted for managers and executive candidates among locally hired employees in order to develop human resources to handle core responsibilities at Group companies overseas.

TOPIC

Received 2020 Fukui Prefecture Award for Promoting Women's Participation and Advancement

In March 2021, a female engineer at Kurita Meiki Ltd., a Kurita Group company in Fukui Prefecture, received the 2020 award for outstanding achievements in the workplace by a woman. The award honors companies in Fukui Prefecture that actively hire, train and promote women and that serve as a model for other companies in the prefecture, and also individual women and groups in the prefecture for outstanding job-related achievements. Kumiko Hokari, who received the award, was in charge of designing a water treatment system that was supplied to a strawberry farm in Fukushima Prefecture. The strawberry farm uses solar energy as its power source and is seen as a symbol of the prefecture's recovery from the Great East Japan Earthquake. The award recognized her contribution to a project involved in the region's revitalization. The Kurita Group will continue working to foster a culture that empowers women to further demonstrate their abilities and expertise.

Human Resources Development

The Kurita Group conducts various training programs to provide the necessary knowledge and skills for the Group to achieve its ideals, including training programs for employees in each class and position run by the human resources department, the Greater Adaptability to Globalization Course, which is designed to nurture human resources capable of working at a global level, human resources education courses, and specialist knowledge training on Kurita Group products, technologies and services. In addition, the Group provides opportunities for self-improvement through overseas study and scholarship schemes and correspondence education programs.

To help employees achieve their potential, companies need to conduct fair evaluations of each employee based on their roles and performance and provide appropriate remuneration and education in line with their performance. At Kurita Water Industries, employees have interviews with supervisors to confirm their results and issues as part of transparent and fair evaluations. We have also introduced a Self-Reporting System through which supervisors gain feedback from employees about their preferred transfers for future career development, as well as their family circumstance. The system is used to assist personnel development and motivate teams.

In order to accumulate and utilize "water knowledge" to create diverse solutions, it is necessary to secure and train personnel with high levels of expertise in water treatment technologies and digital transformation (DX). The Kurita Group established a Human Resources Development Committee in April 2020 and is working to formulate policies and build systems for training engineers in Japan and internationally. To visualize the quality and quantity of engineers in the Group, we first identified the technology areas that are needed to propose solutions effectively and created a map of the Group's engineers that lists leaders and specialized personnel for each technology. The map makes it possible to utilize the abilities, knowledge and experience of each engineer throughout the Group, and we also plan to use it to strengthen personnel over the medium to long term and train successors. In order to train personnel to promote DX, we are acquiring and training digital specialists, largely through the DX Committee, and also working to develop digital literacy within the company by clarifying the knowledge and qualifications needed for DX and holding related seminars.

For more details, please visit the site below.
Kurita's Human Resources Development https://www.kurita.co.jp/english/csr/csr_activity_human/index.html

Employee Engagement

To make work more rewarding for employees and increase overall organizational vitality, the Kurita Group focuses on engagement with employees and conducts surveys on a regular basis. In the fiscal year ended March 2021, we conducted a "happiness and well-being survey" targeting the Company and Group companies in Japan, which allowed us to identify issues related to raising job satisfaction and develop measures for making improvements. The findings of the survey are reported to the Board of Directors.

The Company has held around 40 Town Hall Meetings since 2016, which are an opportunity for regular dialogue between the president and employees. For the president, they provide the chance to directly communicate and publicize the Group's corporate vision and targets under the MVP-22 plan. For employees, the meetings are a chance to let the president know their thoughts on the Company and their jobs and convey awareness of problems. The meetings are helping to spur discussion and debate and make the Company more open and transparent. In the fiscal year ended March 2021, online meetings were held with employees in Japan and overseas on topics such as changes in the Kurita Group caused by the pandemic and a global project involving RO membrane chemicals and services (Project Acorn).

Environmental Improvement Activities

Basic Concept

The Kurita Group's Environmental Improvement Activities include initiatives to reduce internal water and energy use and waste emissions. They also include activities to reduce environmental impact at customers who use products and services related to water and the environment that the Kurita Group has developed over many years.

Please click on the link below for more information.

Kurita Group Environmental Policy https://www.kurita.co.jp/english/csr/management/policy/environment/index.html

Click on the links below for more information about Kurita's Environmental Improvement Activities.

Solve Issues Related to Water Resources https://www.kurita.co.jp/english/csr/csr_activity_growth/water_savings/water.html

Realize Sustainable Energy Use https://www.kurita.co.jp/english/csr/csr_activity_growth/climate_change/co2.html

Reduce Waste https://www.kurita.co.jp/english/csr/csr_activity_growth/waste_reduction/waste.html

How Environmental Improvement Activities Are Embedded in Management Strategy

In recent years, initiatives to address environmental issues are becoming an increasingly important factor in corporate management amid growing calls from shareholders and investors for ESG management. The Kurita Group promotes business models that help reduce water usage and CO_2 emissions. The Group therefore sees these trends as an opportunity to grow its business. By expanding our CSV business*, we aim both to create value for society while also driving the Group's growth. In parallel, to fulfill our corporate responsibility, we will reduce the environmental impact of the Group's business activities by addressing the issue of climate change based on the TCFD Recommendations, disclose environmental information in line with international standards, and conduct initiatives to achieve our medium- to long-term targets.

