



Kurita Water Industries Ltd.

FY2016 Shareholder Relations Meeting

(Securities code: 6370)

February 2017

I Overview of the Kurita Group

II Corporate Governance Initiatives of Kurita

(Reference) Efforts for Dialogue with Shareholders

I . Overview of the Kurita Group

- 1. Company Profile and Shareholder Composition**
- 2. Framework of “The Kurita 21st Century Vision”**
- 3. Kurita’s Business Domains**
- 4. Status of Competition and Kurita’s Strengths**
- 5. Net Sales and Business Mix**
- 6. Priority Measures**

1. Company Profile and Shareholder Composition

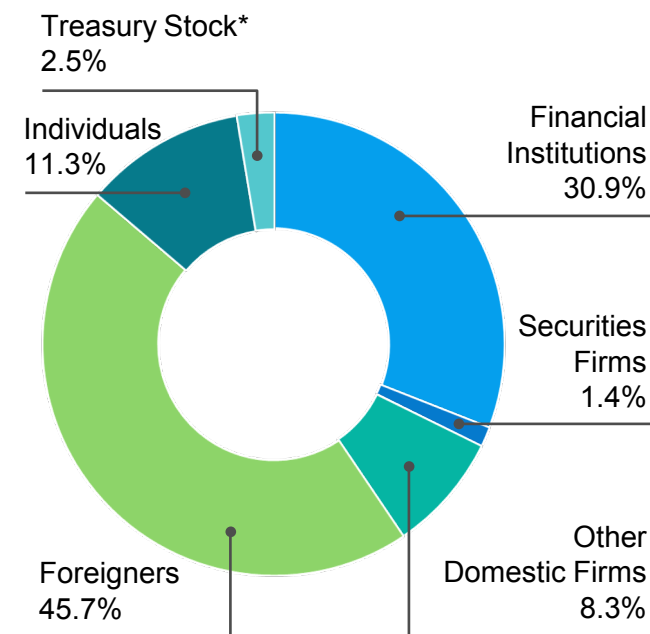
Corporate Data

- Company Name : Kurita Water Industries Ltd.
- Representative : Michiya Kadota, President
- Date of Establishment : July 13, 1949
- Head Office Location : Nakano Central Park East, 10-1, Nakano 4-chome, Nakano-ku, Tokyo
- Fiscal year end : March 31
- Stock Exchange Listing : First Section of the Tokyo Stock Exchange
- Paid-in Capital : ¥13,450,751,434
- Issued Common Stock : 119,164,594 shares
- Number of Shareholders : 26,681 (As of September 30, 2016)

Shareholder Composition (Top 10)

Ranking	Name	Shareholdings (Thousand shares)	Percentage of total shares issued
1	Japan Trustee Services Bank, Ltd. (Trust Account)	6,439	5.40%
2	Nippon Life Insurance Company	5,979	5.01%
3	The Master Trust Bank of Japan, Ltd. (Trust Account)	3,620	3.03%
4	Japan Trustee Services Bank, Ltd. (Trust Account 9)	2,847	2.38%
5	Tokio Marine & Nichido Fire Insurance Co., Ltd.	2,155	1.80%
6	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	2,056	1.72%
7	NORTHERN TRUST CO. (AVFC) RE - SSD00	1,861	1.56%
8	NORTHERN TRUST CO. (AVFC) RE U.S. TAX EXEMPTED PENSION FUNDS	1,772	1.48%
9	NORTHERN TRUST CO.(AVFC) RE - HSD00	1,663	1.39%
10	BANK JULIUS BAER AND CO., LTD.	1,579	1.32%

