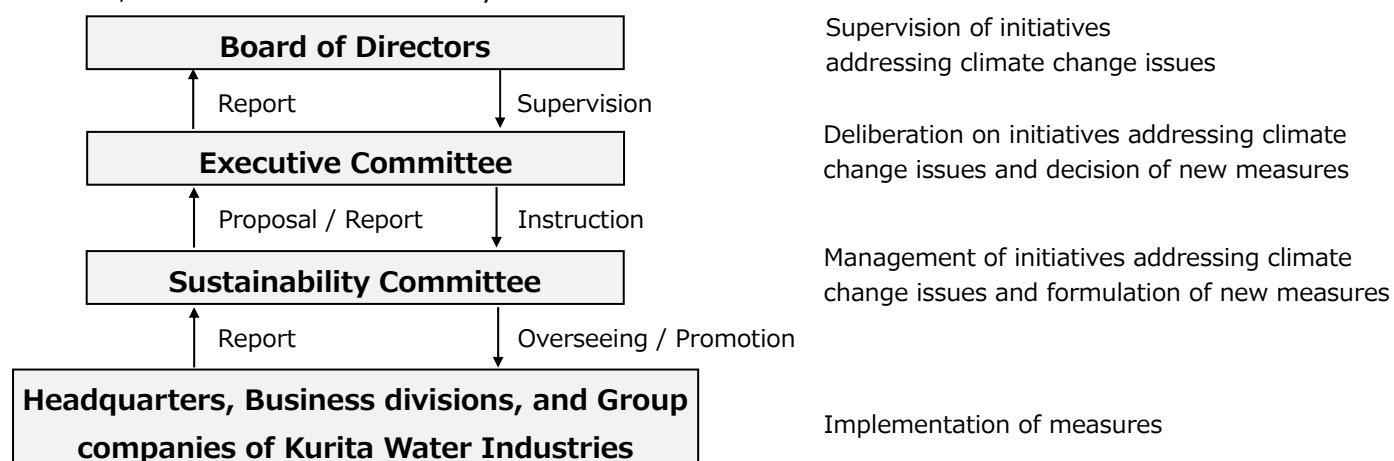


The Kurita Group's Initiatives Addressing Climate Change

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

1. Governance

The Kurita Group sets the Sustainability Committee, chaired by Executive General Manager of Sustainability Division and Executive Officer of Kurita Water Industries, which oversees and promotes initiatives addressing climate change. The Board of Directors supervises the initiatives, receives reports from the Executive Committee twice a year in principle. The Executive Committee receives reports from the Sustainability Committee on the status of efforts to address climate change issues, deliberates on the details, and determines necessary measures.



2. Strategy

Based on the two scenarios (1.5°C and 4°C)^{*1} described in IPCC SR1.5 and IPCC RCP8.5, etc. the Kurita Group has evaluated the risks and opportunities by two axes of “probability” and “impact” for short-term, medium-term and long-term^{*2}, and has formulated the measures of the Kurita Group as well as evaluating the financial impacts on our business for some of them.

Type		Risks and Opportunities	Time horizon	Financial Impact/Measures
Policy and Legal	Risk	Introduction or increase of carbon tax.	Med to long term	<p><Financial Impact (As FY2051)></p> <ul style="list-style-type: none"> •1.5°C : 2.2 billion yen^{*3}. •4°C : None. <p><Measures></p> <ul style="list-style-type: none"> •Scope1+2 : By FY2031, an estimated cost of approximately 1.1 billion yen will be invested, and 100% reduction will be achieved through the introduction of electric vehicles and the adoption of renewable energy. •Scope3 : Reduce emissions by 30% compared to the base year by FY2031 by promoting the CSV business^{*4} and procuring low-carbon raw materials.

	Risk	Regulations for products and services with high GHG emissions.	Med to long term	<Measures> <ul style="list-style-type: none"> • Low carbonization of products and services by utilizing digital technology and reviewing design, etc. • Reduction of Scope 1 and 2 emissions by switching to alternative fuels and renewable energies • Development and expansion of CSV businesses that contribute to GHG reduction, such as biomass power generation, energy recovery, resource recovery, exhaust gas treatment, CO₂ recovery, and battery-related businesses.
	Opportunity	Dissemination of supportive policy incentives to the conversion to energy with low GHG emissions.	Med to long term	
Technology	Risk / Opportunity	Substitution of existing products and services with lower emissions options.	Short to long term	
Market	Risk	Decreased demand from fossil fuel-related sector.	Med to long term	<Measures> <ul style="list-style-type: none"> • Low carbonization of products and services by utilizing digital technology and reviewing design, etc. and business transition through the development and expansion of CSV businesses that contribute to GHG reduction, such as biomass power generation, energy recovery, resource recovery, exhaust gas treatment, CO₂ recovery, and battery-related businesses.
	Risk	Soaring costs of material and energy.	Med to long term	
	Opportunity	Increased demand in the electronic industry due to the acceleration of DX.	Med to long term	