*For more details about CSV business, see page 19 and page 59.

Definition of the Kurita Group's Environmental Improvement Activities

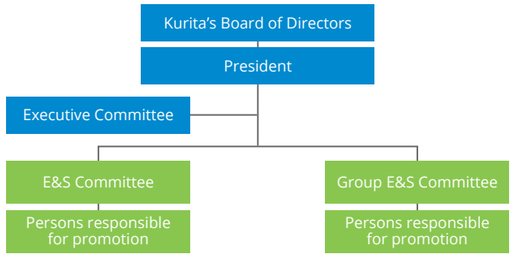
1) Activities to comply with the environment-related laws and regulations of each country and region that apply to the Group's business activities
2) Initiatives to solve international issues related to the sustainability of water and the environment through business activities
3) Disclosure of information related to 1) and 2), and engagement with customers, business partners, employees, shareholders and investors and local communities about the activities

Environmental Initiative Promotion System

The Kurita Group has established the E&S Committee, which is chaired by a Managing Director of the Company, and the Group E&S Committee, chaired by the same director and composed of representatives of Group companies. These committees oversee Environmental Improvement Activities in the Kurita Group. The E&S Committee formulates unified medium- to long-term targets for the Kurita Group's Environmental Improvement Activities and action plans for each fiscal year. Personnel responsible for promoting the initiatives (committee members or personnel designated by representatives of each company) are tasked with driving efforts to achieve Environmental Improvement Activities targets at their assigned company or organization. They report the status and results of the activities to the E&S Committee.

The E&S Committee ascertains stakeholder expectations and concerns and reports them to the Board of Directors along with outcomes from the Kurita Group's CSR activities once a year.

Promotion System



Environmental Improvement of Customers' Operations (Promotion of CSV Business)

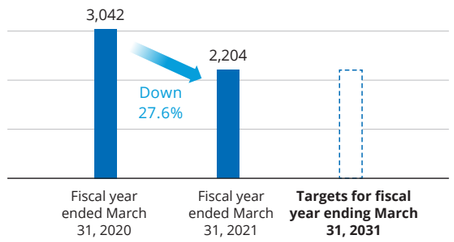
The Kurita Group defines products, technologies or business models that make significant contributions to water-savings, CO_2 emissions reduction and waste reduction compared with previous levels as "CSV businesses." As one of the priority measures of the MVP-22 plan, "Development of CSV business" is implemented in conjunction with the management plan. In addition, given that Scope 3 emissions account for 99% of the Group's total emissions in the Scope 1-3 categories, "Contribute to reduction of Scope 3 emissions in the Kurita Group" was added to the evaluation items for CSV businesses from the fiscal year ended March 31, 2021, in order to increase the competitiveness of CSV businesses.

In the fiscal year ended March 31, 2021, we attained our target for Scope 3 emissions ahead of plan. Emissions were reduced by 27.6% compared with the previous fiscal year, versus our goal of 27.5% by the fiscal year ending March 31, 2031. This was achieved due to a decline in emissions in Category 11 (use of sold products). Category 11 emissions fluctuate in line with trends in project orders, so we intend to assess and analyze trends going forward and determine whether targets for this category need to be revised.

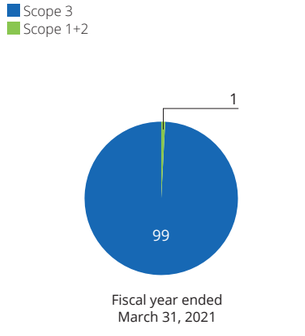
Breakdown of Scope 1-3 Emissions

	CO_2 emission (1,000 t)	
	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021
Scope 1	9	10
Scope 2	26	23
Scope 3	3,042	2,204
Scope 1+2+3	3,077	2,237

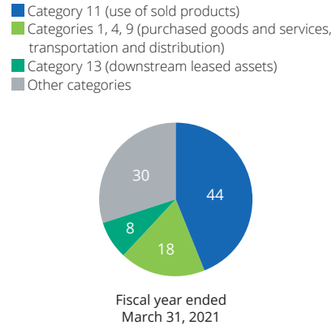
Scope 3 Emissions (Unit: 1,000 t- CO_2)



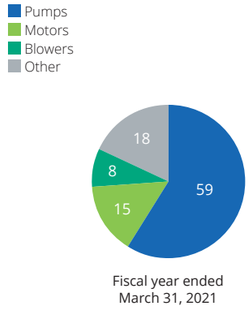
Ratio of Total CO_2 Emissions (%)



Scope 3 Emissions by Category (%)



Breakdown of Category 11 Emissions (%)



Internal Environmental Improvement Activities

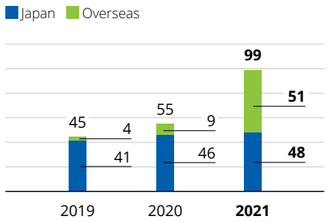
The Kurita Group works to reduce water usage, energy usage and waste, while adhering to the environmental laws and ordinances of each country and region that apply to the Group's business activities. These activities, including assessments related to compliance with environmental rules and regulations, are implemented to achieve targets related to CSR Policy, based on the Kurita Group Environmental Policy.

