



Kurita — **Wherever Business Needs Water**

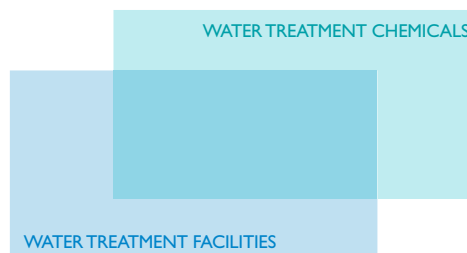
ANNUAL REPORT 2011
For the year ended March 31, 2011

PROFILE

Guided by its corporate philosophy, “study the properties of water, master them, and we will create an environment in which nature and man are in harmony,” Kurita Water Industries Ltd. is a leader in the industrial water field.

Kurita provides quality products and high-value-added outsourcing and maintenance services to customers in a wide range of industries.

Since its establishment in 1949, Kurita has accumulated a high level of technical expertise and know-how. Today, Kurita leverages these assets in a unique business portfolio that includes both chemicals and facilities to realize its corporate vision of becoming an advanced water and environmental management company. As our customers and society wrestle with improving productivity and reducing environmental impact, we are working to help create a sustainable society by recycling the limited resource that is water and proposing comprehensive water treatment solutions.



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Cautionary Statement with Respect to Forward-Looking Statements

This annual report contains forward-looking statements regarding forecasts, plans, strategies and business performance in the future. These forward-looking statements represent judgments made by the Company based on information currently available to it and involve a variety of risks and uncertainties.

Actual results may be materially different from these forward-looking statements. Such risks and uncertainties include (but are not limited to) changes in the economic environment, business conditions, market, demand and currency exchange rates.

CONSOLIDATED FINANCIAL HIGHLIGHTS

Kurita Water Industries Ltd. and Consolidated Subsidiaries
Years ended March 31

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2011	2010	2009	2011
For the year:				
Net sales	¥ 181,234	¥ 178,520	¥ 199,706	\$2,183,550
Water Treatment Chemicals	56,735	53,743	58,331	683,558
Water Treatment Facilities	124,499	124,777	141,374	1,499,991
Operating income	27,131	26,358	27,935	326,889
Income before income taxes and minority interests	27,844	28,178	26,103	335,470
Net income	17,138	17,288	16,299	206,483
At year-end:				
Total assets	253,298	251,620	245,406	3,051,790
Equity (Note 2)	198,042	192,588	177,291	2,386,059

	%		
Ratios:			
Return on equity (ROE) (Note 3)	8.8	9.3	9.4
Return on assets (ROA) (Note 3)	6.8	7.0	6.8
Equity ratio	78.2	76.5	72.2

	Yen			U.S. dollars
Per share of common stock (Note 4):				
Net income	¥ 134.02	¥ 134.38	¥ 126.69	\$ 1.61
Cash dividends applicable to the year	38.00	36.00	34.00	0.46
Equity	1,563.57	1,496.98	1,378.04	18.84

Notes: 1. The U.S. dollar amounts are given solely for convenience at the rate of ¥83 to US\$1, the prevailing rate on the Tokyo Foreign Exchange Market on March 31, 2011.

2. Equity represents net assets less minority interests.

3. ROE = Net income ÷ Equity (Average) × 100

ROA = Net income ÷ Total assets (Average) × 100

4. Net income and cash dividends per share are calculated using the average number of shares for the year under review. Calculation of equity per share is based on the number of shares at year-end (excluding treasury stock).

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Kurita FACT BOOK 2011

Kurita's Fact Book 2011 provides a wide range of long-term, historical data, including financial indicators and quantitative management data.

http://www.kurita.jp/pdf/factbook_2011.pdf



Water Solutions for Industry

When our customers need solutions involving water, they turn to us for products and services reduce the environmental impact of their activities. You'll find Kurita helping in many areas to

Pure water production systems

These systems produce water for a variety of industrial uses including medical-grade water for injectable drugs and eye medications, drinking water for alcoholic beverages and soft drinks, and boiler water for the electric power and steel industries.



Wastewater treatment systems

These systems treat many kinds of industrial wastewater to ensure that it does not affect the environment.



Customers in general industries

Pulp & Paper



Steel



Oil Refining & Petrochemicals



Pharmaceuticals



Food & Beverages



Soil remediation services

Kurita services in this area include contamination surveys of soil and groundwater, and removal and monitoring of volatile organic compounds and heavy metals.



Land requiring decontamination

WATER TREATMENT FACILITIES

Maintenance services

Kurita provides preventive maintenance services to ensure continued high performance of water treatment systems supplied to clients. Kurita also proposes modifications to help clients boost productivity and reduce their environmental impact.

WATER TREATMENT CHEMICALS

- Boiler water treatment chemicals
- Cooling water treatment chemicals
- Wastewater treatment chemicals
- Process treatment chemicals
- Incinerator chemicals
- Equipment and systems for water treatment chemicals
- Packaged water treatment management contracts
- Steam supply contract
- Blanket contracts for factories, etc.

WATER TREATMENT FACILITIES

For the Electronics Industry

- Ultrapure water production systems
- Wastewater reclamation systems
- Wastewater treatment systems
- Tool cleaning services
- Maintenance services
- Ultrapure water supply business

For General Industries

- Pure water production systems
- Wastewater reclamation systems
- Wastewater treatment systems
- Soil remediation services
- Chemical cleaning services
- Operation and maintenance services

that boost their productivity and realize a sustainable society.

WATER TREATMENT CHEMICALS

The Water Treatment Chemicals business supplies all industries.



Factories, office buildings, regional heating / cooling centers



Customers in the electronics industry



LCDs



Semiconductors



Electronic Components

Boiler water treatment chemicals Cooling water treatment chemicals

Kurita's water treatment chemicals help to prevent various faults that occur in boilers and cooling water systems, and to ensure efficient operation.



Ultrapure water production systems

These systems remove ions, microscopic particles, and bacteria from water to produce ultrapure water that is as close as possible to theoretically pure H₂O.



Wastewater reclamation systems

These systems recover wastewater discharged from manufacturing processes and treat it for reuse in plants as pure water or cooling water.



RESOLVING FUNDAMENTAL ISSUES

- Improved productivity
- Reduced environmental impact

SOCIETY

The achievement of a sustainable society

Solutions for water-related issues on a global scale

WATER TREATMENT CHEMICALS

In the fiscal year ended March 31, 2011, capacity utilization improvements at customers' plants spurred an increase in domestic sales of mainstay products, namely, boiler water treatment chemicals, cooling water treatment chemicals, and wastewater treatment chemicals. Overseas, performance improved at most Kurita Group companies as production in various industries recovered in Asia and Brazil. As a result of these higher sales, segment operating income grew by 23.5% year on year. Together with an improved product mix, the segment operating margin rose from 15.2% in the previous year to 17.8%.

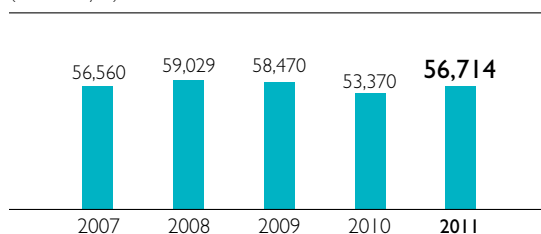
WATER TREATMENT FACILITIES

Orders for the fiscal year ended March 31, 2011 increased 2.8% as a whole from the previous year. Higher orders for ultrapure water production systems overseas and maintenance services for the electronics industry compensated for lower orders for water treatment systems for general industries in Japan. However, segment sales declined slightly year on year. While Kurita recorded growth in sales to the electronics industry both in Japan and overseas, overall sales fell due to a lull of large projects for the steel industry in Japan. Operating income fell 6.3% year on year as the impact of lower sales of systems for general industrial use outweighed profitability improvements in other businesses.

See p. 21 Management's Discussion and Analysis

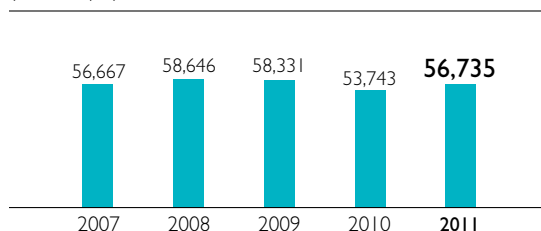
Orders

(Millions of yen)



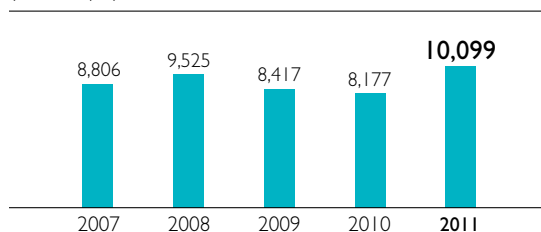
Sales

(Millions of yen)



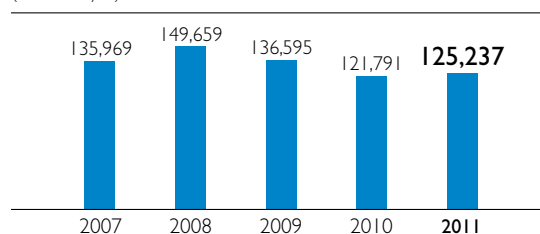
Operating Income

(Millions of yen)



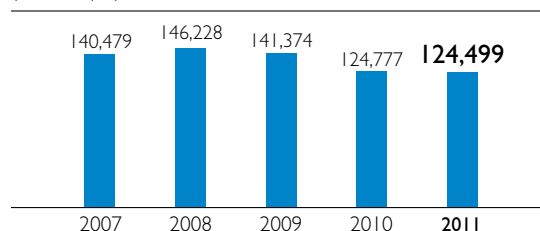
Orders

(Millions of yen)



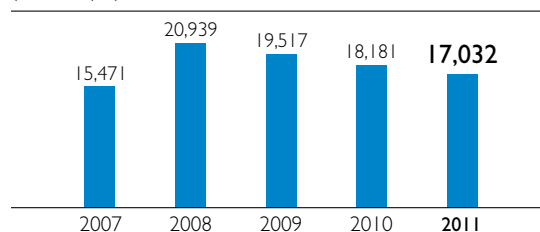
Sales

(Millions of yen)



Operating Income

(Millions of yen)



(Years ended March 31)

BUSINESS HIGHLIGHTS

Successful Demonstration of Ashing-less Process

During the past fiscal year, Kurita demonstrated that its electrolyzed sulfuric acid generator, Green Sulfaced KD™, enables manufacturers to eliminate the ashing process used when removing resist layers in the semiconductor manufacturing process. Conventionally, this is a necessary pre-process step. This development allows semiconductor manufacturers to cut their resist removal processing by as much as 50% and reduce the volume of chemicals used. This is one example of how Kurita continues to propose solutions to semiconductor manufacturers to meet their strong demand for increased productivity and more environmentally friendly processes.



Green Sulfaced KD™

Saving Energy in Cooling

Kurita has developed a new “hybrid” cooling water treatment technology that delivers significant energy savings by preventing sliming and scaling of cooling systems installed in factories and office buildings. The new technology combines three elements:

- 1) Cooling water treatment chemicals that are highly effective at preventing scaling and sliming,
- 2) Technology to automatically control the concentration of the chemicals in the cooling water; and
- 3) Technology to monitor sliming and scaling, and thermal efficiency of cooling systems.



Kurita will promote the use of this technology to customers who are looking to reduce CO₂ and utility costs.

New Electro-Osmosis Dehydrator Launched

Kurita has launched a new electro-osmosis dehydrator, Hydropress™ E, that enables users to reduce sludge volume and save energy. The system uses technology that makes the sludge dewatering process more efficient by using internally mounted electrodes to apply a voltage to sludge that makes it easier for the water molecules to be separated. Whereas conventional mechanical dewatering processes are only able to reduce the water content of sludge to around 80%, Kurita's new technology can reduce it to up to 60%, enabling the total volume of sludge to be compacted by up to 50%. Since the new technology also obviates the need for drying sludge, the process emits less than one-third of the CO₂ that conventional mechanical processes emit. Kurita will aggressively market Hydropress™ E to customers worldwide who need to reduce sludge.



Hydropress™ E

Contribution of the Ultrapure Water Supply and Maintenance Services

In its ultrapure water supply business, Kurita continued in the fiscal year under review to supply customers with the required quality and volume of ultrapure water at one site overseas and six sites in Japan. The business also contributed on the earnings front to Kurita achieving a robust earnings structure able to weather economic fluctuations. The maintenance services in



Japan also helped stabilize earnings, recovering as customers' capacity utilization improved.

TO ALL OUR STAKEHOLDERS

The Kurita Group pursues new functions and value for water. We seek to create a better society through water management.



I took up my post as president of Kurita Water Industries Ltd. on June 29, 2011, inheriting the business base created by my predecessors. I will work diligently to retain the trust and meet the expectations of our shareholders and other stakeholders. In doing so I will return to the Group's corporate philosophy: "study the properties of water; master them, and we will create an environment in which nature and man are in harmony."

The Great East Japan Earthquake that struck in March 2011 has had a serious impact on the Japanese economy. I offer my sincere condolences to the many people who have suffered in the disaster; and assure you that the Kurita Group is working together to help affected areas recover as quickly as possible.

Water is a limited resource for all of humanity. Contamination and shortages are affecting us on a global scale. The Kurita Group is dedicated to solving these issues in industrial and social contexts through water management—a vital mission in today's environment. In this way, all Kurita Group employees are working together toward the sustainable progress of society.

July 2011

A handwritten signature in black ink that reads "T. Nakai".

Toshiyuki Nakai

President and Representative Director

In a rapidly changing world, the Kurita Group has set its sights on becoming an advanced water and environmental management company. To this end, we are continuing to evolve and expand our products and services on a global scale.

Overview of the Fiscal Year Ended March 31, 2011

During the fiscal year ended March 31, 2011, Kurita's steady business performance in the face of a persistently adverse business environment demonstrated once again the comprehensive strength of the Group. The Company's consolidated order bookings were up 3.9% year on year to ¥181,951 million and net sales rose 1.5% to ¥181,234 million. Operating income climbed 2.9% to ¥27,131 million, and net income declined 0.9% to ¥17,138 million. Net income per share was substantially the same at ¥134.02 compared with ¥134.38 in the previous year.

Kurita's steady business performance in the face of a persistently adverse business environment demonstrated once again the comprehensive strength of the Group.

During the fiscal year under review, the business environment in Japan began to improve, with operating rates at customers' factories gradually rising as exports increased and consumer spending recovered. However, capital expenditure has yet to recover fully, and the Japanese economy now faces even greater difficulties in overcoming the impact of the Great East Japan Earthquake.

On the other hand, the business environment overseas continues to see strong economic expansion, particularly in Asia.

Kurita itself suffered only minor damage to some of its facilities as a result of the earthquake. In terms of the impact on our business, some deliveries were affected in the Water Treatment Chemicals business as customers were obliged to halt their operations, while the Water Treatment Facilities business saw the stopping of some construction projects and delays in capital investments, which resulted in a slight dip in earnings for the fiscal year under review. The entire Kurita Group worked with customers in disaster-affected regions to assist their recovery, and to supply stricken areas with drinking water and financial assistance.

Status of Medium-term Management Plan Make Progress 2011 (MP-11)

This year we saw positive results in promoting two key strategies in the medium-term management plan, Make Progress 2011 (MP-11).

The first of these strategies is "expanding and evolving the service business." Here, we have strengthened our customer proposal capabilities in the Water Treatment Chemicals business and seen a significant increase in earnings as a result. The second key strategy is "expanding global operations." This strategy has also proved successful with business results in Asia growing in line with our expectations.

These strategies have set Kurita on a path of working together as a Group to capture overseas economic growth while maintaining a stable, highly profitable management structure. We see our success this year as confirmation that this is the right way forward. Throughout the final year of MP-11, the fiscal year ending March 31, 2012, we will work swiftly to entrench these strategies even further.

Our Vision—Our Mission

The Kurita Group is evolving its service business with the goal of using water management to help customers to solve key challenges such as improving productivity and reducing environmental impact. These efforts are starting to bear fruit—we are already better at proposing comprehensive solutions for water and the environment. These proposals seamlessly integrate elements from our Water Treatment Chemicals, Water Treatment Facilities, and maintenance service businesses.



