

SUSTAINABLE MANAGEMENT FRAMEWORK

Corporate Governance

Basic Policy

Kurita and Kurita Group companies aim to contribute broadly to society and meet the expectations of their stakeholders, including shareholders and investors. The Group does this 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." 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 and efficiency and sustainably increase corporate value over the long term. The second is rigorous oversight of management and operational execution.

Corporate Governance Structure

Kurita's Board of Directors currently comprises 12 directors, including one external director. The Board of Directors' meetings set management policy, make management decisions, and oversee directors' execution of their duties. The 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.

Kurita has an Executive Committee comprising six directors including representative directors. The committee meets twice monthly as a general rule to deliberate on important management matters and assist the Board of Directors' decision-making.

To complement its decision-making, the Board of

Directors 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 2005 with the aims of realizing swift decision making by separating management and execution and strengthening officers' capabilities. Kurita currently has six executive officers.

The external director monitors management by voicing opinions from an independent position at Board of Directors' meetings. This ensures a multilateral perspective and greater objectivity in directors' decisions on execution.

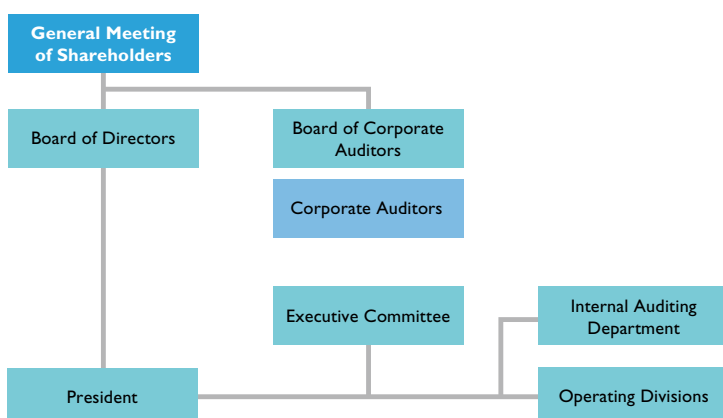
Corporate Auditor System

Kurita employs a corporate auditor system. The Board of Corporate Auditors comprises three corporate auditors, including two external corporate auditors. The Board of Corporate Auditors decides on audit policies for the fiscal year, allocation of duties to each corporate auditor, specific items to be performed, schedules, and other items for executing audits.

Corporate auditors attend Board of Directors' meetings, Executive Committee meetings, and other important company meetings and monitor the directors' execution of duties and the Board of directors' fulfillment of its oversight responsibilities. Corporate auditors' other responsibilities include conducting asset status surveys of the entire group, including subsidiaries, checking the status and functionality of internal control systems implemented by the directors, confirming accounting auditors' independence and fulfillment of duties, and meeting with the accounting auditors regularly and as otherwise necessary to discuss the accounting audit and exchange opinions.

The Internal Auditing Department, which reports directly to the president, is tasked with strengthening internal control. The head of the department and eight subordinate staff conduct internal audits of the entire Group to ascertain any issues or problems arising in the execution of duties. The department then recommends measures for improvements to the president. From the fiscal year beginning April 1, 2008, the

Organization



department has been responsible for monitoring the status of internal controls and recommending and supporting improvements in response to the introduction of the internal controls reporting system for financial reporting mandated by on the Japanese Financial Instruments and Exchange Act. The department also monitors the Group's implementation and improvement of risk management.

The corporate auditors and the Internal Auditing Department discuss the department's audit plan for each fiscal year and exchange opinions regarding the status and results of audits, assessment of internal control over financial reporting, and assessment of risk management.

Kurita has appointed Grant Thornton Taiyo ASG as its accounting auditor, in accordance with the law, to implement and enhance the Company's accounting audits.

The two external corporate auditors enhance objectivity in monitoring management by auditing from an independent perspective, drawing on their specialized knowledge. In March 2010, Kurita registered the external director and the two external corporate auditors as independent officers in accord with the Tokyo Stock Exchange's listing regulations, as amended.

