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**Kurita Water Industries Ltd.**

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Securities Code: 6370

<http://www.kurita.co.jp/english/>

The corporate governance of Kurita Water Industries Ltd. is described below.

## **I. Basic Views on Corporate Governance, Capital Structure, Corporate Profile and Other Basic Information**

### **1. Basic Views**

Kurita Water Industries Ltd. and its consolidated subsidiaries (hereinafter the “Kurita Group,” and Kurita Water Industries Ltd. on a non-consolidated basis shall be hereinafter referred to as the “Company”) aim to contribute broadly to society through corporate activities in the fields of water and 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 make efforts 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 will establish corporate governance, with the aim of realizing transparent, fair, prompt, and decisive decision-making measures and highly effective management supervision.

#### **[Basic Policies]**

##### **(1) Ensuring the rights and equality of shareholders**

The Kurita Group will work to develop an environment in which the shareholders are able to appropriately exercise their rights, such as voting rights at a general meeting of shareholders, and provide the information needed to exercise of their rights in a timely and accurate manner in order to secure the substantive equality of the rights of shareholders, including minority and foreign shareholders.

##### **(2) Appropriate level of cooperation with stakeholders other than shareholders**

The Kurita Group will work to ensure an appropriate level of cooperation with stakeholders such as customers, business partners, employees, and local communities under the leadership of the Board of Directors. To achieve this aim, the Kurita Group will properly respond to issues related to sustainability, and make actions based on compliance with laws, regulations, and social ethics a prerequisite for all corporate activities.

##### **(3) Ensuring appropriate information disclosure and transparency of information**

The Kurita Group will develop an environment in which the Audit & Supervisory Board, the members of the Audit & Supervisory Board, and the accounting auditor are able to conduct audits properly. It will also disclose information in accordance with the laws related to information disclosure, such as the Companies Act and the Financial Instruments and Exchange Act, and regulations for the timely disclosure of corporate information established by the Tokyo Stock Exchange. The Kurita Group will actively and fairly disclose financial information, including information about financial conditions and the results of operations, management strategies, policies for capital efficiency, etc. This information is deemed to be effective for facilitating understanding of the Kurita Group among shareholders and investors.

##### **(4) Duties of the Board of Directors and the Audit & Supervisory Board, etc.**

The Board of Directors will fulfill its fiduciary responsibility and accountability to shareholders. It will

strengthen the orientation of corporate strategies, decision-making on important matters related to operational execution, the supervision of overall management, the internal controls and risk management measures that support appropriate risk-taking, etc. in order to enhance the corporate value and earnings power, as well as improve capital efficiency, etc.

The members of the Audit & Supervisory Board and the Audit & Supervisory Board will fulfill their fiduciary responsibility to shareholders, and conduct audits in an appropriate manner and express their opinions from an independent and objective standpoint.

(5) Dialogue with shareholders and investors

Continuing to emphasize management that values shareholders, the Kurita Group will make efforts to engage in constructive dialogues with shareholders and investors, as well as provide them with information in a timely and appropriate manner.

The Company's Corporate Governance Policies are posted on our website:

[http://ir.kurita.co.jp/en/corporate\\_governance/governance\\_policies/index.html](http://ir.kurita.co.jp/en/corporate_governance/governance_policies/index.html)

#### **[Reasons for Non-compliance with the Principles of the Corporate Governance Code]**

The Company complies with all the principles of the Corporate Governance Code.

#### **[Disclosure Based on the Principles of the Corporate Governance Code]**

[Principle 1.4 Policies for Cross-Shareholding of Listed Stock and Exercising Voting Rights]

1) Policy for cross-shareholding of listed stock

In some cases, the Company holds listed shares as shares owned for policy purposes to strengthen business relationships, etc. The Company will also make efforts to minimize the risk of such cross-shareholding by examining economic rationality in the medium and long term and relationships with companies whose shares the Company holds, and reviews will be undertaken on a regular or timely basis by the Board of Directors as to whether cross-shareholding is appropriate.

2) Policy for exercising the voting rights of shares owned for policy purposes

When exercising the voting rights of shares owned for policy purposes, the Company will do so by judging the pros and cons of each proposal, taking into comprehensive consideration the enhancement of the corporate value of a company in which the Company holds shares in the medium and long term and the contribution to enhancing the shareholder value of the Company.

[Principle 1.7 Related Party Transactions]

When conducting an important transaction (Note 2) with a related party (Note 1), the Company's Board of Directors will review and decide on the transaction in advance to ensure that the transaction does not harm the interests of the Kurita Group and the common interests of its shareholders. The details of the submission standards, etc. shall be set forth in the Board of Directors Regulations, and the standards shall be disclosed.

Note 1: The term "related party" means the persons listed below.

(1) A subsidiary, (2) an affiliate, (3) a shareholder who holds 10% or more of the voting rights of the Company and his/her close relative, (4) an officer of the Company and his/her close relative, (5) an officer of an important subsidiary and his/her close relative, (6) a company in which a party mentioned in (3) through (5) above holds the majority of the voting rights for its own account and its subsidiary, (7) a pension fund for employees (only if an important transaction other than the contribution of premiums is conducted between the corporate pension fund and the Company) or (8) a person set forth in Paragraph 5 (3) of the Accounting Standard for Related Party Disclosures.

Note 2: The term "important transaction" means the transactions listed below.

(1) Transaction exceeding 10% of the net sales or the sum of the cost of sales and selling, general and administrative expenses on a consolidated statement of income, (2) transaction related to profit or loss exceeding 10% of the non-operating income or non-operating expenses on a consolidated statement of income, (3) transaction exceeding 10 million yen of the extraordinary income or extraordinary losses on a consolidated statement of income, (4) transaction exceeding 1% of the total assets on a consolidated balance sheet, (5) transaction in which the balance, the total amount of transactions generated, or the average balance for the period of the loan of funds or the purchase or sale of tangible fixed assets or securities, etc. exceeds

1% of the total assets on a consolidated balance sheet, (6) in the case of the transfer or acquisition of business, the total amount of assets or liability subject to the transfer or acquisition, whichever is greater, exceeds 1% of the total assets on a consolidated balance sheet, (7) in the event that the related party is an individual, the transaction of an item on a consolidated statement of income or a consolidated balance sheet that exceeds 10 million yen or (8) transactions set forth in Paragraph 13 through Paragraph 18 and Paragraph 20 of the “Guidance on Accounting Standard for Related Party Disclosures.”

[Principle 3.1 Full Disclosure]

Regarding (1) Company objectives (e.g. business principles), business strategies and business plans and (2) Basic views and guidelines on corporate governance based on each of the principles of the Code, please refer to 1. Basic Views on Corporate Governance of this report.

(3) Policies and procedures for determining the remuneration of the Directors and the members of the Audit & Supervisory Board

1) Policy for determining the remuneration of the Directors and the members of the Audit & Supervisory Board

The remuneration system for the Directors (excluding the External Directors) consists of fixed remuneration as the basic remuneration and incentive remuneration that reflects performance. The remuneration system for External Directors with supervising functions and members of the Audit & Supervisory Board is a fixed remuneration plan. The fixed remuneration is a fixed amount by position for the Directors and by working form for the members of the Audit & Supervisory Board, and a portion thereof is appropriated for the Directors’ and Audit & Supervisory Board members’ Shareholding Scheme for the purchase of the Company’s shares so that the Directors and the members of the Audit & Supervisory Board share the risks of share price fluctuations with the shareholders. The incentive remuneration consists of short-term incentive remuneration, which increases or decreases depending on factors such as the level of attainment of the annual business plan or the evaluation of each individual’s performance of his or her duties and long-term incentive remuneration, whereby shares are issued to retiring directors according to their performance while in office and their title. The incentive remuneration is intended to serve as an incentive for the Directors (excluding the External Directors) to continuously improve the Kurita Group’s business results for the enhancement of corporate value.

2) Procedures for deciding the remuneration of the Directors and the members of the Audit & Supervisory Board

When making a proposal regarding the remuneration system and the remuneration level of the Directors (excluding External Directors) and the members of the Audit & Supervisory Board and the performance evaluation of the Directors to the Board of Directors, the Chairperson of the Board of Directors will consult the Nomination and Remuneration Advisory Council in advance. Based on the report given by the Nomination and Remuneration Advisory Council, the Board of Directors will decide the remuneration of the Directors within the total amount determined by a General Meeting of Shareholders. The allocation of remuneration to each member of the Audit & Supervisory Board shall be decided through consensus of the Audit & Supervisory Board.

(4) Policies and procedures for nominating candidates for Directors and members of the Audit & Supervisory Board

1) Policy for nominating candidates for Directors and members of the Audit & Supervisory Board

The Board of Directors will nominate candidates for Directors in accordance with “Size and makeup of the Board of Directors” in (9) of the “Corporate Governance Policy” of the Company. The Board of Directors will also nominate candidates for members of the Audit & Supervisory Board in such a way that the number of the members will be three or more, one or more of whom will be a member who specializes in finance and accounting.