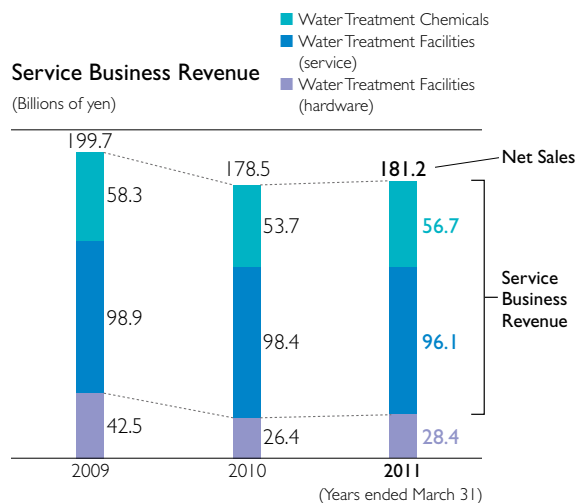
Our goal is to realize advanced management for providing customers with the required quality and volume of water, when and where they need it.

Moreover, Kurita seeks to evolve water management to the next level using cutting-edge products, technologies and services. Our goal is to realize advanced management for providing customers with

the required quality and volume of water, when and where they need it. One area where we are already achieving this is in our ultrapure water supply business. This business is helping to build on our already steady earnings base, and has become a supporting pillar for the management of the entire group.

However, the ultrapure water supply business is just the start.

We aim to build on this success in all our businesses. This represents the full realization of our corporate vision of becoming an advanced water and environment management company, and is the real purpose behind our MP-11 strategy of evolving and expanding the service business. I believe it is a strategy that will maximize the inherent strengths of the Kurita Group's business portfolio.





Leading the Industry in Comprehensive Solutions

- **High Quality Services in the Water Treatment Chemicals Business**

Kurita's water treatment chemicals offer customers a way to prevent day-to-day equipment faults caused by water from occurring, thereby ensuring efficient operations. Recently we have focused on helping customers to save even more energy and water in response to growing demand for productivity improvements and reduced environmental impact.

To do this, we propose high-value-added services utilizing technologies for sensing and automatically controlling the concentration of treatment chemicals in water. These technologies allow Kurita and its customers to use advanced functions for visualizing and sharing key information to effectively manage customers' issues.

This initiative has seen the segment operating margin for the fiscal year ended March 31, 2011 rise by 2.6 percentage points to 17.8%.

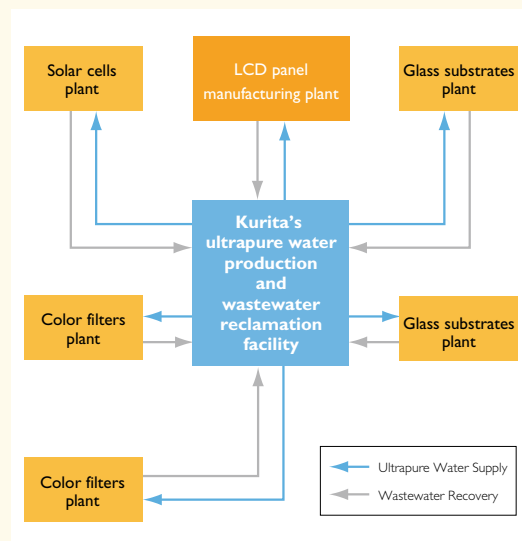
Kurita's services are unique, and deliver real customer satisfaction. We will encourage customers with multiple plants to adopt them across all their production sites. In addition, we will use them as a strategic tool for distinguishing Kurita from competitors as we expand our overseas business.

- **Setting Kurita Apart and Realizing High Added Value in the Maintenance Business**

The maintenance services business is just as important as the Water Treatment Chemicals business for answering the recent surge in demand for improved productivity and reduced environmental impact. Maintenance services effectively prevent performance deterioration or faults at customers' water treatment facilities, and ensure that equipment operates efficiently. In this business, we leverage our accumulated data and knowledge to offer distinctive, high-value-added services that contribute to consistently high profit margins. Revenue from maintenance services improved during the fiscal year ended March 31, 2011 as customers' demand increased the operating rates at their plants.

This maintenance-related data and knowledge is a key element in maintaining high quality services in our ultrapure water supply business. In this business we earn fees for supplying customers with the quality and volume of ultrapure water they require. Sales in the ultrapure water supply business came to ¥35.1 billion in the fiscal year ended March 31, 2011, and continued to contribute to stable earnings for the Kurita Group.

Ultrapure Water Supply Incorporating Wastewater Reclamation



Global Expansion Driven by Comprehensive Strength

Overseas business expansion will play a critical part in Kurita's growth, and as such, we will tackle this task with even greater urgency. Most of our expansion has been in regions where high economic growth is expected, such as Asia and Brazil. However, the contribution to consolidated net sales from our overseas businesses was still only 15% in the fiscal year ended March 31, 2011. High economic growth is of course a powerful accelerator for our Water Treatment Chemicals business, which serves all types of industry. Furthermore, in emerging countries we can also expect industrial development to



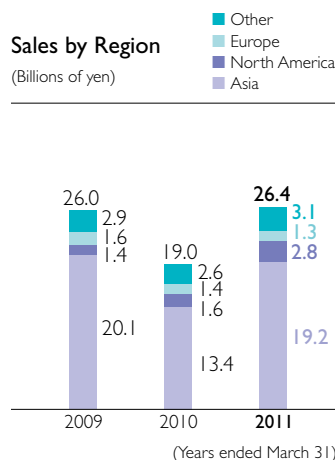
In emerging countries we can also expect industrial development to boost the need for water treatment systems for recycling water.

boost the need for water treatment systems for recycling water since it is a limited resource. Kurita can provide sophisticated solutions to meet these needs, leveraging its outstanding technologies and rich knowledge in wastewater reclamation and recycling. In China especially, remarkable growth and increasing sophistication of industry have led to an emerging demand for

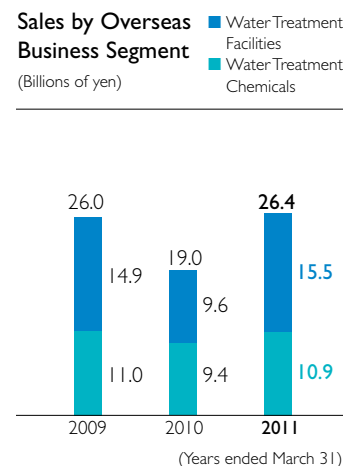
improved productivity and reduced environmental impact. This situation presents the Kurita Group with an important opportunity to harness the comprehensive strength that stems from its chemicals, facilities, and maintenance businesses to supply optimal solutions to customers, building partnerships with them as they grow.

Overseas Businesses

Sales by Region
(Billions of yen)



Sales by Overseas Business Segment
(Billions of yen)





Stepping up the Global Expansion of the Kurita Group

• Kurita Technologies Enable Water Recycling and Reuse

As global concern over water shortages deepens and governments move to tighten restrictions on wastewater, there is a growing demand for wastewater treatment and wastewater reclamation systems for recovering and reusing factory wastewater. Such systems are already in common use among semiconductor and LCD panel manufacturers around the world. Kurita plans to promote the uptake of these systems in non-electronics fields with strong needs for environmental impact reduction, including food products, automobiles, and electroplating.

The field of reclamation systems is one where Kurita can leverage its advanced technologies to outshine competitors. The systems present formidable technical challenges that correspond to Kurita's

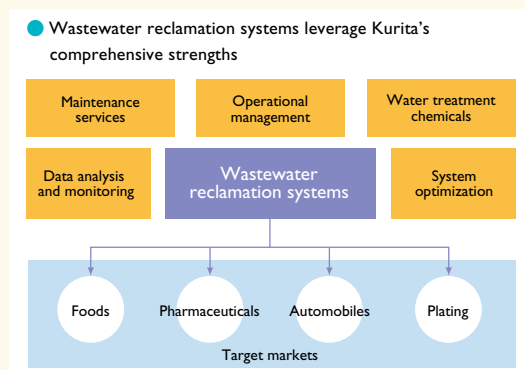
strengths, including optimization of water flows throughout an entire factory, data analysis and monitoring of water quality, and skilled use of water treatment chemicals. Demand for these systems is widely expected to grow in emerging countries such as China, where economic growth is driving industry to grow in size and sophistication. Kurita will meet this need by prioritizing expansion and development of its overseas business.

• New Water Treatment Chemical Factory in Brazil Starts Operations

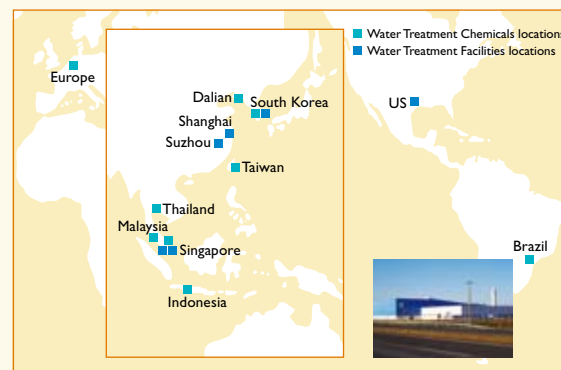
Kurita do Brasil LTDA (KDBL), a water treatment chemicals manufacturing and sales subsidiary in Brazil, relocated and enlarged its water treatment chemical factory in May 2011. The new factory has about twice the manufacturing capacity of its predecessor and began operations from June 2011.

KDBL was established in 1975 as the South American base of the Kurita Group. The company has worked mainly in the steel, petroleum, automobile, and food industries, supplying water treatment chemicals for cooling water and boiler water, and other applications. The previous factory had been in operation since 1988, but the company decided to increase its manufacturing capacity to meet a projected increase in demand for water treatment in line with economic development in Brazil. KDBL has also decided to relocate its head office function to the site of the new factory with the aim of building an efficient business management framework while strengthening sales capabilities.

Creating Global Markets for Wastewater Reclamation Systems



Kurita's Global Network



Maximizing Shareholder Value

In making returns to shareholders, our basic policy is to continue to deliver a stable dividend, while aiming to return profits to shareholders through dividend increases after considering business performance and reinvestment needs. Based on this policy, we have increased the annual dividend for the fiscal year ended March 31, 2011 by ¥2



from the previous year to ¥38. This makes the seventh consecutive year of increased dividends. Also in

Our first priority for use of cash is to allocate it to investments in growth sectors.

the fiscal year under review we conducted a share buyback, acquiring 1,988,400 shares of our own stock for ¥4,776 million to improve the capital efficiency and allow for a flexible capital policy. Going forward, we will consider various ways to return profits to shareholders, taking into account our capital funding requirements and cash on hand. In this way

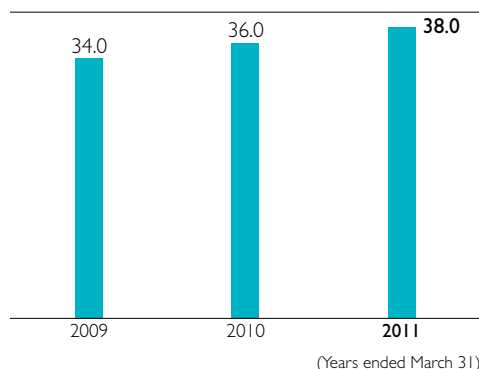
we hope to meet shareholders' expectations and uphold their trust.

Our first priority for use of cash is to allocate it to investments in growth sectors. We aim to set aside sufficient funds to ensure that we can respond quickly to business opportunities including alliances and M&As, as well as new projects in the capital-intensive ultrapure water supply business.

We will also consider using some funds for investments to reduce risk and further stabilize management. This follows a reexamination of our future risk management that was prompted by the recent earthquake, although Kurita fortunately sustained only minor damage.

I would like to thank all of our shareholders, investors, and other stakeholders for understanding our policies and ask for your continued support.

Dividends per Share
(Yen)



RESEARCH AND DEVELOPMENT

The Kurita Group's research and development activities are carried out primarily by the Research and Development Division of Kurita Water Industries Ltd. The Kurita Group has a combined R&D staff of approximately 150 personnel, equivalent to 3.3% of the Group's total workforce. In the fiscal year ended March 31, 2011, R&D expenses totaled ¥4,225 million, or 2.3% of net sales.

R&D activities cover a wide range of fields. These include technology to strengthen the core areas of business such as boiler and cooling water treatment, ultrapure water production, water and wastewater treatment, wastewater reclamation, and soil and groundwater remediation. Other R&D activities focus on basic areas such as analysis technologies, IT controls, and technologies for monitoring water treatment effectiveness. Kurita is also exploring new functions of water for the development of entirely new businesses.

Research activities in the business segments are explained below.

Water Treatment Chemicals

In the Water Treatment Chemicals segment, Kurita is developing chemicals that contribute to energy efficiency, environmental impact reduction, and productivity enhancement at customer sites. Research is focused on enhancing the functions of water treatment chemicals and developing systems to monitor water treatment effectiveness.

The Water Treatment Chemicals segment's R&D expenses in the fiscal year totaled ¥1,285 million.

- Kurita developed chemicals that prevent membrane fouling in reverse osmosis (RO) systems used for ultrapure water production and the wastewater reclamation process.
- Kurita developed technology to significantly reduce the amount of treatment chemicals needed to neutralize acidic gases released by garbage incinerators. The technology automatically controls the amount of chemicals injected in response to concentration of acidic gases.
- Kurita developed chemicals to prevent corrosion and scaling in cooling tower heat exchangers. The

chemical meets Chinese environmental regulations.

- Kurita developed chemicals for boiler water treatment made from ingredients that are environmentally friendly and not controlled under the Pollutant Release and Transfer Register (PRTR) law.

Water Treatment Facilities

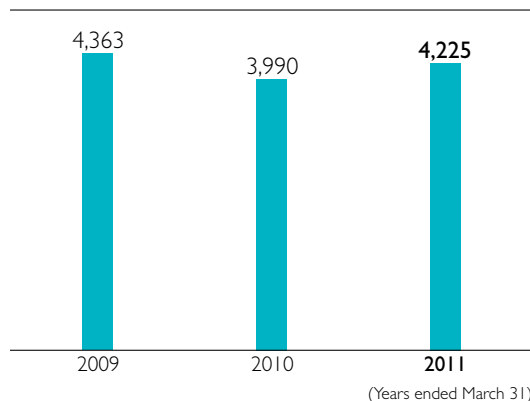
In the Water Treatment Facilities segment, Kurita is improving the quality of ultrapure water used by the electronics industry, and developing wastewater treatment and soil remediation technologies in anticipation of future environmental regulations. Kurita is also developing technologies conducive to a closed-loop economy, including those for wastewater reclamation and reuse, and technologies to reduce society's environmental footprint, including sludge volume reduction systems.

The Water Treatment Facilities segment's R&D expenses in the fiscal year totaled ¥2,940 million.

- Kurita developed an energy-efficient biotreatment system featuring an anaerobic bacteria immobilization carrier. Compared to conventional anaerobic systems, this system can be used on lower organic concentration wastewater.
- Kurita developed a low-cost pre-treatment system for industrial water which efficiently removes suspended matter and organic substances from polluted raw water.
- Kurita developed a two-bed single-tower type ion-exchange system which reduces running costs by significantly lowering the amount of chemicals used to regenerate ion-exchange resins.

R&D Expenses

(Millions of yen)



SUSTAINABLE MANAGEMENT FRAMEWORK

Corporate Governance

Basic Policy

Kurita and Kurita Group companies aim to contribute broadly to society and meet the expectations of their stakeholders, including shareholders and investors. The Group does this through corporate activities in the fields of water and environment in accordance with the Kurita corporate philosophy, "study the properties of water, master them, and we will create an environment in which nature and man are in harmony." To realize these aims, the Group has adopted a basic corporate governance policy with two main components. The first is establishing management systems that improve management transparency and efficiency and sustainably increase corporate value over the long term. The second is rigorous oversight of management and operational execution.

Corporate Governance Structure

Kurita's Board of Directors currently comprises 12 directors, including one external director. The Board of Directors' meetings set management policy, make management decisions, and oversee directors' execution of their duties. The Board of Directors' meetings are chaired by the president and held monthly on a regularly scheduled basis and whenever else necessary on an ad hoc basis.

