

FOR IMMEDIATE RELEASE

**Kurita Water Industries Reports Earnings for the Fiscal Year ended  
March 31, 2019**

Tokyo, Japan, May 13, 2019 - Kurita Water Industries Ltd. (TSE Securities Code 6370) announced net sales of 259,409 million yen and profit attributable to owners of parent of 17,323 million yen, or 154.29 yen per share, for the year ended March 31, 2019 (April 1, 2018 – March 31, 2019).

**Results of Operations**

Total consolidated orders for the Kurita Group (Kurita Water Industries Ltd. and its consolidated subsidiaries and equity method affiliates) in the fiscal year ended March 31, 2019 increased 2.8% from the level of the previous fiscal year, to 258,439 million yen, while net sales rose 9.5%, to 259,409 million yen. Operating income was up 8.2% from the previous fiscal year, to 24,326 million yen. Ordinary income was 23,919 million yen, up 8.2%. Profit attributable to owners of parent came to 17,323 million yen, a decrease of 3.2%, due to a temporary increase in tax expenses. The Group has expanded the scope of application of the percentage-of-completion method mainly in the Water Treatment Facilities business. As a consequence, net sales increased 7,355 million yen, and operating income and ordinary income rose 1,421 million yen, respectively. In addition, the Group recorded a 8,676 million yen gain on sales of shareholdings of other listed companies (gain on sales of investment securities) in extraordinary income, while 5,063 million yen, the sum of a 2,867 million yen loss associated with the transfer of the aluminum compound business of Kurita Europe GmbH and a 1,097 million yen impairment loss on goodwill of Kurita Water Industries (Jiangyin) Co., Ltd., was recorded in extraordinary losses. The recording of the impairment loss on goodwill of Kurita Water Industries (Jiangyin) Co., Ltd. was based on the Group's decision to transfer the production function of water treatment chemicals of this company to a plant of the new Kurita Water Industries (Taixing) Co., Ltd. (due to begin operating in the second half of fiscal year ending March 31, 2021) to address tightened regulations by the Chinese authorities on companies that produces hazardous chemicals in densely populated districts in China.

During the fiscal year ended March 31, 2019, the global economy grew moderately overall, reflecting the firm performance of the U.S. economy and continued economic expansion in emerging countries in Asia excluding China, although the Chinese and European economies decelerated in the second half of the fiscal year due to growing uncertainties over the economic future given trade friction between the United States and China and the Brexit issue.

The Japanese economy continued to record moderate growth, despite the absence of strength as typified by sluggish growth in consumer spending. The market environment surrounding Kurita Group remained firm in Japan, although the production activities of the manufacturing industry dipped temporarily due to a string of natural disasters in summer. Capital expenditures increased on the back of a high level of corporate earnings. Overseas, active capital expenditures continued mainly in the electronics industry in East Asia.

In this environment, the Group started its five-year medium-term management plan, Maximize Value Proposition 2022 (MVP-22). Under the basic policy "Maximize close relationships with customers by redefining preconceived ideas and dramatically raising

the quality and speed of our work,” the Group focused on providing value to customers with total solutions. In particular, positioning products and services with a competitive advantage in water saving, CO<sub>2</sub> reduction and waste reduction as Creating Shared Value (CSV) business, the Group developed the reclaimed water supply service that will contribute to solving the water resources issues of customers, using wastewater reclamation systems, and treatment that reclaims gases generated using dry methane fermentation technology that contributes to realizing waste reduction and the use of sustainable energy for power generation. The Group also continued to develop competitive products and services that utilize IT and sensing technology and continued to emphasize proposal sales that will contribute to solving issues of customers, such as a reduced environmental impact, energy saving and productivity improvement.

Overseas, the Group worked to strengthen its business platform to develop total solutions in the United States by acquiring U.S. Water Services, Inc., which manufactures and sells water treatment chemicals and water treatment facilities, and entering into an agreement on the acquisition of 25% of the total number of shares outstanding of Pentagon Technologies Group, Inc. that develops the tool cleaning business for semiconductor production equipment.

## **Segment Information**

### **Water Treatment Chemicals**

Total Group orders for the Water Treatment Chemicals segment were 102,939 million yen, up 13.9% versus the fiscal year ended March 31, 2018, while sales rose 13.0%, to 102,088 million yen. Operating income climbed 16.0%, to 8,327 million yen mainly due to the increase in overseas sales.

In Japan, the Group sought to gain new customers by proposing solutions using new products and services for their issues, although there was an effect attributable to the absence of the spot projects of equipment and services that were posted in the previous fiscal year. This effort resulted in an increase in cooling water treatment chemicals and process treatment chemicals for iron and steel. As a result, overall orders and sales increased in Japan.

Overseas, both orders and sales rose, reflecting an increase in the consolidation period for operating results of Hansu Co., Ltd. in South Korea, which became a consolidated subsidiary in the fourth quarter of the previous fiscal year, by eleven months, in addition to an increase in demand for water treatment, particularly in Asia.

### **Water Treatment Facilities**

Total Group orders for the Water Treatment Facilities segment were 155,500 million yen, down 3.5% versus the previous fiscal year. Partly thanks to the expansion of the scope of application of the percentage-of-completion method, sales rose 7.4%, to 157,321 million yen. Operating income climbed 4.0%, to 15,932 million yen mainly due to the offsetting of the impact of the occurrence of unprofitable projects by cost reduction efforts, in addition to higher sales.

In Japan, for the electronics industry, both orders and sales increased in water treatment facilities due to orders for large-scale projects and progress in construction work. In maintenance services, both orders and sales also increased following a rise in orders associated with expansion and remodeling projects against a backdrop of an increase in capacity utilization at customers' plants. For general industries, orders for

water treatment facilities increased on orders for large-scale projects for power plants using gases generated by using dry methane fermentation technology, although sales declined. Both orders and sales increased in maintenance services, reflecting an increase in expansion projects for the purpose of renewing facilities and increasing production capacity at customers' plants. Orders for water treatment facilities for electric power and soil remediation facilities increased due to orders for large-scale projects, and sales also increased thanks to progress in the construction work of large-scale projects for which orders were received in the previous fiscal year.

Overseas, while orders for water treatment facilities declined in reaction to orders for large-scale projects in the previous fiscal year, sales increased due to progress in construction work for large-scale projects for the electronics industry in China and South Korea.

Total sales in the ultrapure water supply business in Japan and overseas increased thanks to the expansion projects.

### **Financial Condition**

1) Total assets: 349,885 million yen (increased 26,839 million yen from the end of the previous fiscal year)

Current assets totaled 149,550 million yen, a decreased of 10,859 million yen from the end of the previous fiscal year (March 31, 2018). This was mainly attributable to decreases in work in process by 2,386 million yen due to the absence of posting of relevant projects associated with the expansion of the scope of application of the percentage-of-completion method and in funds in hand, or cash and deposits and marketable securities, by 24,503 million yen mainly due to acquisitions in North America (Water Treatment Chemicals business and Water Treatment Facilities business) and capital expenditures in the ultrapure water supply business (Water Treatment Facilities business), although trade receivables increased 12,383 million yen mainly due to higher sales.