2) Procedures for nominating candidates for Directors and members of the Audit & Supervisory Board

When making a proposal of candidates for the Directors, Representative Directors, and Directors with positions of responsibility as well as members of the Audit & Supervisory Board, the Chairperson of the Board of Directors will consult the Nomination and Remuneration Advisory Council in advance. Based on the report given by the Nomination and Remuneration Advisory Council, the Board of Directors will submit a proposal for recommending the candidates for the Directors, Representative Directors, and Directors with positions of responsibility as well as members of the Audit & Supervisory Board to the Board of Directors by stating the reason for recommendation. The Board of Directors will nominate the candidates after deliberating the proposal. When submitting a proposal for recommending the candidates for the members of the Audit & Supervisory Board to the Board of Directors, the President will first obtain the consent of the Audit &

Supervisory Board.

(5) Explanations with respect to the appointment and nomination of Directors and members of the Audit & Supervisory Board

In 2016, the Company began to disclose explanations with respect to the individual appointments and nominations pertaining to (5) above in the notice of convocation of the Ordinary General Meeting of Shareholders.

[Supplementary Principle 4.1.1 The scope of judgments and decisions made by the Board of Directors and the scope of responsibility delegated to the senior management]

The Board of Directors will make decisions on important matters related to operational execution, such as matters related to the management strategies and policies set forth in the Board of Directors Regulations, the strategies, targets, and focused measures for management plans, important investments and loans, and business transfers, etc. With regard to operational execution other than important matters, the Executive Committee consisting of the senior management or senior management with the decision-making authority specified in the Internal Decision Approval and Review Rules will rapidly make decisions on matters related to operational execution, striving to achieve the objectives of the business plans.

[Principle 4.8 Policies for the effective use of independent External Directors]

There shall be three or more Directors in total. Two of these Directors shall be External Directors to ensure the independence and objectivity of the Board of Directors.

The Directors and the members of the Audit & Supervisory Board shall mutually exchange information with the Independent External Directors and promote the shared understanding of the execution of operations, using opportunities such as the Board of Directors and other individual meetings. The exchange of information and shared understanding will enable the Independent External Directors to fulfill their roles and responsibilities.

If necessary, the Independent External Directors may instruct certain employees who belong to the Corporate Planning Division to assist the Directors with their duties.

[Principle 4.9 Roles and duties of Independent External Directors and criteria for judging the independence of Independent External Directors]

The Independent External Directors shall evaluate the results of the business activities of the Kurita Group and the execution of operations by the Directors and the Executive Officers, taking into consideration the corporate philosophy, the corporate vision, the medium-term management plan, and the management plan for a fiscal year. They shall express their opinions to the Board of Directors from the standpoint of promoting the sustainable growth of the Kurita Group and enhancing its corporate value in the medium and long term.

The Independent External Directors shall express their opinions to the Board of Directors from an independent position and the standpoint of supervising management with regard to the nomination of the candidates for Directors, the remuneration of the Directors, and other important decisions made by the Board of Directors.

The criteria for judging the independence of the Independent External Directors in selecting candidates shall be that the candidates for Independent External Directors and their close relatives (Note 3) must not fall under any of the following items.

- a. A person who currently executes the operations of the Company or its subsidiary, or has executed such operations in the past 10 years
- b. A person whose major business partner is currently the Company (Note 4) or was the Company at some time during the past year, or an individual who executes the operations of this party
- c. A current major business partner of the Company (Note 5) or a major business partner at some time during the past year, or a person who executes the operations of the major business partner
- d. A consultant, an accountant, or a legal professional who currently receives or has received at some point during the past year a lot of money or property (Note 6) other than remuneration for officers from the Company
- e. A current major shareholder of the Company (Note 7) or a person who executes the operations of a major shareholder

- f. A person who executes the operations of an organization in which an external officer also currently assumes office (the person only)
- g. A person who executes the operations of an organization to which the Company currently makes a donation (the person only)

Note 3: The term “close relatives” means relatives within the second degree of kinship.

Note 4: The term “person whose major business partner is the Company” means a person whose sales in transactions with the Company make up 2% or more of that person’s consolidated net sales.

Note 5: The term “major business partner of the Company” means a business partner with whom the Company’s sales in transactions make up 2% or more of the consolidated net sales of the Company, or a business partner from which borrowings make up 1% or more of the consolidated total assets of the Company.

Note 6: The term “a lot of money or property” means money and other property that are equivalent to 10 million yen or more per year, other than remuneration for officers.

Note 7: The term “major shareholder of the Company” means a shareholder who has voting rights that account for 10% or more of the voting rights of the Company.

#### [Supplementary Principle 4.11.1 Size and makeup of the Board of Directors]

##### 1) Personnel structure

To fulfill the high supervisory function over operational execution, the Board of Directors shall be organized in a manner that complements the necessary knowledge and experience for overall decision making. It will consist of personnel with a high degree of expertise in a variety of business fields, management planning, finance and accounting, legal affairs, and technologies, etc.

##### 2) Number of directors

There shall be three or more Directors in total. Two of these Directors shall be External Directors to ensure the independence and objectivity of the Board of Directors.

#### [Supplementary Principle 4.11.2 Restrictions on concurrent service of Directors and members of the Audit & Supervisory Board]

Full-time Directors and full-time members of the Audit & Supervisory Board shall not serve concurrently as a director or a corporate auditor of some other listed company, etc. Part-time Independent External Directors and independent members of the Audit & Supervisory Board shall not serve concurrently as a director or a corporate auditor at more than three listed companies including the Company. The Company will disclose the concurrent service status of the Directors and the members of the Audit & Supervisory Board every year.

#### [Supplementary Principle 4.11.3 Policies for evaluating the Board of Directors]

##### 1) Purpose and frequency of evaluation

The Board of Directors will analyze and evaluate its effectiveness every year in order to fulfill its expected roles and functions more effectively.

##### 2) Evaluation items

The effectiveness of the Board of Directors shall be analyzed and evaluated in terms of a variety of aspects by specifying appropriate evaluation items. These items will make it possible to understand the makeup of the Board of Directors and identify the degree of the contribution made by individual Directors to the Board of Directors, etc.

##### 3) Disclosure of evaluation results

The overview of the evaluation results and the future issues and measures of the Board of Directors shall be disclosed every year by means of our website and the annual report, etc.

[http://ir.kurita.co.jp/en/corporate\\_governance/board\\_evaluation/index.html](http://ir.kurita.co.jp/en/corporate_governance/board_evaluation/index.html)

#### [Supplementary Principle 4.14.2 Training policies for Directors and members of the Audit & Supervisory Board]

##### 1) Orientation for newly appointed Directors and members of the Audit & Supervisory Board

Newly appointed Directors and members of the Audit & Supervisory Board shall participate in the prescribed orientation immediately after they take office so that they can perform their expected roles and duties.

##### 2) Self-improvement of Directors and members of the Audit & Supervisory Board

The Directors and the members of the Audit & Supervisory Board shall acquire the knowledge they require on their own and devote themselves continuously to learning so that they can perform their expected roles as executives who play a role in the important governing bodies of a company. The Company will provide the

Directors and the members of the Audit & Supervisory Board with information about external seminars and other opportunities for self-improvement, and cover their expenses within the range specified in a separate document.

3) Checking the implementation status of training

The General Manager of the Corporate Planning Division will report on the implementation status of training for the Directors and the members of the Audit & Supervisory Board to the Board of Directors every year.

[Principle 5.1 Policies for dialogue with shareholders and investors and the appropriate disclosure of information]

1) Basic stance

Continuing to emphasize management that values shareholders, the Kurita Group will actively listen to feedback of shareholders and investors, and continuously work to develop a framework to promote constructive dialogue with shareholders and investors in order to contribute to the sustainable growth of the Company and enhance its corporate value in the medium and long term.

2) Framework for promoting dialogue

The responsible official in charge of carrying out constructive dialogue with shareholders and investors shall be the General Manager of the Corporate Planning Division. The General Manager of the Corporate Planning Division shall engage individually in dialogue with shareholders and investors upon receiving a request for dialogue from shareholders and investors, and work to establish a useful forum for this purpose for shareholders and investors by securing opportunities for dialogue between shareholders and investors and the President and other members of the management team.

As an organization that supports dialogue with shareholders and investors, the Company will establish a full-time Investor and Shareholder Relations section in the Corporate Planning Division and appoint full-time Investor and Shareholder Relations staff. To identify and gather important in-house information and manage it appropriately, the General Manager of the Corporate Planning Division will also establish an Investor and Shareholder Relations liaison group consisting of the persons in charge in the Corporate Planning Department, the Accounting Department and the CSR and Investor Relations Department to share information regularly or as needed. The General Manager of the Corporate Planning Division will manage this group and provide the information necessary for dialogue.