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

To complement its decision-making, the Board of

Directors has also established an authorization protocol based on authorization and review regulations.

In terms of operational execution, Kurita has employed an executive officer system since 2005 with the aims of realizing swift decision making by separating management and execution and strengthening officers' capabilities. Kurita currently has six executive officers.

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

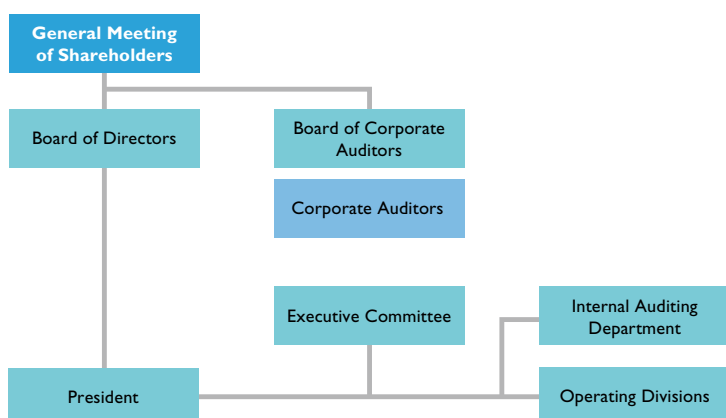
Corporate Auditor System

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

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

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

Organization



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

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

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

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

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

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

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

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

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

Internal Control System and Risk Management System

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

• Compliance Committees

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

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

• Headquarters Health and Safety Committee

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

• Risk Management

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

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

Compensation Paid to Directors and Corporate Auditors

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

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

Total Amounts of Consolidated Compensation Paid to Directors and Corporate Auditors

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

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

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

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

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

Information Disclosure and IR Activities

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

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

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

Environmental Improvement Activities

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

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

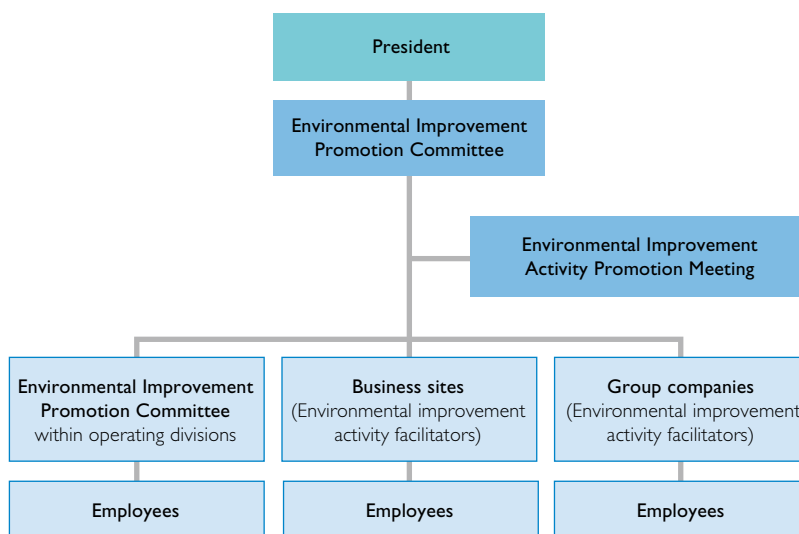
Basic Environmental Improvement Activities Policy

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

Activity Guidelines

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

Framework for Promoting Environmental Improvement Activities



Distinctive Environmental Improvement Activities

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

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

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

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

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

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

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

The Three Aspects of Kurita's Environmental Improvement Activities

Customers' environmental improvement activities		Kurita's own environmental improvement activities
Aspect 1: Societal needs	Aspect 2: Customer needs	Aspect 3: Internal change
Realizing a resource-recycling society through the development of new products and technologies that contribute to environmental improvement	Products, technologies and services that will enable customers to improve the environment	Reducing environmental impact by putting the 3Rs into practice through operational improvement and innovation

Topics

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

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



BOARD OF DIRECTORS AND CORPORATE AUDITORS (As of June 29)

Directors



Toshiyuki Nakai*

2011 President
Representative Director
2009 President, Kurita Engineering Co., Ltd.
2005 Director
1979 Joined Kurita Water Industries Ltd.



Kazufumi Moriuchi*

2010 to present
General Manager of Facilities Division
2009 to present
Representative Director
2007 to present
Executive Senior Managing Director
1971 Joined Kurita Water Industries Ltd.



Tetsuo Saeki

2011 General Manager of Facilities Production
Division
2007 to present
Managing Director
1974 Joined Kurita Water Industries Ltd.



Kaoru Kajii

2011 General Manager of Research and
Development Division
2009 to present
Managing Director
1974 Joined Kurita Water Industries Ltd.



Shigeaki Takeda

2011 Managing Director
General Manager of Chemicals Division
2007 Director
1973 Joined Kurita Water Industries Ltd.

Tetsuo Kai

2011 General Manager of Ultrapure Water
Supply Group, Facilities Division
2007 to present
Director
1972 Joined Kurita Water Industries Ltd.

Heiju Maeda

2009 to present
Director
2006 to present
General Manager of 2nd Group,
Chemicals Division
1975 Joined Kurita Water Industries Ltd.

Motoyuki Yoda

2011 General Manager of Water and
Resource Recycling Group, Facilities
Division
2009 to present
Director
1978 Joined Kurita Water Industries Ltd.

Kiyoshi Ito

2009 to present
Director
General Manager of Administrative
Division
1979 Joined Kurita Water Industries Ltd.

Takahito Namura

2011 Director
2009 to present
General Manager of 3rd Group,
Chemicals Division
1977 Joined Kurita Water Industries Ltd.

Youichi Kurokawa

2011 Director
General Manager of Corporate
Planning Division
1984 Joined Kurita Water Industries Ltd.

Noriyuki Hayata

2011 General Manager, Planning and
Administration Department, ICT &
Machinery Company, ITOCHU
Corporation
2009 to present
External Director
1981 Joined ITOCHU Corporation

Corporate Auditors

Tohru Ishizaka

2004 to present
Corporate Auditor
1966 Joined Kurita Water Industries Ltd.

Chiaki Kuzuu

2004 to present
External Corporate Auditor
2002 Chief Financial Officer, Machinery
Company, ITOCHU Corporation
1971 Joined ITOCHU Corporation

Tamio Uda

2009 to present
External Corporate Auditor
1977 Established Harada Uda Law Office
(currently Uda Law Office)
1974 Admitted to the Japan Bar
Association

* Representative Director

SIX-YEAR FINANCIAL SUMMARY

Kurita Water Industries Ltd. and Consolidated Subsidiaries
Years ended March 31

	Millions of yen						Thousands of U.S. dollars (Note 1)
	2011	2010	2009	2008	2007	2006	2011
For the year:							
Net sales	¥181,234	¥178,520	¥199,706	¥204,875	¥197,146	¥173,683	\$2,183,550
Water Treatment Chemicals	56,735	53,743	58,331	58,646	56,667	54,549	683,558
Water Treatment Facilities	124,499	124,777	141,374	146,228	140,479	119,133	1,499,991
Cost of sales	118,573	117,221	135,874	138,549	137,819	122,630	1,428,600
Selling, general and administrative expenses	35,528	34,941	35,896	35,857	35,050	33,741	428,059
Operating income	27,131	26,358	27,935	30,468	24,276	17,311	326,889
Income before income taxes and minority interests	27,844	28,178	26,103	31,279	24,591	18,200	335,470
Net income	17,138	17,288	16,299	18,297	14,207	10,519	206,483
Capital expenditures	5,965	8,083	56,322	24,097	19,563	16,537	71,875
Research and development (R&D) expenses	4,225	3,990	4,363	4,551	4,421	4,213	50,910
Depreciation and amortization	16,066	15,523	11,716	9,425	6,512	4,906	193,571
At year-end:							
Total current assets	117,852	109,297	98,689	121,562	137,004	125,231	1,419,905
Total current liabilities	34,771	38,592	47,935	49,080	65,496	54,877	418,928
Equity (Note 2)	198,042	192,588	177,291	169,402	156,772	145,366	2,386,059
Total assets	253,298	251,620	245,406	231,498	235,137	212,774	3,051,790
Number of shares issued (thousands)	132,800	132,800	132,800	132,800	132,800	132,800	
Number of employees (persons)	4,490	4,445	4,404	4,249	3,992	3,668	
Per share of common stock (yen) (Note 4):							
Net income	134.02	134.38	126.69	142.21	110.42	81.76	1.61
Equity	1,563.57	1,496.98	1,378.04	1,316.65	1,218.42	1,129.74	18.84
Cash dividends applicable to the year	38.00	36.00	34.00	32.00	28.00	22.00	0.46
Ratios:							
Total assets turnover (times)	0.72	0.72	0.84	0.88	0.88	0.86	
Equity ratio (%)	78.2	76.5	72.2	73.2	66.7	68.3	
Return on sales (%)	9.5	9.7	8.2	8.9	7.2	6.1	
Return on equity (ROE) (%) (Note 3)	8.8	9.3	9.4	11.2	9.4	7.5	
Return on assets (ROA) (%) (Note 3)	6.8	7.0	6.8	7.8	6.3	5.2	

Notes: 1. The U.S. dollar amounts are given solely for convenience at the rate of ¥83 to US\$1, the prevailing rate on the Tokyo Foreign Exchange Market on March 31, 2011.

2. Equity represents net assets less minority interests.

3. ROE = Net income ÷ Equity (Average) × 100

ROA = Net income ÷ Total assets (Average) × 100

4. Net income and cash dividends per share are calculated using the average number of shares for the year under review. Calculation of equity per share is based on the number of shares at year-end (excluding treasury stock).

MANAGEMENT'S DISCUSSION AND ANALYSIS

Business Overview

Markets in which the Kurita Group operates were challenging on the whole during the fiscal year ended March 31, 2011. In Japan, although customer factories' capacity utilization rose moderately, capital expenditure levels in both the electronics industry and general industries remain low, having yet to achieve a full-fledged recovery.

Overseas business, on the other hand, was steady, particularly in Asia, which is seeing continued economic growth.

The fiscal year ended March 31, 2011 was the second year of MP-II, our three-year medium-term management plan. The basic objectives of the plan are to strengthen customer trust, enhance business quality, and carve out new business domains. Under the plan, the Group has worked to achieve sustained growth by further expanding its service businesses and global operations and developing new products and businesses.

In tandem with its sales activities, the entire Group also worked to implement rigorous risk management.

For the fiscal year ended March 31, 2011, the Kurita Group saw increases in orders received, net sales, and operating income. Gain on liquidation due to termination of contract declined, with the result that net income came in slightly lower compared with the previous year.

The Kurita Group received only minor damage to some facilities in the Great East Japan Earthquake of March 2011.

Operating Results

a) Orders

In the Water Treatment Chemicals segment, Kurita bolstered sales efforts by strengthening alliances with its domestic and overseas sales subsidiaries and pursued order bookings through a consultative sales approach. Specifically the approach involved helping customers successfully meet the challenges of reducing their environmental impacts and enhancing productivity.

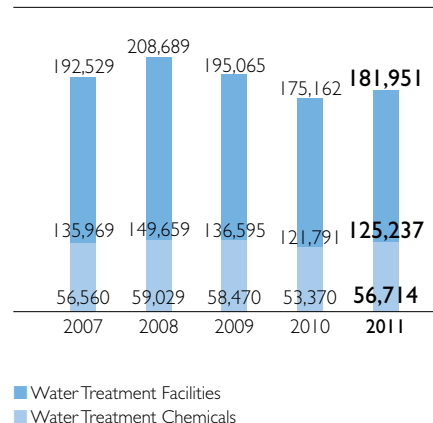
In the Water Treatment Facilities segment, Kurita worked to secure orders by focusing on service businesses, such as the ultrapure water supply business and maintenance services. The Group also stepped up consultative sales targeting key customers and sales activities in Asia, with an emphasis on China.

In both the Water Treatment Chemicals and Water Treatment Facilities segments, the Group also worked to increase future orders by developing and expanding sales of new products.

Total consolidated orders for the Kurita Group in the fiscal year ended March 31, 2011, were up 3.9% versus the previous fiscal year to ¥181,951 million. Orders increased in both the Water Treatment Chemicals and Water Treatment Facilities segments.

Orders by Segment

Years ended March 31 (Millions of yen)



b) Net Sales

In the Water Treatment Chemicals segment, net sales increased 4% in Japan, led by higher sales of mainstay products, and grew a significant 15% overseas, mainly in Asia. The result was a 6% increase for the entire segment.

In the Water Treatment Facilities segment, the ultrapure water production systems' net sales to the electronics industry increased on the back of progress on construction projects in Japan and overseas. Sales of maintenance services also rose, while sales of tool cleaning services dropped slightly. In general industries, sales of water treatment systems declined amid a lull in sales from large projects in the steel industry. Sales of soil remediation services also dropped, but sales of maintenance services increased versus the previous fiscal year.

Overall, the Kurita Group's net sales increased 1.5% versus the previous fiscal year to ¥181,234 million.

c) Cost of Sales and Gross Profit

Cost of sales was up 1.2 % to ¥118,573 million from ¥117,221 million in the fiscal year ended March 31, 2010.

As a percentage of sales, cost of sales declined to 65.4% in the year ended March 31, 2011, an improvement of 0.3 of a percentage point from 65.7% in the previous fiscal year.

In the Water Treatment Chemicals segment, the main factors behind the cost-of-sales ratio's decrease were the effect of increased sales and an increase in the proportion of sales of relatively more profitable mainstay products.

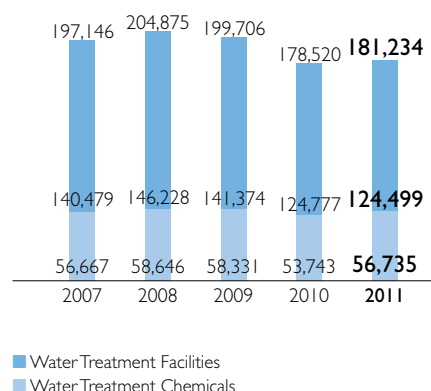
d) Selling, General and Administrative (SG&A) Expenses

SG&A expenses were ¥35,528 million, up 1.7% or ¥587 million from ¥34,941 in the fiscal year ended March 31, 2010.

The increase in SG&A expenses was attributable to a ¥341 million increase in personnel-related expenses including salaries and allowances, provision for employees' bonuses and retirement benefit expenses. As a percentage of sales, SG&A expenses remained unchanged from the previous year at 19.6%.

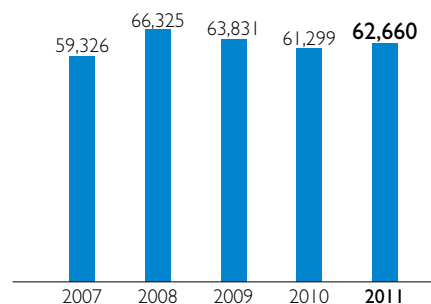
Sales by Segment

Years ended March 31 (Millions of yen)



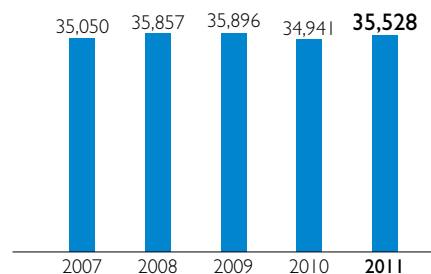
Gross Profit

Years ended March 31 (Millions of yen)



SG&A Expenses

Years ended March 31 (Millions of yen)



e) Operating Income

Operating income increased to ¥27,131 million in the year ended March 31, 2011, up 2.9% from ¥26,358 million in the fiscal year ended March 31, 2010. The operating margin improved to 15.0% from 14.8% in the previous fiscal year.

f) Segment Information

Water Treatment Chemicals

Orders and Sales

In Japan, orders for boiler water treatment chemicals, cooling water treatment chemicals, and wastewater treatment chemicals, the Group's mainstay products, increased versus the previous fiscal year, due to stronger consultative sales efforts and higher capacity utilization by customers.

Kurita focused on controlling rising raw materials and sales costs to secure profits.

