

## The Basis for Management Activities

# Directors, Members of the Audit & Supervisory Board, and Executive Officers

(As of June 29, 2020)

## Directors



President and Representative Director

**Michiya Kadota**

2016 President and Representative Director (to present)  
2014 Director  
2013 Executive Officer  
1983 Joined Kurita Water Industries Ltd.



Executive Senior Managing Director and Representative Director

**Kiyoshi Ito**

2019 Executive General Manager of Corporate Planning and Control Division (to present)  
2018 Executive Senior Managing Director and Representative Director (to present)  
2013 Managing Director  
2009 Director  
2007 Executive Officer  
1979 Joined Kurita Water Industries Ltd.



Managing Director

**Yoshio Yamada**

2019 Executive General Manager of Japan Sales Business Division and Chief Business Officer for Chemical Business (to present)  
2018 Managing Director (to present)  
2014 Director  
2011 Executive Officer  
1982 Joined Kurita Water Industries Ltd.



Managing Director

**Hirohiko Ejiri**

2020 Executive General Manager of Engineering Division and Chief Business Officer for Facility Business (to present)  
2019 Managing Director (to present)  
2016 Director  
2014 Executive Officer  
1985 Joined Kurita Water Industries Ltd.



Managing Director

**Yasuo Suzuki**

2020 Managing Director (to present)  
Executive General Manager of Global Business Division and Chief Business Officer for Global Business (to present)  
2019 Director  
2018 Executive Officer  
2014 Executive Officer  
1997 Joined Kurita Water Industries Ltd.



Director

**Toshihiko Kobayashi**

2020 Senior General Manager of East Japan Group, Japan Sales Business Division (to present)  
2018 Director (to present)  
2011 Executive Officer  
1982 Joined Kurita Seibi KK\*  
\* Kurita Seibi KK was merged to Kurita Water Industries Ltd. in 1997.

## Executive Officers

**Koichi Iioka**

Senior Executive Officer

**Toshitaka Kodama**

Senior Executive Officer  
Executive General Manager of Digital Strategy Division

**Shuji Shirode**

Deputy Executive General Manager of Corporate Planning and Control Division

**Tatsushi Kuramae**

Executive General Manager of Research and Development Division

**Kunihiro Kuse**

Senior General Manager of Engineering Group, Engineering Division

**Masaya Kawai**

Executive General Manager of Solution Business Division

**Takehiro Nozue**

Senior General Manager of Marketing Group, Solution Business Division

**Shingo Yamaga**

Senior General Manager of Europe and the U.S. Business Group, Global Business Division

**Hiroaki Mori**

Senior General Manager of Administration Group, Japan Sales Business Division

**Tatsuhiro Oosuga**

Senior General Manager of West Japan Group, Japan Sales Business Division

## External Directors



External Director

**Tsuguto Moriwaki**

2015 External Director of Kurita Water Industries Ltd. (to present)  
2004 President and Representative Director of Shinsho Corporation  
2002 Executive Vice President and Representative Director of Kobe Steel, Ltd.  
1999 President and Representative Director of Kobelco Construction Machinery Co., Ltd.  
1967 Joined Kobe Steel, Ltd.



External Director

**Ryoko Sugiyama**

2017 External Director of Kurita Water Industries Ltd. (to present)  
2015 External Director of UAQ Corporation (to present)  
2010 External Director and Audit and Supervisory Committee Member of LECIP Holdings Corporation (to present)  
2010 Professor at the Faculty of Social and Environmental Studies of Fuji Tokoha University (current Tokoha University)  
2007 Director of Sugiyama & Kurihara Environmental Consultants, Inc. (to present)  
1996 Established Sugiyama & Kurihara Environmental Consultants, Inc., Representative Director



External Director

**Keiko Tanaka**

2019 External Director of Kurita Water Industries Ltd. (to present)  
2018 Vice President of Nissan Financial Services Co., Ltd. (to present)  
2014 Ambassador Extraordinary and Plenipotentiary of Japan to Uruguay  
2013 Acted as Vice President of JATCO Ltd.  
1984 Joined NISSAN MOTOR CO., LTD.

## Members of the Audit & Supervisory Board



External Member of the Audit &amp; Supervisory Board

**Kenjiro Kobayashi**

2016 External Member of the Audit & Supervisory Board of Kurita Water Industries Ltd. (to present)  
2010 Representative Director and Executive Vice President of Japan Industrial Solutions Co., Ltd.  
1977 Joined Japan Development Bank (current Development Bank of Japan Inc.)



Member of the Audit &amp; Supervisory Board

**Yukihiko Mutou**

2019 Member of the Audit & Supervisory Board (to present)  
2018 Director  
2016 Executive Officer  
1991 Joined Kurita Water Industries Ltd.



External Member of the Audit &amp; Supervisory Board (Part time)

**Toshiaki Tada**

2020 External Member of the Audit & Supervisory Board of Kurita Water Industries Ltd. (part time) (to present)  
2012 Audit & Supervisory Board Member, ITOCHU Techno-Solutions Corporation (to present)  
2005 Partner, HIBIYA SOGO LAW OFFICES (to present)  
1996 Joined HIBIYA SOGO LAW OFFICES  
1996 Registered as an attorney

## The Basis for Management Activities

## Corporate Governance

## Basic Concept

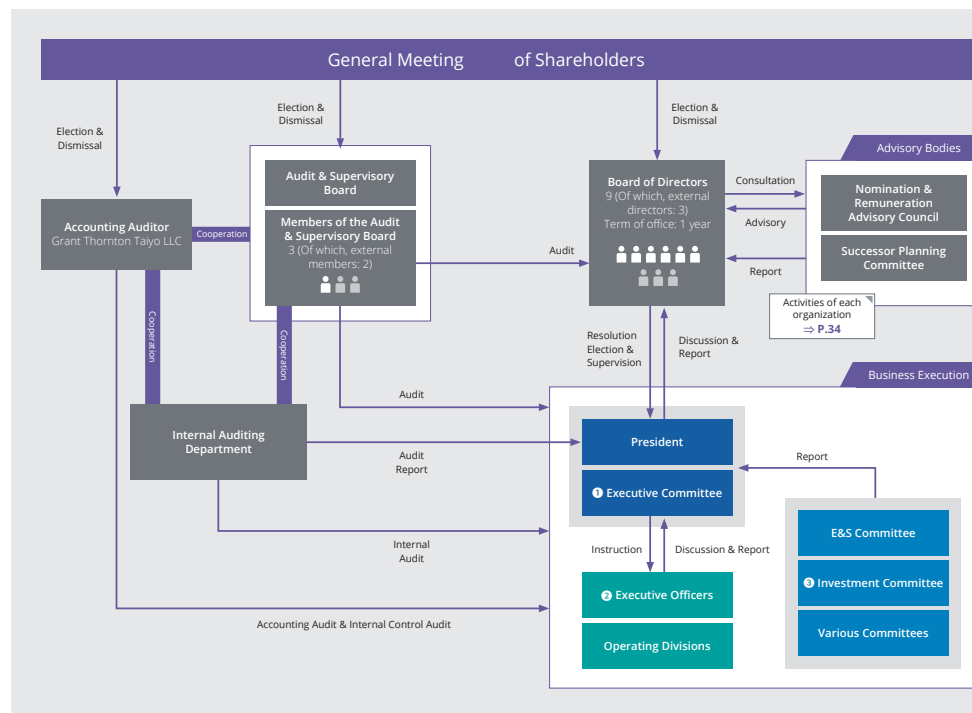
The Kurita Group aims to contribute broadly to society through corporate activities in the fields of water and the environment in accordance with the Kurita corporate philosophy, "Study the properties of water, master them, and we will create an environment in which nature and man are in harmony." The Kurita Group will work 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 is striving to establish corporate governance, with the aim of realizing transparent, fair, prompt, and decisive decision-making measures and highly effective management supervision.

## Corporate Governance Structure

As a company with an Audit & Supervisory Board, Kurita's Board of Directors is responsible for decision-making and supervision of business execution. The Board sets the strategic direction for the Kurita Group and supervises management in general. It also makes decisions on business execution related to important investment and financing projects, the transfer of business, and other key matters. For other matters, business execution is decided by the Executive Committee, which is composed of management executives, or by management executives who have been given authority under the Internal Decision Approval and Review Rules.

## Composition of the Board of Directors

The Board of Directors shall be organized in a way that complements the necessary knowledge, experience and diversity over the entire Board for appropriate management decision making and supervision of business execution. The Company will ensure that the Board will consist of personnel with a high degree of expertise in various business fields, management planning, finance and accounting, legal affairs, and technologies, etc., taking into consideration gender, international experience, etc.



## Business Execution Structure

## 1 Executive Committee

The Executive Committee reviews matters to be resolved at Board of Directors meetings when necessary to expedite and facilitate the decision-making process. The Executive Committee consists of the president and representative director, directors at the level of managing director and above, the executive general manager of the Corporate Planning and Control Division, and directors and executive officers designated by the president.

## 2 Executive Officers

The Company introduced an executive officer system in June 2005 to strengthen business execution capabilities. As of June 29, 2020, there were 10 executive officers, including two senior executive officers. Executive officers are employed based on appointment contracts. In the fiscal year ended March 31, 2020, the Company created the new post of senior executive officer to further strengthen business execution. Individuals who have served as managing director or in higher posts within the Company, or in posts with equivalent status at other companies, are eligible for the new position.

## 3 Investment Committee

To enhance and strengthen the screening of investments and financing of the Kurita Group, the Company established the Investment Committee in April 2017. The role of the Investment Committee is to pre-screen investment and financing projects to be discussed by the Board of Directors or the Executive Committee and report the pre-screening results and major discussion points to the Board of Directors and the Executive Committee. The Investment Committee has helped enhance the quality of discussions and the speed of investment decision-making by the Board of Directors and the Executive Committee by organizing major discussion points prior to meetings.

In accordance with the policy of striving to maintain return on equity (ROE) at levels above the cost of shareholders' equity, when making an investment decision, the Kurita Group sets a hurdle rate in consideration of risks for each investment project against the cost of shareholders' equity.