Evaluation of Water Risk at Internal Facilities

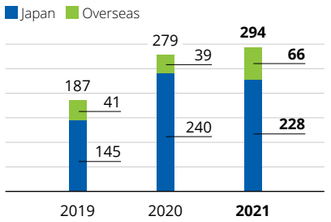
Kurita assesses and ascertains water risk for Group facilities using the Aqueduct Water Risk Atlas and benchmarks for water intake provided by the World Resources Institute, business characteristics and other criteria. As of July 2021, our assessments had identified nine facilities with particularly high risk. Based on that, we are prioritizing efforts to reduce water risk at those facilities.

Reduction of Environmental Impact at Customers (Fiscal years ended March 31)

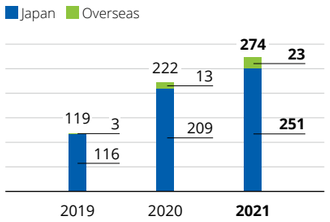
Water intake reduction (million m³)



CO_2 emissions reduction (1,000 t)

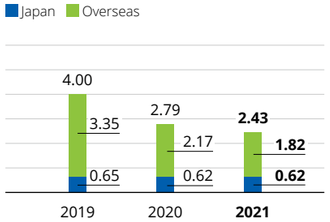


Waste reduction (1,000 t)

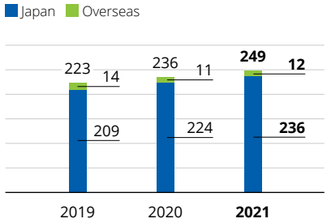


Internal Promotion of Environmental Improvements (Fiscal years ended March 31)

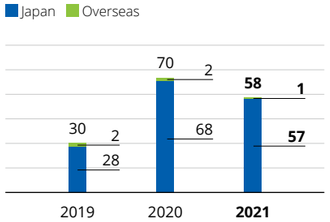
Water intake amount (million m³)



CO_2 emissions (1,000 t)*

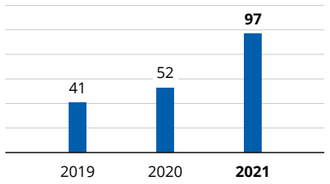


Waste amount (1,000 t)

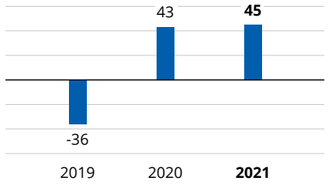


Kurita Group KPI: Customer Impact Reduction – Kurita Group Impact (Fiscal years ended March 31)

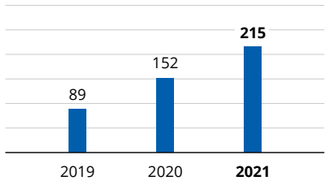
Water savings at customers – Amount of water intake used in our business activities (million m³)



CO_2 emissions reduction at customers – CO_2 emissions from our business activities (1,000 t)*



Waste reduction at customers – Waste generated from our business activities (1,000 t)



* "CO_2 emissions from our business activities" include emissions generated from the ultrapure water supply business, which comes under Category 13 of Scope 3, as well as emissions in Scope 1 and 2 stipulated in GHG (Greenhouse Gas) protocol.

ISO 14001 Certified Sites

Company	Office
Kurita Water Industries Ltd.	Shizuoka, Yamaguchi, Toyoura and Tsuruga plants; Sakai sub-branches
Kurita Chemical Manufacturing Ltd.	Head Office, Ako plant
Kurita Buil-Tech Co., Ltd.	Head office
Kuritaz Co., Ltd.	Head office, West Japan branch office and nine other business sites
Kuritec Service Co. Ltd.	Head office, East Japan, Iga, Mie, Harima and Oita plants
Kurita-GK Chemical Co., Ltd.	Head office and Rayong branch
Kurita (Taiwan) Co., Ltd.	
Kurita Water Industries (Dalian) Co., Ltd.	
Kurita Water Industries (Jiangyin) Co., Ltd.	

Company	Office
Hansu Co., Ltd.	Head office and two other business sites
Kurita Europe GmbH	Head office and two other business sites
Kurita Turkey Kimya A.S.	Head office and one other business site
Kurita do Brasil LTDA.	Head office and three other business sites
Hansu Technical Service Ltd.	
Kurita (Singapore) Pte. Ltd.	
Kurita Water (Malaysia) Sdn. Bhd.	
P.T. Kurita Indonesia	
Kurita America, Inc.	