3) Efforts to enhance Investor and Shareholder Relations activities

The General Manager of the Corporate Planning Division shall be in charge of Investor and Shareholder Relations activities that will serve as dialogue alternatives to individual meetings. The full-time Investor and Shareholder Relations staff will work to enhance dialogue with shareholders and investors by planning and conducting a variety of explanatory meetings and transmitting more information. The General Manager of the Corporate Planning Division shall report on the results of and plans for Investor and Shareholder Relations activities to the Board of Directors each year.

4) Conveying the feedback of shareholders and investors to management

The General Manager of the Corporate Planning Division shall convey the feedback and concerns of shareholders identified through dialogue with them to the Board of Directors on a regular basis or as needed. The full-time Investor and Shareholder Relations staff shall prepare the minutes soon after the dialogue is conducted, and provide an environment where the Directors, the members of the Audit & Supervisory Board, and the Executive Officers are able to read the minutes whenever they wish to do so.

5) Management of insider information

The Company has established the “Regulations Concerning Control of Insider Trading of Shares, etc.” as specified by law to prevent insider trading from occurring, and will work to observe the Regulations in dialogue with shareholders and investors. The Company has also established a silent period that lasts from the day after the fiscal year end until the announcement of business results. In general, the purpose of the silent period is to prevent the leakage of information about business results and ensure fairness. The Company will refrain from answering questions and commenting on the business results during the silent period. However, in the event that performance is expected to deviate significantly from forecasts during the quiet period, the Company will implement the appropriate information disclosure in accordance with the standards for information disclosure.

6) Understanding the shareholder structure

To promote dialogue with the substantial shareholders, the Company will make efforts to understand the shareholder structure by conducting a survey at least twice a year in Japan and other countries to identify the major shareholders.

## 2. Capital Structure

Foreign Shareholding Ratio	More than 30%
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### [Status of Major Shareholders] **Updated**

Name / Company Name	Number of Shares Owned	Percentage (%)
Japan Trustee Services Bank, Ltd. (Trust Account)	8,957,169	7.70
Nippon Life Insurance Company	5,979,883	5.14
The Master Trust Bank of Japan, Ltd. (Trust Account)	5,679,700	4.88
Japan Trustee Services Bank, Ltd. (Trust Account9)	2,571,100	2.21
Tokio Marine & Nichido Fire Insurance Co., Ltd.	2,155,826	1.85
Japan Trustee Services Bank, Ltd. (Trust Account5)	2,109,500	1.81
MUFG Bank, Ltd.	2,056,131	1.76
BNYMSANV AS AGENT/CLIENTS LUX UCITS NON TREATY 1	1,960,800	1.68
BANK JULIUS BAER AND CO., LTD.	1,784,568	1.50
STATE STREET BANK AND TRUST COMPANY 505025	1,614,680	1.38

Controlling Shareholder (except for Parent Company)	_____
Parent Company	None

### Supplementary Explanation **Updated**

- The status of the Company's major shareholders shown above is as of September 30, 2018.
- Japan Trustee Services Bank, Ltd. (Trust Account), which has 8,957,169 shares, includes 327,369 shares of treasury stock for performance-linked stock remuneration for directors.
- The Company reported that, according to a major shareholding report submitted to the Director of the Kanto Local Finance Bureau by Mitsubishi UFJ Financial Group, Inc. as of May 21, 2018, it held the following shares as of May 14, 2018. However, as the Company has not confirmed beneficial ownerships of the number of shares held in the names of the abovementioned corporation as of September 30, 2018, they are not included in the status of its major shareholders. The content of the major shareholding report is as follows.  
Name: MUFG Bank, Ltd. and its three joint holder companies  
Address: 2-7-1 Marunouchi, Chiyoda-ku, Tokyo  
Number of shares held: 5,927,125 shares  
Shareholding ratio to total number of outstanding shares: 5.10%
- The Company reported that, according to a change report submitted to the Director of the Kanto Local Finance Bureau by BlackRock Japan Co., Ltd. and its eight joint holder companies as of April 21, 2017, they held the following shares as of April 14, 2017. However, as the Company has not confirmed beneficial ownerships of the number of shares held in the names of the abovementioned corporations as of September 30, 2018, they are not included in the status of its major shareholders. The content of the change report is as follows.  
Name: BlackRock Japan Co., Ltd. and its five joint holder companies  
Address: 1-8-3 Marunouchi, Chiyoda-ku, Tokyo  
Number of shares held: 7,165,702 shares  
Shareholding ratio to total number of outstanding shares: 6.17%
- The Company reported that, according to a change report submitted to the Director of the Kanto Local Finance Bureau by Sumitomo Mitsui Trust Bank, Limited and its two joint holder companies as of June 6, 2018, they held the following shares as of May 31, 2018. However, as the Company has not confirmed

beneficial ownerships of the number of shares held in the names of the abovementioned corporations as of September 30, 2018, they are not included in the status of its major shareholders. The content of the change report is as follows.

Name: Sumitomo Mitsui Trust Bank, Limited and its two joint holder companies

Address: 1-4-1 Marunouchi, Chiyoda-ku, Tokyo

Number of shares held: 7,265,900 shares

Shareholding ratio to total number of outstanding shares: 6.25%

### 3. Corporate Attributes

Listed Stock Market and Market Section	Tokyo Stock Exchange First Section
Fiscal Year-End	March
Type of Business	Machinery
Number of Employees (consolidated) as of the End of the Previous Fiscal Year	More than 1000
Sales (consolidated) as of the End of the Previous Fiscal Year	From ¥100 billion to less than ¥1 trillion
Number of Consolidated Subsidiaries as of the End of the Previous Fiscal Year	From 10 to less than 50

### 4. Policy on Measures to Protect Minority Shareholders in Conducting Transactions with Controlling Shareholder

<p>_____</p>
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### 5. Other Special Circumstances which may have Material Impact on Corporate Governance

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## II. Business Management Organization and Other Corporate Governance Systems regarding Decision-making, Execution of Business, and Oversight in Management

### 1. Organizational Composition and Operation

Organization Form	Company with the members of the Audit & Supervisory Board
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#### [Directors]

Maximum Number of Directors Stipulated in the Articles of Incorporation	No upper limit to the number of Directors is stipulated.
Term of Office Stipulated in the Articles of Incorporation	1 year
Chairperson of the Board	President
Number of Directors	12
Appointment of External Directors	Appointed
Number of External Directors	2
Number of Independent Directors	2

#### External Directors' Relationship with the Company (1)

Name	Attribute	Relationship with the Company*										
		a	b	c	d	e	f	g	h	i	j	k
Tsuguto Moriwaki	From another company								△			
Ryoko Sugiyama	From another company											

\* Categories for "Relationship with the Company"

\* "○" when the director presently falls or has recently fallen under the category;

"△" when the director fell under the category in the past

\* "●" when a close relative of the director presently falls or has recently fallen under the category;

"▲" when a close relative of the director fell under the category in the past

a. Executive of the Company or its subsidiaries

b. Non-executive director or executive of a parent company of the Company

c. Executive of a fellow subsidiary company of the Company

d. A party whose major client or supplier is the Company or an executive thereof

e. Major client or supplier of the listed company or an executive thereof

f. Consultant, accountant or legal professional who receives a large amount of monetary consideration or other property from the Company besides compensation as a director/the members of the Audit & Supervisory Board

g. Major shareholder of the Company (or an executive of the said major shareholder if the shareholder is a legal entity)

h. Executive of a client or supplier company of the Company (which does not correspond to any of d, e, or f) (the director himself/herself only)

i. Executive of a company, between which and the Company External directors/he members of the Audit & Supervisory Board are mutually appointed (the director himself/herself only)

j. Executive of a company or organization that receives a donation from the Company (the director himself/herself only)

k. Others

## External Directors' Relationship with the Company (2)

Name	Designation as Independent Director	Supplementary Explanation of the Relationship	Reasons of Appointment
Tsuguto Moriwaki	○	Mr. Tsuguto Moriwaki was appointed as Director of Kobe Steel, Ltd. in June 1996 and subsequently served as the representative director of Kobe Steel, Ltd. and some of its group companies until he retired in June 2012. The Kobe Steel Group is a business partner of the Kurita Group, but the ratio of the business with the Kobe Steel Group to the Kurita Group's consolidated sales is less than 0.2%. Thus the Kobe Steel Group does not constitute a major counterparty of the Kurita Group.	Mr. Tsuguto Moriwaki is an individual who has experience as a top manager as well as in-depth knowledge of manufacturing and corporate reform, and we consider that he is capable of raising the management rationality and transparency of the Company by giving opinions from an outside perspective based on his knowledge and experience. The Kobe Steel Group is not a major business partner of the Kurita Group, and the Company has therefore determined that he has no conflict of interest with general shareholders, and has designated him as an independent officer.
Ryoko Sugiyama	○	Ms. Ryoko Sugiyama has been an external director of UACJ Corporation since June 2015. The UACJ Group is a business partner of the Kurita Group, but the ratio of business with the UACJ Group to the Kurita Group's consolidated sales is less than 0.1%. Thus the UACJ Group does not constitute a major counterparty of the Kurita Group. LECIP Holdings Corporation, which Ms. Sugiyama serves as an external director, and its group companies are not a business partner of the Kurita Group.	Ms. Ryoko Sugiyama is an expert in the environment and waste. She served as external director at listed companies. We consider that she can monitor the management of the Company from an outside perspective and help increase management rationality and transparency. The UACJ Group and the LECIP Holdings Group are not major business partners of the Kurita Group. Thus, the Company has determined that she has no conflict of interest with general shareholders and has designated her as an independent officer.

