

FOR IMMEDIATE RELEASE

**Kurita Water Industries Reports Earnings for the Fiscal Year ended  
March 31, 2014**

Tokyo, Japan, April 30, 2014 - Kurita Water Industries Ltd. (TSE Securities Code 6370) announced net sales of 178,137 million yen and net income of 9,352 million yen, or 78.48 yen per share, for the year ended March 31, 2014 (April 1, 2013 – March 31, 2014).

**Results of Operations**

Total consolidated orders for the Kurita Group in the fiscal year ended March 31, 2014 declined 7.1% from the level of the previous fiscal year, to 173,463 million yen, and net sales declined 1.1% to 178,137 million yen. Operating income was 14,886 million yen, down 29.1% versus the previous fiscal year, and ordinary income was 16,072 million yen, down 27.1%. Net income amounted to 9,352 million yen, down 18.5%.

During the fiscal year ended March 31, 2014, the global economy recovered moderately, backed by a strong U.S. economy. The European economy, which had been sluggish due to the debt crisis, bottomed out. China and other emerging economies were unstable but grew steadily overall.

The Japanese economy recovered throughout the fiscal year. Thanks to the Bank of Japan's quantitative and qualitative monetary easing and government emergency economic policies, the strong yen was corrected, and stock prices rose, which resulted in a rapid recovery in corporate earnings, especially those of exporting companies. However, production at domestic manufacturers was below the year-ago level in the first half of the fiscal year. Capital expenditure was weak.

In this environment, the Kurita Group (Kurita Water Industries and its consolidated subsidiaries and equity method affiliates) took steps to increase market share in Japan and expand its overseas business by maximizing its combined strength in water treatment chemicals, water treatment facilities and maintenance services, aiming to evolve into a corporate group capable of competing successfully in the international market. The Group concentrated its management resources on growth areas and industry sectors, setting up operating bases and strengthening and cultivating its human resources, especially in Asia.

However, the Group faced a challenging market environment. In domestic operations, both sales and income declined, affected by a fall in capacity utilization and weak capital expenditure at manufacturers, the Group's main customers. Overseas, sales increased, reflecting growth in demand for water treatment in East Asia and Southeast Asia and the correction to the strong yen, but income fell significantly, reflecting the worsening of the cost rate due to intensifying price competition in the electronics industry and loss-making projects, and an increase in selling, general and administrative expenses. The posting of certain orders were cancelled as customers canceled or changed capital spending plans.

## **Segment Information**

### **Water Treatment Chemicals**

Total Group orders for the Water Treatment Chemicals segment were 59,413 million yen, up 6.0% versus the fiscal year ended March 31, 2013, while sales rose 4.9%, to 58,844 million yen. Operating income was down 4.6% to 7,954 million yen.

In Japan, although cooling water treatment chemicals and process treatment chemicals for the petroleum refinery and petrochemical industries, among other chemicals, saw increased orders and sales, boiler water treatment chemicals and process treatment chemicals for the pulp and paper industries experienced declines in both orders and sales. In the latter half of the fiscal year, capacity utilization at customers' plants recovered moderately, but overall orders and sales fell slightly.

Overseas, orders for and sales of cooling water treatment chemicals, wastewater treatment chemicals, and reverse osmosis membrane treatment chemicals increased, especially in Southeast Asia and China. In the overall segment, both orders and sales rose. Income, however, declined, reflecting an increase in selling, general and administrative expenses due to a rise in expenses for business expansion, including an increase in the overseas workforce.

### **Water Treatment Facilities**

Total Group orders for the Water Treatment Facilities segment were 114,049 million yen, down 12.7% versus the previous fiscal year, sales declined 3.8%, to 119,292 million yen, and operating income fell 45.1%, to 6,934 million yen.

In Japan, although the ultrapure water supply business in the electronics industry was roughly in line with the plan, water treatment facilities and maintenance services in the industry sustained lower orders and sales, reflecting weak capital expenditure and a decline in capacity utilization at major customers' plants.

In general industries, sales of water treatment facilities for electric power fell due to the completion of demand related to reconstruction after the Great East Japan Earthquake. However, orders for and sales of water treatment facilities for soil remediation services rose.

Overseas, both orders and sales declined, reflecting changes and cancellations of customers' capital expenditure plans in the electronics industry in East Asia. Because of losses from unprofitable projects and an increase in additional costs, the cost rate worsened.