## Distribution of Knowledge and Experience in the Board of Directors

Name	Sales		Management planning	Finance and accounting Legal affairs Human resources	R&D Production Technology	Knowledge and experience expected of external directors		
	Japan	Overseas				Corporate management	Environment	International
Michio Kadota			●	●		—	—	—
Kiyoshi Ito			●	●		—	—	—
Yoshio Yamada	●				●	—	—	—
Hirohiko Ejiri	●	●	●		●	—	—	—
Yasuo Suzuki	●	●			●	—	—	—
Toshimi Kobayashi	●				●	—	—	—
Tsuguto Moriawaki (external director)	—	—	—	—	—	●		
Ryoko Sugiyama (external director)	—	—	—	—	—	●	●	
Keiko Tanaka (external director)	—	—	—	—	—	●		●

Note: This table is created based on the brief personal histories, positions and assignments in the Company, and reasons for deciding to make the person a candidate for director provided in Proposal No. 2 of the Notice of Convocation of the 84th Ordinary General Meeting of Shareholders.

## Roles and Results of the Investment Committee (The fiscal year ended March 31, 2020)

Roles	<ul style="list-style-type: none"> <li>Pre-screening of investment projects to be discussed by the Board of Directors or the Executive Committee</li> <li>Report the pre-screening results and major discussion points to the Board of Directors or the Executive Committee</li> </ul>	
Constituent members	<b>Chairperson:</b> Deputy executive general manager of the Corporate Planning and Control Division <b>Members:</b> General manager of the Corporate Planning Department, general manager of the Risk Management Department, general manager of the Finance and Accounting Department, general manager of the International Finance Control Department, and general managers of business management departments in charge of sales and production	
Results in the fiscal year ended March 31, 2020	Number of meetings held	15
	Number of projects pre-screened	Equity investment and M&A projects: 9 Capital investment projects: 1 Financing and fund procurement projects: 2 Company establishments, relocations, reorganizations: 7 <b>Total: 19</b>
	Results	Improved quality of discussion at the Board of Directors and the Executive Committee meetings. Enabled earlier filing of requests by requesting departments and increased request activity as a result
(Reference) Investment Standard	Hurdle rate calculated as "cost of capital + risk premium for each project"	

## The Basis for Management Activities

### Corporate Governance

#### Advisory Councils for the Board of Directors

##### Nomination & Remuneration Advisory Council

The Company has in place a Nomination & Remuneration Advisory Council, a voluntary committee to increase transparency in the decision-making process regarding remuneration for directors and nomination of directors and members of the Audit & Supervisory Board. In the fiscal year ended March 31, 2020, the Council met four times to discuss nominations (directors and members of the Audit & Supervisory Board) and three times to discuss remuneration. The Council is chaired by an external director, with the main members

being the external directors and the external members of the Audit & Supervisory Board.

The chairperson of the Board of Directors consults with the Nomination & Remuneration Advisory Council beforehand when proposals are made to the Board of Directors regarding candidates for director or member of the Audit & Supervisory Board or remuneration for directors. Having received the request, the Council reports on the suitability or unsuitability of the candidates to the Board of Directors.

##### Profile of Nomination & Remuneration Advisory Council (Fiscal year ended March 31, 2020)

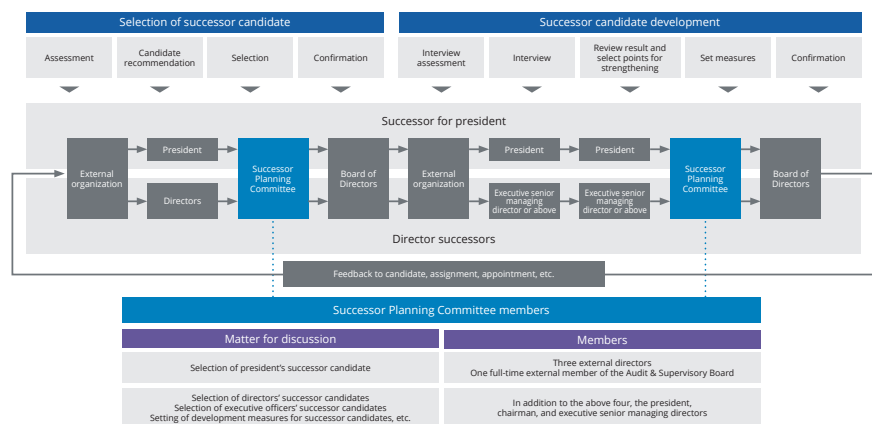
		Constituent members	Results in the fiscal year ended March 31, 2020
Nomination	Candidates for directors Candidates for representative directors Candidates for executive directors	<ul style="list-style-type: none"> <li>Three external directors</li> <li>President</li> <li>One full-time external member of the Audit &amp; Supervisory Board</li> </ul>	<ul style="list-style-type: none"> <li>Determining the appropriateness of all candidates for director</li> </ul>
	Candidates for members of the Audit & Supervisory Board	<ul style="list-style-type: none"> <li>One full-time external member of the Audit &amp; Supervisory Board</li> <li>President</li> <li>One full-time member of the Audit &amp; Supervisory Board</li> <li>Executive general manager of the Corporate Planning and Control Division</li> </ul>	<ul style="list-style-type: none"> <li>Determining the appropriateness of candidates for members of the Audit &amp; Supervisory Board</li> </ul>
Remuneration		<ul style="list-style-type: none"> <li>Three external directors</li> <li>President</li> <li>One full-time external member of the Audit &amp; Supervisory Board</li> </ul>	<ul style="list-style-type: none"> <li>Performance evaluation of directors</li> <li>Discussion of the appropriateness of incentive remuneration</li> <li>Discussion of the appropriateness of fixed remuneration</li> </ul>

##### Successor Planning Committee

The Company has in place the Successor Planning Committee, mainly comprising external officers, as an organization for selecting successor candidates for the president, directors, and executive officers and deciding on measures for their development. The committee references objective information such as external organization assessment results for the successor

candidates and selects successor candidates for the president, directors, and the executive officers, as well as setting the development measures for the successor candidate for president and directors, and reports these to the Board of Directors.

In the fiscal year ended March 31, 2020, the selection process was improved to include candidates from a wider range of employee ranks and positions.



(Fiscal year ended March 31, 2020)

#### Fulfilling the Function of the Audit & Supervisory Board Members

In the fiscal year ended March 31, 2020, the Audit & Supervisory Board held 11 meetings, which were attended by all members of the board. Key matters considered and discussed by Audit & Supervisory Board members included the formulation of audit policies and plans, the preparation of audit reports, selection of the Accounting Auditor, remuneration for the Accounting Auditor and details of proposals to be presented to the Annual General Meeting of Shareholders. The Board developed and implemented audit plans targeting priority areas, such as the internal control system (including internal control over financial reporting), the development and implementation of the risk management system and audits of progress regarding priority measures in business plans.

##### Cooperation with the Accounting Auditor, the Internal Auditing Department and External Directors

In regular meetings between the president and all members of the Audit & Supervisory Board, the president provides details about the Company's management policy, growth strategies, business issues and other topics, while members of the Audit & Supervisory Board provide recommendations based on audit activities. The members of the Audit & Supervisory Board also hold regular meetings with the Accounting Auditor to confirm the independence of the Accounting Auditor, verify the performance of their duties and discuss and exchange opinions about accounting audits. Regular meetings are also held with external directors to exchange opinions about the Company's business management in general.

The members of the Audit & Supervisory Board discuss internal audit plans with the Internal Auditing Department in charge of internal audits of the Company and exchange opinions with them about audit results and evaluations of internal control over financial reporting, risk management, etc.

##### Participation in Key Meetings and Audit of Group Companies

Full-time members of the Audit & Supervisory Board attend meetings of the Board of Directors, Executive Committee, the E&S Committee and other important meetings, and audit business execution by the directors and oversight duties of the Board of Directors. In addition, they conduct audits of key management departments and carry out field audits of business sites and Group companies to verify the asset position of the entire Kurita Group and the development and operation of the internal control system by directors at Group companies. Full-time members of the Audit & Supervisory Board share information from meetings of the Executive Committee and other key meetings and the details and results of audits and field audits with the part-time member of the Board on a timely basis. In addition, the part-time member of the Audit & Supervisory Board proactively provides opinions during meetings of the Board of Directors and during regular meetings with the president, drawing on their legal expertise and background.

Onsite audits of three domestic business sites scheduled for the start of the fiscal year were cancelled due to the COVID-19 outbreak. However, as an alternative, appropriate audits of the sites were conducted by reviewing audit evidence documentation. Additionally, business reports, financial documents and other materials were appropriately audited through increased use of online meetings and electronic files.

##### Experience, Capability, and Knowledge of the Audit & Supervisory Board Members

Name	Experience, Capability, and Knowledge	Attendance (Fiscal year ended March 31, 2020)	
		Board of Directors' meetings	Audit & Supervisory Board meetings
Kenjiro Kobayashi	External member of the Audit & Supervisory Board Independent officer Mr. Kenjiro Kobayashi has been active in different fields to those of the Kurita Group's businesses and has high expertise in the areas of finance, management planning, new business development, M&As, etc., along with a wealth of international experience.	15 / 15	11 / 11
Yukihiko Mutou	Mr. Yukihiko Mutou has held important positions in the Administrative Division. He possesses a wealth of knowledge and experience in the areas of finance, accounting, and management.	12 / 12	8 / 8
Toshiaki Tada	External member of the Audit & Supervisory Board Independent officer Mr. Toshiaki Tada has special knowledge as well as a wealth of experience and deep insight into corporate legal affairs as an attorney who has worked in Japan and overseas.	—	—

## The Basis for Management Activities

### Corporate Governance

#### Evaluation of the Effectiveness of the Board of Directors

The Board of Directors analyzes and evaluates its effectiveness every year in order to fulfill its expected roles and functions more effectively.

##### Evaluation Method

The evaluation is carried out via a written survey with each of the respondents identified. Following a discussion using the aggregated results, the Board of Directors evaluates its effectiveness, identifies problems, designates issues to be addressed and establishes measures. These matters are then adopted by a resolution of the Board. The survey is revised each fiscal year based on the results of the previous year's survey.