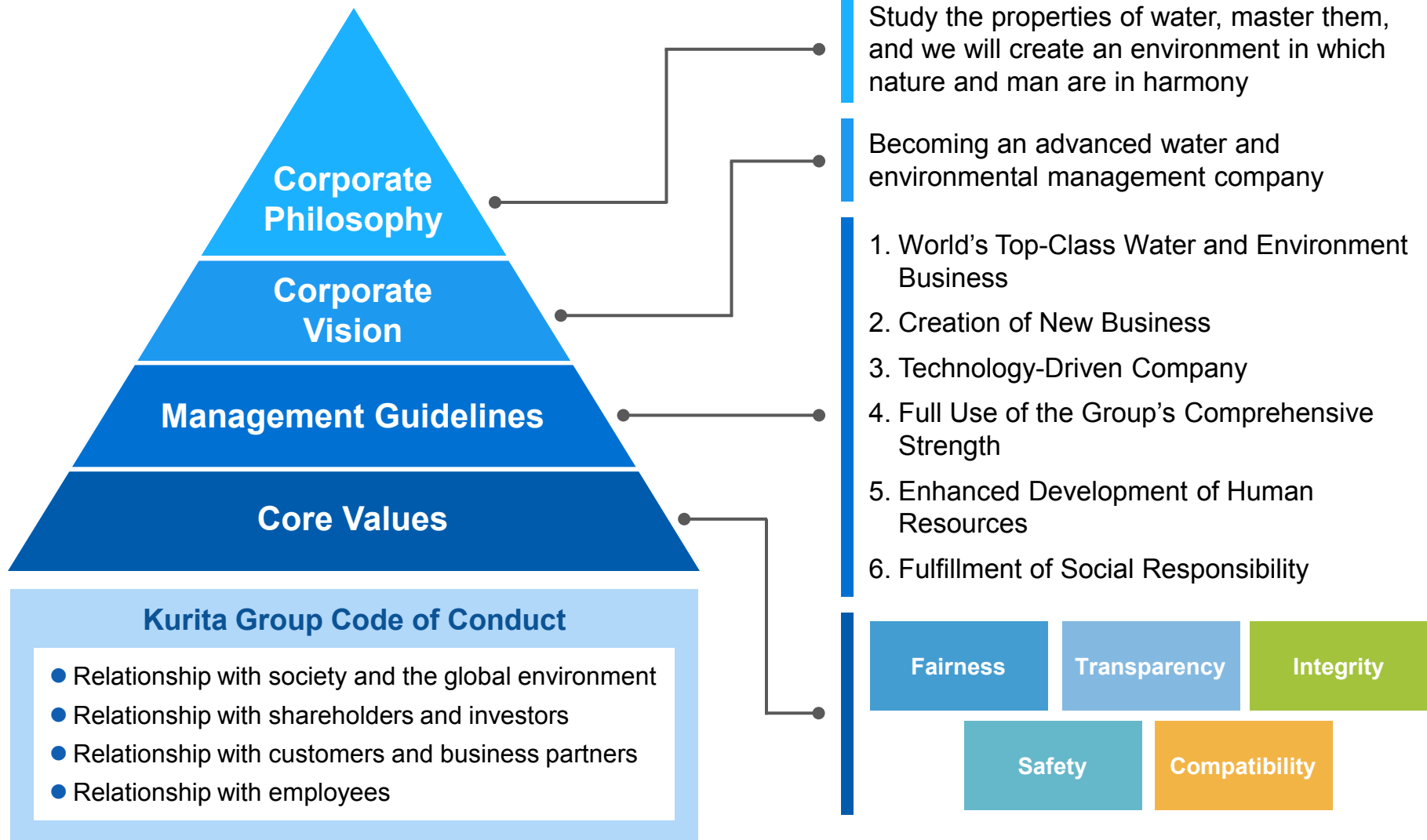
Shareholding Ratio



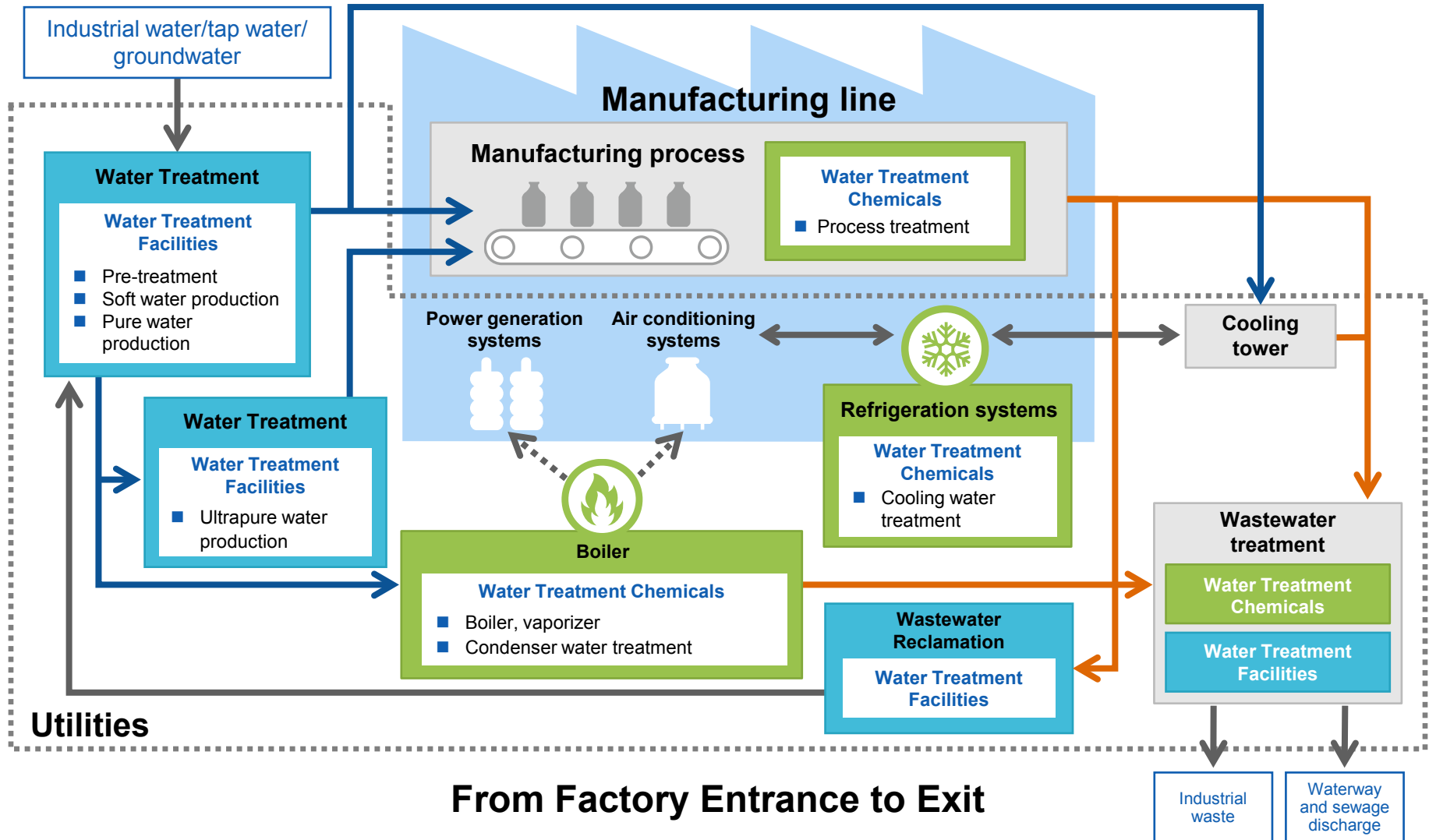
Note : In addition to the above, the company has 2,968 thousand shares of treasury stock.

Japan Trustee Services Bank, Ltd. (Trust Account) includes 339 thousand shares of treasury stock for performance-linked stock remuneration for directors.