## **Outlook for the Fiscal Year Ending March 31, 2015**

For the full fiscal year ending March 31, 2015, the Group forecasts 185,000 million yen in net sales (up 3.9% year on year), 17,000 million yen in operating income (up 14.2%), 17,800 million yen in ordinary income (up 10.8%) and 11,000 million yen in net income (up 17.6%).

During the fiscal year ending March 31, 2015, the Japanese economy is not expected to record high growth, given the declining effects of a weaker yen and a slowdown in the economy after the consumption tax hike. From the middle of the fiscal year, however, exports will likely recover, reflecting the effects of the economic stimulus package and a recovery in overseas economies, and the economy will return to a moderate recovery trend. The volume of new construction and expansion of production bases in the manufacturing industry will likely be small, and capital spending is expected to concentrate on improving production efficiency and renovating old facilities. The Group will likely continue to face a challenging market environment.

In East Asia and Southeast Asia, we expect that the new construction and expansion of production facilities will increase, backed by steady economic growth, and that demand for water treatment to improve production efficiency and reduce the environmental burden will continue to rise. In Europe and the United States, we expect that the water treatment market will recover gradually, given a moderate economic recovery.

In this environment, the Kurita Group will identify growth regions and markets and shift its management resources. Based on characteristics and changes identified in each region and market, the Group will provide more profitable products and services through more efficient sales and production methods. We will make Group-wide efforts to enhance the quality of the solutions that we propose, restore earnings power, and expand overseas operations steadily.

### **Outlook by Segment**

#### **Water Treatment Chemicals**

The Kurita Group will increase sales and improve profitability by developing and improving products in accordance with the needs of each region and bolstering its technical assistance system, especially in China and Southeast Asia. In Japan, the Group will expand the number of new customers, leveraging the new sensing technologies that it has developed along with boiler water treatment chemicals and cooling water treatment chemicals with new functions, and will seek to increase market share by proposing solutions to customers.

#### **Water Treatment Facilities**

The Kurita Group will seek to create new projects, focusing on the reclaimed water and electricity markets, with a major emphasis on markets in Southeast Asia as well as China, South Korea, and Taiwan. In Japan, the Group will make effective proposals promptly, emphasizing individual customers and field activities. While seeking to expand the lineup of standard products and resin and membrane products and their sales, the Group will step up efforts for new markets such as pharmaceuticals, food processing, new energy, and water treatment for vessels.

## **Financial Condition**

### Assets, liabilities and net assets

Current assets totaled 162,500 million yen at the end of the fiscal year (March 31, 2014), an increase of 15,626 million yen from the end of the previous fiscal year (March 31, 2013). This increase was mainly due to increases of 4,297 million yen in cash and deposits and 13,999 million yen in marketable securities, partially offset by a decrease of 4,776 million yen in trade accounts receivable. The decrease in trade accounts receivable and the increase in cash and deposits were mainly the result of progress in collecting receivables. The rise in marketable securities was attributable chiefly to a rise in negotiable deposits, which are treated as marketable securities.

Noncurrent assets totaled 112,425 million yen at the end of the fiscal year, a decline of 4,280 million yen from the end of the previous fiscal year. The decline was due mainly to an 8,965 million yen decrease in property, plant and equipment, which was partly offset by a 4,726 million yen increase in investment and other assets. The decrease in property, plant and equipment reflected the depreciation mainly of ultrapure water supply business facilities exceeding capital expenditures. The increase in investment and other assets was the result of an increase in unrealized gains on investment securities due to rises in share prices.

Current liabilities totaled 36,899 million yen at the end of the fiscal year, a rise of 1,484 million yen from the end of the previous fiscal year. The rise was mainly attributable to a 1,309 million yen increase in the provision for loss on construction contracts associated with unprofitable projects in the water treatment facilities business overseas.

Noncurrent liabilities totaled 18,872 million yen at the end of the fiscal year, a slight decrease of 174 million yen from the end of the previous fiscal year.