Non-current assets totaled 200,335 million yen, an increase of 37,698 million yen from the end of the previous fiscal year. This increase mainly reflected a 23,641 million yen increase in property, plant and equipment and a 22,955 million yen increase in intangible fixed assets due to the aforementioned acquisitions and capital expenditures in the ultrapure water supply business, while investment securities decreased 13,480 million yen chiefly due to sales of shareholdings of other listed companies.

2) Liabilities: 110,412 million yen (increased 28,219 million yen from the end of the previous fiscal year)

Current liabilities totaled 68,072 million yen, an increase of 11,923 million yen from the end of the previous fiscal year. This increase mainly reflected a rise of 8,742 million yen in accounts payable due to the acquisition of facilities in the ultrapure water supply business and an increase of 4,048 million yen in Other due to a rise in advances received.

Non-current liabilities totaled 42,339 million yen, an increase of 16,295 million yen from the end of the previous fiscal year. This increase mainly reflected a rise of 14,877 million yen in Other due to the receipt of long-term advances received.

3) Net assets: 239,473 million yen (decreased 1,380 million yen from the end of the previous fiscal year)

Net assets totaled 239,473 million yen, a decrease of 1,380 million yen from the end of the previous fiscal year. This decrease was mainly due to a fall of 12,000 million yen in

accumulated other comprehensive income, while shareholders' equity rose 10,801 million yen.

The factor for the increase in shareholders' equity was a rise of 11,084 million yen in retained earnings due to the posting of profit attributable to owners of parent, which outweighed the posting of year-end dividends and interim dividends. Meanwhile, the major factors for the decrease in accumulated other comprehensive income were a 7,907 million yen decline in unrealized gains on available-for-sale securities, the result of a decrease in unrealized gains on investment securities held associated with sales of shareholdings of other listed companies, and a 4,584 million yen fall in foreign currency translation adjustments associated with the appreciation of the yen against foreign currencies.

### **Cash Flows**

Consolidated net cash and cash equivalents at the end of the fiscal year (March 31, 2019) totaled 35,548 million yen, a decrease of 23,369 million yen from the end of the previous fiscal year (March 31, 2018).

The various cash flows and related factors are outlined below.

#### **1) Cash Flows from Operating Activities**

Net cash provided by operating activities during the fiscal year ended March 31, 2019 totaled 38,478 million yen, an increase of 17,070 million yen from the previous fiscal year. Inflows from income before income taxes (27,532 million yen), depreciation and amortization (17,761 million yen) including the amortization of goodwill, and an increase in advances received (15,920 million yen) were partly offset by an increase in notes and accounts receivable-trade (10,907 million yen) and income taxes paid (8,915 million yen).

#### **2) Cash Flows from Investing Activities**

Net cash used in investing activities totaled 51,559 million yen, an increase of 35,631 million yen from the previous fiscal year. Inflows included proceeds from sales of investment securities of 13,335 million yen, but cash was used for payments associated with the acquisition of business of 33,374 million yen and payments for purchases of property, plant and equipment of 28,600 million yen.

#### **3) Cash Flows from Financing Activities**

Net cash used in financing activities totaled 11,280 million yen, a decrease of 1,139 million yen from the previous fiscal year. The main cash outflows were cash dividends paid of 6,009 million yen and net increase (decrease) in short-term borrowings of 2,417 million yen.

(Reference) Cash flow indicators

	Year ended March 31, 2015	Year ended March 31, 2016	Year ended March 31, 2017	Year ended March 31, 2018	Year ended March 31, 2019
Equity ratio (%)	75.5	76.4	76.1	73.9	67.9
Equity ratio (market value basis) (%)	115.0	100.1	102.8	117.3	90.7
Cash flow / interest bearing liabilities ratio (%)	32.8	33.0	28.2	42.6	24.1
Interest coverage ratio (times)	277.6	96.3	104.4	41.6	85.9

(Notes) Equity ratio: Shareholders' equity / Total assets

Equity ratio (market value basis): Market capitalization / Total assets

Cash flow / interest bearing liabilities ratio: Interest-bearing debt / Cash flow

Interest coverage ratio: Cash flow / Interest payments

1. Each indicator is calculated based on consolidated financial figures.
2. Market capitalization is calculated based on the number of shares outstanding excluding treasury stock.
3. Cash flow uses net cash provided by operating activities.
4. Interest-bearing debt includes all liabilities requiring the payment of interest under the liabilities section of the consolidated balance sheet.

### Outlook for Overall Business, Including Production, Sales, and Profits and Losses

For the full fiscal year ending March 31, 2020, the Group forecasts 278,000 million yen in net sales, 29,000 million yen in operating income, 29,200 million yen in income before taxes and 20,600 million yen in profit attributable to owners of parent. For the first half of the fiscal year ending March 31, 2020, the Group forecasts net sales of 133,800 million yen, operating income of 15,500 million yen, income before taxes of 15,600 million yen and profit attributable to owners of parent of 11,000 million yen.

Because the Group has decided to voluntarily apply the International Financial Reporting Standards (IFRS) from the fiscal year ending March 31, 2020, its forecasts for the full fiscal year and the first half of the fiscal year ending March 31, 2020 are reported based on IFRS. Therefore, a year-on-year comparison with actual values in the fiscal year ended March 31, 2019 when JGAAP was adopted is not stated.

In the fiscal year ending March 31, 2020, the global economy is expected to continue to grow moderately overall. In addition, the production activities of domestic companies are likely to remain solid, and demand for capital expenditures associated with the renewal and maintenance of aging facilities and existing facilities are also expected to remain firm. However, downside risks for the global economy, such as intensified trade friction between the United States and China, a slowdown of the Chinese economy and decelerating growth in Europe, as well as downside risks for the Japanese economy linked to stagnant exports and a prolonged fall in corporate earnings are also expected. In these circumstances, the Group will continue to shift to the highly profitable service business in light of the characteristics of each region and market by injecting management resources after identifying growth regions and markets. The Group will develop total solutions making full use of the technologies, products and services of water treatment chemicals, water treatment facilities and maintenance services that will contribute to the creation of common value with society by focusing on the strengthening and enhancement of business platforms in Japan and overseas and closer relationships with customers. In the fiscal year ending March 31, 2020, orders and sales

are expected to increase, given that U.S. Water Services, Inc. in the United States, which was acquired on March 26, 2019, will be consolidated.

## **Outlook by Segment**

### **Water Treatment Chemicals**

Both orders and sales are likely to increase, particularly in overseas operations, including U.S. Water Services, Inc. in the United States, which will be consolidated. In Japan, this segment will seek to improve profitability by focusing on the service business that will provide customers with value with the best solutions while utilizing IT and sensing technology under a system with stronger integration with maintenance services in the water treatment facilities business.