Financial Information/Corporate Information

Contents

Financial Information

Management Indicators/Segment Information — 62
Consolidated Statement of Financial Position — 64
Consolidated Statement of Profit or Loss — 66
Consolidated Statement of Comprehensive Income — 67
Consolidated Statement of Changes in Equity — 68
Consolidated Statement of Cash Flows — 70

Corporate Information

Stock Information — 71
Corporate Data — 72

Management Indicators

(Millions of Yen)

For the years ended March 31	2019	2020	2021
Orders	258,439	259,545	**262,341**
Net Sales	257,331	264,807	**267,749**
Business Profit	25,667	26,654	**29,470**
Business Profit Margin (%)	10.0	10.1	**11.0**
Profit Attributable to Owners of Parent	12,050	18,287	**19,088**
Return on Sales (%) Note 1	4.7	6.9	**7.1**
Total Assets (At Fiscal Year-End)	359,500	387,749	**424,928**
Total Assets Turnover (Times) Note 2	0.74	0.71	**0.66**
Equity Attributable to Owners of Parent (At Fiscal Year-End) Note 3	237,282	242,442	**253,089**
Equity Ratio (%) Note 4	66.0	62.5	**59.6**
Return on Assets (%) Note 5	3.5	4.9	**4.7**
Return on Equity (%) Note 6	5.1	7.6	**7.7**
Capital Expenditures Note 7	40,004	31,729	**32,647**
Depreciation Note 7	15,588	15,804	**17,900**
R&D Expenses	5,490	5,693	**5,317**
			(Yen)
Basic Earnings per Share Note 8	107.33	162.86	**169.94**
Equity per Share Note 9	2,113.32	2,158.96	**2,252.86**
Dividends per Share	54.00	62.00	**66.00**
Dividend Payout Ratio (%)	50.3	38.1	**38.8**
Number of Employees (At Fiscal Year-End)	6,613	6,737	**7,465**

Notes:
1. Return on sales = Profit attributable to owners of parent ÷ Net sales × 100
2. Total assets turnover = Net sales ÷ Total assets (Average)
3. Equity attributable to owners of parent = Total equity less Non-controlling interests
4. Equity ratio = Equity attributable to owners of parent ÷ Total assets × 100
5. Return on assets = Profit attributable to owners of parent ÷ Total assets (Average) × 100
6. Return on equity = Profit attributable to owners of parent ÷ Equity attributable to owners of parent (Average) × 100
7. Property, plant and equipment and right-of-use assets
8. Calculation of Basic earnings per share is based on average number of shares outstanding (excluding treasury stock).
9. Calculation of Equity per share is based on the number of shares at fiscal year-end (excluding treasury stock).

Segment Information

(Millions of Yen)

For the years ended March 31		2019	2020	2021
Orders	Water treatment chemicals	102,939	113,777	**103,579**
	Water treatment facilities	155,500	145,768	**158,762**
	Total	258,439	259,545	**262,341**
Net Sales	Water treatment chemicals	102,126	113,632	**103,231**
	Water treatment facilities	155,204	151,174	**164,518**
	Total	257,331	264,807	**267,749**
Business Profit	Water treatment chemicals	9,791	11,667	**12,287**
	Water treatment facilities	15,878	15,061	**17,129**
	Adjustment	(3)	(74)	**52**
	Total	25,667	26,654	**29,470**
Operating Profit	Water treatment chemicals	4,258	10,127	**11,816**
	Water treatment facilities	15,518	17,390	**19,634**
	Adjustment	83	(38)	**78**
	Total	19,860	27,479	**31,529**
Assets Employed (At Fiscal Year-End)	Water treatment chemicals	115,017	119,960	**123,476**
	Water treatment facilities	200,975	209,015	**233,530**
	Adjustment	43,507	58,774	**67,921**
	Total	359,500	387,749	**424,928**
Capital Expenditures	Water treatment chemicals	4,182	6,853	**8,719**
	Water treatment facilities	37,071	26,428	**25,848**
	Total	41,254	33,281	**34,568**
Depreciation and Amortization	Water treatment chemicals	4,502	5,496	**4,986**
	Water treatment facilities	13,369	13,204	**15,752**
	Total	17,872	18,700	**20,739**
R&D Expenses	Water treatment chemicals	1,899	2,002	**1,722**
	Water treatment facilities	3,590	3,691	**3,594**
	Total	5,490	5,693	**5,317**

Consolidated Statement of Financial Position

(Millions of Yen)

