

[Translation for Reference and Convenience Purposes Only]

Please note that the following is an unofficial English translation of Japanese original text of the Notice of Convocation of the 82nd Ordinary General Meeting of Shareholders of Kurita Water Industries Ltd. The Company provides this translation for reference and convenience purposes only and without any warranty as to its accuracy or otherwise. In the event of any discrepancy between this translation and the Japanese original, the latter shall prevail.

# Notice of Convocation the 82nd Ordinary General Meeting of Shareholders

Kurita Water Industries Ltd.

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Dear Shareholders,

We would like to express sincere thanks to all our shareholders for the support you provide. The shareholders of Kurita Water Industries Ltd. are hereby notified of and invited to the 82nd Ordinary General Meeting of Shareholders to be held on Thursday, June 28, 2018.

This notice details the agenda proposals of the General Meeting of Shareholders and provides an overview of business operations in the fiscal year ended March 31, 2018. We request that you read it.

June 2018

Sincerely yours,

Michiya Kadota  
President and Representative Director

### **Corporate Philosophy**

**Study the properties of water, master them,  
and we will create an environment in which nature and man are in harmony**

Kurita Group will contribute to facilitate the coexistence and shared prosperity of the natural environment and human society by creating shared value with society through water.

Kurita Group will generate new functions and value for water, through further exploration and exploitation of the fundamental properties of water.

Each individual of Kurita Group will adopt its customers' point of view and solve their water and environmental issues, by making full use of its unique technologies, products and services.

June 8, 2018

**Dear Shareholders**

Michiya Kadota  
President and Representative Director  
**Kurita Water Industries Ltd.**  
10-1, Nakano 4-chome, Nakano-ku, Tokyo

**NOTICE OF CONVOCATION OF  
THE 82nd ORDINARY GENERAL MEETING OF SHAREHOLDERS**

We hereby provide notice that the 82nd Ordinary General Meeting of Shareholders of Kurita Water Industries Ltd. (the “Company”) shall be held as described below and request your attendance thereat.

**If you are unable to attend on the day of the meeting, you may exercise your voting rights in writing or via the Internet, etc. Please review the attached Reference Documents for the General Meeting of Shareholders described hereinafter, and exercise your voting rights in accordance with the Guide to Exercising Your Voting Rights (available only in Japanese), no later than 5:15 p.m. on Wednesday, June 27, 2018.**

1. **Time and Date:** 10:00 a.m., Thursday, June 28, 2018 (Reception starts at 9:00 a.m.)
2. **Place:** 10F Conference Room  
Kurita Water Industries Ltd.  
Nakano Central Park East,  
10-1, Nakano 4-chome, Nakano-ku, Tokyo
3. **Objectives of the Meeting:**  
**Reports:**
  1. Reports on Business Report and Consolidated Financial Statements, as well as Results of the Audits of the Consolidated Financial Statements by the Accounting Auditor and the Audit & Supervisory Board for the 82nd Fiscal Year (From April 1, 2017, to March 31, 2018)
  2. Reports on Non-Consolidated Financial Statements for the 82nd Fiscal Year (From April 1, 2017, to March 31, 2018)

**Agenda:**

- Proposal No. 1:** Appropriation of Surplus  
**Proposal No. 2:** Election of Twelve (12) Directors  
**Proposal No. 3:** Election of One (1) Substitute Member of the Audit & Supervisory Board

4. **Other Matters Regarding the Convocation of the General Meeting of Shareholders:**

If your voting rights are exercised in duplicate in writing and via the Internet, etc.:

The exercise of your voting rights that reaches the Company last shall be deemed valid.

Provided, however, that in the event your Voting Rights Exercise Form and your exercise via the Internet, etc. reach the Company on the same date, the exercise of your voting rights via the Internet, etc. shall be deemed valid.

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- If you attend the meeting, we request that you submit the enclosed Voting Rights Exercise Form to the reception desk at the meeting. Any persons other than the shareholders who are entitled to exercise their voting rights are not allowed to enter the place of this meeting.
- Notes to consolidated financial statements and notes to non-consolidated financial statements are not stated in accompanying materials of this notice of convocation as they are posted on the Company's website on the Internet based on laws and regulations and provisions of Article 14 of the Articles of Incorporation of the Company. The notes to consolidated financial statements and the notes to non-consolidated financial statements that are posted on the Company's website are materials that have been audited by the members of Audit & Supervisory Board and the Accounting Auditor, and the audit report thereof is as attached to this notice of convocation.
- If there are any corrections to the Reference Documents for the General Meeting of Shareholders, the Business Report, the Consolidated Financial Statements and/or the Non-Consolidated Financial Statements, such corrections will be posted on the Company's website.
- The Company participates in the Electronic Voting Platform operated by ICJ, Inc.

The Company's website

[http://ir.kurita.co.jp/en/shareholders\\_information/shareholder\\_meeting/index.html](http://ir.kurita.co.jp/en/shareholders_information/shareholder_meeting/index.html)

While the notes to consolidated financial statements and notes to non-consolidated financial statements have not been translated into English, a portion of the notes to consolidated financial statements is included in the English translation of the consolidated financial statements viewable via the following link:

[http://ir.kurita.co.jp/en/downloads/pdf/immediate\\_180427\\_en.pdf](http://ir.kurita.co.jp/en/downloads/pdf/immediate_180427_en.pdf)

[Notice] After the conclusion of the meeting, the shareholder briefing will be held in the same place. We would very much like you to stay on and attend this briefing.

## Reference Documents for the General Meeting of Shareholders

### Proposal No. 1: Appropriation of Surplus

The Company's basic policy is to pay stable dividends on an ongoing basis. The Company will endeavor to return profits to shareholders by maintaining a dividend increase, setting a consolidated dividend payout ratio of 30% to 50% as a guide and making the decision based on consolidated dividend payout ratios for the most recent five years in order to respond flexibly to changes in the financial results each year.

The Company proposes that the year-end dividend for the current fiscal year be ¥26 per share, an increase of ¥1 per share from a year earlier.

The Company's annual dividend for the fiscal year under review would be ¥52 per share, including ¥26 per share distributed as an interim dividend, an increase of ¥1 per share from a year earlier, and the consolidated dividend payout ratio would be 32.6%.

1.	Type of Property for Dividends	Money	
2.	Allotment of Property for Dividends and Total Amount Thereof	Dividend per share of common stock of the Company	¥26
		Total amount of dividends	¥2,927,804,412
3.	Effective Date of the Distribution of Surplus	June 29, 2018	

## Proposal No. 2: Election of Twelve (12) Directors

The term of office of all ten (10) current Directors will expire at the conclusion of this General Meeting of Shareholders. In that regard, the Company proposes the election of twelve (12) Directors (including two (2) External Directors) increasing the number of Directors by two (2) to enhance the management system. The specific reason for this increase is that the Company plans to increase the number of Directors for the purposes of strengthening the management of overseas business operations, which have expanded following the purchases in recent years of Water Treatment Chemicals businesses in Europe and North America, and expanding contract-type service businesses that will contribute to the improved profitability of domestic business operations. The Company nominates these candidates in accordance with the “Regarding policies and procedures for nominating candidates for Directors and members of the Audit & Supervisory Board” on page 20.

No.	Name	Positions and Assignments in the Company	Record of attendances at the Board of Directors meetings	Number of years as Director (at the conclusion of this General Meeting of Shareholders)
1	Kouichi Iioka	Chairman and Director In charge of the global business Reappointment	100% (12/12)	9 years
2	Michiya Kadota	President and Representative Director — Reappointment	100% (12/12)	4 years
3	Kiyoshi Itou	Executive Senior Managing Director and Representative Director General Manager of Corporate Planning Division Reappointment	100% (12/12)	9 years
4	Takahito Namura	Managing Director General Manager of Solution Business Division Reappointment	100% (12/12)	7 years
5	Toshitaka Kodama	Managing Director General Manager of Sales Division II and in charge of the facilities business Reappointment	100% (12/12)	4 years
6	Yoshio Yamada	Managing Director General Manager of Sales Division I and in charge of the chemicals business Reappointment	100% (12/12)	4 years
7	Hirohiko Ejiri	Director General Manager of Engineering Division Reappointment	100% (12/12)	2 years
8	Toshimi Kobayashi	Executive officer General Manager of East Japan Sales Group, Sales Division I New	—	—
9	Yasuo Suzuki	Executive officer General Manager of Global Business Division New	—	—
10	Yukihiko Mutou	Executive officer General Manager of Group Administrative Division New	—	—

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No.	Name	Positions and Assignments in the Company	Record of attendances at the Board of Directors meetings	Number of years as Director (at the conclusion of this General Meeting of Shareholders)
11	Tsuguto Moriwaki	External Director — <span style="border: 1px solid black; padding: 2px;">Reappointment</span> <span style="border: 1px solid black; padding: 2px;">External</span> <span style="border: 1px solid black; padding: 2px;">Independent</span>	100% (12/12)	3 years
12	Ryoko Sugiyama	External Director — <span style="border: 1px solid black; padding: 2px;">Reappointment</span> <span style="border: 1px solid black; padding: 2px;">External</span> <span style="border: 1px solid black; padding: 2px;">Independent</span>	88.8% (8/9)	1 year

Note: During the fiscal year under review, the Board of Directors held 12 Board of Directors meetings. The record of attendances at the Board of Directors meetings for Ms. Ryoko Sugiyama counts only those meetings held after her appointment on June 29, 2017.

New

New candidates for Director

Reappointment

Candidates for reappointment as Director


External


Candidates for External Director


Independent


Independent Officer as set forth under regulations of the Tokyo Stock Exchange, Inc.





Candidate No. <b>1</b>	<b>Kouichi Iioka</b>	Date of birth March 5, 1953 65 years old	<span style="border: 1px solid black; padding: 2px;">Reappointment</span>
 <p>Number of the shares of the Company held  <b>24,700 shares</b></p> <p>Number of years as Director  <b>9 years</b>                  (at the conclusion of this General Meeting of Shareholders)</p> <p>Record of attendances at the Board of Directors meetings  <b>100% (12/12)</b></p>	<p><b>Brief personal history, positions and assignments in the Company</b></p> <p>Apr. 1975    Joined Kurita Water Industries Ltd.</p> <p>Jan. 1998    Group Leader of Oil Project, Water Treatment Division</p> <p>Apr. 2003    General Manager of Sales Dept. I, No. 1 Chemicals Group, Chemicals and Maintenance Services Division</p> <p>Jun. 2005    Executive Officer of the Company</p> <p>Jun. 2005    General Manager of No. 1 Chemicals Group, Chemicals and Maintenance Services Division</p> <p>Jun. 2007    Director of the Company</p> <p>Jun. 2009    General Manager of Facilities for General Industry Group, 1st Facilities Division</p> <p>Jun. 2011    Retired from the position of Director of the Company</p> <p>Jun. 2011    President and Representative Director of Kuritec Service Co., Ltd.</p> <p>Jun. 2013    Managing Director of the Company</p> <p>Jun. 2013    General Manager of Chemicals Division</p> <p>Apr. 2016    Executive Senior Managing Director and Representative Director of the Company</p> <p>Apr. 2017    General Manager of Global Business Division and in charge of the chemicals business</p> <p><b>Apr. 2018    Chairman and Director of the Company and in charge of the global business (Current position)</b></p> <p><b>Significant positions concurrently held</b>                  None</p> <p><b>Reasons for deciding to make him a candidate for Director</b>                  Mr. Kouichi Iioka became responsible for the Water Treatment Chemicals business in June 2013, after holding important posts such as those at the sales departments of the Water Treatment Chemicals business and representative of group companies in Japan and overseas. He served as Director since June 2007. He became Managing Director in June 2013, Executive Senior Managing Director and Representative Director in April 2016, and has been serving as Chairman and Director since April 2018. He has led the overseas expansion of the Kurita Group, contributing to a dramatic expansion of the Water Treatment Chemicals business through M&amp;A conducted in Europe and North America, and he is presently General Manager of Global Business Division since April 2017. The Company believes that he is an individual capable of strengthening the function of the Company's Board of Directors from a global perspective and has therefore nominated him as a candidate for Director.</p>		


Candidate No. <b>2</b>	<b>Michiya Kadota</b>	Date of birth February 16, 1959 59 years old	<span style="border: 1px solid black; padding: 2px;">Reappointment</span>
 <p>Number of the shares of the Company held  <b>11,200 shares</b></p> <p>Number of years as Director  <b>4 years</b>                  (at the conclusion of this General Meeting of Shareholders)</p> <p>Record of attendances at the Board of Directors meetings  <b>100% (12/12)</b></p>	<p><b>Brief personal history, positions and assignments in the Company</b></p> <p>Apr. 1983    Joined Kurita Water Industries Ltd.</p> <p>Apr. 2006    General Manager of Business Process Reengineering Dept., Corporate Planning Division</p> <p>Apr. 2008    General Manager of Internal Auditing Dept.</p> <p>Apr. 2012    General Manager of Finance and Accounting Dept., Administrative Division</p> <p>Jun. 2013    Executive Officer of the Company</p> <p>Jun. 2014    Director of the Company</p> <p>Jun. 2014    General Manager of Administrative Division</p> <p><b>Apr. 2016    President and Representative Director of the Company (Current position)</b></p> <p><b>Significant positions concurrently held</b></p> <p>None</p> <p><b>Reasons for deciding to make him a candidate for Director</b></p> <p>Mr. Michiya Kadota has a career mainly in the area of general affairs such as finance and accounting and was responsible for the Administrative Division from June 2014. He also carried through the integration of the Water Treatment Chemicals business acquired in Europe in a short period of time as manager responsible for the integration. He served as Director since June 2014, and has been serving as President and Representative Director since April 2016. He has been exercising strong leadership in implementing IT strategy, and reforms of the Kurita Group as a whole, specifically organizational reforms.</p>		



<p>Candidate No. <b>3</b></p>	<p><b>Kiyoshi Itou</b></p>	<p>Date of birth March 8, 1956 62 years old</p>	<p><b>Reappointment</b></p>
 <p>Number of the shares of the Company held <b>29,600 shares</b></p> <p>Number of years as Director <b>9 years</b> (at the conclusion of this General Meeting of Shareholders)</p> <p>Record of attendances at the Board of Directors meetings <b>100% (12/12)</b></p>	<p><b>Brief personal history, positions and assignments in the Company</b></p> <p>Apr. 1979 Joined Kurita Water Industries Ltd. Apr. 2000 General Manager of Legal Dept., Administrative Division Jun. 2003 General Manager of Personnel and Labor Relations Dept., Administrative Division Jun. 2007 Executive Officer of the Company Jun. 2009 Director of the Company Jun. 2009 General Manager of Administrative Division Jun. 2013 Managing Director of the Company Jun. 2013 General Manager of Corporate Planning Division Apr. 2016 General Manager of Administrative Division Apr. 2018 Executive Senior Managing Director and Representative Director of the Company (Current position) <b>Apr. 2018 General Manager of Corporate Planning Division (Current position)</b></p> <p><b>Significant positions concurrently held</b> None</p> <p><b>Reasons for deciding to make him a candidate for Director</b> Mr. Kiyoshi Itou has worked to improve the company quality and enhance the corporate value of the Kurita Group as General Manager of Corporate Planning Division of the Company, which he first assumed in June 2013, after holding important posts in general affairs, such as human affairs and legal affairs. He served as General Manager of Administrative Division since April 2016 and he has been serving as General Manager of Corporate Planning Division again since April 2018. He served as Director since June 2009. He became Managing Director in June 2013 and has been serving as Executive Senior Managing Director and Representative Director since April 2018. The Company believes that he is an individual capable of using his highly specialized knowledge and experience to strengthen the corporate governance of the Kurita Group and has therefore nominated him as a candidate for Director.</p>		