Evaluation Method	Self-Evaluation This evaluation was conducted via a written survey, with each of the respondents identified. Following a discussion using the aggregated results, the Board of Directors evaluated its effectiveness, clarified issues and adopted measures for the future.
Evaluation items	The following six themes were evaluated 1) Roles and responsibilities of the Board of Directors 2) Collaboration with members of the Audit & Supervisory Board and external directors 3) Composition of the Board of Directors 4) Operation of the Board of Directors 5) Contributions of individual directors and members of the Audit & Supervisory Board 6) Dialogue with shareholders
Evaluation period	January to December 2019

##### Evaluation Results

According to the evaluation results for January to December 2019, the average self-evaluation of all directors and members of the Audit & Supervisory Board was generally good in all six areas, indicating that the Board of Directors is operating effectively. The "contributions of individual directors and members of the Audit & Supervisory Board" category received the highest evaluation, with limited variation in responses from internal directors, external directors and members of the Audit & Supervisory Board. However, in the "roles and responsibilities of the Board of Directors" category, certain items related to deepening discussion and providing specific goals on business strategies and involvement in the environment and society received relatively low valuations compared with other items.

##### Issue

Identify and deepen discussion on specific themes in order to support the creation of long-term corporate value.

##### Measures

We provided opportunities to consider value creation stories based on all aspects of integrated reporting and how management capital is used to realize those stories, drawing on input from executive officers, senior general managers and individuals in other positions who will take responsibility for the Company's future management. Outcomes of the process were discussed by the Board of Directors.

##### Status of Initiatives to Tackle Issues Raised in Evaluation Results in the Previous Fiscal Year

Based on evaluation results for the previous fiscal year, we identified the issue that "Further improvement of governance standards is required for the Kurita Group as a whole, including group companies in Japan and overseas." We implemented the following initiatives to tackle the issue.

- We developed a framework that allows the Company's Internal Auditing Department to monitor the implementation of the Kurita Group Business Policy and other policies by Group companies in Japan and overseas.
- We assessed the effectiveness of each domestic Group company's Board of Directors, identified specific issues at each company and provided support as necessary.
- As part of concrete initiatives to "reinforce systems to complete PMI\*", including the increased deployment of Company personnel to acquired Group companies," which was identified as an issue from evaluations in the previous fiscal year, we established a specialist team to integrate and advance businesses in the North America region and enhanced cooperation with overseas Group companies.

\*Post-Merger Integration

#### Remuneration for Directors and Members of the Audit & Supervisory Board

The Company's remuneration system for directors excluding external directors is composed of fixed remuneration as base remuneration, and incentive remuneration linked to business results. External directors and members of the Audit & Supervisory Board, who perform oversight functions, receive only fixed remuneration. Amounts of fixed remuneration are decided for each job title in the case of directors and for each work arrangement in the case of members of the Audit & Supervisory Board. A portion of the remuneration is appropriated for the directors' and Audit & Supervisory Board members' Shareholding Scheme to purchase the Company's shares so that directors and members of the Audit & Supervisory Board share the risk of stock price fluctuation with shareholders.

To provide an incentive to directors (excluding external directors) to continuously increase corporate value, the Company provides short-term and long-term incentive remuneration. The short-term incentive remuneration is variable depending on the degree to which consolidated

operating income achieves an annual business target and the performance of duties for which each person is responsible. For the long-term incentive remuneration, the Company has introduced a performance-linked stock compensation program under which points are awarded according to business performance and job title during the term of office, and shares of the Company are granted at the time of retirement in an amount corresponding to the number of accumulated points.

The system and level of remuneration and the performance evaluation of directors are adopted by resolution of the Board of Directors after consulting in advance with the Nomination & Remuneration Advisory Council. Based on reports provided by the Nomination & Remuneration Advisory Council, the Board of Directors decides the allocation of remuneration of the directors within the total amount determined by the Annual General Meeting of Shareholders. The allocation of remuneration for each member of the Audit & Supervisory Board is adopted by resolution of the Audit & Supervisory Board.

##### Remuneration System for Directors and Members of the Audit & Supervisory Board

###### Payment Ratio of Base Remuneration and Incentive Remuneration (Average)

Base remuneration	Performance-linked remuneration		Total
	Of which, payment to shareholding scheme	Short-term incentive remuneration	Long-term incentive remuneration
50%-90%	10%-20%	0%-30%	10%-20%
			100%

##### Remuneration for Directors and Members of the Audit & Supervisory Board

###### Total amount of remuneration, etc., for each officer classification, total amount by type of remuneration, etc., and number of eligible officers (Fiscal year ended March 31, 2020)

Officer classification	Total amount of remuneration, etc. (millions of yen)	Total amount of remuneration by type (millions of yen)		Number of eligible payees for base remuneration
		Base remuneration	Performance-linked remuneration	
Directors (excluding external directors)	415	283	131	10
Members of the Audit & Supervisory Board (excluding external members)	34	34	—	2
External officers	85	85	—	5

## The Basis for Management Activities

### Corporate Governance

#### Independent External Directors

The Company's external directors are appointed for a term of one year and may concurrently hold positions at up to three listed companies including the Company. The external directors use their knowledge and specialist insight accumulated through management experience to evaluate business management and provide opinions from the perspectives of the Kurita Group's sustainable growth and increasing corporate value over the medium to long term, helping to enhance the rationality and transparency of decision-making by the Board of Directors.

The activities of the independent external directors include making proactive statements and proposals in Board of Directors' meetings, as well as attending as observers in internal committees such as the E&S Committee, the Solutions Business Committee, and the Health and Safety Committee. They also make onsite visits to gain a deeper understanding of operations for evaluating management.

As members of the Nomination & Remuneration Advisory Council and the Successor Planning Committee, external directors also help to enhance the suitability and transparency of discussions in both bodies and work to ensure appropriate evaluations of executive candidates through individual interviews with candidates.

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#### Status of External Directors (As of June 29, 2020)

Post	Name	Number of meetings of the Board of Directors attended (Fiscal year ended March 31, 2020)	Reasons for election as a director
Directors	Tsuguto Moriwaki	Board of Directors' meetings: 15/15	Mr. Tsuguto Moriwaki is an individual who possesses a great deal of knowledge about manufacturing and corporate reform. The Company judged that he could take advantage of his knowledge and experience, having held important positions such as representative director in other companies, to deliver opinions from an outside perspective and increase the rationality and transparency of the Company's management.
	Ryoko Sugiyama	Board of Directors' meetings: 13/15	Ms. Ryoko Sugiyama is an expert on the environment and waste and has held important positions such as an external director of listed companies. The Company judged that she was capable of providing opinions from an outside perspective, different from those within the Company, and increasing its rationality and transparency.
	Keiko Tanaka	Board of Directors' meetings: 11/12	Ms. Keiko Tanaka has experience in business fields that differ from those of the Kurita Group and a great deal of knowledge about public relations and marketing, as well as international experience. The Company judged that she was capable of using these skills to express opinions from an outside perspective to increase the rationality and transparency of the Company's management.

#### Dialogue with Shareholders and Investors

The Kurita Group respects the interests of shareholders in management and strives to listen to its shareholders and investors and promote constructive dialogue with them in order to contribute to increasing medium- to long-term corporate value. In communicating information, the Company emphasizes fairness and transparency. The materials and summary of the Q&A sessions of the Company's presentation meetings are posted on Kurita's investor relations website to ensure fair information disclosure.

#### IR Activities

The Group strives to secure opportunities for dialogue with institutional investors in Japan and overseas and individual investors in Japan through various presentations, conferences, and individual meetings. The president is the main speaker at the financial results presentations. The executive general manager of the Corporate Planning and Control Division is responsible for routine dialogue, except during silent periods, and works with personnel responsible for IR and CSR activities.

#### IR Activities in the Fiscal Year Ended March 31, 2020

Dialogue events		Number of events
Institutional investors (including shareholders)	Financial results presentations (including teleconferences)	4 times
	Small group meetings	4 times
	Individual meetings	Total approx. 250 times
	Overseas roadshows	2 times
Individual investors (including shareholders)	Shareholders presentation after Annual General Meeting of Shareholders	1 time
	Letter to Shareholders	1 time

#### Communication with People Responsible for Exercising Voting Rights

The Company is working to increase opportunities for dialogue with institutional investors responsible for exercising voting rights to listen to their opinions and use them to improve management. In the fiscal year ended March 31, 2020, personnel responsible for investor and shareholder relations met with major investors in Japan eight times to hear the voting policies of institutional investors and to exchange opinions on improving the Group's management and corporate governance. The opinions and requests of institutional investors were swiftly relayed back to management.

#### Initiatives to Continuously Improve Convenience for Exercising Voting Rights

Initiative	Starting time
Adoption of full-color convocation notices	June 2018
Increase in English translation scope of the convocation notice	June 2018
Preparation of English version of the corporate governance report	October 2016
Early disclosure prior to distribution of convocation notice	June 2016
Preparation of English-language convocation notice (reference documents)	June 2013
Shareholder relations visits	November 2011
Adopted electronic voting for exercise of voting	June 2006
Joined Electronic Voting Platform for exercise of voting rights	June 2006

#### Shareholdings of Other Listed Companies

The Company holds shares of other listed companies to strengthen business relationships. We verify the economic rationale for mutual shareholdings by comparing expected gains based on capital cost and gains from holding the shares. We also examine the relationships with companies whose shares the Company holds by carefully examining our transaction histories

with them. Based on the results of this examination, the Board of Directors reviews the appropriateness of holdings periodically and at other times as necessary, and reduces the number of shares held. Funds gained from the sale of the shares are allocated to capital investment and M&As.