### **Water Treatment Facilities**

The Group expects orders to decline and sales to increase slightly due to the effects of posting strong orders and steady progress in construction work in the fiscal year under review, and changes in contracts with a customer in the ultrapure water supply business in Japan, partially offsetting the positive impacts of consolidating U.S. Water Services, Inc. in the United States. The segment will aim to increase profitability with comprehensive measures to prevent the occurrence of unprofitable projects through enhanced production systems and stronger production processes, while focusing on the provision of solutions that will contribute to solving the water resources problem and realizing the use of sustainable energy.

## **Dividend Policy and Dividends for the Fiscal Year ended March 31, 2019 and the Fiscal Year ending March 31, 2020**

Kurita Water Industries' 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 to respond flexibly to fluctuations in business performance each year. We will appropriate internal reserves for operating funds and will use the remainder of the reserves to invest in growth on a preferential basis. If we have decided that there are excess funds, we will take steps to improve capital efficiency and return profits to shareholders, including the acquisition of treasury stock, taking the share price into consideration.

We intend to pay a year-end dividend of 27 yen per share for the fiscal year ended March 31, 2019, 1 yen more than the previous year-end dividend. Combined with the interim dividend of 27 yen per share (1 yen more than the previous interim dividend), the annual dividend comes to 54 yen per share, 2 yen higher than the previous fiscal year's annual dividend. For the fiscal year ending March 31, 2020, Kurita Water Industries plans to pay an interim dividend of 31 yen per share and a year-end dividend of 31 yen per share, for an annual dividend of 62 yen per share.

## **Basic Concept for the Selection of Accounting Standards**

The Kurita Group has decided to voluntarily apply IFRS from the first quarter of the fiscal year ending March 31, 2020 for its consolidated financial statements for the purpose of increasing the international comparability of financial information and unifying accounting within the Group.

## Financial Statements — Consolidated

### Balance Sheet — Consolidated

	As of March 31, 2018	(Million yen) As of March 31, 2019
	Amount	Amount
<b>Assets</b>		
<b>Current assets</b>		
Cash and deposits	61,086	35,351
Notes receivable – trade	7,870	7,576
Accounts receivable – trade	78,994	91,671
Marketable securities	3	1,235
Finished products	3,968	5,106
Work in process	3,621	1,235
Raw materials and supplies	2,800	3,133
Other	2,528	4,900
Allowance for doubtful accounts	(464)	(659)
Total current assets	160,409	149,550
<b>Non-current assets</b>		
Property, plant and equipment		
Buildings and structures	63,191	65,743
Accumulated depreciation	(51,193)	(51,382)
Buildings and structures (net)	11,997	14,360
Machinery, equipment and vehicles	137,176	145,560
Accumulated depreciation	(94,085)	(103,009)
Machinery, equipment and vehicles (net)	43,090	42,551
Land	15,596	14,510
Leased assets	8,256	11,878
Accumulated depreciation	(3,831)	(5,486)
Leased assets (net)	4,424	6,391
Construction in progress	7,880	28,088
Other	15,292	16,859
Accumulated depreciation	(12,255)	(13,092)
Other (net)	3,037	3,767
Total property, plant and equipment	86,028	109,669
Intangible fixed assets		
Goodwill	20,362	36,301
Software	2,111	2,808
Other	8,529	14,847
Total intangible fixed assets	31,003	53,958
Investments and other assets		
Investment securities	35,683	22,203
Deferred tax assets	4,860	7,929
Other	5,238	6,724
Allowance for doubtful accounts	(176)	(149)
Total investments and other assets	45,605	36,708
Total non-current assets	162,637	200,335
Total assets	323,046	349,885

	As of March 31, 2018	(Million yen) As of March 31, 2019
	Amount	Amount
<b>Liabilities</b>		
<b>Current liabilities</b>		
Notes payable – trade	2,073	1,961
Accounts payable – trade	26,801	24,401
Accounts payable – other	10,995	19,737
Income taxes payable	4,806	5,890
Provision for bonuses	2,420	2,520
Provision for directors' bonuses	145	133
Provision for loss on construction contracts	94	238
Provision for product warranties	455	785
Other	8,355	12,403
Total current liabilities	56,149	68,072
<b>Non-current liabilities</b>		
Lease obligations	4,038	5,250
Deferred tax liabilities related to revaluation	1,119	1,119
Provision for directors' retirement benefit	7	6
Net defined benefit liability	16,610	16,648
Provision for directors' stock benefits	183	352
Other	4,084	18,961
Total non-current liabilities	26,044	42,339
Total liabilities	82,193	110,412
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Common stock	13,450	13,450
Capital surplus	10,959	10,665
Retained earnings	209,149	220,234
Treasury stock	(10,943)	(10,932)
Total shareholders' equity	222,615	233,417
<b>Accumulated other comprehensive income</b>		
Unrealized gains (losses) on available-for-sale securities	16,558	8,651
Deferred gains (losses) on hedges	(1)	314
Revaluation reserve for land	(380)	(200)
Foreign currency translation adjustments	6	(4,578)
Remeasurements of defined benefit plans	3	0
Total accumulated other comprehensive income	16,187	4,187
Non-controlling interests	2,049	1,868
Total net assets	240,853	239,473
Total liabilities and net assets	323,046	349,885

## Statements of Income and Comprehensive Income — Consolidated

### Statement of Income

	(Million yen)	
	Year ended March 31, 2018	Year ended March 31, 2019
	Amount	Amount
Net sales	236,815	259,409
Cost of sales	160,476	176,663
Gross profit	76,338	82,746
Selling, general and administrative expenses		
Directors' and corporate auditors' compensations, salaries and allowances	20,610	22,245
Provision for bonuses	1,411	1,587
Retirement benefit expenses	1,343	1,231
Traveling and transportation expenses	2,906	2,845
Research and development expenses	5,258	5,490
Other	22,333	25,019
Total selling, general and administrative expenses	53,863	58,420
Operating income	22,475	24,326
Non-operating income		
Interest income	187	159
Dividend income	550	573
Rent income	107	269
Equity in earnings of unconsolidated subsidiaries and affiliates	73	136
Other	656	866
Total non-operating income	1,576	2,006
Non-operating expenses		
Interest expense	352	317
Foreign exchange losses	192	-
Commitment fee	250	320
Acquisition-related costs	732	1,284
Loss on valuation of investments in capital	-	262
Other	418	228
Total non-operating expenses	1,946	2,413
Ordinary income	22,104	23,919
Extraordinary income		
Gain on sales of investment securities	1,720	8,676
Gain on step acquisitions	2,443	-
Total extraordinary income	4,163	8,676
Extraordinary losses		
Loss on sales of non-current assets	-	*1 579
Impairment loss	413	*2 1,097
Loss on liquidation of business	-	*3 519
Loss on transfer of business	-	*4 2,867
Provision of allowance for building demolition expenses	320	-
Total extraordinary losses	733	5,063
Income before income taxes	25,535	27,532
Income taxes		
Current	7,906	9,715
Deferred	(408)	491
Total income taxes	7,498	10,207
Net income	18,037	17,325
Profit attributable to non-controlling interests	139	1
Profit attributable to owners of parent	17,897	17,323