Regarding new products and technologies, Kurita has developed high-performance chemicals for removing contaminants from the membranes used in reverse osmosis (RO) membrane systems.

Overseas, orders and sales increased in Asia and Brazil. This increase was due to recoveries in production activity in various industries, particularly in Asia. At the same time, Kurita enhanced sales activities by acquiring more customers in the process treatment chemicals field and providing technological support.

Operating Income

Operating income increased significantly as Kurita worked to control rises in cost of sales and SG&A expenses while recording higher sales.

Overall, the Water Treatment Chemicals segment booked orders of ¥56,714 million (up 6.3 % versus the previous fiscal year) and earned operating income of ¥10,099 million (up 23.5%) on sales of ¥56,735 million (up 5.6%).

Water Treatment Facilities

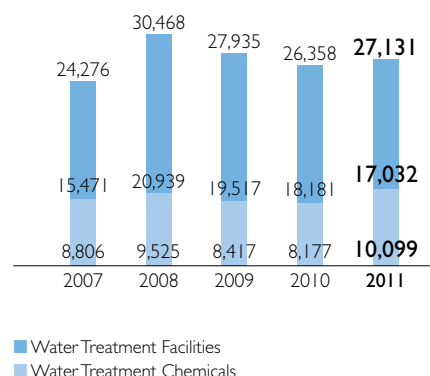
Orders

In the electronics industry, orders for the ultrapure water supply business rose slightly versus the previous fiscal year; while orders for ultrapure water production systems increased overseas. Orders for maintenance services rose due to a recovery in capacity utilization at customer plants in Japan. Orders for tool cleaning services were down slightly as stronger competition depressed prices.

Orders for hardware and soil remediation services for general industries in Japan decreased due to a slump in capital expenditures and demand, and a downturn in the real estate market. However, orders for maintenance services for privately owned plants increased mainly due to a recovery in capacity utilization and stronger consultative sales activities.

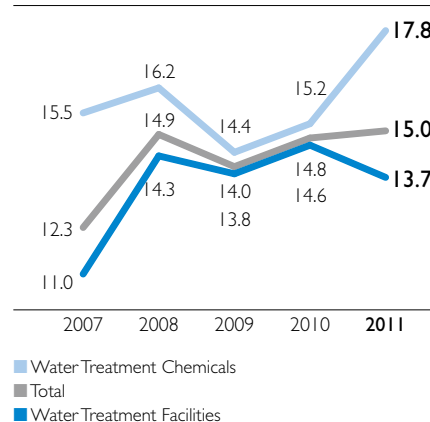
Operating Income by Segment

Years ended March 31 (Millions of yen)



Operating Margin by Segment

Years ended March 31 (%)



Sales

The sales of ultrapure water production systems to the electronics industry increased as construction projects in Japan and overseas made progress. Sales of maintenance services also rose, primarily due to a recovery in capacity utilization at customer plants in Japan, while sales of tool cleaning services dropped tracking lower orders due to stronger competition and lower prices.

Sales of maintenance services to general industries recovered, but sales of hardware decreased amid a lull in sales from large projects in the steel industry. Sales of soil remediation services also declined due to a stagnating business environment.

In China, the Group responded swiftly to customer needs for water quality analysis and moved to provide sales support by establishing a water quality analysis team at Kurita Water Industries (Suzhou) Ltd. Moreover, the Group continued building a completely local production framework in China for design-ing, manufacturing, and testing the capacity of water treatment facilities.

In new products and services, Kurita developed a carrier-type anaerobic treatment system applicable to low-concentration organic wastewater that has previously not been treatable with such systems. The Group also expanded sales of electrolyzed sulfuric acid generators for semiconductor manufacturers.

Operating Income

Segment operating income declined tracking lower sales of hardware to general industries and soil remediation services. The effect was offset somewhat by a recovery in hardware sales to the electronics industry and maintenance services to clients in Japan.

Total Group orders for the Water Treatment Facilities segment were ¥125,237 million (up 2.8%) and earned operating income of ¥17,032 million (down 6.3%) on sales of ¥124,499 million (down 0.2%).

g) Overseas Sales

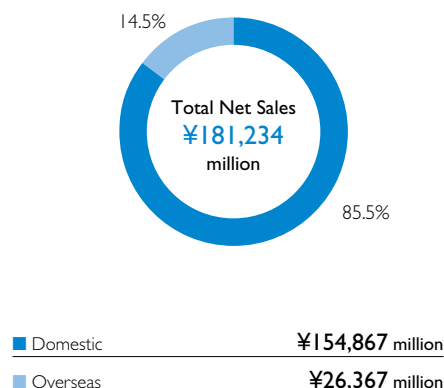
Overseas sales rose 38.7% to ¥26,367 million in the year ended March 31, 2011. Overseas sales' share of consolidated net sales increased to 14.5% from 10.6% in the previous fiscal year.

Sales by Region

- Asia: Up 43.2% to ¥19,195 million, equivalent to 72.8% of total overseas sales
- North America: Up 73.4% to ¥2,820 million, 10.7% of total overseas sales
- Europe: Down 8.8% to ¥1,276 million, 4.8% of total overseas sales
- Other regions: Up 19.1% to ¥3,075 million, 11.7% of total overseas sales

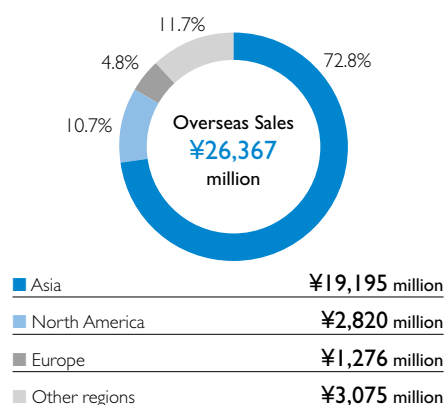
Breakdown of Net Sales

Fiscal year ended March 31, 2011



Overseas Sales by Region

Fiscal year ended March 31, 2011



h) Other Income and Expenses

The balance of other income and other expenses was net other income of ¥712 million, down from ¥1,820 million in the previous fiscal year.

This decline was mainly attributable to the absence of a gain on liquidation due to termination of contracts of ¥1,507 million in the previous fiscal year.

The net balance of interest and dividend income and interest expense increased to ¥390 million versus ¥305 million in the previous fiscal year.

The Group recorded loss on disaster of ¥124 million in connection with damages incurred at some business sites, and support expense of disaster restoration of ¥115 million.

i) Income before Income Taxes and Minority Interests

Income before income taxes and minority interests decreased 1.2% to ¥27,844 million from ¥28,178 million in the previous fiscal year.

The pretax profit margin consequently decreased to 15.4% from 15.8% in the previous fiscal year.

j) Net Income

After deducting income taxes and income from minority interests, Kurita earned net income of ¥17,138 million for the fiscal year ended March 31, 2011, a 0.9% decrease from ¥17,288 million in the previous fiscal year.

Net income per share decreased to ¥134.02 from ¥134.38 in the previous fiscal year, and the net margin fell to 9.5% from 9.7% in the previous fiscal year.

Return on equity decreased to 8.8% from 9.3% in the previous fiscal year.

k) Returns to Shareholders

Kurita's basic policy is to pay stable dividends on an ongoing basis. Kurita strives to increase its dividends, taking into consideration earnings performance and investment in its businesses.

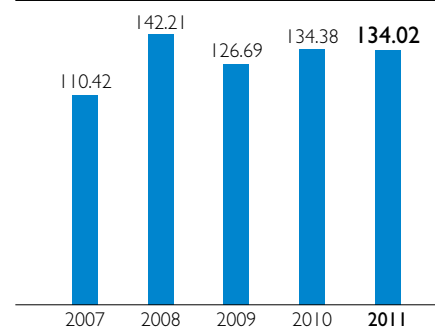
In light of future business prospects and to reward shareholders for their support, Kurita paid an annual dividend of ¥38 per share (of which ¥19 per share was an interim dividend), an increase of ¥2 per share versus the previous fiscal year's ¥36 per share (of which ¥17 per share was an interim dividend).

The Company decided to acquire a portion of its own stock with the aim of improving capital efficiency and ensuring a flexible capital strategy. Between November 8, 2010 and December 22, 2010, the Company acquired 1,988,400 shares of its own stock at a cost of ¥4,776 million. The acquired shares represented 1.55% of the total issued shares of the Company, excluding treasury stock.

Net Income per Share

Years ended March 31

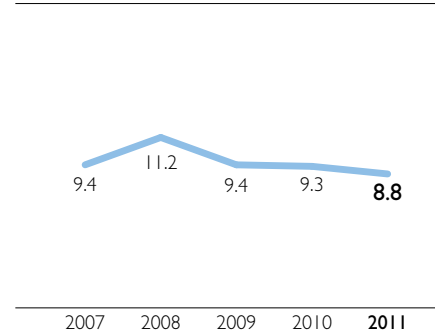
(Yen)



Return on Equity

Years ended March 31

(%)

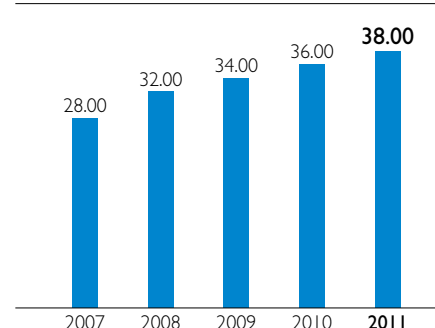


Note: Return on equity = Net income ÷ Equity (Average) × 100

Dividends per Share

Years ended March 31

(Yen)



Capital Expenditures

The Kurita Group is committed to making necessary investments in technological innovation, expansion of production capacity, and competitiveness enhancement in response to intensification of sales competition. In the year ended March 31, 2011, Capital expenditures totaled ¥5,965 million, a decrease of ¥2,118 million year on year (Leased assets and leased obligations were included for transactions for finance leases which do not transfer ownership).

The Water Treatment Chemicals segment invested a total of ¥1,183 million in assets, an increase of ¥32 million from the previous fiscal year. Most of this was for new installation and overhaul of chemical production equipment.

The Water Treatment Facilities segment invested a total of ¥4,781 million in assets, primarily to newly install and expand facilities for the ultrapure water supply business. This was a substantial ¥2,150 million decline from the previous fiscal year.

Depreciation and amortization increased 3.5% year on year to ¥16,066 million in the year ended March 31, 2011, reflecting an increase in depreciation on facilities for the ultrapure water supply business.

Research and Development

Kurita conducts R&D through its Research and Development Division. In the year ended March 31, 2011, total R&D expenses increased 5.9% to ¥4,225 million, equivalent to 2.3% of net sales. The Kurita Group employs approximately 150 R&D personnel, equivalent to 3.3% of its total workforce (4,490 personnel on a consolidated basis).

The Water Treatment Chemicals segment's R&D activities predominantly involved developing chemicals that help customers improve energy efficiency, reduce their environmental impact, and boost productivity. Other developments include technologies for systems that monitor water treatment effectiveness. The segment's R&D expenses for the fiscal year ended March 31, 2011 totaled ¥1,285 million, a 15.4% increase versus the previous fiscal year.

In the Water Treatment Facilities segment, Kurita endeavored to further improve ultrapure water quality and develop wastewater treatment and soil remediation technologies in anticipation of future environmental regulations. Kurita also endeavored to develop technologies conducive to a recycling-based economy, such as wastewater reclamation for reuse and sludge volume reduction. Segment R&D expenses totaled ¥2,940 million, a 2.3% increase versus the previous fiscal year.

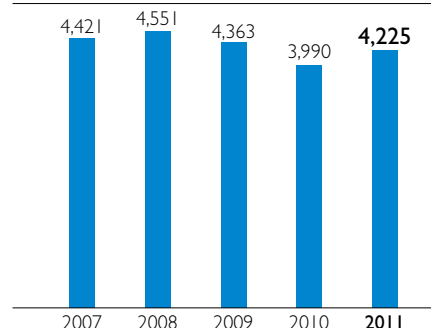
Capital Expenditures and Depreciation and Amortization

Years ended March 31 (Millions of yen)



R&D Expenses

Years ended March 31 (Millions of yen)



Financial Position

a) Total Assets

At March 31, 2011, Kurita had total assets of ¥253,298 million, an increase of ¥1,678 million from ¥251,620 million at March 31, 2010.

Current Assets

Current assets at March 31, 2011 totaled ¥117,852 million, an increase of ¥8,555 million from ¥109,297 million at March 31, 2010.

The increase was mainly due to an increase of ¥18,710 million in cash and time deposits, which was partially offset by declines of ¥2,128 million in notes and accounts receivable, trade and ¥8,500 million in marketable securities.

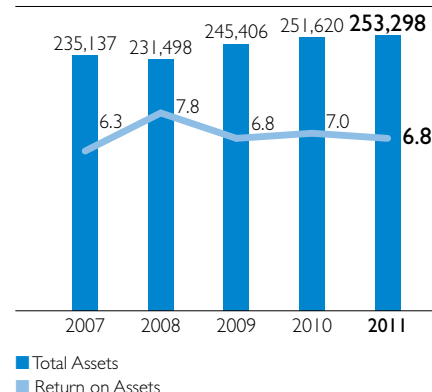
Property, Plant and Equipment, Intangible Assets, and Investments and Long-term Receivables

At March 31, 2011, property, plant and equipment totaled ¥106,608 million, a decrease of ¥9,892 million from ¥116,500 million at March 31, 2010. This occurred because depreciation on facilities for the ultrapure water supply business for which capital expenditures were made up until the previous fiscal year exceeded capital expenditures in the year under review.

Investments and long-term receivables were ¥26,897 million at March 31, 2011, an increase of ¥3,248 million from ¥23,649 million a year earlier. The increase was mainly attributable to an increase in investment securities.

Total Assets and Return on Assets

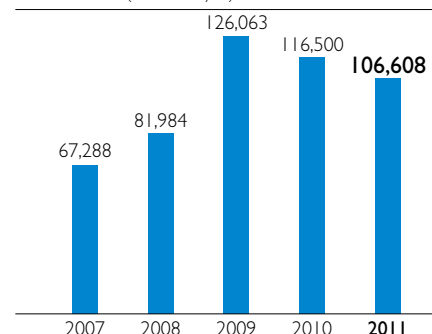
As of March 31 (Millions of yen)



Note: Return on assets = Net income ÷ Total assets (Average) × 100

Property, Plant and Equipment, net

As of March 31 (Millions of yen)



b) Liabilities

At March 31, 2011, liabilities totaled ¥53,946 million, a decrease of ¥3,734 million from ¥57,680 million at March 31, 2010.

Current liabilities

Current liabilities at March 31, 2011 were ¥34,771 million, a decrease of ¥3,821 million from ¥38,592 million at March 31, 2010. The decrease was mainly due to a ¥2,304 million decline in accounts payable, other and a ¥1,804 million decline in income taxes payable. The decrease in accounts payable, other was due to payment of consumption taxes, while the decrease in income taxes payable resulted from the payment of annual and interim income taxes.

Long-term Liabilities

Long-term liabilities at March 31, 2011 were ¥19,175 million, a small increase of ¥87 million from ¥19,088 million at March 31, 2010.

c) Net Assets

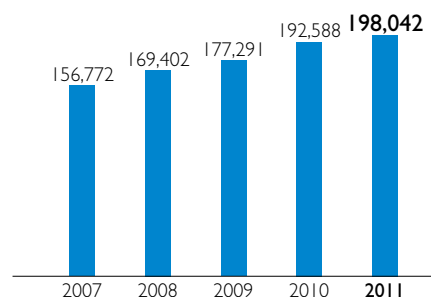
At March 31, 2011, net assets totaled ¥199,351 million, a ¥5,412 million increase from ¥193,939 million at March 31, 2010. The change mainly reflects a ¥12,237 million increase in retained earnings due to positive net income for the fiscal year. This increase was partially offset by a ¥4,785 million increase in treasury stock due to open market repurchases, dividend payments made from retained earnings and a decrease in total accumulated other comprehensive income due to a decrease in unrealized gains on available-for-sale securities reflecting a drop in the market prices of investment securities held by the Group. At March 31, 2011, Kurita had an equity ratio of 78.2%, up 1.7 percentage points from 76.5% a year earlier.

