

# 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. To ensure that opportunities for business growth are not missed due to decision-making that favors risk avoidance, we work to clarify which

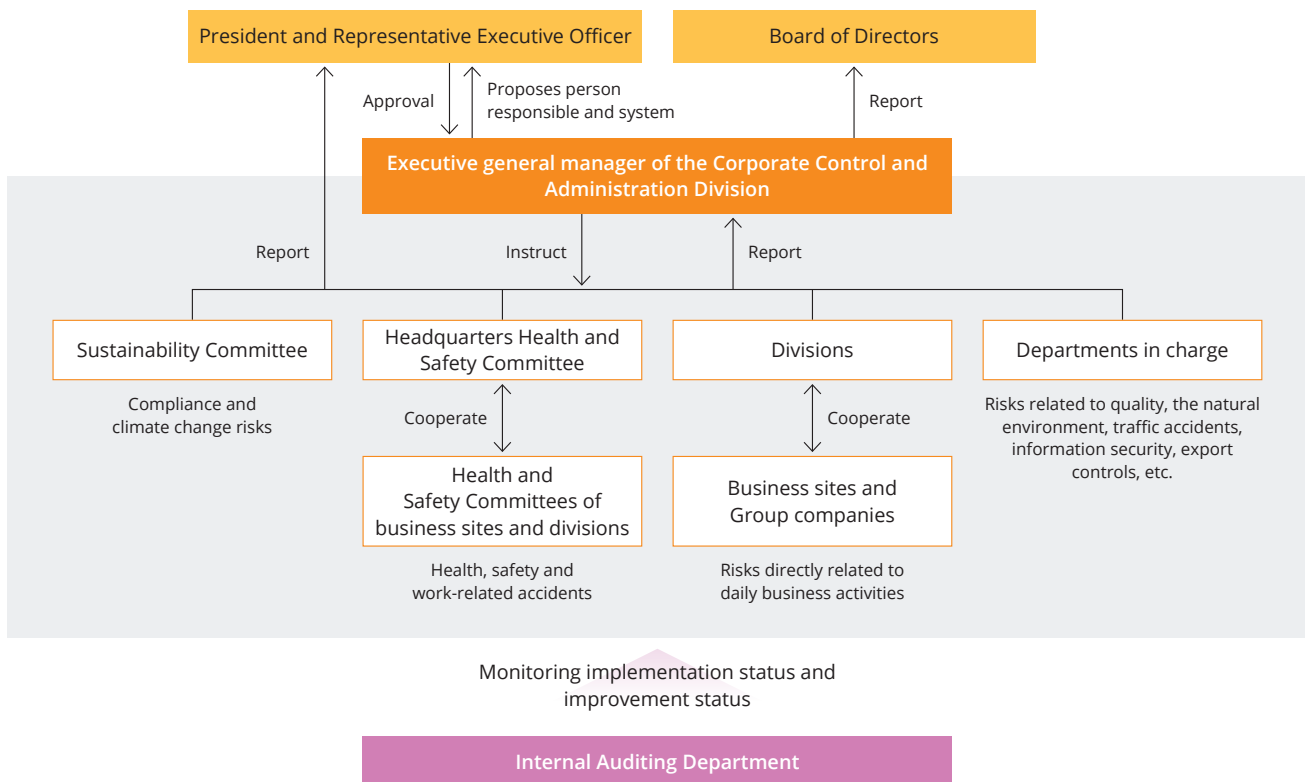
risks should be accepted for the sake of sustainable growth and corporate value increase while implementing appropriate measures to reduce losses.

## Risk Management System

The executive general manager of the Corporate Control and Administration Division 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, and also takes steps to prevent risks from occurring. In the event of a risk materializing 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 representative executive officer, and immediately issues instructions. Those responsible for responding to the risk promptly take action and report to the president and representative executive officer and the executive general manager of the Corporate Control and Administration Division, as well as the Board of Directors or the Audit Committee, regarding the impact of the risk, progress with mitigation and measures to prevent reoccurrence. The chairperson of the Sustainability 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 work-related accidents. 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 risks relating to quality, the natural environment, traffic accidents, information security, export controls, and so on are handled by the respective departments responsible. The executive general manager of the Corporate Control and Administration Division, 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. For the fiscal year ending March 31, 2024, we have decided to designate as additional risks those that require close monitoring, namely, the risks associated with continuing or withdrawing from business operations in conflict regions and the risk of decrease in productivity and loss of business opportunities due to decline in employee engagement, and to strengthen related response measures.

