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For Immediate Release

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Announcement of the Introduction of a Performance-linked Stock Compensation Plan for Directors

Kurita Water Industries Ltd. (“the Company”) announces that a meeting of its Board of Directors on April 28, 2016 resolved to introduce a new performance-linked stock compensation plan (“the Plan”) utilizing a trust service for the Company’s Directors (excluding Outside Directors), and to submit a proposal for the introduction of the Plan to the 80th annual meeting of shareholders scheduled on June 29, 2016 (“the General Meeting of Shareholders”). Details are as follows.

1. Purpose of Introduction of the Plan

- (1) The Company currently pays compensation to Directors according to their assigned roles and contribution under an “annual wage system.” The Company has now decided to introduce a performance-linked stock compensation plan for Directors to increase motivation to work toward the Group’s continued medium- to long-term growth as well as to contribute to increasing the value of the Company.
- (2) The Plan would not only motivate the Directors to strive harder to accomplish their performance goals but also help them share the benefits and risks of stock price fluctuations with the Shareholders because stock price movements will impact the actual amount of remuneration to be received by the Directors under the Plan.
- (3) Regarding the amount and details of Directors’ compensation under the Plan, the Company proposes paying stock compensation to Directors that is separate from the maximum limit amount of Directors’ compensation (a maximum of 800 million yen annually; not including salary for employee who concurrently serve as Director) approved at the 72nd annual meeting of shareholders held on June 27, 2008, and introduction of the Plan is subject to approval at the General Meeting of Shareholders.

2. Amount and Details of Compensation under the Plan

(1) Outline of the Plan

The Plan is a performance-linked compensation plan whereby the Company will grant points to Directors according to their position and performance and, at the time of their retirement, will distribute to them such number of shares of stock of the Company as would be equivalent to the cumulative number of points granted to them.

In introducing the Plan, the Company will adopt a structure of a Stock Distribution Trust for Officers (hereinafter referred to as the “Trust”) that will be created with money the Company contributes.

(2) Persons eligible for the Plan

Directors (excluding Outside Directors; the same shall apply hereinafter.)

(Note) Outside Directors are not eligible for the Plan, which is closely linked to business performance, on the grounds that the role they should play is to exercise supervision of the Company’s management from an objective perspective that is independent of business execution.

(3) Performance-linked benchmark

The Company will use net income attributable to owners of parent as the performance-linked benchmark, which will be linked to the number of points to be granted. Net income attributable to owners of parent is the final income earned through business activities in a given fiscal year and is directly linked to enhancement of the Company's value over the period. As such, the Company finds consolidated net income suitable as a benchmark for determining compensation of Directors, each of whom bears a responsibility for the enhancement of the enterprise value of the Group as a whole and the maximization of shareholder profits.

(4) Method of calculating points to be granted to each Director

The number of points granted to each Director will be the number calculated by dividing the amount set according to the each Director's position in the Officers' Compensation Regulations and the consolidated net income of the given fiscal year by the acquisition price of the Company stock by the Trust, taking one point to represent one share of the Company's stock; provided, however, that the aggregate number of points to be granted by the Company to Directors shall be up to a limit of eighty thousand (80,000) points for each fiscal year.

(5) Timing for distributing shares, etc.

The timing for distributing shares of common stock of the Company, etc. to the Directors will be when they retire from their office.

(6) Upper limit on the amount of Trust Money to be contributed to the Trust as a source of funds with which to acquire shares

During the period of the Trust (five years), the Company will create the Trust for the Directors fulfilling certain specific requirements as Beneficiaries by contributing cash of up to a limit of eight hundred million yen (¥800,000,000) as funds for acquiring shares of common stock of the Company that need to be distributed to Directors under the Plan. The Trust will use the money left in trust by the Company as the source of funds to acquire shares of common stock of the Company through the stock market.

Each time the period of the Trust expires, the period of the Trust may be extended on a case-by-case basis with the resolution of the Board of Directors of the Company to the fixed period not exceeding three years, in which case, the Company will contribute money of up to a limit of the amount obtained by multiplying the number of years of the extension of the trust period by one hundred and sixty million yen (¥160,000,000) to the Trust as funds for acquiring additional shares of common stock of the Company that would need to be distributed to Directors under the Plan. The Company will continue to grant the points set forth in (4) above and distribute shares of its common stock as prescribed in (7) below within the extended period of the Trust; provided, however, that where the Company does not continue to grant the points due to discontinuation of the Plan, etc., if, at the time of expiration of the period of the Trust, there is any Director who is granted points but is not yet retired, the Company may extend the period of the Trust until such time as he/she is retired and distribution of shares of common stock of the Company is completed.

(7) Distribution of shares of common stock of the Company to each Director

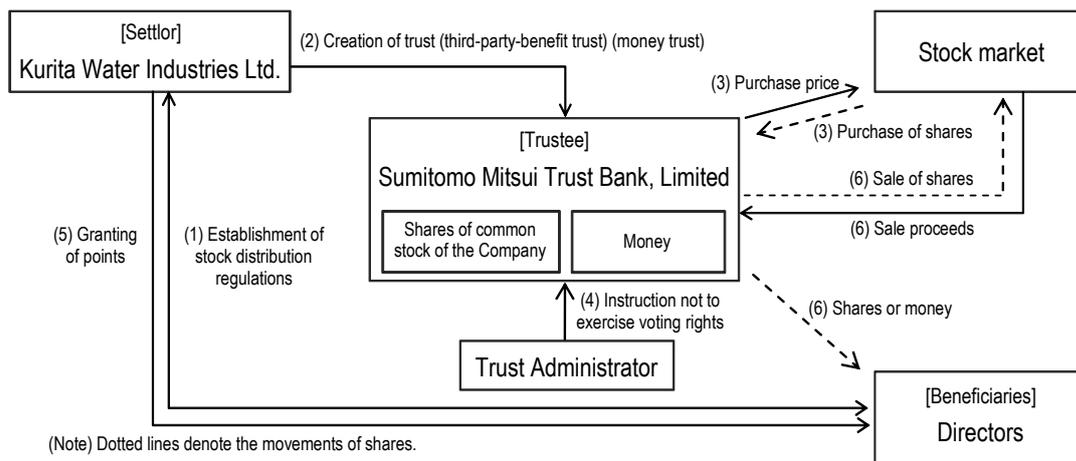
The number of shares of common stock of the Company to be distributed to each Director will be the number of points granted to him/her; provided, however, that if any share split, reverse share split or any other event for which it would be considered reasonable to adjust the number of shares occurs with respect to the shares of common stock of the Company, then the Company will make reasonable adjustments depending on the ratio of such stock split or reverse stock split, etc.