**Statement of Comprehensive Income**

	Year ended March 31, 2018	(Million yen) Year ended March 31, 2019
	Amount	Amount
Net income	18,037	17,325
Other comprehensive income		
Unrealized gains (losses) on available-for-sale securities	1,739	(7,904)
Deferred gains (losses) on hedges	(671)	315
Revaluation reserve for land	0	-
Foreign currency translation adjustments	3,219	(2,208)
Remeasurements of defined benefit plans, net of tax	7	(3)
Share of other comprehensive income of associates accounted for using equity method	93	(46)
Total other comprehensive income	4,389	(9,848)
Comprehensive income	22,426	7,476
Components:		
Comprehensive income attributable to owners of parent	22,255	7,535
Comprehensive income attributable to non-controlling interests	170	(58)

## Statement of Changes in Shareholders' Equity — Consolidated

Year ended March 31, 2018 (April 1, 2017 - March 31, 2018)

(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	10,993	205,586	(13,891)	216,138
Change during the period					
Dividend from surplus			(5,793)		(5,793)
Profit attributable to owners of parent			17,897		17,897
Purchase of treasury stock				(5,592)	(5,592)
Disposal of treasury stock				14	14
Retirement of treasury stock			(8,525)	8,525	-
Reversal of revaluation reserve for land			(0)		(0)
Changes associated with the change of fiscal year-end of consolidated subsidiaries					-
Changes of equity interest in consolidated subsidiaries		(33)			(33)
Other			(15)		(15)
Net change in items other than shareholders' equity during the period					
Total change during the period	-	(33)	3,563	2,947	6,476
Balance as of the end of the fiscal year	13,450	10,959	209,149	(10,943)	222,615

	Accumulated other comprehensive income						Non-controlling interests	Total net assets
	Unrealized gains (losses) on available-for-sale securities	Deferred gains (losses) on hedges	Revaluation reserve for land	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance as of the beginning of the fiscal year	14,792	670	(380)	(3,593)	(3)	11,484	1,135	228,758
Change during the period								
Dividend from surplus								(5,793)
Profit attributable to owners of parent								17,897
Purchase of treasury stock								(5,592)
Disposal of treasury stock								14
Retirement of treasury stock								-
Reversal of revaluation reserve for land								(0)
Changes associated with the change of fiscal year-end of consolidated subsidiaries								-
Changes of equity interest in consolidated subsidiaries								(33)
Other								(15)
Net change in items other than shareholders' equity during the period	1,766	(671)	0	3,600	7	4,703	914	5,617
Total change during the period	1,766	(671)	0	3,600	7	4,703	914	12,094
Balance as of the end of the fiscal year	16,558	(1)	(380)	6	3	16,187	2,049	240,853

Year ended March 31, 2019 (April 1, 2018 - March 31, 2019)

(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	10,959	209,149	(10,943)	222,615
Change during the period					
Dividend from surplus			(5,968)		(5,968)
Profit attributable to owners of parent			17,323		17,323
Purchase of treasury stock				(2)	(2)
Disposal of treasury stock				14	14
Retirement of treasury stock					-
Reversal of revaluation reserve for land			(180)		(180)
Changes associated with the change of fiscal year-end of consolidated subsidiaries			(123)		(123)
Changes of equity interest in consolidated subsidiaries		(294)			(294)
Other			32		32
Net change in items other than shareholders' equity during the period					
Total change during the period	-	(294)	11,084	11	10,801
Balance as of the end of the fiscal year	13,450	10,665	220,234	(10,932)	233,417

	Accumulated other comprehensive income						Non-controlling interests	Total net assets
	Unrealized gains (losses) on available-for-sale securities	Deferred gains (losses) on hedges	Revaluation reserve for land	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance as of the beginning of the fiscal year	16,558	(1)	(380)	6	3	16,187	2,049	240,853
Change during the period								
Dividend from surplus								(5,968)
Profit attributable to owners of parent								17,323
Purchase of treasury stock								(2)
Disposal of treasury stock								14
Retirement of treasury stock								-
Reversal of revaluation reserve for land								(180)
Changes associated with the change of fiscal year-end of consolidated subsidiaries								(123)
Changes of equity interest in consolidated subsidiaries								(294)
Other								32
Net change in items other than shareholders' equity during the period	(7,907)	315	180	(4,584)	(3)	(12,000)	(181)	(12,181)
Total change during the period	(7,907)	315	180	(4,584)	(3)	(12,000)	(181)	(1,379)
Balance as of the end of the fiscal year	8,651	314	(200)	(4,578)	0	4,187	1,868	239,473

## Statement of Cash Flows — Consolidated

	Year ended March 31, 2018	(Million yen) Year ended March 31, 2019
	Amount	Amount
<b>Cash flows from operating activities</b>		
Income before income taxes	25,535	27,532
Depreciation and amortization	15,677	16,118
Amortization of goodwill	1,184	1,643
Equity in (earnings) losses of unconsolidated subsidiaries and affiliates	(73)	(136)
Increase (decrease) in net defined benefit liability	387	206
Increase (decrease) in other allowances	6	666
Interest and dividend income	(737)	(733)
Interest expense	352	317
Other non-operating (income) losses	626	1,082
(Gain) loss on step acquisitions	(2,443)	-
Provision of allowance for building demolition expenses	320	-
(Gains) losses on sale/disposal of property, plant and equipment	54	666
Loss on liquidation of business	-	519
Loss on transfer of business	-	2,867
Impairment loss	413	1,097
(Gains) losses on sale of investment securities	(1,720)	(8,676)
(Increase) decrease in notes and accounts receivable – trade	(16,332)	(10,907)
(Increase) decrease in inventories	(29)	1,463
(Increase) decrease in other current assets	1,073	(692)
Increase (decrease) in notes and accounts payable – trade	3,699	(1,088)
Increase (decrease) in advances received	74	15,920
Increase (decrease) in other current liabilities	223	971
Other	(195)	(882)
<b>Sub-total</b>	<b>28,095</b>	<b>47,956</b>
Interest and dividend received	897	950
Other proceeds	743	1,056
Interest paid	(514)	(448)
Other payments	(1,643)	(2,120)
Income taxes paid	(6,170)	(8,915)
<b>Net cash provided by (used in) operating activities</b>	<b>21,408</b>	<b>38,478</b>