### ► Risk Management PDCA Cycle



### ► Groupwide Risk Map

| Risk category              | Main risks   | Report section/information related to response measures   |
|----------------------------|--|---|
| Operating environment risk | <ul style="list-style-type: none"> <li>• Contraction in existing markets due to customers reducing factory operating rates and reining in capital investment</li> <li>• Decline in prices for products and services due to intensifying competition</li> <li>• Decline in profitability and slowdown in business growth due to spikes in prices for raw materials and energy costs as well as supply chain disruptions</li> <li>• Decline in yen translation amounts due to changes in exchange rates and other factors</li> <li>• Decline in profits following the introduction and increase of carbon tax on CO<sub>2</sub> emitted by the Kurita Group's facilities and products, etc.</li> </ul> | <ul style="list-style-type: none"> <li>• Kurita Group Business Strategy P.14-35</li> <li>• The Kurita Group's Businesses P.36-47</li> <li>• Climate Change P.66-67</li> </ul> |
| Country risk               | <ul style="list-style-type: none"> <li>• Risk of loss of business opportunities and inability to recover investments due to changes in regulatory frameworks and abrupt political and economic changes in Kurita's markets</li> <li>• Increase in human rights infringements and reputational damage resulting from business continuation or withdrawal in conflict regions</li> </ul>   | <ul style="list-style-type: none"> <li>• The Kurita Group's Businesses P.36-47</li> </ul>   |
| Disaster risk              | <ul style="list-style-type: none"> <li>• Human losses and loss of business opportunities caused by pandemics</li> <li>• Human losses and loss of business opportunities caused by natural disasters including those caused by climate change</li> </ul>  | <ul style="list-style-type: none"> <li>• BCM P.72-73</li> <li>• Climate Change P.66-67</li> </ul>   |
| Strategic risk             | <ul style="list-style-type: none"> <li>• Failure to attain goals in medium-term management plan due to delays with organizational reforms, business restructuring</li> <li>• Slow pace of business expansion caused by delays with launching new businesses, executing growth strategy</li> <li>• Delays with developing businesses matched to customer needs and characteristics of each country/region</li> <li>• Failure to remain competitive in water treatment market due to delays with introducing IT and building digital businesses</li> </ul>   | <ul style="list-style-type: none"> <li>• Kurita Group Business Strategy P.14-35</li> <li>• The Kurita Group's Businesses P.36-47</li> </ul>                                   |
| Business risk              | <ul style="list-style-type: none"> <li>• Failure to provide competitive products, services or business models in a timely manner</li> <li>• Claims for damages and additional costs due to defects or deficiencies in products or services</li> <li>• Loss of competitiveness due to outflow of technical expertise</li> <li>• Slowdown or lack of progress with improving the profitability of overseas businesses driving the Kurita Group's growth</li> <li>• Accidents/injuries in the Group's businesses</li> </ul>   | <ul style="list-style-type: none"> <li>• The Kurita Group's Businesses P.36-47</li> <li>• Information Security Management P.73</li> </ul>                                     |
| Financial risk             | <ul style="list-style-type: none"> <li>• Loss of public trust caused by inadequate internal controls related to financial reporting</li> <li>• Deterioration in profitability or cash flow due to poor management of Group companies</li> <li>• Write-down of goodwill caused by weak earnings at acquired companies</li> </ul>  | <ul style="list-style-type: none"> <li>• Financial and Capital Strategy P.26-29</li> <li>• Basic Policies for Constructing an Internal Control System —</li> </ul>            |
| Personnel/labor risk       | <ul style="list-style-type: none"> <li>• Health issues caused by long working hours</li> <li>• Decline in ability to adapt to changes in operating environment due to insufficient diversity initiatives</li> <li>• Decrease in productivity and loss of business opportunities due to decline in employee engagement</li> </ul>   | <ul style="list-style-type: none"> <li>• Human Resources Strategy P.48-55</li> </ul>  |
| Legal and compliance risk  | <ul style="list-style-type: none"> <li>• Loss of public trust due to legal or compliance violations and information breaches</li> <li>• Infringement of intellectual property rights</li> </ul>  | <ul style="list-style-type: none"> <li>• Compliance P.68-69</li> <li>• Intellectual Property Strategy P.58-59</li> </ul>  |

- 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](https://ir.kurita.co.jp/en/corporate_governance/risk_factors/index.html)

