

**for Water,
for the Environment**

Enter 

The Kurita 21st Century Vision

We sketched out Kurita's future vision.

Within this 21st Century Vision, we have encapsulated the dream of how we want Kurita to be, the principals we continue to cherish, and our determination to realize this vision.

Corporate Philosophy

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

Corporate Vision

Becoming an advanced water and environmental management company

- 1 We will implement our Corporate Philosophy and contribute to society by striving to add new value and functions to water and by meeting global challenges such as the conservation of the natural environment and effective use of resources.
- 2 We will further progress our "water management" achieved through our state-of-the-art products, technologies and services, thereby achieving "advanced management" to ensure that water of appropriate quality and quantity is available whenever and wherever it is needed.
- 3 We will further advance our service business in the water field to help customers meet their challenges, such as more safety, higher productivity and lower environmental impact, thereby retaining the continued trust of our customers and realizing our own growth.

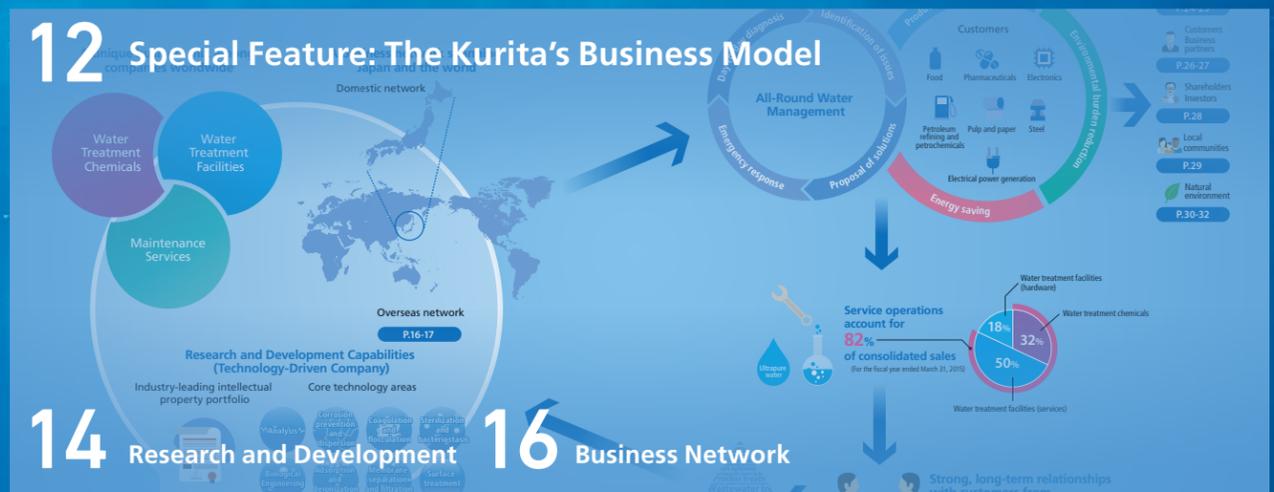
Management Guidelines

- 1 World's Top-Class Water and Environment Business
- 2 Creation of New Business
- 3 Technology-Driven Company
- 4 Full Use of the Group's Comprehensive Strength
- 5 Enhanced Development of Human Resources
- 6 Accomplishment of Social Responsibility

Code of Ethical Conduct

All directors and employees of the Kurita Group are required to conduct their business activities based on our shared five values (fairness, transparency, integrity, safety and compatibility) to ensure that the Group is able to realize sustainable growth and to maintain and enhance its good reputation to deepen the trust of society.

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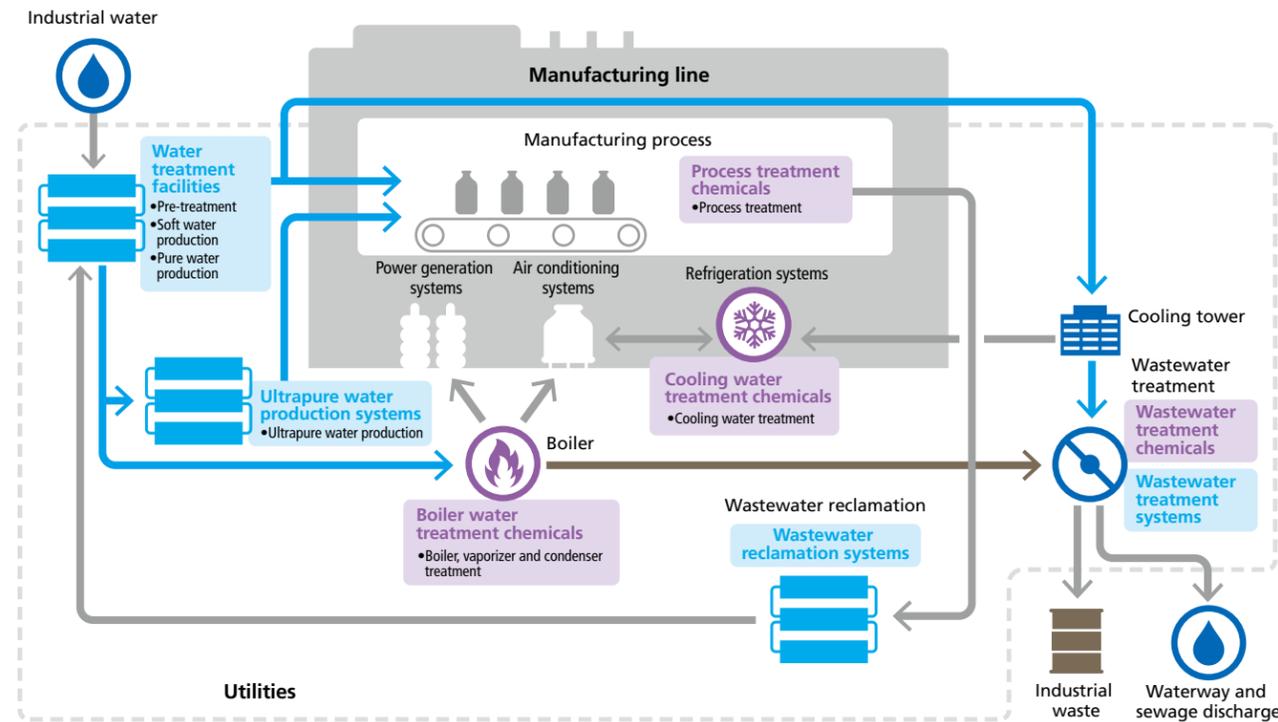


Disclaimer

This report contains forward-looking statements from Kurita Water Industries Ltd. pertaining to plans, forecasts, strategies, and results. These forward-looking statements are based on currently available information, and actual results may vary significantly from the forward-looking statements contained in this report due to a range of variable factors.

Kurita's Business

From Factory Entrance to Exit ■ Water Treatment Chemicals ■ Water Treatment Facilities



Kurita provides a host of industrial water treatment solutions, from factory entrance to exit.

Since its establishment in 1949, Kurita Water Industries Ltd. has amassed technological expertise in water treatment. In response to customer needs for increased efficiency and reduced environmental impact, Kurita combines a host

of technologies, expertise and services in three business domains—water treatment chemicals, water treatment facilities and maintenance services—to provide comprehensive solutions that address all manner of water-related issues.



Segment Highlights

Water Treatment Chemicals

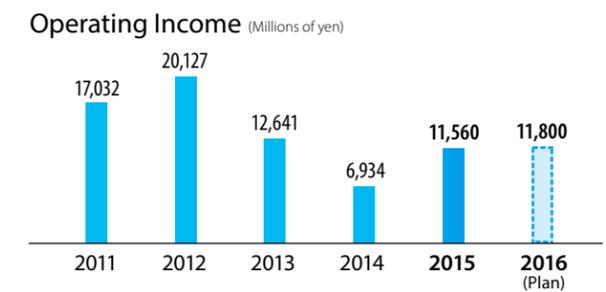
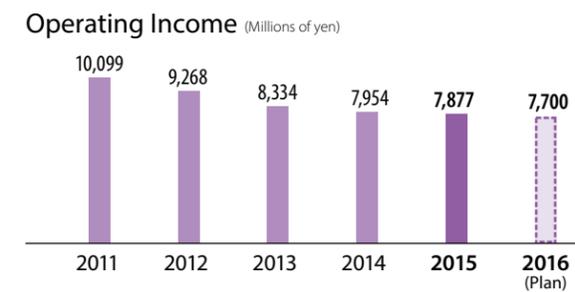
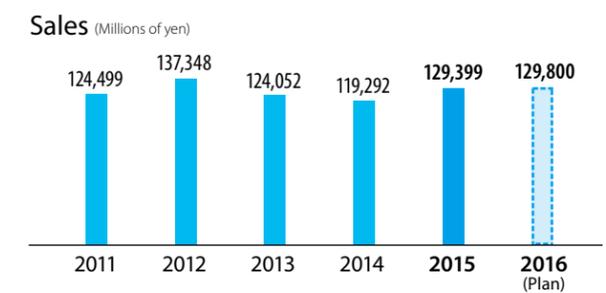
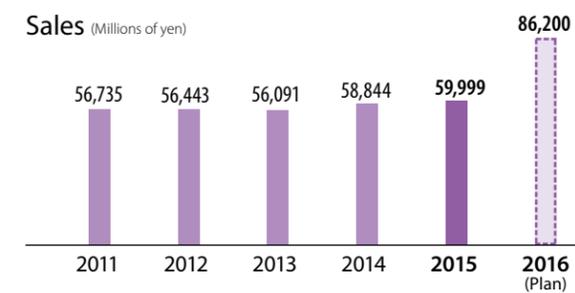
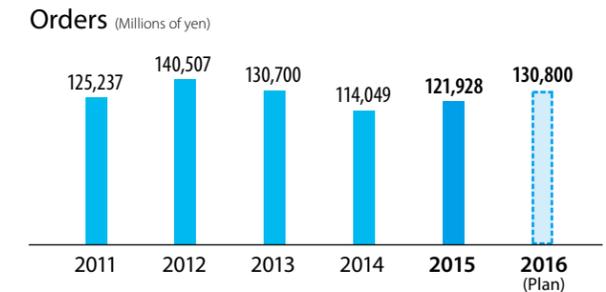
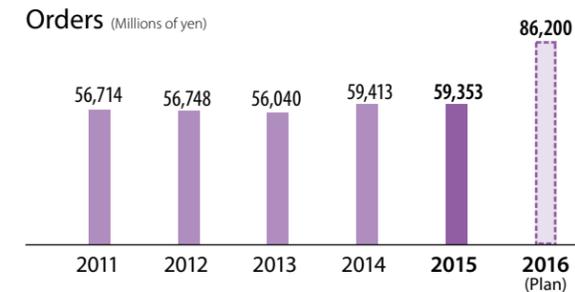
In the fiscal year ended March 31, 2015, in Japan, orders and sales decreased mainly because of a tardy recovery in capacity utilization at customers' plants. Overseas, orders and sales increased due to the acquisition of new customers, especially in China and Southeast Asia. Income declined, reflecting lower sales of profitable mainstay products in Japan.

In the fiscal year ending March 31, 2016, we will focus on integration with acquired businesses in Europe and augmenting overseas sales, chiefly in Asia. In Japan, capacity utilization at customers' plants is expected to recover gradually, and we will work to expand our market share by introducing competitive new products and reinforcing our sales structure. As a result of these efforts, we anticipate a year-on-year increase in segment orders and sales. We expect operating income to decrease year on year, owing in part to the amortization of goodwill on acquired businesses. However, we anticipate an increase in income, excluding the impact of such factors as goodwill amortization.

Water Treatment Facilities

In the fiscal year ended March 31, 2015, in Japan, orders for water treatment facilities declined, while orders and sales in the ultrapure water supply business and maintenance services rose, due to a recovery in capacity utilization at the plants of major customers and proposals for the optimization of the operation of water treatment facilities, among other factors. Overseas, orders and sales increased, chiefly reflecting large-scale projects in the electronics industry. Income in the overall segment climbed significantly, due to the rise in sales and stringent cost-control efforts.

In the fiscal year ending March 31, 2016, we will reinforce cooperation between the sales and production divisions and offer highly specialized proposals. We will also enhance the sales, design and construction capabilities of our overseas subsidiaries and affiliates, and optimize quality and costs. Consequently, we look forward to year-on-year increases in orders and sales in this segment. By improving the cost of sales ratio, we anticipate an uptick in operating income.



For the years ended March 31

Management Indicators

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

Financial

	2006	2007	2008	2009	2010	2011	2012	2013	2014	Millions of yen 2015	Thousands of U.S. dollars ¹ 2015
Orders	¥183,910	¥192,529	¥208,689	¥195,065	¥175,162	¥181,951	¥197,256	¥186,741	¥173,463	¥181,282	1,510,687
Net sales	173,683	197,146	204,875	199,706	178,520	181,234	193,792	180,143	178,137	189,398	1,578,324
Cost of sales	122,630	137,819	138,549	135,874	117,221	118,573	127,905	121,047	122,870	130,509	1,087,577
Selling, general and administrative expenses	33,741	35,050	35,857	35,896	34,941	35,528	36,503	38,106	40,380	39,454	328,785
Operating income	17,311	24,276	30,468	27,935	26,358	27,131	29,382	20,989	14,886	19,435	161,962
Operating income margin (%)	10.0	12.3	14.9	14.0	14.8	15.0	15.2	11.7	8.4	10.3	
Net income	10,519	14,207	18,297	16,299	17,288	17,138	16,548	11,476	9,352	10,434	86,955
Return on sales (%)	6.1	7.2	8.9	8.2	9.7	9.5	8.5	6.4	5.2	5.5	
Total assets	212,774	235,137	231,498	245,406	251,620	253,298	271,141	263,580	274,925	293,204	2,443,371
Total assets turnover (Times) ²	0.86	0.88	0.88	0.84	0.72	0.72	0.74	0.67	0.66	0.67	
Equity ³	145,366	156,772	169,402	177,291	192,588	198,042	208,891	207,871	217,691	222,330	1,852,758
Equity ratio (%) ⁴	68.3	66.7	73.2	72.2	76.5	78.2	77.0	78.9	79.2	75.8	
Return on assets (ROA) (%) ⁵	5.2	6.3	7.8	6.8	7.0	6.8	6.3	4.3	3.5	3.7	
Return on equity (ROE) (%) ⁶	7.5	9.4	11.2	9.4	9.3	8.8	8.1	5.5	4.4	4.7	
Capital expenditures	16,537	19,563	24,097	56,322	8,083	5,965	8,105	6,688	5,709	12,864	107,205
Depreciation and amortization	4,906	6,512	9,425	11,716	15,523	16,066	16,035	15,054	14,774	14,863	123,862
R&D expenses	4,213	4,421	4,551	4,363	3,990	4,225	4,232	4,362	4,534	4,397	36,645
										Yen	U.S. dollars ¹
Net income per share ⁷	¥ 81.8	¥ 110.4	¥ 142.2	¥ 126.7	¥ 134.4	¥ 134.0	¥ 130.7	¥ 92.4	¥ 78.5	¥ 87.8	\$ 0.73
Equity per share ⁸	1,129.7	1,218.4	1,316.7	1,378.0	1,497.0	1,563.6	1,649.2	1,744.4	1,826.8	1,907.8	15.90
Dividends per share	22.0	28.0	32.0	34.0	36.0	38.0	40.0	42.0	44.0	46.0	0.38
Dividend payout ratio (%)	26.9	25.4	22.5	26.8	26.8	28.4	30.6	45.4	56.1	52.4	

Notes: 1. The U.S. dollar amounts are given solely for convenience at the rate of ¥120 to US\$1, the prevailing rate on the Tokyo Foreign Exchange Market on March 31, 2015.

2. Total assets turnover = Net sales ÷ Total assets (Average)

3. "Equity" represents "Net assets less minority interests" (hereinafter, the same).

4. Equity ratio = Equity ÷ Total assets × 100

5. Return on assets = Net income ÷ Total assets (Average) × 100

6. Return on equity = Net income ÷ Equity (Average) × 100

7. Calculation of net income per share is based on average number of shares outstanding (excluding treasury stock).

8. Calculation of equity per share is based on the number of shares at year-end (excluding treasury stock).

Non-Financial

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Total CO ₂ emissions (t-CO ₂)*	21,937	22,398	22,505	22,541	23,563	23,941	158,121	162,748	181,149	188,543
Total waste output (t)*	13,699	25,954	26,895	27,133	26,186	24,739	47,181	41,561	47,859	54,679
Number of employees	3,668	3,992	4,249	4,404	4,445	4,490	4,555	4,640	4,635	5,222

* Kurita Water Industries Ltd.'s domestic offices and domestic consolidated subsidiaries



To All Our Stakeholders

The Kurita Group operates under the corporate philosophy of "Study the properties of water, master them, and we will create an environment in which nature and man are in harmony." We strive to contribute broadly to society through business activities in the fields of water and the environment.

Kurita considers itself a "technology-driven company." Based on the sophisticated technologies and expertise we have cultivated over more than 60 years in the industrial water business, we contribute to the safe and steady operation of customers' facilities. At the same time, we aim to provide "advanced management" to respond flexibly and expeditiously to needs for environmental impact reduction, energy savings, productivity increases and the cyclical reuse of water. By pursuing this sort of advanced management, we strive both to resolve the issues customers face and to make efficient use of limited water resources, thereby contributing to the realization of a sustainable society.

Our aim is to achieve a broader recognition among our various stakeholders of the Kurita Group's management philosophy, management strategies and contributions to society.

I ask our stakeholders for your ongoing understanding and support of the Kurita Group in these endeavors.

July 2015

T. Nakai

Toshiyuki Nakai
President and Representative Director

Q1 In the fiscal year ended March 31, 2015, you achieved increases in both consolidated sales and income for the first time in three years. Would you describe these results?

During the fiscal year ended March 31, 2015, the market environment in which the Kurita Group operates was characterized by weak production and capital expenditure in the manufacturing sector in Japan. Overseas, demand for water treatment increased in East Asia and South Asia. In this environment, the Kurita Group took steps to restore its earning power and expand its global business, evolving into a corporate group capable of competing successfully in the international market. Specifically, the Group sought to expand orders by proposing solutions to customers' challenges and providing high-value-added and price-competitive products and services in regions and markets where demand for water treatment is increasing, such as East Asia and Southeast Asia. The Group also concentrated on improving its production system and controlling costs thoroughly.

As a result, consolidated orders for the Kurita Group rose 4.5% from the previous fiscal year, to ¥181,282 million, and net sales increased 6.3%, to ¥189,398 million. Thanks to higher sales and successful efforts to curtail selling, general and administrative expenses, operating income was ¥19,435 million, up 30.6%, and net income amounted to ¥10,434 million, up 11.6%. Net income per share was ¥87.8, up 11.9%.

Related information [P.4](#)

Q2 Could you provide a general overview of your previous medium-term management plan, "Take Action 2014 (TA-14)," and outline some of your successes?

For the past three years, we have experienced negative growth in operating performance, with results below those for the fiscal year ended March 31, 2012. We fell short of our targets, and profitability and capital efficiency worsened significantly.

The main reason for this situation was that when formulating our



financial targets for the TA-14 plan, we had assumed steady recovery in the Japanese economy. We also expected overseas business to expand, relying on large-scale projects for electronics facilities in China and South Korea that were uncertain to be realized. Clearly, we fell short in responding swiftly to market and customer fluctuations. Also, owing to insufficient opportunities to invest in growth we were unable to make effective use of funds outside the ultrapure water supply business.

Meanwhile, we set in place the foundations for new growth. In Europe, acquired water treatment-related businesses, and in South Korea reached a decision regarding an ultrapure water supply business. We also created new products and services.

In January 2015, we concluded the acquisition of the water treatment chemicals, paper process chemicals and alumina compounds businesses of BK Giulini GmbH, which is based in Germany, and its affiliates. This acquisition of a business platform in Europe is deeply meaningful for the global development of the Kurita Group, whose overseas business expansion efforts to date have been centered on Asia.

Also, in the past we have made Japan the core of our ultrapure water supply business from the perspective of minimizing business risk. However, we expect an order we have received from a South Korean semiconductor manufacturer to clear Group investment standards, and we now look forward to developing our ultrapure water supply business through our first large-scale product for a foreign-capitalized company.

Regarding the creation of new products and services, by enhancing our basic technology we succeeded in the development of a new polymer material in the water treatment chemicals business. We have also begun the full-scale provision of a service applying our proprietary sensing technology for controlling the injection of water treatment chemicals in real time in response to changes in water quality, as well as a service for providing optimal maintenance.

I believe these moves have put us on the starting line to achieve global growth going forward. At the same time, some issues remain to be addressed. We need to improve profitability further, make progress on integrating existing and acquired businesses and apply our comprehensive Group capabilities to expand our domestic business.

Related information [P.15,17](#)

Q3 Please explain Kurita's model for value creation.

The Kurita Group is a globally unique corporate group in that it strikes a good balance among the three businesses of water treatment chemicals, water treatment facilities and maintenance services. We help customers address the challenges they face by integrating our expertise in these three areas, which is a feat that our competitors cannot emulate. This is the Kurita Group's most outstanding advantage. We leverage this strength to serve customers via the sales and service network that encompasses the entirety of Japan and stretches overseas, forging strong and long-term trust-based relationships with customers across a wide range of industries. Furthermore, having complete knowledge of our customers' operating

“Moves through our TA-14 plan have put us on the starting line to achieve global growth going forward.”

“The Kurita Group is a globally unique corporate group in that it strikes a good balance among the three businesses of water treatment chemicals, water treatment facilities and maintenance services.”

sites and facilities enables us to accumulate further expertise and knowledge, thereby creating a sustainable value-creation cycle.

As a result, the "service business," which includes water treatment chemicals and maintenance services, as well as the ultrapure water supply business following the Kurita Group's unique business model, accounts for more than 80% of consolidated net sales. This service business, which is relatively unaffected by customer capital expenditures, is linked to a structure for delivering stable sales and cash flow.

By addressing problems related to water and the environment, we contribute to the realization of a sustainable society. At the same time, we provide value to all our stakeholders, including shareholders, investors, business partners and local communities.

Related information [P.12-13](#)

Q4 Could you provide an overview of "Competitive Kurita 2017 (CK-17)," the new medium-term management plan that went into effect this April?

The "Competitive Kurita," incorporates the meanings of "having competitive strength" and "winning out over our competitors." To be recognized as a global forerunner in water and the environment business, we need to clearly identify our competitive advantages vis-à-vis our competitors and build a robust organizational structure that will lead to improved profitability and steady success. The basic themes of our plan are "competitive human resources, competitive systems and competitive products," and its basic policy is to fundamentally review all work processes to provide high added value to customers.

Our priority measures are to "cultivate new markets," "create competitive products and services," "optimize production systems and utilize Group's network" and "improve capital efficiency," undertaking initiatives to achieve these measures swiftly.

For the fiscal year ending March 31, 2018, the plan targets consolidated net sales of ¥235.0 billion, operating income of ¥24.5 billion and an operating income margin of 10.4%. The plan also calls for us to raise our overseas sales ratio to 34.6%, from 20.6% in the fiscal year ended March 31, 2015.

Related information [P.10-11](#)

Q5 What is your outlook for consolidated operating performance in the fiscal year ending March 31, 2016?

In the fiscal year ending March 31, 2016, we believe production and capital expenditure in the Japanese manufacturing industry will recover moderately. However, in some manufacturing sectors we expect this capital expenditure to go toward the replacement of aging equipment. Overseas, demand is likely to recover at a slow pace in Europe, while the pace of growth is likely to level off in Asia. Nevertheless, we forecast ongoing expansion in the water treatment market.