Voluntary Establishment of Committee(s) Corresponding to Nomination Committee or Remuneration Committee	Established
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## Committee's Name, Composition, and Attributes of Chairperson

	Committee Corresponding to Nomination Committee	Committee Corresponding to Remuneration Committee
Committee's Name	Nomination & Remuneration Advisory Council	Nomination & Remuneration Advisory Council
All Committee Members	4	4
Full-time Members	0	0
Inside Directors	1	1
External Directors	2	2
External Experts	0	0
Other	1	1
Chairperson	External Director	External Director

## Supplementary Explanation

In October 2015, the Company established the Nomination and Remuneration Advisory Council.

< Procedures for nominating candidates for Directors and members of the Audit & Supervisory Board >

When making a proposal of candidates for the Directors, Representative Directors, and Directors with positions of responsibility as well as members of the Audit & Supervisory Board, the Chairperson of the Board of Directors will consult the Nomination and Remuneration Advisory Council in advance. Based on the report given by the Nomination and Remuneration Advisory Council, the Board of Directors will submit a proposal for recommending the candidates for the Directors, Representative Directors, and Directors with positions of responsibility as well as members of the Audit & Supervisory Board to the Board of Directors by stating the reason for recommendation. The Board of Directors will nominate the candidates after deliberating the proposal. When submitting a proposal for recommending the candidates for the members of the Audit & Supervisory Board to the Board of Directors, the President will first obtain the consent of the Audit & Supervisory Board.

With respect to the composition of the Council, four members consisting of the two External Directors, the full-time external member of the Audit & Supervisory Board and the President will engage in consultative activities concerning candidates for Directors, Representative Directors and Directors with positions of responsibility.

< Procedures for deciding the remuneration of the directors and the members of the Audit & Supervisory Board >

When making a proposal regarding the remuneration system and the remuneration level of the Directors (excluding External Directors) and the members of the Audit & Supervisory Board and the performance evaluation of the Directors to the Board of Directors, the Chairperson of the Board of Directors will consult the Nomination and Remuneration Advisory Council in advance. Based on the report given by the Nomination and Remuneration Advisory Council, the Board of Directors will decide the remuneration of the Directors within the total amount determined by a General Meeting of Shareholders. The allocation of remuneration to each member of the Audit & Supervisory Board shall be decided through consensus of the Audit & Supervisory Board.

With respect to the composition of the Council, four members consisting of two External Directors, the full-time external member of the Audit & Supervisory Board and the President will engage in consultative activities concerning the above.

**[The Members of the Audit & Supervisory Board]**

Establishment of the Members of the Audit & Supervisory Board	Established
Maximum Number of the Members of the Audit & Supervisory Board Stipulated in Articles of Incorporation	No upper limit to the number of the Members of the Audit & Supervisory Board is stipulated.
Number of the Members of the Audit & Supervisory Board	3

Cooperation among the members of the Audit & Supervisory Board, Accounting Auditors and Internal Audit Departments

The members of the Audit & Supervisory Board confirms the Accounting Auditors' independence and the status of their performance of duties and holds discussions and exchanges opinions with the Accounting Auditors about accounting audits on a periodic basis and as required. Furthermore, the members of 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 controls, risk management, etc. relating to financial reporting.

Appointment of External Members of the Audit & Supervisory Board	Appointed
Number of External Members of the Audit & Supervisory Board	2
Number of Independent the Members of the Audit & Supervisory Board	2

**External Members of the Audit & Supervisory Board Relationship with the Company (1)**

Name	Attribute	Relationship with the Company*												
		a	b	c	d	e	f	g	h	i	j	k	l	m
Kenjiro Kobayashi	From another company													
Shigekazu Torikai	Lawyer													

\* Categories for "Relationship with the Company"

\* "○" when the director presently falls or has recently fallen under the category;

"△" when the director fell under the category in the past

\* "●" when a close relative of the director presently falls or has recently fallen under the category;

"▲" when a close relative of the director fell under the category in the past

a. Executive of the Company or its subsidiary

b. Non-executive director or accounting advisor of the Company or its subsidiaries

c. Non-executive director or executive of a parent company of the Company

d. The Members of the Audit & Supervisory Board of a parent company of the Company

e. Executive of a fellow subsidiary company of the Company

f. A party whose major client or supplier is the Company or an executive thereof

g. Major client or supplier of the Company or an executive thereof

- h. Consultant, accountant or legal professional who receives a large amount of monetary consideration or other property from the Company besides compensation as the Members of the Audit & Supervisory Board
- i. Major shareholder of the Company (or an executive of the said major shareholder if the shareholder is a legal entity)
- j. Executive of a client or supplier company of the Company (which does not correspond to any of f, g, or h) (the members of the Audit & Supervisory Board himself/herself only)
- k. Executive of a company, between which and the Company external directors/ the members of the Audit & Supervisory Board are mutually appointed (the members of the Audit & Supervisory Board himself/herself only)
- l. Executive of a company or organization that receives a donation from the Company (the members of the Audit & Supervisory Board himself/herself only)
- m. Others

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External Members of the Audit & Supervisory Board Relationship with the Company (2)

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Name	Designation as Independent Members of the Audit & Supervisory Board	Supplementary Explanation of the Relationship	Reasons of Appointment
Kenjiro Kobayashi	○	_____	<p>Mr. Kenjiro Kobayashi is an individual who has held active roles in areas other than the business activities of the Kurita Group and has a high degree of professionalism and a wealth of international experience in the areas of financial affairs, management planning, new business development, M&amp;A, etc. We consider that he is a competent external member of the Audit &amp; Supervisory Board because he provides his professionalism and experience in audits of the Company.</p> <p>Including Mr. Kobayashi's work history, he has no relationship of special interest with the Company. The Company has therefore determined that he has no conflict of interest with general shareholders, and has designated him as an independent officer.</p>
Shigekazu Torikai	○	_____	<p>Mr. Shigekazu Torikai has expertise as a lawyer and has significant experience and deep insight in corporate legal affairs. We consider that he is a competent external member of the Audit &amp; Supervisory Board because he provides his expertise, experience and insight in audits of the Company.</p> <p>As a lawyer, Mr. Torikai has no relationship of special interest with the Company. The Company has therefore determined that he has no conflict of interest with general shareholders, and</p>

			has designated him as an independent officer.
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**[Independent Directors/ the Members of the Audit & Supervisory Board]**

Number of Independent Directors/the Members of the Audit & Supervisory Board	4
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Matters relating to Independent Directors/ the Members of the Audit & Supervisory Board

The Company designates all of its external officers as independent officers because they all fulfill the qualification requirements as independent officers.

**[Incentives]**

Incentive Policies for Directors	Performance-linked Remuneration
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Supplementary Explanation

For supplementary explanation, please refer to “Disclosure of Policy on Determining Remuneration Amounts or Calculation Methods” below.

Recipients of Stock Options	
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Supplementary Explanation

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**[Director Remuneration]**

Disclosure of Individual Directors' Remuneration	Remuneration of only some of the individual directors is disclosed.
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Supplementary Explanation

Amount of executive remuneration for the Directors and the members of the Audit & Supervisory Board [Remuneration for the 82<sup>nd</sup> fiscal year (April 1, 2017 to March 31, 2018)]  
Directors (12 directors including three external directors): 540 million yen  
Members of the Audit & Supervisory Board (Four members including three external members): 81 million yen  
External officers (six officers): 75 million yen

Total amount of consolidated remuneration paid to respective directors (in accordance with the disclosure method of securities report)  
Michiya Kadota, Director: 172 million yen (Basic remuneration: 64 million yen, Short-term incentive: 48 million yen, Long-term incentive: 59 million yen)  
Koichi Iioka, Director: 102 million yen (Basic remuneration: 46 million yen, Short-term incentive: 31 million yen, Long-term incentive: 24 million yen)  
Note: Only directors whose total consolidated remuneration is 100 million yen or more are listed. In addition, starting from the 82<sup>nd</sup> fiscal year, the planned amount to be paid as short-term and long-term incentive remuneration is posted as a provision for an allowance at the end of each fiscal year. The amount of consolidated remuneration paid to the above two directors includes the amount of provision of allowance for

short-term and long-term incentive remuneration for the 81<sup>st</sup> fiscal year (April 1, 2016 to March 31, 2017) and that for the 82<sup>nd</sup> fiscal year.