2. Framework of “The Kurita 21st Century Vision”



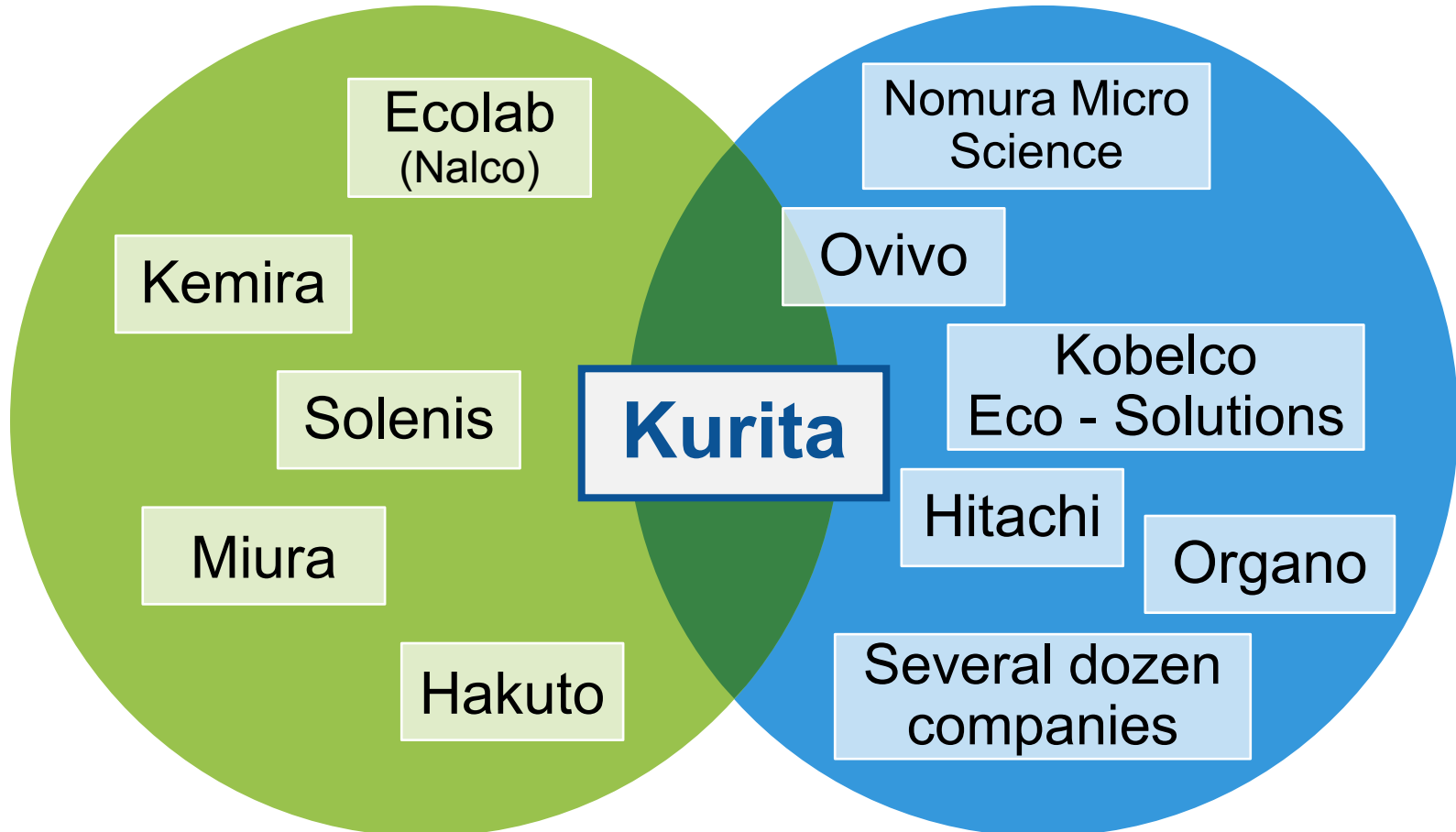
3. Kurita's Business Domains



4. Status of Competition and Kurita's Strengths

Water Treatment Chemicals

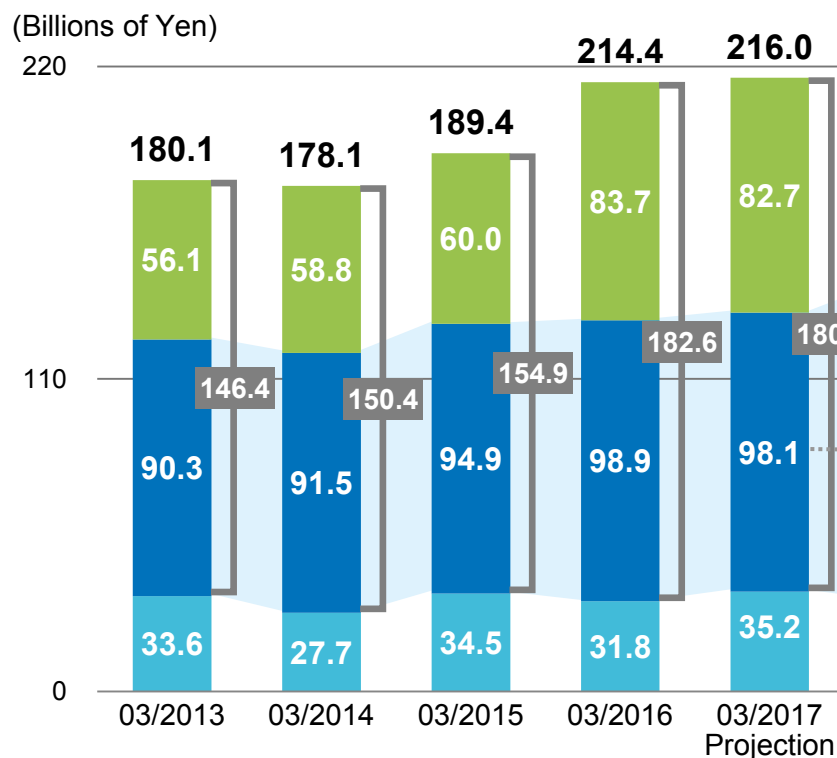
**Water Treatment Facilities,
and Maintenance Services**



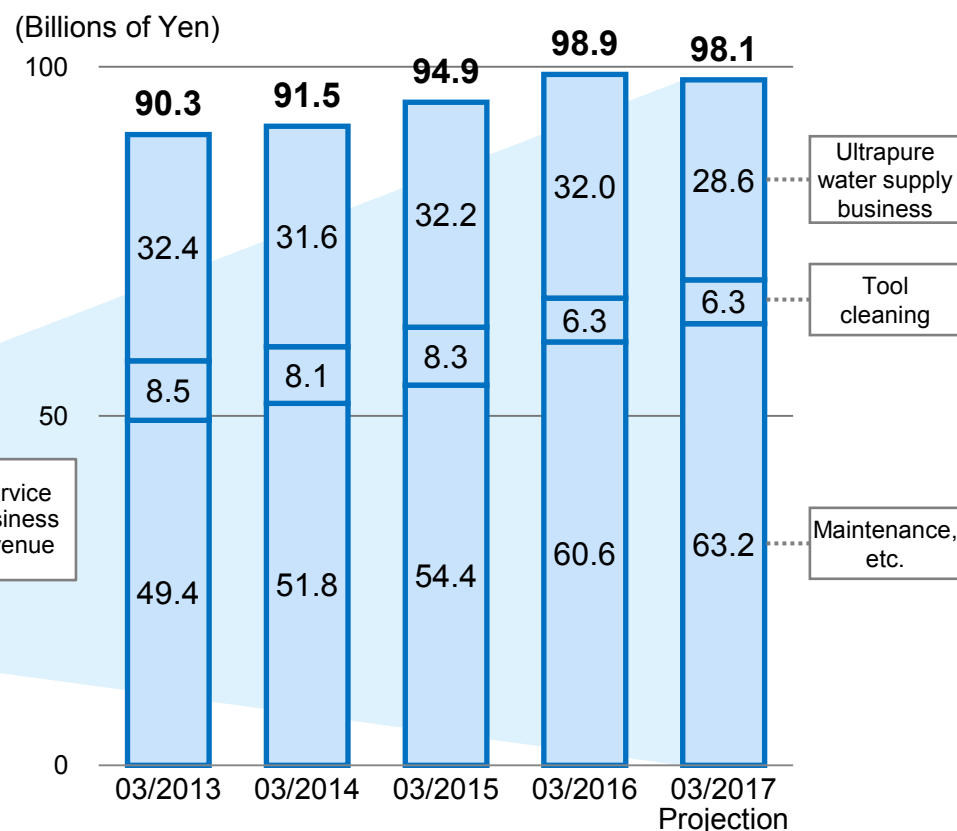
**Combine water treatment chemicals, water treatment facilities,
and maintenance services to provide optimal solutions**

5. Net Sales and Business Mix

- Water treatment chemicals
- Water treatment facilities (services)
- Water treatment facilities (hardware)



Service Business Revenue in the Water Treatment Facilities Segment



6. Priority Measures

1-1 Expansion of the Water Treatment Chemicals business overseas

Expansion of synergy with KEG in products, development and production

Establishment of a local subsidiary in Vietnam

Implementation of North American M&A

Rebuilding and strengthening of the base function in Southeast Asia

Strengthening of business in the Middle East
Establishment of a local subsidiary in UAE

6. Priority Measures

1-2 Overview of M&A in North America

Company Overview

Name : Fremont Industries, LLC

Location : Shakopee, Minnesota, U.S.A.