As of March 31	2020	2021
Assets		
Current assets		
Cash and cash equivalents	50,215	**62,228**
Trade and other receivables	96,974	**97,745**
Other financial assets	2,562	**2,817**
Inventories	9,247	**9,911**
Other current assets	3,847	**3,780**
Total current assets	162,847	**176,482**
Non-current assets		
Property, plant and equipment	106,358	**117,603**
Right-of-use assets	17,784	**19,405**
Goodwill	47,033	**55,596**
Intangible assets	13,381	**17,320**
Investments accounted for using equity method	7,469	**1,578**
Other financial assets	28,465	**33,563**
Deferred tax assets	4,295	**3,199**
Other non-current assets	113	**177**
Total non-current assets	224,902	**248,445**
Total assets	387,749	**424,928**

(Millions of Yen)

As of March 31	2020	2021
Liabilities and equity		
Liabilities		
Current liabilities		
Trade and other payables	35,680	**46,506**
Borrowings	35,371	**445**
Lease liabilities	4,234	**4,373**
Other financial liabilities	219	**—**
Income taxes payable	1,998	**8,135**
Provisions	1,557	**1,847**
Other current liabilities	15,345	**13,644**
Total current liabilities	94,408	**74,952**
Non-current liabilities		
Bonds and borrowings	1,305	**31,207**
Lease liabilities	13,701	**15,327**
Other financial liabilities	2,562	**13,703**
Retirement benefit liability	16,913	**18,027**
Provisions	499	**1,160**
Deferred tax liabilities	1,346	**2,368**
Other non-current liabilities	12,903	**10,343**
Total non-current liabilities	49,232	**92,137**
Total liabilities	143,640	**167,090**
Equity		
Share capital	13,450	**13,450**
Capital surplus	8,212	**(2,212)**
Treasury shares	(10,893)	**(10,787)**
Other components of equity	216	**8,500**
Retained earnings	231,456	**244,138**
Equity attributable to owners of parent	242,442	**253,089**
Non-controlling interests	1,666	**4,748**
Total equity	244,108	**257,837**
Total liabilities and equity	387,749	**424,928**

Consolidated Statement of Profit or Loss

(Millions of Yen)

For the years ended March 31	2020	2021
Net sales	264,807	**267,749**
Cost of sales	(172,092)	**(173,073)**
Gross profit	92,715	**94,676**
Selling, general and administrative expenses	(66,060)	**(65,206)**
Other income	5,832	**5,929**
Other expenses	(5,006)	**(3,870)**
Operating profit	27,479	**31,529**
Finance income	569	**545**
Finance costs	(1,417)	**(1,923)**
Share of profit (loss) of investments accounted for using equity method	60	**(999)**
Profit before tax	26,691	**29,150**
Income tax expense	(8,378)	**(9,326)**
Profit	18,312	**19,824**
Profit attributable to		
Owners of parent	18,287	**19,088**
Non-controlling interests	25	**735**
Profit	18,312	**19,824**
		(Yen)
Earnings per share		
Basic earnings per share	162.86	**169.94**
Diluted earnings per share	—	**—**

Consolidated Statement of Comprehensive Income

(Millions of Yen)

For the years ended March 31	2020	2021
Profit	18,312	**19,824**
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Net change in fair value of financial assets measured at fair value through other comprehensive income	(462)	**5,202**
Remeasurements of defined benefit plans	62	**(234)**
Total of items that will not be reclassified to profit or loss	(400)	**4,968**
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	(4,316)	**4,851**
Cash flow hedges	192	**(594)**
Share of other comprehensive income of investments accounted for using equity method	(94)	**24**
Total of items that may be reclassified to profit or loss	(4,219)	**4,280**
Total other comprehensive income	(4,619)	**9,249**
Comprehensive income	13,693	**29,073**
Comprehensive income attributable to		
Owners of parent	13,717	**28,021**
Non-controlling interests	(24)	**1,052**
Comprehensive income	13,693	**29,073**

Consolidated Statement of Changes in Equity

For the year ended March 31, 2020

(Millions of Yen)

	Equity attributable to owners of parent											
				Other components of equity								
	Share capital	Capital surplus	Treasury shares	Exchange differences on translation of foreign operations	Cash flow hedges	Financial assets measured at fair value through other comprehensive income	Remeasurements of defined benefit plans	Total	Retained earnings	Total	Non-controlling interests	Total
Balance as of April 1, 2019	13,450	10,265	(10,932)	(4,671)	310	9,199	—	4,838	219,660	237,282	1,902	239,184
Profit	—	—	—	—	—	—	—	—	18,287	18,287	25	18,312
Other comprehensive income	—	—	—	(4,362)	192	(462)	63	(4,569)	—	(4,569)	(49)	(4,619)
Comprehensive income	—	—	—	(4,362)	192	(462)	63	(4,569)	18,287	13,717	(24)	13,693
Purchase of treasury shares	—	—	(3)	—	—	—	—	—	—	(3)	—	(3)
Dividends	—	—	—	—	—	—	—	—	(6,521)	(6,521)	(24)	(6,546)
Share-based remuneration transactions	—	103	42	—	—	—	—	—	—	145	8	154
Changes in ownership interest in subsidiaries	—	(1,385)	—	0	—	—	—	0	—	(1,385)	(196)	(1,581)
Increase (decrease) by business combination	—	—	—	—	—	—	—	—	—	—	—	—
Liabilities pertaining to forward contracts concluded with non-controlling shareholders	—	—	—	—	—	—	—	—	—	—	—	—
Transfer from other components of equity to retained earnings	—	—	—	—	—	10	(63)	(52)	52	—	—	—
Other	—	(771)	—	—	—	—	—	—	(21)	(792)	—	(792)
Total transactions with owners	—	(2,053)	38	0	—	10	(63)	(52)	(6,490)	(8,557)	(211)	(8,769)
Balance as of March 31, 2020	13,450	8,212	(10,893)	(9,033)	503	8,747	—	216	231,456	242,442	1,666	244,108