In this environment, the Kurita Group will identify growth markets

and regions and shift its management resources accordingly. Based on the characteristics and changes identified in each market and region, we will provide profitable products and services through efficient sales and production methods.

For the fiscal year ending March 31, 2016, the Group forecasts ¥216.0 billion in consolidated net sales (up 14.0% year on year), ¥19.5 billion in operating income (up 0.3%), ¥20.0 billion in ordinary income (up 5.6%) and ¥12.3 billion in net income (up 17.9%).

Q6 Please describe the Group's policy on returning profits to shareholders and investors, as well as any specific measures aimed at achieving further increases in shareholder value.

Because the Kurita Group is steadily profitable and the characteristics of our business lead to cash generation, our shareholders' equity and cash levels have grown. Meanwhile, reduced profitability in recent years has caused return on equity (ROE) to fall, so we view improving capital efficiency as an important management priority.

Our basic policy is to pay stable dividends to shareholders on an ongoing basis. Setting our target payout ratio at 30–50%, we will work continuously to increase dividends, making decisions based on the payout ratios for the most recent five years in order to allow flexibility in response to annual fluctuations in operating performance.

For the fiscal year ended March 31, 2015, we awarded a year-end dividend of ¥23. This combines with an interim dividend of ¥23 for a full-year dividend payout of ¥46 per share, up ¥2 from the preceding fiscal year. We expect to pay total dividends of ¥48 per share for the fiscal year ending March 31, 2016, comprising interim and year-end dividends of ¥24 each. This would amount to the 12th consecutive year of dividend increases.

In addition, between February and April 2015, we acquired 2.96 million of our own shares, amounting to 2.49% of the total shares issued.

In the interest of further enhancing shareholder value going forward, we will seek to use our funds effectively through strategic investment in growth. After taking into account performance trends and the share price, we will be flexible about considering share buybacks.



“Basic themes of our plan are “competitive human resources, competitive systems and competitive products.””

“We view improving capital efficiency as an important management priority.”

New Medium-Term Management Plan: "Competitive Kurita 2017 (CK-17)"

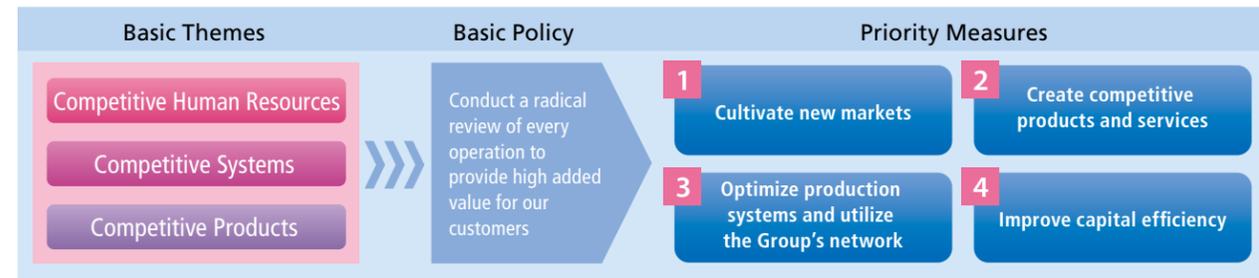
Highlights of Previous Medium-Term Management Plan: "Take Action 2014 (TA-14)"

Achievement Reached the starting line in preparation for global growth

Pending Tasks Improvement in profitability, integration of existing and newly acquired businesses, and expansion of domestic business by leveraging the Kurita Group's combined strengths



New Medium-Term Management Plan: "Competitive Kurita 2017 (CK-17)"



	2015/3 (Actual)	2018/3 (Plan)	Average annual growth rate
Sales ¹	189.4	235.0	7.5%
Operating income	19.4	24.5	8.0%
Operating income margin ²	10.3%	10.4%	-
Overseas sales	39.1	81.3	27.6%
Overseas sales ratio	20.6%	34.6%	-

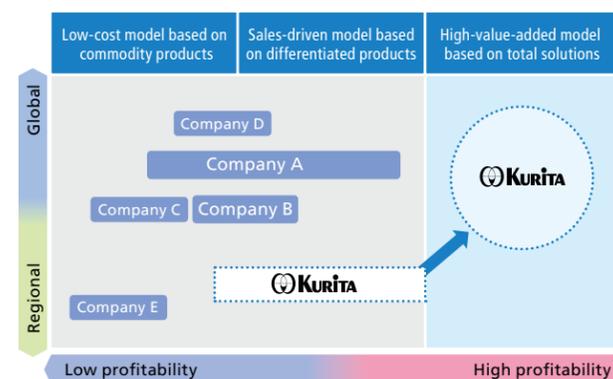
¹ Sales are planned to increase due to business acquisitions. ² Operating income margin is planned to remain above 10%.

1 Cultivate New Markets

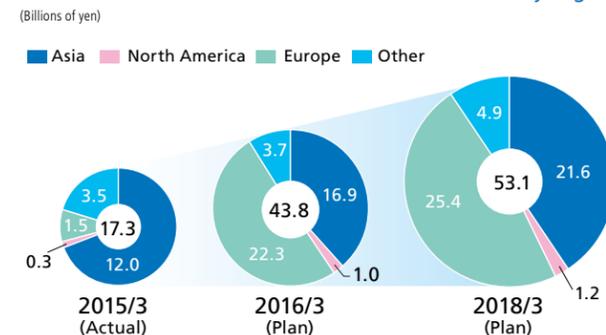
- Rapidly integrate the new businesses acquired by Kurita in Europe, generate synergies, expand the product and service lineup, and grow earnings.
- In the North American market, to accelerate the pace of business expansion, evaluate options for acquisitions and alliances mainly in the water treatment chemicals business.

Establish a global business structure covering four regions (Japan, Asia, Europe and the Americas), and strive to become a leading global Group in the advanced water and environmental field.

Aiming to be a world leader in water treatment chemicals



Water Treatment Chemicals Business: Overseas Sales by Region



*Kurita acquired water treatment chemicals businesses in Europe, and is working to grow its business in North America.

2 Create Competitive Products and Services

- Gain a deep understanding of customer needs and facilities, and provide distinctive products and services by leveraging the Group's combined strengths.

Customer proposals that utilize IT

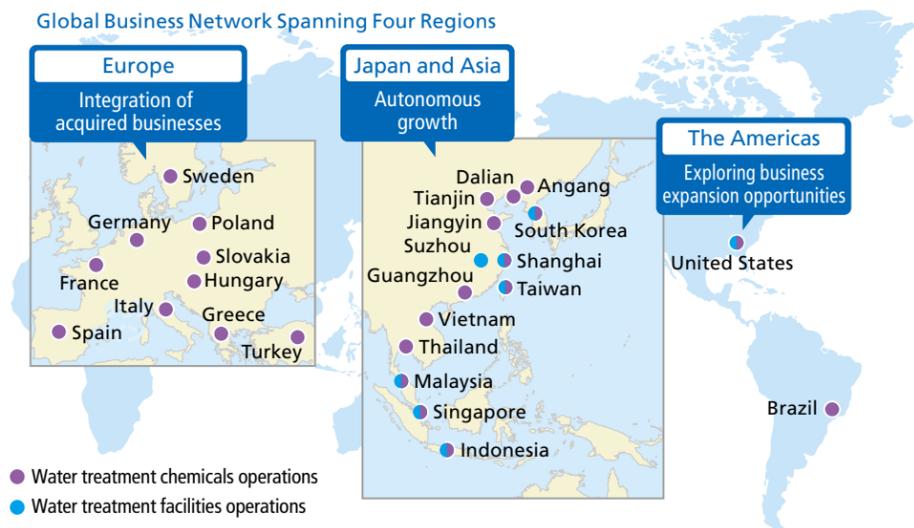
By developing and launching products and services that utilize proprietary sensing technology, IT systems, and data analysis methods, achieve differentiation from competitors.

Reinforce cost competitiveness

To promote profitability improvement, reinforce cost competitiveness through the development of standardized water treatment facilities by broadening the expansion of their scope of application.

3 Optimize Production Systems and Utilize the Group's Network

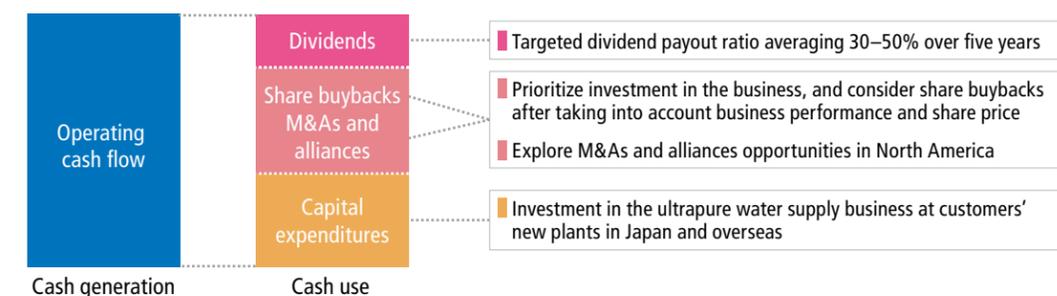
- Review the functions and roles of all sites worldwide to optimize the Group's operational structure. By strengthening the engineering, procurement and construction management functions of overseas operating companies, strive to reduce cost of sales.
- Utilize Kurita's global business network—including the sites acquired in Europe—to expand the Group's product and service lineup.



4 Improve Capital Efficiency

- Dividend policy: Kurita's fundamental policy is to maintain stable dividends, and its target payout ratio is set at 30–50%. To enable a flexible response to annual fluctuations in operating performance, decisions are made after taking into account the average payout ratio over the preceding five years as the Company works to achieve ongoing dividend increases.
- Use of cash: The first priority is given to strategic investment for growth purposes. The Company will consider executing share buybacks while taking into account its business performance and its share price level. Overall, Kurita aims to improve its capital efficiency and provide shareholders with adequate return.

Projected Use of Cash



Special Feature

The Kurita's Business Model

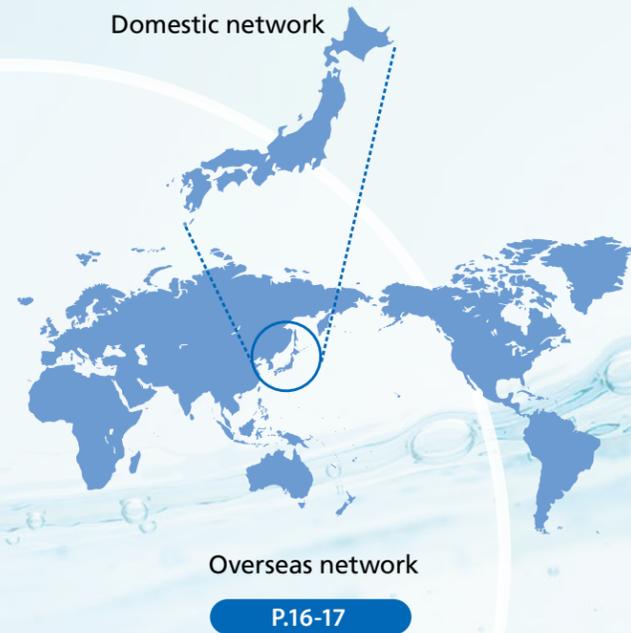
Kurita strives to be an "advanced water and environmental management company" providing diverse value

Kurita's key resources are: its unique business mix for a company in the water and environmental management field; a technology-driven company with advanced research and development capabilities; and its business network spanning all of Japan and across the globe. By providing customers from a broad range of industries with all-round water management solutions while focusing on such issues as enhancing productivity, reducing environmental burden and energy saving, Kurita aims to contribute to the realization of a sustainable society.

A unique business mix among companies worldwide



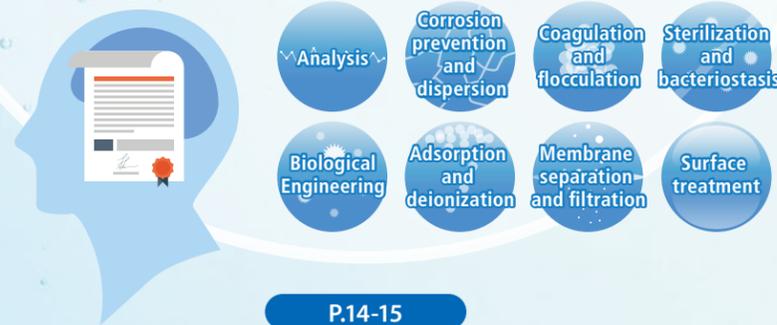
A business network spanning Japan and the world



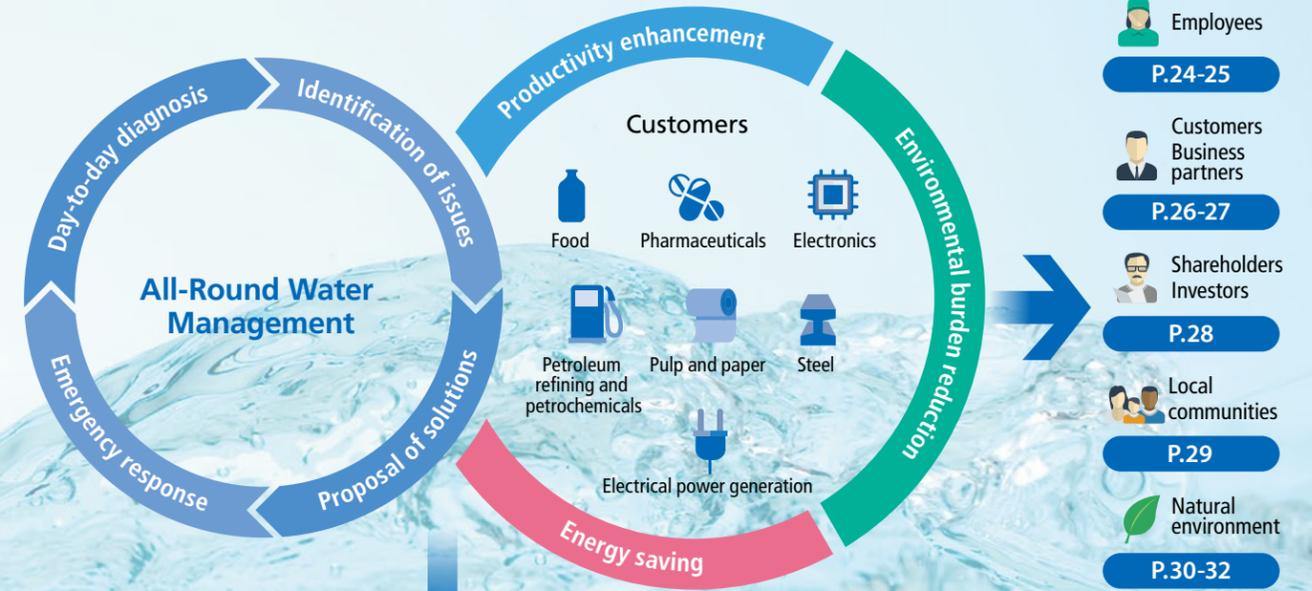
Research and Development Capabilities (Technology-Driven Company)

Industry-leading intellectual property portfolio

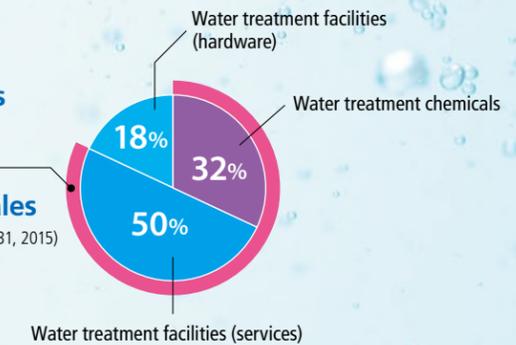
Core technology areas



Contributing to the Realization of a Sustainable Society



Service operations account for 82% of consolidated sales (For the fiscal year ended March 31, 2015)



Accumulated know-how



Strong, long-term relationships with customers from a broad array of industries, and in-depth knowledge of customer facilities

Special Feature

The Kurita's Business Model: Research and Development

R&D and intellectual property: Innovation generated through R&D provides new value to customers

The Kurita Group strives to be a technology-driven company. Kurita nurtures and develops core technologies that contribute to strengthening and growth of its mainstay business activities—such as feed-water and wastewater treatment, wastewater recovery and water treatment chemicals. Kurita also takes a broad approach to R&D, from research into fundamental technologies to the development of new business.

Focusing on the Development of Competitive Products and Services

Kurita focuses on the eight technology areas listed below, which comprise the technological foundation for the Group's products and systems. Kurita is strengthening its efforts to generate the technological seeds for the development of innovative products as well as basic research programs. In addition, Kurita Europe APW GmbH (KEAG), which was established

after Kurita acquired businesses in Europe, holds extensive know-how in such fields as paper process chemicals and polymer synthesis. Together with these, Kurita intends to maximize its strengths in comprehensive water treatment technologies to generate development synergies and accelerate development of products targeted at overseas markets.



Kurita Global Technology Center



KEAG's two R&D centers



KEAG R&D facilities

Focus Area of Core Technologies



Technology Integration and Development Synergies with Kurita Europe APW GmbH (KEAG)



R&D Overview by Business Segment

Water Treatment Chemicals

Kurita is engaged in the development of chemicals for water treatment, environmental improvement and production processes, which contribute to customers' energy savings, environmental burden reduction and productivity improvement. Other development activities include diagnostic technology for chemical effectiveness.

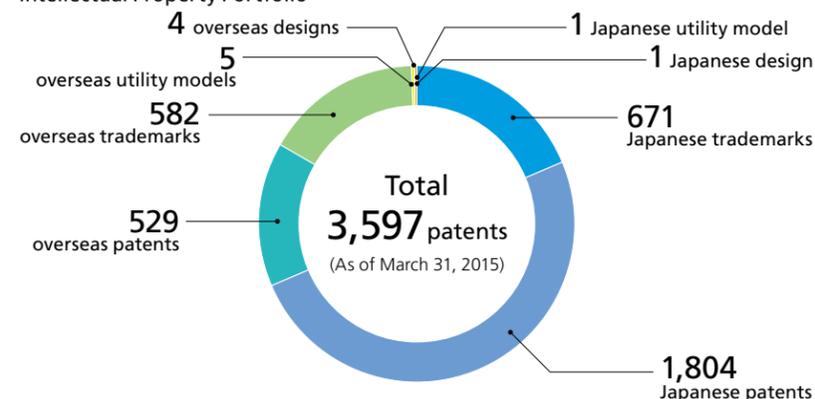
Water Treatment Facilities

Kurita is taking up the challenge of realizing further advances in the quality of ultrapure water that will contribute to productivity improvements in such industries as electronics. The Group is also pursuing the development of wastewater treatment technologies that stay ahead of the curve vis-a-vis environmental regulations. Another focus area is the development of technologies to meet the needs of a recycling-oriented society. These include wastewater recovery and reuse technology, and sludge reduction technology.

Intellectual Property

Within Japan's water treatment industry, the Kurita Group is a leader in terms of the number of patents held. Kurita's system for creating new products and technologies and its long-term cultivation of core technologies also attests to its commitment to remain a technology-driven company.

Intellectual Property Portfolio



A case of Research and Development

New Material for Boiler Water Treatment Chemicals

Issue

Scale* that adheres to boilers decreases thermal efficiency and boiler durability. Consequently, scale prevention measures are essential. Although conventional chemicals for the prevention (dispersion) of scale adherence have been available, such chemicals could neither completely disperse the scale nor remove the stubborn scale that had built up during the normal boiler operation.

Innovation

A multifunctional polymer material like no other to date, which can perform two functions

- Scale dispersion effect (scale adherence prevention)
- Scale removal effect (removal of any type of scale that has adhered)

Value Provided to Customers

- Two separate scale-removal chemical agents (chelating agent, etc.) are no longer necessary
- Since the new polymer does not corrode steel, special water quality monitoring is unnecessary.
- It makes possible to reduce boiler blowdown water in areas where the water supply has a high silica content
- It achieves stable treatment effectiveness under normal operating conditions unchanged. This contributes to energy and water savings and by customers.

Newly Developed Multifunctional Polymer Material

Treatment Effectiveness of Newly Developed Polymer

Comparison with conventional product: Reduction of scale adhesion volume and improvement of energy loss



In the field of boiler water treatment, Kurita has developed a multifunctional polymer material that fulfills two functions—conventional dispersion of scale constituents to prevent scale adherence, and removal of accumulated scale.

In recent years, as adoption of high-efficiency boilers with enhanced fuel-economy performance becomes increasingly common, the importance of effective anti-scale measures in boiler equipment is increasing. In the conventional boiler water treatment, scale-dispersion chemicals is insufficient to prevent scale adherence, and a separate scale-removal chemical agent is required. For stable boiler operation, there was a potential need for a single chemical agent that could both disperse scale and remove it.

The new material Kurita has developed to meet these needs not only effectively disperses scale components in boiler water but also rapidly removes any accumulated scale. These functions maintain a clean boiler interior surface and support the performance and stable operation of high-efficiency boilers. This in turn contributes to customers' energy and water savings.

Kurita has developed a diverse lineup of water treatment chemical products that contain the new polymer, and the promotion of these products in Japan and overseas strengthens its business in the boiler water treatment market.

* Scale: Hardness components including solid silica that precipitate and adhere to interior surface of the boiler. Scale causes a significant reduction in heat transfer coefficient and can lead to lower fuel efficiency and boiler durability.

Special Feature

The Kurita's Business Model: Business Network

Kurita is expanding its domestic and overseas business network to support new growth

Domestic Service Network

In Japan, Kurita's customers include a wide range of companies. These operate in such manufacturing sectors as steel, pulp and paper, petroleum refining and petrochemicals, where large quantities of water are used in their production processes, electronics, pharmaceuticals, food processing and automotive. Kurita's customers also include large-scale healthcare facilities and commercial complexes. To respond to the needs of this diverse customer base, Kurita has built an extensive service network in Japan—including Group companies and sales agents—centering on water treatment chemicals and maintenance services. This network is one of the strengths of the Kurita Group.

By leveraging this network, Kurita has won the trust of its customers based on the provision of advanced solutions. These include rapid response to changes in customers' production items and processes, and realization of stable operation of customer facilities through preventive measures against faults and other problems as well as swift response to emergencies.



Global Network

The Kurita Group utilizes its comprehensive capabilities—underpinned by its three businesses of water treatment chemicals, water treatment facilities and maintenance services—to promote business expansion overseas. Kurita is aiming to achieve Group growth on a global scale.



Case of Enhancing Business Network

Acquisition of Water Treatment-Related Businesses in Europe

Issue

Sales in Europe—one of the world's largest markets—remained at only 1% of the Kurita Group's overall sales. To realize a major expansion in its global business, Kurita needed to strengthen its business platform in Europe.

Innovation

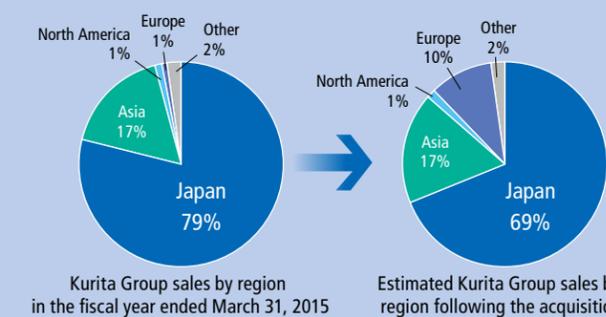
Through the acquisition of the water treatment chemicals, paper process chemicals and alumina compound businesses of German company BK Giulini GmbH, and the establishment of Kurita Europe APW GmbH (KEAG), the following is now possible.

- Kurita can leverage this business platform in Europe, and expand sales of the Group's products and services.
- The Group is able to exploit a high level of complementarity between its existing and newly acquired businesses.