Candidate No. <b>4</b>	<b>Takahito Namura</b>	Date of birth November 27, 1953 64 years old	<span style="border: 1px solid black; padding: 2px;">Reappointment</span>
 <p>Number of the shares of the Company held  <b>16,500 shares</b></p> <p>Number of years as Director  <b>7 years</b>                  (at the conclusion of this General Meeting of Shareholders)</p> <p>Record of attendances at the Board of Directors meetings  <b>100% (12/12)</b></p>	<p><b>Brief personal history, positions and assignments in the Company</b></p> <p>Apr. 1977    Joined Kurita Water Industries Ltd.                  Jan. 2000    General Manager of Sales Dept., Hiroshima Office, Water Treatment Division                  Apr. 2008    General Manager of Osaka Sales, Group III, Chemicals Division                  Apr. 2009    Executive Officer of the Company                  Apr. 2009    General Manager of Group III, Chemicals Division                  Jun. 2011    Director of the Company                  Apr. 2012    General Manager of Sales Group I, Chemicals Division                  Jun. 2014    General Manager of Research and Development Division                  Apr. 2016    Managing Director of the Company (Current position)  <b>Apr. 2018    General Manager of Solution Business Division (Current position)</b></p> <p><b>Significant positions concurrently held</b>                  None</p> <p><b>Reasons for deciding to make him a candidate for Director</b>                  Mr. Takahito Namura has facilitated the development of new products and technologies that will increase the competitiveness of the Kurita Group as manager responsible for the Research and Development Division from June 2014, after holding important posts at the sales departments of the Water Treatment Chemicals business. He served as Director since June 2011 and has been serving as Managing Director since April 2016. The Company believes that he is an individual capable of strengthening the function of the Company's Board of Directors with the aim of increasing the competitiveness and expanding the market with solution business, leveraging his considerable experience in sales and perspective on development and has therefore nominated him as a candidate for Director.</p>		


Candidate No. <b>5</b>	<b>Toshitaka Kodama</b>	Date of birth February 3, 1955 63 years old	<span style="border: 1px solid black; padding: 2px;">Reappointment</span>
 <p>Number of the shares of the Company held  <b>10,700 shares</b></p> <p>Number of years as Director  <b>4 years</b>                  (at the conclusion of this General Meeting of Shareholders)</p> <p>Record of attendances at the Board of Directors meetings  <b>100% (12/12)</b></p>	<p><b>Brief personal history, positions and assignments in the Company</b></p> <p>Apr. 1977 Joined Kurita Water Industries Ltd.</p> <p>Apr. 2000 General Manager of Environmental Sales Dept. I, Environmental Water Treatment Division</p> <p>Jan. 2009 President of Kuritec (Shanghai) Co., Ltd.</p> <p>Dec. 2009 General Manager of Ultrapure Water Supply Dept., Ultrapure Water Supply Group, 2nd Facilities Division</p> <p>Apr. 2011 Executive Officer of the Company</p> <p>Apr. 2011 General Manager of Water Treatment Facilities Group, Facilities Division</p> <p>Apr. 2012 Assistant to General Manager of Facilities Division (overseeing China)</p> <p>Jun. 2013 General Manager of Global Business Group, Facilities Division</p> <p>Jun. 2014 Director of the Company</p> <p>Jun. 2014 General Manager of Sales Group I and Ultrapure Water Supply Group, Facilities Division</p> <p>Apr. 2015 General Manager of Facilities Group, Facilities Division</p> <p>Apr. 2016 Managing Director of the Company (Current position)</p> <p>Apr. 2016 General Manager of Facilities Division</p> <p><b>Apr. 2017 General Manager of Sales Division II and in charge of the facilities business (Current position)</b></p> <p><b>Significant positions concurrently held</b></p> <p>None</p> <p><b>Reasons for deciding to make him a candidate for Director</b></p> <p>Mr. Toshitaka Kodama served as manager responsible for the Water Treatment Facilities business since April 2016, after holding important posts such as those at the domestic and overseas sales departments of the Water Treatment Facilities business and representative of overseas group companies, leading the transformation of the business model. He served as Director since June 2014 and has been serving as Managing Director since April 2016. The Company believes that he is an individual capable of strengthening the function of the Company's Board of Directors, leveraging his considerable insights and experience in the Water Treatment Facilities business and has therefore nominated him as a candidate for Director.</p>		


Candidate No. <b>6</b>	<b>Yoshio Yamada</b>	Date of birth June 18, 1958 60 years old	<span style="border: 1px solid black; padding: 2px;">Reappointment</span>
 <p>Number of the shares of the Company held  <b>12,700 shares</b></p> <p>Number of years as Director  <b>4 years</b>                  (at the conclusion of this General Meeting of Shareholders)</p> <p>Record of attendances at the Board of Directors meetings  <b>100% (12/12)</b></p>	<p><b>Brief personal history, positions and assignments in the Company</b></p> <p>Apr. 1982    Joined Kurita Water Industries Ltd.</p> <p>Apr. 2004    Group Leader of Paper and Pulp Project, No.1 Chemicals Group, Chemicals and Maintenance Services Division</p> <p>Apr. 2010    General Manager of Nagoya Sales, Group III, Chemicals Division</p> <p>Jun. 2011    Executive Officer of the Company</p> <p>Jun. 2011    General Manager of Planning and Coordination Dept., Chemicals Division</p> <p>Jun. 2013    General Manager of Sales Group II, Chemicals Division</p> <p>Jun. 2014    Director of the Company</p> <p>Apr. 2016    General Manager of Sales Group I, Chemicals Division</p> <p>Apr. 2017    General Manager of Sales Division I</p> <p>Apr. 2018    Managing Director of the Company (Current position)</p> <p><b>Apr. 2018    General Manager of Sales Division I and in charge of the chemicals business (Current position)</b></p> <p><b>Significant positions concurrently held</b></p> <p>None</p> <p><b>Reasons for deciding to make him a candidate for Director</b></p> <p>Mr. Yoshio Yamada held important posts at the sales departments after gaining experience in sales and technology development in the Water Treatment Chemicals business. Since April 2017, he has managed the Water Treatment Chemicals business, leading the initiative to strengthen service business integrating the water treatment chemicals and maintenance of the water treatment facilities. He served as Director since June 2014 and has been serving as Managing Director since April 2018. The Company believes that he is an individual capable of strengthening the function of the Company's Board of Directors, leveraging his broad insights and experience in the water treatment chemicals and has therefore nominated him as a candidate for Director.</p>		


Candidate No. <b>7</b>	<b>Hirohiko Ejiri</b>	Date of birth October 6, 1962 55 years old	<span style="border: 1px solid black; padding: 2px;">Reappointment</span>
 <p>Number of the shares of the Company held  <b>6,600 shares</b></p> <p>Number of years as Director  <b>2 years</b>                  (at the conclusion of this General Meeting of Shareholders)</p> <p>Record of attendances at the Board of Directors meetings  <b>100% (12/12)</b></p>	<p><b>Brief personal history, positions and assignments in the Company</b></p> <p>Apr. 1985    Joined Kurita Water Industries Ltd.                  Apr. 2005    President of Kurita Europe GmbH                  Apr. 2011    General Manager of Sales Dept. for Heavy Industries, Group II, Chemicals Division                  Apr. 2014    Executive Officer of the Company                  Jun. 2014    General Manager of Sales Group I, Chemicals Division                  Apr. 2016    General Manager of Corporate Planning Division                  Jun. 2016    Director of the Company (Current position)  <b>Apr. 2018    General Manager of Engineering Division (Current position)</b></p> <p><b>Significant positions concurrently held</b>                  None</p> <p><b>Reasons for deciding to make him a candidate for Director</b>                  Mr. Hirohiko Ejiri led the initiative for expansion of the Kurita Group's business fields and transformation of revenue structure as General Manager of Corporate Planning Division from April 2016, after holding important posts such as those at the sales departments of the Water Treatment Chemicals business and representative of an overseas group company. Since April 2018, he has been serving as General Manager of Engineering Division. He has been serving as Director since June 2016. The Company believes that he is an individual capable of strengthening the function of the Company's Board of Directors with the aim of expanding the Kurita Group's business and improving the company quality, leveraging his extensive experience and track records, and has therefore nominated him as a candidate for Director.</p>		

Candidate No. <b>8</b>	<b>Toshimi Kobayashi</b>	Date of birth July 12, 1958 59 years old	<input type="checkbox"/> New
 <p>Number of the shares of the Company held  <b>3,400 shares</b></p> <p>Number of years as Director                  —</p> <p>Record of attendances at the Board of Directors meetings                  —</p>	<p><b>Brief personal history, positions and assignments in the Company</b></p> <p>Apr. 1982 Joined Kurita Seibi KK (Note)</p> <p>Apr. 2005 General Manager of Tokyo Sales Dept. II, Maintenance Group, Chemicals and Maintenance Services Division of the Company</p> <p>Apr. 2011 Executive Officer of the Company (Current position)</p> <p>Apr. 2011 General Manager of Maintenance Group, Facilities Division</p> <p>Apr. 2017 General Manager of Sales Group I, Sales Division I</p> <p><b>Apr. 2018 General Manager of East Japan Sales Group, Sales Division I (Current position)</b></p> <p>(Note) Kurita Seibi KK was merged to Kurita Water Industries Ltd. in 1997.</p> <p><b>Significant positions concurrently held</b></p> <p>None</p> <p><b>Reasons for deciding to make him a candidate for Director</b></p> <p>Mr. Toshimi Kobayashi held important posts in the sales departments of the Water Treatment Facilities business and its maintenance business. Since April 2017, he has promoted business expansion as the person responsible for the sales department, which integrates the water treatment chemicals and the maintenance of water treatment facilities. The Company believes that he is an individual capable of utilizing his broad insights and experience in the services business centered on maintenance to strengthen the function of the Company's Board of Directors and has therefore nominated him as a candidate for Director.</p>		
Candidate No. <b>9</b>	<b>Yasuo Suzuki</b>	Date of birth August 16, 1959 58 years old	<input type="checkbox"/> New
 <p>Number of the shares of the Company held  <b>1,900 shares</b></p> <p>Number of years as Director                  —</p> <p>Record of attendances at the Board of Directors meetings                  —</p>	<p><b>Brief personal history, positions and assignments in the Company</b></p> <p>Dec. 1997 Joined Kurita Water Industries Ltd.</p> <p>Apr. 2005 General Manager of Steel and Oil Process Dept., No. 1 Chemicals Group, Chemicals and Maintenance Services Division of the Company</p> <p>Apr. 2011 President of Kurita Europe GmbH</p> <p>Apr. 2014 Executive Officer of the Company (Current position)</p> <p>Apr. 2017 General Manager of Operation Group, Global Business Division</p> <p><b>Apr. 2018 General Manager of Global Business Division (Current position)</b></p> <p><b>Significant positions concurrently held</b></p> <p>None</p> <p><b>Reasons for deciding to make him a candidate for Director</b></p> <p>Mr. Yasuo Suzuki has held technology and development roles in the Water Treatment Chemicals business and served as the representative of an overseas group company. In the acquisition of the Water Treatment Chemicals business in Europe, he managed the integrated company, putting the acquired business on track. Since April 2017, he has been the person responsible for the sales department of the overseas businesses, and he has been promoting the Kurita Group's overseas development. The Company believes that he is an individual capable of utilizing his experience from a global viewpoint to strengthen the function of the Company's Board of Directors and has therefore nominated him as a candidate for Director.</p> <p>(Note) The registered name of the candidate for Director, Yasuo Suzuki, is Yasuo Hatta.</p>		



Candidate No. <b>10</b>	<b>Yukihiko Mutou</b>	Date of birth June 19, 1959 59 years old	New
 <p>Number of the shares of the Company held  <b>2,700 shares</b></p> <p>Number of years as Director                  —</p> <p>Record of attendances at the Board of Directors meetings                  —</p>	<p><b>Brief personal history, positions and assignments in the Company</b></p> <p>Oct. 1991    Joined Kurita Water Industries Ltd.</p> <p>Jun. 2005    General Manager of Finance and Accounting Dept., Administrative Division of the Company</p> <p>Apr. 2012    General Manager of Personnel and Labor Relations Dept., Administrative Division of the Company</p> <p>Apr. 2014    General Manager of General Affairs Dept., Administrative Division of the Company</p> <p>Apr. 2016    Executive Officer of the Company (Current position)</p> <p><b>Apr. 2018    General Manager of Group Administrative Division of the Company (Current position)</b></p> <p><b>Significant positions concurrently held</b></p> <p>None</p> <p><b>Reasons for deciding to make him a candidate for Director</b></p> <p>Mr. Yukihiko Mutou held important posts in general affairs, such as finance and accounting and human affairs. In April 2014, he became General Manager of the General Affairs Dept. and promoted the business rationalization of the general affairs departments Administrative Division and the establishment of the Kurita Group's management of business continuity, and has been responsible for the Administrative Division since April 2018. The Company believes that he is capable of utilizing his abundant knowledge and experience in business management of the Kurita Group to strengthen the function of the Company's Board of Directors and has therefore nominated him as a candidate for Director.</p>		

Candidate No. <b>11</b>	<b>Tsuguto Moriwaki</b>	Date of birth September 10, 1943 74 years old	<table border="1"> <tr><td>Reappointment</td></tr> <tr><td>External</td></tr> <tr><td>Independent</td></tr> </table>	Reappointment	External	Independent
Reappointment						
External						
Independent						
 <p>Number of the shares of the Company held  <b>3,300 shares</b></p> <p>Number of years as Director  <b>3 years</b>                  (at the conclusion of this General Meeting of Shareholders)</p> <p>Record of attendances at the Board of Directors meetings  <b>100% (12/12)</b></p>	<p><b>Brief personal history, positions and assignments in the Company</b></p> <p>Apr. 1967    Joined Kobe Steel, Ltd.                  Jun. 1996    Director                  Jun. 1999    Managing Director                  Oct. 1999    President and Representative Director, Kobelco Construction Machinery Co., Ltd.                  Jun. 2002    Executive Vice President and Representative Director, Kobe Steel, Ltd.                  Jun. 2004    President and Representative Director, Shinsho Corporation                  Jun. 2010    Adviser, Shinsho Corporation                  Jun. 2012    Retired from Shinsho Corporation  <b>Jun. 2015    Director of Kurita Water Industries Ltd. (Current position)</b></p> <p><b>Significant positions concurrently held</b>                  None</p> <p><b>Reasons for deciding to make him a candidate for External Director</b>                  Mr. Tsuguto Moriwaki is an individual who possesses a great deal of knowledge about manufacturing and corporate reform. The Company believes that he is an individual capable of utilizing this knowledge as well as his experience of having served in 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 and has therefore nominated him as a candidate for External Director.</p> <p><b>Notes concerning the candidate for External Director</b></p> <ul style="list-style-type: none"> <li>● The Kobelco Group is one of customers of the Kurita Group. However, because the transaction value with the Kobelco Group is less than 0.2% of consolidated net sales of the Company, it does not fall under a major customer.</li> <li>● The Company has entered into an agreement with Mr. Moriwaki that limits liability for damages stipulated in Paragraph 1, Article 423 of the Companies Act in accordance with the provisions of the Articles of Incorporation thereof based on the provisions of Paragraph 1, Article 427 of the Act. The amount stipulated in Paragraph 1, Article 425 of the Act has been set as the maximum liability for damages based on this agreement. The Company intends to continue this agreement in case this proposal is approved and adopted at this meeting and Mr. Moriwaki is reappointed as an External Director of the Company.</li> <li>● The Company has notified the Tokyo Stock Exchange, Inc. of the appointment of Mr. Moriwaki as an independent officer as set forth under regulations thereof.</li> </ul>					