Policy	<ul style="list-style-type: none"> <li>■ In some cases, the Company holds shares of other listed companies to strengthen business relationships, etc.</li> <li>■ When holding such shares, the Company makes efforts to minimize the risk of holding the shares. The rationale for holding each stock is reviewed on a regular or timely basis by the Board of Directors. Based on the results of the examination, the Company aims to reduce the holding of shares of other listed companies.</li> <li>■ The Company exercises voting rights for each proposal based on whether it will contribute to an increase in shareholder value.</li> <li>■ If a shareholder indicates its intention to sell the Company's shares, the Company will not prevent the shareholder from making such sale, etc.</li> </ul>	
	Frequency	■ Once a year or as necessary
Review of shareholdings	Standard	<ul style="list-style-type: none"> <li>■ Total of operating profit and dividends received is less than expected return for five consecutive years</li> <li>■ An improper incident occurs, etc.</li> </ul>
	Fiscal year ended March 31, 2018	■ 9 of 46 stocks
Record of sales	Fiscal year ended March 31, 2019	■ 13 of 37 stocks (includes partial sales)
	Fiscal year ended March 31, 2020	■ 2 of 28 stocks



## Governance Discussion with External Directors



### Succession planning and director appointments

**Moriwaki** Discussions by the Board of Directors are very dynamic. The Kurita Group has also taken a number of innovative steps over the years to enhance corporate governance. However, to keep moving forward, I think Kurita needs to raise the level of discussion surrounding succession planning and the appointment of directors.

**Tanaka** I was appointed as an external director in June 2019. My impression is that Kurita's governance mechanisms are already robust. In terms of succession planning, I thought the opportunity to interview each candidate face to face was very useful. The use of

outside consultants to identify and cultivate future leaders is also commendable.

**Sugiyama** From my experience, outside consultants are not very useful in some cases, depending on what role they are given, but Kurita seems to be making good use of them in succession planning. When used to complement internal views, as in this case, outside consultants add value to the planning process. I attend both the Nomination & Remuneration Advisory Council and the Successor Planning Committee, and they liaise well with each other on identifying future leaders.

**Moriwaki** However, I think we can improve the discussions by using more input from people nominating the candidates and by providing more detail about why certain candidates have been selected. I think that's one area that could be tackled to improve corporate governance.

### Creating a diverse Board of Directors

**Tanaka** I'm the second woman to be appointed to the board, but there's more that Kurita can do, such as actively supporting the careers of women already working in the Group. I think the Company needs to proactively hire and cultivate female engineers, using Kurita's reputation as a company that contributes to the environment.

**Sugiyama** I agree. We need to offer more opportunities for women in the workplace. In terms of skill levels, I think it would be good if some members of the board had a specialist background in the field of digital transformation.



**Moriwaki** To cultivate business leaders from an engineering background, it might be worthwhile placing some of our engineers with venture capital firms, where they can undergo training that gives them the skills to evaluate the quality of business management as well as technologies.

**Tanaka** Diversity also refers to non-Japanese staff. Kurita has acquired various overseas companies in recent years, so the Company needs to think about promoting foreign personnel from the ranks of executives at those firms to increase motivation. Promoting non-Japanese personnel to higher positions in the Group would also give the Board deeper insights into its businesses.

### The role of external directors and support from the Company

**Moriwaki** The number of external directors has increased from two to three, which is not a big difference from when Kurita appointed a second external director, but I feel that our voice in management has increased.

**Sugiyama** We were still free to express our opinions when there was just two of us, but a group of three external directors means we can provide a broader range of ideas and opinions in discussions. For me, briefings about agenda items before Board of Director meetings are a valuable opportunity to access key information and share opinions.

**Tanaka** The Company provides support in that respect. To gain a deeper understanding of Kurita, we attend research and development workshops and participate in Environmental & Social (E&S) Committee meetings and other events, which is helping me get up to speed on the Kurita Group. We've also been taken on a tour of an ultrapure water supply business site.

**Moriwaki** I'm satisfied with the amount of information I can access to keep me informed, as I'm well-versed in where to look for the right information after five years as an external director. In fact, there's almost too much information, making it hard for external directors to know where to draw the line. When I've attended meetings of Kurita's committees, I've found that the level of discussion can be very complex. That means we need to think about how best to communicate the nature of discussions to ordinary employees.

### Role of the Investment Committee

**Moriwaki** The main role of the Investment Committee is to

encourage detailed, frank discussions about investment projects between personnel, who may not necessarily be involved in the project, and staff who are leading the project. In my view, the people with the most knowledge of the project should lead the discussions, regardless of their position inside the Company. Steps need to be taken to prevent the committee from becoming a venue for people simply to air outspoken opinions.

**Sugiyama** Discussions about investment projects by the Board of Directors feature detailed explanations about projects and related risks, as well as input from inside directors. However, I think the board could make better-informed decisions if they receive information beforehand about the background and process of discussions within the Investment Committee, particularly negative opinions expressed by the committee.

### The Kurita Group's longer-term growth strategy

**Tanaka** As the president likes to say, Kurita has to disrupt existing ideas and approaches. But I think that's quite hard to do for a relatively successful company like Kurita. For companies that face a crisis such as bankruptcy, employees have to take the initiative and tackle the crisis head on, or the company could go bust. In our case, the medium-term management plan (MVP-22) communicates in simple terms what each part of the Company needs to do, from management down to each division and department. Taking a lead from the plan, every employee needs to take the initiative and decide what they need to do individually to contribute to the plan's goals.

**Sugiyama** The Group is currently working hard to complete its total solutions business model. Achieving the medium-term plan targets in the fiscal year ending March 31, 2023 will lay the groundwork for the next stage. However, we have to consider how total solutions fit with CSR and CSV – long-term initiatives for the Group – and whether CSR and CSV are objectives in themselves or approaches we should follow.

**Moriwaki** The people who wrestled with the development and implementation of the current medium-term management plan are now starting to see the fruits of their labor, which should lead to improvements in the next five-year plan. Creating a new business model will be challenging, but if more employees can switch to a value-creating mindset, I'm confident Kurita can achieve its aims.



## The Basis for Management Activities

# Risk Management

The Kurita Group defines risk as any event that makes its sustainable growth and enhancement of the Group's corporate value uncertain. We identify risks that need to be addressed while minimizing losses and damage by taking measures to avoid and mitigate risks, so that we can continue securing business opportunities for further growth.

## Risk Management System

The executive general manager of the Corporate Planning and Control Division is responsible for monitoring risks and implementing risk management in the Kurita Group. The executive general manager regularly analyzes and evaluates the Group's risks, conducts ongoing monitoring based on the Company-wide risk map, and takes steps to prevent risks from occurring.

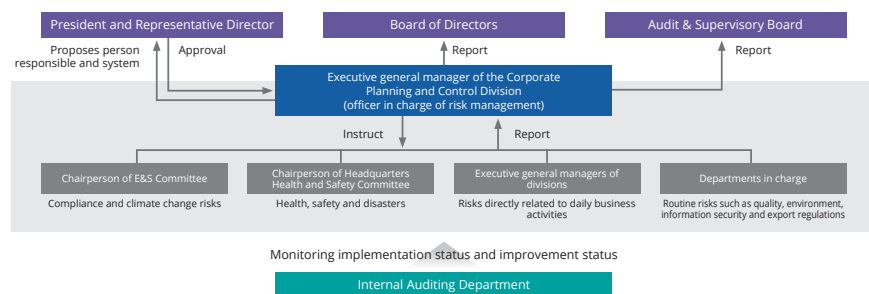
In the event of a risk that could have a serious impact on Kurita's business, the general manager formulates systems with those responsible for responding to the risk, obtains approval from the president and the representative director, and immediately issues instructions. Those responsible for responding to the risk promptly take action and report to the president and the representative director and the executive general manager of the Corporate Planning and Control Division regarding the impact of the risk, progress with mitigation and measures to prevent reoccurrence.

The E&S Committee is responsible for tackling material risks related

to compliance and climate change, while the chairperson of the Headquarters Health and Safety Committee is responsible for material risks related to health, safety and disasters. The executive general manager of each division is responsible for responding to risks directly associated with day-to-day business operations. Also, responding to commonly seen risks relating to quality, the environment, information security, export controls, and so on are handled by the respective divisions responsible.

The executive general manager of the Corporate Planning and Control Division, the chairperson of each committee and the executive general manager of each division report periodically to the Board of Directors on the status of risk management implementation, and report as necessary to the Board of Directors and the Audit & Supervisory Board on the occurrence and impact of material risks. Furthermore, the Internal Auditing Department monitors the execution status and improvement status of risk management measures.

### Risk Management System



## Identifying Risks and Formulating Response Measures

The Kurita Group uses a Group-wide risk map to identify potential risks in its business activities and assess risks against monitoring benchmarks. The Kurita Group also determines material risks for the Group based on the expected quantitative and qualitative impact of those risks and the likelihood of them occurring.

Material risks are mapped and specific response measures developed for each division. Risks are also reflected in business plans for each division and progress with risk response measures is monitored. Progress is regularly reported to the Board of Directors, which discusses and formulates material risk response measures for the next fiscal year, including responses to emerging risks caused by changes in the operating environment.