	Year ended March 31, 2018	(Million yen) Year ended March 31, 2019
	Amount	Amount
<b>Cash flows from investing activities</b>		
Deposits into time deposit accounts	(11,600)	(19,145)
Withdrawals from time deposits	17,387	20,079
Payments for purchases of marketable securities	(1)	-
Payments for purchases of property, plant and equipment	(17,924)	(28,600)
Proceeds from sale of property, plant and equipment	15	479
Payments for purchase of intangible assets	(972)	(1,235)
Proceeds from sales of intangible assets	-	18
Payments for purchases of investment securities	(5)	(2,144)
Proceeds from sale and redemption of investment securities	2,115	13,335
Payments associated with acquisition of business	(136)	(33,374)
Payments for purchase of shares in and purchase of investments in capital of subsidiaries and associates	(4,012)	-
Other payments	(1,198)	(1,480)
Other proceeds	404	509
<b>Net cash provided by (used in) investing activities</b>	<b>(15,928)</b>	<b>(51,559)</b>
<b>Cash flows from financing activities</b>		
Net increase (decrease) in short-term borrowings	177	(2,417)
Repayments of long-term loans payable	(400)	(594)
Repayment of finance lease obligations	(610)	(1,165)
Purchase of treasury stock	(5,592)	(2)
Cash dividends paid	(5,753)	(5,966)
Dividends paid to non-controlling interests	(66)	(43)
Purchase of shares of subsidiaries without change in scope of consolidation	(173)	(1,094)
<b>Net cash provided by (used in) financing activities</b>	<b>(12,419)</b>	<b>(11,280)</b>
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<b>417</b>	<b>(104)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(6,521)</b>	<b>(24,465)</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>65,438</b>	<b>58,917</b>
<b>Increase in cash and cash equivalents due to the change of the fiscal year-end of consolidated subsidiaries</b>	<b>-</b>	<b>1,097</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>58,917</b>	<b>35,548</b>

## Notes to Consolidated Financial Statements

### Changes in Accounting Policies

(Changes to accounting policies that are difficult differentiating from changes to accounting estimates)  
(Changes to the depreciation method of property, plant and equipment)

In the past, the Company adopted the declining-balance method for the deprecation of buildings (excluding facilities attached to buildings) acquired on or after April 1, 1998, facilities attached to buildings and structures acquired on or after April 1, 2016 and property, plant and equipment (excluding leased assets) except for facilities of ultrapure water supply business which the Company had installed at customer sites. However, the Company has changed the depreciation method for them to the straight-line method from the first quarter of fiscal year ended March 31, 2019.

The Company has made this change because the pattern of consumption of the economic benefits of property, plant and equipment has changed as the expansion of the global business and a transition to the optimum production system have become clear. Given that actual production on a consolidated basis generally stays at a certain level and that the operation of facilities is also stable, the Company has determined that the straight-line method is more suitable for the consumption pattern of the economic benefits of property, plant and equipment. The impact of this change on profits and losses in the fiscal year under review is minor.

### Change in Presentation Method

(Change associated with the adoption of the “Partial Amendments to Accounting Standard for Tax Effect Accounting”)

The Company has adopted the “Partial Amendments to Accounting Standard for Tax Effect Accounting” (ASBJ Statement No. 28 on February 16, 2018), among others, from the beginning of the fiscal year under review. As a result, deferred tax assets are presented in investments and other assets, and deferred tax liabilities are presented in non-current liabilities.

As a result, “Deferred tax assets” of 1,595 million yen in “Current assets” is presented by including it in “Deferred tax assets” of 4,860 million yen in “Investments and other assets” in the consolidated balance sheet for the previous fiscal year.

### Additional Information

(Expansion of the scope of application of the percentage-of-completion method)

In the past, the Company applied the percentage-of-completion method to construction work for progress of which the certainty of outcome can be recognized and applied the completed-contract method to other construction work. However, the Company has applied the percentage-of-completion method to other construction work from the fiscal year under review because a reliable estimate has become possible for most of them due to the development and strengthening of the cost management system.

As a result, net sales have increased 7,355 million yen, and operating income, ordinary income and income before income taxes have increased 1,421 million yen, respectively.

### Statement of Income

#### \*1. Loss on sales of non-current assets

The breakdown of loss on sales of non-current assets is as follows.

Land	456 million yen
Other (buildings and structures, etc.)	123 million yen
Total	579 million yen

#### \*2. Impairment loss

##### (1) Overview of assets or asset groups for which an impairment loss was recognized

In the fiscal year under review, an impairment loss was posted for the following assets group.

Use	Classification	Location	Amount
-	Goodwill	Jiangyin, China	1,097 million yen

##### (2) Background of recognizing an impairment loss

In the fiscal year under review, to reduce constraints on production associated with tighter regulations on companies that produces hazardous chemicals in densely populated districts in China, the Group has decided to transfer the production function of water treatment chemicals of Kurita Water Industries (Jiangyin) Co., Ltd. to the plant (due to begin operating in the second half of fiscal year ending March 31, 2020) of the newly established Kurita Water Industries (Taixing) Co., Ltd. and recognized an impairment loss because recoverability is no longer recognized.

(3) Amount of impairment loss

The book value of the asset group for which we have recognized an impairment loss was reduced to the recoverable amount, and the amount of reduction was posted in extraordinary losses as impairment loss of 1,097 million yen.

(4) Method of asset grouping

The Group performs the asset grouping of business assets based on the type of business and leased assets and idle assets by individual property.

(5) Calculation of the recoverable amount

For the goodwill for which an impairment loss has come to be recognized, the Group recorded the full amount of the unamortized balance as an extraordinary loss in the fiscal year under review because the Group has decided to transfer the production function of water treatment chemicals of Kurita Water Industries (Jiangyin) Co., Ltd. to the plant of the newly established Kurita Water Industries (Taixing) Co., Ltd. and recoverability is no longer recognized.

\*3. Loss on liquidation of business

Loss on liquidation of business of 519 million yen consists mainly of special retirement benefits 等 that were generated associated with the restructuring of manufacturing, sales and research and development bases of Kurita Europe GmbH.

\*4. Loss on transfer of business

A loss on transfer of business of 2,867 million yen comprises mainly of a loss on transfer pertaining to the sale of the aluminum compound business of Kurita Europe GmbH, its non-core business, and compensation money for the business continuation.

## Business Combination

### Acquisition of equity interests by consolidated subsidiaries

#### 1. Overview of business combination

(1) Name and business of the acquired company

Name: Global Water Services Holding Company, Inc., and two other companies

Business: Company holding equity interests in U.S. Water Services, Inc.

The Company also acquired U.S. Water Services, Inc., a wholly owned subsidiary of Global Water Services Holding Company, Inc., through an investment in Global Water Services Holding Company, Inc.

Name: U.S. Water Services, Inc.

Business: Manufacture and sale of water treatment chemicals and water treatment facilities

(2) Reason of business combination

The Group aims to significantly expand its overseas businesses by establishing platforms in four regions around the world – Japan, Asia, Europe and the Americas. This investment is made as a part of its strategy of strengthening business in the United States, a strategic market. The Group will also accelerate business development in the United States by establishing even closer relationships with customers through the development of the service contract business model making full use of IT and sensing by combining the Group's products, with their competitive advantage and highly unique services such as pure water supply and wastewater reclamation, into the solid customer base and sales channels of U.S. Water Services, Inc.

(3) Date of business combination

March 25, 2019

(4) Legal form of business combination

Acquisition of shares with cash as consideration

(5) Name after business combination

The name will not change.

(6) Percentage of voting rights acquired

100%

(7) Main reason for determining the acquiring company

Because Kurita America Holdings Inc., a subsidiary of the Company, acquired shares using cash as consideration.

#### 2. Period of consolidation of the results of acquired business

In the fiscal year under review, only the beginning balance sheet on March 26, 2019 is consolidated.