Value Provided to Customers

- Through reciprocal sales of Kurita and KEAG products, and the integration of both companies' technologies, the Group will be able to provide comprehensive solutions that contribute to resolving customers' problems.
- The expanded Kurita Group has gained a foothold toward its goal of establishing a global business structure spanning four regions and becoming a world leader in water treatment chemicals.

The Acquisition's Objectives and Expected Synergies



Kurita sees this acquisition as a means of expanding its overseas business and further strengthening its comprehensive capabilities, and expects it to generate a high level of complementarity for both parties in terms of geographical coverage, technologies and product portfolios.

(1) Geographical complementarity

Until now, the Kurita Group's water treatment chemicals business has been predominantly located in Japan and Asia. Through the addition of the extensive business platform in Europe operated by KEAG, Kurita can leverage these assets to expand sales of its boiler treatment chemicals, cooling water

treatment chemicals and other products. This is expected to accelerate the growth of Kurita's global business.

(2) Technology and product portfolio complementarity
By complementing the products and technologies possessed by each party, the respective products lineups will expand and reciprocal sales of each company's specialized products will be possible.

KEAG has highly experienced sales teams whose average experience is over 10 years. The management teams also have a strong industry track record. KEAG's strengths lie in its good relationships with many top European companies fostered over many years, and its superior product development capabilities in such areas as paper processing, which enable it to provide customers with optimal solutions.

By integrating the strengths of KEAG with the Kurita Group's advanced technical capabilities and comprehensive strengths in water treatment chemicals and water treatment facilities, the Kurita Group will aim to generate synergies at an early stage.



Ludwigshafen (Germany)



Bandirma (Turkey)



Jiangyin, Jiangsu Province (China)

Corporate Social Responsibility

Kurita has set the "Accomplishment of Social Responsibility" as one of its six Management Guidelines in its 21st Century Vision. We will comply with laws and regulations in accordance with social ethics, and in all our business activities, we will continue to build transparent and fair relationships with shareholders and investors, employees, customers, suppliers and local communities.

"Accomplishment of Social Responsibility" as one of its six Management Guidelines in its 21st Century Vision
Building transparent and fair relationships with stakeholders

- Employees** → P.24
Building new relationships with employees
 - We treat employees mainly according to their duties, capabilities and achievements, with the aim of promoting employees' enthusiasm for work in the era of globalization.
 - We strive to provide a diverse range of employment styles for employees to choose from. We aim to create an enthusiastic work environment that allows employees to select a working style that enables them to draw upon their abilities and suits their qualifications and stage in life.
- Customers** → P.26
Emphasis on safety and quality
 - We strive to provide our customers with excellent products, technologies and services that can meet their safety and quality expectations.
- Business Partners** → P.27
Sound relationship with suppliers
 - We strive to maintain transparent and fair business transactions based on free competition. In our dealings with our suppliers, we aim to strengthen relationships of mutual trust with an emphasis on the autonomy, profits, and the assets of both companies.
- Shareholders and Investors** → P.28
Management that respects shareholders
 - We strive to provide timely disclosure of necessary and sufficient information from the perspective of shareholders and investors.
 - We aim to maintain shareholder support through realization of capital-efficiency-focused management and appropriate shareholder returns.
- Local Communities and Natural environment** → P.29
Activities as a good corporate citizen
 - We develop products, technologies and services that contribute to meeting global challenges such as the conservation of the natural environment and the effective use of resources; we propose and provide customers with solutions that improve the environment; and we implement initiatives and disclose outcomes for reducing the environmental impact within Kurita. We aim to achieve acknowledgement and recognition for these initiatives from involved parties and to earn enduring social trust.
 - In addition to contributing to society through business, we aim to be highly valued by society by actively using the insight and expertise built up through business to give back to society.
 - Kurita conducts business in a manner that respects biodiversity and sustainability.

Corporate Governance

Basic Policy

The Kurita Group aims to contribute broadly to society 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." We plan to achieve sustainable growth and improve mid- to long-term corporate value while meeting the expectations, and respecting the rights and positions, of a range of stakeholders, including shareholders and investors, customers, local communities, suppliers and employees. To do this, the Kurita Group has adopted a basic corporate governance policy of transparent, fair, prompt and resolute decision-making together with highly effective oversight of management.

Corporate Governance Structure

Directors and the Board of Directors

The Board of Directors of the Company determines the Kurita Group's strategic directions for sustainable growth, and makes decisions on important matters related to operational execution in light of those directions. The Board of Directors also has the role of oversight body for operational execution. At present the Board of Directors comprises eleven directors, including two external directors. The appointment period for directors is one year. This system is intended to make the Company more responsive to changes in the market environment, foster a greater sense of managerial urgency among directors, and facilitate flexible and timely revisions of the management structure as needed. To complement the decision-making of the Board of Directors, the Company also has a decision approval protocol based on its internal decision approval and review rules.

Matters Relating to Directors and the Board of Directors (June 26, 2015)

Number of directors specified under the Articles of Incorporation	3 or more No maximum number specified
Term of appointment of directors under the Articles of Incorporation	1 year
Chair of the Board of Directors	President
Number of directors	11
Number of external directors (within the total above)	2
Number of independent officers specified within external directors	2
Number of Board of Directors' meetings held (fiscal year ended March 31, 2015)	14

Executive Committee

The Executive Committee deliberates on important management-related matters to support the decision-making of the Board of Directors, and conducts checks on the status of progress toward objectives and the implementation of policies and measures. The Executive Committee comprises the president, directors of the rank of managing director or above, the general manager of corporate planning and other directors and executive officers nominated by the president. The committee meets, in principle, twice monthly, and on an ad hoc basis as necessary.

Executive Officer System

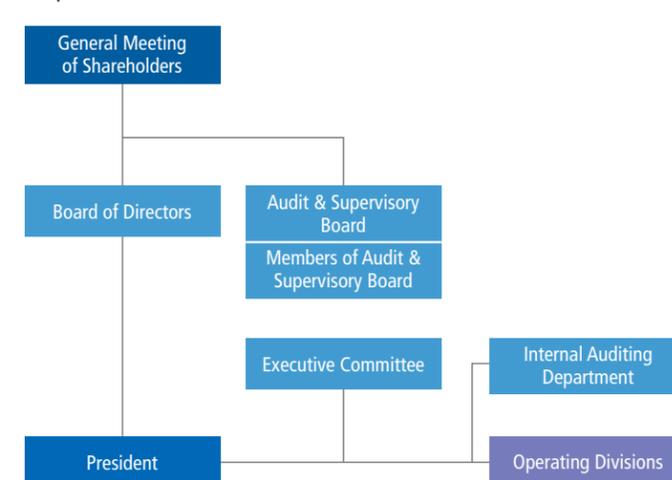
To strengthen its capabilities for operational execution, Kurita Water Industries Ltd. has adopted an executive officer system. Executive officers carry out their responsibilities for operational execution under the delegation of the Board of Directors. At present, there are eight executive officers.

Audit & Supervisory System

Kurita Water Industries Ltd. employs an audit & supervisory system. As of June 26, 2015, the Audit & Supervisory Board comprised three members, including two external members. The Audit & Supervisory Board decides on audit policies for the fiscal year, the allocation of duties to each of its members, specific items to be performed, schedules, and other items for executing audits. Based on this framework, each member of the Audit & Supervisory Board then conducts audits.

The members of the Audit & Supervisory Board attend Board of Directors' meetings, Executive Committee meetings, and other important Company meetings and monitor the directors' execution of duties and the Board of

Corporate Governance Structure



Directors' fulfillment of its oversight responsibilities. Other responsibilities of the members of the Audit & Supervisory Board include conducting asset status surveys of the entire Kurita Group, including subsidiaries, and auditing the development and operation status of internal control systems implemented by the directors.

Matters Relating to Members of Audit & Supervisory Board and the Audit & Supervisory Board (June 26, 2015)

Number of members of the Audit & Supervisory Board specified under the Articles of Incorporation	3 or more No maximum number specified
Number of members of the Audit & Supervisory Board	3
Number of external members of the Audit & Supervisory Board	2
Number of independent officers specified within external members of the Audit & Supervisory Board	2
Number of Audit & Supervisory Board meetings held (fiscal year ended March 31, 2015)	10

Internal Audit

Kurita Water Industries Ltd. has an Internal Auditing Department, which is independent from operational execution functions and reports directly to the president. The Internal Auditing Department—comprising a general manager and eight other staff—conducts internal audits of the Company and its subsidiaries, identifies issues and problems in operational execution, and provides recommendations to the president on improvement measures. Also, in accordance with the Japanese Financial Instruments and Exchange Act, the Company established the Internal Control Reporting System in relation to financial reporting, and the Internal Auditing Department carries out monitoring as well as provides recommendations and support for improvements related to establishment and operational status of financial reporting-related internal controls. This system also monitors the status of risk management and measures for improvement.

Accounting Audit

Kurita Water Industries Ltd. has appointed Grant Thornton Taiyo LLC as its accounting auditor. Grant Thornton Taiyo LLC provides opinions related to the Group's financial statements and other matters from the standpoint of an independent accounting auditor.

Cooperation between the Internal Auditing Department, Audit & Supervisory Board, and Accounting Auditor

From the perspective of enhancing its corporate governance, Kurita Water Industries Ltd. strives to ensure ample

cooperation between the Internal Auditing Department, Audit & Supervisory Board, and accounting auditor. The members of the Audit & Supervisory Board verify the independence of the accounting auditor and the status of execution of the accounting auditor's duties. The members of the Audit & Supervisory Board also holds meetings with the accounting auditor regularly and as necessary regarding the accounting audits and exchanges opinions during these meetings. The members of the Audit & Supervisory Board discuss and exchange opinions regarding planning and results of internal audits by the Internal Auditing Department, evaluations of internal controls relating to financial reporting, and evaluations of risk management.

External Directors and External Members of the Audit & Supervisory Board

Kurita Water Industries Ltd. appoints external members of the Board of Directors to provide an objective perspective from outside the Company on the management oversight conducted by the Board of Directors. The Company has appointed two external directors and two external members of the Audit & Supervisory Board. Regarding the independence of these external officers, appointments are made of members who have not worked at the Kurita Group and are not affiliated with the Company's major shareholders or suppliers. This policy is maintained in accordance with the independent decision-making standards established by the Tokyo Stock Exchange, and appointment criteria specify that there should be no potential for conflict of interest arising with ordinary shareholders.

Mr. Seiji Nakamura, Kurita's part-time external director, has served as executive vice president and representative director of Mitsui O.S.K. Lines, Ltd., president and representative director of MOL Ferry Co., Ltd., and as a member of the Policy Board of the Bank of Japan. None of these have any special interests in Kurita. Mr. Tsuguto Moriwaki, Kurita's part-time external director, has served as Executive Vice President & Representative Director of Kobe Steel, Ltd. and President & CEO of Shinsho Corporation. None of these have any special interests in Kurita. Mr. Chiaki Kuzuu, Kurita's full-time external member of the Audit & Supervisory Board, is a former employee of ITOCHU Corporation. ITOCHU has no special interests in Kurita. Mr. Tamio Uda, a part-time external member of the Audit & Supervisory Board, is an attorney and has no special interests in Kurita.

Mr. Seiji Nakamura, a part-time external director, sits on the Board of Directors and actively offers opinions on all management-related matters. Mr. Chiaki Kuzuu, a part-time external member of the Audit & Supervisory Board, carries out routine audits and sits on the Board of Directors, the Audit & Supervisory Board and other important boards. He

offers opinions from his expert perspective, including on topics related to finance and accounting, and exchanges opinions as appropriate with the accounting auditor and the Internal Auditing Department. Mr. Tamio Uda, a part-time external member of the Audit & Supervisory Board, sits on the Board of Directors and the Audit & Supervisory Board. He offers opinions as required from his expert perspective mainly as an attorney.

Overview of Limited Liability Agreement

In 2013, Kurita Water Industries Ltd. made provision for a limited liability agreement with external directors and external members of the Audit & Supervisory Board in the Articles of Incorporation. This was done to facilitate the use of outside human resources with an emphasis on greater independence, with the aim of respecting shareholder profits and increasing management transparency. Pursuant to the provisions of Article 427, Paragraph 1 of the Companies Act, Kurita entered into agreements with Mr. Seiji Nakamura (part-time external director), Mr. Tsuguto Moriwaki (part-time external director) and Mr. Tamio Uda (part-time external member of the Audit & Supervisory Board) to limit liability, as provided for under Article 423, Paragraph 1 of the Companies Act. The maximum liability provided for under these agreements is limited to the amount specified by laws and ordinances.

Meeting Attendance by the External Director and External Members of the Audit & Supervisory Board

(Fiscal year ended March 31, 2015)

	Number of meetings of the Board of Directors attended	Number of meetings of the Audit & Supervisory Board attended
Total number of meetings held	14	10
Seiji Nakamura*1	14	—
Chiaki Kuzuu*2	14	10
Tamio Uda*2	14	10

*1. External director *2. External members of the Audit & Supervisory Board

Remuneration Paid to Directors and Members of the Audit & Supervisory Board

The system of Kurita Water Industries Ltd. for compensating directors and members of the Audit & Supervisory Board is intended to create incentives to continuously work to increase the Company's enterprise value and business results. To this end, the remuneration 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 members of the Audit & Supervisory Board 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 the business plan 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 Audit & Supervisory Board Members' Shareholding Scheme and allocated for purchasing the Company's shares. Based on this policy, the remuneration for each director is decided by the Board of Directors and the remuneration for each member of the Audit & Supervisory Board is decided through deliberation by all of the members of the Audit & Supervisory Board within the total limit set by the General Meeting of Shareholders.

The breakdown for remuneration paid to directors is basic annual salary of approximately 80%, performance-linked component of approximately 10% and contribution to the Directors' and Audit & Supervisory Board Members' Shareholding Scheme of approximately 10%.

Internal Control System

In May 2006, the Board of Directors of the Kurita Group made a resolution on and formulated the Fundamental Policy Regarding the Establishment of Internal Control Systems in accordance with the requirements of Japan's Companies Act, and have subsequently established and been operating this internal control system. The Fundamental Policy Regarding the Establishment of Internal Control Systems is revised as necessary by a Board of Directors' resolution. To ensure that financial reporting is carried out appropriately, the Kurita Group has established divisions at each company that have responsibility for establishing, operating and improving the internal controls relating to financial reporting. The Company's Finance and

The Total Amounts of Remuneration by Officer Classification and Type as well as the Number of Officers to whom Remuneration was Paid for the Fiscal Year under Review

Classification	Total remuneration paid (Millions of yen)	Total remuneration paid by type (Millions of yen)				Number of recipients
		Basic remuneration	Stock options	Bonus	Retirement package	
Directors and Members of the Audit & Supervisory Board (Excluding external director and external members of the Audit & Supervisory Board)	395	375	—	—	19	12
External director and external members of the Audit & Supervisory Board	56	56	—	—	—	3

Accounting Department in the Administrative Division oversees these divisions. Furthermore, the Company has established the Internal Control Reporting System in relation to financial reporting in the Japanese Financial Instruments and Exchange Act. This system is monitored by the Internal Auditing Department, with oversight of the president, and the department provides recommendations and support for improvements. In addition, the Finance and Accounting Department in the Administrative Division shares responsibility for monitoring, as well as recommendations and support for improvements from the perspective of effective and efficient evaluation of the "financial reporting process control of consolidated subsidiaries from a company-wide perspective." As of March 31, 2015, the Kurita Group's internal controls in relation to financial reporting have been determined to be effective, and after auditing by the accounting auditor, an internal control report to that effect

Compliance

The Kurita Group treats compliance activities as more than just abiding by laws. We position these as activities to achieve the five values of fairness, transparency, integrity, safety and compatibility described in our Code of Ethical Conduct established in 2000. Also, we have established the Basic Principles and Compliance Guidelines to Practice Ethical Conduct to fully enforce the observation of compliance with laws, regulations and social ethics in our daily business activities.

Framework for Promotion

Kurita Water Industries Ltd. has established the Compliance Committee, which is chaired by the Representative Director, and the Group Compliance Committee, which is chaired by the Representative Director and whose members are the representatives of domestic Group companies. In these committees, the Kurita Group sets out policies and important measures for compliance activities, and conveys them to



Compliance Committee

has been submitted to the Kanto Local Finance Bureau of the Ministry of Finance Japan.

Risk Management

The Managing Director and General Manager of the Corporate Planning Division is designated as the officer to promote risk monitoring and risk management for the Kurita Group. In this role, the officer regularly conducts risk analysis and evaluation, conducts ongoing monitoring, and takes steps to prevent risks. Monitoring of the execution status and improvement status of risk management is conducted by the Internal Auditing Department.

Among serious risks, those related to compliance are the responsibility of the representative director as Compliance Committee head, while those related to labor, health, safety and disasters are the responsibility of the Headquarters Health and Safety Committee head, with this committee.

all employees through subcommittees at each headquarters division, business division, and Group company division.

Compliance Behavior Survey

The Kurita Group in Japan conducts Compliance Awareness Surveys once a year to understand the level of implementation of compliance behavior among employees. Issues that become apparent through analysis of survey results are reflected in compliance activity policy and measures, and utilized in initiatives to improve awareness and behavior.

Initiatives to Prevent Bid-Rigging and Cartels

In 2006, the Kurita Group withdrew from all construction projects ordered by the national government and local public entities to ensure no recurrence of violations of the Antimonopoly Act. We also forbid participation and membership of trade associations in order to exclude all dealings with associates.

Whistle-Blower Protection Rules

The Kurita Group in Japan has established the Public Interest Whistle-Blower Protection Rules, to protect those providing internal information, as we work to achieve early detection of dishonest practices. In addition to maintaining an internal consultation desk, we contract an outside organization to provide consultation and reporting services.

Directors and Members of the Audit & Supervisory Board

As of June 26, 2015

Directors



President and Representative Director
Toshiyuki Nakai

2011 President
Representative Director (to present)
2009 President and Representative Director, Kurita Engineering Co., Ltd.
2005 Director
1979 Joined Kurita Water Industries Ltd.



Executive Senior Managing Director and Representative Director
Kaoru Kajii

2015 Executive Senior Managing Director (to present)
2014 Representative Director (to present)
2013 General Manager of Facilities Division (to present)
2009 Managing Director
2005 Director
1974 Joined Kurita Water Industries Ltd.



Managing Director
Kouichi Iioka

2013 Managing Director (to present)
General Manager of Chemicals Division (to present)
2011 President and Representative Director, Kuritec Service Co. Ltd.
2007 Director
2005 Executive Officer
1975 Joined Kurita Water Industries Ltd.



Managing Director
Kiyoshi Ito

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



Director
Takahito Namura

2014 General Manager of Research and Development Division (to present)
2011 Director (to present)
2009 Executive Officer
1977 Joined Kurita Water Industries Ltd.



Director
Youichi Kurokawa

2015 Deputy General Manager of Facilities Division (to present)
2011 Director (to present)
2009 Executive Officer
1984 Joined Kurita Water Industries Ltd.



Director
Toshitaka Kodama

2015 General Manager of Facilities Group, Facilities Division (to present)
2014 Director (to present)
2011 Executive Officer
1977 Joined Kurita Water Industries Ltd.



Director
Yoshio Yamada

2014 Director (to present)
2013 General Manager of Sales Group II, Chemicals Division and General Manager of Osaka Office (to present)
2011 Executive Officer
1982 Joined Kurita Water Industries Ltd.



Director
Michiya Kadota

2014 Director (to present)
General Manager of Administrative Division (to present)
2013 Executive Officer
1983 Joined Kurita Water Industries Ltd.



Director*
Seiji Nakamura

2013 External Director of Kurita Water Industries Ltd. (part time) (to present)
2007 Member of the Policy Board of the Bank of Japan (to 2012)
2003 President and Representative Director of MOL Ferry Co.,Ltd.
2000 Executive Vice President and Representative Director of Mitsui O.S.K. Lines, Ltd.
1965 Joined Mitsui O.S.K. Lines, Ltd.



Director*
Tsuguto Moriwaki

2015 External Director (part time) of Kurita Water Industries Ltd. (to present)
2010 Adviser of Shinsho Corporation
2004 President & CEO of Shinsho Corporation
2002 Executive Vice President & Representative Director of Kobe Steel, Ltd.
1999 President & CEO of Kobelco Construction Machinery Co., Ltd.
Managing Director of Kobe Steel, Ltd.
1967 Joined Kobe Steel, Ltd.

* External Director

Members of the Audit & Supervisory Board

Member of the Audit & Supervisory Board**
Chiaki Kuzuu

2004 External Member of the Audit & Supervisory Board (to present)
2002 Chief Financial Officer, Machinery Company, ITOCHU Corporation
1971 Joined ITOCHU Corporation

Member of the Audit & Supervisory Board
Shiro Hayashi

2012 Member of the Audit & Supervisory Board (to present)
2009 General Manager of Personnel and Labor Relations Department, Administrative Division
1977 Joined Kurita Water Industries Ltd.

Member of the Audit & Supervisory Board**
Tamio Uda

2009 External Member of the Audit & Supervisory Board (part-time) (to present)
1977 Established Harada Uda Law Office (currently Uda Law Office)
1974 Admitted to the Japan Bar Association

** External Member of the Audit & Supervisory Board

Relationship with Employees

With the aim of promoting employees' motivation at work, in its Management Guidelines the Kurita Group strives to provide a diverse range of employment styles for employees to choose from and allows employees to select a working style that enables them to draw upon their abilities and suits their qualifications and stage in life.

Developing Human Resources

The Kurita Group aims firmly entrenched system that encourages employees to challenge themselves and to enhance their own skills. We strive to enable employees to grow so that they can create and develop Kurita's own products, technologies and services as they find solutions to the issues facing customers and society.

Our Focus

The Kurita Group has traditionally promoted the development of employees who have the strength to see a job through to completion, no matter what stage of their career they are in. We have focused on education and training, deployment and allocation, and upgrades and promotions in our efforts to foster many more organization leaders and expert professionals. As we continue our global expansion, the Kurita Group will promote capable people and evaluate all employees from a uniform global perspective to foster the Group's key employees as well.

Self-Reporting System

Kurita Water Industries Ltd. has established a system where employees can report their preferred working style and career formation to the Company. Once a year, employees discuss the suitability of their current duties, their preferred path for the future, their family situation and more with their superiors so that the Company can understand the thinking of each individual, which is utilized in transfer and allocation as well as training.

Creating Opportunities for Personal Development

For operational areas where Kurita Water Industries Ltd. has needs, the Company has a paid study sabbatical system that provides employees with opportunities to study at educational institutions and research institutions in Japan and overseas, as well as a scholarship program for employees which aims to develop personnel who can contribute to the advancement of society through our business activities. We have also prepared "Global Training" that includes language study with the aim of developing personnel who can operate globally, as well as more than 200 distance learning and classroom-based courses for the acquisition of a wide range of knowledge and skills.

Promoting Personnel Diversity

At the Kurita Group, we aim to hire a diverse range of personnel for the right positions in order to meet global needs.

Employee Breakdown

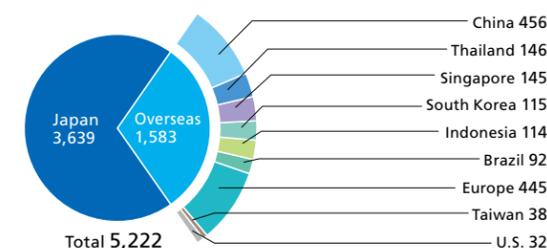
Kurita Water Industries Ltd. (As of April 1, 2015)

Age	Full-time employees	(Management positions therein)
29 and under	272	(0)
30-39	357	(58)
40-49	569	(316)
50 and over	286	(220)
Total	1,484	(594)
Female	187	(5)
Non-Japanese	12	(2)

Notes: (1) Management position figures include employees who are ranked as professional level or higher (including specialist abilities).
(2) Figures of female and non-Japanese employees are included in total numbers of employees.