Net assets totaled 219,153 million yen at the end of the fiscal year, an increase of 10,035 million yen from the end of the previous fiscal year primarily due to a 4,208 million yen increase in shareholders' equity and a 5,612 million yen rise in accumulated other comprehensive income. The increase in shareholders' equity resulted from net income of 9,352 million yen for the fiscal year under review, which exceeded dividend payments of 5,124 million yen, the sum of year-end dividends for the previous fiscal year and interim dividends for the fiscal year under review. The increase in accumulated other comprehensive income is a result of a 3,783 million yen rise in unrealized gains on available-for-sale securities due to the abovementioned increase in unrealized gains on investment securities and a 1,853 million yen increase in foreign currency translation adjustments associated with a weaker yen. Certain shares of treasury stock were cancelled in the second quarter, which did not affect total net assets but reduced treasury stock 21,859 million yen (an increase in net assets) and retained earnings by the same amount.

## Cash Flows

Consolidated net cash and cash equivalents at the end of the fiscal year (March 31, 2014) totaled 41,028 million yen, an increase of 7,715 million yen from the end of the previous fiscal year (March 31, 2013). The various cash flows and related factors are outlined below.

### *Cash Flows from Operating Activities*

Net cash provided by operating activities during the fiscal year ended March 31, 2014 totaled 29,666 million yen, an increase of 2,390 million yen from the previous fiscal year. Inflows from income before income taxes and minority interests (15,375 million yen), depreciation and amortization (14,774 million yen) and a decrease in trade notes and accounts receivable (4,997 million yen) were partially offset by income taxes paid (6,652 million yen).

### *Cash Flows from Investing Activities*

Net cash used in investing activities totaled 16,676 million yen, an increase of 20,944 million yen from the previous fiscal year. The main cash outflows from investing activities were payments into time deposits (net of withdrawals from time deposits) of 1,517 million yen, investments in marketable securities (net of sale and redemptions of the same) totaling 8,999 million yen and the acquisition of property, plant and equipment totaling 5,670 million yen, including capital expenditures for ultrapure water supply business during the year.

### *Cash Flows from Financing Activities*

Net cash used in financing activities totaled 5,957 million yen, a decrease of 12,604 million yen from the previous fiscal year. The main cash outflow from financing activities was cash dividends paid of 5,193 million yen.

## **Dividend Policy and Dividends for the Fiscal Year ended March 31, 2014 and the Fiscal Year ending March 31, 2015**

Kurita Water Industries' basic policy is to provide shareholders with stable dividends. We intend to pay a year-end dividend of 22 yen per share for the fiscal year ended March 31, 2014, 1 yen more than the previous year-end dividend. Combined with the interim dividend of 22 yen per share (1 yen more than the previous interim dividend), the annual dividend comes to 44 yen per share, 2 yen higher than the previous fiscal year's annual dividend. For the fiscal year ending March 31, 2015, Kurita Water Industries plans to pay an interim dividend of 23 yen per share and a year-end dividend of 23 yen per share, for an annual dividend of 46 yen per share.

## **Business and Other 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, 2014.

### 1) Economic and market conditions

The Group's Water Treatment Chemicals and Water Treatment Facilities businesses are affected by economic conditions in Japan and in other countries and regions where the Group operates. Demand in the Water Treatment Chemicals business fluctuates in

response to factory capacity utilization rates in such industries as steel, petroleum refining and petrochemicals, and pulp and paper, which are the business' main sources of demand. Such demand fluctuations may affect the Group's operating results. Demand in the Water Treatment Facilities business fluctuates in response to trends in capital expenditure in the electronics industry and other industries that are the business' main sources of demand. Such demand fluctuations may affect the Group's operating results.

Intensification of 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 the fabrication of facilities. The prices of raw materials and parts fluctuate based on changes in market conditions, and such fluctuations may affect the Group's operating 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 operating results could be affected.

#### 4) New product development

The Group continuously endeavors to develop new technology and competitive 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 competitive new products, this could hamper its future growth and profitability or otherwise affect its operating results.

#### 5) Intellectual property

The Group recognizes the importance of intellectual property and continually seeks to register its own intellectual property while avoiding infringement of 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 upon the rights held by third parties. Such occurrences may affect the Group's operating results.

#### 6) 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, operating 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, operating results, and financial condition could be negatively affected.

## Management Policy

### (1) Basic management policy

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

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

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

The Kurita Group has been working on its TA-14 three-year medium-term management plan based on the theme of “Execution and Evolution” since April 2012. The basic objectives of the plan are to demonstrate the Group’s comprehensive strengths to secure the trust of customers in Japan and other countries. Under the plan, the Group will endeavor to significantly expand overseas business while also raising its domestic market shares.