Candidate No. <b>12</b>	<b>Ryoko Sugiyama</b>	Date of birth July 27, 1955 62 years old	<table border="1"> <tr><td>Reappointment</td></tr> <tr><td>External</td></tr> <tr><td>Independent</td></tr> </table>	Reappointment	External	Independent
Reappointment						
External						
Independent						
 <p>Number of the shares of the Company held  <b>400 shares</b></p> <p>Number of years as Director  <b>1 year</b>                  (at the conclusion of this General Meeting of Shareholders)</p> <p>Record of attendances at the Board of Directors meetings  <b>88.8% (8/9)</b></p>	<p><b>Brief personal history, positions and assignments in the Company</b></p> <p>May 1996 Established Sugiyama &amp; Kurihara Environmental Consultants, Inc., Representative Director</p> <p>Aug. 2007 Director of Sugiyama &amp; Kurihara Environmental Consultants, Inc. (Current position)</p> <p>Apr. 2010 Professor at the Faculty of Social and Environmental Studies, Fuji Tokoha University (current Tokoha University)</p> <p>Jun. 2010 External Director and Audit and Supervisory Committee Member, LECIP Holdings Corporation (Current position)</p> <p>May 2014 Head and Chair of the Board, Gifu Shimbun Co., Ltd. (Current position)</p> <p>Jun. 2015 External Director, UACJ Corporation (Current position)</p> <p>Jan. 2016 Director, Gifu Sugiyama Memorial Foundation, a general incorporated foundation (now Gifu Sugiyama Memorial Foundation, a public interest incorporated foundation) (Current position)</p> <p><b>Jun. 2017 Director of Kurita Water Industries Ltd. (Current position)</b></p> <p><b>Significant positions concurrently held</b></p> <p>Head and Chair of the Board, Gifu Shimbun Co., Ltd.                  External Director and Audit and Supervisory Committee Member, LECIP Holdings Corporation                  External Director, UACJ Corporation                  Director, Gifu Sugiyama Memorial Foundation, a public interest incorporated foundation</p> <p><b>Reasons for deciding to make her a candidate for External Director</b></p> <p>Ms. Ryoko Sugiyama is an expert in the environment and wastes and has held important positions such as an external director of listed companies. The Company believes that she is capable of checking the Company's management from an outside perspective different from the Company's and increasing the rationality and transparency and therefore nominated her as a candidate for External Director.</p> <p><b>Notes concerning the candidate for External Director</b></p> <ul style="list-style-type: none"> <li>● The UACJ Group is one of customers of the Kurita Group. However, because the transaction value with the UACJ Group is less than 0.1% of consolidated net sales of the Company, it does not constitute a major customer. LECIP Holdings Group is not a business partner of the Kurita Group.</li> <li>● The Company has entered into an agreement with Ms. Sugiyama that limits liability for damages stipulated in Paragraph 1, Article 423 of the Companies Act in accordance with the provisions of the Articles of Incorporation thereof based on the provisions of Paragraph 1, Article 427 of the Act. The amount stipulated in Paragraph 1, Article 425 of the Act has been set as the maximum liability for damages based on this agreement. The Company intends to continue this agreement in case this proposal is approved and adopted at this meeting and Ms. Sugiyama is reappointed as an External Director of the Company.</li> <li>● The Company has notified the Tokyo Stock Exchange, Inc. of the appointment of Ms. Sugiyama as an independent officer as set forth under regulations thereof.</li> </ul>					

- Notes: 1. No special interest exists between the Company and any of the above candidates for Director.  
 2. Ages of the candidates indicated are as of the date of the General Meeting of Shareholders.

[Translation for Reference and Convenience Purposes Only]

### **Proposal No. 3: Election of One (1) Substitute Member of the Audit & Supervisory Board**

To prepare for the case where the number of Member of the Audit & Supervisory Board lacks in the number set forth by the relevant laws and regulations, the Company proposes that Mr. Yoshihiro Tsuji be elected as a Substitute Member of the Audit & Supervisory Board.

The Audit & Supervisory Board has given its prior consent to this Proposal.

The candidate for Substitute Member of the Audit & Supervisory Board is as follows:

<b>Yoshihiro Tsuji</b>	Date of birth June 7, 1961 57 years old	<b>External</b>
<b>Brief Personal History, Positions and Assignments in the Company</b> Apr. 1994 Registered as an attorney Jun. 2001 Jointly established DAIICHI-CHUO LAW OFFICE (Current position) <b>Jun. 2006 Substitute Member of the Audit &amp; Supervisory Board of Kurita Water Industries Ltd. (Current position)</b>		
<b>Significant positions concurrently held</b> Attorney, DAIICHI-CHUO LAW OFFICE		
<b>Reasons for deciding to make him a candidate for Substitute External Member of the Audit &amp; Supervisory Board</b> Mr. Yoshihiro Tsuji has expertise as an attorney and a wealth of knowledge about corporate legal affairs. The Company decided to make him a candidate for Substitute External Member of the Audit & Supervisory Board so that such expertise and knowledge may be reflected in the Company's audits.		
<b>Notes concerning the candidate for Substitute External Member of the Audit &amp; Supervisory Board</b> <ul style="list-style-type: none"><li>● Mr. Tsuji was not involved in corporate management in ways other than acting as an external director or an external member of the Audit &amp; Supervisory Board in the past. However, the Company believes that he is capable of executing his duties appropriately in audits because he has expertise as an attorney and sufficient knowledge in corporate legal affairs.</li><li>● Mr. Tsuji satisfies the requirements of an independent officer as set forth under the regulations of Tokyo Stock Exchange, Inc.</li></ul>		
<b>Number of the shares of the Company held</b> 0 shares		

- Notes: 1. No special interest exists between the Company and the above candidate for Substitute Member of the Audit & Supervisory Board.
2. Age of the candidate indicated is as of the date of the General Meeting of Shareholders.

### **<Reference> Regarding policies and procedures for nominating candidates for Directors and members of the Audit & Supervisory Board**

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

It is our policy that there should be three or more Directors in total, two or more of whom should be External Directors to ensure the independence and objectivity of the Board of Directors. We also aim to ensure that, to fulfill the highly effective supervisory function over the operational execution, the Board of Directors should be organized in a way that complements the necessary knowledge and experience for overall decision-making and consist of personnel with a high degree of expertise in various business fields, management planning, finance and accounting, legal affairs, and technologies, etc. It is also our policy that there should be three or more members of the Audit & Supervisory Board, one or more of whom should be a member who specializes in finance and accounting.

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

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

### **<Reference> Regarding our criteria for judging independence**

The criteria for judging the independence of the Independent External Directors in selecting candidates shall be that the candidates for Independent External Directors and their close relatives (\*1) must not fall under any of the following items.

- a. A person who currently executes the operations of the Company or its subsidiary, or has executed such operations in the past 10 years
- b. A person whose major business partner is currently the Company (\*2) or was the Company at some time during the past year, or an individual who executes the operations of this party
- c. A current major business partner of the Company (\*3) or a major business partner at some time during the past year, or a person who executes the operations of the major business partner
- d. A consultant, an accountant, or a legal professional who currently receives or has received at some point during the past year a lot of money or property (\*4) other than remuneration for officers from the Company
- e. A current major shareholder of the Company (\*5) or a person who executes the operations of a major shareholder
- f. A person who executes the operations of an organization in which an external officer also currently assumes office (the person only)
- g. A person who executes the operations of an organization to which the Company currently makes a donation (the person only)

\*1 The term “close relatives” means relatives within the second degree of kinship.

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

\*3 The term “major business partner of the Company” means a business partner with whom the Company’s sales in transactions make up 2% or more of the consolidated net sales of the Company, or a business partner from which borrowings make up 1% or more of the consolidated total assets of the Company.

\*4 The term “a lot of money or property” means money and other property that are equivalent to 10 million yen or more per year, other than remuneration for officers.

\*5 The term “major shareholder of the Company” means a shareholder who has voting rights that account for 10% or more of the voting rights of the Company.

## <Reference> Regarding Corporate Governance

### 1. Corporate Governance Policies

#### (1) Basic views

Kurita Water Industries Ltd. and its consolidated subsidiaries (hereinafter the “Kurita Group,” and Kurita Water Industries Ltd. on a non-consolidated basis shall be hereinafter referred to as the “Company”) aim to contribute broadly to society through corporate activities in the water and environment areas in accordance with the Kurita corporate philosophy, “Study the properties of water, master them, and we will create an environment in which nature and man are in harmony.” The Kurita Group will make efforts to promote sustainable growth and enhance its corporate value in the medium and long term, deferring to the rights and position of various stakeholders such as customers, business partners, employees, shareholders, and local communities while striving to meet their expectations. To this end, the Kurita Group will establish corporate governance, with the aim of realizing transparent, fair, prompt, and decisive decision-making measures and highly effective management supervision.

#### (2) Basic policies

1) Ensuring the rights and equality of shareholders

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

2) Appropriate level of cooperation with stakeholders other than shareholders

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

3) Ensuring appropriate information disclosure and transparency of information

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

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

The Board of Directors will fulfill its fiduciary responsibility and accountability to shareholders. It will strengthen the orientation of corporate strategies, decision-making on important matters related to operational execution, the supervision of overall management, the internal controls and risk management measures that support appropriate risk-taking, etc. in order to enhance the corporate value and earnings power, as well as improve capital efficiency, etc. The members of the Audit & Supervisory Board and the Audit & Supervisory Board will fulfill their fiduciary responsibility to shareholders, and conduct audits in an appropriate manner and express their opinions from an independent and objective standpoint.

5) Dialogue with shareholders and investors

The Kurita Group aims to conduct management in a way that values shareholders and will make efforts to engage in constructive dialogue with shareholders and investors, as well as provide them with information in a timely and appropriate manner.

Further details have been made available to the public via the following URL on the Company’s website on the Internet. ([http://ir.kurita.co.jp/en/corporate\\_governance/governance\\_policies/index.html](http://ir.kurita.co.jp/en/corporate_governance/governance_policies/index.html))

## 2. Corporate governance organizational structure and conceptual diagram of the Company

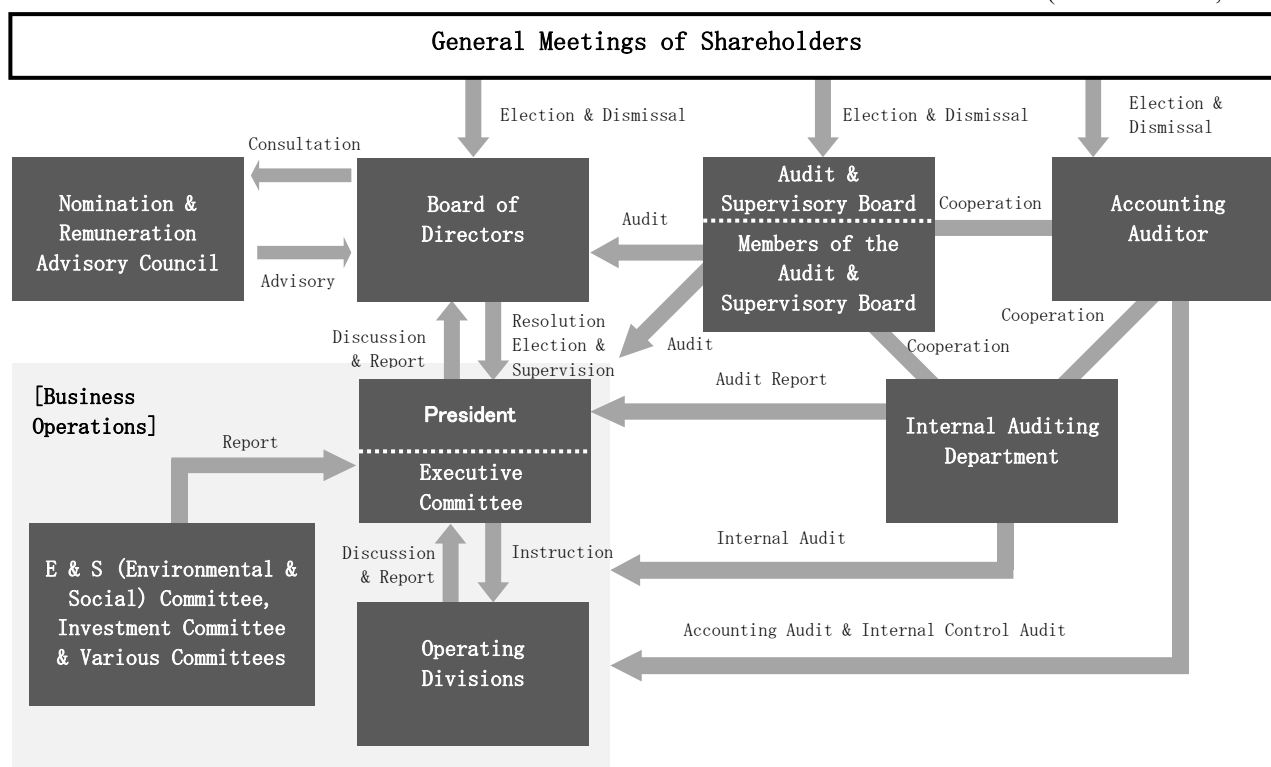
The Company adopts the structure of a company with audit & supervisory board. In addition, the Board of Directors, in accordance with the Kurita corporate philosophy, provides a strategic direction that contributes to the Kurita Group's sustainable growth, makes decisions on important matters related to operational execution and performs supervisory functions over operational execution. The Executive Committee performs operational execution based on the authorities delegated by the Board of Directors in order to provide support for the Board of Directors to perform more sophisticated decision-making.

The Nomination and Remuneration Advisory Council, mainly consisting of External Directors and an external member of the Audit & Supervisory Board, is in place to enhance the transparency of the decision-making process related to the remuneration of Directors and the nomination of candidates for Directors/members of the Audit & Supervisory Board.

Furthermore, the E&S (Environmental & Social) Committee, Investment Committee and various other committees are in place as enterprise-wide organizations which facilitate solutions for management issues faced by the Company.

The members of the Audit & Supervisory Board, while performing the audits undertaken by the Audit & Supervisory Board in accordance with the audit policy and audit plan determined thereby, also attend important meetings including meetings of the Board of Directors, Executive Committee and E&S Committee to audit execution of duties by Directors.

(As of March 31, 2018)



### 3. Effectiveness of the Board of Directors

All Directors and members of the Audit & Supervisory Board analyzed and evaluated the effectiveness of the Board of Directors, and the Board of Directors deliberated on the evaluation results. This evaluation was conducted via a written survey, with each of the respondents identified. The Board of Directors, following the discussion on the aggregate results, evaluated the effectiveness of the Board of Directors, clarified problems and adopted a resolution on the issue and initiatives in the future. The evaluation items consisted of six areas, i.e., (i) roles and responsibilities of the Board of Directors, (ii) collaboration with External Directors and external members of Audit & Supervisory Board, (iii) composition of the Board of Directors, (iv) operation of the Board of Directors, (v) contributions of individual Directors and members of the Audit & Supervisory Board, and (vi) dialogue with shareholders, covering the period of one year from January to December 2017. According to the evaluation results, the average self-evaluation of all Directors and members of the Audit & Supervisory Board was generally good in all six areas, indicating that the effectiveness of the Board of Directors is ensured.

