

Basic Stance

Kurita and Kurita Group companies aim to contribute broadly to society and meet the expectations of their stakeholders through corporate activities in the fields of water and environmental management, in accord with the Kurita corporate philosophy. To realize these aims, the Group has adopted a basic corporate governance policy with two main components. The first is establishing management systems that improve management transparency, soundness, and efficiency and steadily increase corporate value on a long-term basis. The second is rigorous oversight of management and operational execution.

Board of Directors and Management Decision-Making, Oversight, and Execution

Kurita's Board of Directors currently comprises 13 directors, including one outside director. Board of Directors' meetings are chaired by the president and held monthly on a regularly scheduled basis and whenever else necessary on an ad hoc basis. The Board of Directors sets management policy, makes management decisions, and oversees directors' execution of their duties. Kurita has also established an Executive Committee composed of directors with a rank of managing director or above (currently six directors) to deliberate on important management matters and assist the Board of Directors' decision-making.

To complement the Board of Directors' decision-making, Kurita has also established an authorization protocol based on authorization and review regulations. In terms of operational execution, Kurita has employed an executive officer system since June 2005 in the aim of strengthening executory capabilities and expediting execution of management decisions. Kurita currently has six executive directors, who include the general managers of key operating divisions.

Corporate Auditors and Auditing System

Kurita employs a corporate auditor system. Its Board of Corporate Auditors comprises three corporate auditors, including two outside auditors. Corporate auditors audit directors' execution of their duties, in accord with audit policies and schedules set by the Board of Corporate Auditors. Corporate auditors attend Board of Directors' meetings and other important company meetings and oversee and monitor the Board of Directors' decision-making process and fulfillment of its oversight responsibilities. Corporate auditors' other responsibilities include conducting group-wide asset status surveys, checking the status of the Board of Directors' internal control systems, overseeing accounting auditors' independence and job performance, and verifying the results of accounting audits.

The two outside corporate auditors have broad knowledge and experience in industry and the legal profession, respectively. Their role is to serve as auditors from an objective standpoint.

Kurita has appointed Grant Thornton Taiyo ASG as its accounting auditor. Grant Thornton Taiyo ASG audits Kurita's accounts and internal controls (the latter beginning in the fiscal year ended March 31, 2009). The corporate auditors and the Board of Corporate Auditors augment these audits by conferring with the accounting auditor on both a periodic and as-needed basis.

The corporate auditors also endeavor to improve audit effectiveness and efficiency by reviewing the status and results of operational audits conducted by the Internal Auditing Department.

Internal Control Systems

Kurita recognizes that building and operating solid internal control systems enhances the effectiveness of corporate governance and helps to improve a company's credibility. Based on this recognition, Kurita is steadily implementing internal control systems.

As previously reported, the Board of Directors prescribed a Fundamental Policy Regarding the Establishment of Internal Control Systems in May 2006 in accord with the requirements of Japan's Companies Act and subsequently augmented it with several revisions. These revisions most notably established internal controls for financial reporting and prescribed provisions regarding establishment and augmentation of risk management systems.

The revision that established internal controls over financial reporting preceded the internal controls reporting system mandated by the Financial Instruments and Exchange Act effective from April 2008. It designated the Internal Auditing Department as the organizational unit responsible for monitoring the status of internal controls, recommending improvements to internal controls, and assisting with such improvements. The revision regarding risk management systems designated the general manager of the Corporate Planning Division as the corporate officer in charge of group-wide risk oversight and risk management. It also designated the Internal Auditing Department as the organizational unit responsible for monitoring risk management and the status of improvements to risk management systems.

The president recently evaluated the aforementioned internal controls over financial reporting, verified that they are properly implemented and operational as of March 31, 2009, and submitted an internal control report to that effect to the Financial Services Agency after the report had been audited by the accounting auditor.

Kurita plans to further augment its risk management and internal controls pursuant to its new medium-term management plan.

Compliance Initiatives

Compliance systems are another key component of internal controls. Kurita has established a Compliance Committee and Group Compliance Committee both chaired by an executive senior managing director (representative director), conducts group-wide compliance activities, and endeavors to improve compliance. Kurita's organizational units and group companies have formulated Compliance Guidelines based on the Code of Ethical Conduct prescribed in 2000 and rigorously practice compliance with laws and societal ethics in their day-to-day business activities. Additionally, Kurita has prescribed whistleblower protection regulations and established an internal consultation desk and a liaison for external consultations and reporting.

Information Disclosure

In the aim of gaining societal trust and building fair and transparent relationships with stakeholders, the Kurita Group endeavors to adequately disclose information on a timely basis in compliance with the Financial Instruments and Exchange Act, other applicable laws, and securities exchanges' timely disclosure regulations. The Group also conducts routine investor relations activities in the spirit of timely disclosure even of information outside the purview of timely disclosure regulations. The Group endeavors to promptly disclose such information by various means, including press conferences, explanatory meetings, and publication on the company website.