Businesses : Manufacture and sale of water treatment chemicals

Sales : US\$30.94million (2015)

Aim of Acquisition

To gain a water treatment chemicals business base in North America

Acquisition Overview

Percentage of Equity : 100%
Interests Acquired

Acquisition Cost : Approximately
US\$40million

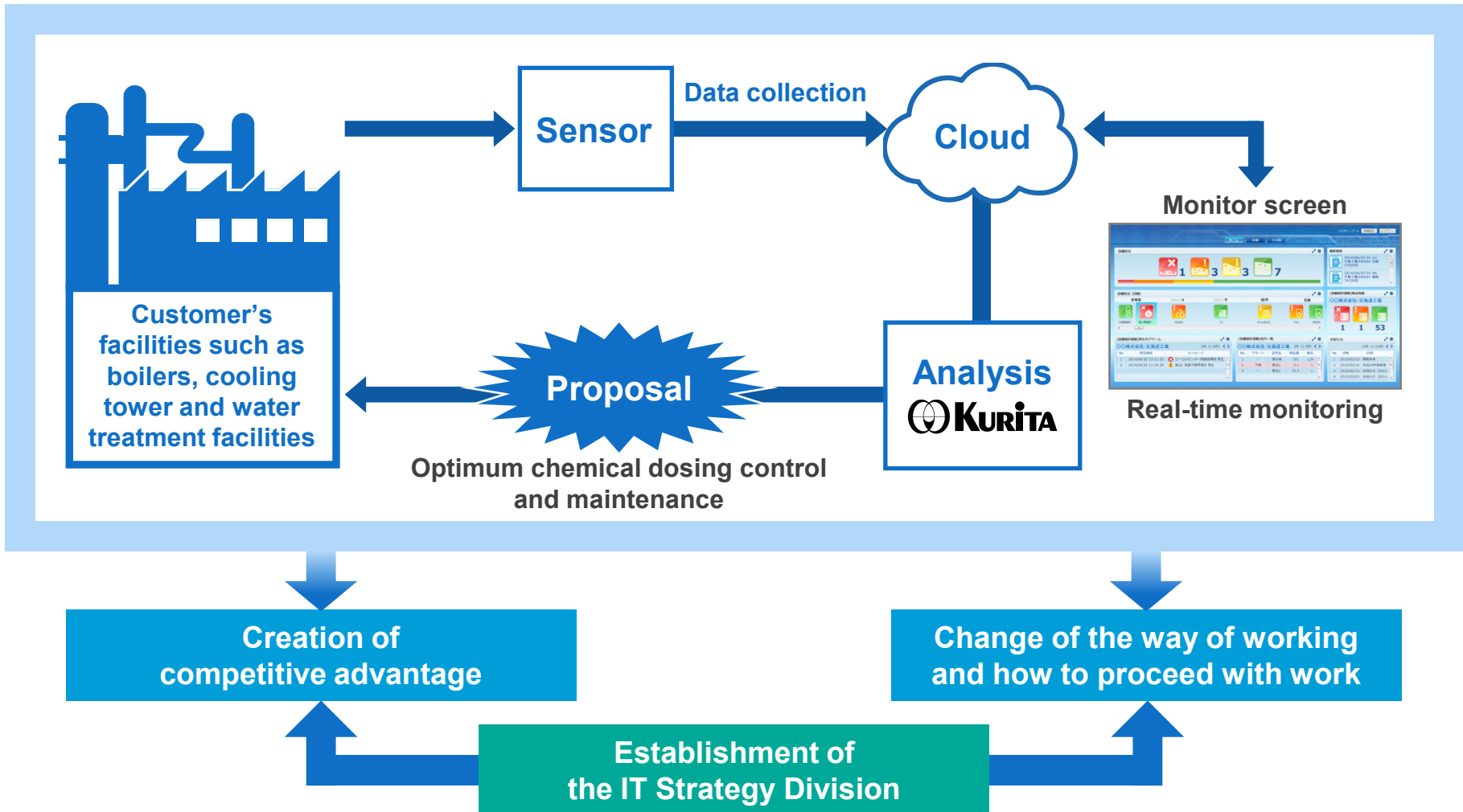
Agreement Signing Date : December 19, 2016

Closing : January 3, 2017

* Above dates are in U.S. Central Time (CST)