The Group has revised the plan’s targets for the final year of TA-14 (the fiscal year ending March 2015) in consideration of changes in the operating environment as follows:

	Consolidated
Orders	¥189 billion
Net Sales	¥185 billion
Operating income	¥17.0 billion
Ordinary income	¥17.8 billion
Net income	¥11.0 billion

### (3) Issues to be addressed

The Kurita Group aims to evolve into a corporate group capable of competing successfully in the international market and to achieve dramatic growth by creating a driving force unique to the Group with the organic integration of the three functions of water treatment chemicals, water treatment facilities, and maintenance services, which are the Group’s strengths, in the medium-term management plan TA-14 for three years from April 2012. However, both sales and profits have declined in a challenging environment for the past two years, and the Group was not able to achieve growth. Profitability, traditionally the Group’s strength, declined significantly. The ratio of operating income to sales has fallen to the level of more than ten years ago.

In this situation, the Group should address the following challenges:

#### 1) Regaining earnings power

The main factors for the decline in the Group’s earnings power are the worsening of the market environment, falls in sales prices and sales quantities due to intensifying competition, losses on construction contracts, and additional costs. Against this backdrop, the Group will strive to expand orders for higher value-added and more price-competitive products and services in Japan and overseas, identifying growth regions and markets, including East Asia and Southeast Asia. In the Water Treatment Facilities segment, the Group will promote cooperation between the sales division and production division to lower the cost rate and prevent the occurrence of additional costs. The Group will continue to focus on developing rapidly and launching products and technologies that can successfully compete internationally.

## 2) Making the most of the Group's collective strengths

To bolster the competitiveness of the Group's products and services, the Group will amalgamate the functions of water treatment chemicals, water treatment facilities and maintenance services and will provide solutions unique to the Group both in Japan and abroad in response to customer needs for environmental burden reduction, energy saving, and the improvement of productivity.

## 3) Expanding global operations

As the domestic market continues to shrink, the Group needs to focus on expanding operations in overseas markets, where demand for water treatment is expected to increase. The Group will develop and launch products that will meet needs in each country and region. Meanwhile, the Group will promote the localization of management, cultivating national staff. In Southeast Asia, the Group regards ASEAN countries as one economic area and will optimize its management in this area, making the most of the characteristic functions of individual overseas subsidiaries in the area. The Group will strengthen its development, sales, and production systems through business alliances with local companies.



## Financial Statements — Consolidated

### Balance Sheet — Consolidated

	As of March 31, 2013	(Million yen) As of March 31, 2014
	Amount	Amount
<b>Assets</b>		
<b>Current assets</b>		
Cash and deposits	43,039	47,336
Notes receivable - trade	6,108	7,287
Accounts receivable - trade	55,279	50,503
Marketable securities	34,000	47,999
Finished products	1,445	1,788
Work in process	2,238	2,568
Raw materials and supplies	1,191	1,455
Deferred tax assets	1,956	2,193
Other	1,719	1,551
Allowance for doubtful accounts	(104)	(184)
Total current assets	146,874	162,500
<b>Noncurrent assets</b>		
Property, plant and equipment		
Buildings and structures	59,982	61,177
Accumulated depreciation	(35,612)	(39,477)
Buildings and structures (net)	24,370	21,700
Machinery, equipment and vehicles	87,994	93,982
Accumulated depreciation	(51,690)	(61,048)
Machinery, equipment and vehicles (net)	36,304	32,934
Land	13,984	13,953
Leased assets	8,183	7,990
Accumulated depreciation	(1,924)	(2,350)
Leased assets (net)	6,258	5,639
Construction in progress	4,074	1,742
Other	11,368	11,867
Accumulated depreciation	(9,540)	(9,983)
Other (net)	1,828	1,884
Total property, plant and equipment	86,820	77,855
Intangible fixed assets		
Software	1,315	1,281
Other	304	297
Total intangible fixed assets	1,619	1,578
Investments and other assets		
Investment securities	18,752	24,717
Deferred tax assets	7,738	6,586
Other	2,015	2,097
Allowance for doubtful accounts	(241)	(409)
Total investments and other assets	28,265	32,991
Total noncurrent assets	116,705	112,425
Total assets	263,580	274,925