Shares of common stock of the Company will be distributed from the Trust to each Director after he/she performs the established beneficiary determination procedures at the time of his/her retirement; provided, however, that a certain specific portion of such shares will be sold and converted into money within the Trust, and will be distributed in cash instead of the shares. If the shares of common stock of the Company left within the Trust are converted into money such as when a tender offer is accepted and settled with respect to such shares, the Company may make a distribution in money instead of the shares.

(8) Outline of the Trust

- (i) Name: Stock Distribution Trust for Officers
- (ii) Settlor: Kurita Water Industries Ltd.
- (iii) Trustee: Sumitomo Mitsui Trust Bank, Limited (proposed)
- (iv) Beneficiaries: Directors of Kurita Water Industries Ltd. meeting beneficiary requirements
- (v) Trust Administrator: The Company selects a third party who does not have any stake in the Company (proposed)
- (vi) Type of trust: Trust of money other than money trust (third-party-benefit trust)
- (vii) Conclusion date for the Trust Agreement: August 2016 (proposed)
- (viii) Date of money entrustment: August 2016 (proposed)
- (ix) Trust period: August 2016 (proposed) to August 2021 (proposed)

A. Structure of the Scheme



- (1) The Board of Directors of the Company will establish Stock Distribution Regulations intended for its Directors.
- (2) The Company will create a stock distribution trust (third-party-benefit trust) for Directors as Beneficiaries. When doing so, the Company will entrust the amount of money (limited to an amount within the purview approved by the Shareholders' Meeting) equivalent to that for the fund for acquiring shares to the Trustee.
- (3) The Trustee will acquire, in one lump, a sufficient enough number of shares of common stock of the Company that are expected to be distributed in future.
- (4) Throughout the period of the Trust, the Company will appoint a Trust Administrator (to be limited to be a party independent of the Company and its Directors and Corporate Auditors) who is responsible for protecting the interests of the Beneficiaries who are covered by the Stock Distribution Regulations and supervising the Trustee. Throughout the period of the Trust, the Trust Administrator will give instructions not to exercise any voting rights associated with the shares of common stock of the Company kept within the Trust.
- (5) Pursuant to the Stock Distribution Regulations, the Company will grant points to Directors.
- (6) The Directors fulfilling requirements prescribed in the Stock Distribution Regulation and the Trust Agreement will receive, as Beneficiaries of the Trust, a distribution of shares of common stock of the Company equivalent to the cumulative number of points from the Trustee. In certain specific cases set forth in advance in the Stock Distribution Regulations and the Trust Agreement, the Company will sell part of the distributable shares kept within the Trust in the stock market and distribute money.

B. Creation of the Trust

The Company will create the Trust by contributing the funds necessary for the Trust to acquire, in advance for a certain specific period of time, such number of shares of common stock of the Company as is reasonably expected to be required for distribution pursuant to (7) above. As discussed in Item D below, the Trust will acquire shares of common stock of the Company by applying the funds contributed by the Company as a source of its funds.

C. Period of the Trust

The period of the Trust will be five years, starting in August 2016 (scheduled) and ending in August 2021. As stated in (6) above, this period of the Trust may be extended.

D. Method of Acquisition by the Trust of Shares of Common Stock of the Company

The Company plans to have the Trust initially acquire shares of its common stock through the stock market within the upper limit of the funds for acquiring shares of common stock of the Company as stipulated in (6) above, but will resolve at the Board of Directors meeting and disclose further details of the acquisition method after obtaining approval at the Annual General Meeting of Shareholders.

If, during the period of the Trust, due to an increase in the number of Directors or any other cause, the possibility that the number of shares of common stock of the Company kept within the Trust becomes short of that corresponding to the number of points to be granted to the Directors during the period of the Trust arises, the Company may have the Trust acquire additional shares by leaving additional money in trust within the scope of the upper limit on the Trust Money approved by the General Meeting of Shareholders as stated in (6) above.

E. Exercise of the Voting Rights

Pursuant to the instructions of the Trust Administrator who will be independent of the Company and its Directors and Corporate Auditors, the voting rights associated with the shares kept within the Trust will not be exercised without exception, which will assure the neutrality of the Company's management in relation to exercise of the voting rights of such shares.

F. Handling of Dividends

Dividends on the shares of common stock of the Company kept within the Trust will be received by the Trust, and will be applied towards payment for acquisition of the shares of common stock of the Company, trust fees for the Trustee associated with the Trust, etc.

G. Handling of Trust Property at the Time of Termination of the Trust

Of the residual property left within the Trust at the time of termination of the Trust, pursuant to the provisions of the Stock Distribution Regulations and the Trust Agreement, the Company plans to donate a certain amount of residual cash to specified public-service promotion corporations bearing no stake in the Company and its Directors and Corporate Auditors.