For the year ended March 31, 2021

(Millions of Yen)

	Equity attributable to owners of parent											
				Other components of equity								
	Share capital	Capital surplus	Treasury shares	Exchange differences on translation of foreign operations	Cash flow hedges	Financial assets measured at fair value through other comprehensive income	Remeasurements of defined benefit plans	Total	Retained earnings	Total	Non-controlling interests	Total
Balance as of April 1, 2020	**13,450**	**8,212**	**(10,893)**	**(9,033)**	**503**	**8,747**	**—**	**216**	**231,456**	**242,442**	**1,666**	**244,108**
Profit	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**19,088**	**19,088**	**735**	**19,824**
Other comprehensive income	**—**	**—**	**—**	**4,560**	**(594)**	**5,202**	**(235)**	**8,932**	**—**	**8,932**	**316**	**9,249**
Comprehensive income	**—**	**—**	**—**	**4,560**	**(594)**	**5,202**	**(235)**	**8,932**	**19,088**	**28,021**	**1,052**	**29,073**
Purchase of treasury shares	**—**	**—**	**(4)**	**—**	**—**	**—**	**—**	**—**	**—**	**(4)**	**—**	**(4)**
Dividends	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**(7,076)**	**(7,076)**	**(1,013)**	**(8,090)**
Share-based remuneration transactions	**—**	**9**	**111**	**—**	**—**	**—**	**—**	**—**	**—**	**120**	**(9)**	**111**
Changes in ownership interest in subsidiaries	**—**	**(991)**	**—**	**4**	**—**	**—**	**—**	**4**	**—**	**(986)**	**(208)**	**(1,194)**
Increase (decrease) by business combination	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**3,260**	**3,260**
Liabilities pertaining to forward contracts concluded with non-controlling shareholders	**—**	**(10,578)**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**(10,578)**	**—**	**(10,578)**
Transfer from other components of equity to retained earnings	**—**	**—**	**—**	**—**	**—**	**(888)**	**235**	**(653)**	**653**	**—**	**—**	**—**
Other	**—**	**1,135**	**—**	**—**	**—**	**—**	**—**	**—**	**16**	**1,152**	**—**	**1,152**
Total transactions with owners	**—**	**(10,424)**	**106**	**4**	**—**	**(888)**	**235**	**(648)**	**(6,406)**	**(17,373)**	**2,029**	**(15,344)**
Balance as of March 31, 2021	**13,450**	**(2,212)**	**(10,787)**	**(4,469)**	**(91)**	**13,060**	**—**	**8,500**	**244,138**	**253,089**	**4,748**	**257,837**

Consolidated Statement of Cash Flows

(Millions of Yen)

For the years ended March 31	2020	2021
Cash flows from operating activities		
Profit before tax	26,691	**29,150**
Depreciation and amortization	18,700	**20,739**
Share of loss (profit) of investments accounted for using equity method	(60)	**999**
Loss (gain) on sale of fixed assets	(2,471)	**(1,333)**
Decrease (increase) in inventories	(169)	**254**
Decrease (increase) in trade and other receivables	4,527	**746**
Increase (decrease) in trade and other payables	(1,893)	**(2,904)**
Other	2,652	**(3,410)**
Subtotal	47,977	**44,242**
Interest received	141	**153**
Dividends received	410	**360**
Interest paid	(305)	**(213)**
Income taxes paid	(10,847)	**(4,541)**
Net cash provided by operating activities	37,376	**40,002**
Cash flows from investing activities		
Payments into time deposits	(1,951)	**(1,856)**
Proceeds from withdrawal of time deposits	1,545	**1,588**
Purchase of property, plant and equipment	(31,168)	**(14,055)**
Proceeds from sale of property, plant and equipment	5,942	**8,401**
Purchase of intangible assets	(1,534)	**(1,909)**
Proceeds from sale of investment securities	41	**2,533**
Payments for acquisition of subsidiaries (after deduction of cash and cash equivalents included in acquired assets)	(8,501)	**(4,599)**
Purchase of investments in associates	(5,915)	**—**
Other	(2,140)	**(874)**
Net cash used in investing activities	(43,683)	**(10,771)**
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	35,001	**(35,001)**
Proceeds from issuance of bonds	—	**29,882**
Repayments of long-term borrowings	(384)	**(645)**
Repayments of lease liabilities	(4,514)	**(5,033)**
Dividends paid	(6,539)	**(8,083)**
Purchase of investments in subsidiaries not resulting in change in scope of consolidation	(1,588)	**—**
Other	7	**29**
Net cash provided by (used in) financing activities	21,981	**(18,852)**
Effect of exchange rate changes on cash and cash equivalents	(1,006)	**1,634**
Net increase (decrease) in cash and cash equivalents	14,667	**12,013**
Cash and cash equivalents at beginning of period	35,547	**50,215**
Cash and cash equivalents at end of period	50,215	**62,228**