Equity per share at March 31, 2011 was ¥1,563.57, an increase of ¥66.59 from ¥1,496.98 a year earlier.

*Equity is defined as net assets less minority interests.

Equity

As of March 31 (Millions of yen)



Cash Flows

Cash Flows from Operating Activities

Net cash provided by operating activities was ¥29,796 million in the fiscal year ended March 31, 2011, a decrease of ¥13,848 million versus the previous fiscal year. This primarily reflects a net inflow comprising income before income taxes and minority interests of ¥27,844 million, ¥16,066 million in depreciation and amortization, and a ¥1,213 million decrease in trade receivables, which was partially offset by income taxes paid in the amount of ¥13,371 million.

The main reasons for the drop in cash flow from operating activities of ¥13,848 were a decline of ¥2,260 million in cash flow from the decrease in trade receivables, an increase in outflows for increase in inventories of ¥2,655 million, a change of ¥3,375 million from an increase in other liability to a decrease in other liability due to an increase in payments of consumption taxes and other items, and an increase in income taxes paid of ¥5,162 million.

Cash Flows from Investing Activities

Investing activities used net cash of ¥30,169 million, a decrease of ¥14,181 million versus the previous fiscal year. This primarily reflects an increase in time deposits, net of ¥23,987 million and outflows totaling ¥6,014 million for the payments for purchase of property, plant and equipment, mainly for the ultrapure water supply business. The net result of payments for purchase, and proceeds from sale and redemptions of marketable securities and investment securities resulted in a small inflow of ¥240 million.

The main reason for the ¥14,181 million decline in outflows was a change of ¥24,758 million from a decrease in time deposits, net to an increase in time deposits, net, while the net result of payments for purchase, and proceeds from sale and redemptions of marketable securities and investment securities changed by ¥25,478 million from a net outflow to a net inflow, and the outflows for payments for purchase of property, plant and equipment, such as facilities for the ultrapure water supply business, declined by ¥13,264 million.

Cash Flows from Financing Activities

Financing activities used net cash of ¥9,032 million, an increase of ¥4,173 million versus the previous fiscal year. The main use of cash was ¥4,886 million in cash dividends paid and ¥4,784 million in payments for purchase of treasury stock, net.

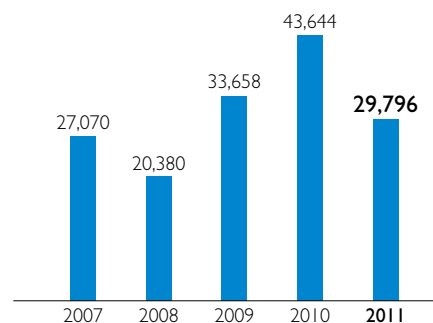
The main reason for the ¥4,173 million increase in outflows was the increase of ¥4,776 million in cash used for payments for purchase of treasury stock, net.

Cash and Cash Equivalents' Ending Balance (on a consolidated basis)

At March 31, 2011, Kurita had cash and cash equivalents totaling ¥10,834 million, a decrease of ¥9,756 million versus March 31, 2010.

Cash Flows from Operating Activities

Years ended March 31 (Millions of yen)



Business Risks

The following are summaries of major foreseeable risks present in the business environments in which the Kurita Group operates. Forward-looking statements herein are based on judgments made by management as of March 31, 2011.

1. Economic and Market Conditions

The Group's Water Treatment Chemicals and Water Treatment Facilities businesses are affected by economic conditions in Japan and countries and regions outside Japan where the Group operates. Demand in the Water Treatment Chemicals business fluctuates in response to factory capacity utilization rates in industries such as steel, petroleum refining and petrochemicals, and pulp and paper—the main areas of demand for the business. Such demand fluctuations may affect the Group's financial results. Demand in the Water Treatment Facilities business fluctuates in response to trends in capital expenditure in electronics—the main areas of demand for the business—and other industries. Such demand fluctuations may affect the Group's financial results.

More intense competition with rivals in the Group's business domains could lead to declines in prices of products and services, which could lower the Group's profitability.

2. Materials and Parts Procurement

The Group procures raw materials and parts from outside the Group for the manufacture of products and fabrication of facilities. The prices of raw materials and parts fluctuate based on changes in market conditions, and this may affect the Group's financial results.

3. Overseas Business Development

The Group is striving to expand its business outside Japan. In contrast to the Japanese market, doing business in overseas markets involves a number of inherent, unforeseen risks, including the risk of changes to local laws and regulations, the risk of political and economic instability, and the risk of foreign exchange rate fluctuations. If such risks materialized, the Group's financial results could be affected.

4. New Product Development

The Group continuously endeavors to develop new technology and appealing new products.

The success of new technology and product development efforts cannot be guaranteed. The Group may not be able to offer new technologies and products that meet the needs of its customers or launch new products in a timely fashion. The Group may also fail to keep pace with rapid changes in technological innovation and changing customer needs. If the Group were to fail to develop appealing new products, this could hamper its future growth and profitability or otherwise affect its financial results.

5. Intellectual Property

The Group recognizes the importance of intellectual property and continually seeks to register its own intellectual property while avoiding infringing the intellectual property rights of third parties, both in Japan and overseas. Given the wide scope of the Group's business, however, there is potential for the Group's intellectual property rights to be infringed and potential for the Group to infringe the rights of third parties. Such occurrences may affect the Group's financial results.

6. Dependence on Information Systems

The Group's use of information systems is increasing, as is the importance of information systems to the Group's business. If a computer virus or some other factor were to obstruct the functions of the Group's information systems, the Group's business activities, financial results, and financial condition could be negatively affected.

7. Large-Scale Natural Disasters

If an earthquake, typhoon, or other kind of natural disaster were to directly or indirectly upset the Group's business execution, the Group's business activities, financial results, and financial condition could be negatively affected.

CONSOLIDATED BALANCE SHEETS

Kurita Water Industries Ltd. and Consolidated Subsidiaries
As of March 31, 2011 and 2010

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2011	2010	2011
Assets			
Current assets:			
Cash and time deposits (Notes 3 and 4)	¥ 35,073	¥ 16,363	\$ 422,567
Notes and accounts receivable, trade (Note 4)	53,241	55,369	641,463
Allowance for doubtful accounts	(40)	(132)	(491)
Marketable securities (Notes 4 and 5)	20,000	28,500	240,963
Inventories (Note 6)	5,480	5,121	66,028
Deferred tax assets (Note 8)	2,312	2,463	27,857
Other current assets	1,785	1,611	21,516
Total current assets	117,852	109,297	1,419,905
Investments and long-term receivables:			
Investment securities (Notes 4 and 5)	15,987	14,443	192,616
Investments in unconsolidated subsidiaries and affiliates	1,070	1,299	12,898
Deferred tax assets (Note 8)	8,306	6,184	100,078
Other investments	1,717	1,926	20,694
Allowance for doubtful accounts	(184)	(205)	(2,220)
Total investments and long-term receivables	26,897	23,649	324,067
Property, Plant and Equipment, at cost:			
Land (Note 11)	14,072	13,981	169,546
Buildings and structures	64,296	64,101	774,657
Machinery and equipment	86,962	80,472	1,047,738
Construction in progress	3,001	5,273	36,164
Other facilities	11,158	11,042	134,438
Leased assets	7,668	7,599	92,386
Total	187,159	182,471	2,254,931
Accumulated depreciation	(80,550)	(65,971)	(970,488)
Property, plant and equipment, net	106,608	116,500	1,284,443
Intangible assets	1,939	2,173	23,373
Total assets	¥253,298	¥251,620	\$3,051,790

The accompanying notes are an integral part of these statements.

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2011	2010	2011
Liabilities and Net Assets			
Current liabilities:			
Short-term borrowings and current portion of long-term liabilities (Note 7)	¥ 1,607	¥ 520	\$ 19,363
Notes and accounts payable, trade (Note 4)	16,460	16,830	198,321
Accounts payable, other	4,785	7,089	57,651
Income taxes payable	5,626	7,430	67,794
Advances received	1,057	1,955	12,742
Accrued employees' bonuses	2,336	2,377	28,152
Provision for product warranties	927	546	11,172
Other current liabilities	1,969	1,841	23,730
Total current liabilities	34,771	38,592	418,928
Long-term liabilities:			
Lease obligations (Note 7)	6,535	6,925	78,738
Accrued employees' retirement benefits (Note 9)	9,936	9,465	119,716
Accrued retirement benefits for directors and corporate auditors	440	449	5,302
Deferred tax liabilities on revaluation of land (Note 11)	1,509	1,509	18,190
Other long-term liabilities (Note 7)	754	737	9,086
Total long-term liabilities	19,175	19,088	231,034
Total liabilities	53,946	57,680	649,963
Net assets:			
Shareholders' equity (Note 10):			
Common stock, 2011 and 2010			
Authorized: 531,000,000 shares			
Issued: 2011—132,800,256 shares			
2010—132,800,256 shares	13,450	13,450	162,057
Capital surplus	11,426	11,426	137,672
Retained earnings	184,954	172,717	2,228,362
Treasury stock, at cost			
2011—6,139,744 shares			
2010—4,148,311 shares	(9,640)	(4,855)	(116,147)
Total shareholders' equity	200,191	192,738	2,411,944
Accumulated other comprehensive income:			
Unrealized gains on available-for-sale securities	623	1,989	7,506
Unrealized losses on revaluation of land (Note 11)	(764)	(764)	(9,213)
Foreign currency translation adjustments	(2,006)	(1,374)	(24,177)
Total accumulated other comprehensive income	(2,148)	(149)	(25,885)
Minority interests	1,308	1,350	15,767
Total net assets	199,351	193,939	2,401,826
Liabilities and net assets	¥253,298	¥251,620	\$3,051,790

CONSOLIDATED STATEMENTS OF INCOME AND CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Kurita Water Industries Ltd. and Consolidated Subsidiaries
For the years ended March 31, 2011 and 2010

CONSOLIDATED STATEMENTS OF INCOME

	Millions of Yen		Thousands of U.S. dollars (Note 1)
	2011	2010	2011
Net sales (Note 13)	¥181,234	¥178,520	\$2,183,550
Cost of sales	118,573	117,221	1,428,600
Gross profit	62,660	61,299	754,949
Selling, general and administrative expenses (Note 12)	35,528	34,941	428,059
Operating income (Note 13)	27,131	26,358	326,889
Other income (expenses):			
Interest and dividend income	424	331	5,116
Interest expense	(34)	(26)	(411)
Equity in earnings of unconsolidated subsidiaries and affiliates	308	270	3,714
Gain on liquidation due to termination of contracts	—	1,507	—
Loss on disposal of properties	(28)	(253)	(343)
Loss on disaster	(124)	—	(1,504)
Support expense of disaster restoration	(115)	—	(1,395)
Other, net	282	(9)	3,405
Other income (expense), net	712	1,820	8,580
Income before income taxes and minority interests	27,844	28,178	335,470
Income taxes (Note 8):			
Current	11,653	12,197	140,406
Deferred	(1,069)	(1,379)	(12,888)
Total income taxes	10,583	10,817	127,517
Income before minority interests	17,260	17,360	207,952
Minority interests in income	121	72	1,468
Net income	¥ 17,138	¥ 17,288	\$ 206,483

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Millions of Yen		Thousands of U.S. dollars (Note 1)
	2011	2010	2011
Income before minority interests	¥17,260	¥17,360	\$207,952
Other comprehensive income:			
Unrealized gains (losses) on available-for-sale securities	(1,364)	1,817	(16,438)
Foreign currency translation adjustments	(639)	574	(7,703)
Share of other comprehensive income of associates accounted for using equity method	(46)	41	(560)
Total other comprehensive income	(2,050)	2,434	(24,702)
Comprehensive income	¥15,209	¥19,795	\$183,250
Comprehensive income attributable to			
Comprehensive income attributable to owners of parent	¥15,139	¥19,682	\$182,403
Comprehensive income attributable to minority interests	70	112	847

	Yen		U.S. dollars (Note 1)
	2011	2010	2011
Per share of common stock:			
Net income	¥134.02	¥134.38	\$1.61
Cash dividends applicable to the year	38.00	36.00	0.46

The accompanying notes are an integral part of these statements.

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

Kurita Water Industries Ltd. and Consolidated Subsidiaries
For the years ended March 31, 2011 and 2010

	Millions of yen										
	Shareholders' equity (Note 10)					Accumulated other comprehensive income					
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Unrealized gains (losses) on available-for-sale securities	Unrealized losses on revaluation of land (Note 11)	Foreign currency translation adjustments	Total accumulated other comprehensive income	Minority interests	Total net assets
Balance as of March 31, 2009	¥13,450	¥11,426	¥159,792	¥(4,847)	¥179,821	¥ 170	¥(750)	¥(1,950)	¥(2,530)	¥1,335	¥178,626
Changes during the year											
Cash dividends paid			(4,374)		(4,374)						(4,374)
Reversal of unrealized gains (losses) on revaluation of land			13		13						13
Other			(2)		(2)						(2)
Net income for the year			17,288		17,288						17,288
Acquisition of treasury stock				(8)	(8)						(8)
Net changes of net assets other than shareholders' equity						1,818	(13)	575	2,380	15	2,395
Total changes during the year	—	—	12,925	(8)	12,916	1,818	(13)	575	2,380	15	15,312
Balance as of March 31, 2010	¥13,450	¥11,426	¥172,717	¥(4,855)	¥192,738	¥ 1,989	¥(764)	¥(1,374)	¥ (149)	¥1,350	¥193,939
Changes during the year											
Cash dividends paid			(4,888)		(4,888)						(4,888)
Other			(12)		(12)						(12)
Net income for the year			17,138		17,138						17,138
Acquisition of treasury stock				(4,784)	(4,784)						(4,784)
Net changes of net assets other than shareholders' equity						(1,366)		(632)	(1,998)	(42)	(2,040)
Total changes during the year			12,236	(4,784)	7,452	(1,366)		(632)	(1,998)	(42)	5,411
Balance as of March 31, 2011	¥13,450	¥11,426	¥184,954	¥(9,640)	¥200,191	¥ 623	¥(764)	¥(2,006)	¥(2,148)	¥1,308	¥199,351

	Thousands of U.S. dollars (Note 1)										
	Shareholders' equity (Note 10)					Accumulated other comprehensive income					
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Unrealized gains (losses) on available-for-sale securities	Unrealized losses on revaluation of land (Note 11)	Foreign currency translation adjustments	Total accumulated other comprehensive income	Minority interests	Total net assets
Balance as of March 31, 2010	\$162,057	\$137,672	\$2,080,929	\$ (58,505)	\$2,322,153	\$23,966	\$ (9,213)	\$ (16,556)	\$ (1,804)	\$16,273	\$2,336,623
Changes during the year											
Cash dividends paid			(58,900)		(58,900)						(58,900)
Other			(150)		(150)						(150)
Net income for the year			206,483		206,483						206,483
Acquisition of treasury stock				(57,641)	(57,641)						(57,641)
Net changes of net assets other than shareholders' equity						(16,459)		(7,620)	(24,080)	(506)	(24,587)
Total changes during the year			147,432	(57,641)	89,791	(16,459)		(7,620)	(24,080)	(506)	65,203
Balance as of March 31, 2011	\$162,057	\$137,672	\$2,228,362	\$ (116,147)	\$2,411,944	\$ 7,506	\$ (9,213)	\$ (24,177)	\$ (25,885)	\$15,767	\$2,401,826

The accompanying notes are an integral part of these statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Kurita Water Industries Ltd. and Consolidated Subsidiaries
For the years ended March 31, 2011 and 2010

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2011	2010	2011
I. Cash flows from operating activities			
Income before income taxes and minority interests	¥ 27,844	¥ 28,178	\$ 335,470
Depreciation and amortization (Note 13)	16,066	15,523	193,571
Increase (decrease) in accrued employees' retirement benefits	455	799	5,490
Increase (decrease) in other allowances	225	(645)	2,714
Equity in earnings of unconsolidated subsidiaries and affiliates	(308)	(270)	(3,714)
Interest and dividend income	(424)	(331)	(5,116)
Interest expense	34	26	411
Loss (gain) on sales and disposal of properties	18	245	224
Changes in assets and liabilities:			
Decrease (increase) in trade receivables	1,213	3,473	14,625
Decrease (increase) in inventories	(461)	2,194	(5,565)
Increase (decrease) in trade payables	(573)	(1,936)	(6,907)
Decrease (increase) in other assets	(350)	(230)	(4,228)
Increase (decrease) in other liability	(1,430)	1,945	(17,236)
Others, net	182	(1,386)	2,195
	42,490	47,586	511,936
Interest and dividends received	703	685	8,470
Interest paid	(33)	(38)	(405)
Income taxes paid	(13,371)	(8,209)	(161,107)
Others, net	8	3,621	101
Net cash provided by operating activities	29,796	43,644	358,994
II. Cash flows from investing activities			
Decrease (increase) in time deposits, net	(23,987)	770	(289,006)
Payments for purchase of property, plant and equipment	(6,014)	(19,278)	(72,461)
Proceeds from sale of property, plant and equipment	30	56	367
Payments for purchase of marketable securities and investment securities	(68,810)	(30,108)	(829,036)
Proceeds from sale and redemption of marketable securities and investment securities	69,050	4,870	831,929
Others, net	(438)	(661)	(5,285)
Net cash used in investing activities	(30,169)	(44,350)	(363,492)
III. Cash flows from financing activities			
Increase (decrease) in short-term borrowings, net	1,183	67	14,254
Cash dividends paid	(4,886)	(4,369)	(58,872)
Cash dividends paid to minority shareholders of consolidated subsidiaries	(64)	(96)	(771)
Payments for lease obligations	(480)	(451)	(5,792)
Payments for purchase of treasury stock, net	(4,784)	(8)	(57,641)
Net cash used in financing activities	(9,032)	(4,859)	(108,822)
IV. Effect of exchange rate changes on cash and cash equivalents	(397)	832	(4,787)
V. Net decrease in cash and cash equivalents	(9,802)	(4,732)	(118,107)
VI. Cash and cash equivalents at beginning of year	20,590	25,262	248,080
VII. Cash and cash equivalents of newly consolidated subsidiaries, net of excluded subsidiaries from consolidation	46	60	560
VIII. Cash and cash equivalents at end of year (Note 3)	¥ 10,834	¥ 20,590	\$ 130,532

The accompanying notes are an integral part of these statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Kurita Water Industries Ltd. and Consolidated Subsidiaries.