- Average service years
16.8 years (Male 16.8 years; Female 16.6 years)
- Ratio of female employees among career-track employees 4.4%
- Average age 40.9

- Number of Employees by Region
(As of March 31, 2015; Consolidated)



- Ratio of local nationals among directors in overseas Group companies as of April 1, 2015, 11 of 36 directors are local nationals (30.6%)

Employment of Personnel with Disabilities

In Japan, the Kurita Group provides a wide range of employment opportunities for people with disabilities.

In April 2013, With Kurita Ltd. was established with the goal of securing employment opportunities for people with disabilities. As of May 31 of the same year, With Kurita has been approved as a special subsidiary company under the Act on Employment Promotion etc. of Persons with Disabilities.

As of April 1, 2015, the disabled person employment rate is 2.1%, which surpasses the statutory employment rate (2.0%).

Securing Employment Opportunities for Senior Personnel

In conjunction with the enforcement of the amended Act

on Stabilization of Employment of Elderly Persons from 2006, Kurita Water Industries Ltd. has established a system to secure employment opportunities for people who have retired having reached the mandatory retirement age. These employment opportunities are offered for up to a maximum of five years from the time of mandatory retirement (60 years old) in accordance with the 2013 amendment to the Act on Stabilization of Employment of Elderly Persons.

Between 2006 and April 1, 2015, a total of 287 retirement age personnel secured employment opportunities. As of April 1, 2015, there are 82 retirement-age employees who have secured employment opportunities at the Company.

Second Career Support System

Kurita Water Industries Ltd. has a second career support system that offers preferential treatment to support employees who wish to try to work in a different field from their present one. The employees must satisfy certain conditions to qualify for this system.

Realizing a Pleasant Workplace

Child-Raising Leave System and Shortened Working Hours for Child-Raising System

Kurita Water Industries Ltd. has established an environment that makes it easier for employees to balance work with raising children. In principle, each employee can take child-raising leave until the day that their child reaches one year and six months of age, but if the child is unable to enter a nursery or other childcare center as of that date, this period can be extended to the first April intake at the centers after the child turns one year and six months. The employee is also able to reduce their working hours for the purpose of child-raising for a maximum period of 36 months, until the child completes the third year of elementary school, choosing from seven different working patterns, each with different start and finish times, to suit their lifestyle. As of April 2015, over the past three years a total of 22 employees (including no males during this period) have used the childcare leave system, while 29 employees have used the system that allows employees raising children to have shortened working hours.

Nursing Care Leave System and Shortened Working Hours for Nursing Care System

At Kurita Water Industries Ltd., employees with a family member who needs nursing care and who wishes to continue to work after taking nursing care leave, may take nursing care leave for a cumulative total of up to one

year (365 days) in principle. Also, employees may use the shortened working hours system for a cumulative total within 12 months per family member depending on the condition of the family member requiring care.

Volunteer Leave System

At Kurita Water Industries Ltd., all employees are eligible to take leave for volunteer activities. Employees can take paid leave for up to two days each fiscal year for such activities.

Work Health and Safety

In accordance with the Industrial Safety and Health Act, Kurita Group companies in Japan have established health and safety rules in order to prevent employees from being harmed by occupational disasters, as well as to maintain and improve the health of employees and to promote comfortable workplace environments. We have organized a health and safety management system comprising Health and Safety committees and Health and Safety Managers. Under this system, the domestic Group works alongside partnering companies to provide health and safety education to employees and to conduct health and safety drills. We also develop work standards and provide instruction on them, maintain and inspect employees' safety gear and other facilities to prevent accidents. The Group also examines ways to deal with disasters, discovers their causes and drafts countermeasures.

Relationship with Labor Union

In addition to securing the Company's sound growth and continuation, Kurita Water Industries Ltd. and the labor union maintain a sound and fair relationship. Labor and management each do their utmost to improve the economic and social standing of union members and to maintain and improve working conditions.

Respect for Human Rights

Kurita works to raise awareness of human rights issues throughout the Group in Japan. This effort includes setting up consultation counters and holding human rights training programs aimed at preventing various types of discrimination and harassment.

Kurita Water Industries Ltd. has established a Human Rights Awareness Promotion Committee, develops topics for human rights training programs and creates annual activity plans. During the fiscal year ended March 31, 2015, a total of 1,673 people attended training from the Head Office and other offices, with each and every employee deepening their understanding of respect for human rights.

Relationship with Customers

The Management Guidelines of the Kurita Group clarify that it strives to provide products, technologies and services with safety and excellence that customers expect.

Approach to Quality Assurance

Our Quality Policy states that the Kurita Group will speedily provide our customers with products, technologies and services that can meet their quality expectations, thereby winning their unshakable trust. We place particular importance on service quality, analyzing changes in the operating status of the equipment of our customers, sharing issues with customers and striving to improve the quality of our solutions.

Quality Assurance Systems

With regards to product quality control, Kurita Water Industries Ltd. has established a Quality Assurance Department in the Chemicals Division and Facilities Division. These departments work on quality control from production to actual use of the product. In Japan, there are quality assurance systems based on the ISO9001 international standard for quality management systems in each of Kurita's Electric Power Plant department, Kurita Chemical Manufacturing Ltd., Kurita Engineering Co., Ltd., Kuritaz Co., Ltd., and Kuritec Service Co. Ltd., which they are working on.

Initiatives to Improve Technical Skills

Kurita Water Industries Ltd. opened its T&C (Technical & Career) Support Center in April 2014 for the purpose of enhancing technical capabilities related to water treatment plants. This center coordinates and implements technological training for the entire Group, including domestic and overseas employees. In addition to lectures held at the Head Office, actual systems are used for practical skills training at the Yamaguchi Plant to enable participants to learn knowledge and skills that are basic but that also have application in the workplace.



Training held at Yamaguchi Plant for overseas employees

In addition to establishing the Technology Transmission Committee, we have opened Kurita Technology College, which aims to develop engineers, as part of efforts to ensure that veteran employees' skills and know-how are reliably passed down to mid-career and young employees.

Safety Initiatives

The Kurita Group believes that safety is an essential basis of value creation when providing customers with products, technologies and services. Kurita Water Industries Ltd. has established the Headquarters Health and Safety Committee under the direct control of the president and the Group is working to improve safety management in the workplace including across all domestic Group companies and domestic affiliates. Over 100 education opportunities are provided per year mainly by the fulltime safety management departments of both the water treatment chemicals and water treatment facilities divisions, with total number of attendants of over 3,000. We also conduct safety patrols of our customers' sites, bringing along senior managers, management teams and outside experts. Thanks to initiatives such as these, no days have been lost at customers' workplaces, in either the water treatment chemicals business or the water treatment facilities business, through occupational accidents during the fiscal year ended March 31, 2015.



Safety training for employees

Customer Satisfaction Survey

The Kurita Group conducts a customer satisfaction survey regularly once every four years in order to verify the results of the work that we have done to solve our customers' problems. The survey has been expanded internationally, rather than just being implemented within Japan, with areas highlighted for improvement including the quality of our proposals and verifying results. We are analyzing these issues and working to further improve our customers' levels of satisfaction.

Relationship with Suppliers

The Kurita Group shows in its Management Guidelines that it strives to maintain transparent and fair business transactions based on free competition. In our dealings with our suppliers, we aim to strengthen relationships of mutual trust with an emphasis on the autonomy, profits, and the assets of both companies.

Basic Policies for Purchasing

In connection to purchasing within the Kurita Group in Japan, we have a basic policy of open purchases and coexistence and prosperity. We choose suppliers based on a comprehensive set of criteria, including product quality, price competitiveness, certainty of on-time delivery, management stability and green purchasing (RoHS directive, WEEE directive, REACH regulations, and substances toxic to the environment) compliance.

Green Purchasing

In Kurita Water Industries Ltd.'s water treatment chemicals business, while there is not a uniform set of requirements for all suppliers in connection to environmental considerations, we do check for the presence of harmful chemical substances, and confirm that environmental considerations and legal compliance are in place in the manufacturing stage before purchasing raw materials and other materials.

In Kurita Water Industries Ltd.'s water treatment facilities business, we enact green purchasing guidelines, and specify the requirements to our suppliers in terms of environmental management initiatives and environmental considerations regarding the procurement of resources at the design and manufacturing stages, and the non-use of ozone-depleting substances (ODS) in the manufacturing stage. Kurita requires that suppliers follow these guidelines in accord with our customers' requests.

Respect for Intellectual Property Rights

The Kurita Group respects the intellectual property rights of others, and conducts its business activities while avoiding infringing on them. We acquire licenses when using intellectual property owned by other parties, and we request that other parties respect the intellectual property rights of the Kurita Group. Businesses that infringe on the Kurita Group's intellectual property rights are required to cease the infringement, and are urged to acquire a license. In order to promote respect for intellectual property rights, we are implementing courses such as hierarchical intellectual property training and e-learning within the Group. Until March 2014, this was just a domestic activity, but the initiative is also being expanded to overseas Group

companies in the period up to March 31, 2015 and will continue in the fiscal year ending March 31, 2016.

Corruption Prevention and Dealing with Antisocial Forces

The fundamental policy of the internal controls system of the Kurita Group states that all officers and employees take a resolute stance against and reject all connections to antisocial elements and organizations. In terms of specific policies, we have taken steps by, for example, adding a clause to our contracts about the elimination of crime syndicates.

On the basis of the Kurita Group Code of Ethical Conduct and Compliance Guidelines, we also promote fair business activities, and prohibit while also working to prevent the provision and acquisition, etc., of unjust profits. Kurita surveys its suppliers with questionnaires regarding these to confirm the current state of affairs.

Supplier Helpline

A supplier helpline has been established for suppliers to contact the Kurita Group companies in Japan with any trade-related worries or concerns in order to strengthen relationships of trust with suppliers of the Company and its domestic Group companies.



Helpline manual

Relationship with Shareholders and Investors

The Management Guidelines of the Kurita Group aim to maintain shareholder support through timely provision of information deemed by shareholders and investors to be necessary and sufficient, and through realization of capital-efficiency-focused management and appropriate shareholder returns.

Investor Relations (IR) System

The Managing Director and General Manager of the Corporate Planning Division has overall responsibility for information disclosure for the Kurita Group. A full-time IR officers and full-time IR section have been established within the Corporate Planning Division to provide support to the General Manager. If the General Manager is unable to have direct dialogue with shareholders, the full-time IR officers become the point of contact instead of the General Manager.

Communication with Institutional Investors

Individual meetings are routinely held with securities analysts and institutional investors for IR activities. At the time of second quarter and full year financial results, a results briefing is held in a conference room, where the president and relevant directors explain the results and answer questions. At the time of first and third quarter financial results, a teleconference is held.

The president conducts roadshow IR meetings overseas twice a year and the IR officers also conduct their own roadshow. Also, through participation in conferences in Japan, Kurita provides opportunities for meetings with foreign investors.



Financial results briefing for institutional investors

Communication with Shareholders and Individual Investors

A shareholder briefing is held after the General Meeting of Shareholders, and the president and relevant directors explain and answer questions on business conditions for the Kurita Group. A briefing for individual investors is held, where the General Manager of the Corporate Planning Division speaks to the individual investors. Individual shareholders Reports are also issued to provide easy-to-understand investor information.

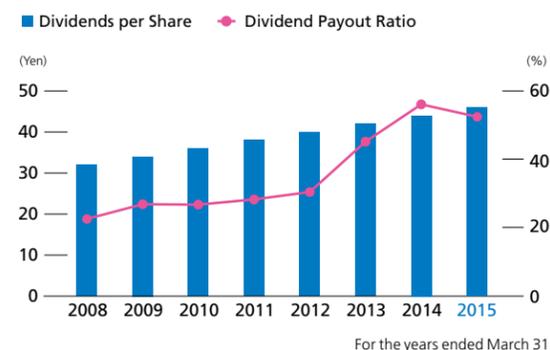
Investor Relations Website

Kurita has created an IR Website to ensure fair and timely disclosure of Company information. A range of publications are available on the site, from financial results briefing materials and timely information disclosure materials, through to annual reports and fact books.

Shareholder Returns

Kurita's basic policy is to provide shareholders with stable dividends. Setting a payout ratio of 30% to 50% as our target, we will continuously work to increase dividends, making decisions based on the payout ratios for the most recent five years rather than responding to fluctuations in business performance each fiscal year. After taking into account funds required for growth investment, working capital and precautionary funds to prepare for rapid fluctuations in the business environment, we will return that capital to shareholders to avoid excessive accumulation of funds.

Per Share Dividend Value and Dividend Payout Ratio



Relationship with Local Communities

The Management Guidelines of the Kurita Group state that the Group strives to actively use the insight and expertise built up through its business to give back to society as a good corporate citizen.

Kurita Water and Environment Foundation (Public Interest Incorporated Foundation)

The Kurita Water and Environment Foundation is a public interest incorporated foundation established with basic funds by Kurita Water Industries Ltd. in 1997. The Kurita Group in Japan makes contributions to the Foundation every year to provide operating funds. By providing subsidies for surveys and research into water and the environment, as well as other support, the Foundation aims to contribute to the development of a rich global environment that promotes harmony between people and nature.

The Foundation provides subsidies for surveys and research regarding water and the environment conducted by universities and other research institutes in Japan and overseas, and subsidies for holding international symposiums and for researchers and experts to attend international conferences regarding science related to water and the environment. It also presents awards for outstanding achievements that come from the water- and environment-related surveys and research and that reflect the Foundation's aims. The Foundation has been actively involved in providing subsidies overseas, including launching a research subsidy project in Thailand in the fiscal year ended March 31, 2014. The Foundation has subsidized a total of 1,043 projects, amounting to about 500 million yen, since its foundation through to the end of March 2015. Of those, 54 subsidies were provided overseas in the amount of about 20 million yen.

Disaster Recovery Support

Kurita Water Industries Ltd. lends seawater desalination units to local governments in response to their requests to help with emergency water shortage relief.

As a recent example of this, at the time of the Great East Japan Earthquake, Kurita helped supply water from June



Seawater desalination unit in use after the Great East Japan Earthquake

19 to July 19, 2011, to a hotel being used as an evacuation shelter in Minamisanriku, Miyagi Prefecture, which was one of the disaster areas. Kurita installed a seawater desalination

unit there to provide water for evacuation shelter toilets and washing. In the fiscal year ended March 31, 2015, no disaster recovery support was required.

Regional Activities

Every year, Kurita Water Industries Ltd. holds sports events in which the rugby team plays a central role at the Company-owned ground in Atsugi, Kanagawa Prefecture. A Rugby Festival was held in June 2014 that brought the local children into contact with Kurita employees through rugby and deepened the bonds of communication.



In Nakano-ku, Tokyo, the location of the Kurita Water Industries Ltd.'s Head Office, employees voluntarily participated in a local festival where they helped the locals carry portable shrines and further deepened friendships.

Kurita employees and local children interacting through sport

At the Kurita Global Technology Center, which serves as a research and development base for Kurita Water Industries Ltd., volunteers conduct cleanup activities in the local area twice a year and conduct other community-based activities such as participation in the local "ekiden" long-distance relay road races.



Participants cleaning up Nogi-machi, Tochigi, the location of the Kurita Global Technology Center

Environmental Improvement Activities

Relationship with Business Activities and Enhancement of Corporate Values

The Kurita Group's basic policy for its environmental improvement activities is to operate in keeping with its corporate philosophy and to endeavor to resolve water and environmental issues so that the Kurita Group can broadly contribute to society. The policy is based on recognition of the significance of the Group and our

corporate values, which is deeply connected with our ability to meet global challenges such as conservation of the natural environment and the effective use of resources and this ability is pursued by adding new values and functions to water.

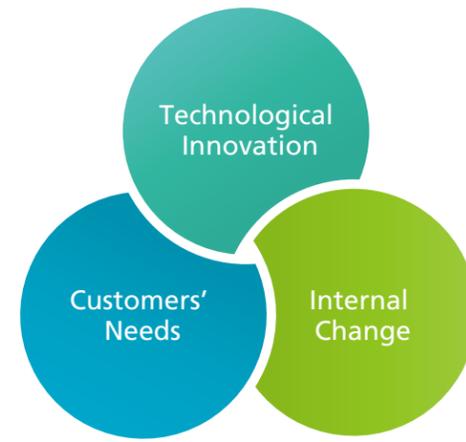
Activity Guidelines and the Three Aspects

Our environmental improvement activities, which reflect the connection between water and the environment and Kurita Group business activities, are characterized by three guidelines and three aspects. The activity guidelines are as follows.

- 1 We will contribute to the realization of a sustainable society by developing new products and technologies that are conducive to environmental improvement.
- 2 We will work with customers to improve the environment by providing products, technologies, and services that boost productivity, reduce environmental impact and offer innovative energy solutions.
- 3 In conducting daily business activities, we will reduce environmental impact through operational improvement and innovation.

Based on these guidelines, we are conducting Technological Innovation, Customers' Needs and Internal Change.

The Three Aspects of Our Environmental Improvement Activities



Results of Environmental Activities in the Fiscal Year Ended March 31, 2015

Technological Innovation Initiatives

This initiative is for the first step of the activity guidelines. The Kurita Group grasps the needs and challenges of society and our customers in terms of "water and

the environment," and we establish a theme for the development of new products and technologies. New key products and technologies for this fiscal year were as follows.

New Products and Technologies	Environmental improvement items			
	CO ₂	Waste	Environmentally harmful substances	Water pollutants
System for reclaiming blow water released from cooling towers for industrial complexes	○			
Technology for contamination diagnostics of water-recycling facilities and technology for cleaning reverse osmosis(RO) membranes contaminated with combined suspended solids and organic matter contamination	○			
Chemicals that clean the circulating water in painting booths at automobile factories by helping paint residual coagulate and be separated				○
Chemicals that reduce contamination from used paper and reduce paper and printing defects in the recycled papermaking process	○			
Chemicals that reduce usage of bleach in the wood pulp manufacturing process			○	
Short lead-time, space-saving and low-sludge aerobic wastewater treatment systems using fiber reinforced plastics (FRP) tower tanks		○		○
Anaerobic membrane systems that use methane fermentation and collect biogas from food, beverages and other organic waste	○	○		
Energy-efficient, chemical-efficient, and space-saving systems that employ continuous flow and intermittent aeration remove nitrogen from wastewater	○	○		○

Initiatives for Meeting Customers' Needs

This initiative is for the second activity guideline. The Kurita Group proposes solutions to meet its customers' needs for reducing their environmental impact, which, if applied, result in environmental improvements. The Environmental Report gathers the results in this area from Japan.

The main results for the fiscal year ended March 31, 2015 include the four items of waste reduction, water pollutant reduction, soil and groundwater pollutant reduction, and air pollutant reduction, which exceeded last fiscal year's results. We also work on the reduction of CO₂ emissions and environmentally harmful substances.



Reduced carbon dioxide emissions achieved through rationalization of boiler management

Internal Change Initiatives

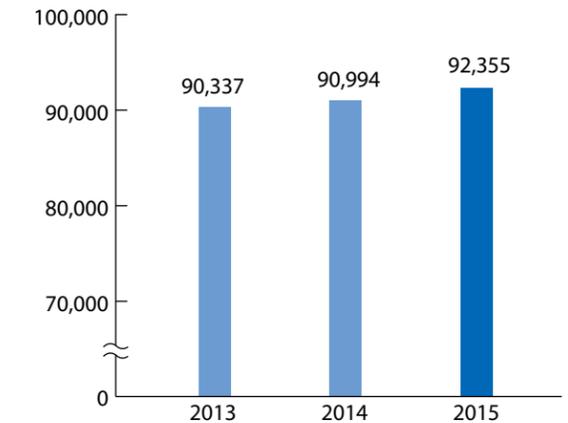
This initiative is for the third activity guideline. We are working to reduce our environmental impact, chiefly by lowering carbon dioxide emissions, reducing waste and increasing recycling in Group operations.

To comply with Japan's "Act on the Rational Use of Energy" (Energy Conservation Act), we established targets for per-unit energy consumption and absolute energy consumption at our sites as "specified business operators" and "designated energy management factories" under the act. We also worked to reduce electric power consumption by increasing blower efficiency in the wastewater processes of ultrapure water supply sites, to reduce city gas consumption by reviewing the heating way used for ultrapure water, and to use such things as inverter control for cleanroom air conditioners across Group companies. This resulted in us meeting our targets during the fiscal year ended March 31, 2015 for per-unit energy consumption and energy consumption.

We worked to recover valuable resources at research and development sites and reduce sludge generated during wastewater treatment in the tool cleaning business, but because of an increase in waste accompanying

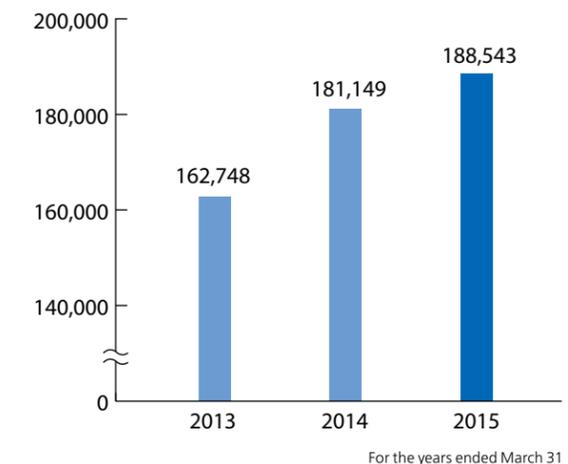
increases in the operating ratio and the wastewater burden at some ultrapure water supply sites, we were unable to meet Group-wide targets for waste volumes. Thorough separation and collection at research and development sites, offices and other locations has enabled us to meet our targets for recycling.

Energy Consumption (crude oil equivalent) (Kiloliters)



* Kurita Group Companies which are "specified business operators" and "designated energy management factories" of Kurita Water Industries Ltd.

Reference: Carbon Dioxide Emissions (Tons)



Kurita Environment Month

Kurita Environment Month was first held in the fiscal year ended March 31, 2015 for the purpose of shining a light on environmental action and awareness in the workplaces, homes and local communities of every employee of the Kurita Group for the purpose of energizing environmental improvement activities by cultivating broad environmental awareness. During the month of August, we solicited experiences, photographs, paintings and catchphrases related to environmental improvement from officers, employees and temporary workers, and their families, of domestic and overseas Group companies. With a high level of participation from domestic and overseas

Group employees and their families, the event succeeded in becoming a new means of communication, so the Kurita Group will continue the event going forward while expanding its scope.