The areas of “contributions of individual Directors and members of the Audit & Supervisory Board” and “operation of the Board of Directors” were highly evaluated with less variance of evaluation among Inside Directors, External Directors and members of the Audit & Supervisory Board. On the other hand, certain items related to the “roles and responsibilities of the Board of Directors” were evaluated relatively lower than other items, and especially given a low evaluation by the External Directors.

The issue and measures to be addressed in fiscal 2018 were resolved to improve such evaluation.

(Issue)

More in-depth discussion regarding the selection of successors to Directors is necessary.

(Measures)

- (1) Various measures relevant to the development and evaluation of successors to Directors will be established in a systematic manner.
- (2) Information regarding the selection and evaluation of successors to Directors will be provided to the Nomination and Remuneration Advisory Council in advance, and the contents of deliberation at the Board of Directors meetings based on the report by said Council will be improved.

### 4. Results of corporate governance initiatives

- (1) Reform of Philosophy System and management strategies for corporate value enhancement in the long run  
Upon developing the new medium-term management plan, we redefined the corporate vision and reviewed the overall system of our corporate philosophy to clearly recapture the state in which the Company should be in the medium term. Furthermore, we took changes in the management environment into account and clarified the direction for the medium- to long-term growth of the Kurita Group toward the future, including the positioning of CSR (Corporate Social Responsibility) as the core of our management strategies and the establishment of the “CSR Policy” with the target year of 2030 based on identified material issues (primary focused area) areas of CSR.
- (2) Establishment of Investment Committee  
We established the Investment Committee in April 2017 so that discussion at the Board of Directors is concentrated on matters of higher quality. The Investment Committee performs pre-screening of investment and loan projects to be discussed by the Board of Directors or the Executive Committee, and it reports the pre-screening results and major issues to Directors/members of the Audit & Supervisory Board. The Committee’s membership has been composed of the Assistant General Manager of Group Administrative Division as chairperson and other internal experts with insights necessary for the deliberation of investment projects. The Committee was engaged in pre-screening of 21 projects in the fiscal year ended March 31, 2018 and thereby helped to enhance the quality of discussion by the Board of Directors and Executive Committee.
- (3) Selling of strategic shareholdings in other listed companies  
In some cases, the Company holds listed shares as strategic shareholdings to strengthen business relationships, etc. The Company also performs reviews on a regular or timely basis as to the medium- and long-term economic rationality and relationship with the investee company for each strategic shareholding. In fiscal 2017, the Board of Directors resolved the reviews and sold nine issues of shares.



(Attached documents to the notice of convocation of the 82nd ordinary general meeting of shareholders)

## **Business Report**

(From April 1, 2017 to March 31, 2018)

### **1. Matters regarding the current status of the Kurita Group**

#### **(1) Progress and results of the business**

During the fiscal year ended March 31, 2018, the global economy remained firm overall, reflecting the solid recovery of the U.S. and European economies and the economic pickup in China and other Asian countries.

The Japanese economy continued to show signs of recovery attributed to the picking up of consumer spending and improvement in corporate earnings associated with the recovery of overseas economies.

Looking at the market environment surrounding the Kurita Group, in Japan, the upward momentum continued in the production activities of the manufacturing industry on the back of an improvement in exports and picking up of demand, and capital expenditure also remained firm. Overseas, capital expenditure was robust mainly in the electronics industry in East Asia.

In this environment, the Kurita Group has been focusing on developing the service business aimed at expanding its overseas business bases and improving profitability under the basic policy to “improve customer intimacy by providing customers with best solutions.”

To reinforce overseas business bases, in the U.S., Fremont Industries, LLC, which has newly become a member of the Kurita Group, and Kurita America Inc., an existing U.S. subsidiary, jointly facilitated activities to demonstrate synergies. In Europe, to strengthen the production capacity of process treatment chemicals for paper and pulp of Kurita Europe GmbH, the Kurita Group acquired a production plant from Akzo Nobel in France. In Asia, to strengthen its abilities to provide solutions in South Korea, the Kurita Group additionally acquired shares of Hansu Co., Ltd., an equity method affiliate, and made it a consolidated subsidiary. Regarding developing the service business, the Kurita Group engaged in the development of a business model using a standardized wastewater reclamation system that contributes to the reuse of water, combining our proprietary underlying technologies with respect to water treatment facilities and water treatment chemicals. The Kurita Group also sought to develop and market competitive products and services using IT and sensing technologies and consistently promoted proposal sales to customers’ challenges including the reduction of environmental footprints, energy saving and improvements in productivity.

As a result, total consolidated orders for the Kurita Group in the fiscal year ended March 31, 2018, amounted to 251,447 million yen (up 15.0% year on year), and net sales amounted to 236,815 million yen (up 10.6% year on year). Operating income amounted to 22,475 million yen (up 15.5% year on year). Ordinary income amounted to 22,104 million yen (up 10.1% year on year). Profit attributable to owners of parent amounted to 17,897 million yen (up 23.4% year on year). The Kurita Group recorded a gain on step acquisitions of 2,443 million yen in extraordinary income associated with the acquisition of additional shares of Hansu Co., Ltd., an equity method affiliate in South Korea, making the company its consolidated subsidiary. The Kurita Group also recorded gain on sales of investment securities in extraordinary income of 1,720 million yen from the sale of strategic shareholdings in other listed companies, etc.

## **(2) Status of segment of the Kurita Group**

### **Water Treatment Chemicals business**

“CK-17” (Competitive Kurita 2017) Medium-term Management Plan, of which the fiscal year under review is the final year, set forth aims with respect to the Water Treatment Chemicals business that entail rebuilding foundations for generating profits in the Japanese market, while in overseas markets the plan set forth aims that involve capturing a greater market share and establishing a global platform built on the four pivotal regions of Japan, Asia, Europe, and the Americas.

In Japan, we have promoted proposals for comprehensive solutions that address the challenges of our customers by consolidating the Water Treatment Chemicals business division and the Maintenance Services division in the Water Treatment Facilities business into a single division and integrating operations of both businesses from the current fiscal year. We also integrated certain sales subsidiaries in order to improve operational efficiency. Overseas, we have strengthened foundations for our platform built on four pivotal regions through the acquisition of a production plant in France and conversion of an affiliate in South Korea into a consolidated subsidiary. Starting from the current fiscal year, we have also taken steps to optimize overseas business operations by consolidating overseas head office functions for the Water Treatment Chemicals business and the Water Treatment Facilities business into a single division and we have worked to promote proposals for comprehensive solutions.

As for products and services, we have promoted proposals for the contract-type service business by drawing on S.sensing<sup>TM</sup>, which is IT and sensing technologies. We have also engaged in the development of water treatment chemicals that contribute to technologies to diagnose the effects of treatment, customers’ energy saving and reduction of environmental footprints as well as improvements in productivity.

With respect to orders and sales in Japan, capacity utilization recovered at customers’ plants, and the Kurita Group sought to gain new customers by proposing solutions using new products and services. This effort produced growth in our main products, boiler water treatment chemicals and cooling water treatment chemicals. Process treatment chemicals for paper and pulp and chemicals for iron and steel also grew. As a result, both orders and sales increased in Japan. Overseas, both orders and sales increased, reflecting the consolidation of results at the acquired subsidiary based in the United States from the first quarter of this fiscal year and the conversion of an affiliate in South Korea into a consolidated subsidiary from the fourth quarter of this fiscal year, in addition to higher sales in each geographical area. The Water Treatment Chemicals business overall saw a decrease in earnings, reflecting higher selling, general and administrative expenses caused by increases in personnel expenses due to the active development of overseas businesses, and IT-related expenses despite the effect of the increase in sales. As a result, total Group orders for the Water Treatment Chemicals business amounted to 90,358 million yen (up 10.0% year on year) while sales amounted to 90,361 million yen (up 10.4% year on year). Operating income amounted to 7,180 million yen (down 0.7% year on year).

### **Water Treatment Facilities business**

The CK-17 plan has set forth aims with respect to the Water Treatment Facilities segment that entail pursuit of sustainable growth of the business through efforts that involve reviewing revenue and cost structures, developing a framework that will ensure consistent earnings, and creating a new business model that will act as a pillar for generating such earnings.

In Japan, we have promoted proposals for comprehensive solutions that address the challenges of our customers in collaboration with the Water Treatment Chemicals business division. We have also been making efforts to streamline production processes by utilizing IT and standardizing designs in order to respond to an increase in large projects caused by favorable conditions in the semiconductor-related market and to improve profitability. Furthermore, we have engaged in efforts to create a new business and business model particularly for the energy market area by utilizing our technologies. Overseas, we established a local subsidiary and developed our platform in Taiwan with the aim of improving profitability through the optimization of business operations.

As for products and services, in Japan, we have promoted proposals for the contract-type service business centered on Kurita Water Supply Service (KWSS), which is a pure water supply service. We have also taken steps to optimize operational management using IoT and AI in the ultrapure water supply business. Overseas, we have been working to propose “cooling blow-off water reclamation systems” that contribute to the reuse of water and establish a service contract-oriented business model using the Customized Optimal Ready-made Recycle Systems, which is a standardized wastewater reclamation system.

With respect to orders and sales in Japan, in the electronics industry area, both orders and sales for water treatment facilities increased substantially due to orders for large-scale projects and progress in construction work. Both

[Translation for Reference and Convenience Purposes Only]

orders and sales also increased in maintenance services due to the strong orders associated with expansion and remodeling projects against a backdrop of a rise in capacity utilization at customers' plants. In the general industry area, orders for water treatment facilities decreased, but sales increased. Orders in maintenance services increased mainly due to demand for the renewal and expansion of facilities at customers' plants, but sales declined slightly. Orders for water treatment facilities for electric power declined, but their sales increased. While orders in soil remediation remained flat, sales declined in relation to the posting of sales of large-scale projects in the previous fiscal year. Overseas, orders rose significantly on orders for large-scale projects in China and South Korea. Sales also increased, reflecting progress in construction work for large-scale projects in the current fiscal year. Sales in the ultrapure water supply business declined due partly to the effect of lower sales resulting from changes in contracts with a customer in the previous fiscal year, despite the posting of sales from expansion projects. The Water Treatment Facilities segment overall achieved an increase in earnings due to higher sales and better profitability achieved through thorough process control and cost management in installment in construction work.

As a result, total Group orders for the Water Treatment Facilities segment amounted to 161,088 million yen (up 17.9% year on year). Sales amounted to 146,453 million yen (up 10.7% year on year). Operating income amounted to 15,312 million yen (up 25.3% year on year).

### **(3) Status of capital expenditure**

The Kurita Group carried out capital expenditure amounting to a total of 22,070 million yen (up 12,781 million yen year on year).

The amount consists of capital expenditure in the Water Treatment Chemicals business largely used for expanding and upgrading existing facilities of 2,809 million yen (up 986 million yen year on year), and in the Water Treatment Facilities segment largely used for newly constructing and expanding facilities for the ultrapure water supply business in Japan and South Korea of 19,261 million yen (up 11,794 million yen year on year).

### **(4) Status of financing**

Not applicable to the Kurita Group.

**(5) Changes in assets and profit and loss**

**[The Kurita Group]**

	Classification	79th Fiscal Year 2014	80th Fiscal Year 2015	81st Fiscal Year 2016	82nd Fiscal Year 2017
Profit and Loss	Orders (Million yen)	181,282	221,273	218,730	251,447
	Net sales (Million yen)	189,398	214,372	214,187	236,815
	Operating income (Million yen)	19,435	19,833	19,452	22,475
	Ordinary income (Million yen)	18,934	20,439	20,074	22,104
	Profit attributable to owners of parent (Million yen)	10,434	12,577	14,506	17,897
	Net income per share (Yen)	87.81	108.24	125.23	159.37
Assets	Total assets (Million yen)	294,492	298,107	299,249	323,046
	Net assets (Million yen)	223,478	228,964	228,758	240,853
	Net assets per share (Yen)	1,907.80	1,961.30	1,991.91	2,126.96
Number of Companies	Consolidated subsidiaries	43	45	49	52
	Equity method affiliates	6	5	5	4

- (Notes)
1. Net income per share is calculated by deducting the number of treasury stock from the average total number of issued shares during the fiscal year.
  2. Net assets per share is calculated by deducting the number of treasury stock from the total number of issued shares at the end of the fiscal year.
  3. Treasury stock includes 333,000 shares of treasury stock for performance-linked stock compensation to Directors, held by Japan Trustee Services Bank, Ltd. (Trust Account).

## **(6) Issues to be addressed**

In the CK-17 plan, the Kurita Group engaged in expanding overseas business, improving profitability through business process reform, and creating new products, services and business models. It did this by setting the basic policy for the first and second years as “conduct a radical review of every operation to provide high added value for our customers” and the basic policy for the fiscal year under review as “improve customer intimacy by providing customers with best solutions.”

In respect of expanding our business overseas, we enlarged and reinforced our business foundations through measures including acquisition of a Water Treatment Chemicals businesses in the U.S. and Europe, reorganization of our overseas operational companies and establishment of a R&D center in Singapore, resulting in overseas sales doubling in the past three years. As regards improving profitability, we are still in the middle of the business process reform and have not achieved a sufficient improvement yet although profitability in construction projects in the Water Treatment Facilities business got better through thorough cost control and standardization of designing and other measures. With respect to the creation of new products, services and business models, although we established the Solution Promotion Department and rolled out products and services that used IT and sensing technologies, we are still short of making a shift to an overwhelmingly superior business model.

We position the present priority of the Kurita Group as accelerating the business process and business model reforms toward enhancement of customer intimacy and a shift to a highly profitable structure.

Based on the above, when formulating the new medium-term management plan “MVP-22” (Maximize Value Proposition 2022), which started in the fiscal year ending March 31, 2019, we aimed to achieve challenging and high goals. In order to do this, we extended the duration of the plan to five years from the current three years and revised the corporate vision to “a ‘Creator of unique value to the solution of water and environment’ contributing to the realization of a sustainable society,” thereby positioning CSR (Corporate Social Responsibility) activities as the core of the management strategy.

In MVP-22 plan, we aim to become a Kurita Group that has high profitability and growth potential and is equipped with the ability to solve social challenges by means of creating and implementing new business processes that exponentially enhance quality and speed and shifting to a business model that creates and provides customer value and shared value with society.

MVP-22 plan is outlined as below:

New Medium-Term Management Plan “MVP-22” (Maximize Value Proposition 2022)

(Period: from the fiscal year ending March 31, 2019 to the fiscal year ending March 31, 2023)

Basic policy: Maximize customer intimacy by redefining preconceived ideas and dramatically raising the quality and speed of our work.

Management targets:

Annual average growth rate of net sales: 3% or more

(organic growth excluding that from M&A and so on)

Operating income margin: 15%

Return on equity (ROE): 10% or more

Priority Measures:

1) Developing CSV (creating share value) business

Expand revenue with highly unique technologies, products and services that will contribute to the natural environment, industry and people’s lives.

2) Enhancement of total solutions

Quickly provide customers with total solutions by making excellent use of water treatment chemicals, water treatment facilities and maintenance technologies, products and services.

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3) Rebuilding of production system at Plants

Dramatically boost the quality and speed of production activities by fundamentally reviewing the production system and process.