#### 3. Breakdown of the acquisition cost of acquired business and consideration by type

Consideration for acquisition	Cash and deposits	30,369 million yen
Acquisition cost		30,369 million yen

4. Major expenses related to the acquisition
 

Compensation, fees, etc. paid to the advisor	717 million yen
--	-----------------
  
5. Amount of goodwill, reason of the occurrence of goodwill, amortization method, and amortization period
  - (1) Amount of goodwill 1,148 million yen  
The amount of goodwill is an amount provisionally reported because the allocation of the acquisition cost has yet to be completed.
  - (2) Reason of the occurrence of goodwill  
Expected excess earning power
  - (3) Amortization method and amortization period  
Goodwill will be amortized over the effective period by the straight-line method. The amortization period will be fixed based on the result of the allocation of the acquisition cost.
  
6. Assets accepted and liabilities assumed on the date of the business combination
 

Current assets	4,899 million yen
Non-current assets	26,337 million yen
Total assets	31,237 million yen
Current liabilities	1,737 million yen
Non-current liabilities	279 million yen
Total liabilities	2,016 million yen
  
7. Allocation of the acquisition cost  
As of the end of the fiscal year under review, the allocation of the acquisition cost has yet to be completed because the identification of recognizable assets and liabilities on the date of business combination and the calculation of market values are incomplete.
  
8. Estimated impact of the takeover of business on the consolidated statement of income for the fiscal year under review based on the assumption that the takeover of business is completed on the beginning date of the fiscal year under review and its calculation method  
This is not stated because calculating an estimated amount is difficult.

#### **Business combination through acquisition**

1. Overview of business combination
  - (1) Name and business of the acquired company
 

Name: Fracta, Inc.  
Business: Company holding equity interests in Fracta  
The Company also acquired Fracta, a wholly owned subsidiary of Fracta, Inc., through an investment in Fracta, Inc.  
Name: Fracta  
Business: Software services to predict the deterioration of water pipes utilizing artificial intelligence (AI) and machine learning (ML)
  - (2) Reason of business combination  
Fracta, Inc. develops software services to predict the deterioration of water pipes utilizing AI and ML at Fracta, a wholly owned subsidiary. The Group will create and expand new digital businesses utilizing IoT and AI in the fields of water and the environment by acquiring the advanced technologies and know-how in AI and ML of Fracta, Inc. and applying them to the water treatment technologies and services of the Company.
  - (3) Date of business combination  
May 31, 2018
  - (4) Legal form of business combination  
Acquisition of shares with cash as consideration
  - (5) Name after business combination  
The name will not change.
  - (6) Percentage of voting rights acquired  
60.63% (fully diluted basis: 50.1%)
  - (7) Main reason for determining the acquiring company  
Because the Company acquired shares with cash as consideration.
  
2. Period of consolidation of the results of acquired business  
From June 1, 2018 to March 31, 2019

3. Breakdown of the acquisition cost of acquired business and consideration by type
- |                               |                   |                   |
|-------------------------------|-------------------|-------------------|
| Consideration for acquisition | Cash and deposits | 3,968 million yen |
| Acquisition cost              |                   | 3,968 million yen |
4. Major expenses related to the acquisition
- |  |                 |
|--|-----------------|
| Compensation, fees, etc. paid to the advisor | 177 million yen |
|--|-----------------|
5. Amount of goodwill, reason of the occurrence of goodwill, amortization method, and amortization period
- (1) Amount of goodwill 2,941 million yen  
The amount above is provisionally reported because the allocation of the acquisition cost has yet to be completed, given that the identification of recognizable assets and liabilities and the estimation of the market values are incomplete as of the business combination because the period from the business combination to the fiscal year-end is short.
- (2) Reason of the occurrence of goodwill  
Expected excess earning power
- (3) Amortization method and amortization period  
Amortized for 15 years by the straight-line method
6. Put options granted to non-controlling shareholders and call options held by the Company  
The Company plans to make Fracta, Inc. a wholly owned subsidiary within four years from 2020. To convert Fracta, Inc. into a wholly owned subsidiary in the future, the Company has granted written put options over the shares of Fracta, Inc. to its non-controlling shareholders and holds purchased call options over the shares of Fracta, Inc.
7. Assets accepted and liabilities assumed on the date of the business combination
- |                     |                   |
|---------------------|-------------------|
| Current assets      | 1,793 million yen |
| Non-current assets  | 43 million yen    |
| Total assets        | 1,836 million yen |
| Current liabilities | 142 million yen   |
| Total liabilities   | 142 million yen   |
8. Estimated impact of the takeover of business on the consolidated statement of income for the fiscal year under review based on the assumption that the takeover of business is completed on the beginning date of the fiscal year under review and its calculation method  
This is not stated because calculating an estimated amount is difficult.

## 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, 2018 (April 1, 2017 - March 31, 2018)

	Reportable segment			Adjustments (see note)	(Million yen)
	Water Treatment Chemicals	Water Treatment Facilities	Total		Amounts reported on the statements of income
<b>Sales</b>					
Sales to outside customers	90,361	146,453	236,815	-	236,815
Inter-segment sales and transfers	431	298	729	(729)	-
<b>Total</b>	<b>90,792</b>	<b>146,751</b>	<b>237,544</b>	<b>(729)</b>	<b>236,815</b>
<b>Segment income</b>	<b>7,180</b>	<b>15,312</b>	<b>22,493</b>	<b>(18)</b>	<b>22,475</b>
<b>Segment assets</b>	<b>95,589</b>	<b>158,631</b>	<b>254,220</b>	<b>68,826</b>	<b>323,046</b>
<b>Segment liabilities</b>	<b>29,198</b>	<b>53,167</b>	<b>82,366</b>	<b>(172)</b>	<b>82,193</b>
<b>Other amounts</b>					
Depreciation	3,593	12,083	15,677	-	15,677
Impairment loss	85	-	85	327	413
Change in property, plant and equipment and intangible fixed assets	3,162	19,805	22,967	-	22,967

#### Year ended March 31, 2019 (April 1, 2018 - March 31, 2019)

	Reportable segment			Adjustments (see note)	(Million yen)
	Water Treatment Chemicals	Water Treatment Facilities	Total		Amounts reported on the statements of income
<b>Sales</b>					
Sales to outside customers	102,088	157,321	259,409	-	259,409
Inter-segment sales and transfers	779	1,532	2,311	(2,311)	-
<b>Total</b>	<b>102,867</b>	<b>158,854</b>	<b>261,721</b>	<b>(2,311)</b>	<b>259,409</b>
<b>Segment income</b>	<b>8,327</b>	<b>15,932</b>	<b>24,260</b>	<b>65</b>	<b>24,326</b>
<b>Segment assets</b>	<b>111,580</b>	<b>196,152</b>	<b>307,733</b>	<b>42,152</b>	<b>349,885</b>
<b>Segment liabilities</b>	<b>34,105</b>	<b>76,660</b>	<b>110,765</b>	<b>(353)</b>	<b>110,412</b>
<b>Other amounts</b>					
Depreciation	4,117	12,001	16,118	-	16,118
Impairment loss	1,097	-	1,097	-	1,097
Change in property, plant and equipment and intangible fixed assets	3,502	34,668	38,170	-	38,170

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 68,890 million yen at March 31, 2018 and 42,205 million yen at March 31, 2019.
4. Segment liabilities: Amount resulting from eliminations of inter-segment claims and liabilities.
5. Details of impairment losses in the fiscal year under review are stated in "Statement of Income" in Notes to Consolidated Financial Statements.