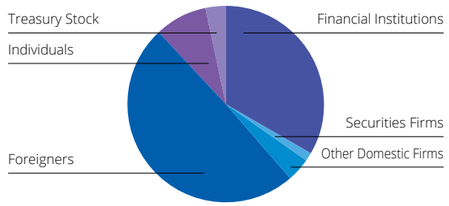
Stock Information (As of March 31, 2021)

Stock Exchange Listing:	Tokyo Stock Exchange, First Section
Number of Authorized Shares:	531,000,000
Number of Shares Outstanding:	116,200,694 (Including 3,584,710 shares of treasury stock)
Number of Shares Per Lot:	100
Number of Shareholders:	20,633
Independent Accounting Auditor:	Grant Thornton Taiyo LLC Akasaka K-tower 22F, 1-2-7, Motoakasaka, Minato-ku, Tokyo 107-0051, Japan
Transfer Agent:	Sumitomo Mitsui Trust Bank, Ltd. 1-4-1, Marunouchi, Chiyoda-ku, Tokyo 100-8233, Japan

Major Shareholders

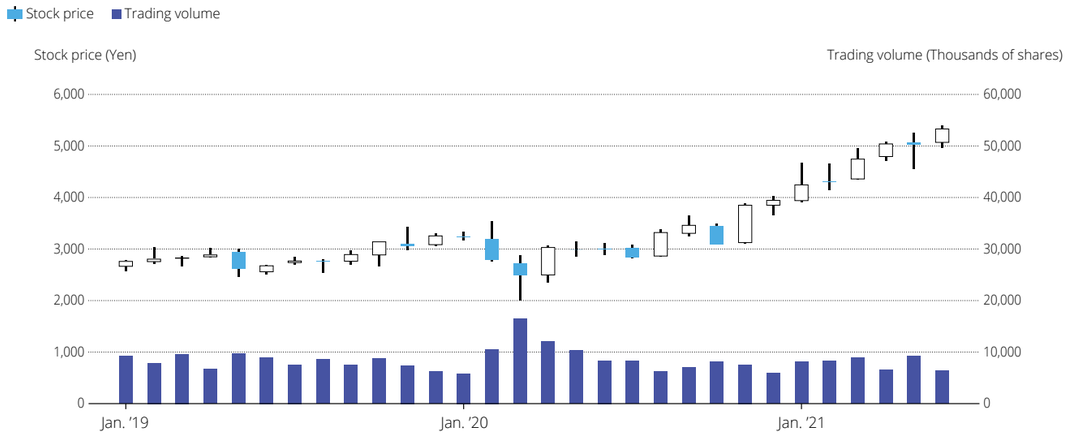
	Shareholdings (Number of shares)	Percentage of total shares issued (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	8,616,500	7.41
Custody Bank of Japan, Ltd. (Trust Account)	6,580,783	5.66
Nippon Life Insurance Company	5,979,883	5.14
Kurita Water Industries Ltd.	3,584,710	3.08
STATE STREET BANK AND TRUST COMPANY 505025	2,363,708	2.03
MUFG Bank, Ltd.	2,056,131	1.76
CACEIS BANK LUXEMBOURG BRANCH/ UCITS CLIENT	1,719,200	1.47
BNP PARIBAS SECURITIES SERVICES LUXEMBOURG/JASDEC/ FIM/LUXEMBOURG FUNDS/UCITS ASSETS	1,695,400	1.45
Tokio Marine & Nichido Fire Insurance Co., Ltd.	1,680,826	1.44
Custody Bank of Japan, Ltd. (Trust Account 5)	1,658,000	1.42

Distribution of Shares by Shareholder Type



	Shareholdings (Number of shares)	Distribution of Share (%)
Financial Institutions	38,913,563	33.5
Securities Firms	1,577,053	1.3
Other Domestic Firms	4,506,764	3.9
Foreigners	57,506,096	49.5
Individuals	10,112,508	8.7
Treasury Stock	3,584,710	3.1
Total	116,200,694	100.0