4) Creation of new businesses and the promotion of innovation

Expand and enhance existing business fields and create new ones that will become pillars for revenue

5) Strengthening the foundation and promotion of research and development

Promote leading-edge research and development by building a solid foundation as a technology-oriented company.

6) Establishment of Group governance system

Improve the effectiveness of internal control in the Group companies.

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**(7) Principal businesses (As of March 31, 2018)**

Since its founding, the Kurita Group has contributed to developing industry and society and conserving the environment through various business activities in the water and environment areas.

Major Principal products in each business segment of the Kurita Group are as follows:

Segment	Principal products
Water Treatment Chemicals	Boiler water treatment chemicals, cooling water treatment chemicals, air conditioning-related water treatment chemicals, process treatment chemicals for oil refining and petrochemicals, process treatment chemicals for paper and pulp, process treatment chemicals for steel, marine vessel-related water treatment chemicals, wastewater treatment chemicals, sludge dehydrating water treatment chemicals, civil engineering and construction related treatment chemicals, dioxin treatment chemicals, heavy metal stabilizers, reverse osmosis membrane water treatment chemicals, chemical dosing systems, ion exchanger resin, maintenance services and water analysis
Water Treatment Facilities	Ultra-pure water production systems, pharmaceutical-use water production systems, demineralizer, condensate demineralizers, filtration systems, standard-type products (deionizers, wastewater treatment systems, various water treatment systems), water and wastewater treatment systems for various industries (electronics, steel, oil refining, petrochemicals, electric power, paper, pulp, pharmaceuticals, food products, etc.), wastewater reclamation systems, high-performance liquid chromatography systems for industrial use, marketable substance recovery systems, equipment for generating biogas, seawater desalting equipment, swimming pool-related equipment, ion exchanger resin, reverse osmosis membranes, ultrafiltration membranes, functional water production equipment for the semiconductor manufacturing process, water purifiers, ultrapure water supply, maintenance services, tool cleaning services, chemical cleaning services, operation and maintenance of water treatment facilities, soil and groundwater remediation and household drinking water

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**(8) Principal offices (As of March 31, 2018)**

The Company	Head Office	10-1, Nakano 4-chome, Nakano-ku, Tokyo
	Osaka Office	2-22, Kitahama 2-chome, Chuo-ku, Osaka-shi, Osaka
	Branch Office	Tohoku Office (Aoba-ku, Sendai-shi, Miyagi)
		Nagoya Office (Naka-ku, Nagoya-shi, Aichi)
		Hiroshima Office (Naka-ku, Hiroshima-shi, Hiroshima)
		Kyushu Office (Hakata-ku, Fukuoka-shi, Fukuoka)
	Production, R&D facilities	Shizuoka Plant (Yoshidacho, Haibara-gun, Shizuoka)
		Tsuruga Plant (Tsuruga-shi, Fukui)
		Yamaguchi Plant (Yamaguchi-shi, Yamaguchi)
		Toyoura Plant (Shimonoseki-shi, Yamaguchi)
Kurita Global Technology Center (Nogi-machi, Shimotsuga-gun, Tochigi)		
Subsidiary	Japan	Kurita Chemical Manufacturing Ltd. (Ibaraki and others)
		Kuritaz Co., Ltd. (Tokyo, Osaka and others)
		Kuritec Service Co., Ltd. (Osaka and others)
		Kurita Engineering Co., Ltd. (Osaka and others)
	Overseas	Hansu Technical Service Ltd. (South Korea)
		Hansu Co., Ltd. (South Korea)
		Kurita Water Industries (Dalian) Co., Ltd. (China)
		Kurita Water Industries (Jiangyin) Co., Ltd. (China)
		Kurita Water Industries (Suzhou) Ltd. (China)
		Kurita (Singapore) Pte.Ltd. (Singapore)
		Kurita Europe GmbH (Germany and others)
		Kurita do Brasil Ltda. (Brazil)
		Kurita America Inc. (United States)
		Fremont Industries, LLC (United States)

(Note) The Company has 29 sales branch offices in addition to those listed above (including the Taiwan Branch).



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**(9) Important subsidiaries (As of March 31, 2018)**

Company name	Capitalization (In millions)	Ownership (%)	Principal business
Kurita Europe GmbH	EUR 20	100	Manufacture and sale of water treatment chemicals
Kurita Water Industries (Jiangyin) Co., Ltd.	USD 16	100	Manufacture and sale of water treatment chemicals
Hansu Technical Service Ltd.	KRW 26,400	100	Manufacture and sale of water treatment facilities Operation and maintenance of water treatment facilities
Hansu Co., Ltd.,	KRW 2,500	87.1	Manufacture and sale of water treatment chemicals
Kuritaz Co., Ltd.	JPY 220	100	Operation and maintenance of water treatment facilities
Kurita Engineering Co., Ltd.	JPY 160	100	Chemical cleaning services
Kuritec Service Co., Ltd.	JPY 50	100	Tool cleaning services
Kurita Chemical Manufacturing Ltd.	JPY 50	100	Manufacture of water treatment chemicals

**(10) Employees (As of March 31, 2018)**

**[The Kurita Group]**

Number of employees	Year-on-year change
6,011	+ 357

**[The Company]**

Number of employees	Year-on-year change	Average age	Average length of service
1,516	- 20	42.2	17 years and 1 month

**(11) Important matters concerning the Kurita Group**

1) Turning equity method affiliate Hansu Co., Ltd. into a consolidated subsidiary

As a measure for strengthening business in South Korea, one of the strategically important markets in Asia, we acquired approximately 50% of the issued shares of Hansu Co., Ltd., an equity method affiliate in South Korea, on November 30, 2017. As a result of the acquisition, our equity stake in Hansu Co., Ltd. increased to 85%, and the company became our consolidated subsidiary.

Hansu Co., Ltd. was established in 1974 as a joint venture company of the Company, and has been developing the Water Treatment Chemicals business in South Korea for more than 40 years. It has built community-based sales and service networks and customer base and has a number of staff with knowledge about water treatment in the electronics and other manufacturing industries.

In the South Korean market, there are growing fields including the electronics industry, allowing expectations for the medium- and long-term expansion of domestic demand and further economic growth. We will use the shift of Hansu Co., Ltd. to a consolidated subsidiary as an opportunity to facilitate the integrated management of the Kurita Group, aiming to improve our cost competitiveness and strengthen our merchandising power. At the same time, we will provide high-value added water treatment solutions by combining the distinctive technologies and services of the Kurita Group. We will also bolster cooperation with Hansu Technical Service Ltd., which operates the Water Treatment Facilities business in South Korea, to create various synergies by taking advantage of the Kurita Group's comprehensive capabilities. We will thereby increase our customer intimacy further with the aim of achieving a continuous increase in business.

2) Establishment of Kurita R&D Asia Pte. Ltd.

We established a new company, Kurita R&D Asia Pte. Ltd., in Singapore on April 29, 2017 to strengthen our global research and development system.

As demand for water rises worldwide, water resources need to be used effectively. In this environment, we are focusing on developing technologies for desalination and the recycling of wastewater. Singapore has a concentration of universities, research institutions, and corporate research and development facilities that are involved in researching technologies related to water and the environment. By taking advantage of the merit of Singapore, we aim to expedite development and strengthen our technological capabilities.

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**2. Stock of the Company (As of March 31, 2018)**

**(1) Total number of issuable shares**

531,000,000 shares

**(2) Total number of issued shares**

116,200,694 shares (including 3,592,832 shares of treasury stock)

**(3) Number of shareholders as of March 31, 2018**

22,467 persons

**(4) Major shareholders (Top 10 shareholders)**

Name of shareholder	Number of shares thousand shares	Ratio of shareholding %
Japan Trustee Services Bank, Ltd. (Trust Account)	7,518	6.67
Nippon Life Insurance Company	5,979	5.31
The Master Trust Bank of Japan, Ltd. (Trust Account)	4,634	4.11
Japan Trustee Services Bank, Ltd. (Trust Account 9)	3,170	2.81
BNYMSANV AS AGENT/CLIENTS LUX UCITS NON TREATY 1	2,482	2.20
Tokio Marine & Nichido Fire Insurance Co., Ltd.	2,155	1.91
Japan Trustee Services Bank, Ltd. (Trust Account 5)	2,068	1.83
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	2,056	1.82
State Street Bank West Client-Treaty 505234	1,841	1.63
Bank Julius Bär & Co. AG	1,784	1.58

- (Notes)
- Treasury stock held by the Company is omitted from the above table.
  - Ratio of shareholding is calculated based on the number of shares after deduction of the number of treasury stock from the total number of issued shares.
  - Treasury stock does not include 333,000 shares of treasury stock for performance-linked stock compensation to Directors, held by Japan Trustee Services Bank, Ltd. (Trust Account).

**(5) Other important matters regarding stock**

- 1) Holdings of the Company stock by means of a trust pertaining to the performance-linked stock compensation plan

As of March 31, 2018, holdings of 333,566 shares of the Company stock have been acquired by the stock distribution trust established with monetary funds contributed by the Company on the basis of the performance-linked stock compensation plan which was adopted upon resolution made at the 80th Ordinary General Meeting of Shareholders held on June 29, 2016 and held by Japan Trustee Services Bank, Ltd. (Trust Account).

- 2) Market purchase of treasury stock

At a meeting of the Board of Directors held on February 28, 2017, the Company resolved to acquire its own shares based on the provisions of Article 156 of the Companies Act, as applied by replacing the relevant terms based on the provisions of Paragraph 3, Article 165 of the Act, with the aim of improving capital efficiency and ensuring a flexible capital strategy in response to a changing business environment. In accordance with that resolution, the Company acquired 2,004,400 shares of treasury stock (total amount of acquisition: 5,586,909,400 yen), by means of market purchase on the Tokyo Stock Exchange during the period from April 1, 2017, to May 25, 2017. The total acquisition amounts to 9,999,899,600 yen, consisting of 3,586,300 shares of treasury stock acquired during the period from March 2, 2017 to May 25, 2017 (final day of the acquisition period).

- 3) Cancellation of treasury stock

By resolution of the Board of Directors on January 30, 2015, the Company acquired 2,963,900 shares of treasury stock. However, the same resolution concurrently stipulated that “the Company shall keep the disposition of the acquired treasury stock in preparation for the use of it as cash considerations for possible M&A and shall make a decision about the disposition of the treasury stock by March 31, 2017.” With that deadline looming, the Company resolved to cancel the treasury stock pursuant to Article 178 of the Companies Act at a meeting of the Board of Directors held on March 30, 2017, considering factors such as cash flows, the future development of operations, shareholder returns, capital efficiency, and capital policy, and in order to alleviate shareholder concerns over the dilution of stock value. As of April 6, 2017, the Company cancelled treasury stock amounting to 2,963,900 shares (equivalent to 2.49% of total number of issued shares before the cancellation), in accordance with that resolution. There is a total of 116,200,694 issued shares subsequent to the cancellation.

### 3. Directors and members of the Audit & Supervisory Board of the Company (As of March 31, 2018)

#### (1) Directors and members of the Audit & Supervisory Board

Name	Position	Responsibility and important concurrent positions
Michiya Kadota	President and Representative Director	
Kouichi Iioka	Executive Senior Managing Director and Representative Director	General Manager of Global Business Division and in charge of the Chemicals Division
Kiyoshi Itou	Managing Director	General Manager of Group Administrative Division
Takahito Namura	Managing Director	General Manager of Research and Development Division
Toshitaka Kodama	Managing Director	General Manager of Sales II Division and in charge of the facilities business
Yoshio Yamada	Director	General Manager of Sales I Division
Ikuo Ishimaru	Director	General Manager of Group Quality & Production Division
Hirohiko Ejiri	Director	General Manager of Corporate Planning Division
Tsuguto Moriwaki	Director (External Director)	
Ryoko Sugiyama	Director (External Director)	Head and Chair of the Board, Gifu Shimbun Co., Ltd. External Director and Audit and Supervisory Committee Member of LECIP Holdings Corporation External Director of UACJ Corporation Director, Gifu Sugiyama Memorial Foundation, a public interest incorporated foundation
Shiro Hayashi	Full-time member of the Audit & Supervisory Board	
Kenjiro Kobayashi	Full-time member of the Audit & Supervisory Board (External member of the Audit & Supervisory Board)	
Shigekazu Torikai	Member of the Audit & Supervisory Board (External member of the Audit & Supervisory Board)	Representative Lawyer, Torikai Law Office External Director of United Super Markets Holdings Inc. Representative Director, Nikkeizei Co., Ltd.

- (Notes)
- Ms. Ryoko Sugiyama was newly elected as a Director and Mr. Shigekazu Torikai was newly elected as a member of the Audit & Supervisory Board at the 81st Ordinary General Meeting of Shareholders held on June 29, 2017.
  - Messrs. Toshiyuki Nakai and Seiji Nakamura retired from the office of Director, and Mr. Tamio Uda retired from the office of member of the Audit & Supervisory Board at the conclusion of the 81st Ordinary General Meeting of Shareholders held on June 29, 2017.
  - Directors Tsuguto Moriwaki and Ryoko Sugiyama are External Directors of the Company under Item 15, Article 2 of the Companies Act.
  - Members of the Audit & Supervisory Board Kenjiro Kobayashi and Shigekazu Torikai are external members of the Audit & Supervisory Board of the Company under Item 16, Article 2 of the Companies Act.
  - Member of the Audit & Supervisory Board Kenjiro Kobayashi has considerable insight with respect to finance and accounting, having handled operations that include the investment and loan

business of Japan Development Bank (currently, Development Bank of Japan Inc.) for 27 years until his appointment as a member of the Audit & Supervisory Board of the Company.

6. On April 1, 2018, the following changes were made in the position and responsibility of Directors.

Name	Position	Responsibility and important concurrent positions
Kouichi Iioka	Chairman and Director	In charge of Global Business Division
Kiyoshi Itou	Executive Senior Managing Director and Representative Director	General Manager of Corporate Planning Division
Takahito Namura	Managing Director	General Manager of Solution Business Division
Yoshio Yamada	Managing Director	General Manager of Sales I Division and in charge of the chemicals business
Ikuo Ishimaru	Director	(part time) President and Representative Director of Kurita Engineering Co., Ltd.
Hirohiko Ejiri	Director	General Manager of Group Quality & Production Division

7. The Company has registered the following individuals as independent officers with the Tokyo Stock Exchange, Inc.

Director Tsuguto Moriwaki

Director Ryoko Sugiyama

Member of the Audit & Supervisory Board Kenjiro Kobayashi

Member of the Audit & Supervisory Board Shigekazu Torikai

## (2) Outline of agreements for limitation of liability with external officers

The Company has entered into an agreement with External Directors Tsuguto Moriwaki and Ryoko Sugiyama, and an external member of the Audit & Supervisory Board Shigekazu Torikai that limits liability for damages stipulated in Paragraph 1, Article 423 of the Companies Act in accordance with the provisions of the Articles of Incorporation thereof based on the provisions of Paragraph 1, Article 427 of the Act. The amount stipulated in Paragraph 1, Article 425 of the Act has been set as the maximum liability for damages based on this agreement.

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

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

Regarding the remuneration system and the remuneration level of the Directors and the members of the Audit & Supervisory Board and the performance evaluation of the Directors (excluding External Directors), the Chairperson of the Board of Directors will consult the Nomination & Remuneration Advisory Council in advance. Based on the report given by the Nomination & Remuneration Advisory Council, the Board of Directors will decide the remuneration of the Directors within the total amount determined by a General Meeting of Shareholders. The Nomination and Remuneration Advisory Council consists of the four members of two External

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Directors, one full-time external Member of the Audit & Supervisory Board, and the President and is chaired by an External Director. The allocation of remuneration to each member of the Audit & Supervisory Board shall be decided through discussions among members of the Audit & Supervisory Board.

