

FOR IMMEDIATE RELEASE

## **Kurita Water Industries Reports Earnings for the Fiscal Year ended March 31, 2011**

Tokyo, Japan, April 28, 2011—Kurita Water Industries Ltd. (TSE Securities Code 6370) announced net sales of 181,234 million yen for the fiscal year ended March 31, 2011 (April 1, 2010 – March 31, 2011) and net income of 17,138 million, or 134.02 yen per share.

### **Results of Operations**

Total consolidated orders for the Kurita Group in the fiscal year ended March 31, 2011, were up 3.9% versus the previous fiscal year to 181,951 million yen, and net sales rose 1.5% to 181,234 million yen. Operating income was 27,131 million yen, up 2.9% versus the previous fiscal year, and ordinary income was 28,158 million yen, up 3.9%. Net income totaled 17,138 million yen, down 0.9%.

Markets in which the Kurita Group operates were challenging on the whole during the fiscal year ended March 31, 2011. In Japan, although customer factories' capacity utilization rose moderately due to factors such as an increase in exports and pickup in personal consumption due to the government's economic stimulus measures, capital expenditure levels in both the electronics industry and general industries remain low, having yet to experience a full-fledged recovery. On the other hand, the overseas business was firm, particularly in Asia, on the back of continued economic growth. The devastating earthquake and tsunami that struck eastern Japan in March had a significant impact on economic activity in Japan. While the Kurita Group did incur some earthquake-related damages to facilities, the damage was minimal. Following the disaster, the Kurita Group has been ascertaining the damage incurred by customers in affected regions and working to restore all services, and has been providing a wide range of support, including sending drinking water to affected areas and providing relief money.

### **Segment Information**

The Kurita Group is composed of segments delineated according to the products and services handled by each of its business divisions. These reportable segments correspond to the segments that the Group has used thus far, namely the Water Treatment Chemicals segment and the Water Treatment Facilities segment.

### **Water Treatment Chemicals**

Total Group orders for the Water Treatment Chemicals segment were 56,714 million yen, up 6.3% versus the fiscal year ended March 31, 2010, while sales rose 5.6% to 56,735 million yen. Operating income rose 23.5% to 10,099 million yen.

During the fiscal year ended March 31, 2011, the Kurita Group bolstered sales efforts by strengthening intra-group alliances between domestic and overseas Group companies, and pursued order bookings through consultative sales to help customers successfully meet challenges such as productivity enhancement and environmental mitigation.

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

increased in response to recoveries in production in various industries, mainly in Asia, and enhanced sales activities by the Group.

### **Water Treatment Facilities**

Total Group orders for the Water Treatment Facilities segment were 125,237 million yen, up 2.8% versus the previous fiscal year, sales fell 0.2% to 124,499 million yen, while operating income fell 6.3% to 17,032 million yen

During the fiscal year ended March 31, 2011, the Group worked to secure orders by focusing on service businesses, such as the ultrapure water supply business as well as maintenance services, in addition to stepping up both consultative sales targeting key customers and sales activities in Asia, with emphasis on China.

In the electronics industry, orders for the ultrapure water supply business rose slightly versus the previous fiscal year, while orders for ultrapure water production systems increased overseas. Orders for maintenance services rose due to a recovery in capacity utilization at customer plants in Japan. Orders for tool cleaning services were down slightly. Sales of ultrapure water production systems increased on the back of progress on projects in Japan and overseas. Sales of maintenance services also rose, while sales of tool cleaning services dropped slightly.

In general industries, orders for water treatment facilities declined versus the previous fiscal year, while orders for maintenance services increased. Sales of water treatment facilities declined amid a lull in sales from large projects in the steel industry. Sales of soil remediation services also dropped, but sales of maintenance services increased versus the previous fiscal year.

### **Material Events during the Fiscal Year Ended March 31, 2011**

In accordance with a resolution made at its board of directors meeting of October 29, 2010, Kurita Water Industries Ltd. repurchased 1,988,400 shares of stock (total amount of acquisition: 4,776,730,100 yen) between November 8, 2010 and December 22, 2010 on the Tokyo Stock Exchange via market orders.

### **Outlook for the Fiscal Year Ending March 31, 2012**

The Group forecasts 192,000 million in net sales, 29,000 million in operating income, 29,500 million in ordinary income and 17,400 million in net income for the full fiscal year ending March 31, 2012.

Overseas, we expect the mild recovery to continue, led by firm economic expansion in emerging countries, particularly China. In Japan, while we look for some growth in demand from overseas fueled by economic growth in Asia, production activity is likely to be restricted owing to the repercussions of the recent disaster in Japan, which include electric power and parts shortages.