Physical Risks	Risk	Increased factory shutdowns and construction delays due to extreme weather events such as cyclones and floods.	Short to long term	<p><Financial Impact (After FY2021)></p> <ul style="list-style-type: none"> •1.5°C and 4°C : About 15.7 billion yen/year at domestic production bases where risks are identified. <p><Measures></p> <ul style="list-style-type: none"> •About 14 million yen has been invested to install waterstops at one site. •Continuous strengthening of business continuity in preparation for natural disasters such as flood control.
	Opportunity	Increased operating rate of cooling equipment.	Short to long term	<p><Measures></p> <ul style="list-style-type: none"> •Low carbonization of products and services by utilizing digital technology and reviewing design, etc.
Resource Efficiency	Opportunity	Dissemination of efficient production and distribution processes.	Short to long term	<ul style="list-style-type: none"> •Development and expansion of CSV businesses that contribute to GHG reduction, such as biomass power generation, energy recovery, resource recovery, exhaust gas treatment, CO₂ recovery, and battery-related businesses.
	Opportunity	Reduction of water usage.	Short to long term	
Energy Source	Opportunity	Dissemination of energy with low GHG emissions.	Short to long term	
	Opportunity	Conversion to distributed energy resources.	Short to long term	
Products and Services	Opportunity	Increased demand for products and services with low GHG emissions.	Short to long term	<p><Financial Impact After FY2028)></p> <ul style="list-style-type: none"> •1.5°C : About 350 billion yen/year^{*5}. •4°C : None. <p><Measures></p> <ul style="list-style-type: none"> •Low carbonization of products and services by utilizing digital technology and reviewing design, etc. •Reduction of Scope 1 and 2 emissions by switching to alternative fuels and renewable energies •Development and expansion of CSV businesses that contribute to GHG reduction, such as biomass power generation, energy recovery, resource recovery, exhaust gas treatment, CO₂ recovery, and battery-related businesses.
	Opportunity	Increasing diverse technical needs for reducing GHG emissions.	Short to long term	

Resilience	Risk / Opportunity	Substitution and diversification of fuel and water resources.	Short to long term	<Measures> <ul style="list-style-type: none"> • Low carbonization of products and services by utilizing digital technology and reviewing design, etc. • Reduction of Scope 1 and 2 emissions by switching to alternative fuels and renewable energies • Development and expansion of CSV businesses that contribute to GHG reduction, such as biomass power generation, energy recovery, resource recovery, exhaust gas treatment, CO₂ recovery, and battery-related businesses.
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- *1 The scenario in which the temperature rise from the pre-industrial level is 1.5°C and the scenario with the highest temperature rise predicted by the Intergovernmental Panel on Climate Change.
- *2 Short-term (1-3 years), medium-term (3-5 years) and long-term (5-20 years).
- *3 (Scope 1 and 2 + Scope 3 category 1 in the business operation area) x (Carbon price in the business operation area) estimated based on the FY2051 forecast.
- *4 Products, technologies, and business models that contribute to saving water, reducing GHG emissions, recycling waste into resources and reducing resource inputs more greatly than conventional ones.
- *5 Trial calculation of SAM (Serviceable Available Market) for new CSV business that contributes to GHG reduction.

3. Risk Management

The Executive General Manager of Corporate Control and Administration Division is responsible for monitoring risks and implementing risk management in the Kurita Group. The Executive General Manager of Corporate Control and Administration Division regularly analyzes and evaluates the Kurita Group's risks and conducts ongoing monitoring based on the Group-wide risk map, as well as takes steps to prevent risks from occurring. Risks related to climate change are integrated into the Group-wide risk map, and the chairperson of the Sustainability Committee is promoting risk reduction based on the Group-wide risk management system.

4. Metrics and Targets

To promote sustainability initiatives, the Kurita Group has identified eight new themes to intensively work on from FY 2024 as the "Kurita Group Materiality." In Theme 2, which is an initiative to tackle climate change issue, in order to make efforts in line with the Paris Agreement, we have set new long-term targets aligned with "Net-Zero target" indicated by SBTi^{*6}, starting from FY 2020 as the baseline year, and are working to reduce Scope 1, 2 and Scope 3 emissions.

In addition, we have set a new medium-term target for the amount of avoided GHG emissions through CSV business and we will realize a decarbonized society throughout the entire supply chain by developing and providing low-carbon solutions that contribute to reduction of GHG emissions in industry and society.

The Kurita Group's CO₂ emissions in FY 2020, the base year for the metrics, were approximately 2% for Scope 1 and 2 and 98% for Scope 3. Scope 1 and 2 are mostly derived from Scope 2 electricity. We will therefore promote the switch to electricity derived from renewable energy and gradually switch from gasoline cars to electric cars. In Scope 3, about 70% of the emissions are from Category 11, "Use of sold products (mainly rotating machinery such as pumps used to pump water)." To maintain a balance with increasing our competitive strength, the Kurita Group will use its CSV business structure to provide low carbon solutions to our customers.

In FY 2022, Scope 1+2 emissions increased slightly year-on-year due to an increase in the operation of production bases because of recovery in demand. On the other hand, Scope 3 emissions decreased year-on-year due to a decline in procurement of pumps, which are the main source of emissions. In FY 2023, Scope 1+2 is expected to decrease year-on-year due to the implementation of the above measures, while Scope 3 is expected to increase because the increase due to orders increase will exceed the reduction by the above measures.

Materiality	Metrics	Medium- and long-term targets ^{*7}			Achievement ^{*7}		
		FY2028	FY2031	FY2051	FY2020	FY2021	FY2022
2. Contribution to the realization of a decarbonized society	Scope1+2	73%	100%	Net-Zero	- (44 thousand t-CO ₂)	7% (41 thousand t-CO ₂)	5% (42 thousand t-CO ₂)
	Scope3	22%	30%	Net-Zero	- (2,584 thousand t-CO ₂)	6% (2,440 thousand t-CO ₂)	22% (2,027 thousand t-CO ₂)
	Avoided GHG emissions through CSV business	1,500 thousand t-CO ₂	-	-	279 thousand t-CO ₂	294 thousand t-CO ₂	367 thousand t-CO ₂

*6 An initiative that encourages companies to set greenhouse gas emission reduction targets in line with scientific knowledge, with the goal of limiting global average temperature rises due to climate change to 1.5°C compared to pre-industrial levels.

*7 Scope 1+2 and 3 are reduction rates from FY2020 (base year).