**(4) Remuneration of Directors and members of the Audit & Supervisory Board during the fiscal year under review**

Classification	Number of payees	Amount of remuneration
Director	12 (including three External Directors)	540 million yen
Member of the Audit & Supervisory Board	4 (including three external members of Audit & Supervisory Board)	81 million yen
External officers	6	75 million yen

- (Notes)
1. The above includes two Directors and one member of the Audit & Supervisory Board who retired at the conclusion of the 81st Ordinary General Meeting of Shareholders held on June 29, 2017.
  2. Remunerations for the Directors do not include the employee salaries paid to the Directors who concurrently serve as employees.
  3. At the 72nd Ordinary General Meeting of Shareholders held on June 27, 2008, a resolution was passed to set the amount of remuneration for Directors (excluding External Directors) at a maximum of an annual 800 million yen (excluding the employee salaries paid to Directors who concurrently serve as employees).
  4. At the 80th Ordinary General Meeting of Shareholders held on June 29, 2016, a resolution was made to pay performance-linked stock compensation (long-term incentive remuneration) to Directors (excluding External Directors) from a separate fund from that shown in 3. above.
  5. From the fiscal year ended March 31, 2018, the Company will record the estimates of money to be paid for short-term incentive remuneration and long-term incentive remuneration as provisions as of March 31, 2018. The amounts of remuneration paid to Directors stated above include 145 million of provision for short-term incentive remuneration for the fiscal year under review and 104 million of provision for long-term incentive remuneration for the fiscal year under review.
  6. In addition to the above-stated remuneration paid to Directors, 84 million yen of short-term incentive remuneration for the previous fiscal year has been paid to Directors.
  7. In addition to the above-stated remuneration paid to Directors, 92 million yen of provision for long-term incentive remuneration for the previous fiscal year has been recorded in May 2017.

**(5) External Directors and external members of the Audit & Supervisory Board**

- 1) The important concurrent positions that External Directors and external members of the Audit & Supervisory Board hold at other companies are described in the aforementioned “(1) Directors and members of the Audit & Supervisory Board.”

2) Principal activities of External Directors and external members of the Audit & Supervisory Board

Name	Position	Principal Activities
Tsuguto Moriwaki	External Director	<p>Mr. Moriwaki attended all 12 Board of Directors meetings (attendance rate: 100%) held during the fiscal year under review.</p> <p>He questions and expresses his opinions from his professional standpoint as an external director over the course of deliberations on proposals and confirmations of matters reported, drawing on his career background acting as representative director of listed companies in different industries and based on his experience and insight with respect to manufacturing and corporate reform.</p>
Ryoko Sugiyama	External Director	<p>Ms. Sugiyama attended 8 of 9 Board of Directors meetings (attendance rate: 88.8%) held after she was appointed as a Director at the 81st Ordinary General Meeting of Shareholders on June 29, 2017.</p> <p>She poses questions and expresses her opinions over the course of deliberations on proposals and confirmations of matters reported from an outsider's perspective in general, drawing on her career background acting as an external director, etc. at listed companies in other industries in addition to her significant knowledge of the environment and waste.</p>
Kenjiro Kobayashi	External member of the Audit & Supervisory Board	<p>Mr. Kobayashi attended all 12 Board of Directors meetings and all 12 Audit &amp; Supervisory Board meetings (each attendance rate: 100%) held during the fiscal year under review.</p> <p>He conducts daily audits as a full-time member of the Audit &amp; Supervisory Board, and expresses his opinions in the Board of Directors meetings, Audit &amp; Supervisory Board meetings and other important meetings, in part based on his expert perspective in finance and accounting.</p>
Shigekazu Torikai	External member of the Audit & Supervisory Board	<p>Mr. Torikai attended all 9 Board of Directors meetings and all 9 Audit &amp; Supervisory Board meetings (each attendance rate: 100%) held after he was appointed as a member of the Audit &amp; Supervisory Board at the 81st Ordinary General Meeting of Shareholders on June 29, 2017.</p> <p>He expressed his opinions from his professional standpoint as an attorney at law.</p>



#### 4. Accounting Auditor

##### (1) Name of Accounting Auditor

Grant Thornton Taiyo LLC

##### (2) Remuneration to Accounting Auditor for the fiscal year under review

Classification	Amount of remuneration
Amount of Remuneration paid by the Company for the fiscal year under review	49 million yen
Sum of the amount of money and other material advantage to be paid by the Company and its subsidiaries to Accounting Auditor	62 million yen

- (Notes)
1. The amount of remuneration listed above in the row “Amount of Remuneration paid by the Company for the fiscal year under review” has been determined on the basis of the audit agreement entered into between the Company and the Accounting Auditor. The above paid amount is the total of payments since the remuneration from audits pursuant to the Companies Act and Financial Instruments and Exchange Act are not clearly divided or cannot be practically divided.
  2. The amount listed in the row, “Sum of the amount of money and other material advantage to be paid by the Company and its subsidiaries to Accounting Auditor” includes remuneration for non-audit services involving preparation of application forms and certificates.
  3. The Audit & Supervisory Board has furnished its consent with respect to remuneration, etc. of the Accounting Auditor, upon having conducted requisite validation of the audit plan of the Accounting Auditor, evaluations of results of prior fiscal year audits, status of executing duties, and rationale used for calculating quotations for remuneration.
  4. Among the Company’s significant subsidiaries, Kurita Europe GmbH, Kurita Water Industries (Jiangyin) Co., Ltd., Hansu Technical Service Ltd. and Hansu Co., Ltd are audited by Certified Public Accountants or audit corporations (including persons or entities with equivalent qualifications overseas) other than the Company’s Accounting Auditor.

##### (3) Policy on decision to dismiss or not reappoint Accounting Auditor

Where the Audit & Supervisory Board deems the Accounting Auditor corresponds to the provisions of Paragraph 1, Article 340 of the Companies Act based on the agreement of the all members of Audit & Supervisory Board, the Accounting Auditor will be dismissed.

Moreover, the Audit & Supervisory Board evaluates the Accounting Auditor in terms of its auditing frameworks, independence and expertise, and if deemed necessary, determines the content of proposals calling for the dismissal or non-reappointment of the Accounting Auditor, particularly if the Audit & Supervisory Board finds it difficult for the Accounting Auditor to execute its duties appropriately. Meanwhile, the Board of Directors submits such proposals to general meetings of shareholders, pursuant to such decision by the Audit & Supervisory Board.

**5. System to ensure that the execution of the duties of Directors conforms with laws, regulations, and the Articles of Incorporation and other systems to ensure appropriate operations**

The Kurita Group's Basic Policies for Constructing an Internal Control System (May 19, 2017 Partial Revision) are as follows.

**(1) System to ensure that the execution of the duties of Directors and employees conforms with laws, regulations, and the Articles of Incorporation**

- 1) The Company and its consolidated subsidiaries (the "Group Companies"), have set "compliance with laws and regulations in accordance with social ethics and the construction of transparent and fair relationships with shareholders, customers, employees, local communities, and trade partners at all places in which business activities are conducted" as one of the management guidelines, and have specified actions based on compliance with laws, regulations, and social ethics as a prerequisite for corporate activities. Based on this management guidelines, we have established Core Values (fairness, transparency, integrity, safety and compatibility) that officers and employees should emphasize, and the Kurita Group Code of Conduct with which officers and employees should comply, transcending differences in their language, custom and cultural background, to fully enforce actions based on compliance with laws, regulations and social ethics in our daily business activities. In addition, the Company and the Group Companies will stand up to antisocial forces that potentially pose a threat to social order and safety with a resolute attitude, and work to fight off the unjustified claims of antisocial forces in a determined manner.
- 2) The Company sets up the E&S (Environmental & Social) Committee, which is chaired by the Director, and the Group E&S Committee, which is also chaired by the same Director and whose members are the representatives of the Group Companies. In these Committees, the members set out policies and important measures for compliance activities, and convey them to all employees through the divisions, the business divisions, and the department committees of the Group Companies. The Company will also work continuously to raise the compliance level by regularly reporting the status of activities and their results to the Board of Directors. If the Chairman of these Committees determines that there is a serious problem or a doubt related to compliance, the Chairman will immediately report it to the President and Representative Director, and then formulate and implement remedial actions and preventive measures. The President and Representative Director or the Chairman of these Committees will report these events to the Board of Director and the Audit & Supervisory Board whenever appropriate.
- 3) The Company establishes the Internal Auditing Department, which is placed under the direct control of the President and Representative Director, to conduct internal audits on matters such as those related to compliance activities.
- 4) The Company establishes the Public Interest Whistle-Brower Protection Regulations as a mechanism for the employees of the Company and the Group Companies to directly provide information about legally doubtful conducts, etc. In conjunction with these regulations, the Company also establishes the Compliance Counselling Office. The Company also works to ensure the fairness and transparency of the management of the Company and the Group Companies by regularly reporting the status of the operation of the contact for Public Interest Whistle-Blowing to the Board of Directors.
- 5) The Company develops and operates the "Internal Control Reporting System" in accordance with the Financial Instruments and Exchange Act to ensure the accuracy of the financial reporting of the Company and the Group Companies. Monitoring, recommendations for improvement, and support for improvement for the operation of the System are implemented, with the Internal Auditing Department as the responsible department. In addition, the Accounting Department in the Corporate Planning Division shares responsibility for monitoring, recommendations for improvement, and support for improvement related to the "operations process control inside the Company" and the "financial reporting process control of consolidated subsidiaries from a company-wide perspective."
- 6) In response to the "Corporate Governance Code" set forth in the Securities Listing Regulations of Tokyo Stock Exchange, Inc., the Company establishes policies for corporate governance and strengthens its

corporate governance, with the aim of realizing transparent, fair, prompt, and decisive decision-making and more effective management supervision of the Company and the Group Companies.

*Outline of operational status*

- (a) Having defined the objective of initiatives on CSR as “creating and maximizing shared value for the Kurita Group and society” and “identifying, preventing and mitigating possible adverse impacts by the Kurita Group,” the Company identified seven material issues (primary focused area) related to CSR and finalized them as “CSR Policy” in January 2018, including what we should be like and the frame of mind that we should maintain firmly in 2030.
- (b) To enhance the effectiveness of the Kurita Group Code of Conduct formulated on October 1, 2016, the Company set forth the Group Companies’ shared policies on human rights, the environment, compliance with competition laws and personal information management, thereby promoting the establishment of the Kurita Group Business Policy in the fiscal year ended March 31, 2018.
- (c) The Company, on November 1, 2017, formulated and is operating the Regulation for Responding to Anti-social Forces that prescribes matters relating to an organizational structure and other approaches to cutting any relations with anti-social forces.
- (d) The E&S Committee holds meetings regularly to check the state of progress of key measures and issues.
- (e) The Company and the Group Companies have been conducting questionnaires on compliance on an annual basis. They have been drawing on questionnaire results to monitor progress with respect to improvements, pinpointing issues, and then reflecting those findings in activity policies for the subsequent fiscal year.
- (f) The Company and the Group Companies have been operating whistle-blowing system of internal control. They have accordingly established the Public Interest Whistle-Blower Protection Regulations and have set up consultation desk and reporting desk operated by outside organizations.
- (g) With respect to internal controls for financial reporting, a team dedicated to such tasks from the Internal Auditing Department has been engaging in monitoring in accordance with fiscal year plans, and the Accounting Department in the Corporate Planning Division has also been taking on some responsibility in that regard. The Company has also been monitoring the effectiveness of respective controls.
- (h) The Company revises our policies on corporate governance regularly (at least once a year) or as necessary and tightened the criteria for judging the independence of Independent External Directors in the fiscal year ended March 31, 2018.

**(2) System to store and manage information about the execution of the duties of Directors**

Information about the execution of the duties of Directors is recorded and stored in documents or electromagnetic media in accordance with the Document Regulations and the Confidential Information Management Regulations established by the Board of Directors. The Directors and members of the Audit & Supervisory Board may inspect these documents, etc. when necessary.

*Outline of operational status*

Original copies of such information are being stored in vaults, and duplicates are being kept in locked document cabinets under stringent control. In addition, the Company has stipulated that those who have been granted permission to view documents must follow certain procedures in that regard, under the Company’s regulations.

**(3) Regulations and other systems for managing the risk of loss**

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

the impact of the risk, the status of correcting the risk, and the measures for preventing the risk to the President and Representative Director and the General Manager of the Corporate Planning Division.

- 2) In regards to serious risks, the Chairman of the E&S Committee will be the responsible official for risks related to compliance, and the Chairman of the Headquarters Health and Safety Committee will be the responsible official for risks related to health, safety, and disasters. Risks that are directly related to daily business activities are addressed by the general manager of each business division and division, who acts as the responsible official. Other day-to-day risks related to quality, the environment, information security, and export regulations, etc. are addressed by their respective departments.
- 3) The General Manager of the Corporate Planning Division, the Chairmen of the Committees, and the general managers of the business divisions and divisions regularly report the status of activities to promote risk management and compliance to the Board of Directors, and report the occurrence and result of material risks to the Board of Directors and the Audit & Supervisory Board whenever appropriate.
- 4) The status of the implementation of risk management and improvements is monitored, with the Internal Auditing Department acting as the responsible department.

#### *Outline of operational status*

- (a) The Company and the Group Companies have adopted risk management systems whereby risk is categorized either as “Group-wide risk” which must be addressed by the entire Kurita Group such as in the event of an earthquake or other disaster, or as “business risk” which derives directly from daily business affairs. The Company and the Group Companies have also been conducting review on an annual basis of risk maps. The risk maps indicate probabilities of risks materializing, profile the impact and magnitude of impact that a risk event would pose, and assess the significance of such situations. To such ends, the Company and the Group Companies have been striving to prevent risk from materializing by implementing prevention measures, and otherwise have been preparing themselves to address unforeseen circumstances by establishing action plans for risk events.
- (b) The Company and the Group Companies have established legal violation risk maps, and accordingly engage in practices that involve identifying major risks of legal violation and regularly monitoring implementation of initiatives in that regard.
- (c) The Board of Directors has been regularly receiving reports regarding the promotion status of risk management and compliance activities, and the Board of Directors and the Audit & Supervisory Board have been receiving reports whenever appropriate with respect to the occurrence and materializing of significant risk events.
- (d) The status of the implementation of risk management and improvements is monitored, with the Internal Auditing Department acting as the responsible department.

#### **(4) System to ensure the efficient execution of duties by the Directors**

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

- 1) The Board of Directors specifies the operations delegated to the Directors, the executive officers, and the responsible officials of organizations (managerial personnel with the rank higher than general manager of a division or an office).
- 2) The Board of Directors formulates a long-term vision, a medium-term management plan, and a business plan for a single fiscal year, and sets out the targets, policies, and focused measures for each organization. The Board of Directors also implements monthly and quarterly business controls in relation to the consolidated and non-consolidated targets of the Company and the business departments.
- 3) The final decision application system is set up, in line with the Executive Committee and the Final Decision and Examination Regulations, as a decision-making system to complement the resolutions made at the Board of Directors meetings.
- 4) The Executive Committee makes decisions and conducts a review of matters resolved at the Board of Directors meetings and the Executive Committee to facilitate the decision-making progress when necessary.