	As of March 31, 2013	(Million yen) As of March 31, 2014
	Amount	Amount
<b>Liabilities</b>		
<b>Current liabilities</b>		
Notes payable - trade	1,451	1,860
Accounts payable - trade	16,522	17,027
Accounts payable - other / Accrued expenses	6,857	5,541
Income taxes payable	2,509	2,535
Accrued employees' bonuses	2,362	2,246
Provision for loss on construction contracts	2	1,311
Provision for product warranties	774	801
Other	4,935	5,575
Total current liabilities	35,415	36,899
<b>Noncurrent liabilities</b>		
Lease obligations	6,020	5,389
Deferred tax liabilities related to revaluation	1,303	1,303
Accrued employees' retirement benefits	10,835	-
Accrued retirement benefits for directors and corporate auditors	165	98
Net defined benefit liability	-	11,363
Other	721	718
Total noncurrent liabilities	19,046	18,872
Total liabilities	54,462	55,772
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Common stock	13,450	13,450
Capital surplus	11,426	11,426
Retained earnings	202,807	185,159
Treasury stock	(21,859)	(2)
Total shareholders' equity	205,826	210,034
<b>Accumulated other comprehensive income</b>		
Unrealized gains on available-for-sale securities	4,079	7,862
Unrealized gains (losses) on revaluation of land	(564)	(564)
Foreign currency translation adjustments	(1,469)	384
Remeasurements of defined benefit plans	-	(25)
Total accumulated other comprehensive income	2,045	7,657
<b>Minority interests</b>		
Total net assets	209,118	219,153
Total liabilities and net assets	263,580	274,925

## Statements of Income and Comprehensive Income — Consolidated

### Statement of Income

	(Million yen)	
	Year ended March 31, 2013	Year ended March 31, 2014
	Amount	Amount
Net sales	180,143	178,137
Cost of sales	121,047	122,870
Gross profit	59,096	55,267
Selling, general and administrative expenses		
Directors' and corporate auditors' compensations, salaries and allowances	14,895	15,780
Provision for bonuses	1,368	1,223
Retirement benefit expenses	1,079	1,018
Traveling and transportation expenses	2,675	2,808
Research and development expenses	4,362	4,534
Other	13,726	15,013
Total Selling, general and administrative expenses	38,106	40,380
Operating income	20,989	14,886
Non-operating income		
Interest income	153	165
Dividend income	348	336
Foreign exchange gains	120	174
Equity in earnings of unconsolidated subsidiaries and affiliates	348	302
Other	337	442
Total non-operating income	1,307	1,420
Non-operating expenses		
Interest expense	78	60
Settlement	-	56
Loss on disposal of noncurrent assets	49	23
Rent expenses on noncurrent assets	17	24
Other	105	69
Total non-operating expenses	250	234
Ordinary income	22,046	16,072
Extraordinary income		
Gain on sales of noncurrent assets	1,051	-
Gain on sales of investment securities	403	-
Gain on discontinuation of approved retirement annuity system (closed-type)	137	-
Total extraordinary income	1,592	-
Extraordinary losses		
Impairment loss	1,108	-
Provision for building demolition expenses	410	197
Valuation loss on investment securities	2,343	-
Contribution	-	500
Total extraordinary losses	3,861	697
Income before income taxes and minority interests	19,776	15,375
Income taxes		
Current	8,660	6,614
Deferred	(452)	(737)
Total income taxes	8,208	5,877
Income before minority interests	11,568	9,498
Minority interests in earnings of consolidated subsidiaries	92	145
Net income	11,476	9,352

## Statement of Comprehensive Income

	Year ended March 31, 2013	(Million yen) Year ended March 31, 2014
	Amount	Amount
Income before minority interests	11,568	9,498
Other comprehensive income		
Unrealized gains on available-for-sale securities	3,824	3,782
Foreign currency translation adjustments	1,069	1,792
Share of other comprehensive income of associates accounted for using equity method	133	204
Total other comprehensive income	5,027	5,780
Comprehensive income	16,595	15,278
Components:		
Comprehensive income attributable to owners of the parent company	16,406	14,989
Comprehensive income attributable to minority interests	189	288

## Statement of Changes in Shareholders' Equity — Consolidated

Year ended March 31, 2013 (April 1, 2012 - March 31, 2013)