*Related information*

Year ended March 31, 2018 (April 1, 2017 - March 31, 2018)

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	EMEA	Other	Total
158,232	48,911	5,178	21,350	3,142	236,815

Note: Sales are allocated to regions based on the location of the customer to which the products or services are provided. EMEA here stands for Europe, the Middle East and Africa.

(2) Property, plant and equipment

(Million yen)

Japan	Asia	North America	EMEA	Other	Total
68,671	14,275	182	2,212	686	86,028

Note: EMEA here stands for Europe, the Middle East and Africa.

3. Information by major customer

The Company states no information here because, among the sales to outside customers, no single external customer accounts for 10% or more of net sales posted in the consolidated statement of income.

Year ended March 31, 2019 (April 1, 2018 - March 31, 2019)

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	EMEA	Other	Total
163,297	66,513	5,589	21,297	2,711	259,409

Note: Sales are allocated to regions based on the location of the customer to which the products or services are provided. EMEA here stands for Europe, the Middle East and Africa.

(2) Property, plant and equipment

(Million yen)

Japan	Asia	North America	EMEA	Other	Total
91,321	12,786	2,328	2,671	561	109,669

Note: EMEA here stands for Europe, the Middle East and Africa.

3. Information by major customer

The Company states no information here because, among the sales to outside customers, no single external customer accounts for 10% or more of net sales posted in the consolidated statement of income.

*Information on impairment of reportable segments' noncurrent assets*

Year ended March 31, 2018 (April 1, 2017 - March 31, 2018)

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

Year ended March 31, 2019 (April 1, 2018 - March 31, 2019)

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

*Goodwill amortization and unamortized balance of goodwill by segment*

Year ended March 31, 2018 (April 1, 2017 - March 31, 2018)

(Million yen)

	Reportable segment			Elimination or corporate	Total
	Water Treatment Chemicals	Water Treatment Facilities	Total		
Goodwill amortization	1,184	-	1,184	-	1,184
Unamortized balance of goodwill	20,362	-	20,362	-	20,362

Year ended March 31, 2019 (April 1, 2018 - March 31, 2019)

(Million yen)

	Reportable segment			Elimination or corporate	Total
	Water Treatment Chemicals	Water Treatment Facilities	Total		
Goodwill amortization	1,643	-	1,643	-	1,643
Unamortized balance of goodwill	28,886	7,415	36,301	-	36,301

*Information on negative goodwill*

Year ended March 31, 2018 (April 1, 2017 - March 31, 2018)

Not applicable

Year ended March 31, 2019 (April 1, 2018 - March 31, 2019)

Not applicable

## Per Share Information

	Year ended March 31, 2018	Year ended March 31, 2019
Net assets per share	2,126.96 yen	2,116.19 yen
Net income per share	159.37 yen	154.29 yen

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

2. The Company's own shares remaining in trust that are posted as treasury stock in shareholders' equity are included in treasury stock that are deducted in the calculation of the average number of shares outstanding used for the calculation of per share information. The average number of shares outstanding of the deducted treasury stock was 335,000 in the previous fiscal year and 329,000 in the fiscal year under review.

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

	(Million yen unless otherwise stated)	
	As of March 31, 2018	As of March 31, 2019
Total net assets	240,853	239,473
Amount deducted from total net assets	2,049	1,868
(Those with non-controlling interests)	(2,049)	(1,868)
Net assets attributed to common stock	238,803	237,604
Number of common stock used in calculation of net assets per share (shares)	112,274,296	112,279,619

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

	(Million yen unless otherwise stated)	
	Year ended March 31, 2018	Year ended March 31, 2019
Net income attributable to owners of parent	17,897	17,323
Amount not attributed to common stockholders	-	-
Net income attributed to owners of parent associated with common stock	17,897	17,323
Average number of shares outstanding (shares)	112,303,666	112,278,133

## Significant Subsequent Events

### Conversion to an equity method affiliate through the acquisition of shares

Pentagon Technologies Group, Inc.

On October 5, 2018, the Company entered into an agreement to acquire 25.0% of shares of Pentagon Technologies Group, Inc. (hereinafter “Pentagon Technologies”), a tool cleaning company in the United States, through Kurita America Holdings, Inc., a wholly owned subsidiary of the Company. Based on the agreement, the acquisition of shares was completed on April 1, 2019, and the Company made Pentagon Technologies an equity method affiliate.

(1) Name, address, the name of representative, the amount of capital and business of the company whose shares were acquired

- (i) Name: Pentagon Technologies Group, Inc.
- (ii) Address: 21031 Alexander Ct. Hayward, California, U.S.A.
- (iii) Name of representative: Chairman, Irwin H. Pfister
- (iv) Amount of capital: 2,000 US dollars
- (v) Business: Tool cleaning business, the development of surface particle detectors of semiconductor manufacturing equipment and the provision of clean room-related services

(2) Purpose of acquiring shares

The Group aims to significantly expand its overseas businesses by establishing platforms in four regions around the world – Japan, Asia, Europe and the Americas. This investment is made as a part of its strategy of strengthening business in the United States, a strategic market. The Group also aims to further strengthen its market competitiveness in the electronics industry, which the Group positions as one of its priority business domains, by acquiring a base for the service business overseas and further accelerating business growth and the provision of new value by acquiring the advanced technologies and know-how of Pentagon Technologies and creating synergies with the tool cleaning services in Japan developed by the Group.

(3) Date of acquiring shares

April 1, 2019

(4) Number of shares acquired, the acquisition price and the ownership ratio after acquisition

- (i) Number of shares acquired: 728,724 shares
- (ii) Acquisition price: 50,000,000 US dollars
- (iii) Ownership ratio after acquisition: 25.0%

(5) Financing method of funds for payment and the payment method

Own funds were appropriated.

APANA, Inc.

On March 29, 2019, the Company entered into an agreement to underwrite a capital increase through private placement with APANA, Inc. (hereinafter “APANA”), a venture company in the United States that develops the IoT water saving solution business. Based on the agreement, the payment was completed on April 5, 2019. On the same day, the Company also exercised the share acquisition rights it held with respect to APANA, and the payment of the exercise price was completed. As a result, the Company made APANA an equity method affiliate.