### Risk Management PDCA Cycle



### Kurita Group Risk Map

Risk category	Main risks	Report section / information related to response measures
Operating environment risk	<ul style="list-style-type: none"> <li>Changes in demand due to fluctuations in factory operating rates and capital investment in client industries</li> <li>Decline in prices for products and services due to intensifying competition</li> <li>Price fluctuations for raw materials and other inputs</li> <li>Impact on overseas operations due to changes in exchange rates and other factors</li> </ul>	<ul style="list-style-type: none"> <li>Opportunities and Risks</li> </ul> P22
Country risk	<ul style="list-style-type: none"> <li>Changes in regulatory frameworks and political and economic instability in Kurita's markets</li> </ul>	—
Disaster risk	<ul style="list-style-type: none"> <li>Human and business losses caused by pandemics or natural disasters</li> </ul>	<ul style="list-style-type: none"> <li>BCM Policy</li> </ul> P43
Strategic risk	<ul style="list-style-type: none"> <li>Failure to attain goals in medium-term management plan due to delays with organizational reforms, business restructuring</li> <li>Slow pace of business expansion caused by delays with launching new businesses, executing growth strategy</li> <li>Delays with developing businesses matched to client needs and characteristics of each country/region</li> <li>Failure to remain competitive in water treatment market due to delays with introducing IT and building digital businesses</li> </ul>	<ul style="list-style-type: none"> <li>Interview with the President</li> <li>Medium-Term Management Plan</li> <li>Opportunities and Risks</li> </ul> P10 P16 P22
Business risk	<ul style="list-style-type: none"> <li>Failure to provide competitive products, services or solution models in a timely manner</li> <li>Claims for damages due to defects in products or services and delays with productivity improvements</li> <li>Loss of competitiveness due to outflow of technical expertise</li> </ul>	<ul style="list-style-type: none"> <li>Opportunities and Risks</li> </ul> P22
Financial risk	<ul style="list-style-type: none"> <li>Loss of public trust caused by inadequate internal controls related to financial reporting</li> <li>Deterioration in profitability or cash flow due to poor management of affiliated companies</li> <li>Write-down of goodwill caused by weak earnings at acquired companies</li> </ul>	<ul style="list-style-type: none"> <li>Corporate Governance</li> <li>Medium-Term Management Plan</li> <li>Basic Policies for Constructing an Internal Control System</li> </ul> P32 P16 —
Labor risk	<ul style="list-style-type: none"> <li>Health issues caused by long working hours</li> <li>Decline in ability to adapt diversity and other changes in operating environment</li> </ul>	<ul style="list-style-type: none"> <li>Human Resources Management</li> </ul> P44
Legal and compliance risk	<ul style="list-style-type: none"> <li>Infringement of intellectual property rights</li> <li>Loss of public trust due to legal, regulatory or compliance violations and data breaches</li> </ul>	<ul style="list-style-type: none"> <li>R&amp;D and Intellectual Property</li> <li>Compliance</li> </ul> P25 P47

\* The above table is not an exhaustive list of the Kurita Group's risks.

\* Please click on the link below for more details about risk factors related to the Group's business conditions, financial accounts and other items in the Securities Exchange Report that could have material impact on investor decisions.

[Business Risks and Other Risk Factors](https://ir.kurita.co.jp/en/corporate_governance/risk_factors/index.html) [https://ir.kurita.co.jp/en/corporate\\_governance/risk\\_factors/index.html](https://ir.kurita.co.jp/en/corporate_governance/risk_factors/index.html)

## Business Continuity Management (BCM) Policy

The Kurita Group has formulated a Business Continuity Management (BCM) Policy to set out the Kurita Group's principles for handling emergencies that pose a risk to the continuity of the Group's businesses, such as severe earthquakes, typhoons or pandemics. The policy enables Kurita Group officers and employees to make judgements and act appropriately by clarifying our basic approach as follows:

### 1. Highest priority on ensuring the preservation of human life

The Kurita Group will place highest priority on ensuring the peace of

mind and safety and security of officers and employees and their family members.

### 2. Early restoration of business operations

The Kurita Group will endeavor to quickly restore operations at its own facilities, completed projects and projects under construction. In this way, it will make efforts to supply products and services in a stable manner and to support recovery efforts at clients.

### 3. Community support

The Kurita Group will support reconstruction of the local community while working to prevent secondary disasters at its own sites

## Measures to Ensure Business Continuity During the COVID-19 Outbreak

Infections caused by coronavirus disease 2019 (COVID-19) have been increasing since February 2020. In response, the Kurita Group has introduced a backup personnel system for officers, division managers and other individuals involved in business execution in the event that they become infected. Reporting lines with Group companies have also been established to rapidly and accurately gather information.

In addition, Kurita has identified operations within each organization that are essential to ensure business continuity for clients and the Group and to fulfill its responsibilities to society. Infection prevention measures and backup personnel systems have been developed for employees working at Group companies

and partner companies involved in essential operations.

Also, amid calls from the government for the public to stay at home, Kurita implemented rules on home working in regions where stay-at-home requests were in place. In principle, all employees in those regions were required to work at home unless they were involved in essential operations.

The Kurita Group will continue to flexibly adapt work systems in response to infection trends in each country and the needs of society and clients, while also developing new internal systems and reviewing work practices to align with the new realities of everyday life and changes in work styles.

## The Basis for Management Activities

## Human Resources Management

The Kurita Group sees human resources as the bedrock for sustainable growth. We work to attract and develop human resources while passing on our expertise in water-related technologies accumulated over many years. At the same time, we are creating a work environment where individual employees can fully utilize their abilities and aptitudes and an organizational culture that allows diverse human resources to play a role.

 Please visit our website for more information.

**Human Resources Development** [https://www.kurita.co.jp/english/csr/csr\\_activity\\_human/index.html](https://www.kurita.co.jp/english/csr/csr_activity_human/index.html)

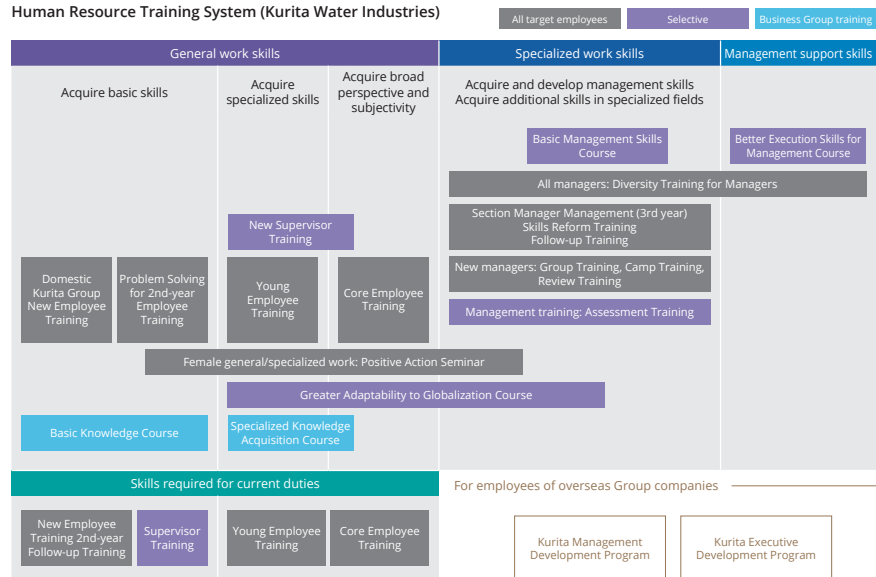
**Respect Human Rights** [https://www.kurita.co.jp/csr/csr\\_activity\\_basic/human\\_rights/index.html](https://www.kurita.co.jp/csr/csr_activity_basic/human_rights/index.html)

## Human Resources Development

The Company develops human resources through training programs for employees in each class and position, which are run by departments responsible for human resources development, and through the Greater Adaptability to Globalization Course, which is designed to nurture human resources capable of working at a global level. The Company also provides Kurita Group employees with specialist knowledge training on Kurita Group products, technologies and services, training on safety, legal matters and compliance, and training to acquire communication and problem-solving skills. We are also working to develop personnel who will play central roles in overseas Group companies by training future national executive candidates, staff and managers.

Kurita established a committee in April 2020 to cultivate engineers and other personnel. The Committee is chaired by the senior general manager of the Production Group in the Engineering Division.

## Human Resource Training System (Kurita Water Industries)



## Providing Opportunities to Increase Self-Development

In addition to training run by departments responsible for human resources development, Kurita Water Industries offers a paid study sabbatical system to provide employees with opportunities to study at educational and research institutions in Japan and overseas in areas relevant to the Group's business. We also offer a scholarship program to provide financial aid to students who meet certain criteria. Furthermore, we run in-house training courses such as our Specialist Technical Courses, in which leading personnel from each technical field act as in-house instructors to pass on technical knowledge. In addition, we offer over 200 correspondence education and classroom-based courses to give employees the opportunities to acquire a wide range of knowledge and skills.

## Fair Personnel Systems

To help employees achieve their potential, companies need to conduct fair evaluations of each employee based on their roles and performance and provide appropriate remuneration and education in line with their performance. At Kurita Water Industries, employees have interviews with supervisors to confirm their results and issues as part of transparent and fair evaluations.

Kurita Water Industries has introduced a Self-Reporting System for employees to provide feedback about their duties and workplaces and their intentions regarding career development and fulfilling their potential. Once a year, supervisors meet with employees to discuss their suitability for current duties, transfers to develop their careers, family status and other matters. This

enables the Company to understand the employee's thinking. Information from the meetings is used to assist personnel development and motivate teams.

## Attracting Diverse Human Resources

The Company and its domestic Group companies work to attract and retain diverse personnel by providing a wide range of employment opportunities for people with disabilities, senior citizens and foreign nationals. Specifically, we recruit people with disabilities through Group company With Kurita Ltd. and hire employees who have reached mandatory retirement age and overseas students living in Japan.

## Developing Human Resources Post-COVID-19

The COVID-19 crisis has changed how people live and work worldwide. The Kurita Group believes that presents a good opportunity to overhaul its employment systems and human resources management. We have accelerated the adoption of digital tools and rapidly built systems to enable work in virtual environments. As a result, working from home and mobile working has become established across the Group. This new approach, which is not constrained by time or place, is unlikely to be completely wound back after the crisis.

Teleworking is likely to result in gaps in productivity between employees due to differences in working conditions, including the self-management skills of individual employees. In human resources management and evaluation, we anticipate a growing trend in Japan towards job-based employment systems (people hired individually for specific roles) to enable equitable assessment of work performance.

The Kurita Group's strengths are derived from the trust society and clients place in us, backed by customer intimacy. That trust is anchored by our cohesive workforce (the ability to rapidly resolve issues by working together) and our steadfast approach (a commitment to seeing through every job to completion, no matter how difficult). The Group's strengths have been built up over time through our membership-based employment system (people hired as a group for various roles as "members" of the company). As teleworking becomes a normal part of work, Kurita will need to focus on how to get the best out of each employee and how to support their individual development, while maintaining the Group's strengths and retaining some aspects of the membership-based employment system.

We will also need to address two important issues related to changing work styles – how to ensure the Company remains a place where employees feel affinity with their colleagues, and what training systems and personnel management systems to create to increase productivity,

given that new work styles are likely to lead to gaps in output between employees.