The Executive Committee consists of the President and Representative Director, Directors with a rank of Managing Director or above, the General Manager of the Corporate Planning Division, and the Directors and executive officers appointed by the President and Representative Director. The committee meets twice a month in principle, and on a temporary basis when necessary. In the Executive Committee, the members deliberate matters related to the management of the Company and the Kurita Group, conduct a monthly and quarterly check of whether targets have been achieved and the status of implementation of policies and measures, and give the Directors and the executive officers in charge instructions to correct deviations. The members of the Audit & Supervisory Board may attend the Executive Committee.

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

#### *Outline of operational status*

- (a) To enable the Board of Directors to better provide strategic direction that contributes to the Kurita Group's sustainable growth, make decisions on important matters related to operational execution, and exercise supervisory functions over the execution of duties, the Company, in April 2017, reviewed and is operating the Final Decision and Examination Regulations including delegation of authority to the Executive Committee related to execution of duties and a reduction of reporting items on the state of execution of duties.
- (b) The Executive Committee has been making judgments and decisions on matters that have been delegated to it by the Board of Directors, and has been conducting review with respect to agenda items for meetings of the Board of Directors. Executive Committee members include the President and Representative Director, Directors with a rank of Managing Director or above, the General Manager of the Corporate Planning Division, and the Directors and executive officers appointed by the President and Representative Director. The committee has been meeting twice a month in principle, and on a temporary basis when necessary. The full-time members of the Audit & Supervisory Board have been attending meetings of the Executive Committee.

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

The Company and the Group Companies perform operations appropriately by the following systems and the frameworks that are in place.

- 1) The Company and the Group Companies set a medium-term management plan and a business plan for a single fiscal year based on a unified outline for formulating plans.
- 2) The overall management of the Group Companies is controlled by the Corporate Planning Division. In addition, an officer and a department of the Company in charge of each Group Company are appointed to regularly determine the status of the business performance achieved and the status of risk management based on the medium-term management plan and the business plan for a single fiscal year, and to provide the Group Companies with guidance.
- 3) A Board of Directors is set up in each Group Company, and the Company or the Group Companies dispatch a (non-standing) Director and (non-standing) member of the Audit & Supervisory Board to monitor the management, business performance, settlement of accounts, and risks. If a decision needs to be made as the Group, the Executive Committee of the Company deliberates the matter and makes the decision in accordance with "7. Matters related to subsidiaries and associates in Japan and overseas," an appendix of the Final Decision and Examination Regulations of the Company, or the Board of Directors or the Executive Committee of the Company makes the decision.
- 4) In regards to the Group Companies' efforts related to compliance, the Group E&S Committee stated in Paragraph 2, Article 1 of the Basic Polices for Constructing an Internal Control System sets out policies and implements specific measures. In addition, the system for ensuring the accuracy of the financial

reporting by the Group is considered and established as part of the approaches stated in Paragraph 5, Article 1.

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

*Outline of operational status*

- (a) The Company and the Group Companies have set a medium-term management plan and a business plan for a single fiscal year based on a unified outline for formulating plans. Meanwhile, the President and Representative Director of the Company has been holding management plan review sessions with respective Group Companies, and has been making decisions on general matters with respect to the fiscal year and plans for the subsequent fiscal year. The overall management of Group Companies is controlled by the Corporate Planning Division.
  - (b) The Group E&S Committee, the Group Health and Safety Committee, and other such bodies have been regularly providing an understanding of circumstances with respect to compliance and risk management of Group Companies, and have been providing necessary guidance in that regard.
  - (c) Members of the Audit & Supervisory Board have been conducting audits and surveys with respect to the Company and the Group Companies in accordance with audit policies and audit plans, etc. established by the Audit & Supervisory Board.
- (6) Matters related to an employee if a member of the Audit & Supervisory Board requests the assignment of the employee to assist him/her, matters related to the independence of the employee from the Directors, and matters related to ensuring the effectiveness of instructions issued to the employee**
- 1) The Audit & Supervisory Board of the Company may appoint a full-time assistant. If a full-time assistant is not appointed, a member of the Audit & Supervisory Board may instruct a certain employee who belongs to the Internal Auditing Department to assist his/her auditing work as necessary.
  - 2) The employee who assists the auditing work of the member of the Audit & Supervisory Board in accordance with the instruction described in the preceding paragraph provides assistance independent of the Directors and within the necessary scope of assistance. In addition, the opinions of the member of the Audit & Supervisory Board are respected regarding personnel changes and evaluations, etc. of the employee.
  - 3) The employee who assists the auditing work of the member of the Audit & Supervisory Board may regularly attend places where opinions are exchanged between the Representative Director and the Accounting Auditor within the company of the member of the Audit & Supervisory Board.

*Outline of operational status*

The Audit & Supervisory Board of the Company has no full-time assistant. However, to help members of the Audit & Supervisory Board perform sufficient audit work, the General Manager of Internal Auditing Department supports the Audit & Supervisory Board in audit work as the secretariat of the Audit & Supervisory Board, and members of the Audit & Supervisory Board give instructions to specific employees in the Internal Auditing Department to assist audit work as necessary.

- (7) System for the Directors and employees of the Company and Group Companies to report to the Audit & Supervisory Board, and other systems for reporting to the Audit & Supervisory Board**
- 1) In order to regularly confirm that the Directors and employees of the Company perform operations appropriately, the members of the Audit & Supervisory Board are required to attend the Board of Directors meetings. They may also attend the Executive Committee and the E&S Committee, etc.
  - 2) The members of the Audit & Supervisory Board of the Company may inspect documents, etc. necessary for their auditing work at any time, irrespective of the provisions of the Document Regulations, the Confidential Information Management Regulations, and other regulations.

[Translation for Reference and Convenience Purposes Only]

- 3) The Directors of the Company report important matters related to the execution of duties to the members of the Audit & Supervisory Board or the Audit & Supervisory Board whenever appropriate through the Board of Directors meetings and other important meetings.
- 4) The employees of the Company and the Directors, the members of the Audit & Supervisory Board, and the employees of the Group Companies report matters stipulated in laws and regulations as well as cases of compliance violations, cases in dispute, the occurrence of material risks, and matters related to accounting and the settlement of accounts, etc. to the respective departments in charge within the Company. The departments in charge report the details of reports from the employees of the Company and the Directors, the members of the Audit & Supervisory Board and employees of Group Companies to the members of the Audit & Supervisory Board or the Audit & Supervisory Board when necessary. In addition, the departments in charge also make necessary reports at the request of a member of the Audit & Supervisory Board.
- 5) The Company prohibits those who made a report to a department in charge, a member of the Audit & Supervisory Board, or the Audit & Supervisory Board in accordance with the provisions of the preceding paragraph from being treated unfavorably on the grounds of making a report, and makes this fact fully known to the Directors and employees of the Company and the Group Companies.

*Outline of operational status*

- (a) Each member of the Audit & Supervisory Board has been attending the Board of Directors meetings and other important meetings such as those of Executive Committee and E&S Committee, and has been performing audits of Directors with respect to their execution of duties.
  - (b) The Directors of the Company have been reporting important matters related to the execution of duties to the members of the Audit & Supervisory Board or the Audit & Supervisory Board whenever appropriate, through the Board of Directors meetings and other important meetings.
  - (c) The employees of the Company, and the Directors and the employees of the Group Companies report on the matters stipulated in laws and regulations as well as cases of compliance violations, cases in dispute, the occurrence of material risks, and matters related to accounting and the settlement of accounts, etc. to the departments in charge within the Company. The departments in charge report on the details of the reports from the employees of the Company, and the Directors and employees of Group Companies to the members of the Audit & Supervisory Board or the Audit & Supervisory Board when necessary. In addition, the departments in charge also make the necessary reports at the request of a member of the Audit & Supervisory Board.
  - (d) In accordance with the Public Interest Whistle-Blower Protection Regulations, the Company and the Group Companies have prohibited the unfair treatment of those who have reported information set forth in the previous paragraph, on the ground of having made such a report.
- (8) Other systems to ensure the effective auditing of the Audit & Supervisory Board**
- 1) A meeting for the President and Representative Director and the members of the Audit & Supervisory Board or the Audit & Supervisory Board to exchange opinions is held regularly.
  - 2) The Audit & Supervisory Board establishes standards for appointing, dismissing, and refusing to reappoint the Accounting Auditor, and nominates a candidate for the Accounting Auditor. The Company and the Group Companies secure sufficient amount of time for the Accounting Auditor to conduct a high-quality audit. The members of the Audit & Supervisory Board, the Internal Auditing Department, and the Accounting Auditor promote a cooperation by mutually checking each other's audit plans and sharing their concerns.
  - 3) The members of the Audit & Supervisory Board or the Audit & Supervisory Board hold discussions and exchange opinions with the Internal Auditing Department and the Accounting Auditor when necessary.
  - 4) The Audit & Supervisory Board allocates expenses that are deemed necessary for the execution of duties in advance. However, the Audit & Supervisory Board may charge the Company postmortem for expenses it spent on urgent or provisional matters.

[Translation for Reference and Convenience Purposes Only]

*Outline of operational status*

- (a) Members of the Audit & Supervisory Board have been regularly holding meetings for exchanging opinions with the President and Representative Director of the Company in order to facilitate mutual understanding and further develop relationships of trust.
- (b) The Audit & Supervisory Board establishes standards for appointing, dismissing, and refusing to reappoint the Accounting Auditor, and nominates a candidate for the Accounting Auditor.
- (c) Members of the Audit & Supervisory Board have been holding discussions and exchanging opinions with the Internal Auditing Department whenever appropriate, and have otherwise been taking steps to promote cooperation by mutually checking each other's audit plans and regularly exchanging opinions through forums such as briefing sessions for reporting on settlement of accounts and audit results.

Basic Policies for Constructing an Internal Control System are made available to the public via the following URL on the Company's website on the Internet upon revision by resolution of the Board of Directors.

We made slight changes to meet the formulation of the Kurita Group Philosophy System as of April 1, 2018.

([http://ir.kurita.co.jp/en/corporate\\_governance/internal\\_control\\_system/index.html](http://ir.kurita.co.jp/en/corporate_governance/internal_control_system/index.html))



[Translation for Reference and Convenience Purposes Only]

**Consolidated Financial Statements**  
**Consolidated Balance Sheet** (As of March 31, 2018)

(Million yen)

Account item	Amount	Account item	Amount
<b>Assets</b>		<b>Liabilities</b>	
<b>Current assets</b>	<b>162,004</b>	<b>Current liabilities</b>	<b>56,149</b>
Cash and deposits	61,086	Notes payable – trade	2,073
Notes receivable – trade	7,870	Accounts payable – trade	26,801
Accounts receivable – trade	78,994	Accounts payable – other and accrued expenses	14,088
Marketable securities	3	Income taxes payable	4,806
Finished products	3,968	Provision for bonuses	2,420
Work in process	3,621	Other	5,958
Raw materials and supplies	2,800	<b>Non-current liabilities</b>	<b>26,044</b>
Deferred tax assets	1,595	Lease obligations	4,038
Other	2,528	Deferred tax liabilities related to revaluation	1,119
Allowance for doubtful accounts	(464)	Net defined benefit liability	16,610
<b>Non-current assets</b>	<b>161,042</b>	Other	4,275
<b>Property, plant and equipment</b>	<b>86,028</b>	<b>Total liabilities</b>	<b>82,193</b>
Buildings and structures	11,997	<b>Net assets</b>	
Machinery, equipment and vehicles	43,090	<b>Shareholders' equity</b>	<b>222,615</b>
Land	15,596	<b>Common stock</b>	<b>13,450</b>
Leased assets	4,424	<b>Capital surplus</b>	<b>10,959</b>
Construction in progress	7,880	<b>Retained earnings</b>	<b>209,149</b>
Other	3,037	<b>Treasury stock</b>	<b>(10,943)</b>
<b>Intangible fixed assets</b>	<b>31,003</b>	<b>Accumulated other comprehensive income</b>	<b>16,187</b>
Goodwill	20,362	<b>Unrealized gains (losses) on available-for-sale securities</b>	<b>16,558</b>
Software	2,111	<b>Deferred gains (losses) on hedges</b>	<b>(1)</b>
Other	8,529	<b>Revaluation reserve for land</b>	<b>(380)</b>
<b>Investments and other assets</b>	<b>44,010</b>	<b>Foreign currency translation adjustments</b>	<b>6</b>
Investment securities	34,535	<b>Remeasurements of defined benefit plans</b>	<b>3</b>
Shares of subsidiaries and associates	1,147	<b>Non-controlling interests</b>	<b>2,049</b>
Deferred tax assets	3,265	<b>Total net assets</b>	<b>240,853</b>
Other	5,238	<b>Total liabilities and net assets</b>	<b>323,046</b>
Allowance for doubtful accounts	(176)		
<b>Total assets</b>	<b>323,046</b>		

(Note) Figures are rounded down to the nearest millions of yen.

[Translation for Reference and Convenience Purposes Only]

## Consolidated Statement of Income

(From April 1, 2017 to March 31, 2018)

(Million yen)

Account item	Amount
<b>Net sales</b>	<b>236,815</b>
<b>Cost of sales</b>	<b>160,476</b>
<b>Gross profit</b>	<b>76,338</b>
<b>Selling, general and administrative expenses</b>	<b>53,863</b>
<b>Operating income</b>	<b>22,475</b>
<b>Non-operating income</b>	<b>1,576</b>
Interest and dividend income	737
Other	838
<b>Non-operating expenses</b>	<b>1,946</b>
Interest expense	352
Other	1,594
<b>Ordinary income</b>	<b>22,104</b>
<b>Extraordinary income</b>	<b>4,163</b>
Gain on sales of investment securities	1,720
Gain on step acquisitions	2,443
<b>Extraordinary losses</b>	<b>733</b>
Impairment loss	413
Provision of allowance for building demolition expenses	320
<b>Income before income taxes</b>	<b>25,535</b>
Income taxes	
Current	7,906
Deferred	(408)
<b>Net income</b>	<b>18,037</b>
Profit attributable to non-controlling interests	139
<b>Profit attributable to owners of parent</b>	<b>17,897</b>

(Note) Figures are rounded down to the nearest millions of yen.

[Translation for Reference and Convenience Purposes Only]

## Consolidated Statement of Changes in Shareholders' Equity

(From April 1, 2017 to March 31, 2018)

(Million yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance as of the beginning of the fiscal year	13,450	10,993	205,586	(13,891)	216,138
Change during the period					
Dividend from surplus			(5,793)		(5,793)
Profit attributable to owners of parent			17,897		17,897
Purchase of treasury stock				(5,592)	(5,592)
Disposal of treasury stock				14	14
Retirement of treasury stock			(8,525)	8,525	–
Reversal of revaluation reserve for land			(0)		(0)
Changes of equity interest in consolidated subsidiaries		(33)			(33)
Other			(15)		(15)
Net change in items other than shareholders' equity during the period					
Total change during the period	–	(33)	3,563	2,947	6,476
Balance as of the end of the fiscal year	13,450	10,959	209,149	(10,943)	222,615

	Accumulated other comprehensive income						Non-controlling interests	Total net assets
	Unrealized gains (losses) on available-for-sale securities	Deferred gains (losses) on hedges	Revaluation reserve for land	Foreign currency translation adjustments	Remesurements of defined benefit plans	Total accumulated other comprehensive income		
Balance as of the beginning of the fiscal year	14,792	670	(380)	(3,593)	(3)	11,484	1,135	228,758
Change during the period								
Dividend from surplus								(5,793)
Profit attributable to owners of parent								17,897
Purchase of treasury stock								(5,592)
Disposal of treasury stock								14
Retirement of treasury stock								–
Reversal of revaluation reserve for land								(0)
Changes of equity interest in consolidated subsidiaries								(33)
Other								(15)
Net change in items other than shareholders' equity during the period	1,766	(671)	0	3,600	7	4,703	914	5,617
Total change during the period	1,766	(671)	0	3,600	7	4,703	914	12,094
Balance as of the end of the fiscal year	16,558	(1)	(380)	6	3	16,187	2,049	240,853

(Note) Figures are rounded down to the nearest millions of yen.