Amid this environment, the Group will make every effort to help customers who sustained damage in the disaster restore water treatment facilities. The Group will also pursue new growth based on the objectives of MP-11, the Group's medium-term management plan, by raising the quality of its service businesses, which help customers successfully meet challenges, and further expanding its global operations, where it sees strong growth potential.

## **Outlook by Segment**

### **Water Treatment Chemicals**

The Kurita Group anticipates orders and earnings to be impacted by market contraction due to the consolidation of production facilities, customers' enhanced cost-cutting efforts, as well as lower capacity utilization at customer factories resulting from earthquake and tsunami damage.

Under such circumstances, the Group aims to secure orders by bolstering alliances between Group companies both in Japan and overseas, accurately grasping customers' needs, and providing swift solutions to issues that they face. To secure earnings, the Group will endeavor to expand business by developing and expanding sales of new products for overseas markets and continue to reduce manufacturing and distribution costs.

### **Water Treatment Facilities**

The Kurita Group is concerned about continued low levels of domestic capital expenditure by customers, while it expects overseas capital expenditure to increase in the Asian market, particularly in China, both in the electronics industry and general industries.

In this environment, the Group aims to secure orders by stepping up consultative sales efforts aimed at key customers to help them, for example, reclaim wastewater and otherwise effectively utilize water resources. The Group will also work to secure earnings by further expanding its service businesses, which are resilient to capital expenditure trends, and by continuing to enhance quality, increase productivity, and reduce costs.

### **Financial Condition**

Current assets totaled 117,852 million yen at the end of the fiscal year (March 31, 2011), an increase of 8,555 million yen versus the end of the previous fiscal year (March 31, 2010). The increase was mainly due to an increase of 18,710 million yen in cash and deposits, which was partially offset by declines of 2,718 million yen in trade accounts receivable and 8,500 million yen in marketable securities. The increase in cash and deposits resulted from progress with collections of trade accounts receivable and a decrease in negotiable certificates of deposits, which are treated as marketable securities. The decreases in trade accounts receivable and marketable securities are stated above.

Noncurrent assets totaled 135,446 million yen at the end of the fiscal year, a decline of 6,877 million yen versus the end of the previous fiscal year. The decline was due to a 9,892 million yen decrease in property, plant and equipment due to depreciation on past years' investments in ultrapure water supply business facilities exceeding current period investments in property, plant and equipment. The decline was partially offset by increases of 1,314 million yen in investment securities and 2,122 million yen in deferred tax assets.

Current liabilities totaled 34,771 million yen at the end of the fiscal year, a decrease of 3,821 million yen versus the end of the previous fiscal year. The change was mainly due to declines of 2,304 million yen in other accounts payable and 1,804 million yen in income taxes payable. The decrease in other accounts payable was due to payment of consumption taxes, while the decrease in income taxes payable resulted from the payment of annual and interim income taxes.

Noncurrent liabilities totaled 19,175 million yen at the end of the fiscal year, a slight increase of 87 million yen versus the end of the previous fiscal year.

Net assets totaled 199,351 million yen at the end of the fiscal year, an increase of

5,412 million yen versus the end of the previous fiscal year. The change mainly reflects a 12,237 million yen increase in retained earnings due to positive net income for the fiscal year. This increase was partially offset by a 4,785 million yen increase in treasury stock due to open market repurchases, a 4,888 million yen decrease in retained earnings due to dividend payments, and a 1,999 million yen decrease in total other comprehensive income due to a decrease in unrealized gains on available-for-sale securities reflecting a drop in the market prices of investment securities held by the Group.

### **Cash Flows**

Consolidated net cash and cash equivalents totaled 10,834 million yen at the end of the fiscal year (March 31, 2011), a decrease of 9,756 million yen versus the end of the previous fiscal year (March 31, 2010).

#### *Cash Flows from Operating Activities*

Net cash provided by operating activities was 29,796 million yen in the fiscal year ended March 31, 2011, a decrease of 13,848 million yen versus the previous fiscal year (ended March 31, 2010). This primarily reflects a net inflow comprising income before income taxes of 27,844 million yen, 16,066 million yen in depreciation and amortization, and a 2,098 million yen decrease in trade notes and accounts receivable, which was partially offset by the payment of income taxes in the amount of 13,371 million yen.

#### *Cash Flows from Investing Activities*

Net cash used in investing activities was 30,169 million yen in the fiscal year ended March 31, 2011, a decrease of 14,181 million yen versus the previous fiscal year. This primarily reflects 23,988 million yen in deposits (net of withdrawals) into time deposits and outflows totaling 6,014 million yen for the acquisition of property, plant and equipment, mainly for the ultrapure water supply business. The net result of purchases and redemptions of marketable securities and investment securities was only a small inflow of 240 million yen.