As part of that process, I want employee happiness and well-being to become the basis for personnel management. That's because, as views on work styles and work in general become more diverse, employee happiness and well-being can be the central focus of affinity, and highly satisfied employees are likely to be people who want to make a difference and who take the initiative when faced with a challenge, rather than relying on others. For an organization like Kurita, which is underpinned by trust from society and customers, employee happiness and well-being is the kind of value we will need to foster to help us build customer intimacy. Of course, happiness and well-being means different things to different people, but our goal in personnel management and human resources development is to create an organization of highly motivated people who want to play a meaningful role in society and who have a clear understanding of what happiness and well-being means to them personally.



**Kiyoshi Ito**  
Executive General Manager of  
Corporate Planning  
and Control Division



## The Basis for Management Activities

### Human Resources Management

#### Creating a Flexible Work Culture

The Company is taking steps to support employees who want to balance their careers and family life by creating a flexible working environment for employees.

(fiscal years ended March 31)			
Status of System Use (Number of people)		2019	2020
Parental leave for childcare	Male	6	21
	Female	25	25
Caregiving leave system	Male	1	1
	Female	0	0
Work less hours for caregiving system	Male	0	0
	Female	0	0

\*In addition to the above systems, Kurita provides a short-term nursing leave system.

(fiscal years ended March 31)			
Status of System Use (Number of people)		2019	2020
Short-term caregiving leave system	Male	10	9
	Female	5	7
Leave system due to spouse being transferred	Male	0	0
	Female	2	2
Volunteer leave system	Male	3	1
	Female	2	2

#### Promoting Women's Participation and Advancement in the Workplace

The average number of years of service for female employees is 16.8, indicating a working environment that encourages women to remain with the Company for a relatively long period. However, for many years, little progress was made in appointing women to management positions. However, with Japan facing a shrinking population, the ability to successfully encourage women's participation and advancement in the workplace has become an urgent issue for the Company from the standpoint of securing management resources. In response, we are working to improve this situation under an action plan based on the Act on Promotion of Women's Participation and Advancement in the Workplace and the Act on Advancement of Measures to Support Raising Next-Generation Children. Kurita Water Industries is a constituent stock in the MSCI Japan Empowering Women (WIN) Index.

(fiscal years ended March 31)			
		2019	2020
Ratio of female personnel (%)	Management	1.1	2.1
	Employees	14.1	14.5
Average years of service for female personnel		16.8	

#### Action Plan Based on the Act on Promotion of Women's Participation and Advancement in the Workplace

In the five-year plan for the period from April 2018 to March 2023, Kurita Water Industries has set the following targets.

- At least 15 women in management positions by April 1, 2023
- Achieve a ratio of 30% or more for women among new graduate recruits for career track positions

We will continue taking the following initiatives in order to achieve these targets.

- (1) Career planning support for women in career track positions
- (2) Increase the ratio of female recruits
- (3) Expand the roles of female employees
- (4) Support career development through the self-reporting system

#### Action Plan Based on the Act on Advancement of Measures to Support Raising Next-Generation Children

In the five-year plan for the period from April 2018 to March 2023, Kurita Water Industries has set the following targets.

- (1) Ease workplace regulations
- (2) Promote use of annual paid leave
- (3) Promote male participation in childcare
- (4) Provide time for childcare

#### Work Style Reforms

The Company is promoting work style reforms centered on reducing long working hours with a view to maintaining the physical and mental health of employees and increasing their productivity.

#### Reducing Long Working Hours

Kurita is taking steps to reduce long working hours.

Measures	
Restrict working hours	<ul style="list-style-type: none"> <li>■ Established no overtime day (Wednesday)</li> <li>■ Set the hours that the Company's Headquarters facilities can be used (until 8:00 p.m.)</li> </ul>
Promote use of paid annual leave	<ul style="list-style-type: none"> <li>■ Encourage employees to take at least five days of continuous leave in the summer holiday period (June-October)</li> </ul>
Change employee mindset	<ul style="list-style-type: none"> <li>■ Provide Work Style Reform Seminars for engineers</li> <li>■ Run e-learning programs for acquisition of time-management skills and efficient meeting operation</li> </ul>
Reform and introduction of systems and mechanisms	<ul style="list-style-type: none"> <li>■ Use satellite offices</li> <li>■ Run trial of interval system to break up work hours</li> </ul>

## The Basis for Management Activities

### Compliance

The Kurita Group conducts compliance activities that go beyond fundamental legal compliance, aiming to be a corporate group trusted by society and held in high esteem by all Group members.

#### Basic Concept

The Kurita Group has formulated the Kurita Group Code of Conduct, which sets out how all Kurita Group officers and employees should conduct themselves in business activities and what conduct is prohibited. The Code is positioned as the Group's basic policy on compliance and is translated into several languages and shared across the entire Group. To deepen understanding of the Code and ensure it is implemented, each organization develops and regularly reviews its own more specific Compliance Guidelines that highlight key areas of behavior that must be complied with and put into practice in the course of work duties.

 **Kurita Group Code of Conduct**  
[https://www.kurita.co.jp/english/philosophy\\_vision/pdf/philosophy\\_vision\\_01.pdf](https://www.kurita.co.jp/english/philosophy_vision/pdf/philosophy_vision_01.pdf)



#### Promotion System

The Kurita Group has established the E&S Committee and the Group E&S Committee as organizations to oversee compliance activities. Both committees are chaired by an Executive Senior Managing Director of the Company, and the Group E&S Committee's members are representatives of Group companies. The committees are tasked with deciding policies and key measures related to compliance activities, which are conveyed to all employees through subcommittees in each Company division and Group company.

#### Main Initiatives

##### Promoting Fair Business Practices

The Kurita Group has formulated the Kurita Group Anti-Bribery Policy and the Kurita Group Antitrust Policy to ensure fair business practices are promoted throughout the entire Group. These policies have been translated into several languages to raise awareness among all Kurita Group officers and employees and are used as part of regular training activities. In the fiscal year ended March 31, 2020, all officers and employees at the Company and its domestic Group companies took part in an anti-bribery and anti-corruption e-learning program.

##### All-Employee Survey

The Kurita Group conducts an annual Compliance Behavior Survey of all Group employees and dispatch staff to evaluate the outcomes of compliance activities and identify any potential compliance risks. The results of the survey are used by the Company divisions and Group companies to plan and improve compliance activities. In the fiscal year ended March 31, 2020, 7,054 employees and temporary staff took the survey, equating to a response rate of 99.1%.

##### Preventive Compliance Measures

The Kurita Group develops compliance improvement targets and measures to prevent issues with compliance before they occur. Specifically, based on a Non-Compliance Risk Map, which is a list of roughly 60 legal infringement risks, the Company divisions and Group companies set priority measures tailored to their respective characteristics, referencing the results of the Compliance Behavior Survey conducted in the previous fiscal year.

##### Whistle-Blowing and Consultation Desk

To ensure Kurita Group employees and dispatch staff feel comfortable in the workplace, the Kurita Group has established a consultation desk in the Group and outside organizations to provide advice about questions or concerns related to the Kurita Group Code of Conduct or laws and the Group regulations and to handle reports about behavior that infringes the Code, laws and regulations or the Group's internal rules. The consultation desk is also available for Kurita Group business partners to receive advice or report legal violations or misconduct by the Kurita Group. Anybody using the consultation desk to receive advice or report a violation is protected from unfavorable treatment. Kurita uses the consultation desk to rapidly identify and rectify misconduct. In the fiscal year ended March 31, 2020, the consultation desk was accessed 24 times in Japan and four times overseas.

##### Promoting Equitable Relationships with Business Partners

Kurita conducts an annual business transaction survey of small and mid-size suppliers as part of efforts to promote equitable business relationships. If necessary, Kurita instructs the relevant department to investigate the situation or make improvements, which are confirmed later through follow-up contact. In the fiscal year ended March 31, 2020, Kurita surveyed 1,058 business partners.

## The Basis for Management Activities

# Environmental Improvement Activities

The Kurita Group's environmental improvement activities include initiatives to reduce internal water and energy use and waste emissions. They also include activities to reduce environmental impact at customers who use products and services related to water and the environment that the Kurita Group has developed over many years. These are linked with the themes for growth opportunities in our CSR Policy. We are aiming to create shared value with society by working to solve social issues through the reduction of environmental impact at customers and in the Kurita Group, while simultaneously achieving business growth.

### Definition of the Kurita Group's Environmental Improvement Activities

- 1) Activities to comply with the environment-related laws and regulations of each country and region that apply to the Group's business activities
- 2) Initiatives to solve international issues related to the sustainability of water and the environment through business activities
- 3) Disclosure of information related to 1) and 2), and engagement with customers, business partners, employees, shareholders and investors and local communities about the activities

 Please click on the link below for more information.

**Kurita Group Environmental Policy** <https://www.kurita.co.jp/english/csr/management/policy/environment/index.html>

## Environmental Initiative Promotion System

The Kurita Group has established the E&S Committee, which is chaired by an executive senior managing director of the Company, and the Group E&S Committee, chaired by the same director and composed of representatives of Group companies. These committees oversee environmental improvement initiatives in the Kurita Group. The committees formulate unified medium-term goals for the Kurita Group's environmental improvement initiatives and action plans for each fiscal year. Personnel responsible for

promoting the initiatives (committee members or personnel designated by representatives of each company) are tasked with driving efforts to achieve environmental improvement initiative targets at their assigned company or organization. They report the status and results of the activities to the E&S Committee.

The E&S Committee ascertains stakeholder expectations and concerns and reports them to the Board of Directors along with outcomes from the Kurita Group's CSR activities once a year.

## Environmental Improvement of Customers' Operations (Promotion of CSV Business)

The Kurita Group defines products, technologies and business models that make significant contributions to water-saving, CO<sub>2</sub> emissions reduction and waste reduction compared with previous levels as "CSV businesses." The advantages of CSV businesses are expressed as coefficients in relative terms. The reduction of environmental impact from customers' operations is calculated based on these CSV business coefficients and outcomes. CSV businesses are also constantly reviewed in light of the development status of more competitive products, technologies and business models.