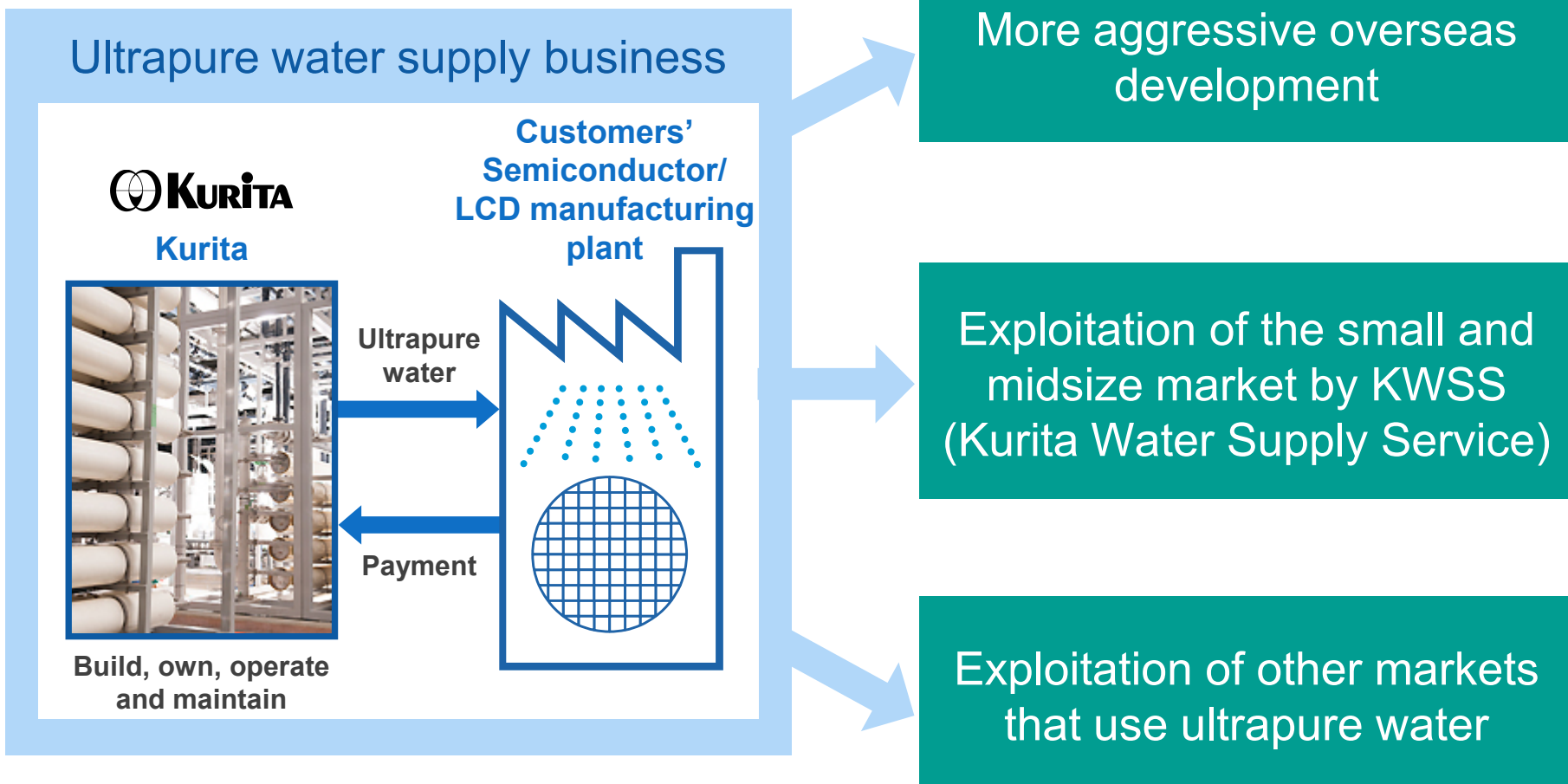
6. Priority Measures

② Change of the service business, using IT



6. Priority Measures

③ Promotion of services in the Water Treatment Facilities business



II . Corporate Governance Initiatives of Kurita

1. **Basic Concept and Basic Policies**
2. **Corporate Governance System Chart**
3. **Capital Policy**
4. **Evaluation of the Board of Directors**
5. **Continuous Board of Directors' Reforms**
6. **Independent External Directors**
7. **Criteria for Determining Independence**
8. **Composition and Actions of the Nomination & Remuneration Advisory Council**
9. **Changes in Compensation System for Directors and Members of the Audit & Supervisory Board**
10. **Holding of Listed Shares Owned for Policy Purposes**

1. Basic Concept and Basic Policies

Basic Concept

Corporate Philosophy

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

Establishment of Corporate Governance

Purpose

- Transparent, fair, prompt and decisive decision-making
- Highly effective management supervision

Sustainable Growth and Medium- and Long-term Enhancement of Corporate Value

Respect for the rights and position of
stakeholders and meeting their expectations

Shareholders

Customers

Employees

Local
Communities

Business
Partners

Basic Policies (5 Items)

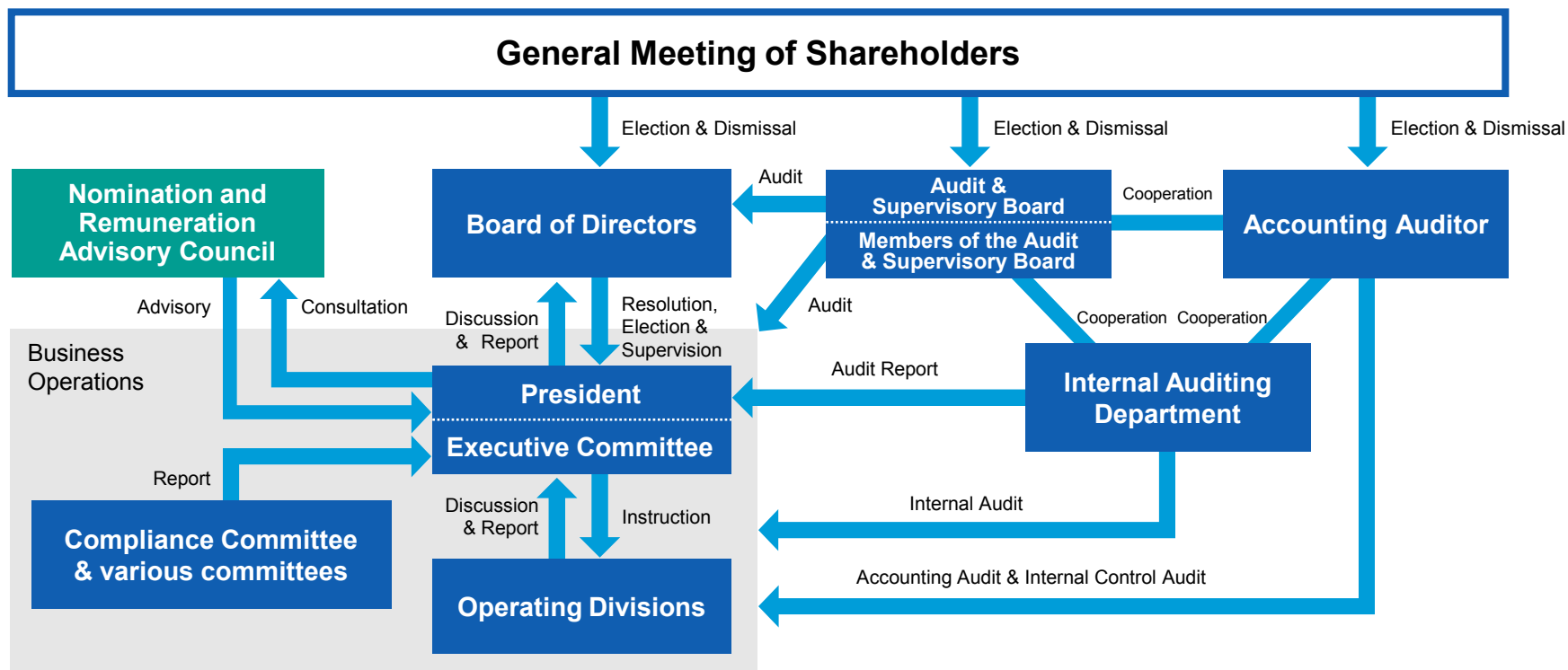
- (1) Ensuring the rights and equality of shareholders
- (2) Appropriate level of cooperation with stakeholders other than shareholders
- (3) Ensuring appropriate information disclosure and transparency of information
- (4) Duties of the Board of Directors and the Audit & Supervisory Board, etc.
- (5) Dialogue with shareholders and investors

Policies (16 Items)

Review the Policies at least once a year
or when necessary.