#### *Cash Flows from Financing Activities*

Net cash used in financing activities was 9,032 million yen in the fiscal year ended March 31, 2011, an increase of 4,173 million yen versus the previous fiscal year. This mainly reflects dividend payments of 4,950 million yen and stock repurchases totaling 4,784 million yen.

## Cash Flow Indicators

Fiscal year ended March 31,	2007	2008	2009	2010	2011
Equity ratio (%)	66.7	73.2	72.2	76.5	78.2
Equity ratio (based on market capitalization) (%)	155.9	203.9	99.2	135.2	123.0
Interest-bearing debt to cash flow ratio (%)	4.1	4.0	24.8	18.7	29.8
Interest coverage ratio (times)	601.6	452.9	1,051.8	1,148.5	902.9

Equity ratio: Equity / Total assets

Equity ratio based on market capitalization: Market capitalization / Total assets

Interest-bearing debt to cash flow ratio: Interest-bearing debt / Cash flow

Interest coverage ratio: Cash flow / Interest paid

Notes:

1. All indicators are calculated using financial figures produced on a consolidated basis.
2. Market capitalization is calculated by multiplying the closing stock price at the end of the period by the number of shares issued and outstanding (excluding treasury stock) at the end of the period.
3. Cash flow from operating activities is used as the cash flow variable.
4. Interest-bearing debt refers to all debts recorded on the consolidated balance sheet that incur interest payments.

## Dividends

Kurita Water Industries intends to pay a year-end dividend of 19 yen per share for the fiscal year ended March 31, 2011, the same amount as its previous year-end dividend. This takes into account the Group's business development going forward and is aimed at rewarding shareholders for their support. This year-end dividend, together with the interim dividend of 19 yen per share (a 2 yen increase from the previous interim dividend), will result in an annual dividend of 38 yen per share, an increase of 2 yen per share versus the previous fiscal year.

For the fiscal year ending March 31, 2012, Kurita Water Industries intends to pay an interim dividend of 20 yen per share and a year-end dividend of 20 yen per share, giving an annual dividend of 40 yen per share.

## Business and Other Risks

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

### 1. Economic and market conditions

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

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

### 2. Materials and parts procurement

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

### 3. Overseas business development

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

### 4. New product development

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

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

### 5. Intellectual property

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

### 6. Dependence on information systems

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

### 7. Large-scale natural disasters

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

## Management Policy

### (1) Basic management policy

The Kurita Group operates under the corporate philosophy, “Study the properties of water, master them, and we will create an environment in which nature and man are in harmony.” The Group conducts business activities in the aim of becoming an advanced water and environmental management company.

The Group seeks to enhance management transparency by making appropriate and timely information disclosures to shareholders, investors, and other stakeholders.

In April 2009, the Group launched a three-year management plan, Make Progress 2011 (MP-11), the basic theme of which is “Evolution and Progress.”

### (2) Medium- to long-term management strategy

Fiscal 2010 was the second year of the MP-11 three-year plan. The basic objectives of the plan are to strengthen customer trust, enhance business quality, and carve out new business domains. Under the plan, the Group has worked to achieve sustained growth by further expanding its service businesses and global operations and developing new products and businesses, while also practicing rigorous risk management throughout the Group.

#### 1) Expand and evolve service businesses

Through its service businesses, the Kurita Group works hand in hand with customers to help them solve such challenges as productivity enhancement and environmental mitigation. Expanding service businesses is one pillar of these activities, with the aim of ensuring sustained Group growth. The Group is evolving its business models, as it has been doing in the ultrapure water supply business thus far, while also working to generate new value through water and provide even greater levels of value to customers. Through these efforts, the Group hopes to improve profitability and competitiveness.

In fiscal year ended March 31, 2011, the Group worked to maintain a stable supply of ultrapure water and expand the business.

#### 2) Expand global operations

In line with the corporate vision of becoming an advanced water and environmental management company, the Group will continue working to expand its business domains and market share, particularly in China and East Asia, which require effective water resource management solutions as their economies grow. Specific measures include increasing personnel and strengthening the organizational structure in these regions.

In the fiscal year ended March 31, 2011, the Group worked to secure orders by further strengthening alliances with overseas operating companies and engaging in sales efforts tailored to circumstances in each respective country.

#### 3) Bolster operating base

Amid a diversifying business environment, the Kurita Group set forth a Fundamental Policy Regarding the Establishment of Internal Control Systems in 2006. Based on this policy, Kurita is instituting and bolstering risk management and internal controls throughout the Group. The Group will also work to improve manufacturing and human resource capabilities, recognizing that it must continually raise the quality of products, technologies, and services it provides to customers and develop the people who support these activities.