• Main Activities of the External Director and External Corporate Auditors for the Fiscal Year Ended March 31, 2011

Mr. Hayata, Kurita's external director, attended Board of Directors' meetings and voiced appropriate opinions as required on the proposals and deliberations at the meetings.

In addition to conducting regular audits, Mr. Kuzuu, one of the external corporate auditors, attended Board of Directors' meetings, Board of Corporate Auditors' meetings and other important meetings to offer a specialist financial and accounting perspective on matters, as well as appropriately exchanging opinions with the accounting auditors and Internal Auditing Department.

Mr. Uda, the other external corporate auditor, attended Board of Directors' meetings and Board of Corporate Auditors' meetings to offer opinions

appropriately as needed, mainly from a specialist legal expert's perspective.

Internal Control System and Risk Management System

In May 2006 the Board of Directors prescribed the Fundamental Policy Regarding the Establishment of Internal Control Systems in accordance with the requirements of Japan's Companies Act and has subsequently augmented Kurita's internal controls in line with this basic policy. The following systems are in place to enhance management of compliance and safety.

• Compliance Committees

Compliance is one of Kurita's top management priorities. Kurita has established a Compliance Committee chaired by an executive senior managing director (representative director) and a Group Compliance Committee comprising representative directors from Group companies.

The Kurita Group regards compliance activities as entailing more than simple law abidance. Rather, it is conceived as a broad ethical practice aimed at realizing five values: fairness, transparency, integrity, safety, and coexistence. Kurita set forth these values in its Code of Ethical Conduct, prescribed in 2000. Kurita has also instituted whistleblower protection regulations, and established an internal consultation desk while at the same time contracting an outside party to provide consultation and reporting services.

• Headquarters Health and Safety Committee

The Headquarters Health and Safety Committee reports directly to the president. The committee oversees several subcommittees: the On-site Division Health and Safety Committee, the Facilities Production Division Health and Safety Committee, the Ultrapure Water Supply Group Health and Safety Committee, the Maintenance Group Health and Safety Committee, and the Headquarters, Branch and Office Health and Safety Committees. Together these committees work to maintain and improve health and safety at workplaces and in business activities from the perspective of Group companies and cooperating partners.

- **Risk Management**

An officer is designated to promote oversight and management of risk by regularly conducting risk analysis and evaluation, and taking steps to prevent risk events from occurring where possible.

The Group suffered only minor damage to facilities at some of its business sites from the Great East Japan Earthquake that occurred on March 11, 2011. The Group responded on March 11 by establishing a Disaster Response Headquarters, under the president, to ascertain damage and assist with recovery at customers' sites in the affected areas, and to offer assistance by supplying drinking water and through monetary donations.

Compensation Paid to Directors and Corporate Auditors

Total Amounts of Compensation Paid to Directors and Corporate Auditors by Classification and Total Amounts and Number of Recipients for Each Type of Compensation for the Fiscal Year Ended March 31, 2011

Classification	Total compensation paid (Millions of yen)	Total compensation paid by type (Millions of yen)				Number of recipients (Persons)
		Basic compensation	Stock options	Bonus	Retirement package	
Directors (Excluding external director)	509	509	–	–	–	12
Corporate auditors (Excluding external corporate auditors)	31	31	–	–	–	1
External corporate auditors	43	43	–	–	–	2

Total Amounts of Consolidated Compensation Paid to Directors and Corporate Auditors

Name	Total consolidated compensation paid (Millions of yen)	Classification	Company	Total consolidated compensation paid by type (Millions of yen)			
				Basic compensation	Stock options	Bonus	Retirement package
Hiroshi Saito	106	Director	The Company	106	–	–	–

Note: Total consolidated compensation paid is reported only for persons who received ¥100 million or more.