I. Basis of presentation of consolidated financial statements

Kurita Water Industries Ltd. (the "Company") and its domestic subsidiaries maintain their books of account and prepare their financial statements in accordance with accounting principles and practices generally accepted in Japan, while its foreign subsidiaries maintain their books of account and prepare their financial statements in conformity with those of the countries of their domicile. Certain accounting principles and practices generally accepted in Japan are different from International Financial Reporting Standards and standards in other countries in certain respects as to application and disclosure requirements. Accordingly, the accompanying consolidated financial statements are intended for use by those who are informed about Japanese accounting principles and practices.

The Company's consolidated financial statements, prepared in accordance with accounting principles and practices generally accepted in Japan, were originally filed with the Japanese Ministry of Finance and the Tokyo Stock Exchange as required by the Financial Instruments and Exchange Law of Japan.

Certain reclassifications of accounts and modifications have been made in the accompanying consolidated financial statements to facilitate understanding by readers outside Japan. In addition, certain reclassifications have been made in the 2010 financial statements to conform to the classification used in 2011.

All figures in the consolidated financial statements and notes are stated in millions of Japanese yen by discarding fractional amounts of less than ¥1 million. As a result, the totals shown in the consolidated financial statements and notes in yen do not necessarily agree with the sum of the individual amounts.

The translation of yen amounts as of or for the year ended March 31, 2011 into U.S. dollars is included solely for the convenience of readers and has been made, as a matter of arithmetical computation only, at the rate of ¥83 to US\$1, the prevailing rate on the Tokyo Foreign Exchange Market on March 31, 2011. The translation should not be construed as a representation that yen amounts have been, could have been or could in the future be converted into U.S. dollars at the above or any other rate.

2. Significant accounting policies

(I) Consolidation

Scope of consolidation

The consolidated financial statements included the accounts of the Company and its significant subsidiaries (together, the "Group"). For the years ended March 31, 2011 and 2010, 37 subsidiaries were consolidated, respectively.

Under the control concept, those companies in which the Company, directly or indirectly, is able to exercise control over operations are fully consolidated.

All significant inter-company transactions and balances have been eliminated in consolidation.

Names of principal consolidated subsidiaries:

Kuritaz Co., Ltd.

Kurita Engineering Co., Ltd.

Kuritec Service Co. Ltd.

Kurita Chemical Manufacturing Ltd.

In the year ended March 31, 2011, Kurita Chemical Hokuriku Co., Ltd., which increased its materiality, was newly consolidated, and one foreign subsidiary, which was liquidated, was excluded from consolidation.

Fiscal years of consolidated subsidiaries

The fiscal years of Kurita (Singapore) Pte. Ltd. and 12 other consolidated subsidiaries (14 in 2010) end on December 31. For these consolidated subsidiaries, the financial statements as of December 31 were used for consolidation purposes. However, material transactions that have occurred during the three-month period from January 1 to March 31 of the following year have been adjusted as necessary for consolidation.

Amortization of goodwill

Goodwill is amortized using the straight-line method over practically estimated effective years where applicable, or otherwise, three years, except for minor amounts that are charged to income in the period of acquisition.

(2) Equity method

Scope of equity method application

Under the influence concept, significant investments in unconsolidated subsidiaries and affiliates over which the Company has the ability to exercise significant influence with regard to the operating and financial policies of the investees are accounted for by the equity method. For the years ended March 31, 2011 and 2010, 3 companies were accounted for by the equity method.

Name of principal company applying the equity method:

Kurita Sogo Service Co., Ltd.

Investments in the remaining unconsolidated subsidiaries and affiliates were stated at cost. If the equity method of accounting had been applied to the investments in these companies, the effect on the accompanying consolidated financial statements would not be material.

Fiscal years of companies accounted for by the equity method

Adjustments were made to the financial statements of the companies accounted for by the equity method whose fiscal year-ends were not identical to the Company.

(3) Cash and cash equivalents

Cash and cash equivalents in the consolidated statements of cash flows are composed of cash on hand, readily available bank deposits, and short-term investments with an original maturity of three months or less and subject to a minor risk of fluctuations in value.

(4) Available-for-sale securities

Available-for-sale securities that have available fair values are stated at fair value at the balance sheet date, with resulting unrealized holding gains and losses reported as a separate component of net assets. Available-for-sale securities with no available fair values are stated at cost computed by the moving-average method. The cost of sold securities is computed by the moving-average method.

(5) Inventories

Inventories held for sale in the ordinary course of business are stated at the lower of cost determined by the moving average method, except for work in process determined by the specific-identification method, or net selling value.

(6) Derivative transactions

Derivative transactions utilized by the Group are composed of only forward currency contracts entered into when necessary to hedge the risk, as the Company maintains the policy not to engage in speculative transactions. The Company believes that the risk of counterparty default is negligible because its forward currency contracts are entered into only with banks with high credit ratings. In addition, transactions in forward currency contracts are executed and managed by the finance and accounting department on a contract-by-contract basis after they have been approved by prescribed internal procedures.

(7) Depreciation of property, plant and equipment

Property, plant and equipment is depreciated by the declining-balance method for the Company and its domestic consolidated subsidiaries, except for buildings (other than building equipment) acquired on and

after April 1, 1998, and ultrapure water supply equipment located at the clients' sites, for which the straight-line method is applied. The straight-line method is applied by foreign consolidated subsidiaries.

The estimated useful lives of these assets are as follows:

Buildings and structures 2–65 years

Machinery and equipment 4–10 years

(8) Impairment of long-lived assets

The Company reviews its long-lived assets for impairment in accordance with the accounting standards for impairment of fixed assets whenever events or changes in circumstances indicate the carrying amount of an asset or asset group may not be recoverable. An impairment loss would be recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group. The impairment loss would be measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or the net selling price at disposition.

(9) Accrued employees' bonuses

The Company and its domestic consolidated subsidiaries accrue the amount of employees' bonuses based on the anticipated bonus payments to employees.

(10) Accrued employees' retirement benefits

Accrued employees' retirement benefits are recorded based on the estimated amount of projected benefit obligation at the balance sheet date by the Company, certain of its domestic consolidated subsidiaries and certain consolidated foreign subsidiaries, and based on the estimated amounts of projected benefit obligation and pension plan assets, at the balance sheet date by other domestic consolidated subsidiaries. Actuarial differences are subject to amortization over a period of 1–2 years from the year when they are incurred.

(11) Leases

Finance leases which do not transfer ownership are capitalized to recognize leased assets and lease obligations in the consolidated balance sheets. Leased assets are depreciated using the straight-line method over the respective lease periods without residual value.

(12) Consumption taxes

Consumption taxes are accounted for separately from transaction prices and are not reflected in the consolidated statements of income.

(13) Construction contracts

The percentage-of-completion method has been applied to the contracts if the outcome of the construction activity is deemed certain for the percentage of performance of the contractor's obligation at the end of the balance sheet date and otherwise, the completed-contract method is applied. The percentage of completion is determined using the cost incurred to the estimated total cost.

(14) Foreign currency translation

Monetary receivables and payables denominated in foreign currency are translated using the spot exchange rate prevailing at the balance sheet date, and the differences are charged to income as foreign exchange gains or losses.

Foreign subsidiaries' assets and liabilities are translated using the spot exchange rate at their balance sheet date, and their income and expenses are translated using the average exchange rate during the year.

The translation differences are recorded in “Foreign currency translation adjustments” and “Minority interests” in net assets.

(15) Appropriation of retained earnings

The accompanying consolidated statements of changes in net assets reflect the appropriations of retained earnings of the Company in the fiscal year in which the appropriations are approved at the general shareholders’ meeting.

(16) Earnings per share

Earnings per share are computed using the weighted-average number of common shares outstanding.

(17) Additional information

Effective the fiscal year ended March 31, 2011, the Group adopted the “Accounting Standard for Presentation of Comprehensive Income” (ASBJ Statement No. 25, June 30, 2010). The amounts of “Valuation and translation adjustments” and “Total valuation and translation adjustments” of the previous fiscal year are shown as those of “Accumulated other comprehensive income” and “Total accumulated other comprehensive income.”

3. Reconciliation between cash and cash equivalents

The reconciliation between the fiscal year-end cash and cash equivalents (See Note 2 (3)) in the consolidated statements of cash flows and cash and time deposits in the consolidated balance sheet items is as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
For the years ended March 31	2011	2010	2011
Cash and time deposits	¥ 35,073	¥16,363	\$ 422,567
Time deposits with original maturity of more than three months	(24,238)	(272)	(292,035)
Certificates of deposits included in marketable securities, excluding deposits maturing over three months	—	4,500	—
Cash and cash equivalents	¥ 10,834	¥20,590	\$ 130,532

4. Financial instruments and related disclosures

On March 10, 2008, the ASBJ revised ASBJ Statement No. 10 “Accounting Standard for Financial Instruments” and issued ASBJ Guidance No. 19 “Guidance on Accounting Standard for Financial Instruments and Related Disclosures.” The Company applied the revised accounting standard and the new guidance effective March 31, 2010.

(1) Policy for financial instruments

The Group invests its funds in low risk financial assets (deposits, etc.) in principle. The Group finances its working fund and capital investment fund internally and does not need external funds, but may raise necessary funds from external resources in case of special demand for significant capital investment, if any. In such cases, financing from external resources would be possible without any problem thanks to our sound financial position. With respect to derivatives, only forward foreign currency contracts are used if necessary to avoid foreign exchange risk, and not for speculative purposes.

(2) Nature of financial instruments and their related risks

Trade receivables such as notes and accounts are exposed to customer credit risk. Certain trade receivables denominated in foreign currencies arising from overseas operations are exposed to the market risk of fluctuation in foreign currency exchange rates.

Marketable securities and investment securities are exposed to the risk of market price fluctuations and business risk of the investees.

Payment terms of trade payables such as notes and accounts are mostly less than one year. Lease obligations under finance lease transactions are mainly related to ultrapure water supply business and its payment term is 18 years (19 in 2010) later at maximum.

(3) Risk management system for financial instruments

Credit risk management (customers' default risk):

The Company manages its credit risk involved in trade receivables based on the Credit Control Policy and Manual. The Control Division of each business unit and the Legal Department are collecting credit information on a regular basis and control the payment terms and outstanding balances by customer; and the Company is making efforts to prevent them from damages and to improve the soundness of the transactions by monitoring the default risk of customers due to the deterioration of their financial position at an early stage. The consolidated subsidiaries are also making efforts to reduce credit risk by controlling payment terms and outstanding balances of customers. Counterparties of forward foreign currency contracts to be used to avoid foreign exchange risk when necessary are limited to high-credit-rating financial institutions and accordingly, we believe there is very little credit risk.

Market risk management (foreign exchange risk and interest rate risk):

The Company and certain consolidated subsidiaries utilize forward foreign currency contracts to hedge the market risk of fluctuations in foreign exchange rates involved in trade receivables and payables by currency and by month. Forward foreign currency contracts are executed and controlled by the Finance Department after the individual contract is approved in accordance with the predetermined rule.

Liquidity risk management (risk that the Company may not be able to settle on the payment due date):

The Finance Departments of the Company and its consolidated subsidiaries prepare and update the fund management plan every month based on reports from each business unit and hold a sufficient amount of liquidity in hand and manage the liquidity risk.

Carrying amounts, fair values and unrealized gain (loss) of financial instruments at March 31, 2011 and 2010 are as follows (financial instruments whose fair values cannot be reliably determined are not included in the following table):

At March 31, 2011	Millions of yen		
	Carrying amount	Fair value	Unrealized gain/loss
Cash and time deposits	¥ 35,073	¥ 35,073	¥—
Notes and accounts receivable	53,241	53,241	—
Marketable securities and investment securities			
Available-for-sale securities	35,897	35,897	—
Total assets	124,211	124,211	—
Notes and accounts payable	16,460	16,460	—
Total liabilities	¥ 16,460	¥ 16,460	¥—

	Thousands of U.S. dollars (Note 1)		
	Carrying amount	Fair value	Unrealized gain/loss
At March 31, 2011			
Cash and time deposits	\$ 422,567	\$ 422,567	\$—
Notes and accounts receivable	641,463	641,463	—
Marketable securities and investment securities			
Available-for-sale securities	432,495	432,495	—
Total assets	1,496,526	1,496,526	—
Notes and accounts payable	198,321	198,321	—
Total liabilities	\$ 198,321	\$ 198,321	\$—

	Millions of yen		
	Carrying amount	Fair value	Unrealized gain/loss
At March 31, 2010			
Cash and time deposits	¥ 16,363	¥ 16,363	¥—
Notes and accounts receivable	55,369	55,369	—
Marketable securities and investment securities			
Available-for-sale securities	42,603	42,603	—
Total assets	114,337	114,337	—
Notes and accounts payable	16,830	16,830	—
Total liabilities	¥ 16,830	¥ 16,830	¥—

Notes:

1. Computation method of fair values

Cash and time deposits and notes and accounts receivable:

Fair values approximate carrying amounts because of their short maturities.

Marketable securities and investment securities:

Fair values approximate carrying amounts because of their short maturities since marketable securities consist of certificates of deposits. Fair values of investment securities are determined based on the quoted market price of the stock exchange.

Notes payable and accounts:

Fair values approximate carrying amounts because of short maturities.

2. Financial instruments whose fair values cannot be reliably determined are as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2011	2010	2011
Unlisted equity securities	¥90	¥340	\$1,084

These securities are not included in above "Marketable securities and investment securities" since their fair values cannot be reliably determined.