### (3) Issues to be addressed

Looking at the global economy, large-scale structural change is taking place as China and other emerging economies continue to enjoy economic growth, while developed nations as a whole are experiencing economic stagnation. In Japan, companies are responding to globalization by expanding their manufacturing bases overseas, consolidating their manufacturing bases in Japan, and cutting costs. These trends are expected to intensify. In addition, companies are expected to accelerate their efforts to make more efficient use of energy and reduce their carbon dioxide emissions in order to reduce their environment footprints.

A number of factors cloud the future global economic outlook, among them the Great Eastern Japan Earthquake and power shortages in its aftermath, along with rising oil prices and other issues arising from instability in the Middle East.

Amid this economic environment, the Kurita Group will tackle the following issues and strive to generate sustained growth into the future.

#### 1) Enhance service businesses by creating products, technologies, and services that help to resolving customers' challenges

The Group's service businesses will aim to help solve customers' challenges, such as productivity enhancement and environmental mitigation, through the development of products and technologies in the Group's key areas of water treatment chemicals, water treatment facilities, and maintenance services.

#### 2) Accelerate global expansion as a unified Group

The Group will work to develop its presence in China and other emerging economies with strong economic growth potential through active sales efforts in the Water Treatment Chemicals business and by expanding the market share of the Water Treatment Facilities business in electronics industries, including flat-panel displays and semiconductors manufacturers. The Group will also aim to expand wastewater reclamation products and services in general industries.

#### 3) Continue rigorous risk management

The risks that the Kurita Group faces continue to diversify. Responding rapidly to risks is important for the very survival of a company. The Group continues to practice rigorous risk management and enhance its internal control system.

By carrying out the above initiatives, the Kurita Group aims to fulfill its corporate vision of becoming an advanced water and environmental management company and achieve "Evolution and Progress," the basic theme of MP-11.

Though the Great Eastern Japan Earthquake has impacted the supply of raw materials from suppliers in Japan, the Kurita Group is working to ensure that this does not hinder its provision of products and services to customers. As for customers impacted by the disaster, the Kurita Group is doing everything it can to support the recovery of their water treatment facilities and contribute to the resumption of their manufacturing operations.

## Financial Statements — Consolidated

### Balance Sheets — Consolidated

	As of March 31, 2010 Amount	(millions of yen) As of March 31, 2011 Amount
<b>Assets</b>		
<b>Current assets</b>		
Cash and deposits	16,363	35,073
Notes receivable - trade	5,393	5,983
Accounts receivable - trade	49,975	47,257
Marketable securities	28,500	20,000
Finished products	1,334	1,303
Work in process	2,600	2,643
Raw materials and supplies	1,186	1,533
Deferred tax assets	2,463	2,312
Other	1,611	1,785
Allowance for doubtful accounts	(132)	(40)
Total current assets	109,297	117,852
<b>Noncurrent assets</b>		
Property, plant and equipment		
Buildings	64,101	64,296
Accumulated depreciation	(27,559)	(32,043)
Buildings, net	36,541	32,252
Machinery, equipment and vehicles	80,472	86,962
Accumulated depreciation	(28,730)	(38,045)
Machinery, equipment and vehicles, net	51,742	48,917
Land	13,981	14,072
Leased assets	7,599	7,668
Accumulated depreciation	(548)	(987)
Leased assets, net	7,051	6,680
Construction in progress	5,273	3,001
Other	11,042	11,158
Accumulated depreciation	(9,133)	(9,474)
Other, net	1,909	1,683
Total property, plant and equipment	116,500	106,608
Intangible fixed assets		
Software	1,536	1,388
Other	637	551
Total intangible fixed assets	2,173	1,939
Investments and other assets		
Investment securities	15,743	17,057
Deferred tax assets	6,184	8,306
Other	1,926	1,717
Allowance for doubtful accounts	(205)	(184)
Total investments and other assets	23,649	26,897
Total noncurrent assets	142,323	135,446
Total assets	251,620	253,298
<b>Liabilities</b>		
<b>Current liabilities</b>		
Notes payable – trade	1,198	1,402
Accounts payable - trade	15,632	15,058
Accounts payable - other / Accrued expenses	7,089	4,785
Income taxes payable	7,430	5,626
Accrued employees' bonuses	2,377	2,336
Provision for product warranties	546	927
Other	4,317	4,634
Total current liabilities	38,592	34,771
<b>Noncurrent liabilities</b>		
Lease obligations	6,925	6,535
Deferred tax liabilities related to revaluation	1,509	1,509
Accrued employees' retirement benefits	9,465	9,936