- **Amount of Compensation for Directors and Corporate Auditors, Policy for Calculation, and Method of Determination**

Kurita's system for compensating directors and corporate auditors is intended to create incentives to continuously work to increase the Company's enterprise value and business results. To this end, the compensation packages comprise two components: a basic annual salary and a performance-linked

component that reflects the Company's business results. Specifically, for directors the basic annual salary is set separately for each office, while for corporate auditors the basic annual salary reflects the full-time or part-time status of the officer. The performance-linked amount is variable and dependent on achievement of performance targets for the fiscal year. To incentivize improved business performance over the medium to long term, a certain proportion of the basic annual salary is paid to the Directors' and Corporate Auditors' Shareholding Scheme and allocated for purchasing the Company's shares. Based on this policy, the compensation for each director is decided by the Board of Directors and the compensation for each corporate auditor is decided by the Board of Corporate Auditors within the total limit set by the General Meeting of Shareholders.

Information Disclosure and IR Activities

Kurita aims to gain the trust of society and build fair and transparent relationships with stakeholders. The Company therefore endeavors to adequately disclose information in a timely manner, in compliance with the Companies Act, the Financial Instruments and Exchange Act, and the rules of the Tokyo Stock Exchange.

To achieve greater transparency, Kurita has set up an investor relations Web site to ensure timely and fair disclosure even of information outside the purview of the disclosure laws and regulations. Moreover, in addition to the Web site and quarterly publication of shareholders' newsletters, Kurita also holds results briefings attended by top management for explaining the half-year and full-year results. The materials for these briefings are also made available on the investor relations Web site.

Kurita also conducts investor relations activities including individual meetings and interviews with investors and analysts, overseas roadshows, results presentations, and other events. These events serve not only as a means of disclosure, but also as opportunities for management to engage in dialogue with investors. Kurita is therefore committed to enhancing these activities further.

Environmental Improvement Activities

The Kurita Group's business operations are closely linked with environmental improvement activities in the field of water and the environment. As such, we focus on contributing to society through our main business. Our efforts to help realize a sustainable society naturally begin with reducing our own impact on the environment. We also consider it important to promote proposals for reducing environmental impact to our customers.

As a framework for promoting environmental improvement activities, Kurita has an Environmental Improvement Promotion Committee that deliberates on matters relating to the status of the Group's environmental activities and formulates policies. In accordance with these policies, Environmental Improvement Promotion Committees within Kurita's administrative and business divisions, as well as business sites and Group companies each formulate and pursue their own measures and targets, and execute them. To check on the progress and achievement of these targets and measures, environmental improvement activity facilitators from each business site and subsidiaries convene an Environmental Improvement Activity Promotion Meeting, at which they assess the activities' adequacy and effectiveness.

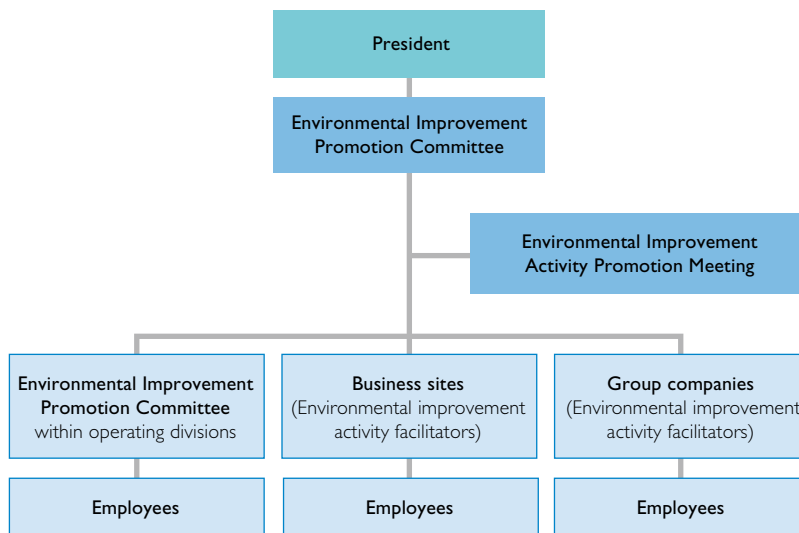
Basic Environmental Improvement Activities Policy

The Kurita Group will conduct business activities based on its corporate philosophy and will endeavor to solve water and environmental issues with the aim of making broad contributions to society.