Environmental Improvement Activities for the Fiscal Year Ending March 31, 2016

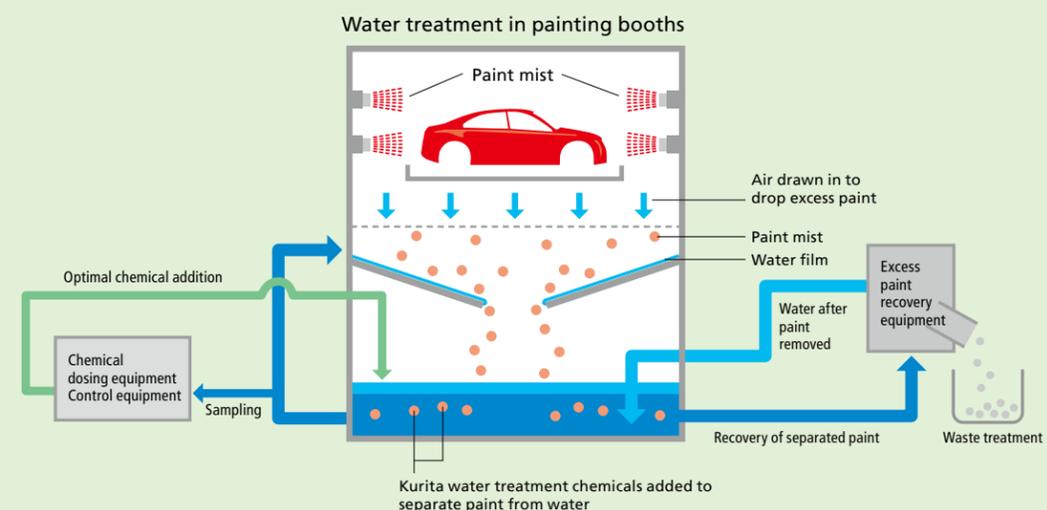
As part of the next rollout of environmental improvement activities with our overseas businesses, there are ten overseas companies able to conduct environmental activities from the fiscal year ending March 31, 2016. However, they have just started so we will begin by working on understanding among our overseas employees.

Topics

New Series of Water Treatment Chemicals for Painting Booths to Help Reduce the Environmental Impact at Automobile Factories

When excess paint is not used in automobile factory painting booths, it is collected in water below the booths. Paint is separated from this mixture by water treatment chemicals, and then the water is reused as circulating water. This newly developed series of circulating water treatment chemicals for painting booths offers greatly increased ability to render oil-based paints tack-free and catch water-based paints

compared to our previous products, and more stable water treatment can be achieved. It is possible to maintain the quality of circulating water even without discharging it by combining chemicals of this new series. This meets the environmental impact reduction demands by customers who have restriction in water discharge amount.



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MANAGEMENT'S DISCUSSION AND ANALYSIS

Business Overview

During the fiscal year ended March 31, 2015, the global economy overall recovered moderately. The U.S. economy experienced a steady recovery, chiefly reflecting an improvement in employment and the expansion of personal spending. In Europe, there were signs of recovery despite the debt crisis. China and emerging countries in Asia saw a slowdown in growth.

The Japanese economy was affected by weakening demand in reaction to a spike ahead of the consumption tax hike. In the second half of the fiscal year, however, corporate earnings improved on the back of the weaker yen and a fall in crude oil prices, and the economy recovered moderately.

Looking at the market environment surrounding the Kurita Group, production and capital expenditure in the manufacturing industry were weak in Japan. Overseas, demand for water treatment increased in East Asia and Southeast Asia.

In this environment, the Kurita Group took steps to restore its earnings power and expand its global business by combining its expertise in the Water Treatment Chemicals segment, water treatment facilities and maintenance services, aiming to evolve into a corporate group capable of competing successfully in the international market. Specifically, the Group sought to expand orders by proposing solutions to customers' challenges, including environmental impact reduction, energy saving, and an improvement in productivity, and providing high-value-added and price-competitive products and services in regions and markets where demand for water treatment is increasing, such as East Asia and Southeast Asia. The Group also worked to improve its production system and control costs thoroughly.

Operating Results

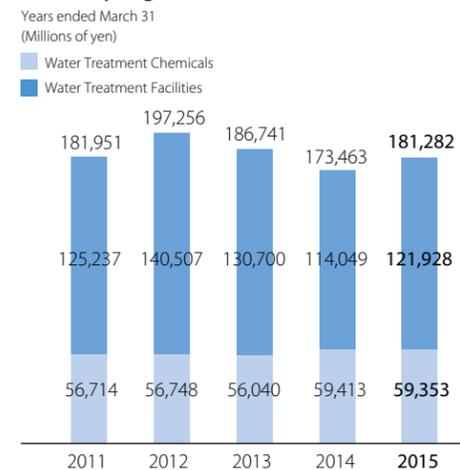
a) Orders

In the Water Treatment Chemicals segment, orders in Japan decreased, mainly because of a tardy recovery in capacity utilization at customers' plants. However, overseas orders increased due to the addition of new customers, especially in China and Southeast Asia. In the Water Treatment Facilities segment, orders rose in Japan due to maintenance services. Overseas, orders rose for water treatment facilities for the electronics industry. As a result, total consolidated orders for the Kurita Group in the fiscal year ended March 31, 2015, were ¥181,282 million, up 4.5% compared with the previous fiscal year.

b) Net Sales

Consolidated net sales for the fiscal year ended March 31, 2015, increased ¥11,261 million, or 6.3%, to ¥189,398 million, mainly due to progress on the construction of water treatment facilities.

Orders by Segment



c) Cost of Sales and Gross Profit

Cost of sales increased 6.2%, to ¥130,509 million, compared with ¥122,870 million in the previous fiscal year. However, as a percentage of sales, cost of sales decreased from 69.0% to 68.9%. This was mainly attributable to an improved cost of sales ratio in the Water Treatment Facilities segment, as we introduced increasingly stringent cost management to prevent additional costs from arising. Gross profit consequently increased 6.6%, from ¥55,267 million to ¥58,889 million.

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

SG&A expenses were ¥39,454 million, compared with ¥40,380 million in the previous fiscal year. This decrease, of ¥926 million, or 2.3%, was the result of efforts to cut overheads.

e) Operating Income

Owing to the factors mentioned above, operating income was ¥19,435 million, up 30.6%, compared with ¥14,886 million in the previous fiscal year. The operating margin rose to 10.3% from 8.4% in the previous fiscal year.

f) Results by Business Segment

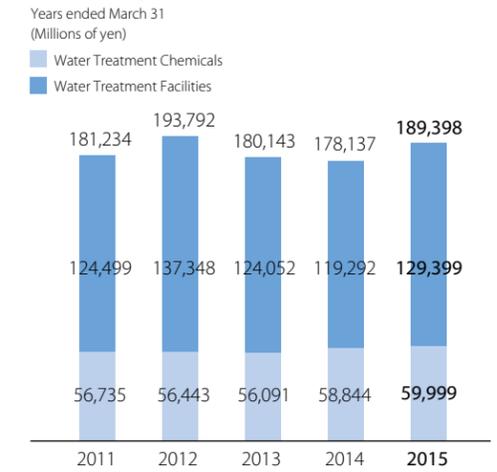
Water Treatment Chemicals

Orders and Sales

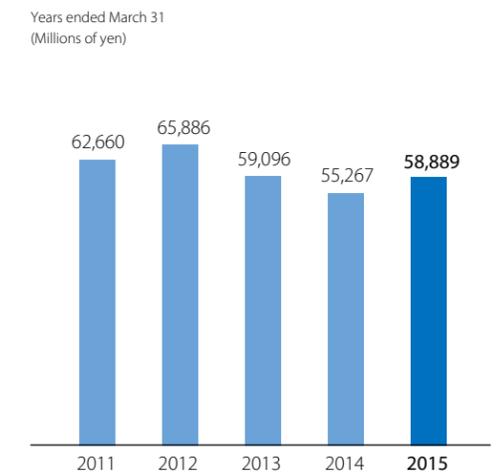
In Japan, orders and sales were down slightly overall. Amid sluggish production activity in the manufacturing sector, orders and sales increased for process chemicals for pulp and paper, as well as steel. However, there were decreases for mainstay boiler chemicals and cooling water chemicals, owing to the delayed recovery in capacity utilization rates at customer factories. Overseas, centering on China and Southeast Asia, sales and orders both rose substantially, thanks to successful efforts to cultivate new customers.

As a result, total Group orders for the Water Treatment Chemicals segment were ¥59,353 million, down 0.1% compared with the previous fiscal year, and sales were ¥59,999 million, up 2.0%.

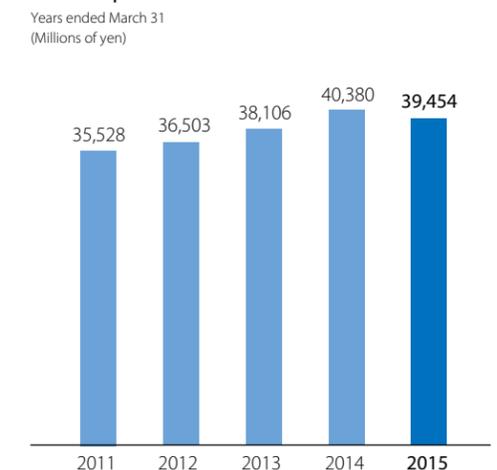
Sales by Segment



Gross Profit



SG&A Expenses



Operating Income

Segment operating income declined 1.0%, to ¥7,877 million, due to a higher cost of sales ratio stemming from lower revenues from highly profitable mainstay products in Japan.

Water Treatment Facilities

Orders and Sales

In Japan, in the electronics industry, plant construction and expansion projects were limited, and orders for and sales of water treatment facilities declined. Meanwhile, orders and sales in the ultrapure water supply business and maintenance services rose, mainly due to a recovery in capacity utilization at the plants of major customers. In general industries, orders for water treatment facilities declined due to a sluggish recovery in capital expenditure, but sales rose, reflecting advances in construction in progress. Orders for and sales of maintenance services, water treatment facilities for electric power and soil remediation services rose.

Overseas, orders and sales increased, chiefly reflecting large-scale projects in the electronics industry in China and Taiwan.

As a result, total Group orders for the Water Treatment Facilities segment were ¥121,928 million, up 6.9% compared with the previous fiscal year, and sales were ¥129,399 million, up 8.5%.

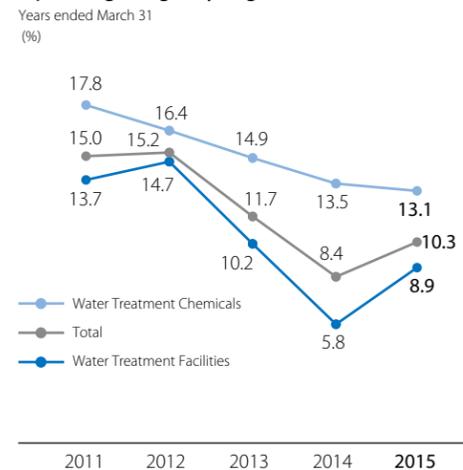
Operating Income

Segment operating income increased 66.7%, to ¥11,560 million. This was mainly due to higher sales and stringent cost-management efforts, which prevented additional costs from arising.

Operating Income by Segment



Operating Margin by Segment



g) Overseas Sales

Sales by Region

Overseas sales rose 16.4%, to ¥39,107 million. The overseas sales ratio within consolidated net sales increased to 20.6% from 18.9% in the previous fiscal year.

Regional Breakdown

- Asia: Up 18.2% to ¥32,092 million; 82.1% of total overseas sales
- North America: Up 14.9% to ¥2,028 million; 5.2% of total overseas sales
- Europe: Up 13.8% to ¥1,514 million; 3.9% of total overseas sales
- Other regions: Up 4.2% to ¥3,471 million; 8.9% of total overseas sales

h) Other Income and Expenses

Other income and expenses-net was expenses of ¥968 million, compared with income of ¥488 million in the previous fiscal year. The main reason was the posting of ¥1,626 million in expenses related to the acquisition of a European chemicals business.

i) Income before Income Taxes and Minority Interests

Income before income taxes and minority interests increased 20.1%, to ¥18,467 million, compared with ¥15,375 million in the previous fiscal year.

The pretax profit margin rose to 9.8% from 8.6% in the previous fiscal year.

j) Net Income

After deducting income taxes and minority interests in income, Kurita recorded net income of ¥10,434 million for the fiscal year ended March 31, 2015, an 11.6% increase, compared with ¥9,352 million in the previous fiscal year.

Net income per share increased to ¥87.81 from ¥78.48 in the previous fiscal year, and the net margin rose to 5.5% from 5.2%.

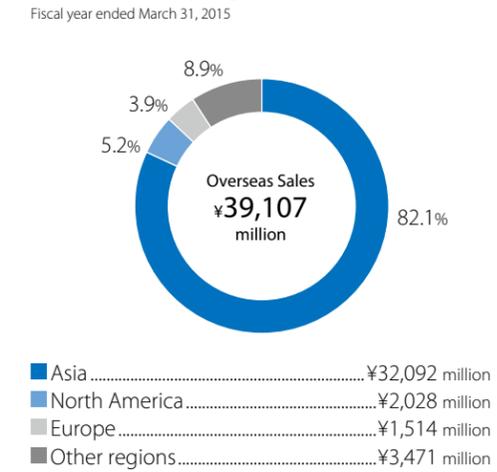
Return on equity (ROE) increased to 4.7% from 4.4% in the preceding fiscal year.

k) Policies on Shareholder Returns

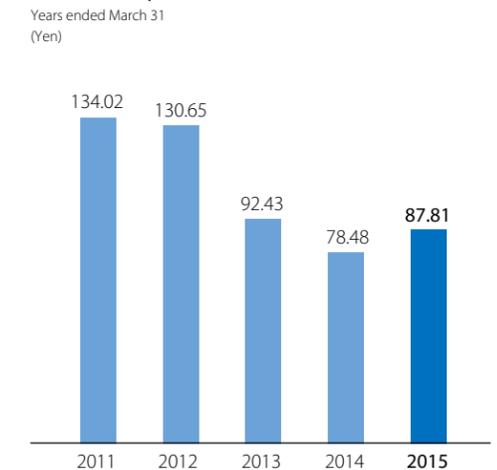
Kurita's basic policy is to pay stable dividends on an ongoing basis. Kurita strives to increase its dividends, taking into consideration earnings performance and investment in its businesses.

Taking into account the future business outlook and as recognition of shareholder support, for the fiscal year ended March 31, 2015, the Company paid an annual dividend of ¥46 per share (of which ¥23 per share was an interim dividend), an increase of ¥2 per share compared with the ¥44 per share paid in the previous fiscal year (of which ¥22 per share was an interim dividend).

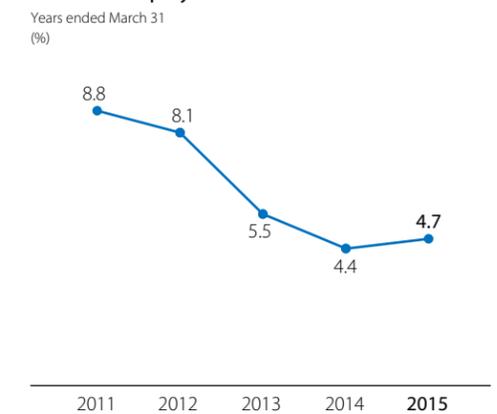
Overseas Sales by Region



Net Income per Share



Return on Equity



Note: Return on equity = Net income ÷ Equity (Average) × 100
Equity is defined as net assets less minority interests

Capital Expenditure

The Kurita Group is committed to making investments necessary for technological innovation and production capacity expansion, and to enhance competitiveness in response to intensified sales competition. In the year ended March 31, 2015, capital expenditures totaled ¥12,864 million, an increase of ¥7,155 million compared with the previous fiscal year (including leased assets and lease obligations for finance lease transactions that do not transfer ownership).

The Water Treatment Chemicals segment undertook capital expenditure totaling ¥5,378 million, mainly for upgrading water treatment chemicals production facilities. This represented an increase of ¥3,586 million compared with the previous fiscal year.

The Water Treatment Facilities segment carried out capital expenditure totaling ¥7,486 million, mainly for the installation and expansion of facilities for the ultrapure water supply business. This represented a ¥3,569 million increase compared with the preceding fiscal year.

Depreciation and amortization increased 0.6%, to ¥14,863 million.

Research and Development

Kurita's R&D activities are performed mainly by the Research and Development Division.

In the fiscal year ended March 31, 2015, Kurita's R&D expenses totaled ¥4,397 million, equivalent to 2.3% of sales. It decreased by 3.0% compared to the previous fiscal year.

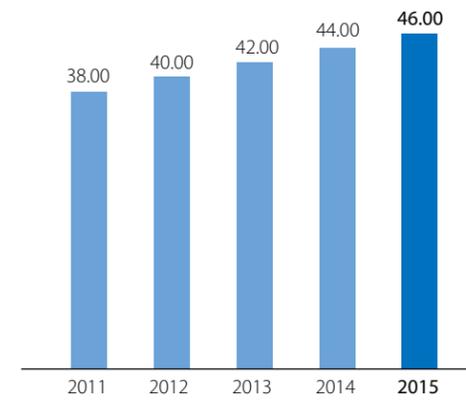
The Kurita Group as a whole employs approximately 170 R&D personnel, equivalent to 3.3% of its total workforce (5,222 on a consolidated basis).

The R&D activities of the Water Treatment Chemical segment predominantly consisted of developing chemicals and technologies for diagnosing chemical processing effectiveness, which help customers improve their energy efficiency, reduce environmental impacts and increase productivity. The segment had the following R&D achievements:

- Kurita developed various sensing technologies to diagnose and control customers' water treatment conditions and a new water processing management system. This system determines whether water processing is favorable and provides the results of benefit analysis over the Internet so they can be viewed on a website.
- Aimed at regions with severe water shortages, we have developed a "cooling water flow recovery system" comprising a membrane separation device and cooling water chemicals that recovers the water emitted from cooling towers and enables it to be reused as cooling water.
- Dirt adhering to the membrane surface of reverse-osmosis membrane units employed in seawater desalination units can inhibit their performance. To

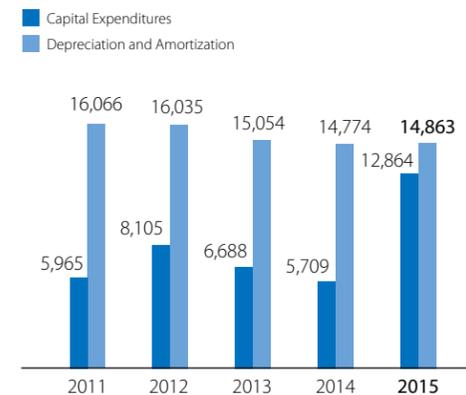
Dividends per Share

Years ended March 31 (Yen)



Capital Expenditures and Depreciation and Amortization

Years ended March 31 (Millions of yen)



address this situation, the Company has developed chemicals that enable the membrane to be washed without damaging the membrane itself.

The R&D expenses for the Water Treatment Chemical segment for the fiscal year ended March 31, 2015, totaled ¥1,485 million, a 4.6% decrease compared to the previous fiscal year.

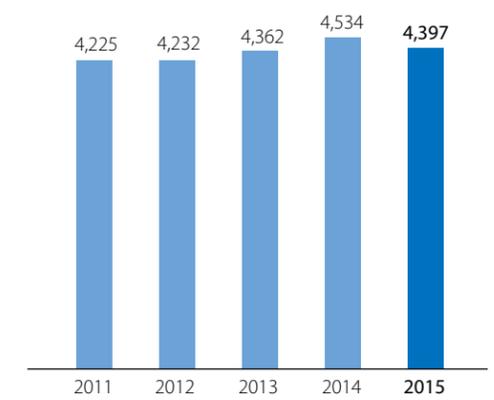
For the Water Treatment Facilities segment, Kurita has striven to further improve ultrapure water quality to contribute to higher productivity in the electronics industry, and also developed wastewater treatment technologies compatible with future environmental regulations. Kurita also has developed technologies for wastewater reclamation and reuse, and sludge volume reduction, which are conducive to a sustainable society. The segment had the following R&D achievements:

- We have developed a space-saving aerobic biotreatment unit that can be easily transported and attached to cooling towers made of fiber-reinforced plastic, which is a cost-competitive solution to small and medium-scale wastewater treatment needs.
- Kurita has developed a highly cost-competitive ultrapure water production system that features increased performance on each of the constituent units, which are smaller than on previous models, providing water of the quality required for leading-edge semiconductor production processes.
- The Company has developed a large-scale chromatography unit that offers excellent separation performance and operability. This unit can be used to separate and refine active ingredients in the production process for biopharmaceuticals, which is a growing market.

The R&D expenses for the Water Treatment Facilities segment for the fiscal year ended March 31, 2015, totaled ¥2,911 million, a 2.2% decrease compared to the previous fiscal year.

R&D Expenses

Years ended March 31 (Millions of yen)



Financial Position

a) Assets

As of March 31, 2015, Kurita had total assets of ¥293,204 million, an increase of ¥18,279 million, compared with ¥274,925 million as of March 31, 2014.

Breakdown of Assets

Current Assets

Current assets as of March 31, 2015, totaled ¥148,290 million, a decrease of ¥14,210 million, compared with ¥162,500 million as of March 31, 2014.

This decrease was primarily attributable to a decrease of ¥27,839 million in cash reserves—cash and deposits and marketable securities—which outweighed increases of ¥9,307 million in accounts receivable—trade and ¥3,042 million in inventories.

The increase in accounts receivable—trade was mainly the result of a rise in sales in the Water Treatment Facilities business in the latter half of the fiscal year under review, compared with the outcome of a year ago. The increase in inventories was attributable to the acquisition of businesses in Europe. The decrease in cash reserves was principally the result of the use of cash reserves for the acquisition of businesses in Europe, which was completed at the end of January, and the purchase of treasury stock.

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

As of March 31, 2015, property, plant and equipment, net, totaled ¥74,046 million, a decrease of ¥3,809 million compared with ¥77,855 million as of March 31, 2014.

Investments and long-term receivables were ¥43,534 million as of March 31, 2015, an increase of ¥10,543 million compared with ¥32,991 million a year earlier.

Intangible assets as of March 31, 2015, were ¥27,331 million, an increase of ¥25,753 million compared with ¥1,578 million a year earlier.

The increase in intangible assets reflected the acquisition of other in intangible assets, primarily technology-related assets, and the posting of goodwill of ¥19,391 million in association with the acquisition of businesses in Europe. The increase in investments and long-term receivables primarily reflected a rise in investment securities due to higher stock prices.

b) Liabilities

As of March 31, 2015, liabilities totaled ¥69,726 million, an increase of ¥13,954 million, compared with ¥55,772 million as of March 31, 2014.

Current Liabilities

Current liabilities were ¥47,761 million at the end of the fiscal year, a rise of ¥10,862 million from ¥36,899 million at the end of the previous fiscal year. The increase was mainly due to increases of ¥2,142 million in accounts payable—

trade, ¥4,317 million in accounts payable—other, ¥2,060 million in income taxes payable, and ¥2,835 million in “other” in current liabilities.

Long-term Liabilities

Noncurrent liabilities came to ¥21,964 million at the end of the fiscal year, up ¥3,092 million from the end of the fiscal year. The increase was chiefly due to a rise of ¥2,422 million in net defined benefit liability associated with a change in the Accounting Standard for Retirement Benefits and the acquisition of businesses in Europe.

c) Net Assets

Net assets totaled ¥223,478 million at the end of the fiscal year, an increase of ¥4,325 million from ¥219,153 million the end of the previous fiscal year, due primarily to a ¥3,615 million decrease in shareholders' equity and an ¥8,254 million increase in accumulated other comprehensive income. The main factors for the decline in shareholders' equity were a ¥446 million decrease in capital surplus in association with additional acquisitions of equity in consolidated subsidiaries, a ¥4,534 million increase in retained earnings mainly due to net income of ¥10,434 million for the fiscal year under review, which exceeded dividend payments of ¥5,362 million, the sum of year-end dividends for the previous fiscal year and interim dividends for the fiscal year under review, and a ¥7,703 million rise in treasury stock through acquisitions in the market. Accumulated other comprehensive income rose, chiefly reflecting a ¥6,906 million increase in unrealized gains on available-for-sale securities associated with the abovementioned increase in unrealized gains from investment securities and a ¥1,126 million rise in foreign currency translation adjustments due to the weaker yen.