2. Corporate Governance System Chart

Company with the Audit & Supervisory Board



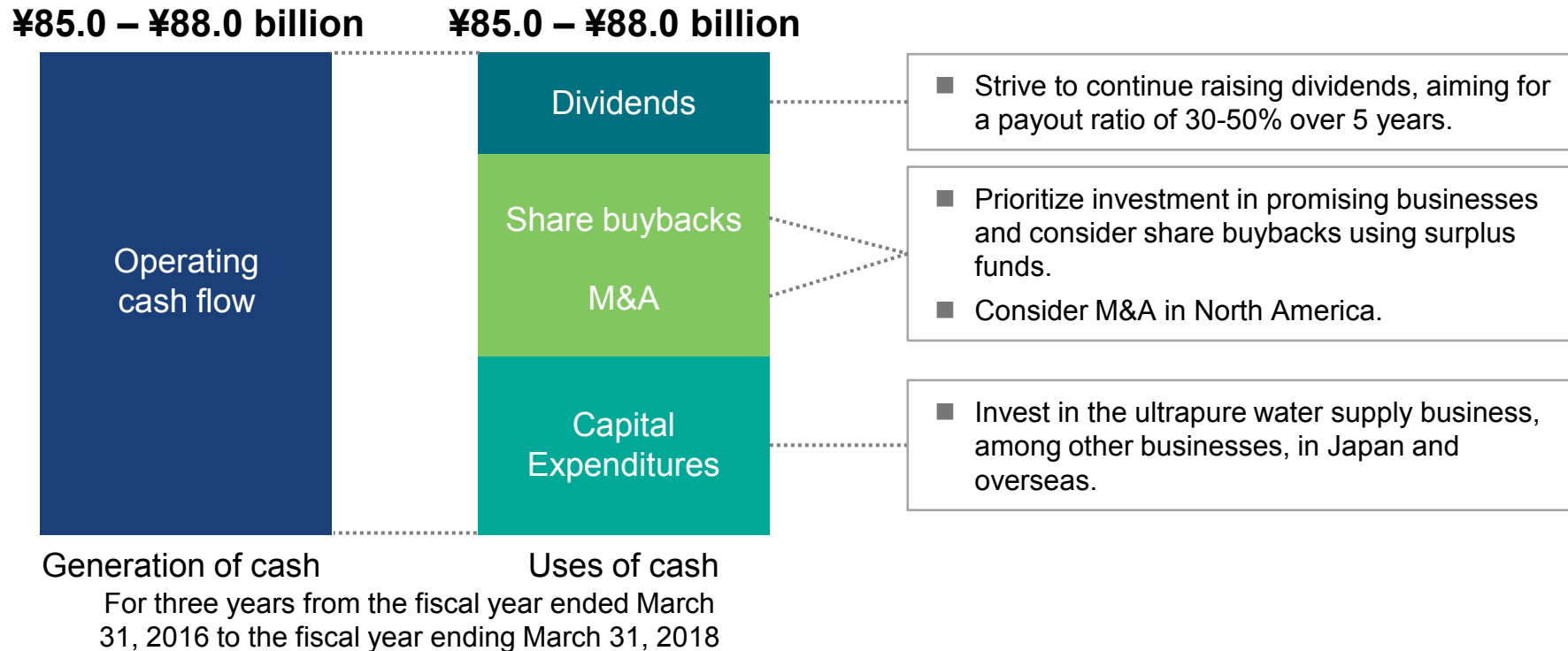
Current Board of Directors		Current Audit & Supervisory Board	
Number of directors	11	Number of members of the Audit & Supervisory Board	3
Number of directors who are external directors	2 (Designated as independent officers)	Number of external members of the Audit & Supervisory Board	2 (Designated as independent officers)
Term of office	1 year	Term of office	4 years

[Size and Structure of the Board of Directors]

- There are at least three directors on the Board of Directors, of which two or more are external directors. The inclusion of external directors is meant to ensure the independence and objectivity of the Board of Directors.
- The Board of Directors consists of human resources with high level of expertise in business areas, corporate planning, finance, accounting, legal affairs and technologies, etc.

3. Capital Policy

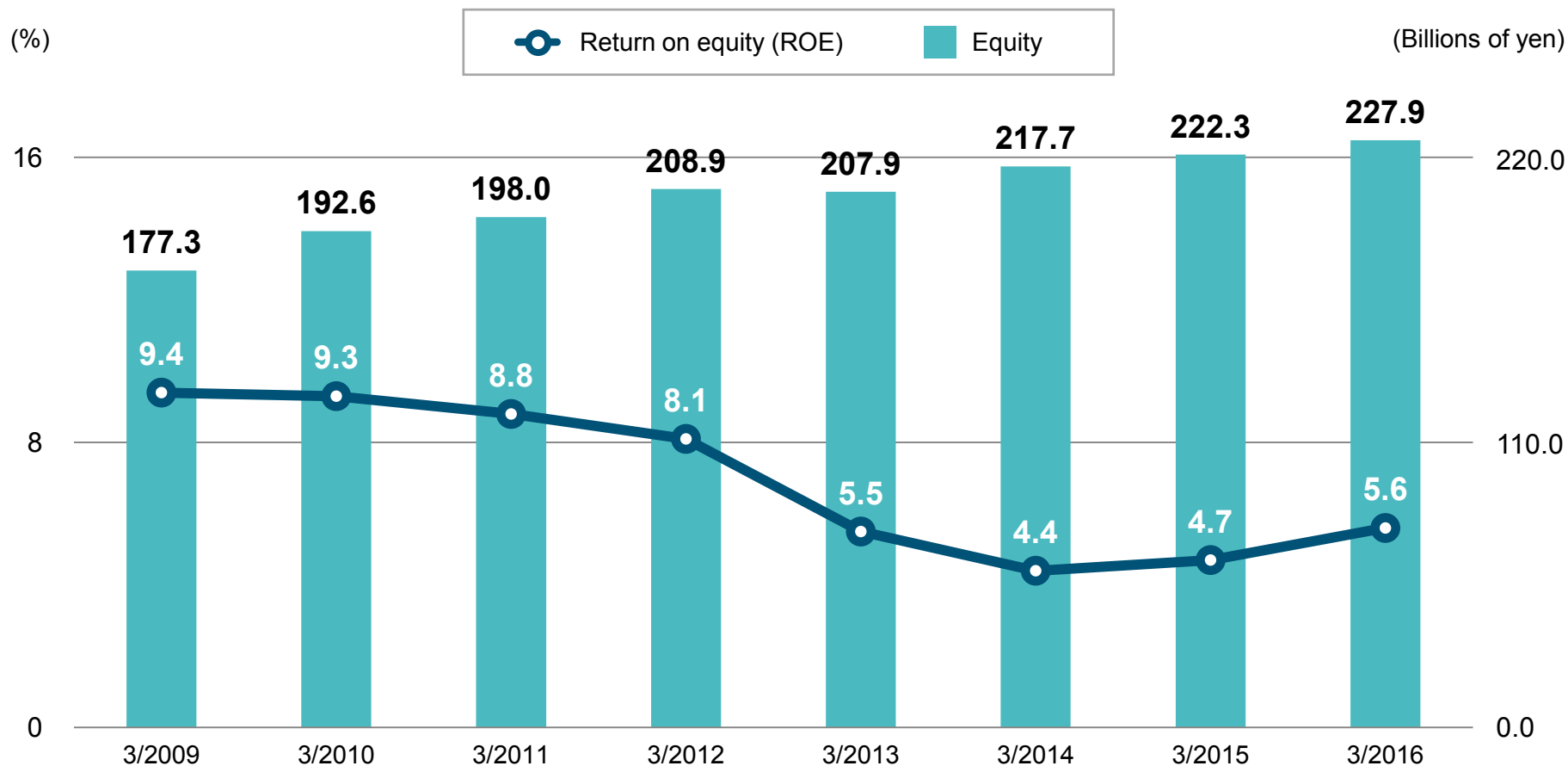
① Uses of Cash (policy)



- We will endeavor to curb surplus funds and increases in shareholders' equity upon securing operating funds and contingency funds.
- We will maintain ROE at a level that exceeds cost of shareholders' equity and will strive to increase it.