## Risk Management

### Business Continuity Management (BCM)

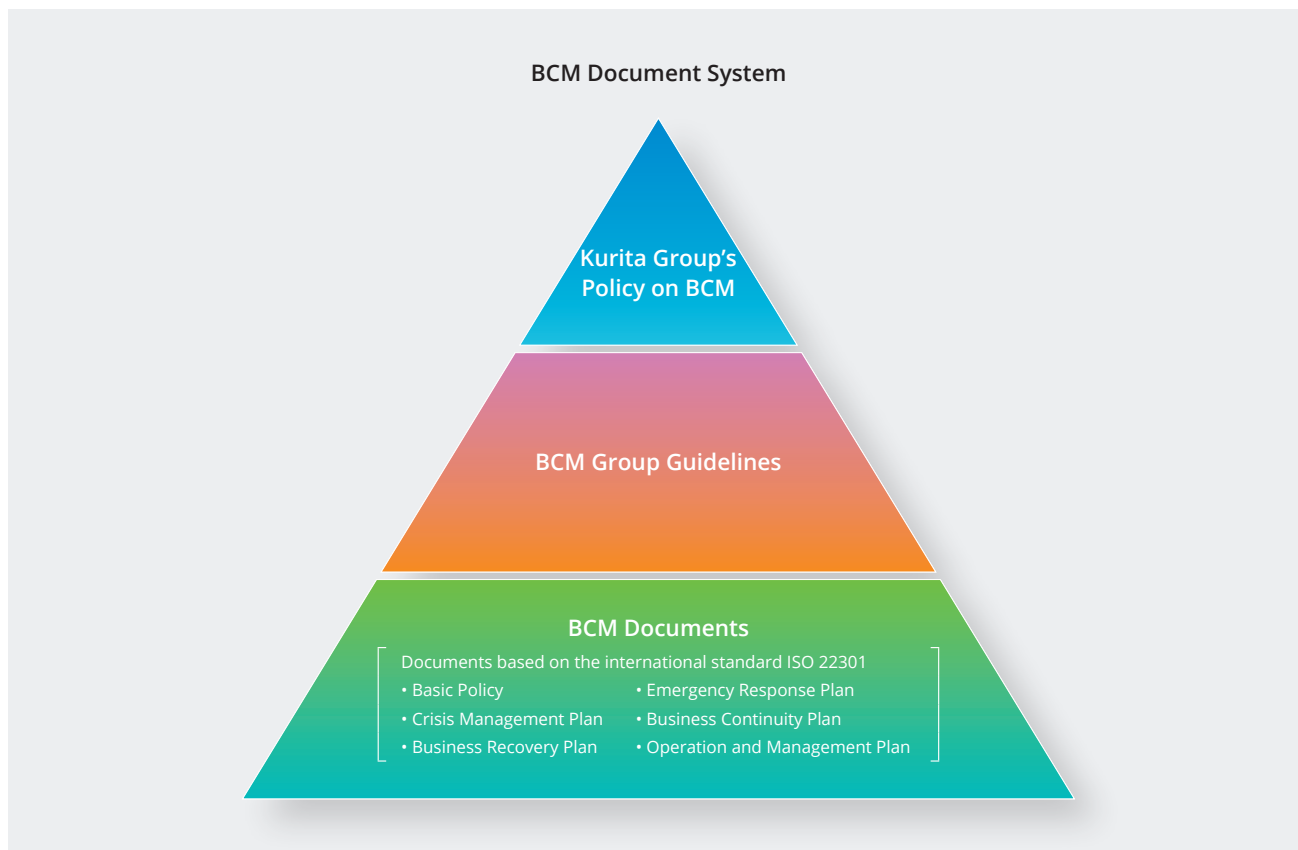
#### Approach and System for BCM Activities

The Kurita Group has taken steps to prepare for sudden unexpected events such as a major earthquake or natural disaster, a pandemic or geopolitical risks, with the focus on ensuring both employee safety and business continuity. This includes establishing an order of operational priorities and criteria for decision making and action for when such an event occurs, and putting in place response policies, procedures, systems, and other measures. During normal times, meanwhile, we engage in management activities such as formulating, maintaining, and updating emergency plans, securing budgets and resources, implementing countermeasures, conducting education and training, and carrying out inspections.