As a result, total assets were ¥293,204 million as of March 31, 2015, an increase of ¥18,279 million, compared with ¥274,925 million at the previous fiscal year-end. As of March 31, 2015, Kurita had an equity ratio of 75.8%, down 3.4 percentage points from 79.2% a year earlier. Net assets per share at March 31, 2015, were ¥1,907.80, an increase of ¥80.96 compared with ¥1,826.84 a year earlier.

* Equity is defined as total net assets less minority interests.

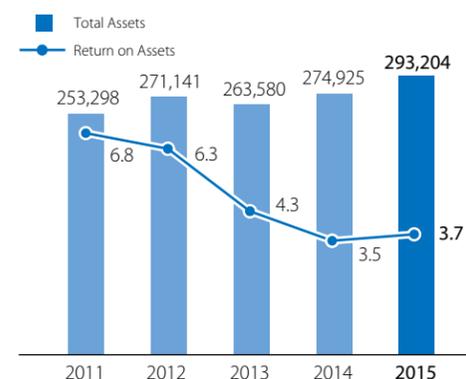
Cash Flows

Cash Flows from Operating Activities

Net cash provided by operating activities during the fiscal year ended March 31, 2015, totaled ¥23,314 million, a decrease of ¥6,352 million from the previous fiscal year. Inflows from income before income taxes and minority interests of ¥18,467 million, depreciation and amortization of ¥14,863 million and an increase in notes and accounts payable—trade of ¥1,868 million were partially offset by an increase in notes and accounts receivable—trade of ¥7,674 million and income taxes paid of ¥5,934 million.

Total Assets and Return on Assets

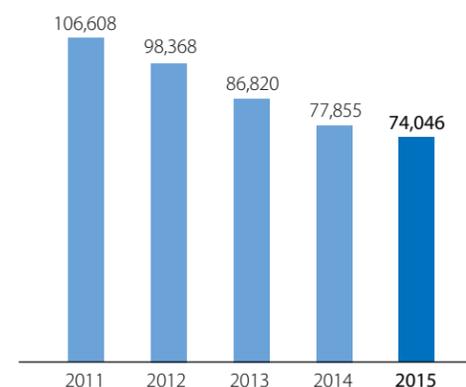
Years ended March 31
(Millions of yen) (%)



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

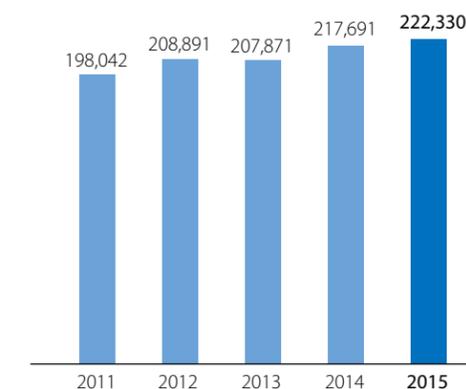
Property, Plant and Equipment, Net

Years ended March 31
(Millions of yen)



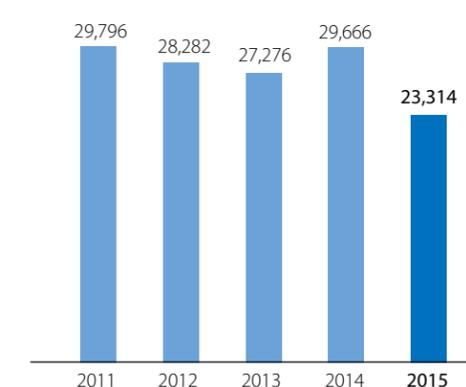
Equity

Years ended March 31
(Millions of yen)



Cash Flows from Operating Activities

Years ended March 31
(Millions of yen)



Cash Flows from Investing Activities

Net cash provided by investing activities totaled ¥4,746 million, up ¥21,422 million from the previous fiscal year. Net cash increased chiefly due to proceeds from sale and redemption of marketable securities, net of payments for purchases of marketable securities, totaling ¥43,039 million. The main cash outflows were payments into time deposits, net of withdrawals from time deposits, of ¥1,331 million, payments for purchases of property, plant and equipment totaling ¥8,148 million, including capital expenditures for ultrapure water supply business, payments for purchases of intangible fixed assets of ¥4,375 million, and payments for the acquisition of businesses in Europe of ¥24,383 million.

Cash Flows from Financing Activities

Net cash used in financing activities totaled ¥13,929 million, an increase of ¥7,972 million from the previous fiscal year. The main cash outflows were the purchase of treasury stock of ¥7,703 million and cash dividends paid of ¥5,480 million.

Cash and Cash Equivalents at End of Year

At March 31, 2015, Kurita had cash and cash equivalents totaling ¥55,675 million, an increase of ¥14,647 million compared with March 31, 2014.

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, 2015.

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 area 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 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 technological innovation and changing customer needs. If the Group were to fail to develop outstanding 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 held by 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 held by 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, 2015 and 2014

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2014	2015
Assets			
Current assets:			
Cash and time deposits (Notes 3, 4 and 6)	¥52,497	¥47,336	\$437,482
Notes and accounts receivable, trade (Note 4)	67,324	57,791	561,034
Allowance for doubtful accounts	(261)	(184)	(2,181)
Marketable securities (Notes 4 and 5)	14,999	47,999	124,998
Inventories (Note 7)	8,854	5,811	73,784
Deferred tax assets (Note 9)	1,728	2,193	14,408
Other current assets	3,147	1,551	26,230
Total current assets	148,290	162,500	1,235,756
Investments and long-term receivables:			
Investment securities (Notes 4 and 5)	32,424	23,004	270,204
Investments in unconsolidated subsidiaries and affiliates (Note 4)	3,646	1,713	30,386
Deferred tax assets (Note 9)	4,423	6,586	36,865
Other investments	3,342	2,097	27,853
Allowance for doubtful accounts	(302)	(409)	(2,518)
Total investments and long-term receivables	43,534	32,991	362,791
Property, plant and equipment, at cost (Note 15):			
Land (Note 12)	13,972	13,953	116,437
Buildings and structures	61,862	61,177	515,519
Machinery and equipment	102,598	93,982	854,988
Construction in progress	4,156	1,742	34,633
Other facilities	13,245	11,867	110,380
Leased assets	8,199	7,990	68,330
Total	204,034	190,714	1,700,291
Accumulated depreciation	(129,988)	(112,859)	(1,083,237)
Property, plant and equipment, net	74,046	77,855	617,054
Intangible assets:			
Goodwill	19,391	—	161,597
Other intangible assets	7,940	1,578	66,172
Total assets	¥293,204	¥274,925	\$2,443,371

The accompanying notes are an integral part of these statements.

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2014	2015
Liabilities and Net Assets			
Current liabilities:			
Short-term borrowings and current portion of long-term debt (Note 8)	¥1,794	¥1,063	\$14,950
Notes and accounts payable, trade (Note 4)	20,820	18,887	173,501
Accounts payable, other	9,858	5,541	82,157
Income taxes payable	4,595	2,535	38,295
Advances received	3,021	1,995	25,180
Accrued employees' bonuses	2,255	2,246	18,791
Provision for product warranties	784	801	6,537
Provision for loss on construction contracts	1,037	1,311	8,642
Other current liabilities	3,594	2,516	29,956
Total current liabilities	47,761	36,899	398,015
Long-term liabilities:			
Long-term debt (Note 8)	5,159	5,389	42,995
Net defined benefit liability (Note 10)	13,785	11,363	114,875
Accrued retirement benefits for directors and corporate auditors	75	98	628
Deferred tax liabilities on revaluation of land (Note 12)	1,181	1,303	9,846
Other long-term liabilities (Note 8)	1,763	718	14,691
Total long-term liabilities	21,964	18,872	183,036
Total liabilities	69,726	55,772	581,052
Net assets:			
Shareholders' equity (Note 11):			
Common stock, 2015 and 2014			
Authorized: 531,000,000 shares			
Issued: 119,164,594 shares	13,450	13,450	112,089
Capital surplus	10,980	11,426	91,506
Retained earnings	189,693	185,159	1,580,781
Treasury stock, at cost			
2015—2,626,561 shares	(7,705)	(2)	(64,213)
2014—1,125 shares			
Total shareholders' equity	206,419	210,034	1,720,164
Accumulated other comprehensive income:			
Unrealized gains on available-for-sale securities	14,768	7,862	123,069
Deferred gains or losses on hedges	66	—	550
Revaluation reserve for land (Note 12)	(442)	(564)	(3,689)
Foreign currency translation adjustments	1,510	384	12,590
Remeasurements of defined benefit plans (Note 10)	8	(25)	71
Total accumulated other comprehensive income	15,911	7,657	132,592
Minority interests	1,147	1,461	9,561
Total net assets	223,478	219,153	1,862,319
Total liabilities and net assets	¥293,204	¥274,925	\$2,443,371

CONSOLIDATED STATEMENTS OF INCOME AND CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Kurita Water Industries Ltd. and Consolidated Subsidiaries
For the years ended March 31, 2015 and 2014

CONSOLIDATED STATEMENTS OF INCOME

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2014	2015
Net sales (Note 18)	¥189,398	¥178,137	\$1,578,324
Cost of sales (Note 13)	130,509	122,870	1,087,577
Gross profit	58,889	55,267	490,747
Selling, general and administrative expenses (Note 14)	39,454	40,380	328,785
Operating income (Note 18)	19,435	14,886	161,962
Other income (expenses):			
Interest and dividend income	636	501	5,306
Foreign exchange gains (losses)	(86)	174	(723)
Interest expense	(84)	(60)	(704)
Settlement	—	(56)	—
Equity in earnings of unconsolidated subsidiaries and affiliates	286	302	2,386
Loss on disposal of properties (Note 15)	(241)	(23)	(2,011)
Rent expenses on properties	(37)	(24)	(311)
Acquisition-related costs	(1,626)	—	(13,558)
Impairment loss	(226)	—	(1,883)
Provision for building demolition expenses	—	(197)	—
Contribution	—	(500)	—
Other, net	411	372	3,429
Other income (expense), net	(968)	488	(8,069)
Income before income taxes and minority interests	18,467	15,375	153,892
Income taxes (Note 9):			
Current	7,718	6,614	64,319
Deferred	242	(737)	2,022
Total income taxes	7,961	5,877	66,342
Income before minority interests	10,506	9,498	87,550
Minority interests in income	71	145	595
Net income	¥10,434	¥9,352	\$86,955

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2014	2015
Income before minority interests	¥10,506	¥9,498	\$87,550
Other comprehensive income (Note 16):			
Unrealized gains on available-for-sale securities	6,916	3,782	57,636
Deferred gains or losses on hedges	66	—	550
Revaluation reserve for land	121	—	1,015
Foreign currency translation adjustments	1,049	1,792	8,748
Remeasurements of defined benefit plans	33	—	282
Share of other comprehensive income of entities accounted for using equity method	115	204	965
Total other comprehensive income	8,303	5,780	69,199
Comprehensive income	¥18,809	¥15,278	\$156,749
Comprehensive income attributable to			
Comprehensive income attributable to owners of parent	¥18,688	¥14,989	\$155,737
Comprehensive income attributable to minority interests	121	288	1,011
	Yen		U.S. dollars (Note 1)
	2015	2014	2015
Per share of common stock (Note 20):			
Net income	¥87.81	¥78.48	\$0.73
Cash dividends applicable to the year	46.00	44.00	0.38

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, 2015 and 2014

	Millions of yen										Minority interests	Total net assets	
	Shareholders' equity (Note 11)					Accumulated other comprehensive income							
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Unrealized gains on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land (Note 12)	Foreign currency translation adjustments	Remeasurements of defined benefit plans			Total accumulated other comprehensive income
Balance as of March 31, 2013	¥13,450	¥11,426	¥202,807	¥(21,859)	¥205,826	¥4,079	¥—	¥(564)	¥(1,469)	¥—	¥2,045	¥1,246	¥209,118
Cumulative effects of changes in accounting policies	—	—	—	—	—	—	—	—	—	—	—	—	—
Restated balance as of March 31, 2013	¥13,450	¥11,426	¥202,807	¥(21,859)	¥205,826	¥4,079	¥—	¥(564)	¥(1,469)	¥—	¥2,045	¥1,246	¥209,118
Changes during the year													
Cash dividends paid	—	—	(5,124)	—	(5,124)	—	—	—	—	—	—	—	(5,124)
Net income for the year	—	—	9,352	—	9,352	—	—	—	—	—	—	—	9,352
Acquisition of treasury stock	—	—	—	(2)	(2)	—	—	—	—	—	—	—	(2)
Retirement of treasury stock	—	—	(21,859)	21,859	—	—	—	—	—	—	—	—	—
Reversal of revaluation reserve for land	—	—	—	—	—	—	—	—	—	—	—	—	—
Changes in equity interest in consolidated subsidiaries	—	—	—	—	—	—	—	—	—	—	—	—	—
Other	—	—	(17)	—	(17)	—	—	—	—	—	—	—	(17)
Net changes of net assets other than shareholders' equity	—	—	—	—	—	3,783	—	—	1,853	(25)	5,611	215	5,827
Total changes during the year	—	—	(17,648)	21,856	4,208	3,783	—	—	1,853	(25)	5,611	215	10,035
Balance as of March 31, 2014	¥13,450	¥11,426	¥185,159	¥(2)	¥210,034	¥7,862	¥—	¥(564)	¥384	¥(25)	¥7,657	¥1,461	¥219,153
Cumulative effects of changes in accounting policies	—	—	(501)	—	(501)	—	—	—	—	—	—	—	(501)
Restated balance as of March 31, 2014	¥13,450	¥11,426	¥184,657	¥(2)	¥209,532	¥7,862	¥—	¥(564)	¥384	¥(25)	¥7,657	¥1,461	¥218,652
Changes during the year													
Cash dividends paid	—	—	(5,362)	—	(5,362)	—	—	—	—	—	—	—	(5,362)
Net income for the year	—	—	10,434	—	10,434	—	—	—	—	—	—	—	10,434
Acquisition of treasury stock	—	—	—	(7,703)	(7,703)	—	—	—	—	—	—	—	(7,703)
Retirement of treasury stock	—	—	—	—	—	—	—	—	—	—	—	—	—
Reversal of revaluation reserve for land	—	—	—	—	—	—	—	—	—	—	—	—	—
Changes in equity interest in consolidated subsidiaries	—	—	(445)	—	(445)	—	—	—	—	—	—	—	(445)
Other	—	—	(36)	—	(36)	—	—	—	—	—	—	—	(36)
Net changes of net assets other than shareholders' equity	—	—	—	—	—	6,905	66	121	1,126	33	8,253	(314)	7,939
Total changes during the year	—	(445)	(5,035)	(7,703)	(3,113)	6,905	66	121	1,126	33	8,253	(314)	4,826
Balance as of March 31, 2015	¥13,450	¥10,980	¥189,693	¥(7,705)	¥206,419	¥14,768	¥66	¥(442)	¥1,510	¥8	¥15,911	¥1,147	¥223,478

	Thousands of U.S. dollars (Note 1)										Minority interests	Total net assets	
	Shareholders' equity (Note 11)					Accumulated other comprehensive income							
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Unrealized gains on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land (Note 12)	Foreign currency translation adjustments	Remeasurements of defined benefit plans			Total accumulated other comprehensive income
Balance as of March 31, 2014	\$112,089	\$95,223	\$1,542,996	\$(19)	\$1,750,289	\$65,521	\$—	\$(4,705)	\$3,205	\$(211)	\$63,810	\$12,182	\$1,826,282
Cumulative effects of changes in accounting policies	—	—	(4,181)	—	(4,181)	—	—	—	—	—	—	—	(4,181)
Restated balance	\$112,089	\$95,223	\$1,538,815	\$(19)	\$1,746,108	\$65,521	\$—	\$(4,705)	\$3,205	\$(211)	\$63,810	\$12,182	\$1,822,100
Changes during the year													
Cash dividends paid	—	—	(44,686)	—	(44,686)	—	—	—	—	—	—	—	(44,686)
Net income for the year	—	—	86,955	—	86,955	—	—	—	—	—	—	—	86,955
Acquisition of treasury stock	—	—	—	(64,193)	(64,193)	—	—	—	—	—	—	—	(64,193)
Retirement of treasury stock	—	—	—	—	—	—	—	—	—	—	—	—	—
Reversal of revaluation reserve for land	—	—	—	—	—	—	—	—	—	—	—	—	—
Changes in equity interest in consolidated subsidiaries	—	—	(302)	—	(302)	—	—	—	—	—	—	—	(302)
Other	—	—	—	—	—	—	—	—	—	—	—	—	—
Net changes of net assets other than shareholders' equity	—	(3,716)	41,966	(64,193)	(25,943)	57,547	550	1,015	9,385	282	68,782	(2,620)	66,162
Total changes during the year	—	(3,716)	41,966	(64,193)	(25,943)	57,547	550	1,015	9,385	282	68,782	(2,620)	40,218
Balance as of March 31, 2015	\$112,089	\$91,506	\$1,580,781	\$(64,213)	\$1,720,164	\$123,069	\$550	\$(3,689)	\$12,590	\$71	\$132,592	\$9,561	\$1,862,319

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, 2015 and 2014

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2014	2015
I. Cash flows from operating activities			
Income before income taxes and minority interests	¥18,467	¥15,375	\$153,892
Depreciation and amortization	14,863	14,774	123,862
Increase in net defined benefit liability	781	454	6,515
Increase (decrease) in other allowances	(547)	1,559	(4,560)
Equity in earnings of unconsolidated subsidiaries and affiliates	(286)	(302)	(2,386)
Interest and dividend income	(636)	(501)	(5,306)
Interest expense	84	60	704
Gain on sales and disposal of properties	231	14	1,925
Impairment loss	226	—	1,883
Gain on sales of investment securities	(39)	(0)	(326)
Loss on valuation of investment securities	17	—	141
Changes in assets and liabilities:			
Decrease (increase) in trade receivables	(7,674)	4,997	(63,950)
Increase in inventories	(504)	(673)	(4,204)
Decrease in other assets	177	204	1,479
Increase (decrease) in trade payables	1,868	(26)	15,570
Increase (decrease) in other liabilities	1,515	(222)	12,631
Others, net	1,290	121	10,753
	29,835	35,835	248,625
Interest and dividends received	783	751	6,530
Interest paid	(84)	(62)	(704)
Income taxes paid	(5,934)	(6,652)	(49,453)
Others, net	(1,285)	(204)	(10,710)
Net cash provided by operating activities	23,314	29,666	194,287
II. Cash flows from investing activities			
Decrease in time deposits, net	(1,330)	(1,516)	(11,088)
Payments for purchase of property, plant and equipment	(8,148)	(5,670)	(67,907)
Proceeds from sale of property, plant and equipment	38	105	322
Payments for purchase of intangible assets	(4,375)	(441)	(36,462)
Payments for purchase of marketable securities and investment securities	(45,008)	(100,145)	(375,073)
Proceeds from sale and redemption of marketable securities and investment securities	88,072	91,004	733,938
Payments for acquisition of business (Note 3)	(24,383)	—	(203,194)
Others, net	(117)	(12)	(978)
Net cash provided by (used in) investing activities	4,746	(16,676)	39,556
III. Cash flows from financing activities			
Increase (decrease) in short-term borrowings, net	605	(164)	5,044
Cash dividends paid	(5,362)	(5,122)	(44,688)
Cash dividends paid to minority shareholders of consolidated subsidiaries	(118)	(71)	(988)
Payments for lease obligations	(588)	(595)	(4,904)
Payments for purchase of treasury stock, net	(7,703)	(2)	(64,193)
Proceeds from share issuance to minority shareholders	54	—	450
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	(815)	—	(6,796)
Net cash used in financing activities	(13,929)	(5,957)	(116,076)
IV. Effect of exchange rate changes on cash and cash equivalents	515	683	4,292
V. Net increase in cash and cash equivalents	14,647	7,715	122,059
VI. Cash and cash equivalents at beginning of year	41,028	33,313	341,906
VII. Cash and cash equivalents at end of year (Note 3)	¥55,675	¥41,028	\$463,965

The accompanying notes are an integral part of these statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Kurita Water Industries Ltd. and Consolidated Subsidiaries

1. 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 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 2014 financial statements to conform to the classification used in 2015.

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, 2015 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 ¥120 to US\$1, the prevailing rate on the Tokyo Foreign Exchange Market on March 31, 2015. 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

(1) 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, 2015 and 2014, 43 and 36 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:

Kurita Europe APW GmbH
Kurita Water Industries (Jiangyin) Co., Ltd.
Kuritaz Co., Ltd.
Kurita Engineering Co., Ltd.
Kuritec Service Co. Ltd.
Kurita Chemical Manufacturing Ltd.

Fiscal years of consolidated subsidiaries

The fiscal years of all of the foreign consolidated subsidiaries (Kurita (Singapore) Pte. Ltd. and others) 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. For the consolidated subsidiaries (Kurita Europe APW GmbH and others) that were included in the scope of consolidation as a result of transfer of business, the financial statements based on the provisional statements of accounts as of January 31, 2015 were used.

Amortization of goodwill

Goodwill is amortized using the straight-line method over a reasonable number of years, not exceeding 20 years, on a case-by-case basis, except for minor amounts that are charged to income in the period of acquisition.

(Additional Information)

In previous years, basically, goodwill was amortized using the straight-line method over three years. Due to acquisition of the water treatment chemicals business, paper process chemicals business and alumina chemical compounds business from BK Giulini GmbH and its affiliates in the year ended March 31, 2015, collection periods from the investment are estimated individually for goodwill arose from the investments in the companies or businesses and each goodwill is amortized using the straight-line method over a reasonable number of years, not exceeding 20 years.

(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, 2015 and 2014, 6 and 5 companies were accounted for by the equity method, respectively.

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

The companies accounted for by the equity method that have different closing dates are included in the consolidated financial statements based on their respective fiscal year-end.

(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 are measured at fair value in principle.

(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 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) Intangible assets

Intangible assets are amortized by the straight-line method.

(9) 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.

(10) Accrued employees' bonuses

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

(11) Provision for loss on construction contracts

Provision for loss on construction contracts is provided in an amount sufficient to cover probable losses on construction contracts on hand when substantial losses in the future are anticipated and can be reasonably estimated.

(12) Hedges

Gain or loss on derivatives designated as hedging instruments is deferred until the gain or loss on the underlying hedged items is recognized.

The Company uses forward foreign exchange contracts only in order to manage certain risks arising from fluctuations in foreign exchange rates and do not use derivative transactions for speculative purposes.

The Company evaluates the effectiveness of its hedging activities by comparing cumulative changes in cash flows on the hedging instruments with those of the related hedged items.

Hedging instruments	Forward foreign exchange contracts
Hedged items	Forecasted transactions denominated in foreign currencies

(13) Accounting method for employees' retirement benefits

The straight-line method is used as a method of attributing expected benefits to be paid to the current period in calculating retirement benefit obligations.

Actuarial differences are subject to amortization over a period of 1–2 years from the year when they are incurred.

(Change in accounting policies)

Effective from the year ended March 31, 2015, the Group adopted the article 35 of "Accounting Standard for Retirement Benefits" (Accounting Standards Board of Japan ("ASBJ") Statement No. 26, May 17, 2012) and the article 67 of "Guidance on Accounting Standard for Retirement Benefits" (ASBJ Guidance No. 25, March 26, 2015). Under the standard and guidance, the calculation method of retirement benefit obligations and service cost has been revised, and the method for determining the discount rate has been changed from the method using a discount rate determined based on years proximate to the average remaining service period of the employees to the method using multiple weighted-average discount rates determined by reflecting the estimated periods of retirement benefit payments. With regards to the application of the standard and the guidance, the effect of this change in calculation methods of retirement benefit obligations and service cost was recognized in retained earnings at April 1, 2014 in accordance with the transitional treatment stipulated in article 37 of the standard.