Accrued retirement benefits for directors and corporate auditors	449	440
Other	737	754
Total noncurrent liabilities	19,088	19,175
Total liabilities	57,680	53,946
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Common stock	13,450	13,450
Capital surplus	11,426	11,426
Retained earnings	172,717	184,954
Treasury stock	(4,855)	(9,640)
Total shareholders' equity	192,738	200,191
Accumulated other comprehensive income		
Unrealized gains on available-for-sale securities	1,989	623
Unrealized gains (losses) on revaluation of land	(764)	(764)
Foreign currency translation adjustments	(1,374)	(2,006)
Total accumulated other comprehensive income	(149)	(2,148)
<b>Minority interests</b>	1,350	1,308
Total net assets	193,939	199,351
Total liabilities and net assets	251,620	253,298

## Statements of Income and Comprehensive Income— Consolidated

	(millions of yen)	
	Year ended March 31, 2010	Year ended March 31, 2011
	Amount	Amount
Net sales	178,520	181,234
Cost of sales	117,221	118,573
Gross profit	61,299	62,660
Selling, general and administrative expenses	34,941	35,528
Operating income	26,358	27,131
Non-operating income		
Interest income	97	116
Dividend income	233	308
Equity in earnings of unconsolidated subsidiaries and affiliates	270	308
Other	404	570
Total non-operating income	1,006	1,303
Non-operating expenses		
Interest expense	26	34
Commissions paid	60	61
Loss on disposal of properties	-	28
Foreign exchange loss	6	35
Other	174	117
Total non-operating expenses	268	276
Ordinary income	27,096	28,158
Extraordinary income		
Gain from cancellation of contracts	1,507	-
Total extraordinary income	1,507	-
Extraordinary losses		
Loss on disposal of properties	253	-
Impairment losses	36	-
Loss on liquidation of affiliated companies	-	73
Loss on liquidation of business	136	-
Disaster losses	-	124
Disaster recovery expenses	-	115
Total extraordinary losses	426	314
Income before income taxes and minority interests	28,178	27,844
Income taxes		
Current	12,197	11,653
Deferred	(1,379)	(1,069)
Total income taxes	10,817	10,583
Income before minority interests	-	17,260
Minority interests in earnings of consolidated subsidiaries	72	121
Net income	17,288	17,138

	(millions of yen)	
	Year ended March 31, 2010	Year ended March 31, 2011
	Amount	Amount
Income before minority interests	-	17,260
Other comprehensive income	-	
Unrealized gains on available-for-sale securities	-	(1,364)
Foreign currency translation adjustments	-	(639)
Share of other comprehensive income of associates accounted for using equity method	-	(46)
Total other comprehensive income	-	(2,050)
Comprehensive income	-	15,209
Components:	-	
Comprehensive income attributable to owners of the parent company	-	15,139
Comprehensive income attributable to minority interests	-	70

## Statements of Changes in Shareholders' Equity — Consolidated

	(millions of yen)	
	Year ended March 31, 2010	Year ended March 31, 2011
	Amount	Amount
<b>Shareholders' equity</b>		
Common stock		
Balance as of end of the previous fiscal year	13,450	13,450
Change during period		
Total change during period	-	-
Balance as of end of the fiscal year	<u>13,450</u>	<u>13,450</u>
Capital surplus		
Balance as of end of the previous fiscal year	11,426	11,426
Change during period		
Total change during period	-	-
Balance as of end of the fiscal year	<u>11,426</u>	<u>11,426</u>
Retained earnings		
Balance as of end of the previous fiscal year	159,792	172,717
Change during period		
Dividend from surplus	(4,374)	(4,888)
Other	(2)	(12)
Net income	17,288	17,138
Reversal of unrealized gains (losses) on revaluation of land	13	-
Total change during period	<u>12,925</u>	<u>12,236</u>
Balance as of end of the fiscal year	<u>172,717</u>	<u>184,954</u>
Treasury stock		
Balance as of end of the previous fiscal year	(4,847)	(4,855)
Change during period		
Purchase of treasury stock	(8)	(4,784)
Total change during period	<u>(8)</u>	<u>(4,784)</u>
Balance as of end of the fiscal year	<u>(4,855)</u>	<u>(9,640)</u>
Total shareholders' equity		
Balance as of end of the previous fiscal year	179,821	192,738
Change during period		
Dividend from surplus	(4,374)	(4,888)
Other	(2)	(12)
Net income	17,288	17,138
Purchase of treasury stock	(8)	(4,784)
Reversal of unrealized gains (losses) on revaluation of land	13	-
Total change during period	<u>12,916</u>	<u>7,452</u>
Balance as of end of the fiscal year	<u>192,738</u>	<u>200,191</u>