Stock Price Range and Trading Volume



Corporate Data

Company Name	Kurita Water Industries Ltd.
Address	10-1, Nakano 4-chome, Nakano-ku, Tokyo 164-0001, Japan
Date of Establishment	July 13, 1949
Paid-in Capital	¥13,450,751,434
Number of Employees	7,465 (on a consolidated basis); 1,561 (parent company) (As of March 31, 2021)
Major Domestic Offices	Head Office: 10-1, Nakano 4-chome, Nakano-ku, Tokyo 164-0001, Japan Tel: 81 (3) 6743-5000 Osaka Office: 2-22, Kitahama 2-chome, Chuo-ku, Osaka-shi, Osaka 541-0041, Japan Tel: 81 (6) 6228-4800 Kurita Global Technology Center: 1-1, Kawada, Nogi-machi, Shimotsuga-gun, Tochigi 329-0105, Japan Tel: 81 (280) 54-1511 Engineering Center: 8-7-2, Shimorenjaku, Mitaka-shi, Tokyo 181-0013, Japan Tel: 81 (422) 29-6200 Other Offices: Shizuoka Plant, Tohoku Office, Nagoya Office, Hiroshima Office, etc.

Main Domestic Consolidated Group Companies (As of March 31, 2021)

■ Sale of water treatment chemicals
Kurita Buil-Tech Co., Ltd.
Kurita BMS Co., Ltd.
Kurita Tokai Ltd.
Kurita Hokuriku Ltd.
Kurita Kansai Ltd.
Kurita Sanyo Ltd.
Kurita Kyusyu Ltd.

■ Sale of water treatment chemicals and provision of maintenance services for water treatment facilities
Kurita Hokkaido Ltd.
Kurita Kitakantou Co., Ltd.
Kurita Kanto Ltd.

■ Manufacture of water treatment
Kurita Chemical Manufacturing Ltd.

■ Water quality and environmental analysis
Kurita Analysis Service Co. Ltd.

■ Sale and maintenance of water treatment facilities
Kurita Meiki Ltd.

■ Tool cleaning
Kuritec Service Co., Ltd.
San-ei Industries Co., Ltd.
Nippon Fine Co., Ltd.
Aoi Industries Co., Ltd.

■ Operation and maintenance of water treatment facilities
Kuritaz Co., Ltd.

■ Engineering cleaning
Miyoshi Industries Co., Ltd.

■ Manufacture and sale of water treatment equipment and products for general households
Kurita Creation Co., Ltd.

■ Soil and groundwater remediation
Land Solution Inc.
Land Management Inc.

■ Other businesses
Kurita Sogo Service Co., Ltd.
With Kurita Ltd.

Main Overseas Group Companies (As of April 30, 2021)

Region	Overseas consolidated subsidiaries and affiliated companies	Year of establishment	Paid-in capital (Millions)	Equity ownership (%)	Business segment		
					Water Treatment Chemicals	Water Treatment Facilities	Others
Asia	Kurita Water Industries (Dalian) Co., Ltd.	1995	¥550	90.1	●		
	Kuritec (Shanghai) Co., Ltd.	2001	¥30	100.0		●	
	Kurita Water Industries (Suzhou) Ltd.	2004	¥530	100.0		●	
	Kurita Water Industries (Jiangyin) Co., Ltd.	2015	US$16	100.0	●		
	Hansu Co., Ltd.	1974	W2,500	100.0	●		
	Hansu Technical Service Ltd.	1988	W26,400	100.0		●	
	Kurita (Taiwan) Co., Ltd.	1987	NT$20	100.0	●	●	
	Kurita (Singapore) Pte. Ltd.	1978	S$11	100.0	●	●	
	Kurita Water (Malaysia) Sdn. Bhd.	1994	RM$0.6	100.0	●	●	
	Kurita-GK Chemical Co., Ltd.	1989	BAHT204	85.0	●		
	Kurita-GK Vietnam Co., Ltd.	2016	US$0.50	85.0	●		
	P.T. Kurita Indonesia	1986	US$2	92.5	●	●	
	Kurita R&D Asia Pte. Ltd.	2017	S$3	100.0			●
EMEA	Kurita Europe GmbH	1989	EUR50	100.0	●		
	Kurita Italia S.r.l.	2021	EUR1	100.0	●		
	Kurita France S.A.S.	2015	EUR5	100.0	●		
	Kurita Iberica SL	2015	EUR1	100.0	●		
	Kurita Turkey Kimya A.S.	2015	TRY5.7	100.0	●		
	Kurita Sverige AB	2015	SEK0.1	100.0	●		
	Kurita Polska SP.z.o.o.	2016	EUR3.27	100.0	●		
	Kurita AquaChemie Limited	2020	0.1AED	51.0	●		
North America	Kurita America, Inc.	1996	US$0.00001	100.0	●	●	
	Keytech Water Management	1981	2.1CAD	100.0	●		
	Pentagon Technologies Group, Inc.	1998	US$0.002	51.0		●	
	Avista Technologies, Inc.	1999	US$0.003719	100.0	●		
	Kurita Fracta Holdings, Inc.	2017	US$73	71.8			●
Others	Kurita do Brasil LTDA.	1975	R$6.9	100.0	●		

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https://www.kurita.co.jp/english/