As a result of this change, net defined benefit liability increased by ¥779 million (\$6,492 thousand) and retained earnings decreased by ¥501 million (\$4,181 thousand) at April 1, 2014. Also, net assets per share decreased by ¥4.31 (\$0.04) at March 31, 2015. The effects of this change on operating income, income before income taxes and minority interests and net income per share for the year ended March 31, 2015 were immaterial.

(14) 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.

(15) Consumption taxes

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

(16) 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, otherwise the completed-contract method is applied. The percentage of completion is determined using the cost incurred to the estimated total cost.

(17) 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 dates, 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.

(18) 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.

(19) Earnings per share

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

(20) Change in accounting policies

Accounting Standard for Business Combinations

"Accounting Standard for Business Combinations" (ASBJ Statement No. 21, September 13, 2013), "Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No. 22, September 13, 2013 and "Accounting Standard for Business Divestitures" (ASBJ Statement No. 7, September 13, 2013), etc. shall be effective from April 1, 2014. Accordingly, effective from the year ended March 31, 2015, the Group adopted these standards, except the article 39 of ASBJ Statement No. 22, and any changes in interest of a parent's ownership interest in a subsidiary while the parent retains its control interest over the subsidiary is recorded as capital surplus and acquisition-related costs are expensed in the year when such costs are incurred. With regards to business combinations occurred on or after April 1, 2014, changes in acquisition costs allocation due to settlement of transitional treatment are reflected in the consolidated financial statement for the year when the date of the business combination belongs to.

In accordance with the transitional treatment stipulated in article 58-2 (4) of ASBJ Statement No. 21, article 44-5 (4) of ASBJ Statement No. 22 and article 57-4 (4) of ASBJ Statement No. 7, these standards have been applied from April 1, 2014 to the future periods.

As a result of this change, income before income taxes and minority interests decreased by ¥778 million (\$6,489 thousand) for the year ended March 31, 2015. Also, net income per share decreased by ¥4.68 (\$0.04) for the year ended March 31, 2015. The effect of this change on capital surplus and net assets per share at March 31, 2015 was immaterial.

(21) Reclassifications

Certain reclassifications have been made in the 2014 consolidated financial statements to conform to the 2015 presentation. These reclassifications had no impact on previously reported results of operations.

3. Reconciliation between cash and cash equivalents

(1) 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)
	2015	2014	2015
Cash and time deposits	¥52,497	¥47,336	\$437,482
Time deposits with original maturity of more than three months	(11,821)	(11,307)	(98,515)
Certificates of deposits included in marketable securities, excluding deposits maturing over three months	14,000	5,000	116,666
Commercial papers included in marketable securities, excluding papers maturing over three months	999	—	8,331
Cash and cash equivalents	¥55,675	¥41,028	\$463,965

(2) The details of assets and liabilities in relation to acquisition of business for cash and cash equivalents consideration

For the year ended March 31, 2015

The details of assets in relation to acquisition of the water treatment chemicals business, paper process chemicals business and alumina chemical compounds business from BK Giulini GmbH and its affiliates for cash and cash equivalents consideration and reconciliation between acquisition costs of the businesses and net payment for the acquisition are as follows:

	Millions of yen	Thousands of U.S. dollars (Note 1)
Current assets	¥5,124	\$42,704
Non-current assets	7,045	58,709
Goodwill	18,825	156,877
Current liabilities	(1,191)	(9,933)
Non-current liabilities	(1,196)	(9,971)
Total acquisition costs	28,606	238,387
Accounts payable—other in relation to the acquisition of businesses	(3,387)	(28,231)
Cash and cash equivalents	(835)	(6,961)
Net payment for the acquisition of businesses	¥24,383	\$(203,194)

4. Financial instruments and related disclosures

(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 cases 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 the ultrapure water supply business and its payment term is 14 years (15 in 2014) 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 collect 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-crediting 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 & Accounting Department after the individual contract is approved in accordance with the predetermined rule.

The fair value of marketable securities and investment securities and the financial position of the issuers are regularly reviewed. The Finance & Accounting Department of the Company executes and monitors each of forward foreign currency contracts individually, followed by appropriate authorization procedures prescribed in the internal rules.

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

The Finance & Accounting Department 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, 2015 and 2014 were as follows (financial instruments whose fair values cannot be reliably determined are not included in the following table):

At March 31, 2015	Millions of yen		
	Carrying amount	Fair value	Difference
Cash and time deposits	¥52,497	¥52,497	¥—
Notes and accounts receivable, trade	67,324	67,324	—
Marketable securities and investment securities Available-for-sale securities	47,334	47,334	—
Total assets	¥167,156	¥167,156	¥—
Notes and accounts payable, trade	¥20,820	¥20,820	¥—
Total liabilities	¥20,820	¥20,820	¥—
Derivatives	¥(11)	¥(11)	¥—

At March 31, 2015	Thousands of U.S. dollars (Note 1)		
	Carrying amount	Fair value	Difference
Cash and time deposits	\$437,482	\$437,482	\$—
Notes and accounts receivable, trade	561,034	561,034	—
Marketable securities and investment securities Available-for-sale securities	394,450	394,450	—
Total assets	\$1,392,967	\$1,392,967	\$—
Notes and accounts payable, trade	\$173,501	\$173,501	\$—
Total liabilities	\$173,501	\$173,501	\$—

Derivatives	\$(96)	\$(96)	\$—
Millions of yen			
	Carrying amount	Fair value	Difference
At March 31, 2014			
Cash and time deposits	¥47,336	¥47,336	¥—
Notes and accounts receivable, trade	57,791	57,791	—
Marketable securities and investment securities Available-for-sale securities	70,913	70,913	—
Total assets	¥176,040	¥176,040	¥—
Notes and accounts payable, trade	¥18,887	¥18,887	¥—
Total liabilities	¥18,887	¥18,887	¥—
Derivatives	¥—	¥—	¥—

Notes:

a. Computation method of fair values

Cash and time deposits and notes and accounts receivable, trade:

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 and commercial paper. Fair values of investment securities are determined based on the quoted market price of the stock exchange.

Notes and accounts payable, trade:

Fair values approximate carrying amounts because of short maturities.

Derivatives:

Details and information are discussed in Note 6.

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

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2014	2015
Unlisted equity securities (Unlisted shares)	¥90	¥91	\$752
Investments in capital	241	—	2,010
Shares of unconsolidated subsidiaries and affiliates	3,646	1,713	30,386

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

c. 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
At March 31, 2015				
Deposits	¥52,450	¥—	¥—	¥—
Notes and accounts receivable, trade	67,324	—	—	—
Marketable securities and investment securities Available-for-sale securities with maturities (Certificates of deposits)	14,000	—	—	—
Marketable securities and investment securities Available-for-sale securities with maturities (Commercial paper)	999	—	—	—

Total	¥134,774	¥—	¥—	¥—
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
At March 31, 2015				
Deposits	\$437,086	\$—	\$—	\$—
Notes and accounts receivable, trade	561,034	—	—	—
Marketable securities and investment securities Available-for-sale securities with maturities (Certificates of deposits)	116,666	—	—	—
Marketable securities and investment securities Available-for-sale securities with maturities (Commercial paper)	8,331	—	—	—
Total	\$1,123,119	\$—	\$—	\$—

5. Marketable securities and investment securities

(1) Available-for-sale securities with fair value at March 31, 2015 and 2014 are summarized as follows:

	Millions of yen		
	Carrying amount	Acquisition cost	Difference
At March 31, 2015			
Carrying amount exceeding acquisition cost:			
Stocks	¥32,284	¥11,990	¥20,293
Bonds	—	—	—
Other	—	—	—
Subtotal	32,284	11,990	20,293
Carrying amount not exceeding acquisition cost:			
Stocks	49	63	(13)
Bonds	—	—	—
Other	—	—	—
Subtotal	49	63	(13)
Total	¥32,334	¥12,054	¥20,280

	Thousands of U.S. dollars (Note 1)		
	Carrying amount	Acquisition cost	Difference
At March 31, 2015			
Carrying amount exceeding acquisition cost:			
Stocks	\$269,040	\$99,923	\$169,116
Bonds	—	—	—
Other	—	—	—
Subtotal	269,040	99,923	169,116
Carrying amount not exceeding acquisition cost:			
Stocks	411	526	(114)
Bonds	—	—	—
Other	—	—	—
Subtotal	411	526	(114)
Total	\$269,452	\$100,450	\$169,001

Note: The above table does not include negotiable deposits that have not been assigned a market value (value on consolidated balance sheets: ¥14,000 million), commercial paper (value on consolidated balance sheets: ¥999 million), unlisted shares (value on consolidated balance sheets: ¥90 million) and investments in capital (value on consolidated balance sheets: ¥241 million).

At March 31, 2014	Millions of yen		
	Carrying amount	Acquisition cost	Difference
Carrying amount exceeding acquisition cost:			
Stocks	¥22,841	¥11,998	¥10,842
Bonds	—	—	—
Other	—	—	—
Subtotal	22,841	11,998	10,842
Carrying amount not exceeding acquisition cost:			
Stocks	71	96	(24)
Bonds	—	—	—
Other	—	—	—
Subtotal	71	96	(24)
Total	¥22,913	¥12,095	¥10,818

Notes:

The above table does not include negotiable deposits that have not been assigned a market value (value on consolidated balance sheets: ¥47,000 million), commercial paper (value on consolidated balance sheets: ¥999 million) and unlisted shares (value on consolidated balance sheets: ¥91 million).

(2) Available-for-sale securities sold during the years ended March 31, 2015 and 2014 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2014	2015
Sales amount	¥72	¥4	\$605
Total gains on sales	39	0	326
Total losses on sales	—	—	—

6. Derivatives

Derivatives for which hedge accounting not applied at March 31, 2015 are as follows:

Currency related

At March 31, 2015	Hedging instrument	Millions of yen			Unrealized gains (losses)
		Contract amount	Due after one year	Fair value	
	Currency swaps:				
	Receive Yen, Pay Korean Won	¥3,081	¥3,081	¥(109)	¥(109)

At March 31, 2015	Hedging instrument	Thousands of U.S. dollars (Note 1)			Unrealized gains (losses)
		Contract amount	Due after one year	Fair value	
	Currency swaps:				
	Receive Yen, Pay Korean Won	\$25,682	\$25,682	\$(910)	\$(910)

Note: Fair value is based on the prices provided by the counterparty financial institutions.

There were no derivatives for which hedge accounting was not applied at March 31, 2014.

Derivatives for which hedge accounting was applied at March 31, 2015 are as follows:

Currency related

At March 31, 2015	Hedging instrument	Hedged item	Millions of yen		
			Contract amount	Due after one year	Fair value
		Currency swap contracts:			
	Receive Yen, Pay Euro	Forecasted transactions denominated in foreign currencies	¥13,764	¥12,388	¥97

At March 31, 2015	Hedging instrument	Hedged item	Thousands of U.S. dollars (Note 1)		
			Contract amount	Due after one year	Fair value
		Currency swap contracts:			
	Receive Yen, Pay Euro	Forecasted transactions denominated in foreign currencies	\$114,706	\$103,235	\$813

Note: Fair value is based on the prices provided by the counterparty financial institutions.

Derivatives for which hedge accounting was applied at March 31, 2014 are not disclosed because they are not material.

7. Inventories

Inventories at March 31, 2015 and 2014 consist of the following:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2014	2015
Finished products	¥3,206	¥1,788	\$26,718
Raw materials	2,569	1,455	21,410
Work in process	3,078	2,568	25,655
Total	¥8,854	¥5,811	\$73,784

Inventories and provision for loss on construction contracts related to construction contracts that are likely to incur losses are presented as is and are not offset. The amount of inventories (work in process) corresponding to the provision for loss on construction contracts is immaterial.

8. Short-term borrowings and long-term debt

(1) Short-term borrowings and current portion of long-term debt

The short-term borrowings and current portion of long-term debt at March 31, 2015 and 2014 consist of the following:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2014	2015
Short-term borrowings	¥1,182	¥ 498	\$9,855
Current position of long-term borrowings	16	—	133
Current portion of lease obligations	595	565	4,962
Total	¥1,794	¥1,063	\$14,950

The weighted-average annual interest rate of short-term borrowings for the years ended March 31, 2015 and 2014 were 5.04% and 4.56%, respectively.

(2) Long-term debt

Long-term debt at March 31, 2015 and 2014 is summarized as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2014	2015
Long-term borrowings	¥54	¥—	\$457
Less current portion of long-term borrowings	16	—	133
Long-term borrowings (Excluding current portion)	¥38	¥—	\$324
Lease obligations	¥5,754	¥5,954	\$47,957
Less current portion of lease obligations	(595)	(565)	(4,962)
Lease obligations (Excluding current portion)	¥5,159	¥5,389	\$42,995

The weighted-average annual interest rate of long-term borrowings for the year ended March 31, 2015 was 2.98%.

Annual maturities of long-term debt at March 31, 2015 are as follows:

Years ending March 31	Millions of yen	Thousands of U.S. dollars (Note 1)
2016	¥611	\$5,095
2017	592	4,939
2018	512	4,268
2019	461	3,848
2020 and thereafter	3,631	30,262
Total	¥5,809	\$48,415

(3) Other long-term liabilities

Other than the short-term borrowings, long-term borrowings and lease obligations described above, ¥663 million (US\$5528 thousand) and ¥684 million of interest-bearing long-term deposits received were included in other long-term liabilities as of March 31, 2015 and 2014, respectively. The weighted-average annual interest rates for such deposits received for the years ended March 31, 2015 and 2014 were 0.36%.

9. Income taxes

Significant components of the deferred tax assets and liabilities as of March 31, 2015 and 2014 are as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2014	2015
Deferred tax assets:			
Excess depreciation of property, plant and equipment	¥6,205	¥6,212	\$51,708
Net defined benefit liability	4,000	3,913	33,336
Loss on revaluation of investment securities	1,063	1,159	8,862
Excess provision for accrued bonuses to employees	737	785	6,143
Accrued enterprise taxes not deductible	355	190	2,964
Impairment loss	325	322	2,710
Unrealized gain on sale of property, plant and equipment	264	187	2,205
Excess provision of allowance for product warranty	234	285	1,950
Provision for loss on construction contracts	106	467	886
Other	1,238	1,097	10,319
Subtotal	14,530	14,621	121,086
Valuation allowance	(1,452)	(1,591)	(12,104)
Total deferred tax assets	13,077	13,030	108,982
Deferred tax liabilities:			
Unrealized losses on available-for-sale securities	(5,502)	(2,944)	(45,850)
Estimated income taxes pertaining to retained earnings of overseas consolidated subsidiaries	(741)	(670)	(6,176)
Capital gains on properties deferred for tax purposes	(576)	(636)	(4,802)
Other	(105)	—	(879)
Total deferred tax liabilities	(6,924)	(4,251)	(57,708)
Deferred tax assets, net	¥ 6,152	¥ 8,779	\$51,274

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 year ended March 31, 2015 was as follows:

	2015
Normal effective statutory tax rate	35.6%
Expenses not deductible for income tax purposes	0.4
Withholding tax withheld from foreign subsidiaries' dividends	0.5
Reversal of deferred tax liabilities on retained earnings of foreign consolidated subsidiaries	(0.4)
Dividend income not taxable for income tax purposes	(0.3)
R&D expense tax credit	(1.4)
Difference in statutory tax rates of foreign subsidiaries	(0.1)
Reduction of deferred tax assets due to tax rate change	6.8
Per capita inhabitant taxes	0.5
Other	1.5
Actual effective tax rate	43.1%

The reconciliation for the year ended March 31, 2014 was not presented since the difference was less than 5% of the normal effective statutory tax rate.

On March 31, 2015, "Act on Partial Revision of the Income Tax Act" (Act No. 9 of 2015) was enacted into law. As a result, the normal effective statutory tax rate will be changed from 35.6% to 33.1% for the year beginning on April 1, 2015, and to 32.3% for the year beginning on April 1, 2016.

As a result of this change, compared with when using the previous normal effective statutory tax rate, deferred tax assets, net of deferred tax liabilities as of March 31, 2015 decreased by ¥684 million (\$5,708 thousand) and income taxes–deferred increased by ¥1,250 million (\$10,424 thousand), increase in income tax expenses, for the year ended March 31, 2015.

10. Retirement benefits and pension plans

Defined benefit plans

The Company and certain consolidated subsidiaries provide lump-sum retirement benefit plans for defined benefit plans. Also, the Company and certain consolidated subsidiaries provide defined contribution pension plans. Certain consolidated subsidiaries use the simplified method for computing retirement benefit obligations.

(1) Movement in retirement benefit obligations, except plans applied simplified method

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2014	2015
Balance at beginning of year	¥9,975	¥9,562	\$83,128
Cumulative effects of changes in accounting policies	779	—	6,492
Restated balance at beginning of year	¥10,754	¥9,562	\$89,620
Service cost	629	568	5,241
Interest cost	106	183	884
Actuarial differences incurred	92	34	769
Benefits paid	(370)	(414)	(3,085)
Increase due to acquisition of business	1,128	—	9,405
Other	58	40	485
Balance at end of year	¥12,399	¥9,975	\$103,326

(2) Movement in net defined benefit liability for plans applied simplified method

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2014	2015
Balance at beginning of year	¥1,387	¥1,290	\$11,563
Net periodic benefit costs	95	201	799
Benefits paid	(97)	(104)	(814)
Balance at end of year	¥1,385	¥1,387	\$11,548

(3) Reconciliation between retirement benefit obligations and net defined benefit liability

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2014	2015
Retirement benefit obligations	¥13,785	¥11,363	\$114,875
Net liability on the consolidated balance sheet	¥13,785	¥11,363	\$114,875
Net defined benefit liability	¥13,785	¥11,363	\$114,875
Net liability on the consolidated balance sheet	¥13,785	¥11,363	\$114,875

(4) Net periodic benefit costs

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2014	2015
Service cost	¥629	¥568	\$5,241
Interest cost	106	183	884
Amortization of actuarial differences	144	12	1,200
Net periodic benefit costs computed by simplified method	95	201	799
Other	27	11	229
Net periodic benefit costs	¥1,002	¥977	\$8,355

(5) Remeasurements of defined benefit plans, before income tax effect in other comprehensive income

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2014	2015
Actuarial differences	¥12	—	\$105
Total	¥12	—	\$105

(6) Remeasurements of defined benefit plans, before income tax effect in accumulated other comprehensive income

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2014	2015
Unrecognized actuarial differences	¥12	¥(39)	\$105
Total	¥12	¥(39)	\$105

(7) Assumptions for actuarial calculation

The Company uses multiple weighted-average discount rates determined by reflecting the estimated periods of retirement benefit payments.

Defined contribution pension plans

The amount to be contributed to the defined contribution pension plans by the Company and its consolidated subsidiaries was ¥880 million (US\$7,341 thousand) and ¥804 million for the years ended March 31, 2015 and 2014, respectively.

11. 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.

12. Revaluation reserve for 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 "Revaluation reserve for land" in the accumulated other comprehensive income 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

13. Cost of sales

Provision for loss on construction contracts included in cost of sales were ¥(273) million (\$(2,282) thousand) and ¥1,311 million for the years ended March 31, 2015 and 2014, respectively.

14. Selling, general and administrative expenses

Selling, general and administrative expenses for the years ended March 31, 2015 and 2014 consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2014	2015
Salaries and allowances	¥16,064	¥15,780	\$133,872
Provision for employees' bonuses	1,216	1,223	10,140
Retirement benefit expenses	1,117	1,018	9,313
Travel expenses	2,767	2,808	23,063
Research and development expenses	4,397	4,534	36,645
Other	13,889	15,013	115,749
Total	¥39,454	¥40,380	\$328,785

15. Other income (expenses)

Loss on disposal of properties for the year ended March 31, 2015 consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2014	2015
Buildings and structures	¥57	—	\$475
Other (Leasehold, etc)	184	—	1,533
Total	¥241	¥23	\$2,011

16. Comprehensive income

The components of other comprehensive income for the years ended March 31, 2015 and 2014 are as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2014	2015
Unrealized gains on available-for-sale securities:			
Amount arising during the year	¥9,520	¥5,488	\$79,339
Reclassification adjustments to profit or loss	(15)	(0)	(131)
Amount before income tax effect	9,505	5,487	79,208
Income tax effect	(2,588)	(1,705)	(21,572)
Subtotal	6,916	3,782	57,636
Deferred gains on hedges:			
Amount arising during the year	97	—	813
Reclassification adjustments to profit or loss	—	—	—
Amount before income tax effect	97	—	813
Income tax effect	(31)	—	(262)
Subtotal	66	—	550
Revaluation reserve for land:			
Income tax effect	121	—	1,015
Foreign currency translation adjustments:			
Amount arising during the year	1,049	1,792	8,748
Remeasurments of defined benefit plans:			
Amount arising during the year	12	—	105
Reclassification adjustments to profit or loss	39	—	327
Amount before income tax effect	52	—	433
Income tax effect	(18)	—	(150)
Subtotal	33	—	282
Share of other comprehensive income of associates accounted for using equity method:			
Amount arising during the year	125	204	1,045
Reclassification adjustments to profit or loss	(9)	—	(80)
Subtotal	115	204	965
Total	¥8,303	¥5,780	\$69,199

17. Business combination

Business combination through acquisition

1. Overview of business combination

(1) Name and description of the business of the acquired companies

Name:	BK Giulini GmbH and its affiliates
Description of the business:	Business related to the manufacturing, sales and research and development of water treatment chemicals, paper process chemicals, and alumina chemical compounds

(2) Main reasons for the business combination

The addition of broad-ranging customer bases in Europe of the water treatment chemical business, the paper process chemical business, and the alumina chemical compounds business (the "target businesses") to the business foundation in Japan and Asia where the Group has a strong presence will significantly advance the expansion of the Company's overseas business. In addition as the Company and the target businesses have high complementarity in technologies and product lineup, we expect that their amalgamation will enable us to develop new products and services.

(3) Date of the business combination

January 31, 2015

(4) Legal form of the business combination

Acquisition of business with cash as consideration

(5) Company names after the business combination

Kurita Europe APW GmbH, Kurita Water Industries (Jiangyin) Co., Ltd. and other seven companies

(6) Ratio of voting rights acquired

100%

(7) Main grounds to determine the acquirer

The Group acquired business with cash as consideration

2. The period of business results of the acquired companies included in the consolidated financial statements

Only their balance sheets as of January 31, 2015 are considered for the year ended March 31, 2015.

3. Acquisition cost of the business acquired

		Millions of yen	Thousands of U.S. dollars (Note 1)
Consideration for acquisition	Cash	¥32,317	\$269,313
Acquisition cost		¥32,317	\$269,313

4. Major acquisition-related cost

	Millions of yen	Thousands of U.S. dollars (Note 1)
Advisory fees, etc.	¥1,536	\$12,804

5. Amount, cause, amortization method and amortization period of goodwill recognized

(1) Amount

¥18,825 (\$156,877 thousand)

The amount of goodwill is provisionally calculated as the allocation of the acquisition cost has yet to be completed.

(2) Cause

Due to an excess earnings capability expected in the future

(3) Amortization method and amortization period

Straight-line method over 15 years

6. Major components of assets acquired and liabilities assumed on the business combination date

	Millions of yen	Thousands of U.S. dollars (Note 1)
Current assets	¥5,124	\$42,704
Non-current assets	10,756	89,635
Total assets	¥15,880	\$132,339
Current liabilities	¥1,191	\$9,932
Non-current liabilities	1,196	9,970
Total liabilities	¥2,388	\$19,903

7. Allocation of the acquisition cost

The allocation of acquisition cost is not yet finished because the fair value of identifiable assets and liabilities as of the business combination date had not been fully identified and calculated as of March 31, 2015.