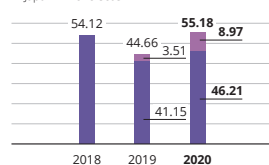
### CSV Business Selection Standards

CSV businesses demonstrate the following standards with regard to water-saving, CO<sub>2</sub> emissions reduction and waste reduction:

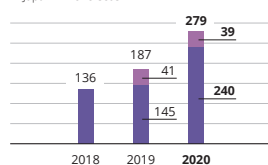
- 1) Significantly more effective than previous or competing technologies.
- 2) New technologies or applications of existing technologies in new markets.
- 3) Contribute to action plans aimed at achieving the SDGs.

### Reduction of Environmental Impact at Customers\* Years ended March 31

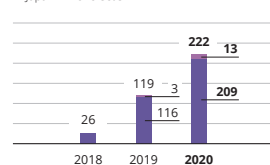
**Water intake reduction** (million m<sup>3</sup>)



**CO<sub>2</sub> emission reduction** (1,000 t)



**Waste reduction** (1,000 t)



\*Reduction of environmental impact at overseas Group companies has been ascertained since the fiscal year ended March 31, 2019

## TOPICS

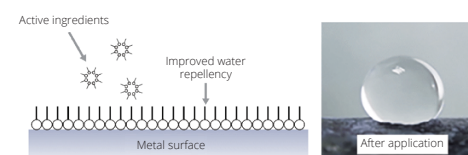
### Kurita Wins Energy Conservation Prize for Kurita Dropwise Condensation Technology

Kurita Water Industries was awarded the Agency of Natural Resources and Energy Director-General's Award in the Product and Business Model category of the 2019 Energy Conservation Grand Prize, organized by The Energy Conservation Center, Japan (backed by the Ministry of Economy, Trade and Industry). The prize was awarded for our dropwise condensation technology, which improves heat transfer efficiency.

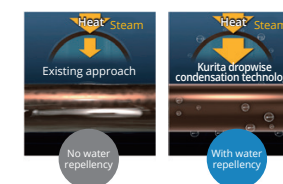
Condensation typically causes a layer of water to form on metal surfaces at the steam end of heat exchangers that use steam generated by boilers. While extremely thin, the layer of water drastically reduces heat transfer efficiency, resulting in

higher energy consumption and lower productivity due to the larger volume of steam that needs to be used. Our dropwise condensation technology adds water repellent properties to metal surfaces in heat exchangers, eliminating the layer of water and improving heat transfer efficiency. This in turn saves energy thanks to a reduced amount of steam required, boosting productivity. Moreover, since the effect is produced by simply adding a water treatment chemical with water-repellent properties to the steam line immediately before the heat exchanger, the technology can be introduced while production facilities are operating.

#### Kurita Dropwise Condensation Technology Mechanism



#### Comparison with existing approach



## Internal Environmental Improvement Activities

The Kurita Group works to reduce water usage, energy usage and waste, while adhering to the environmental laws and ordinances of each country and region that apply to the Group's business activities. These activities, including assessments related to compliance with environmental rules and regulations, are implemented in accordance with the Kurita Group Environmental Policy in order to achieve targets related to the CSR Policy.

### Evaluation of Water Risk at Internal Facilities

Kurita Water Industries assesses and ascertains water risk for areas where Group production bases are located once a year using the Aqueduct Water Risk Atlas provided by the World Resources Institute. In the fiscal year ended March 31, 2020, we surveyed production sites that use large amounts of water and identified four sites located in areas ranked "High risk" or above. We found that the total amount of water intake for these sites equated to 3% of water intake for all the Group's production sites.

### Participation in the Ministry of the Environment's Water Project

Kurita Water Industries participates in the Water Project run by the Ministry of the Environment, which provides an opportunity to disseminate information about the Group's technologies and business activities related to efficient use of water resources and the preservation of the water environment.

### Participation in Keidanren's Challenge Zero Initiative

Kurita is taking part in Challenge Zero, an initiative run by Keidanren (Japan Business Federation) to develop innovative net zero greenhouse gas emission technologies. As of July 2020, 137 companies and groups had signed up to the initiative, aiming to rapidly achieve the net zero greenhouse gas emissions targets in the Paris Agreement.



## The Basis for Management Activities

## Environmental Improvement Activities

## Scope 3 Emissions Data Account and Initiatives

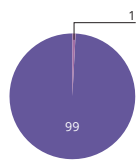
From the fiscal year ended March 31, 2020, the Kurita Group has ascertained data on Scope 3 emissions as part of efforts to address climate change in line with international standards. We found that Scope 3 emissions account for 98.9% of the Kurita Group's combined emissions in the Scope 1-3 categories, with "use of sold products" such as pumps and motors generating a high proportion of Scope 3 emissions.

Using this data, we will set medium- and long-term targets for reducing greenhouse gas emissions in line with the Recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) and develop measures to achieve those targets. In addition, we will increase the Group's competitiveness by switching to solutions with a smaller carbon footprint.

	Fiscal year ended March 31, 2020	
	CO <sub>2</sub> emissions (t)	Ratio of total CO <sub>2</sub> emissions (%)
Scope 1	9,384	0.3%
Scope 2	25,520	0.8%
Scope 3	3,041,803	98.9%
Scopes 1+2+3	3,076,707	100.0%

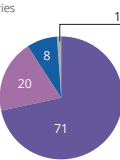
Ratio of total CO<sub>2</sub> emissions (%)

■ Scope 3  
■ Scopes 1+2



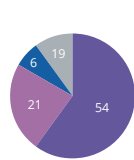
## Scope 3 emissions by category (%)

■ Category 11 (use of sold products)  
■ Categories 1, 4, 9 (purchased goods and services, transportation and distribution)  
■ Category 13 (downstream leased assets)  
■ Other categories



## Breakdown of Category 11 emissions (%)

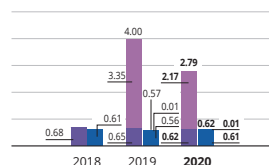
■ Pumps  
■ Motors  
■ Blowers  
■ Other



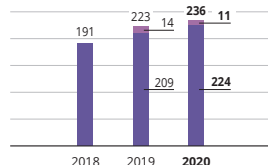
## Internal Promotion of Environmental Improvements\*1 Years ended March 31

## Water intake and reclaimed amount (million m)

■ Water intake (Japan)  
■ Water intake (Overseas)\*1  
■ Reclaimed amount (Japan)  
■ Reclaimed amount (Overseas)\*1

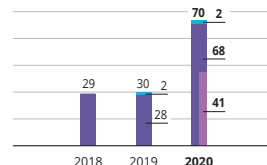
CO<sub>2</sub> emissions (1,000 t)\*2

■ CO<sub>2</sub> emissions (Japan)  
■ CO<sub>2</sub> emissions (Overseas)\*1



## Waste amount (1,000 t)

■ Waste amount (Japan)  
■ Waste amount (Construction sites in Japan)\*3  
■ Waste amount (Overseas)\*1



\*1 Environmental impact at overseas Group companies has been ascertained since the fiscal year ended March 31, 2019.

\*2 Please see page 20 for the Company's thinking on CO<sub>2</sub>.

\*3 Waste emissions from construction sites at Kurita Water Industries and domestic Group companies have been ascertained since the fiscal year ended March 31, 2020.

## TOPICS

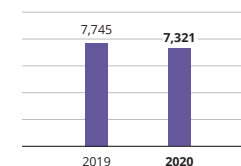
## Initiatives at Kurita do Brasil LTDA.

Kurita do Brasil LTDA. is an overseas Group company that produces Kurita Group water treatment chemicals by blending previously manufactured chemical substances. The company sells the water treatment chemicals and supplies technical services in South America. Overseas Group companies are also actively implementing internal environmental improvement activities.

## Reducing Water Usage

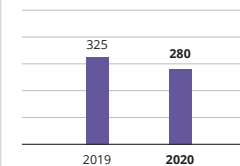
Most of the water used at the company's plant is for the manufacture of water treatment chemicals, but water is also used for cleaning production equipment and for experiments.

The company carried out an investigation to assess water use in its plant in order to reduce water consumption in non-product areas. The investigation found that a large amount of water was being used to clean part of a production line. Kurita do Brasil LTDA. took a number of steps to address the issue in the fiscal year ended March 31, 2020, including making improvements to facilities, such as adjusting production lines and maintaining equipment, optimizing cleaning methods and raising employee awareness about the importance of conserving water. Those steps reduced water consumption by 5% year on year.

Water consumption (m<sup>3</sup>)  
Years ended March 31Reducing CO<sub>2</sub> emissions

The company's CO<sub>2</sub> emissions are derived from electricity used in production facilities and offices and from fuel in customer support vehicles.

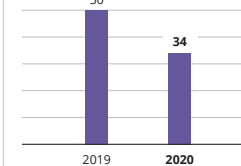
To reduce CO<sub>2</sub> emissions in the fiscal year ended March 31, 2020, the company adopted LED lighting, mainly in production areas, and switched from gasoline to ethanol fuel in customer support vehicles. Many vehicles in Brazil are compatible with ethanol fuel, as the country has a long history of producing bioethanol from sugar cane. Those initiatives reduced CO<sub>2</sub> emissions by 14% year on year.

CO<sub>2</sub> emissions (t)  
Years ended March 31

## Reducing waste

Waste generated by Kurita do Brasil LTDA. includes packaging for water treatment chemical raw materials, non-compliant water treatment chemicals and leaks of chemicals that generate industrial waste.

To reduce waste volume in the fiscal year ended March 31, 2020, the company requested suppliers of key raw materials to switch to reusable packaging, made improvements to production processes to prevent the output of non-compliant products and established a maintenance routine to prevent leaks and losses of chemicals. As a result, waste volume was reduced by 32% year on year.