(Million yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance as of the beginning of the fiscal year	13,450	11,426	196,541	(9,642)	211,776
Change during the period					
Dividend from surplus			(5,193)		(5,193)
Net income			11,476		11,476
Purchase of treasury stock				(12,216)	(12,216)
Retirement of treasury stock					-
Reversal of unrealized gains (losses) on revaluation of land			(0)		(0)
Other			(16)		(16)
Net change in items other than shareholders' equity during the period					
Total change during the period	-	-	6,266	(12,216)	(5,950)
Balance as of the end of the fiscal year	13,450	11,426	202,807	(21,859)	205,826

	Accumulated other comprehensive income					Minority interests	Total net assets
	Unrealized gains (losses) on available-for-sale securities	Unrealized gains (losses) on revaluation of land	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance as of the beginning of the fiscal year	252	(564)	(2,572)	-	(2,884)	1,110	210,002
Change during the period							
Dividend from surplus							(5,193)
Net income							11,476
Purchase of treasury stock							(12,216)
Retirement of treasury stock							-
Reversal of unrealized gains (losses) on revaluation of land							(0)
Other							(16)
Net change in items other than shareholders' equity during the period	3,826	0	1,103	-	4,930	135	5,065
Total change during the period	3,826	0	1,103	-	4,930	135	(884)
Balance as of the end of the fiscal year	4,079	(564)	(1,469)	-	2,045	1,246	209,118

Year ended March 31, 2014 (April 1, 2013 - March 31, 2014)

(Million yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance as of the beginning of the fiscal year	13,450	11,426	202,807	(21,859)	205,826
Change during the period					
Dividend from surplus			(5,124)		(5,124)
Net income			9,352		9,352
Purchase of treasury stock				(2)	(2)
Retirement of treasury stock			(21,859)	21,859	-
Reversal of unrealized gains (losses) on revaluation of land			-		-
Other			(17)		(17)
Net change in items other than shareholders' equity during the period					
Total change during the period	-	-	(17,648)	21,856	4,208
Balance as of the end of the fiscal year	13,450	11,426	185,159	(2)	210,034

	Accumulated other comprehensive income					Minority interests	Total net assets
	Unrealized gains (losses) on available-for-sale securities	Unrealized gains (losses) on revaluation of land	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance as of the beginning of the fiscal year	4,079	(564)	(1,469)	-	2,045	1,246	209,118
Change during the period							
Dividend from surplus							(5,124)
Net income							9,352
Purchase of treasury stock							(2)
Retirement of treasury stock							-
Reversal of unrealized gains (losses) on revaluation of land							-
Other							(17)
Net change in items other than shareholders' equity during the period	3,783	-	1,853	(25)	5,611	215	5,827
Total change during the period	3,783	-	1,853	(25)	5,611	215	10,035
Balance as of the end of the fiscal year	7,862	(564)	384	(25)	7,657	1,461	219,153

## Statement of Cash Flows — Consolidated

	Year ended March 31, 2013	(Million yen) Year ended March 31, 2014
	Amount	Amount
<b>Cash flows from operating activities</b>		
Income before income taxes and minority interests	19,776	15,375
Depreciation and amortization	15,054	14,774
Equity in (earnings) losses of unconsolidated subsidiaries and affiliates	(348)	(302)
Increase (decrease) in allowance for employees' retirement benefits	464	-
Increase (decrease) in net defined benefit liability	-	454
Increase (decrease) in other allowances	(379)	1,559
Interest and dividend income	(501)	(501)
Interest expense	78	60
Other non-operating (income) losses	(226)	(290)
Other extraordinary (income) losses	272	500
(Gains) losses on sale/disposal of property, plant and equipment	(1,000)	14
Impairment loss	1,108	-
(Gains) losses on sale of investment securities	(403)	(0)
Valuation (gain) loss on investment securities	2,343	-
(Increase) decrease in notes and accounts receivable - trade	5,686	4,997
(Increase) decrease in inventories	808	(673)
(Increase) decrease in other current assets	(76)	204
Increase (decrease) in notes and accounts payable - trade	(4,005)	(26)
Increase (decrease) in other current liabilities	582	(222)
Other	176	(88)
<b>Sub-total</b>	<b>39,409</b>	<b>35,835</b>
Interest and dividend received	730	751
Other proceeds	474	426
Interest paid	(73)	(62)
Other payments	(113)	(631)
Income taxes paid	(13,152)	(6,652)
<b>Net cash provided by (used in) operating activities</b>	<b>27,276</b>	<b>29,666</b>
<b>Cash flows from investing activities</b>		
Deposits into time deposit accounts	(15,534)	(19,315)
Withdrawals from time deposits	23,430	17,798
Payments for purchases of marketable securities	(76,500)	(99,999)
Proceeds from sale and redemption of marketable securities	74,500	91,000
Payments for purchases of property, plant and equipment	(5,048)	(5,670)
Proceeds from sale of property, plant and equipment	3,356	105
Payments for purchases of investment securities	(10)	(145)
Proceeds from sale and redemption of investment securities	617	4
Other payments	(755)	(669)
Other proceeds	213	214
<b>Net cash provided by (used in) investing activities</b>	<b>4,268</b>	<b>(16,676)</b>