8. Estimated amount and method of calculation of the impact of the acquisition of business on the consolidated statement of income for the year ended March 31, 2015 on the assumption that the acquisition of business had been completed on April 1, 2014

Not stated as it is difficult to calculate the estimated amount.

18. Segment information

(1) Overview of reportable segments

The Company's reportable segments are components of the Group 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 Japan and overseas. The Company's consolidated subsidiaries conduct business under the supervision of the relevant business divisions.

The Group's operations are therefore classified into two reportable segments, the Water Treatment Chemicals segment and the Water Treatment Facilities segment, based on the products and services handled by each of the divisions.

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) Methods for calculating sales, income and loss, assets and liabilities, and other amounts by reportable segment

Accounting methods applied in the reportable segments are consistent with the methods applied in preparation of the accompanied consolidated financial statements. Segment income represents operating income. Intersegment sales and transfers between the Group reflect values based on market price. Intersegment sales and transfers between the Company's divisions are based primarily on book values.

(3) Sales, income and loss, assets and liabilities, and other amounts by reportable segment

Year ended March 31, 2015	Millions of yen				
	Water Treatment Chemicals	Water Treatment Facilities	Total	Adjustments	Consolidated
Sales					
1) Sales to outside customers	¥59,999	¥129,399	¥189,398	¥—	¥189,398
2) Intersegment sales	377	231	608	(608)	—
Total	¥60,376	¥129,631	¥190,007	¥(608)	¥189,398
Segment income	¥7,877	¥11,560	¥19,437	¥(2)	¥19,435
Segment assets	78,109	136,931	214,501	78,703	293,204
Segment liabilities	25,365	44,581	69,947	(220)	69,726
Other items					
Depreciation and amortization	1,406	13,457	14,863	—	14,863
Impairment loss	—	226	226	—	226
Increase in property, plant and equipment and intangible assets	5,378	7,486	12,864	—	12,864

Year ended March 31, 2015	Thousands of U.S. dollars (Note 1)				
	Water Treatment Chemicals	Water Treatment Facilities	Total	Adjustments	Consolidated
Sales					
1) Sales to outside customers	\$499,995	\$1,078,328	\$1,578,324	\$—	\$1,578,324
2) Intersegment sales	3,144	1,930	5,074	(5,074)	—
Total	\$503,140	\$1,080,258	\$1,583,399	\$(5,074)	\$1,578,324
Segment income	\$65,642	\$96,336	\$161,979	\$(17)	\$161,962
Segment assets	650,914	1,136,598	1,787,512	655,859	2,443,371
Segment liabilities	211,377	371,514	582,892	(1,839)	581,052
Other items					
Depreciation and amortization	11,719	112,142	123,862	—	123,862
Impairment loss	—	1,883	1,883	—	1,883
Increase in property, plant and equipment and intangible assets	44,821	62,383	107,204	—	107,204

Year ended March 31, 2014	Millions of yen				
	Water Treatment Chemicals	Water Treatment Facilities	Total	Adjustments	Consolidated
Sales					
1) Sales to outside customers	¥58,844	¥119,292	¥178,137	¥—	¥178,137
2) Intersegment sales	278	252	530	(530)	—
Total	¥59,122	¥119,545	¥178,668	¥(530)	¥178,137
Segment income	¥7,954	¥6,934	¥14,888	¥(2)	¥14,886
Segment assets	37,310	133,620	170,931	103,994	274,925
Segment liabilities	15,824	40,087	55,911	(139)	55,772
Other items					
Depreciation and amortization	1,386	13,387	14,774	—	14,774
Impairment loss	—	—	—	—	—
Increase in property, plant and equipment and intangible assets	1,792	3,917	5,709	—	5,709

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 ¥78,926million (\$657,721 thousand) and ¥104,135 million as of March 31, 2015 and 2014, respectively, 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, 2015	Millions of yen					
	Japan	Asia	North America	Europe	Other	Total
Sales	¥150,291	¥32,092	¥2,028	¥1,514	¥3,471	¥189,398

Year ended March 31, 2015	Thousands of U.S. dollars (Note 1)					
	Japan	Asia	North America	Europe	Other	Total
Sales	\$1,252,431	\$267,440	\$16,905	\$12,621	\$28,925	\$1,578,324

Year ended March 31, 2014	Millions of yen					
	Japan	Asia	North America	Europe	Other	Total
Sales	¥144,546	¥27,162	¥1,765	¥1,330	¥3,331	¥178,137

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 sheets.

(Information by major customer)

Year ended March 31, 2015	Millions of yen	Thousands of U.S. dollars (Note 1)	Reportable segment
Sales to:			
Sharp Corporation	¥26,298	\$219,152	Water Treatment Facilities
Year ended March 31, 2014	Millions of yen		Reportable segment
Sales to:			
Sharp Corporation	¥26,850		Water Treatment Facilities

(Information about amortization and unamortized balance of goodwill)

Year ended March 31, 2015	Millions of yen				
	Water Treatment Chemicals	Water Treatment Facilities	Total	Corporate/ Elimination	Total
Amortization	¥—	¥—	¥—	¥—	¥—
Unamortized balance	19,391	—	19,391	—	19,391

Year ended March 31, 2015	Thousands of U.S. dollars (Note 1)				
	Water Treatment Chemicals	Water Treatment Facilities	Total	Corporate/ Elimination	Total
Amortization	\$—	\$—	\$—	\$—	\$—
Unamortized balance	161,597	—	161,597	—	161,597

There were no applicable matters for the year ended March 31, 2014.

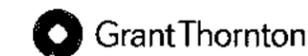
19. Subsequent events

Appropriation of retained earnings

The following appropriation of retained earnings for the year ended March 31, 2015 was approved at the ordinary general meeting of shareholders of the Company held on June 26, 2015.

	Millions of yen	Thousands of U.S. dollars (Note 1)
Cash dividends (year-end dividends)	¥2,680	\$22,336

Report of Independent Certified Public Accountants



Grant Thornton Taiyo LLC

20. Per share information

	Yen		U.S. dollars (Note 1)
	2015	2014	2015
Net assets per share	¥1,907.80	¥1,826.84	\$15.90
Net income per share (EPS)	87.81	78.48	0.73

The basis of calculation for net assets per share is as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2014	2015
Net assets	¥223,478	¥219,153	\$1,862,319
Amounts excluded from net assets	1,147	1,461	9,561
(Minority interests on the above)	(1,147)	(1,461)	(9,561)
Net assets attributable to common stock	222,330	217,691	1,852,757
Number of common stock at the year-end used for the calculation of net assets per share	116,538,033	119,163,469	

The basis of calculation for EPS is as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2014	2015
Net income	¥10,434	¥9,352	\$86,955
Net income attributable to common stock	10,434	9,352	86,955
Average number of shares outstanding	118,825,349	119,164,231	

(The Company has no dilutive shares.)

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Kurita Water Industries Ltd.

We have audited the accompanying consolidated financial statements of Kurita Water Industries Ltd. and its consolidated subsidiaries, which comprise the consolidated balance sheet as at March 31, 2015, and the consolidated statements of income, comprehensive income, changes in net assets, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Kurita Water Industries Ltd. and its consolidated subsidiaries as at March 31, 2015, and their consolidated financial performance and their cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Convenience Translation

The United States dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2015 are presented solely for the convenience. Our audit also included the translation of Japanese yen amounts into United States dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

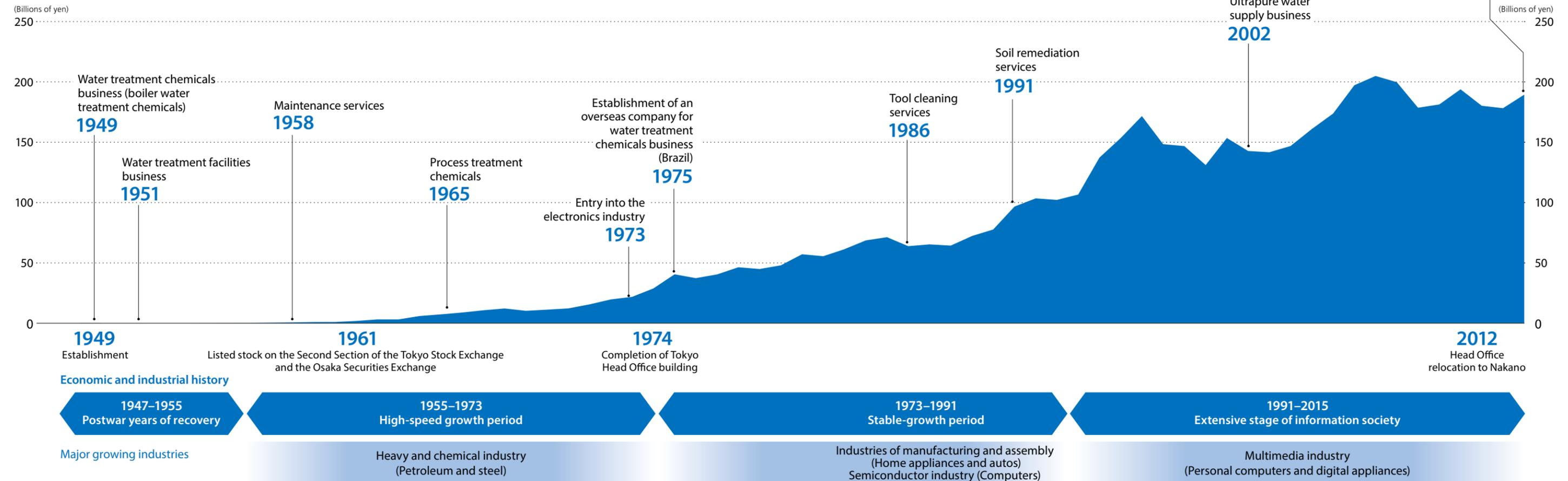
Grant Thornton Taiyo LLC

June 26, 2015
Tokyo, Japan

Member of Grant Thornton International Ltd

Kurita History

Consolidated Sales and Historical Highlights of Business



History & Achievements

1949-1950s

1949 Founded upon water treatment chemicals business (boiler water treatment chemicals)
The founder of the Company starts selling boiler water treatment chemicals based on boiler technology for large ships.

1951 Entry into the water treatment facilities business
Capitalizing on sales of deionizers for the pretreatment of boiler water supplies, the Company moves into the water treatment facilities business. Start of comprehensive service of water treatment chemicals and water treatment facilities.

1951 Boiler Water Supply Laboratory established.

1953 Start-up of chemical cleaning services
New expansion into the chemical cleaning services, where boiler interiors are cleaned using chemical technology.

1958 Expansion of maintenance services
An organization specializing in maintenance services is established with a view to expanding after-sales services and maintenance operations for water treatment facilities.

1959 KK Suzuki Shokai established as a chemical cleaning company (now Kurita Engineering Co., Ltd.).

1960s

1961 Listed stock on the Second Section of the Tokyo Stock Exchange and the Osaka Securities Exchange

1961 Kansai Kurita Seibi KK established as a maintenance company for water treatment facilities (predecessor of Kurita Technical Service Co., Ltd.).

1962 Listed stock on the First Section of the Tokyo Stock Exchange and the Osaka Securities Exchange.

1965 Expansion into process treatment chemicals

Development of chemicals that increase productivity in the pulp and paper, petrochemical and steel industries, where large volumes of water are used, as the Company broadens the scope of its business from water treatment chemicals to production process treatment chemicals.

1970s

1973 Entry into the electronics industry
Ultrapure water production technology is developed to meet the demand for water of a higher degree of purity that comes with increasing miniaturization in semiconductor manufacturing processes.

1974 Completion of Tokyo Head Office building in Shinjuku, Tokyo.

1975 Establishment of an overseas company for water treatment chemicals business
Kurita do Brasil LTDA. established to manufacture and sell water treatment chemicals in Brazil.

1975 Kurita Operation and Maintenance Services, Ltd. established as a water treatment facilities operation and maintenance company (now Kuritaz Co., Ltd.).

1978 Kurita (Singapore) Pte. Ltd. established as Kurita's water treatment chemicals and water treatment facilities business base in Southeast Asia.

1980s

1986 Deployment of tool cleaning services
Sales channels established for the electronics business and chemical cleaning technology developed to date are used for the Company's entry into the cleaning services for tools and jigs used in semiconductor production equipment.

1986 PT. Kurita Indonesia established to carry out the production and

sales of water treatment chemicals in Indonesia.

1987 Kurita (Taiwan) Co., Ltd. established to conduct water treatment chemical manufacturing and sales in Taiwan.

1989 Kurita Europe GmbH established in Germany as Kurita's base in Europe for water treatment chemical production and sales.

1989 Goshu Chemical Co., Ltd. established to conduct water treatment chemical manufacturing and sales in Thailand (now Kurita-GK Chemical Co., Ltd.).

1990s

1991 Launch of soil remediation services
Soil pollution was increasingly becoming a major social problem, and, as a result, the Company commenced soil remediation business operations based on water treatment technology developed to date.

1995 Kurita Water Industries (Dalian) Co., Ltd. established as Kurita's base in China for water treatment chemical production and sales.

1996 Kurita America, Inc. established in the United States to conduct water treatment facilities sales and maintenance services.

1997 Kurita Water Industries Ltd. merges with maintenance company Kurita Technical Service Co., Ltd.

1998 Acquires an equity stake in Hansu Technical Service Ltd., which is involved in the production, sales and maintenance of water treatment facilities in South Korea.

2000s

2001 Land Solution Inc. established as a consulting company dealing in soil remediation.

2001 Start of consulting services for hedging soil pollution risks and

schemes to facilitate the smooth liquidation of land that has been restored to a safe condition based on soil remediation successes to date.

2001 Kuritec (Shanghai) Co., Ltd. established as Kurita's base in China for import, sales and maintenance services of water treatment facilities sales and maintenance services.

2002 Launch of ultrapure water supply business
Launch of outsourcing business in which Kurita owns, operates and manages facilities for customers, and supplies them with ultrapure water.
A business model is developed that represents a fusion of products, technologies and services developed to date across the chemicals, facilities and maintenance arms of the business.

2003 Integration of tool cleaning business units from Group companies and establishment of Kuritec Service Co. Ltd.

2003 Analysis division split off to establish Kurita Analysis Service Co. Ltd.

2004 Kurita Water Industries (Suzhou) Ltd. established as a water treatment facilities production and sales base in China.

2005 Kurita Global Technology Center established through the integration of research and development facilities.

2009 Kurita Chemical Manufacturing Ltd. established as a new subsidiary to manufacture water treatment chemicals.

2010s

2012 Head office relocation to Nakano, Tokyo

2015 Acquisition of water treatment-related businesses in Europe
Acquires water treatment chemicals, paper process chemicals and alumina compound businesses of BK Giulini GmbH from Israel Chemicals Ltd. (ICL); Kurita Europe APW GmbH established.

Corporate Data

Company Name Kurita Water Industries Ltd.
Address 10-1, Nakano 4-chome, Nakano-ku, Tokyo 164-0001, Japan
Paid-in Capital ¥13,450,751,434
Date of Establishment July 13, 1949
Number of Employees 5,222 (on a consolidated basis); 1,527 (parent company)
 (As of March 31, 2015)

Osaka Office:
 2-22, Kitahama 2-chome, Chuo-ku, Osaka-shi, Osaka 541-0041, Japan
 Tel.: 81 (6) 6228-4800
Other Offices:
 Shizuoka, Tohoku, Nagoya, Hiroshima and Kyushu

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

Overseas Office

Major Domestic Offices
Head Office:
 10-1, Nakano 4-chome, Nakano-ku, Tokyo 164-0001, Japan
 Tel.: 81 (3) 6743-5000
Kurita Global Technology Center:
 1-1, Kawada, Nogi-machi, Shimotsuga-gun, Tochigi 329-0105, Japan
 Tel.: 81 (280) 54-1511

Major Consolidated Subsidiaries and Affiliated Companies

	Paid-in capital (Millions)	Equity ownership (%)	Main business
North America & South America			
Kurita America, Inc.	US\$3.0	100.0	Manufacture & sale of water treatment chemicals and operation and maintenance 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
Kurita Europe APW GmbH	EUR20	100.0	Manufacture & sale of water treatment chemicals, paper process chemicals and alumina compounds
Kurita France S.A.S.	EUR0.01	100.0	Sale of water treatment chemicals
Kurita Iberica SL	EUR0.00301	100.0	Sale of water treatment chemicals
Kurita Turkey Kimya A.S.	TRY5.78445	100.0	Manufacture & sale of water treatment chemicals
Kurita Sverige AB	SEK0.1	100.0	Sale of water treatment chemicals
Asia			
Kurita Water Industries (Dalian) Co., Ltd.	¥550	90.1	Manufacture & sale of water treatment chemicals
Kurita Water Industries (Jiangyin) Co., Ltd.	US\$16.043	100.0	Manufacture & sale of water treatment chemicals and paper process chemicals
Angang BK Giulini Water Treatment Co., Ltd.	RMB55	50.0	Manufacture & sale of water treatment chemicals
Kuritec (Shanghai) Co., Ltd.	¥30	100.0	Sale & maintenance of water treatment facilities
Kurita Water Industries (Suzhou) Ltd.	¥530	100.0	Manufacture & sale of water treatment facilities
Hansu Co., Ltd.	W2,500	33.2	Manufacture & sale of water treatment chemicals
Hansu Technical Service Ltd.	W8,400	100.0	Manufacture & sale of water treatment facilities
Kurita (Taiwan) Co., Ltd.	NT\$20	100.0	Manufacture & sale of water treatment chemicals
Kurita (Singapore) Pte. Ltd.	S\$4	100.0	Manufacture & sale of water treatment chemicals and water treatment facilities
Kurita Water (Malaysia) Sdn. Bhd.	RM\$0.6	100.0	Sale of water treatment chemicals and water treatment facilities
Kurita-GK Chemical Co., Ltd.	BAHT204	85.0	Manufacture & sale of water treatment chemicals
P.T. Kurita Indonesia	US\$2.00	92.5	Manufacture & sale of water treatment chemicals and water treatment facilities
Japan			
Kurita Creation Co., Ltd.	¥160	100.0	Manufacture & sale of water treatment equipment and products for general households
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	66.0	Soil remediation
Kurita Chemical Manufacturing Ltd.	¥50	100.0	Manufacture of water treatment chemicals

(As of March 31, 2015)

Investor Information

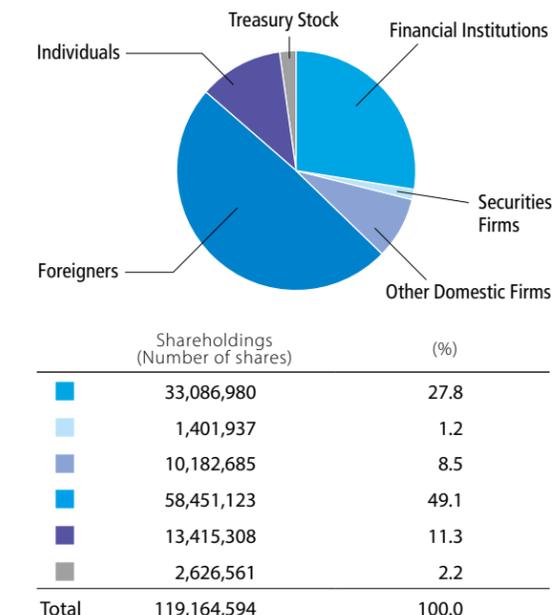
Stock Exchange Listing First Section of the Tokyo Stock Exchange
Common Stock Authorized: 531,000,000 shares
 Issued: 119,164,594 shares
 (Stock trading unit: 100 shares) (As of March 31, 2015)
Number of Shareholders 27,247 (As of March 31, 2015)
Independent Auditor Grant Thornton Taiyo LLC
 Akasaka Oji Bldg. 5F, 8-1-22, Akasaka, Minato-ku, Tokyo 107-0052, Japan
Transfer Agent Sumitomo Mitsui Trust Bank, Ltd.
 1-4-1, Marunouchi, Chiyoda-ku, Tokyo 100-8233, Japan

Major Shareholders

	Shareholdings (Number of shares)	Percentage of total shares issued (%)
Nippon Life Insurance Company	5,979,883	5.01
Japan Trustee Services Bank, Ltd. (Trust Account)	5,147,300	4.31
The Master Trust Bank of Japan, Ltd. (Trust Account)	2,985,700	2.50
RBC IST 15 PCT LENDING ACCOUNT-CLIENT ACCOUNT	2,718,581	2.28
Kurita Water Industries Ltd.	2,626,561	2.20
Tokio Marine & Nichido Fire Insurance Co., Ltd.	2,155,826	1.80
NORTHERN TRUST CO. (AVFC) RE U.S. TAX EXEMPTED PENSION FUNDS	2,135,700	1.79
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	2,056,131	1.72
NORTHERN TRUST CO. (AVFC) RE SILCHESTER INTERNATIONAL INVESTORS INTERNATIONAL VALUE EQUITY TRUST	1,939,600	1.62
Japan Trustee Services Bank, Ltd. (Trust Account 9)	1,731,200	1.45

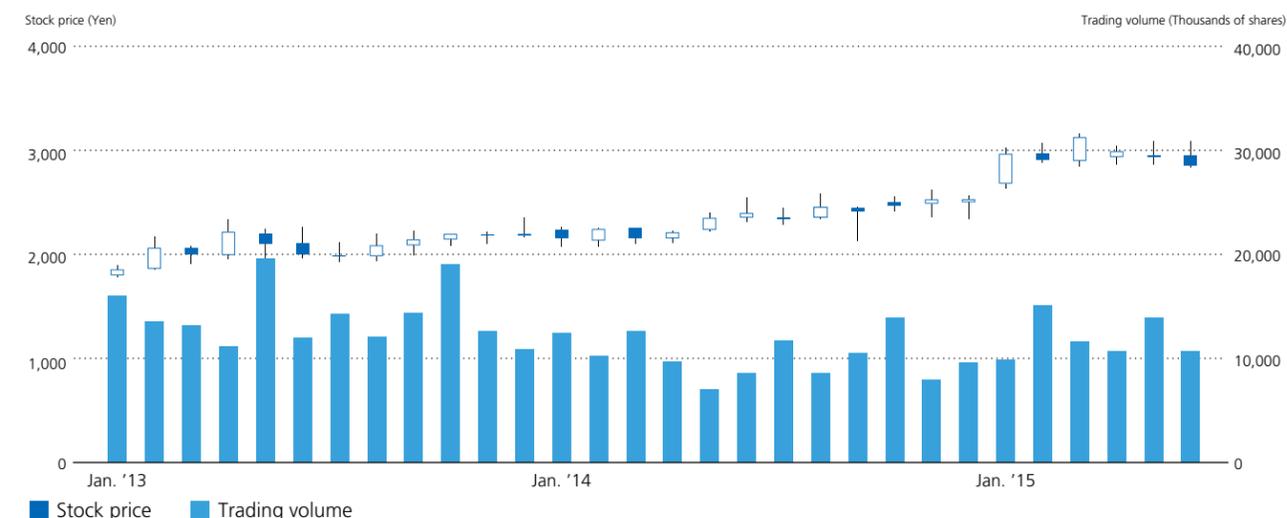
(As of March 31, 2015)

Distribution of Shares



(As of March 31, 2015)

Stock Price Range and Trading Volume (Tokyo Stock Exchange)





10-1, Nakano 4-chome, Nakano-ku, Tokyo 164-0001, Japan
Tel: 81 (3) 6743-5000

URL: <http://www.kurita.co.jp/english/>



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