Policy on Determining Remuneration Amounts  
and Calculation Methods

Established

### Disclosure of Policy on Determining Remuneration Amounts or Calculation Methods

1)Policy for deciding the remuneration of the directors and the members of the Audit & Supervisory Board  
The remuneration system for the directors (excluding external directors) consists of fixed remuneration as the basic remuneration and incentive remuneration that reflects performance. The remuneration system for external directors with supervising functions and members of the Audit & Supervisory Board is a fixed remuneration plan. The fixed remuneration is a fixed amount by position for directors and by working form for members of the Audit & Supervisory Board, and a portion thereof is appropriated for the Directors' and Audit & Supervisory Board members' Shareholding Scheme for the purchase of the Company's shares so that directors and members of the Audit & Supervisory Board share the risks of share price fluctuation with shareholders. The incentive remuneration consists of short-term incentive remuneration, which increases or decreases depending on factors such as the level of attainment of the annual business plan or the evaluation of each individual's performance of his or her duties, and long-term incentive remuneration, whereby shares are issued to retiring directors according to their performance while in office and title. The incentive remuneration is intended to serve as an incentive to directors (excluding external directors) to continuously improve the Kurita Group's business results for the enhancement of the corporate value.

2)Procedures for deciding the remuneration of the directors and the members of the Audit & Supervisory Board  
When making a proposal regarding the remuneration system and the remuneration level of the directors (excluding external directors) and the members of the Audit & Supervisory Board and the performance evaluation of the directors to the Board of Directors, the President will consult the Nomination and Remuneration Advisory Council in advance. Based on the report given by the Nomination and Remuneration Advisory Council, the Board of Directors will decide the remuneration of the directors within the total amount determined by a general meeting of shareholders. The allocation of remuneration to each member of the Audit & Supervisory Board shall be decided by a resolution of the Audit & Supervisory Board.

### [Supporting System for External Directors and/or the Members of the Audit & Supervisory Board]

The Corporate Planning Department of the Corporate Planning Division, serving as the secretariat of the Board of Directors, issues notices of Board of Directors' meetings, distributes materials and explains the agenda of the meetings to the External Directors and/or the members of the Audit & Supervisory Board prior to the meeting as required.

[Status of Persons who have retired from President & Representative Director, etc. ]

Name, etc. of Senior Adviser, Adviser, etc. who was President & Representative Director, etc.

Name	Title / Position	Job description	Working Style / Conditions (Full-time / Part-time, Remuneration, etc.)	Date of Retirement from President, etc.	Term
Toshiyuki Nakai	Senior Corporate	-Providing advice based on his	Full time, Paid	March 31, 2016	Until the end of June, 2019

	Adviser	experience and knowledge at the request of Directors -Engaging in social contribution activities			
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Total number of Senior Adviser, Adviser, etc. who was President & Representative Director, etc.	One (1) person
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Other matters

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## 2. Matters on Functions of Business Execution, Auditing, Oversight, Nomination and Remuneration Decisions (Overview of Current Corporate Governance System)

The Board of Directors consists of twelve (12) Directors (including two External Directors), provides strategic direction that contributes to the Group's sustainable growth, makes decisions on important matters related to operational execution and exercises supervisory functions over the execution of duties by the Directors and overall management.

As a framework to supplement the Board of Directors' decision-making, the Company has established and operates an approval system based on the Internal Decision Approval and Review Rules.

In addition, in order to deliberate on important matters related to business management and provide support for the Board of Directors' decision-making, the Executive Committee has been established, consisting of the President and Representative Director, Directors at the level of Managing Director and above, the General Manager of the Corporate Planning Division, and Directors and executive officers designated by the President and Representative Director. The Company has also employed the executive officer system since June 2005 for the purpose of strengthening business execution capabilities, and has appointed eleven executive officers.

To enhance and strengthen the evaluations of investments and financing of the Kurita Group, the Company has established the Investment Committee, which evaluates the investment and financing projects to be submitted to the Board of Directors or the Executive Committee. The Investment Committee reports the evaluation results and major issues to the Directors and the members of the Audit & Supervisory Board.

The Company has adopted the Audit & Supervisory Board system. The Audit & Supervisory Board consists of three (3) members (including two external members), and each member conducts the audits undertaken by the Audit & Supervisory Board in accordance with the audit policies and division of duties determined by the Audit & Supervisory Board, and supervises the Directors' execution of duties. In addition, the Internal Auditing Department has been established as an organization that reports directly to the President and Representative Director for the purpose of enhancing internal audit functions. The Company has appointed Grant Thornton Taiyo LLC as its accounting auditor in accordance with the laws and regulations to ensure the implementation and improvement of accounting audits.

The Company revised its Articles of Incorporation at the General Meeting of Shareholders held on June 27, 2013 to establish provisions concerning contracts for the limitation of liability related to External Directors and external members of the Audit & Supervisory Board. Pursuant to these provisions, the Company has entered into an agreement with each of Mr. Tsuguto Moriwaki and Ms. Ryoko Sugiyama, who are part-time External Directors, and Mr. Shigekazu Torikai, who is a part-time external member of the Audit & Supervisory Board, that limits liability for damages as stipulated in Paragraph 1, Article 423 of the Companies Act in accordance with the provisions of the Articles of Incorporation thereof based on the provisions of Paragraph 1, Article 427 of the Act. The amount stipulated in Paragraph 1, Article 425 of the Act has been set as the maximum liability for damages based on this agreement.



### **3. Reasons for Adoption of Current Corporate Governance System**

The Company considers that the thorough supervision of the execution of business operations and management can be attained through the framework described above.
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### III. Implementation of Measures for Shareholders and Other Stakeholders

#### 1. Measures to Vitalize the General Shareholder Meetings and Smooth Exercise of Voting Rights

	Supplementary Explanations
Early Notification of General Shareholder Meeting	Since 1999, the Company has sent out a notice of convocation of a general shareholder meeting about three weeks prior to the meeting. In 2016, it began disclosing the notice of convocation of a general shareholder meeting on the Internet before sending it out by mail.
Allowing Electronic Exercise of Voting Rights	The Company began to allow the electronic exercise of voting rights at the time of the general shareholder meeting in 2006.
Participation in Electronic Voting Platform	At the time of the general shareholder meeting in 2006, the Company began to participate in the Electronic Voting Platform operated by ICJ.
Providing Convocation Notice in English	At the time of the general shareholder meeting in 2013, the Company began to prepare the notice of convocation of a general shareholder meeting in English.
Other	At the time of the general shareholder meeting in 2005, the Company began to hold briefing sessions for individual shareholders (formerly “shareholder gatherings”).

#### 2. IR Activities

	Supplementary Explanations	Regular Investor Briefings for Individual Investors
Preparation and Publication of Disclosure Policy	Basic views on information disclosure and policies for dialogue with shareholders are posted on the Company’s website: <a href="http://ir.kurita.co.jp/en/corporate_governance/organization/index.html">http://ir.kurita.co.jp/en/corporate_governance/organization/index.html</a> <a href="http://ir.kurita.co.jp/en/shareholders_information/basic_policy/index.html">http://ir.kurita.co.jp/en/shareholders_information/basic_policy/index.html</a>	
Regular Investor Briefings for Individual Investors	Held more than once a year.	None
Regular Investor Briefings for Analysts and Institutional Investors	Earnings briefings are held twice a year. The President and Representative Director provides explanations and handles the question and answer sessions. In addition, telephone conferences are held twice a year. The General Manager of CSR and Investor Relations Department, provides explanations and handles the question and answer sessions.	Yes
Regular Investor Briefings for Overseas Investors	Overseas roadshows are held at least twice a year, and the President and Representative Director mainly provides explanations.	Yes
Posting of IR Materials on Website	Financial explanatory documents and summaries of questions and answers are posted on the Company’s website in both Japanese and English. In addition, an audio webcast of the financial results presentation (in Japanese only) is made available for about 3 months. Annual reports, fact books, shareholder newsletters, etc. are also posted on the Company’s website.	
Establishment of Department and/or Manager in Charge of IR	The Company has established the Investor and Shareholder Relations Section, CSR and Investor Relations Department, Corporate Planning Department, Corporate Planning Division.	
Other	Investor meetings are held throughout the year, hosted by the General Manager of the Corporate Planning Division, who is the officer in charge of investor relations, and persons in charge of investor relations.	