**Accumulated other comprehensive income**

Unrealized gains (losses) on available-for-sale securities		
Balance as of end of the previous fiscal year	170	1,989
Change during period		
Net change in items other than shareholders' equity during period	1,818	(1,366)
Total change during period	1,818	(1,366)
Balance as of end of the fiscal year	1,989	623
Unrealized gains (losses) on revaluation of land		
Balance as of end of the previous fiscal year	(750)	(764)
Change during period		
Net change in items other than shareholders' equity during period	(13)	-
Total change during period	(13)	-
Balance as of end of the fiscal year	(764)	(764)
Foreign currency translation adjustments		
Balance as of end of the previous fiscal year	(1,950)	(1,374)
Change during period		
Net change in items other than shareholders' equity during period	575	(632)
Total change during period	575	(632)
Balance as of end of the fiscal year	(1,374)	(2,006)
Total accumulated other comprehensive income		
Balance as of end of the previous fiscal year	(2,530)	(149)
Change during period		
Net change in items other than shareholders' equity during period	2,380	(1,998)
Total change during period	2,380	(1,998)
Balance as of end of the fiscal year	(149)	(2,148)
<b>Minority interests</b>		
Balance as of end of the previous fiscal year	1,335	1,350
Change during period		
Net change in items other than shareholders' equity during period	15	(42)
Total change during period	15	(42)
Balance as of end of the fiscal year	1,350	1,308
<b>Total net assets</b>		
Balance as of end of the previous fiscal year	178,626	193,939
Change during period		
Dividend from surplus	(4,374)	(4,888)
Other	(2)	(12)
Net income	17,288	17,138
Purchase of treasury stock	(8)	(4,784)
Reversal of unrealized gains (losses) on revaluation of land	13	-
Net change in items other than shareholders' equity during period	2,395	(2,040)
Total change during period	15,312	5,411
Balance as of end of the fiscal year	193,939	199,351

## Statements of Cash Flows — Consolidated

(millions of yen)

	Year ended March 31, 2010 Amount	Year ended March 31, 2011 Amount
<b>Cash flows from operating activities</b>		
Income before income taxes and minority interests	28,178	27,844
Depreciation and amortization	15,523	16,066
Equity in (earnings) losses of unconsolidated subsidiaries and affiliates	(270)	(308)
Increase (decrease) in allowance for employees' retirement benefits	799	455
Increase (decrease) in other allowances	(645)	225
Interest and dividend income	(331)	(424)
Interest expense	26	34
Other non-operating (income) losses	(140)	(333)
Other extraordinary (income) losses	(1,371)	314
(Gains) losses on sale/disposal of property, plant and equipment	245	18
(Increase) decrease in notes and accounts receivable - trade	4,351	2,098
(Increase) decrease in inventories	2,194	(461)
(Increase) decrease in other current assets	(230)	(350)
Increase (decrease) in notes and accounts payable - trade	(1,936)	(573)
Increase (decrease) in advances received	(878)	(884)
Increase (decrease) in other current liabilities	1,945	(1,430)
Other	125	200
<b>Sub total</b>	<b>47,586</b>	<b>42,490</b>
Interest and dividend received	685	703
Other proceeds	4,025	490
Interest paid	(38)	(33)
Other payments	(404)	(482)
Income taxes paid	(8,209)	(13,371)
<b>Net cash provided by (used in) operating activities</b>	<b>43,644</b>	<b>29,796</b>
<b>Cash flows from investing activities</b>		
Deposits into time deposit accounts	(587)	(39,723)
Withdrawals from time deposits	1,357	15,735
Payments for purchases of marketable securities	(27,999)	(65,000)
Proceeds from sale and redemption of marketable securities	4,799	69,000
Payments for purchases of property, plant and equipment	(19,278)	(6,014)
Proceeds from sale of property, plant and equipment	56	30
Payments for purchases of investment securities	(2,109)	(3,810)
Proceeds from sale and redemption of investment securities	71	50
Other payments	(1,176)	(734)
Other proceeds	515	295
<b>Net cash provided by (used in) investing activities</b>	<b>(44,350)</b>	<b>(30,169)</b>
<b>Cash flows from financing activities</b>		
Net increase (decrease) in short-term borrowings	67	1,183
Repayment of finance lease obligations	(451)	(480)
Purchase of treasury stock	(8)	(4,784)
Cash dividends paid	(4,369)	(4,886)