3. Maturities of monetary receivables and securities after the balance sheet date

	Millions of yen			
	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
Year Ending March 31, 2011				
Deposits	¥ 35,033	¥—	¥—	¥—
Notes and accounts receivable	53,241	—	—	—
Marketable securities and investment securities				
Available-for-sale securities with maturities (Certificates of deposits)	20,000	—	—	—
Total	¥108,275	¥—	¥—	¥—

	Thousands of U.S. dollars (Note 1)			
	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
Year Ending March 31, 2011				
Deposits	\$ 422,091	\$—	\$—	\$—
Notes and accounts receivable	641,463	—	—	—
Marketable securities and investment securities				
Available-for-sale securities with maturities (Certificates of deposits)	240,963	—	—	—
Total	\$1,304,519	\$—	\$—	\$—

5. Marketable securities and investment in securities

(1) Available-for-sale securities with fair value at March 31, 2011 and 2010 are summarized as follows:

At March 31, 2011	Millions of yen		
	Carrying amount	Acquisition cost	Difference
Carrying amount exceeding acquisition cost:			
Stocks	¥ 7,197	¥ 5,076	¥ 2,121
Bonds:			
Corporate bonds	—	—	—
Other	—	—	—
Subtotal	7,197	5,076	2,121
Carrying amount not exceeding acquisition cost:			
Stocks	8,699	10,024	(1,325)
Bonds:			
Corporate bonds	—	—	—
Other	—	—	—
Subtotal	8,699	10,024	(1,325)
Total	¥15,897	¥15,100	¥ 796

At March 31, 2010	Millions of yen		
	Carrying amount	Acquisition cost	Difference
Carrying amount exceeding acquisition cost:			
Stocks	¥10,839	¥ 7,413	¥3,425
Bonds:			
Corporate bonds	—	—	—
Other	—	—	—
Subtotal	10,839	7,413	3,425
Carrying amount not exceeding acquisition cost:			
Stocks	3,264	3,657	(392)
Bonds:			
Corporate bonds	—	—	—
Other	—	—	—
Subtotal	3,264	3,657	(392)
Total	¥14,103	¥11,071	¥3,032

At March 31, 2011	Thousands of U.S. dollars (Note 1)		
	Carrying amount	Acquisition cost	Difference
Carrying amount exceeding acquisition cost:			
Stocks	\$ 86,722	\$ 61,156	\$ 25,565
Bonds:			
Corporate bonds	—	—	—
Other	—	—	—
Subtotal	86,722	61,156	25,565
Carrying amount not exceeding acquisition cost:			
Stocks	104,809	120,780	(15,970)
Bonds:			
Corporate bonds	—	—	—
Other	—	—	—
Subtotal	104,809	120,780	(15,970)
Total	\$191,531	\$181,936	\$ 9,594

(2) Available-for-sale securities sold during the years ended March 31, 2011 and 2010 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2011	2010	2011
Sales amount	¥50	¥70	\$603
Total gains on sales	26	16	324
Total losses on sales	—	0	—

6. Inventories

Inventories at March 31, 2011 and 2010 consist of the following:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2011	2010	2011
Finished products	¥1,303	¥1,334	\$15,704
Raw materials	1,533	1,186	18,473
Work in process	2,643	2,600	31,849
Total	¥5,480	¥5,121	\$66,028

7. Short-term borrowings and lease obligations

(1) Short-term borrowings and current portion of lease obligations

The short-term borrowings and current portion of lease obligations at March 31, 2011 and 2010 consist of the following:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2011	2010	2011
Short-term borrowings	¥1,128	¥ 67	\$13,594
Current portion of lease obligations	478	453	5,768
Total	¥1,607	¥520	\$19,363

The weighted-average annual interest rate of short-term borrowings for the year ended March 31, 2011 and 2010 were 3.92% and 4.37%, respectively.

(2) Lease obligations

Lease obligations at March 31, 2011 and 2010 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2011	2010	2011
Lease obligations	¥7,014	¥7,378	\$84,506
Less current portion of lease obligations	478	453	5,768
Lease obligations with maturing dates coming in 2013 and thereafter	¥6,535	¥6,925	\$78,738

Annual maturities of lease obligations at March 31, 2011 are as follows:

Years Ending March 31	Millions of yen	Thousands of U.S. dollars (Note 1)
2012	¥ 478	\$ 5,768
2013	468	5,649
2014	445	5,366
2015	387	4,670
2016 and thereafter	5,233	63,052
Total	¥7,014	\$84,506

(3) Other long-term liabilities

Other than the short-term borrowings and lease obligations described above, ¥735 million (US\$8,863 thousands) and ¥717 million of interest-bearing long-term deposits received were included in other long-term liabilities as of March 31, 2011 and 2010, respectively. The weighted-average annual interest rates for such deposits received for the years ended March 31, 2011 and 2010 were 0.36%.

8. Income taxes

Significant components of the deferred tax assets and liabilities as of March 31, 2011 and 2010 are as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2011	2010	2011
Deferred tax assets:			
Excess depreciation of property, plant and equipment	¥ 4,992	¥ 3,834	\$ 60,147
Excess provision for accrued employees' retirement benefits	3,984	3,796	48,002
Excess provision for accrued bonuses to employees	922	945	11,119
Accrued enterprise taxes not deductible	445	565	5,372
Excess provision of allowance for product warranty	362	213	4,367
Loss on revaluation of investment securities	279	277	3,367
Unrealized gain on sale of property, plant and equipment . .	214	240	2,589
Accrued retirement benefits for directors and corporate auditors	179	181	2,156
Impairment loss	169	309	2,046
Loss on revaluation of golf membership	134	134	1,616
Excess portion of design expenses	105	203	1,266
Other	824	860	9,929
Subtotal	12,614	11,562	151,982
Valuation allowance	(685)	(687)	(8,257)
Total deferred tax assets	11,929	10,875	143,724
Deferred tax liabilities:			
Capital gains on properties deferred for tax purposes	(732)	(734)	(8,829)
Estimated income taxes pertaining to retained earnings of overseas consolidated subsidiaries	(404)	(443)	(4,873)
Unrealized losses on available-for-sale securities	(173)	(1,049)	(2,086)
Total deferred tax liabilities	(1,310)	(2,227)	(15,789)
Deferred tax assets, net	¥10,618	¥ 8,648	\$127,935

A reconciliation between the normal effective statutory tax rate and the effective income tax rate as a percentage of income before income taxes and minority interests for the years ended March 31, 2011 and 2010 was as follows:

	2011	2010
Normal effective statutory tax rate	40.6%	40.6%
Expenses not deductible for income tax purposes	0.4	0.4
Reversal of deferred tax liabilities on retained earnings of foreign consolidated subsidiaries	(0.1)	(0.4)
Dividend income not taxable for income tax purposes	(0.2)	(0.2)
R&D expense tax credit	(0.8)	(0.7)
Difference in statutory tax rates of foreign subsidiaries	(0.9)	—
Other	(1.0)	(1.3)
Actual effective tax rate	38.0%	38.4%

9. Retirement benefits and pension plans

The Company and 6 domestic consolidated subsidiaries provide lump-sum retirement benefit plans and defined contribution pension plans. Other consolidated subsidiaries, 24 companies (18 domestic and 6 overseas companies) provide lump-sum retirement benefit plans (16 domestic and 4 overseas companies), qualified pension plans (2 domestic companies), and a defined contribution pension plan (2 overseas companies).

(1) Benefit obligations

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2011	2010	2011
Retirement benefit obligation	¥(19,870)	¥(19,570)	\$(239,406)
Fair value of plan assets	9,895	9,985	119,225
Unfunded retirement benefit obligations	(9,975)	(9,584)	(120,181)
Unrecognized actuarial gain	38	118	464
Unrecognized prior service cost	—	—	—
Accrued employees' retirement benefits	(9,936)	(9,465)	(119,716)
Prepaid pension cost	—	—	—
Accrued employees' retirement benefits	¥ (9,936)	¥ (9,465)	\$(119,716)

(2) Net periodic benefit costs

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2011	2010	2011
Service cost	¥ 764	¥ 877	\$ 9,204
Interest cost	149	191	1,802
Expected return on plan assets	—	—	—
Amortization of actuarial differences	280	663	3,384
Additional retirement payments	2	4	28
Loss at transition to defined contribution pension plan	0	1	0
Other	667	639	8,039
Net periodic benefit cost	¥1,864	¥2,376	\$22,459

In the above table, benefit cost incurred for the domestic consolidated subsidiaries, which use the simplified method for computing benefit obligations, is included in "Service cost," and "Other" represents contribution to the defined contribution pension plan.

(3) Assumptions to determine above obligation and cost:

	2011	2010
Periodic allocation of projected benefit obligation . . .	Equal amount over each period	Equal amount over each period
Discount rate	1.7–1.8%	1.7–1.8%
Expected rate of return on plan assets	0.5–0.7%	0.5–0.7%
Amortization period of actuarial differences	1–2 year	1–2 year

10. Shareholders' equity

Japanese companies are subject to the Companies Act. A summary of the sections of the Companies Act that affect financial statements and accounting matters is as follows:

(1) Distribution of dividends to shareholders

Under the Companies Act, if companies meet certain criteria, dividends can be paid at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders' meeting. Semiannual interim dividends may also be paid once a year upon resolution by the Board of Directors' meeting if the articles of incorporation of the company so stipulate.

The Companies Act provides certain limitations on the amounts available for dividends and/or the purchase of treasury stock. The limitation is defined as the amount available for distribution to the shareholders, and it is calculated mainly based on capital surplus other than paid-in capital, retained earnings, and treasury stock, but the amount of net assets after dividends must be maintained at no less than ¥3 million.

(2) Increases/decreases; transfer of common stock, reserve, and surplus

The Companies Act requires that an amount equal to 10% of dividends must be appropriated as a legal reserve (a component of retained earnings) or as additional paid-in capital (a component of capital surplus) depending on the equity account charged upon the payment of such dividends. However, such appropriation may not be made if the aggregate amount of legal reserve and additional paid-in capital exceeds 25% of the common stock. Under the Companies Act, this legal reserve and additional paid-in capital may be reversed without limitation.

The Companies Act also provides that common stock, legal reserve, additional paid-in capital, other capital surplus, and retained earnings can be transferred among the accounts under certain conditions upon resolution of the shareholders.

(3) Treasury stock

The Companies Act provides that companies may purchase, hold or dispose of such treasury stock by resolution of the Board of Directors' meetings. The amount of treasury stock purchased cannot exceed the amount available for distribution to the shareholders which is determined by a specific formula.

11. Unrealized gains on revaluation of land

The Company implemented a revaluation of land for business use in accordance with the Land Revaluation Law (enacted on March 31, 1998). The revaluation difference, net of taxes is stated as "Unrealized gains (losses) on revaluation of land" in the valuation and translation account in net assets. The tax equivalent is stated as deferred tax assets or liabilities in long-term liabilities.

When any revaluated land is sold, the related unrealized gain or loss on revaluation of land is transferred to retained earnings.

Revaluation method: The revaluation of land was computed in accordance with Article Two, Item One of the Land Revaluation Law Enforcement Order.

Revaluation date: March 31, 2002

12. Selling, general and administrative expenses

Selling, general and administrative expenses for the years ended March 31, 2011 and 2010 consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2011	2010	2011
Salaries and allowances	¥13,986	¥13,127	\$168,511
Provision for employees' bonuses	1,356	1,492	16,340
Retirement benefit expenses	1,033	1,415	12,457
Travel expenses	2,468	2,379	29,738
Research and development expenses	4,225	3,990	50,910
Other	12,458	12,535	150,100
Total	¥35,528	¥34,941	\$428,059

13. Segment information

Effective the fiscal year ended March 31, 2011, the Company adopted the "Revised Accounting Standard for Disclosures about Segments of an Enterprise and Related Information" (ASBJ Statement No. 17, revised March 27, 2009) and its accompanying "Guidance on the Accounting Standard for Disclosures about Segments of an Enterprise and Related Information" (ASBJ Guidance No. 20, March 21, 2008).

For the year ended March 31, 2011

(1) Overview of reportable segments

The Company's reportable segments are the components of the Company about which separate financial information is available. These segments are subject to periodic examinations to enable the Company's Board of Directors to decide how to allocate resources and assess performance.

The Company's business divisions are based on product and service categories. Each of the divisions conducts business based on comprehensive strategies formulated for the products and services that they handle in domestic and overseas markets. The Company's consolidated subsidiaries conduct business under the relevant business divisions' supervision.

The Group's operations are therefore segmented based on the products and services handled by each of the divisions. The Company's reportable segments correspond to the segments it has used thus far, namely the Water Treatment Chemicals segment and Water Treatment Facilities segment.

The Water Treatment Chemicals segment manufactures and sells water treatment chemicals and equipment and provides maintenance services. The Water Treatment Facilities segment manufactures and sells water treatment equipment and facilities, provides ultrapure water, chemical cleaning, tool cleaning, soil and groundwater remediation services, and provides maintenance services that encompass operation, maintenance, and management of water treatment facilities.

(2) Accounting methods used to calculate sales, income, assets, liabilities, and other amounts by reportable segment

The accounting treatment and methods for the reportable segments are largely consistent with the Notes to the Consolidated Financial Statements. The segment income item represents figures for operating income. Intersegment transactions are measured based on prices that reflect actual market conditions, while inter-division sales at the Company are primarily based on cost.

The segment information of the Company and its consolidated subsidiaries for the years ended March, 31 2011 is outlined as follows:

Millions of yen					
Year ended March 31, 2011	Reportable segments			Adjustments	Consolidated
	Water Treatment Chemicals	Water Treatment Facilities	Total		
Sales					
1) Sales to outside customers	¥56,735	¥124,499	¥181,234	¥ —	¥181,234
2) Intersegment sales	349	180	530	(530)	—
Total	¥57,084	¥124,680	¥181,764	¥ (530)	¥181,234
Segment income	¥10,099	¥ 17,032	¥ 27,131	¥ 0	¥ 27,131
Segment assets	36,444	158,414	194,859	58,439	253,298
Segment liabilities	16,919	37,155	54,075	(128)	53,946
Other items					
Depreciation and amortization .	1,539	14,527	16,066	—	16,066
Increase in property, plant and equipment and intangible assets	1,183	4,781	5,965	—	5,965
Amortization of goodwill	59	—	59	—	59
Goodwill	44	—	44	—	44

Thousands of U.S. dollars (Note 1)					
Year ended March 31, 2011	Reportable segments			Adjustments	Consolidated
	Water Treatment Chemicals	Water Treatment Facilities	Total		
Sales					
1) Sales to outside customers	\$683,558	\$1,499,991	\$2,183,550	\$ —	\$2,183,550
2) Intersegment sales	4,211	2,178	6,389	(6,389)	—
Total	\$687,770	\$1,502,169	\$2,189,939	\$ (6,389)	\$2,183,550
Segment income	\$121,679	\$ 205,206	\$ 326,886	\$ 3	\$ 326,889
Segment assets	439,094	1,908,608	2,347,702	704,087	3,051,790
Segment liabilities	203,846	447,660	651,507	(1,544)	649,963
Other items					
Depreciation and amortization .	18,543	175,027	193,571	—	193,571
Increase in property, plant and equipment and intangible assets	14,263	57,611	71,875	—	71,875
Amortization of goodwill	722	—	722	—	722
Goodwill	541	—	541	—	541

Note:

“Adjustments” represents the following:

1. Sales: Elimination of intersegment transactions.
2. Segment income: Amount resulting from eliminations of intersegment transactions.
3. Segment assets: Mainly corporate assets of ¥58,572 million (US\$705,697 thousand) unallocated to reportable segment assets (cash deposits, securities in trust, and long-term investments).
4. Segment liabilities: Amount resulting from eliminations of intersegment claims and liabilities.

Related Information

(Information by geographic region)

(1) Net Sales

Year ended March 31, 2011	Millions of yen					Total
	Japan	Asia	North America	Europe	Other	
Sales	¥154,867	¥19,195	¥2,820	¥1,276	¥3,075	¥181,234

Year ended March 31, 2011	Thousands of U.S. dollars (Note 1)					Total
	Japan	Asia	North America	Europe	Other	
Sales	\$1,865,868	\$231,272	\$33,976	\$15,380	\$37,052	\$2,183,550

Note:

Sales are allocated to regions based on the location of the customer to which the products or services are delivered or provided.

(2) Property, Plant and Equipment

The Company has omitted disclosure here because property, plant and equipment holdings in Japan account for more than 90% of the amount of property, plant and equipment reported on the consolidated balance sheet.