(1) Name, address, the name of representative, the amount of capital and business of the company whose shares were acquired

- (i) Name: APANA, Inc.
- (ii) Address: 4290 Pacific Highway, Suite A, Bellingham, Washington 98229, U.S.A
- (iii) Name of representative: CEO, Matt Rose
- (iv) Amount of capital: 4,424,805 US dollars
- (v) Business: Development of technologies related to the real-time monitoring of water consumption and big data analysis, utilizing IoT and wireless communication technology, and service business that contributes to water saving in commercial and industrial facilities

(2) Purpose of capital increase through private placement and the exercise of share acquisition rights

The Company will accelerate its efforts to introduce and utilize advanced technologies and services of APANA by further strengthening the collaborative structure with APANA through this investment. The Company aims to create new value in the fields of water and the environment by creating innovations through the provision of the highly unique digital service business of APANA to more customers.

(3) Date of payment and exercise of share acquisition rights

April 5, 2019

(4) Acquisition price and the percentage of voting rights acquired

Acquisition price: 10,005,301 US dollars (1,116 million yen)

Percentage of voting rights held immediately before the underwriting of capital increase through private placement and the exercise of share acquisition rights: 19.88%

Percentage of voting rights acquired by underwriting capital increase through private placement and exercising share acquisition rights: 22.85%

Percentage of voting rights after the underwriting of capital increase through private placement and the exercise of share acquisition rights: 42.73% (fully diluted basis: 36.64%)

(5) Financing method of funds for payment and the payment method

Own funds were appropriated.

#### **Acquisition of equity interests by consolidated subsidiaries**

On May 13, 2019, the Company entered into an agreement to acquire all shares outstanding of Avista Technologies, Inc. (hereinafter "Avista Technologies"), a manufacturing and sales company of water treatment chemicals in the United States, through Kurita America Holdings Inc., a wholly owned subsidiary of the Company. On the same day, the Company also entered into an agreement to acquire all shares outstanding of Avista Technologies (UK) Ltd. (hereinafter "Avista Technologies (UK)"), a manufacturing and sales company of water treatment chemicals in the United Kingdom, through Kurita Europe GmbH, a wholly owned subsidiary of the Company. Both companies will become consolidated subsidiaries of the Company.

(1) Name, address, the name of representative, the amount of capital and business of Avista Technologies, Inc.

- (i) Name: Avista Technologies, Inc.
- (ii) Address: 140 Bosstick Blvd. San Marcos, California 92069, U.S.A.
- (iii) Name of representative: CEO, Dave Walker
- (iv) Amount of capital: 3,719 US dollars
- (v) Business: Manufacture and sale of reverse osmosis (RO) chemicals and the provision of RO membrane-related services

(2) Name, address, the name of representative, the amount of capital and business of Avista Technologies (UK) Ltd.

- (i) Name: Avista Technologies (UK) Ltd.
- (ii) Address: 13 Nasmyth Square, Houstoun Industrial Estate Livingston, EH54 5GG, U.K.
- (iii) Name of representative: Managing Director, Michael Jefferies
- (iv) Amount of capital: 65 British pounds
- (v) Business: Manufacture and sale of reverse osmosis (RO) chemicals and the provision of RO membrane-related services

(3) Purpose of acquiring equity interests

Avista Technologies specializes in RO chemicals that are applied to RO membrane, one of the components of water treatment facilities, among water treatment chemicals. It manufactures and sells a wide variety of RO chemicals. Avista Technologies also develops services including RO membrane cleaning and has many customers in a broad range of industrial fields including mining, chemical, oil, marine oilfields, food, beverages and local governments, mainly in the United States. Avista Technologies (UK) develops similar businesses in EMEA (Europe, the Middle East and Africa) through licensing from Avista Technologies. The Group will bolster the product lineup of RO chemicals by combining RO chemicals of Avista Technologies and distinctive RO chemicals of the Company and will seek to expand sales of RO chemicals by proposing a wider range of products to all customers. The Group will also strengthen its RO membrane-related services by sharing the technologies and know-how of the both companies.

(4) Time of acquiring equity interests

May 15, 2019 (planned)

(5) Number of shares to acquire, the acquisition price and the ownership ratio after acquisition

- (i) Number of shares to acquire
  - Avista Technologies, Inc.: 800,000 shares
  - Avista Technologies (UK) Ltd.: 65 shares
- (ii) Acquisition price of Avista Technologies, Inc. and Avista Technologies (UK) Ltd.  
81,800,000 US dollars

(Note) The final acquisition price will reflect any excess and deficiency in working capital for Avista Technologies, Inc. and Avista Technologies (UK) Ltd. on the date of acquisition of equity interests and the adjustment of net interest-bearing debt on the above amount.

(iii) Ownership ratio after acquisition

- Avista Technologies, Inc.: 100.0%
- Avista Technologies (UK) Ltd.: 100.0%

(6) Financing method of funds for payment and the payment method

Loans will be appropriated.

## Supplementary Information — Consolidated

### (1) Net Sales

(Million yen)

Business segment	Year ended March 31,			
	2018		2019	
	Amount	%	Amount	%
Water Treatment Chemicals	90,361	38.2	102,088	39.4
Water Treatment Facilities	146,453	61.8	157,321	60.6
Total	236,815	100.0	259,409	100.0

### (2) Order Intake and Backlog

(Million yen)

Business segment		Year ended March 31,			
		2018		2019	
		Amount	%	Amount	%
Order Intake	Water Treatment Chemicals	90,358	35.9	102,939	39.8
	Water Treatment Facilities	161,088	64.1	155,500	60.2
	Total	251,447	100.0	258,439	100.0
Order Backlog	Water Treatment Chemicals	3,791	5.0	4,536	6.3
	Water Treatment Facilities	71,417	95.0	67,803	93.7
	Total	75,209	100.0	72,339	100.0

### (3) Production Results

(Million yen)

Business segment	Year ended March 31,			
	2018		2019	
	Amount	%	Amount	%
Water Treatment Chemicals	90,088	38.2	101,692	39.7
Water Treatment Facilities	145,811	61.8	154,138	60.3
Total	235,899	100.0	255,830	100.0

Note: The amounts were based on sales prices.

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

(Million yen)

Business segment	Year ended March 31,			
	2018		2019	
	Amount	%	Amount	%
Water Treatment Chemicals	2,809	12.7	3,096	8.4
Water Treatment Facilities	19,261	87.3	33,823	91.6
Total	22,070	100.0	36,920	100.0

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

(Million yen)

Business segment	Year ended March 31,			
	2018		2019	
	Amount	%	Amount	%
Water Treatment Chemicals	1,804	13.4	2,380	17.1
Water Treatment Facilities	11,702	86.6	11,502	82.9
Total	13,507	100.0	13,883	100.0

**Disclaimer**

- This document is an English translation of the Earnings Report for the Year Ended March 31, 2019 as reference information primarily for overseas investors. If there are any discrepancies between the Japanese version and the English version, the Japanese version shall take precedence in all cases.
- This document is not subject to audit.
- The forward-looking statements such as performance forecasts contained in this document are based on information currently available to the Company and certain assumptions deemed to be reasonable, and are not intended to be a commitment by the Company.

Actual performance, etc. may differ due to a variety of factors.

See “Outlook” on page 5 of this document for the conditions assumed in the performance forecasts and the precautions concerning the use of performance forecasts.