### 3. Measures to Ensure Due Respect for Stakeholders

	Supplementary Explanations
Stipulation of Internal Rules for Respecting the Position of Stakeholders	The Kurita Group has established the basic behavior to be adhered to by all directors and employees in their relationships with shareholders, investors, customers, business partners, employees and the local communities in the “Kurita Group Code of Conduct,” which explicitly values its relationships with stakeholders.
Implementation of Environmental Activities, CSR Activities etc.	<p>The Kurita Group defines its CSR as "the Kurita Group's responsibility for its impacts on society." Premised on legal compliance, the Group has set the following two objectives for its CSR initiatives. The Group will take action by positioning these initiatives at the core of its corporate activities and management strategies.</p> <ol style="list-style-type: none"> <li>1. Creating and maximizing shared value for the Kurita Group and society</li> <li>2. Identifying, preventing and mitigating possible adverse impacts by the Kurita Group</li> </ol> <p>Specifically, the Company has established what it should be like and the frame of mind it should take in 2030 for the seven material issues in CSR shown below, and established a “CSR Policy” to “Provide solutions to issues related to water and the environment, and fulfill responsibility for the future.”</p> <ol style="list-style-type: none"> <li>1. Provide highly safe services and products</li> <li>2. Conduct fair business activities</li> <li>3. Respect human rights</li> <li>4. Solve issues related to water resources</li> <li>5. Realize sustainable energy use</li> <li>6. Reduce waste</li> <li>7. Advance industrial production technologies</li> </ol> <p>The Company has established an E&amp;S (Environmental &amp; Social) Committee as a companywide organization for integrally engaging in CSR activities including compliance activities and environmental improvement activities throughout the Group. The person responsible for integrating and promoting individual activities is the Chairman of the E&amp;S Committee, who is a Director of the Company, and responsible managers who are Directors of the Company are appointed for individual activities. Each responsible manager plays a central role in formulating unified Group medium-term targets for each activity and activity plans for each business year, conducting management of activity targets, and the Company's Board of Directors determines activity plans and evaluates activity results.</p>
Development of Policies on Information Provision to Stakeholders	The Kurita Group will disclose information in accordance with the laws related to information disclosure, such as the Companies Act and the Financial Instruments and Exchange Act, and regulations for the timely disclosure of corporate information established by the Tokyo Stock Exchange. The Kurita Group will actively and fairly disclose financial information, including information about financial conditions and the results of operations, management strategies, policies for capital efficiency, etc. This information is deemed to be effective for facilitating understanding of the Kurita Group among shareholders and investors.
Other	One woman is currently appointed as officers of the Company. There are three female managers. The Company has adopted a specialist system under which there are two female specialists in positions equivalent to General Manager, other than the abovementioned three female managers, and eight female specialists in positions equivalent to section leader.

	The Company is seeking to develop a comfortable work environment through the proactive recruitment of female employees, the expansion of the types of jobs available and the enhancement of systems to support greater work-family balance in child care.
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## IV. Matters Related to the Internal Control System

### 1. Basic Views on Internal Control System and the Progress of System Development

In the meeting of the Board of Directors for the fiscal month of May 2006, the Company established the Basic Policies for Constructing an Internal Control System for the Company and its Group in accordance with the Companies Act and worked to strengthen its internal controls in accordance with the basic policies. The Basic Policies for Constructing an Internal Control System have been revised by resolutions of the Board of Directors.

1. System to ensure that the execution of the duties of directors and employees conforms with laws, regulations, and the articles of incorporation

(1)The Company and its consolidated subsidiaries (the “Group Companies”), will comply with laws and regulations in accordance with social ethics and have specified actions based on compliance with laws, regulations, and social ethics as a prerequisite for corporate activities to construct transparent and fair relationships with shareholders, customers, employees, local communities, and trade partners at all places in which business activities are conducted. We have also established Core Values (fairness, transparency, integrity, safety and compatibility) that officers and employees should emphasize, and the Code of Conduct with which officers and employees should comply, transcending differences in their language, custom and cultural background, to fully enforce actions based on compliance with laws, regulations and social ethics in our daily business activities. In addition, the Company and the Group Companies will stand up to antisocial forces that potentially pose a threat to social order and safety with a resolute attitude, and work to fight off the unjustified claims of antisocial forces in a determined manner.

(2)The Company sets up the Environmental & Social Committee, which is chaired by the Director, and the Group Environmental & Social Committee, which is also chaired by the same Director and whose members are the representatives of the Group Companies. In these Committees, the members set out policies and important measures for compliance activities, and convey them to all employees through the divisions and the department committees of the Group Companies. The Company will also work continuously to raise the compliance level by regularly reporting the status of activities and their results to the Board of Directors. If the Chairman of these Committees determines that there is a serious problem or a doubt related to compliance, the Chairman will immediately report it to the President, and then formulate and implement remedial actions and preventive measures. The President or the Chairman of these Committees will report these events to the Board of Director and the Audit & Supervisory Board whenever appropriate.

(3)The Company establishes the Internal Auditing Department, which is placed under the direct control of the President, to conduct internal audits on matters such as those related to compliance activities.

(4)The Company establishes the Public Interest Whistle-Brower Protection Regulations as a mechanism for the employees of the Company and the Group Companies to directly provide information about legally doubtful conducts, etc. In conjunction with these regulations, the Company also establishes the Compliance Counselling Office. The Company also works to ensure the fairness and transparency of the management of the Company and the Group Companies by regularly reporting the status of the operation of the contact for Public Interest Whistle-Blowing to the Board of Directors.

(5)The Company establishes and operates the “Internal Control Reporting System” in accordance with the Financial Instruments and Exchange Act to ensure the accuracy of the financial reporting of the Company and the Group Companies. Monitoring, advices on improvement, and support for improvement for the operation of the System are implemented, with the Internal Auditing Department as the responsible department.

In addition, the Accounting Department in the Corporate Planning Division shares responsibility for monitoring, recommendations for improvement, and support for improvement related to the “operations process control inside the Company” and the “account settlement and financial reporting process control of consolidated subsidiaries from a company-wide perspective.”

(6) In response to the “Corporate Governance Code” set forth in the Securities Listing Regulations of the Tokyo Stock Exchange, the Company establishes policies for corporate governance and strengthens its corporate governance, with the aim of realizing transparent, fair, prompt, and decisive decision-making and more effective management supervision of the Company and the Group Companies.

2. System to store and manage information about the execution of the duties of directors

Information about the execution of the duties of directors is recorded and stored in documents or electromagnetic media in accordance with the Document Regulations and the Confidential Information Management Regulations established by the Board of Directors. The directors and the members of the Audit

& Supervisory Board may inspect these documents, etc. when necessary.

### 3. Regulations and other systems for managing the risk of loss

(1) Risks pertaining to the Company and the Group Companies are monitored and risk management is promoted, with the General Manager of the Corporate Planning Division acting as the officer in charge. The General Manager of the Corporate Planning Division regularly analyzes and assesses the risks of the Company and the Group Companies, and makes efforts to prevent the occurrence of risks through continuous monitoring. If a risk that may have a material impact on management arises, the General Manager of the Corporate Planning Division will appoint a responsible official, draw up a system to address the risk, and immediately issue a command after gaining the approval of the President. The responsible official will immediately implement countermeasures and report the impact of the risk, the status of correcting the risk, and the measures for preventing the risk to the President and the General Manager of the Corporate Planning Division.

(2) In regards to serious risks, the Chairman of the Environmental & Social Committee will be the responsible official for risks related to compliance, and the Chairman of the Headquarters Health and Safety Committee will be the responsible official for risks related to health, safety, and disasters. Risks that are directly related to daily business activities are addressed by the general managers of the divisions, who acts as the responsible official. Other day-to-day risks related to quality, the environment, information security, and export regulations, etc. are addressed by their respective departments.

(3) The General Manager of the Corporate Planning Division, the Chairmen of the Committees, and the general managers of the divisions regularly report the status of activities to promote risk management and compliance to the Board of Directors, and report the occurrence and result of material risks to the Board of Directors and the Audit & Supervisory Board whenever appropriate.

(4) The status of the implementation of risk management and improvements is monitored, with the Internal Auditing Department acting as the responsible department.

### 4. System to ensure the efficient execution of duties by the directors

The Company will improve the efficiency of the execution of duties of the directors based on the following management control system and mechanism.

(1) The Board of Directors specifies the operations delegated to the directors, the executive officers, and the responsible officials of organizations (managerial personnel with the rank higher than general manager of a division or an office).

(2) The Board of Directors formulates a long-term vision, a medium-term management plan, and a business plan for a single fiscal year, and sets out the targets, policies, and focused measures for each organization. The Board of Directors also implements monthly and quarterly business controls in relation to the consolidated and non-consolidated targets of the Company and the business departments.