(Information by major customer)

Year ended March 31, 2011	Millions of yen	Thousands of U.S. dollars (Note 1)	Reportable segment
Sales to:			
Sharp Corporation	¥28,149	\$339,145	Water Treatment Facilities

For the year ended March 31, 2010

The figures appearing in the segment information for the year ended March 31, 2010 that the Company has disclosed for its previous segmentation are the same as figures that would result through the use of the "Revised Accounting Standard for Disclosures about Segments of an Enterprise and Related Information" (ASBJ Statement No. 17, revised March 27, 2009.)

The segment information of the Company and its consolidated subsidiaries for the year ended March 31, 2010 is outlined as follows:

(Business segment information)

Year ended March 31, 2010	Millions of yen				
	Water Treatment Chemicals	Water Treatment Facilities	Total	Elimination or corporate	Consolidated
I. Sales and operating income					
Sales					
1) Sales to outside customers ...	¥53,743	¥124,777	¥178,520	¥ —	¥178,520
2) Intersegment sales	455	78	534	(534)	—
Total	54,199	124,855	179,055	(534)	178,520
Operating costs and expenses ...	46,022	106,674	152,697	(534)	152,162
Operating income	¥ 8,177	¥ 18,181	¥ 26,358	¥ —	¥ 26,358
II. Assets, depreciation and capital expenditures					
Assets	¥35,194	¥168,119	¥203,314	¥48,306	¥251,620
Depreciation	1,662	13,860	15,523	—	15,523
Capital expenditures	1,151	6,932	8,083	—	8,083

Notes:

1. Method of Classification of Business Segments

The Group's main operations include the manufacture and sales of water treatment chemicals, and the manufacture and sales of water treatment equipment and facilities. The Group is therefore divided into two business segments based on the products and services handled by each of the divisions: the Water Treatment Chemicals segment and the Water Treatment Facilities segment.

2. Principal products and services of each segment are as follows:

Water Treatment Chemicals Business

Boiler water treatment chemicals, cooling water treatment chemicals, wastewater treatment chemicals, process treatment chemicals used in oil refining and pulp and paper incinerator chemicals, equipment and systems for water treatment chemicals, and packaged water treatment management, including a steam supply contract and blanket contracts for factories

Water Treatment Facilities Business

For the electronics industry:

Ultrapure water production systems, wastewater reclamation systems, wastewater treatment systems, wastewater reclamation systems, tool cleaning services, maintenance services, and ultrapure water supply business

For general industries:

Pure water production systems, wastewater treatment systems, wastewater reclamation systems, operation and maintenance services, soil remediation services, and chemical cleaning services

3. There were no costs and expenses included in "Elimination or corporate" that cannot be allocated to business segments for the years ended March 31, 2010.

4. Total assets under "Elimination or corporate" include corporate assets, consisting primarily of deposits with banks, marketable portfolio securities, and long-term investment funds (deposits, marketable securities and investment securities). Such corporate assets as of March 31, 2010 amounted to ¥48,369 million.

5. The Company adopted ASBJ Statement No. 19 "Partial Amendments to Accounting Standard for Retirement Benefits (Part 3)" effective from the year ended March 31, 2010. Accordingly, operating income of "Water Treatment Chemicals business" and "Water Treatment Facilities business" decreased by ¥290 million and ¥585 million, respectively.

6. The Company and certain consolidated subsidiaries adopted ASBJ Statement No. 15 "Accounting Standard for Construction Contracts" and Guidance No. 18 "Guidance on Accounting Standard for Construction Contracts." Accordingly, net sales and operating income of "Water Treatment Facilities" increased by ¥6,265 million and ¥1,244 million, respectively.

(Geographic segment information)

Year ended March 31, 2010	Millions of yen				
	Japan	Other regions	Total	Elimination or corporate	Consolidated
I. Sales and operating income					
Sales					
1) Sales to outside customers . . .	¥163,696	¥14,824	¥178,520	¥ —	¥178,520
2) Intersegment sales	1,561	238	1,799	(1,799)	—
Total	165,257	15,063	180,320	(1,799)	178,520
Operating costs and expenses . .	140,733	13,544	154,278	(2,115)	152,162
Operating income	¥ 24,523	¥ 1,518	¥ 26,042	¥ 315	¥ 26,358
II. Assets	¥185,816	¥ 8,116	¥193,932	¥57,687	¥251,620

Notes:

1. Countries and regions are classified into segments according to geography and proximity.

2. "Other regions" are composed primarily of countries in Asia.

3. There were no costs and expenses under "Elimination or corporate" that cannot be allocated to geographical segments.

4. Assets under "Elimination or corporate" include corporate assets, the amount and components of which are the same as those provided in Note 3 to the above "Business segment information."

5. The Company adopted ASBJ Statement No. 19 "Partial Amendments to Accounting Standard for Retirement Benefits (Part 3)" effective from the year ended March 31, 2010. Accordingly, operating income of "Japan" decreased by ¥876 million.

6. The Company and certain consolidated subsidiaries adopted ASBJ Statement No. 15 "Accounting Standard for Construction Contracts" and Guidance No. 18 "Guidance on Accounting Standard for Construction Contracts." Accordingly, net sales and operating income of "Japan" increased by ¥6,265 million and ¥1,244 million, respectively.

(Overseas sales)

For the year ended March 31, 2010	Millions of yen					Thousands of U.S. dollars (Note 1)
	Asia	North America	Europe	Other regions	Total	Total
Overseas net sales	¥13,404	¥1,626	¥1,399	¥2,581	¥ 19,011	\$ 204,336
Consolidated net sales	—	—	—	—	178,520	1,918,753
Percentage of overseas net sales to consolidated net sales	7.5%	0.9%	0.8%	1.4%	10.6%	

Notes:

1. Countries and regions are classified according to geography and proximity.
2. The major countries or regions included in respective categories are as follows:
Asia: South Korea, China, Taiwan, Singapore, Indonesia, Thailand / North America: United States of America / Europe: Germany / Other: Brazil
3. Overseas net sales refers to sales outside Japan generated by the Company and its consolidated subsidiaries.
4. The Company and certain consolidated subsidiaries adopted ASBJ Statement No. 15 "Accounting Standard for Construction Contracts" and Guidance No. 18 "Guidance on Accounting Standard for Construction Contracts." Accordingly, overseas net sales of "Asia" increased by ¥1,794 million.

14. Subsequent events

Appropriation of retained earnings

The following appropriation of retained earnings for the year ended March 31, 2011 was approved at the ordinary general meeting of shareholders of the Company held on June 29, 2011.

	Millions of yen	Thousands of U.S. dollars (Note 1)
Cash dividends (year-end dividends)	¥2,406	\$28,994

15. Per share information

	Yen		U.S. dollars (Note 1)
	2011	2010	2011
Net assets per share	¥1,563.57	¥1,496.98	\$18.84
Net income per share (EPS)	134.02	134.38	1.61

The basis of calculation for EPS is as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2011	2010	2011
Net income	¥17,138	¥17,288	\$206,483
Net income attributable to common stock	17,138	17,288	206,483
Average number of shares outstanding	127,874,054	128,653,126	

(The Company has no dilutive shares.)



Report of Independent Certified Public Accountants

Grant Thornton Taiyo ASG

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To the Board of Directors of
Kurita Water Industries Ltd.

We have audited the accompanying consolidated balance sheets of Kurita Water Industries Ltd. and subsidiaries as of March 31, 2011 and 2010 and the related consolidated statements of income, comprehensive income, changes in net assets and cash flows for the years then ended, expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company's management. 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 financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the over all financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Kurita Water Industries Ltd. and subsidiaries as of March 31, 2011 and 2010, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

Our audit also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in conformity with the basis stated in Note 1. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

Grant Thornton Taiyo ASG

Tokyo, Japan
June 29, 2011

CORPORATE DATA

As of March 31, 2011

Company Name	Kurita Water Industries Ltd.
Address	4-7, Nishi-Shinjuku 3-chome, Shinjuku-ku, Tokyo 160-8383, Japan
Paid-in Capital	¥13,450,751,434
Date of Establishment	July 13, 1949
Stock Exchange Listings	First Section of the Tokyo Stock Exchange First Section of the Osaka Securities Exchange
Number of Employees	4,490 (on a consolidated basis); 1,523 (parent company)
Domestic Offices	Head Office: 4-7, Nishi-Shinjuku 3-chome, Shinjuku-ku, Tokyo 160-8383 Tel.: 81 (3) 3347-3111 Osaka Branch: 2-22, Kitahama 2-chome, Chuo-ku, Osaka 541-0041 Tel.: 81 (6) 6228-4800

Kurita Global Technology Center:

1-1, Gochoyama, Kawada,
Nogi-machi, Shimotsuga-gun,
Tochigi 329-0105
Tel.: 81 (280) 54-1511

Offices:

Tohoku, Nagoya,
Hiroshima and Kyushu

Overseas Offices

Taiwan Branch:

5F-3, No. 295, Section 2,
Kuang-Fu Road,
(Empire Commercial Bldg.)
Shinchu, Taiwan, R.O.C.
Tel.: 886 (3) 575-1157

Major Consolidated Subsidiaries and Affiliated Companies

Company Name	Paid-in Capital (Millions)	Equity Ownership (%)	Main Business
OVERSEAS			
■ North America & South America			
Kurita America Inc.	US\$3.0	100.0	Manufacture & sale of water treatment facilities
Kurita do Brasil LTDA.	R\$6.986	100.0	Manufacture & sale of water treatment chemicals
■ Europe			
Kurita Europe GmbH	EUR2.301	95.0	Manufacture & sale of water treatment chemicals
■ Asia			
Kurita Water Industries (Dalian) Co., Ltd.	¥550	90.1	Manufacture & sale of water treatment chemicals
Kuritec (Shanghai) Co., Ltd.	¥30	100.0	Sale & maintenance of water treatment facilities
Kurita Water Industries (Suzhou) Ltd.	¥100	100.0	Manufacture & sale of water treatment facilities
Kurita (Taiwan) Co., Ltd.	NT\$20	100.0	Manufacture & sale of water treatment chemicals
Hansu Ltd.	W2,500	33.2	Manufacture & sale of water treatment chemicals
Hansu Technical Service Ltd.	W400	59.4	Manufacture & sale of water treatment facilities
Kurita-GK Chemical Co., Ltd.	BAHT92	85.0	Manufacture & sale of water treatment chemicals
Kurita (Singapore) Pte. Ltd.	S\$4.0	100.0	Manufacture & sale of water treatment chemicals and water treatment facilities
Kuritec Singapore Pte. Ltd.	S\$1.49	100.0	Ultrapure water supply for a specified customer
Kurita Water (Malaysia) Sdn. Bhd.	RM\$0.6	83.3	Sale of water treatment chemicals and water treatment facilities
P.T. Kurita Indonesia	US\$2.0	92.5	Manufacture & sale of water treatment chemicals
DOMESTIC			
Kurita Creation Co., Ltd.	¥160	100.0	Manufacture & sale of water purifiers
Kuritec Service Co. Ltd.	¥50	100.0	Tool cleaning
Kuritaz Co., Ltd.	¥220	100.0	Operation & maintenance of water treatment facilities
Kurita Engineering Co., Ltd.	¥160	100.0	Chemical cleaning
Land Solution Inc.	¥450	53.0	Soil remediation
Kurita Chemical Manufacturing Ltd.	¥50	100.0	Manufacture of water treatment chemicals

INVESTOR INFORMATION

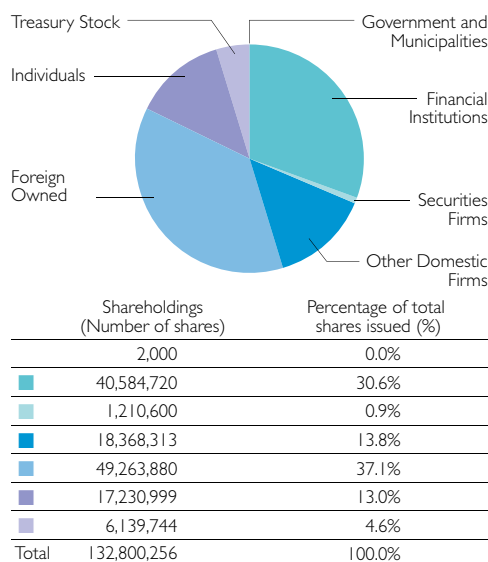
As of March 31, 2011

Stock Exchange Listings	First Section of the Tokyo Stock Exchange First Section of the Osaka Securities Exchange
Common Stock	Authorized: 531,000,000 shares Issued: 132,800,256 shares (Stock trading unit: 100 shares)
Number of Shareholders	36,089
Independent Auditor	Grant Thornton Taiyo ASG Akasaka DS Bldg. 9F, 8-5-26, Akasaka, Minato-ku, Tokyo 107-0052, Japan
Transfer Agent	The Chuo Mitsui Trust and Banking Co., Ltd. 33-1, Shiba 3-chome, Minato-ku, Tokyo 105-8574, Japan

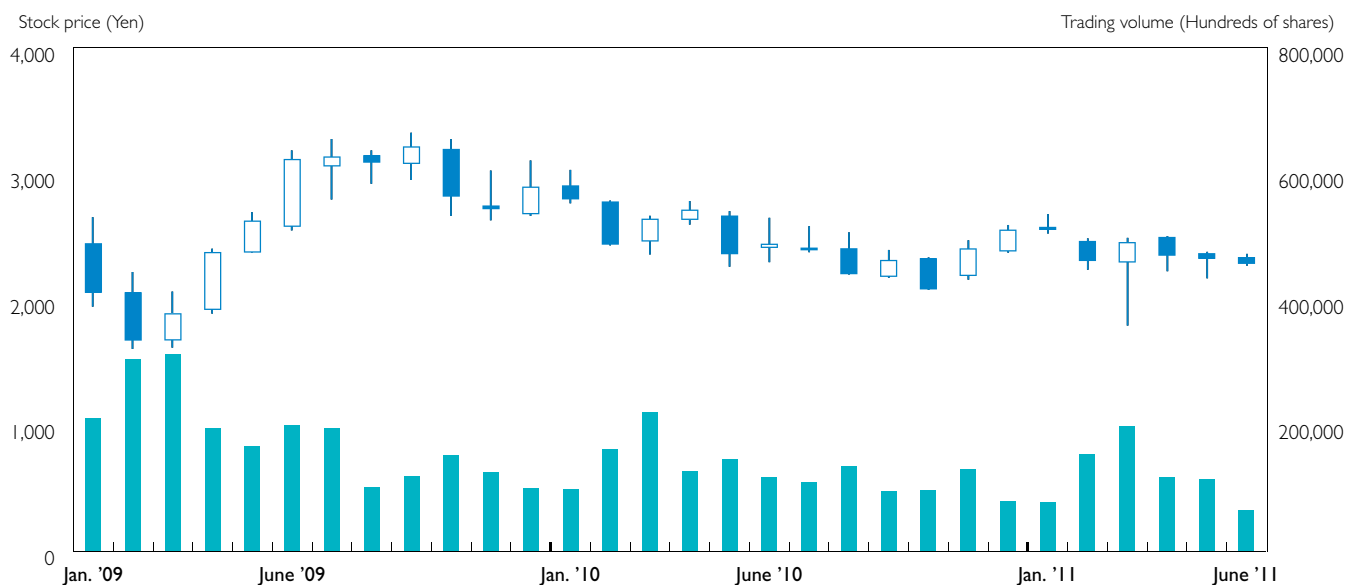
Main Shareholders

	Shareholdings (Number of shares)	Percentage of total shares issued (%)
ITOCHU Corporation	7,448,000	5.60
Nippon Life Insurance Company	6,644,283	5.00
Japan Trustee Services Bank, Ltd. (Trust Account)	6,264,500	4.71
Kurita Water Industries Ltd.	6,139,744	4.62
Pictet and Cie (Europe) S.A.	3,770,100	2.83
Tokio Marine & Nichido Fire Insurance Co., Ltd.	3,472,626	2.61
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	2,936,131	2.21
NT RE GOVT OF SPORE INVT CORP P. LTD.	2,823,190	2.12
Mizuho Trust & Banking Co., Ltd. Retirement Benefit Trust ITOCHU Corporation Account Re trustee Trust & Custody Services Banking Co., Ltd.	2,820,000	2.12
The Master Trust Bank of Japan, Ltd. (Trust Account)	2,767,100	2.08

Distribution of Shares



Stock Price Range and Trading Volume (Tokyo Stock Exchange)





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