Cash dividends paid to minority shareholders	(96)	(64)
<b>Net cash provided by (used in) financing activities</b>	<u>(4,859)</u>	<u>(9,032)</u>
<b>Effect of exchange rate changes on cash and cash equivalents</b>	832	(397)
<b>Net increase (decrease) in cash and cash equivalents</b>	<u>(4,732)</u>	<u>(9,802)</u>
<b>Cash and cash equivalents at the beginning of the period</b>	25,262	20,590
<b>Increase in cash and cash equivalents from newly consolidated subsidiaries</b>	60	46
<b>Cash and cash equivalents at the end of the period</b>	<u>20,590</u>	<u>10,834</u>

## Segment Information

### Business segment information

Year ended March 31, 2010 (April 1, 2009 – March 31, 2010)

(millions of yen)

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

Notes:

1. No unallocated operating costs or expenses were included in “Elimination or corporate”.
2. Unallocated corporate assets included in “Elimination or corporate” amounted to 48,369 million yen consisting principally of cash deposits, securities in trust, and long-term investments (cash deposits, marketable securities and investment securities).
3. Effective the fiscal year ended March 31, 2010, the Company adopted the *Partial Amendments to Accounting Standard for Retirement Benefits (Part3)* (ASBJ Statement No.19, July, 31, 2008). Due to this change, operating income in the Water Treatment Chemicals segment was 290 million yen lower and in the Water Treatment Facilities, 585 million yen lower than would have resulted with the previous accounting method.
4. Effective the fiscal year ended March 31, 2010, the Company and certain consolidated subsidiaries in Japan adopted the *Accounting Standard for Construction Contracts* (ASBJ Statement No.15, December 27, 2007) and its accompanying *Guidance on the Accounting Standard for Construction Contracts* (ASBJ Guidance No.18, December 27, 2007). Due to this change, for the fiscal year ended March 31, 2010, net sales and operating income in the Water Treatment Facilities segment were 6,265 million yen higher and 1,244 million yen higher, respectively, than would have resulted with the previous accounting method.

### Geographical segment information

Year ended March 31, 2010 (April 1, 2009 – March 31, 2010)

(millions of yen)

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

Notes:

1. Geographic segmentation is based on geographic proximity.
2. “Other regions” in the above table consists of Asia and other areas.
3. No unallocated operating costs or expenses were included in “Elimination or corporate”.

4. Amounts and details of unallocated corporate assets included in “Elimination or corporate” were the same as those stated in note 2 in the “Business segment information” section.
5. Effective the fiscal year ended March 31, 2010, the Company adopted the *Partial Amendments to Accounting Standard for Retirement Benefits (Part3)* (ASBJ Statement No.19, July, 31, 2008). Due to this change, in Japan operating income was 876 million yen lower than would have resulted with the previous accounting method.
6. Effective the fiscal year ended March 31, 2010, the Company and certain consolidated subsidiaries in Japan adopted the *Accounting Standard for Construction Contracts* (ASBJ Statement No.15, December 27, 2007) and its accompanying *Guidance on the Accounting Standard for Construction Contracts* (ASBJ Guidance No.18, December 27, 2007). Due to this change, for the fiscal year ended March 31, 2010, in Japan sales were 6,265 million yen higher and operating income was 1,244 million yen higher than would have resulted with the previous accounting method.

## Overseas sales

Year ended March 31, 2010 (April 1, 2009 – March 31, 2010)

(millions of yen)

	Asia	North America	Europe	Other	Total
I. Overseas sales	13,404	1,626	1,399	2,581	19,011
II. Consolidated net sales	-	-	-	-	178,520
III. Ratio of overseas sales to total consolidated sales	7.5%	0.9%	0.8%	1.4%	10.6%

### Notes:

1. Geographic segmentation is based on geographic proximity.
2. Major countries or regions in each category are as follows:
  - (1) Asia: Korea, China, Taiwan, Singapore, Indonesia, and Thailand
  - (2) North America: U.S.A.
  - (3) Europe: Germany
  - (4) Other areas: Brazil
3. “Overseas sales” comprises sales by the Company and its consolidated subsidiaries in countries or regions other than Japan.
4. Effective the fiscal year ended March 31, 2010, the Company and certain consolidated subsidiaries in Japan adopted the *Accounting Standard for Construction Contracts* (ASBJ Statement No.15, December 27, 2007) and its accompanying *Guidance on the Accounting Standard for Construction Contracts* (ASBJ Guidance No.18, December 27, 2007). Due to this change, for the fiscal year ended March 31, 2010, sales in Asia were 1,794 million yen higher than would have resulted with the previous accounting method.