3. Capital Policy

② Past ROE

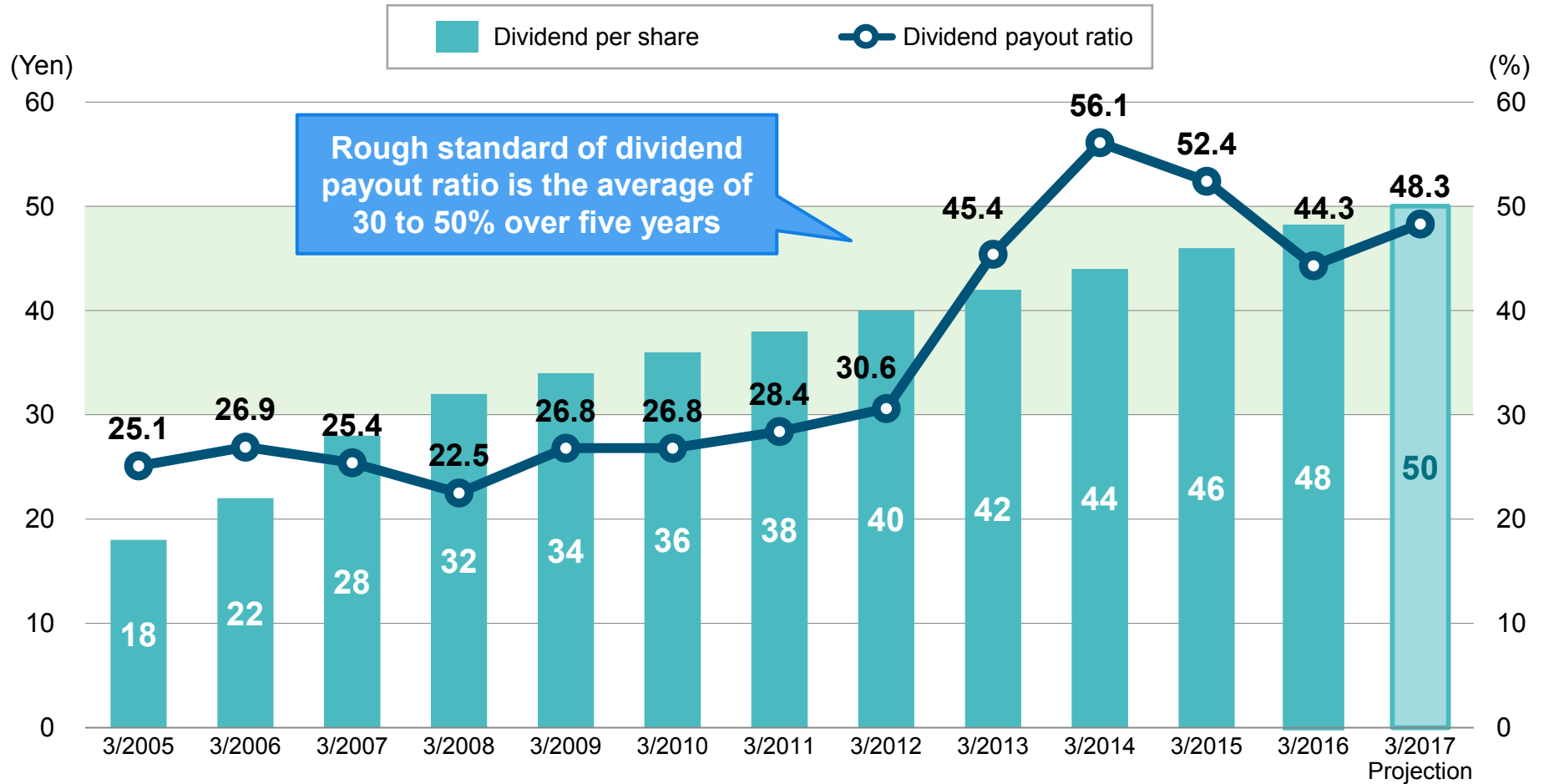


Notes : * Equity = Net assets – Non-controlling interest

* For ROE, equity is calculated using the average from the beginning to the end of the period.

3. Capital Policy

③ Dividend Policy



4. Evaluation of the Board of Directors

Implementation method

Frequency | Once a year

Method | Self evaluation
Discussion of written survey (with respondents identified) and tabulated results

Evaluation Items |

1. Board of Directors roles and responsibilities
2. Collaboration with external directors and external members of the Audit & Supervisory Board
3. Board of Directors composition
4. Board of Directors operation
5. Contributions of individual directors and members of the Audit & Supervisory Board
6. Dialogue with shareholders

Evaluation Results

- Average of self-evaluations generally good in all 6 items
- There were some disparities among items
- External directors indicated that “setting longer-term goals and deliberations on strategic proposals” and “deliberations for more specifically carrying out policies” are inadequate

Issues and Initiatives

- Enhance the Board of Directors so that it can focus deliberations on priority issues
- Bolster the business execution framework and transfer authority from the Board of Directors to personnel who carry out business operations

5. Continuous Board of Directors' Reforms

	FY2016 Initiatives	Actions
Organizational Design	Consider becoming a company with the Audit & Supervisory Committee	Put off making a change in FY2016, will continue to study this option
Management Oversight and Execution	Narrow the matters approved and deliberated by the Board of Directors	Added governance-related agenda items
	Transfer business execution authority to the Executive Committee	Invigorated discussions in Executive Committee
Board of Directors Size and Composition	Consider the number of members and member composition	Discussed reducing the number of people and possible changes to member composition
	Consider securing diversity	Considered a female external director nominee
Board of Directors and Executive Committee Operation	Create records of statements at Board of Directors meetings and have all directors review them (perform for each meeting)	Invigorate discussions
Director and Audit & Supervisory Board Member Training	Training and self-improvement utilizing outside management research institutes	Newly-appointed directors regularly participated in external study groups, and other executive officers gave reports following self-improvement initiatives

6. Independent External Directors

Role and Duties

- Evaluating the outcomes of the management actions of the Kurita Group
- Evaluating how directors and executive officers run businesses
- Expressing opinions from the standpoint of sustainable growth and the medium-to long-term enhancement of corporate value
- Expressing opinions on important decision-making matters, including the selection of candidates for director and deciding on the remuneration of directors, etc.

Term of Office and Restrictions on Serving Concurrently on Other Companies' Boards or Committees

- Appointment term is 1 year, maximum of 4 years
- Can serve concurrently at up to 3 companies, including Kurita

Seiji Nakamura

1965	Joins Mitsui O.S.K. Lines, Ltd.
2000	Becomes Representative Director & Executive Vice President of Mitsui O.S.K Lines, Ltd.
2003	Becomes Representative Director & President of MOL Ferry Co., Ltd.
2007	Becomes a member of the Policy Board of the Bank of Japan/Retires in 2012
2013-	Becomes Director of the Company (present post)

Tsuguto Moriwaki

1967	Joins Kobe Steel, Ltd.
1999	Becomes Managing Director of Kobe Steel, Ltd. Becomes Representative Director & President of Kobelco Construction Machinery Co., Ltd.
2002	Becomes Representative Director & Executive Vice President of Kobe Steel, Ltd.
2004	Becomes Representative Director & President of Shinsho Corporation
2010	Becomes Adviser to Shinsho Corporation/Retires in 2012
2015-	Becomes Director of the Company (present post)

Notes : Currently, both directors have attended 100% of FY2016 Board of Directors Meetings.