(3) The final decision application system is set up, in line with the Executive Committee and the Final Decision and Examination Regulations, as a decision-making system to complement the resolutions made at the Board of Directors meetings.

(4) The Executive Committee makes decisions and conducts a review of matters resolved at the Board of Directors meetings to facilitate the decision making progress at the Board of Directors meetings when necessary. The Executive Committee consists of the President, directors with a rank of managing director or above, the General Manager of the Corporate Planning Division, and the directors and executive officers appointed by the President. The committee meets twice a month in principle, and on a temporary basis when necessary. In the Executive Committee, the members deliberate matters related to the management of the Company and the Group Companies, conduct a monthly and quarterly check of whether targets have been achieved and the status of implementation of policies and measures, and give the directors and the executive officers in charge instructions to correct deviations. The members of the Audit & Supervisory Board may attend the Executive Committee.

(5) The decision to establish, revise, or abolish the Final Decision and Examination Regulations is made by the Board of Directors. For the directors and the executive directors to conduct their duties more efficiently, internal regulations conforming to the Final Decision and Examination Regulations are established and implemented.

### 5. System to ensure the accuracy of operations in a corporate group consisting of the Company and its subsidiaries

The Company and Group Companies perform operations appropriately by the following systems and the

frameworks that are in place.

(1)The Company and Group Companies set a medium-term management plan and a business plan for a single fiscal year based on a unified outline for formulating plans.

(2)The overall management of Group Companies is controlled by the Corporate Planning Division. In addition, an officer and a department of the Company in charge of each Group Company are appointed to regularly determine the status of the business performance achieved and the status of risk management based on the medium-term management plan and the business plan for a single fiscal year, and to provide the Group Companies with guidance.

(3)A Board of Directors is set up in each Group Company, and the Company or a Group companies dispatches a (non-standing) director and (non-standing) member of the Audit & Supervisory Board to monitor the management of the Board of Directors, business performance, settlement of accounts, and risks. If a decision needs to be made as the Group Companies, the Executive Committee of the Company deliberates the matter and makes the decision in accordance with “7. Matters related to subsidiaries and associates in Japan and overseas,” an appendix of the Final Decision and Examination Regulations of the Company, or the Board of Directors or the Executive Committee of the Company makes the decision.

(4)In regards to the Group Companies’ efforts related to compliance, the Group Environmental & Social Committee stated in Article 1, Paragraph 2 of the Basic Policies for Constructing an Internal Control System sets out policies and implements specific measures. In addition, the system for ensuring the accuracy of the financial reporting by the Group is considered and established as part of the approaches stated in Article 1, Paragraph 5.

(5)The Group Companies report the status of their management, sales activities, manufacturing, and risk management, etc. to the Company regularly, such as on a monthly or quarterly basis.

6. Matters related to an employee if a member of the Audit & Supervisory Board requests the assignment of the employee to assist him/her, matters related to the independence of the employee from the directors, and matters related to ensuring the effectiveness of instructions issued to the employee

(1)The Audit & Supervisory Board of the Company may appoint a full-time assistant. If a full-time assistant is not appointed, a member of the Audit & Supervisory Board may instruct a certain employee who belongs to the Internal Auditing Department to assist his/her auditing work as necessary.

(2)The employee who assists the auditing work of the member of the Audit & Supervisory Board in accordance with the instruction described in the preceding paragraph provides assistance independent of the directors and within the necessary scope of assistance. In addition, the opinions of the member of the Audit & Supervisory Board are respected regarding personnel changes and evaluations, etc. of the employee.

(3)The employee who assists the auditing work of the member of the Audit & Supervisory Board may regularly attend places where opinions are exchanged between the Representative Director and the accounting auditor within the company of the member of the Audit & Supervisory Board.

7. System for the directors and employees of the Company and Group Companies to report to the Audit & Supervisory Board, and other systems for reporting to the Audit & Supervisory Board

(1)In order to regularly confirm that the directors, executive officers and employees of the Company perform operations appropriately, the members of the Audit & Supervisory Board are required to attend the Board of Directors meetings. They may also attend the Executive Committee and the Environmental & Social Committee, etc.

(2)The members of the Audit & Supervisory Board of the Company may inspect documents, etc. necessary for their auditing work at any time, irrespective of the provisions of the Document Regulations, the Confidential Information Management Regulations, and other regulations.

(3)The directors of the Company report important matters related to the execution of duties to the members of the Audit & Supervisory Board or the Audit & Supervisory Board whenever appropriate through the Board of Directors meetings and other important meetings.

(4)The executive officers and employees of the Company and the directors, the members of the Audit & Supervisory Board, and the employees of the Group Companies report matters stipulated in laws and regulations as well as cases of compliance violations, cases in dispute, the occurrence of material risks, and matters related to accounting and the settlement of accounts, etc. to the respective departments in charge within the Company. The departments in charge report the details of reports from the executive officers and employees of the Company and the directors, members of the Audit & Supervisory Board and employees of Group Companies to the members of the Audit & Supervisory Board or the Audit & Supervisory Board when necessary. In addition, the departments in charge also make necessary reports at the request of a member of

the Audit & Supervisory Board.

(5)The Company prohibits those who made a report to a department in charge, a member of the Audit & Supervisory Board, or the Audit & Supervisory Board in accordance with the provisions of the preceding paragraph from being treated unfavorably on the grounds of making a report, and makes this fact fully known to the directors, executive officers and employees of the Company and the directors and employees of the Group Companies.

8. Other systems to ensure the effective auditing of the Audit & Supervisory Board

(1)A meeting for the President and the members of the Audit & Supervisory Board or the Audit & Supervisory Board to exchange opinions is held regularly.

(2)The Audit & Supervisory Board establishes standards for appointing, dismissing, and refusing to reappoint the accounting auditor, and nominates a candidate for the accounting auditor. The Company and the Group Companies secure sufficient amount of time for the accounting auditor to conduct a high-quality audit. The members of the Audit & Supervisory Board, the Internal Auditing Department, and the accounting auditor promote a cooperation by mutually checking each other's audit plans and sharing their concerns.

(3) The members of the Audit & Supervisory Board or the Audit & Supervisory Board hold discussions and exchange opinions with the Internal Auditing Department and the audit corporation when necessary.

(4) The Audit & Supervisory Board allocates expenses that are deemed necessary for the execution of duties in advance. However, the Audit & Supervisory Board may charge the Company postmortem for expenses it spent on urgent or provisional matters.

## **2. Basic Views on Eliminating Anti-Social Forces**

Regarding the elimination of antisocial forces, the Company has established the relevant provisions in “1. System to ensure that the execution of the duties of Directors and employees conforms with laws, regulations and the Articles of Incorporation” of the “Basic Views on Internal Control System and the Progress of System Development” above.



## V. Other

### 1. Adoption of Anti-Takeover Measures

Adoption of Anti-Takeover Measures	Not Adopted
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Supplementary Explanation
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### 2. Other Matters Concerning Corporate Governance System

#### Information Disclosure Policy

##### Basic Policy

The Kurita Group discloses information in accordance with the laws related to information disclosure, such as the Companies Act and the Financial Instruments and Exchange Act, and regulations for the timely disclosure of corporate information established by the Tokyo Stock Exchange. The Kurita Group will actively and fairly disclose financial information, including information about financial conditions and the results of operations, management strategies, policies for capital efficiency, etc. This information is deemed to be effective for facilitating the shareholders and investors' understanding of the Kurita Group.

##### Method of Information Disclosure

The Company discloses information prescribed in the Timely Disclosure Rules of the Tokyo Stock Exchange through the TDnet (Timely Disclosure Network) provided by the Tokyo Stock Exchange in compliance with said rules. The disclosed information will promptly be posted on the Company's website. In disclosing other information not required by the Timely Disclosure Rules, the Company makes careful arrangements to ensure that such information is provided precisely and fairly to shareholders, investors and other stakeholders in an appropriate manner in light of the purpose of timely disclosure.

##### Forward-looking Information

In addition to earnings forecasts submitted to the Tokyo Stock Exchange, the Company may provide information concerning earnings forecasts by other method.

Such information is based on information available at the time of preparation and specific assumptions judged to be reasonable. Accordingly, actual performance may differ from the forecasts due to various risks and uncertainties.

##### Information Disclosure System

###### (1) Collection and management of information

The General Manager of the Corporate Planning Division manages the corporate information of the Group (decisions made by the Company, financial information and occurrence of material facts) as the person responsible.

Important corporate information is centrally managed by the General Manager of the Corporate Planning Division. Furthermore, there is a system that enables speedy transfer of information about matters of urgency and other risk information to the President of the Company.

###### (2) Judgment of timely information disclosure

The General Manager of the Corporate Planning Division makes decisions on whether or not corporate information collected is subject to timely disclosure.