In the Kurita Group's Policy on BCM, formulated in 2018, the basic policy is to give first priority in an emergency to ensuring employee safety, and only then to direct efforts to speedy recovery of business operations and assistance for local communities. To support officers and employees to take appropriate decisions and action in such a situation, the Company has also prepared a system of documentation comprising the Kurita Group's Policy on BCM, the BCM Group Guidelines, which complements the policy, and BCM Documents based on the framework of the international standard for BCM, ISO 22301. The Company started implementing the system in the fiscal year ended March 31, 2023.

#### ► BCM Basic Policy

| Highest Priority on Ensuring Human Safety  | Rapid Recovery of Business Operations  | Community Support   |
|--|--|---|
| We will place the highest priority on ensuring the peace of mind and safety of officers, employees and their family members. | We will endeavor to quickly restore operations at the company's own facilities, completed projects, construction projects, etc. This will facilitate stable delivery of products and services and allow us to support customers' recovery efforts. | At the same time as working to prevent secondary disaster damage at our own sites, we will support reconstruction in the local community. |



## BCM Promotion System

We have established an organization that integrates the Kurita Group's business continuity functions within the Corporate Control and Administrative Division, whose executive general manager has been appointed as officer in charge of BCM. The new organization will roll out BCM activities based on an ISO22301-compliant management system to Group companies in Japan and overseas, progressively strengthening initiatives designed to ensure both employee safety and business continuity.

## Initiatives to Strengthen BCM Activities

The Group's BCM activities to date have mainly focused on initiatives for ensuring employee safety and disaster countermeasures at manufacturing sites. However, we have also been working to restructure and strengthen our BCM functions based on the international standard ISO 22301 framework and have established a new approach to the order of priorities for business continuity and associated action items.

We have additionally taken steps to increase the quality and speed of communication in our initial response to an incident by redefining what information on disaster impact status needs to be gathered to support the establishment of a Disaster Response Headquarters and by reorganizing the associated reporting structure.

To ensure employee safety and to strengthen initial response capabilities, we carried out a disaster response drill based on the scenario of an incident occurring while employees are working from home, which was rolled out to all employees through online

streaming. As well as working to raise the level of disaster knowledge and awareness among individual employees, we regularly conduct exercises where we practice confirming the safety of each employee in the event of a major earthquake or storm, or flood damage to drill employees in rapid initial response procedures.

To support business continuity, we surveyed customers involved with social infrastructure and customers to whom we supply ultrapure water to identify their expectations regarding the restoration of Kurita Group operations after an event, and expanded the provision of an "event response model" for each customer, which specifies a vertically integrated response procedure for sales, engineering, Group companies, and partner companies and the necessary resources.

Going forward, we will work to embed the utilization of the BCM Documents and increase their effectiveness by promoting internal awareness of the documents and conducting education and training by staff grade and job type. We will also expand initiatives by defining the deployment scope of the event response model for each customer. Furthermore, to improve business continuity functions throughout the supply chain, we will strengthen initiatives for rapid recovery of our own manufacturing sites and coordination with partner companies.

Overseas, we shared BCM Documents formulated in Japan with our Group companies and formulated BCM Documents to address the inherent risks and business characteristics of each country and region by conducting local surveys. Going forward, we will work to respond to the increasingly diverse range of global risks and to put in place a global reporting system for use in an emergency.

## Information Security Management

The increasing trend in information security incidents has heightened the importance of countermeasures for business operators. The Kurita Group is responding through a globally based security approach with measures including review of security levels, introduction of security tools, and reinforcement of its security response team.

The Kurita Group Digital Management Policy has been upgraded from the previous policy covering system development, maintenance and operation to an information security management policy that also takes account digital related activities required to drive reform of corporate business activities. In the fiscal year ending March 31, 2024, with the aim of putting in place a management structure for our IT system that is resilient to risks from natural disasters and cyber-attacks, we formulated a dedicated business continuity plan for the IT system.

We will continue to roll out a range of measures, undertaking regular assessment of IT risk, implementing organizational upgrades

in response to security issues, securing budgets, putting in place information systems for the event of an incident, and introducing security tools. In parallel, we will provide regular information security training to Kurita Group employees. In the fiscal year ending March 31, 2024, we will additionally set up a security monitoring system that operates 24 hours a day 365 days a year on a global and multilingual platform, establish a computer security incident response Team (CSIRT) to respond to incidents occurring in Japan, and also reinforce the security environment of the operational technology (OT) which is used to monitor and control not only IT systems but also water treatment facilities and other installations.

Going forward, with the increase in the incidence and sophistication of cyber-attacks expected to continue, we are working to put in place an information security system that will allow us to continue with uninterrupted value delivery to customers.