Activity Guidelines

1. We will contribute to the realization of a resource-recycling society by developing new products and technologies conducive to environmental improvement.
2. We will work with customers to improve the environment by providing products, technologies, and services that improve productivity, reduce environmental impact, and offer innovative energy solutions.
3. In conducting business activities, we will reduce environmental impact by daily practicing the three Rs (Reduce, Reuse, Recycle) through operational improvement and innovation.

Framework for Promoting Environmental Improvement Activities



Distinctive Environmental Improvement Activities

A distinctive aspect of Kurita's environmental improvement activities is their close links with the Company's business activities. Kurita's main business involves developing products and technologies that help to improve the environment, then leveraging them to help customers reduce their environmental impact. For this reason, the Kurita Group approaches environmental improvement activities from three aspects: responding to societal needs, meeting customer needs, and pursuing internal change.

To respond to societal needs, the Group develops new products and technologies that help to improve the environment for society as a whole. To meet customers' needs, the Group works to make customer sites and offices more environmentally-friendly by formulating and providing solutions that accurately meet the customers' needs for reducing their environmental impact. The Group measures its performance here in terms of numbers of new developments and effective environmental benefits to customers. These environmental benefits are calculated as an estimate (i.e., deemed effect) of the reduction in the environmental impact after the customer has adopted Kurita's proposal.

With regard to internal change, the Group sets targets for reduction of CO₂ emissions and reduction of waste disposal volume, and strives to reduce the environmental impact from its operations.

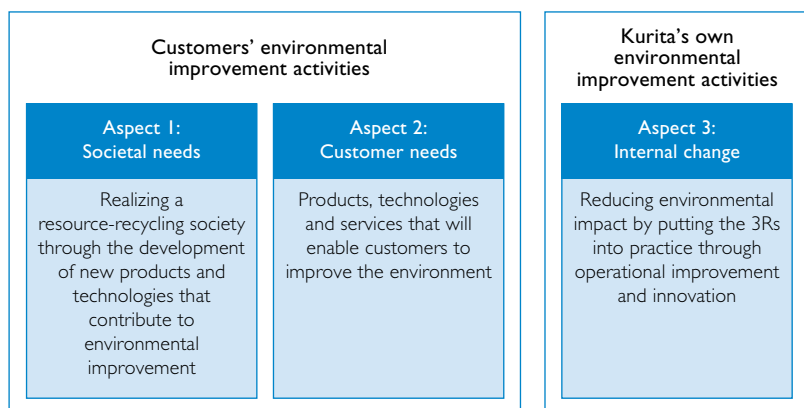
Results of Environmental Activities in the Year Ended March 31, 2011

With respect to societal needs, in the Water Treatment Chemicals business, the Kurita Group has developed new products for reducing usage of heavy oil and chemicals at customers' plants. In water treatment facilities, we have developed new wastewater treatment systems that reduce electricity usage and the volume of sludge generated by customers.

Regarding customer needs, Kurita helped customers to realize environmental benefits that surpassed Kurita's initial targets for reducing CO₂ emissions and water pollutants.

For internal change in addition to its previous initiatives, Kurita formulated an integrated policy for the entire Group that sets out water quality management and a response to emergency situations at all levels. The policy was based on results of a risk evaluation for wastewater treatment facilities management. Details and concrete data are scheduled to be published in the Kurita Group Environmental Report in October 2011.

The Three Aspects of Kurita's Environmental Improvement Activities



Topics

In response to the Great East Japan Earthquake that struck in March 2011, the Kurita Group donated ¥100 million in assistance to support victims of the disaster and to help recovery efforts in affected areas. The Group also supplied its own drinking water product *Minerise Water* to stricken areas.

The Kurita Group will continue working to support people in affected areas.