Waste volume (t)  
Years ended March 31

## ISO 14001 Certified Sites

Company	Office	Company	Office
Kurita Water Industries Ltd.	Shizuoka, Yamaguchi, Toyoura and Tsuruga plants; Sakai Sub-branch	Hansu Co., Ltd.	Head office and two other business sites
Kurita Chemical Manufacturing Ltd.	Head Office, Aiko plant	Kurita Europe GmbH	Head office and two other business sites
Kurita Bul-Tech Co., Ltd.	Head office	Kurita Turkey Kimya A.S.	Head office and one other business site
Kurita Co., Ltd.	Head office, West Japan branch office and nine other business sites	Kurita do Brasil LTDA.	Head office and three other business sites
Kuritec Service Co., Ltd.	Iga, Mie, West Japan, Oita and East Japan plants	Hansu Technical Service Ltd.	
Kurita-GK Chemical Co., Ltd.	Head office and Rayong branch	Kurita (Singapore) Pte. Ltd.	
Kurita (Taiwan) Co., Ltd.		Kurita Water (Malaysia) Sdn. Bhd.	
Kurita Water Industries (Dalian) Co., Ltd.		PT Kurita Indonesia	
Kurita Water Industries (Jiangyin) Co., Ltd.		Kurita America Inc.	

## The Basis for Management Activities

# Quality Initiatives

The Kurita Group recognizes that continuing its business and growing as a company depends on maintaining its status as a trusted supplier for its customers. We therefore strive to manage quality at every stage, from the development of products and services to their manufacture and delivery. We have established the “Kurita Group Product Quality Policy” as a groupwide policy for promoting these initiatives.

Please see the following website for our product quality policy.

**Kurita Group Product Quality Policy**

<http://www.kurita.co.jp/english/csr/group/materiality/customer/index.html>

## Quality Initiative Promotion System

In developing products and services, we consider safety, health and environmental impact throughout the product lifecycle. Specifically, the Solutions Business Committee evaluates high-performance material and units, as well as development themes for solution technologies, narrowing them down to the themes that are expected to be most effective. The themes are used to develop products and services by the Research and Development Division and the Solution Business Division.

Quality management is carried out on a continuous basis from manufacturing through to product supply by dedicated quality management departments at each Group company, while the Quality Management Committee is tasked with overseeing efforts to raise quality levels across the entire organization, including at Group companies. The Committee confirms and evaluates progress against quality-related targets and reports the results annually to the Board of Directors.

## Main Initiatives

### Product Safety Evaluation

The Company has a rule that, when it uses a new chemical substance in the product development stage, it assesses the risk the chemical substance poses to the environment and health based on internal rules. In addition, when we manufacture a product, we submit mandatory notifications and reports in accordance with certain laws and regulations, including the Industrial Safety and Health Act, the Act on the Evaluation of Chemical Substances and Regulation of Their Manufacture, etc., and the Fire Service Act. We also provide information to customers via product labels and safety data sheets.

### Conducting CS Survey

The Company's engineering departments continuously conduct customer satisfaction (CS) surveys of all customers who have purchased large water treatment plants. Based on the results of the survey, the Company continually works to revise and improve various items, including its operations procedure manual and specification sheets.

Question items	Number of Surveys Conducted	
8 items, including specification, quality management, and construction	Fiscal year ended March 31, 2019	14
	Fiscal year ended March 31, 2020	12

### Courses and Training

In order to raise the quality of services provided to customers, the Company runs training courses to improve the expertise and skills of all Kurita Group employees. The courses comprise units on a range of topics, including basic knowledge about water treatment chemicals, technical training about water and wastewater treatment, safety and legal training, communication skills and problem-solving.

The Company runs a product safety e-learning course for all employees except those in its administrative division. The course is designed to deepen employee understanding about product safety.

### Response to Problems

Problems that arise prior to installation at customers and complaints received from customers are entered in the in-house “problem information” database and that information is shared widely throughout the Company. In addition, to improve the quality of product design, Kurita became the first engineering company in Japan to introduce a Stress-Strength Model (SSM)\* in order to prevent design flaws and stop issues from reoccurring.

\*Developed by Yasuhiko Tamura of the Institute of Structured Knowledge Yielding Co., Ltd.. SSM is a quality management approach mainly used in the manufacturing sector.

## The Basis for Management Activities

# Safety Initiatives

Kurita has positioned occupational health and safety as the top priority in business operations. We are working to ensure the safety and support the health of Kurita Group officers and employees, as well as employees of subcontractors, to create working environments where they can work with peace of mind. We have formulated the Kurita Group Occupational Health and Safety Policy and we continuously promote initiatives based on shared policies across the Group.

Please see the following website for our Occupational Health and Safety Policy.

**Kurita Group Occupational Health and Safety Policy**

[https://www.kurita.co.jp/english/csr/management/policy/health\\_and\\_safety/index.html](https://www.kurita.co.jp/english/csr/management/policy/health_and_safety/index.html)

## Safety Initiative Promotion System

The Company and its domestic Group companies have established a health and safety management system based on labor safety laws and regulations such as the Industrial Safety and Health Act. Under the Headquarters Health and Safety Committee, a joint labor-management committee chaired by Executive Senior Managing Director, each Kurita business site, division and Group company has established a Health and Safety Committee, which work to maintain and enhance the workplace environment. The

Headquarters Health and Safety Committee confirms and evaluates progress against safety-related targets and reports the results annually to the Board of Directors.

The Securing Safety Center, a specialist safety department in the Engineering Division, supports safety initiatives at worksites, develops and implements measures to prevent work-related accidents and follows up on initiatives by Health and Safety Committees.

## Main Initiatives

### Safety Patrols to Prevent Work-related Accidents

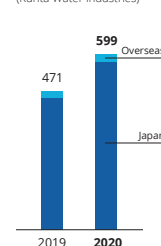
Kurita uses external specialists and the Securing Safety Center to carry out worksite safety patrols to identify and mitigate risks and to raise safety awareness among employees and at subcontractors. Safety patrols use a points-based system to evaluate worksite safety measures, with results provided as feedback to employees and subcontractors to help them improve or correct any issues. If accidents do occur, a specialist department tasked with improving worksite safety visits the site to investigate the cause of the accident, develops measures to prevent recurrence and shares the information with the Company and domestic Group companies. Kurita also started implementing safety patrols at overseas worksites from the fiscal year ended March 31, 2018.

In addition, Kurita has started using virtual reality (VR) tools on a trial basis in safety training to create a more realistic experience of what it feels like to face a crisis situation.

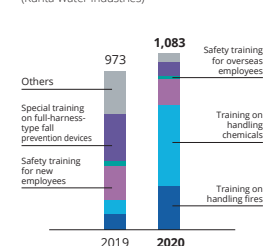
### Health Management

The Company ensures that all employees receive regular health examinations, and all employees who handle items such as organic solvents and designated chemicals receive special health examinations. In addition to promoting health management, the Company offers mental health training to prevent mental health disorders and provides Stress Checks for all employees to help them be more mindful of personal signs of stress, which can be hard to notice.

**Number of Safety Patrols**  
(Kurita Water Industries)




**Number of Participants in Safety Education**  
(Kurita Water Industries)



	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020
Ratio of employees receiving regular health examinations (%)	100	100	100
Ratio of employees receiving special health examinations (%)	100	100	100
Number of health-related seminars	2	10	20
Number of health-related events	13	40	46
Number of mental health seminars	15	16	19
Ratio of employees receiving stress checks (%)	99.6	98.4	98.5

## Corporate Citizenship Initiatives

The Kurita Group runs a number of ongoing corporate citizenship initiatives aimed at creating shared value with society. The Group's corporate citizenship initiatives are centered on four fields: promotion of science and technology, development of human resources, humanitarian support, and regional and community activities.

 For more details, please visit the site below.

**Corporate Citizenship Initiatives** [https://www.kurita.co.jp/english/csr/csr\\_activity\\_society/index.html](https://www.kurita.co.jp/english/csr/csr_activity_society/index.html)

### Key Initiatives in Priority Fields

#### Promotion of Science and Technology

The Kurita Group works to promote science and technology related to water and the environment through its support for the Kurita Water and Environment Foundation. In the fiscal year ended March 31, 2020, the foundation provided research grants to 112 projects in Japan and Asia working in the fields of water and water environments to assist with their research activities. As international exchange support projects, the Foundation supports the Nepalese NPO, Center of Research for Environment, Energy and Water (CREEW), and provides support for research and international exchange to master's course students at the Asian Institute of Technology.

#### Development of Human Resources

The Kurita Group utilizes its specialist knowledge, skills and networks related to water and the environment to cultivate human resources who can help create a society where people live in harmony with nature.

In the fiscal year ended March 31, 2020, Kurita worked to provide learning opportunities to students to help them understand the importance of water and the environment and to encourage an interest in science. Working with the Japan Aerospace Exploration Agency (JAXA) and customers, we ran workshops for students at elementary, junior high and senior high schools and provided work experience opportunities at Group business sites in Japan and overseas. Kurita also supported experienced-based learning events at the National Museum of Emerging Science and Innovation and through the Japan Science & Engineering Challenge (JSEC), which runs a science and engineering independent research competition for high school students. In the JSEC competition, the Kurita Water Industries Prize was awarded to a student from Notre Dame Seishin Girls' High School who conducted research into the water absorption structure of rice shoots. Kurita employees also held a seminar about the Group's research activities to provide advice and encouragement to students interested in pursuing a career in science.



Winner of the Kurita Water Industries Prize at JSEC

#### Humanitarian Support

##### Supporting Access to Water

The Kurita Group works with NPOs and NGOs to support disadvantaged members of society who find it difficult to obtain access to safe water due to conflict, poverty or poor supplies of usable fresh water. In the fiscal year ended March 31, 2020, we made donations to NPO Reach Alternatives (REALs) and to WaterAid Japan to support initiatives in the Republic of South Sudan and the Republic of Mozambique to improve access to clean water and create hygienic living environments.



Toilets and washrooms at a refugee camp in South Sudan

##### Support for Areas Affected by Disasters

The Kurita Group provides assistance to areas affected by severe natural disasters worldwide, taking into account the scale of the disaster and the Group's connections to the area. In the fiscal year ended March 31, 2020, we provided emergency water supplies to areas in Japan that experienced water outages after typhoons and made donations through the Japanese Red Cross Society.

#### Regional and Community Activities

The Kurita Group aims to develop with local communities as a valuable member of those communities by implementing various environmental, health, welfare and disaster prevention activities that help to stimulate the local area.

On September 28, 2019 at the Kurita Water Industries Akishima Ground in Tokyo, Kurita's rugby club and Akishima City ran a children's rugby day. Roughly 200 children attended, from preschoolers to upper-grade elementary school students.