###### (3) Timely disclosure of information

Information subject to timely disclosure is disclosed by the General Manager of the Corporate Planning Division after a resolution is made at a meeting of the Board of Directors or after the relevant information has been reported at a meeting of the Board of Directors or at the Executive Committee in accordance with the internal rules. When disclosure needs to be made urgently, the General Manager of the Corporate Planning Division decides whether or not the relevant information should be disclosed in a timely manner and, with the approval of the President, the General Manager of the Corporate Planning Division discloses that information without delay.

##### Silent Period

In order to prevent the leakage of financial information and to ensure fairness, the Company has adopted a

"silent period" that commences on the day following the closing date of the fiscal period and ends on the day the related financial statements are released. During this period, we will not make any comments or respond to any questions concerning our business results for the relevant period. However, if we determine during the silent period that the results will differ significantly from our forecast, we will disclose the relevant information in a timely manner. During the silent period we will gladly respond to any questions concerning information that has already been released.

#### Policy Concerning Engagement with Shareholders

(1)The responsible official in charge of conducting constructive dialogue with shareholders and investors shall be the General Manager of the Corporate Planning Division. The General Manager of the Corporate Planning Division shall individually engage in dialogue with shareholders and investors upon receiving a request for dialogue from shareholders and investors, and work to set up a useful place for shareholders and investors by securing opportunities for dialogue between shareholders and investors and the President and other members of management.

(2)As an organization that supports dialogue with shareholders and investors, the Company will set up a full-time IR and SR section in the Corporate Planning Division, and appoint full-time IR and SR staff. To identify and gather important in-house information and manage it appropriately, the General Manager of the Corporate Planning Division will also set up an IR and SR liaison group consisting of the persons in charge in the Corporate Planning Department, Accounting Department, CSR and Investor Relations Department to share information regularly or as needed. The General Manager of the Corporate Planning Division will manage this group and provide the information necessary for dialogue.

#### Efforts to Enhance IR and SR Activities

The General Manager of the Corporate Planning Division shall be in charge of IR and SR activities that will serve as dialogue alternatives to individual meetings. The full-time IR and SR staff will work to enhance dialogue with shareholders by planning and conducting various explanatory meetings and transmitting more information. The General Manager of the Corporate Planning Division shall report the results of and plans for IR and SR activities at meetings of the Board of Directors each year.

#### Conveying the Feedback of Shareholders and Investors to Management

The General Manager of the Corporate Planning Division shall convey the feedback and concerns of shareholders and investors identified through dialogue with them to the Board of Directors on a regular basis or as needed. The full-time IR and SR staff shall prepare the minutes soon after the dialogue is conducted, and provide an environment where the directors, the members of the Audit & Supervisory Board, and the executive offices are able to read the minutes whenever they wish to do so.

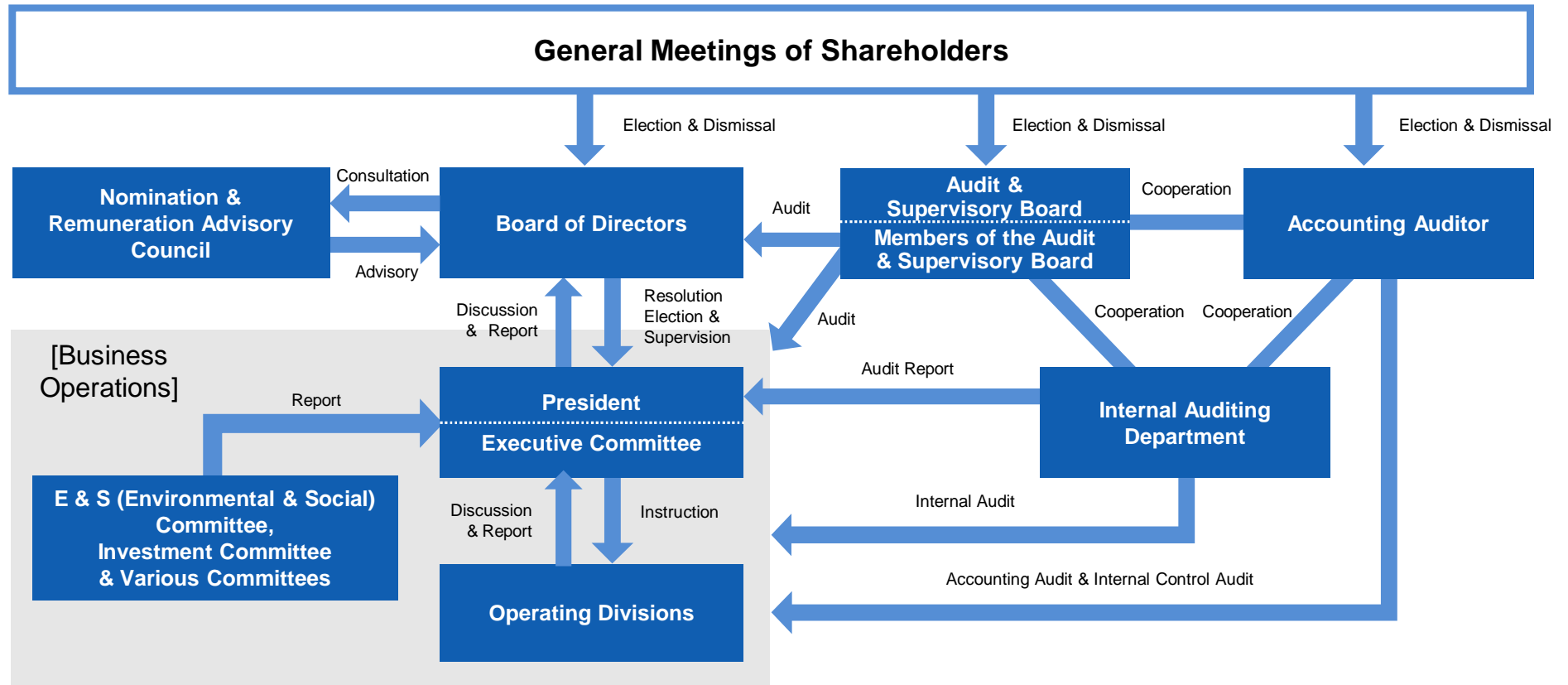
#### Management of Insider Information

The Company has established the "Regulations Concerning Control of Insider Trading of Shares, etc." as specified by law to prevent insider trading from occurring, and will work to observe the Regulations in dialogues with shareholders and investors.

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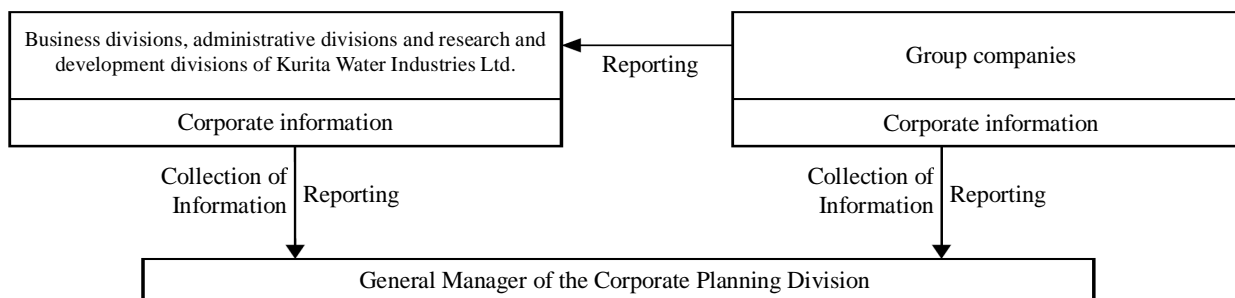
# Corporate Governance Structure

## Company with the Audit & Supervisory Board

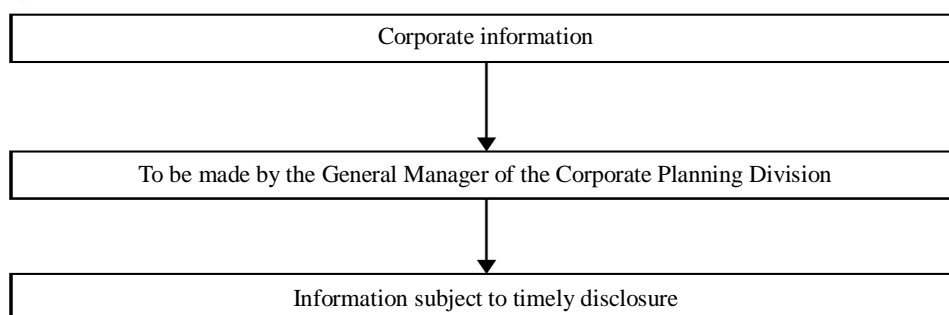


## Timely disclosure structure

### <Collection and Management of Information>



### <Judgment of Timely Disclosure>



### <Timely Disclosure>