7. Criteria for Determining Independence

Criteria for Judging Independence

A candidate for independent external director or any of his/her 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 other than remuneration for officers from the Company
- e. A current major shareholder of the Company*⁴ 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)

Notes *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 10% or more of that person’s net sales.

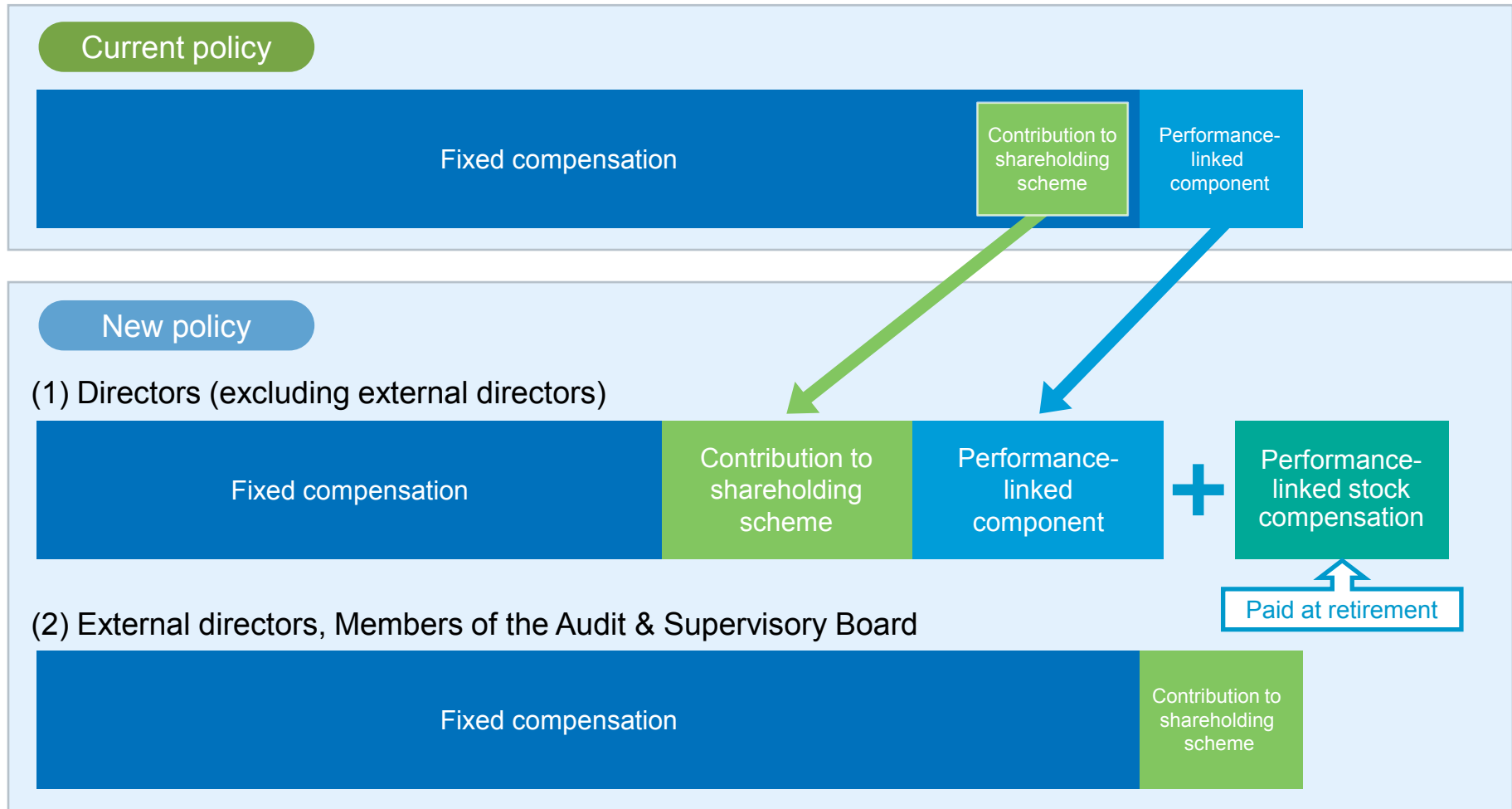
*3 The term “major business partner of the Company” means a business partner with whom the Company’s sales in transactions make up 2% or more of the consolidated net sales of the Company, or a business partner from which borrowings make up 1% or more of the consolidated total assets of the Company.

*4 The term “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.

8. Composition and Actions of the Nomination & Remuneration Advisory Council

		Members	FY2016 Actions
Nomination	<ul style="list-style-type: none"> ■ Candidates for directors ■ Candidate for representative director ■ Candidates for directors with special titles 	<ul style="list-style-type: none"> ■ 2 external directors ■ Full-time external member of the Audit & Supervisory Board ■ President 	<ul style="list-style-type: none"> ■ Decided the suitability of all candidates
	<ul style="list-style-type: none"> ■ Candidates for member of the Audit & Supervisory Board 	<ul style="list-style-type: none"> ■ Full-time external member of the Audit & Supervisory Board ■ Full-time internal member of the Audit & Supervisory Board ■ President, General Manager of Administrative Division ■ General Manager of Corporate Planning Division 	<ul style="list-style-type: none"> ■ Decided the suitability of Audit & Supervisory Board candidates
Remuneration		<ul style="list-style-type: none"> ■ 2 external directors ■ Full-time external member of the Audit & Supervisory Board ■ President 	<ul style="list-style-type: none"> ■ Evaluated directors' performance ■ Deliberated the appropriateness of ROE level

9. Changes in Compensation System for Directors and Members of the Audit & Supervisory Board



10. Holding of Listed Shares Owned for Policy Purposes

Policies		In some cases, Kurita Water Industries Ltd. holds stock of listed companies as strategic cross-holdings in order to strengthen business relationships
Review of Holdings	Frequency	<ul style="list-style-type: none"> ■ Once a year and as necessary
	Criteria	<ul style="list-style-type: none"> ■ If the total of the business profits and the dividends received fall short of expectations for 5 consecutive years ■ Scandals, etc.
FY2016 Activity		<ul style="list-style-type: none"> ■ Sold 3 stocks ■ Deliberated the criteria for review of holdings ■ Shared an awareness of issues related to cross-holdings

(Reference) Efforts for Dialogue with Shareholders

New Efforts

- Preparation of English translation of CG report October 2016-
- Quick disclosure before sending out General Meeting of Shareholders convocation notice June 2016-
- Providing more detailed information in the convocation notice 2016 Notice
 Activities of external directors are described in greater detail.

Current Matters of Focus

- Results briefing for institutional investors (four times a year)
- Implementation of roadshow overseas (three times a year)
- Early forwarding of the convocation notice June 1999-
- Adoption of the platform for the electronic exercise of voting rights of ICJ, Inc. June 2006-
- SR visit November 2011-
- Preparation of the convocation notice (reference materials) in English June 2013-



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