[Translation for Reference and Convenience Purposes Only]

## Non-Consolidated Financial Statements

### Non-Consolidated Balance Sheet (As of March 31, 2018)

(Million yen)

Account item	Amount	Account item	Amount
<b>Assets</b>		<b>Liabilities</b>	
<b>Current assets</b>	<b>110,358</b>	<b>Current liabilities</b>	<b>45,886</b>
Cash and deposits	45,604	Accounts payable – trade	17,934
Notes receivable – trade	4,867	Accounts payable – other and accrued expenses	8,725
Accounts receivable – trade	50,507	Income taxes payable	3,012
Finished products	557	Deposits received	12,291
Work in process	2,158	Provision for bonuses	1,187
Raw materials	218	Other	2,735
Short-term loans receivable	3,133	<b>Non-current liabilities</b>	<b>17,494</b>
Deferred tax assets	1,064	Lease obligations	3,937
Other	2,247	Deferred tax liabilities related to revaluation	1,119
Allowance for doubtful accounts	(1)	Net defined benefit liability	10,666
<b>Non-current assets</b>	<b>162,686</b>	Other	1,771
<b>Property, plant and equipment</b>	<b>63,501</b>	<b>Total liabilities</b>	<b>63,381</b>
Buildings and structures	7,651	<b>Net assets</b>	
Machinery, equipment and vehicles	31,552	<b>Shareholders' equity</b>	<b>193,562</b>
Land	11,928	<b>Common stock</b>	<b>13,450</b>
Leased assets	4,251	<b>Capital surplus</b>	<b>11,426</b>
Construction in progress	7,157	Legal capital surplus	11,426
Other	960	<b>Retained earnings</b>	<b>179,628</b>
<b>Intangible fixed assets</b>	<b>4,683</b>	Legal retained earnings	2,919
Software	1,848	Other retained earnings	176,709
Other	2,834	Reserve for advanced depreciation of non-current assets	1,218
<b>Investments and other assets</b>	<b>94,501</b>	General reserve	163,980
Investment securities	34,334	Retained earnings brought forward	11,510
Shares of subsidiaries and associates	20,558	<b>Treasury stock</b>	<b>(10,943)</b>
Investments in capital of subsidiaries and associates	21,834	<b>Valuation and translation adjustments</b>	<b>16,101</b>
Long-term loans receivable	11,480	<b>Unrealized gains (losses) on available-for-sale securities</b>	<b>16,490</b>
Deferred tax assets	2,874	<b>Deferred gains (losses) on hedges</b>	<b>(8)</b>
Other	3,503	<b>Revaluation reserve for land</b>	<b>(380)</b>
Allowance for doubtful accounts	(84)	<b>Total net assets</b>	<b>209,663</b>
<b>Total assets</b>	<b>273,045</b>	<b>Total liabilities and net assets</b>	<b>273,045</b>

(Note) Figures are rounded down to the nearest millions of yen.

[Translation for Reference and Convenience Purposes Only]

## Non-Consolidated Statement of Income

(From April 1, 2017 to March 31, 2018)

(Million yen)

Account item	Amount
<b>Net sales</b>	<b>128,695</b>
<b>Cost of sales</b>	<b>90,618</b>
<b>Gross profit</b>	<b>38,077</b>
<b>Selling, general and administrative expenses</b>	<b>26,278</b>
<b>Operating income</b>	<b>11,799</b>
<b>Non-operating income</b>	<b>5,860</b>
Interest and dividend income	3,068
Other	2,792
<b>Non-operating expenses</b>	<b>1,453</b>
Interest expense	165
Other	1,288
<b>Ordinary income</b>	<b>16,205</b>
<b>Extraordinary income</b>	<b>1,545</b>
Gain on sales of investment securities	1,545
<b>Extraordinary losses</b>	<b>647</b>
Impairment loss	327
Provision of allowance for building demolition expenses	320
<b>Income before income taxes</b>	<b>17,103</b>
Income taxes	
Current	4,924
Deferred	(620)
<b>Net income</b>	<b>12,800</b>

(Note) Figures are rounded down to the nearest millions of yen.

[Translation for Reference and Convenience Purposes Only]

## Non-Consolidated Statement of Changes in Shareholders' Equity

(From April 1, 2017 to March 31, 2018)

(Million yen)

	Shareholders' equity							
	Common stock	Capital surplus	Retained earnings					Total retained earnings
		Legal capital surplus	Legal retained earnings	Other retained earnings				
				Reserve for advanced depreciation of non-current assets	General reserve	Retained earnings brought forward		
Balance as of the beginning of the fiscal year	13,450	11,426	2,919	1,220	163,980	13,027	181,147	
Change during the period								
Reversal of reserve for advanced depreciation of non-current assets				(1)		1	-	
Dividend from surplus						(5,793)	(5,793)	
Net income						12,800	12,800	
Purchase of treasury stock								
Retirement of treasury stock						(8,525)	(8,525)	
Disposal of treasury stock								
Reversal of revaluation reserve for land						(0)	(0)	
Net change in items other than shareholders' equity during the period								
Total change during the period	-	-	-	(1)	-	(1,517)	(1,518)	
Balance as of the end of the fiscal year	13,450	11,426	2,919	1,218	163,980	11,510	179,628	

[Translation for Reference and Convenience Purposes Only]

	Shareholders' equity		Valuation and translation adjustments				Total net assets
	Treasury stock	Total shareholders' equity	Unrealized gains (losses) on available-for-sale securities	Deferred gains (losses) on hedges	Revaluation reserve for land	Total valuation and translation adjustments	
Balance as of the beginning of the fiscal year	(13,891)	192,133	14,743	–	(380)	14,362	206,496
Change during the period							
Reversal of reserve for advanced depreciation of non-current assets		–					–
Dividend from surplus		(5,793)					(5,793)
Net income		12,800					12,800
Purchase of treasury stock	(5,592)	(5,592)					(5,592)
Retirement of treasury stock	8,525	–					–
Disposal of treasury stock	14	14					14
Reversal of revaluation reserve for land		(0)					(0)
Net change in items other than shareholders' equity during the period			1,746	(8)	0	1,738	1,738
Total change during the period	2,947	1,428	1,746	(8)	0	1,738	3,167
Balance as of the end of the fiscal year	(10,943)	193,562	16,490	(8)	(380)	16,101	209,663

(Note) Figures are rounded down to the nearest millions of yen.

## Audit Report

### Accounting Auditor's Audit Report on the Consolidated Financial Statements

#### Report of Independent Auditor

May 21, 2018

The Board of Directors

Kurita Water Industries Ltd.

Grant Thornton Taiyo LLC  
Satoshi Kirikawa  
Designated and Engagement Partner (Seal)  
Certified Public Accountant

Tatsuya Arai  
Designated and Engagement Partner (Seal)  
Certified Public Accountant

Kenta Nishimura  
Designated and Engagement Partner (Seal)  
Certified Public Accountant

Pursuant to Paragraph 4, Article 444 of the Companies Act, we have audited the accompanying consolidated financial statements, which comprise the consolidated balance sheet, the consolidated statement of income, the consolidated statement of changes in shareholders' equity and the notes to consolidated financial statements of Kurita Water Industries Ltd. (the "Company") applicable to the fiscal year from April 1, 2017 through March 31, 2018.

#### *Management's Responsibility for the Consolidated Financial Statements*

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

#### *Auditor's Responsibility*

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. The purpose of an audit of the consolidated financial statements is not to express an opinion on the effectiveness of the entity's internal control, but in making these risk assessments the auditor considers internal controls relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### *Opinion*

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position and results of operations of the Kurita Group, which consisted of the Company and consolidated subsidiaries, applicable to the fiscal year ended March 31, 2018 in conformity with accounting principles generally accepted in Japan.

#### *Conflicts of Interest*

We have no interest in the Company which should be disclosed in compliance with the Certified Public Accountants Act.



## Accounting Auditor's Audit Report on the Non-Consolidated Financial Statements

### Report of Independent Auditor

May 21, 2018

The Board of Directors

Kurita Water Industries Ltd.

Grant Thornton Taiyo LLC  
Satoshi Kirikawa  
Designated and Engagement Partner (Seal)  
Certified Public Accountant  
Tatsuya Arai  
Designated and Engagement Partner (Seal)  
Certified Public Accountant  
Kenta Nishimura  
Designated and Engagement Partner (Seal)  
Certified Public Accountant

Pursuant to Item 1, Paragraph 2, Article 436 of the Companies Act, we have audited the accompanying non-consolidated financial statements, which comprise the non-consolidated balance sheet, the non-consolidated statement of income, the non-consolidated statement of changes in shareholders' equity, the notes to non-consolidated financial statements and the related supplementary schedules of Kurita Water Industries Ltd. (the "Company") applicable to the 82nd fiscal year from April 1, 2017 through March 31, 2018.

#### *Management's Responsibility for the Financial Statements and the Related Supplementary Schedules*

Management is responsible for the preparation and fair presentation of these financial statements and the related supplementary schedules in accordance with accounting principles generally accepted in Japan, and for designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the financial statements and the related supplementary schedules that are free from material misstatement, whether due to fraud or error.

#### *Auditor's Responsibility*

Our responsibility is to express an opinion on these financial statements and the related supplementary schedules based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and the related supplementary schedules are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements and the related supplementary schedules. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements and the related supplementary schedules, whether due to fraud or error. The purpose of an audit of the financial statements and the related supplementary schedules is not to express an opinion on the effectiveness of the entity's internal control, but in making these risk assessments the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial statements and the related supplementary schedules in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements and the related supplementary schedules.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### *Opinion*

In our opinion, the financial statements and the related supplementary schedules referred to above present fairly, in all material respects, the financial position and results of operations of the Company applicable to the fiscal year ended March 31, 2018 in conformity with accounting principles generally accepted in Japan.

#### *Conflicts of Interest*

We have no interest in the Company which should be disclosed in compliance with the Certified Public Accountants Act.

## The Audit & Supervisory Board's Audit Report

### Audit Report

With respect to the Directors' performance of their duties during the 82nd fiscal year (from April 1, 2017 to March 31, 2018), the Audit & Supervisory Board has prepared this audit report, as the agreed opinion of all members of the Audit & Supervisory Board formed as a result of their deliberations, based on the audit reports prepared by each member of the Audit & Supervisory Board, and hereby reports as follows:

#### 1. Method and Contents of Audit by Members of the Audit & Supervisory Board and the Audit & Supervisory Board

The Audit & Supervisory Board stipulated auditing policies and the audit plan for the fiscal year under review, designated the status of the establishment and operation of internal control systems (including internal controls for financial reporting) and risk management systems as priority audit items, received reports from each member of the Audit & Supervisory Board about the implementation status and results of the audit, received reports from the Directors and Accounting Auditors about the status of performing such duties, and requested explanations as necessary.

In accordance with the auditing standards for members of the Audit & Supervisory Board determined by the Audit & Supervisory Board, and in compliance with auditing policies and the audit plan, each member of the Audit & Supervisory Board made efforts to collect information and establish auditing circumstances through communication with Directors and other employees, and conducted the audit by the following methods.

- (1) Each member of the Audit & Supervisory Board has attended the Board of Directors meetings and other important meetings, received reports from the Directors and employees about the status of performance of their duties, and requested them to provide explanation when needed. Each member of the Audit & Supervisory Board has reviewed important authorized documents and examined the status of business operations and financial position of the Company and its principal offices. As for subsidiaries, each member of the Audit & Supervisory Board also facilitated communication and information exchange with Directors and employees, visited subsidiaries when needed, and examined the status of business operations and financial position of the subsidiaries and their principle officers.
- (2) Each member of the Audit & Supervisory Board verified the resolutions adopted by the Board of Directors regarding the establishment of a system for ensuring that the Directors' duties, as stated in the Business Report, are executed in conformity of laws and regulations, and the Articles of Incorporation of the Company, and the establishment of a system necessary to ensure proper business operations of a stock company set forth in Paragraphs 1 and 3 of Article 100 of the Ordinance for Enforcement of the Companies Act. Each member of the Audit & Supervisory Board also received reports from Directors and employees on the status of the establishment and operation of the system (internal control system) established in accordance with such resolutions adopted by the Board of Directors, and requested explanations as necessary and expressed his/her opinions. As for internal controls for financial reporting, we received reports from the Directors and Accounting Auditor about the status of evaluation and audit of the internal controls, and requested explanations as necessary.
- (3) Each member of the Audit & Supervisory Board audited whether the Accounting Auditor maintained its independence and properly conducted its audit, received a report from the Accounting Auditor on the status of its performance of duties, and requested explanations as necessary. In addition, each member of the Audit & Supervisory Board was notified by the Accounting Auditor that it had established a "System to ensure that the performance of the duties of the Accounting Auditors was properly conducted" (the matters set forth in the items of Article 131 of the Ordinance on Accounting of Companies) in accordance with the "Quality Control Standards for Audits" (Business Accounting Council, October 28, 2005), and requested explanations as necessary.

Based on the above method, the Audit & Supervisory Board has examined the Business Report and the supplementary schedules, the non-consolidated financial statements (the non-consolidated balance sheet, the non-consolidated statement of income, the non-consolidated statement of changes in shareholders' equity and the notes to the non-consolidated financial statements) and the supplementary schedules, as well as the consolidated financial statements (the consolidated balance sheet, the consolidated statement of income, the consolidated statement of changes in shareholders' equity and the notes to the consolidated financial statements) for the fiscal year under review.

## 2. Results of Audit

### (1) Results of Audit of Business Report, etc.

- (a) We acknowledge that the Business Report and the related supplementary schedules fairly present the status of the Company in conformity with the applicable laws and regulations and the Articles of Incorporation of the Company.
- (b) We acknowledge that there is no misconduct or material fact in violation of the applicable laws or regulations and the Articles of Incorporation of the Company with regard to the performance of duties by Directors.
- (c) We acknowledge that the Board of Directors' resolutions with respect to the internal control systems are appropriate. We also acknowledge that there are no matters warranting special mention, neither regarding content provided in the Business Report on the internal control systems, nor regarding the performance of duties by Directors. As for internal controls for financial reporting, we received reports from Grant Thornton Taiyo LCC stating that the internal controls were functioning effectively Company-wide as of the date on which this report was prepared, and furthermore that there were no deficiencies warranting disclosure with respect to the internal controls in business processes.

### (2) Results of Audit of Financial Statements and Related Supplementary Schedules

We acknowledge that the methods and results of audit performed by the Accounting Auditor Grant Thornton Taiyo LLC, are appropriate.

### (3) Results of Audit of Consolidated Financial Statements

We acknowledge that the methods and results of audit performed by the Accounting Auditor Grant Thornton Taiyo LLC, are appropriate.

May 28, 2018

Kurita Water Industries Ltd.

Audit & Supervisory Board

Full-time member of the Audit & Supervisory Board

Shiro Hayashi

Full-time member of the Audit & Supervisory Board  
(External member of the Audit & Supervisory Board)

Kenjiro Kobayashi

External member of the Audit & Supervisory Board

Shigekazu Torikai