	Year ended March 31, 2013	(Million yen) Year ended March 31, 2014
	Amount	Amount
<b>Cash flows from financing activities</b>		
Net increase (decrease) in short-term borrowings	(494)	(164)
Proceeds from long-term loans payable	58	-
Repayment of long-term loans payable	(89)	-
Repayment of finance lease obligations	(579)	(595)
Purchase of treasury stock	(12,216)	(2)
Cash dividends paid	(5,192)	(5,122)
Cash dividends paid to minority shareholders	(49)	(71)
<b>Net cash provided by (used in) financing activities</b>	<b>(18,561)</b>	<b>(5,957)</b>
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<b>503</b>	<b>683</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>13,487</b>	<b>7,715</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>19,825</b>	<b>33,313</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>33,313</b>	<b>41,028</b>



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

Accounting methods applied in reportable segments are consistent with the methods applied in preparation of consolidated financial statements. Segment income represents 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, 2013 (April 1, 2012 - March 31, 2013)

	Reportable segment			Adjustments (see note)	(Million yen)
	Water Treatment Chemicals	Water Treatment Facilities	Total		Amounts reported on the statements of income
<b>Sales</b>					
(1) Sales to outside customers	56,091	124,052	180,143	-	180,143
(2) Inter-segment sales and transfers	287	188	476	(476)	-
<b>Total</b>	<b>56,378</b>	<b>124,241</b>	<b>180,619</b>	<b>(476)</b>	<b>180,143</b>
<b>Segment income</b>	<b>8,334</b>	<b>12,641</b>	<b>20,975</b>	<b>13</b>	<b>20,989</b>
<b>Segment assets</b>	<b>34,647</b>	<b>143,772</b>	<b>178,419</b>	<b>85,161</b>	<b>263,580</b>
<b>Segment liabilities</b>	<b>16,589</b>	<b>37,983</b>	<b>54,573</b>	<b>(111)</b>	<b>54,462</b>
<b>Other amounts</b>					
Depreciation	1,369	13,684	15,054	-	15,054
Impairment loss	-	-	-	1,108	1,108
Change in property, plant and equipment and intangible fixed assets	1,458	5,230	6,688	-	6,688

Year ended March 31, 2014 (April 1, 2013 - March 31, 2014)

	Reportable segment			Adjustments (see note)	(Million yen)
	Water Treatment Chemicals	Water Treatment Facilities	Total		Amounts reported on the statements of income
Sales					
(1) Sales to outside customers	58,844	119,292	178,137	-	178,137
(2) Inter-segment sales and transfers	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 amounts					
Depreciation	1,386	13,387	14,774	-	14,774
Change in property, plant and equipment and intangible fixed assets	1,792	3,917	5,709	-	5,709

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: Consisting mainly of corporate assets (cash deposits, securities in trust, and long-term investments) unallocated to reportable segments. Corporate assets totaled 85,272 million yen at March 31, 2013 and 104,135 million yen at March 31, 2014.
4. Segment liabilities: Amount resulting from eliminations of inter-segment claims and liabilities.
5. Impairment loss on idle assets was recognized in the fiscal year ended March 31, 2013. This had no effect on the reportable segments.