## Additional information

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

### 1. Overview of reportable segments

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

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

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

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

### 2. Method for calculating sales, income and loss, assets and liabilities, and other amounts by reportable segment

Segment income represent operating income. Inter-segment sales and transfers between consolidated-group companies reflect values based on market prices. Inter-segment 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, 2010 (April 1, 2009 – March 31, 2010)

The Company has omitted disclosure here because the figures appearing in the segment information related to consolidated financial statements that the Company has elsewhere disclosed for its previous segmentation are the same as or similar to figures that would result under the *Revised Accounting Standard for Disclosures about Segments of an Enterprise and Related Information* (ASBJ Statement No. 17, revised March 27, 2009.)

#### Year ended March 31, 2011 (April 1, 2010 – March 31, 2011)

	Reportable segment			Adjustments (see note)	(millions of yen) Amounts reported on the statements of income
	Water Treatment Chemicals	Water Treatment Facilities	Total		
Sales					
(1) Sales to outside customers	56,735	124,499	181,234	—	181,234
(2) Inter-segment sales and transfers	349	180	530	(530)	—
Total	57,084	124,680	181,764	(530)	181,234
Segment income	10,099	17,032	27,131	0	27,131
Segment assets	36,444	158,414	194,859	58,439	253,298
Segment liabilities	16,919	37,155	54,075	(128)	53,946
Other amounts					
Depreciation	1,539	14,527	16,066	—	16,066
Change in property, plant and equipment and intangible fixed assets	1,183	4,781	5,965	—	5,965

Note: "Adjustments" represents the following:

1. Sales: Elimination of inter-segment transactions.

2. Segment income: Amount resulting from eliminations of inter-segment transactions.
3. Segment assets: Mainly corporate assets of 58,572 million yen not included in reportable segment assets (cash deposits, securities in trust, and long-term investments).
4. Segment liabilities: Amount resulting eliminations of inter-segment claims and liabilities.

## Related information

Year ended March 31, 2011 (April 1, 2010 – March 31, 2011)

### 1. Information by product and service

The Company has omitted disclosure here because equivalent information appears in the segment information.

### 2. Information by geographic region

#### (1) Sales

(millions of yen)

Japan	Asia	North America	Europe	Other	Total
154,867	19,195	2,820	1,276	3,075	181,234

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

#### (2) Property, plant and equipment

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

### 3. Information by major customer

(millions of yen)

Name of customer	Sales	Name of transacting segment
Sharp Corporation	28,149	Water Treatment Facilities

### 4. Information on impairment of reportable segments' fixed assets

Not applicable

### 5. Goodwill amortization and unamortized balance of goodwill by segment

(millions of yen)

	Reportable segment			Elimination or corporate	Total
	Water Treatment Chemicals	Water Treatment Facilities	Total		
Goodwill amortization	59	—	59	—	59
Unamortized balance of goodwill	44	—	44	—	44

### 6. Information on negative goodwill gains

Not applicable

## Other Information — Consolidated

### Net Sales

(millions of yen)

Business segment	Year ended March 31,			
	2010		2011	
	Amount	%	Amount	%
Water Treatment Chemicals	53,743	30.1	56,735	31.3
Water Treatment Facilities	124,777	69.9	124,499	68.7
Total	178,520	100.0	181,234	100.0

### Order Intake and Backlog

(millions of yen)

Business segment		Year ended March 31,			
		2010		2011	
		Amount	%	Amount	%
Order Intake	Water Treatment Chemicals	53,370	30.5	56,714	31.2
	Water Treatment Facilities	121,791	69.5	125,237	68.8
	Total	175,162	100.0	181,951	100.0
Order Backlog	Water Treatment Chemicals	3,647	7.1	3,627	7.0
	Water Treatment Facilities	47,497	92.9	48,235	93.0
	Total	51,145	100.0	51,862	100.0

### Production Results

(millions of yen)

Business segment	Year ended March 31,			
	2010		2011	
	Amount	%	Amount	%
Water Treatment Chemicals	52,575	29.9	56,873	31.5
Water Treatment Facilities	123,306	70.1	123,959	68.5
Total	175,882	100.0	180,832	100.0

Note: The amounts were based on sales amounts.

### Capital Expenditures (Property, Plant and Equipment)

(millions of yen)

Business segment	Year ended March 31,			
	2010		2011	
	Amount	%	Amount	%
Water Treatment Chemicals	908	12.1	977	17.9
Water Treatment Facilities	6,616	87.9	4,492	82.1
Total	7,525	100.0	5,469	100.0

### Depreciation (Property, Plant and Equipment)

(millions of yen)

Business segment	Year ended March 31,			
	2010		2011	
	Amount	%	Amount	%
Water Treatment Chemicals	1,319	8.9	1,203	7.8
Water Treatment Facilities	13,520	91.1	14,172	92.2
Total	14,840	100.0	15,375	100.0