*Related information*

Year ended March 31, 2013 (April 1, 2012 - March 31, 2013)

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

(Million yen)					
Japan	Asia	North America	Europe	Other	Total
149,670	23,898	2,349	1,196	3,028	180,143

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

(Million yen)		
Name of customer	Sales	Name of transacting segment
Sharp Corporation	25,684	Water Treatment Facilities

Year ended March 31, 2014 (April 1, 2013 - March 31, 2014)

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

(Million yen)

Japan	Asia	North America	Europe	Other	Total
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 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

(Million yen)

Name of customer	Sales	Name of transacting segment
Sharp Corporation	26,850	Water Treatment Facilities

*Information on impairment of reportable segments' noncurrent assets*

Year ended March 31, 2013 (April 1, 2012 - March 31, 2013)

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

Year ended March 31, 2014 (April 1, 2013 - March 31, 2014)

Not applicable

*Goodwill amortization and unamortized balance of goodwill by segment*

Year ended March 31, 2013 (April 1, 2012 - March 31, 2013)

(Million yen)

	Reportable segment			Elimination or corporate	Total
	Water Treatment Chemicals	Water Treatment Facilities	Total		
Goodwill amortization	13	-	13	-	13
Unamortized balance of goodwill	-	-	-	-	-

Year ended March 31, 2014 (April 1, 2013 - March 31, 2014)

Not applicable

### *Information on negative goodwill*

#### Year ended March 31, 2013 (April 1, 2012 - March 31, 2013)

Not applicable

#### Year ended March 31, 2014 (April 1, 2013 - March 31, 2014)

Not applicable

### **Per Share Information**

	Year ended March 31, 2013	Year ended March 31, 2014
Net assets per share	1,744.41 yen	1,826.84 yen
Net income per share	92.43 yen	78.48 yen

Notes: 1. Fully diluted net income per share was not reported here because there were no dilutive securities outstanding.

2. The calculation bases for net assets per share are as follows.

	(Million yen unless otherwise stated)	
	As of March 31, 2013	As of March 31, 2014
Total net assets	209,118	219,153
Amount deducted from total net assets	1,246	1,461
(Those with minority interests)	(1,246)	(1,461)
Net assets attributed to common stock	207,871	217,691
Number of common stock used in calculation of net assets per share (shares)	119,164,789	119,163,469

Note: The calculation bases for net income per share are as follows.

	(Million yen unless otherwise stated)	
	Year ended March 31, 2013	Year ended March 31, 2014
Net income	11,476	9,352
Amount not attributed to common stockholders	-	-
Net income attributed to common stock	11,476	9,352
Average number of shares outstanding (shares)	124,160,885	119,164,231

### **Significant Subsequent Events**

Not applicable

## Supplementary Information - Consolidated

### (1) Net Sales

(Million yen)

Business segment	Year ended March 31,			
	2013		2014	
	Amount	%	Amount	%
Water Treatment Chemicals	56,091	31.1	58,844	33.0
Water Treatment Facilities	124,052	68.9	119,292	67.0
Total	180,143	100.0	178,137	100.0

### (2) Order Intake and Backlog

(Million yen)

Business segment		Year ended March 31,			
		2013		2014	
		Amount	%	Amount	%
Order Intake	Water Treatment Chemicals	56,040	30.0	59,413	34.3
	Water Treatment Facilities	130,700	70.0	114,049	65.7
	Total	186,741	100.0	173,463	100.0
Order Backlog	Water Treatment Chemicals	3,876	6.3	4,445	7.8
	Water Treatment Facilities	58,048	93.7	52,804	92.2
	Total	61,924	100.0	57,250	100.0

### (3) Production Results

(Million yen)

Business segment	Year ended March 31,			
	2013		2014	
	Amount	%	Amount	%
Water Treatment Chemicals	56,106	31.2	59,119	33.1
Water Treatment Facilities	123,704	68.8	119,723	66.9
Total	179,811	100.0	178,842	100.0

Note: The amounts were based on sales amounts.

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

(Million yen)

Business segment	Year ended March 31,			
	2013		2014	
	Amount	%	Amount	%
Water Treatment Chemicals	1,242	20.3	1,599	30.4
Water Treatment Facilities	4,866	79.7	3,669	69.6
Total	6,108	100.0	5,268	100.0

### (5) Depreciation (Property, Plant and Equipment)

(Million yen)

Business segment	Year ended March 31,			
	2013		2014	
	Amount	%	Amount	%
Water Treatment Chemicals	1,114	7.7	1,162	8.2
Water Treatment Facilities	13,378	92.3	13,088	91.8
Total	14,493	100.0	14,250	100.0