

FOR IMMEDIATE RELEASE

## **Kurita Water Industries Reports Earnings for the Fiscal Year ended March 31, 2018**

Tokyo, Japan, April 27, 2018 - Kurita Water Industries Ltd. (TSE Securities Code 6370) announced net sales of 236,815 million yen and profit attributable to owners of parent of 17,897 million yen, or 159.37 yen per share, for the year ended March 31, 2018 (April 1, 2017 – March 31, 2018).

### **Results of Operations**

Total consolidated orders for the Kurita Group in the fiscal year ended March 31, 2018 increased 15.0% from the level of the previous fiscal year, to 251,447 million yen, while net sales rose 10.6%, to 236,815 million yen. Operating income was up 15.5% from the previous fiscal year, to 22,475 million yen. Ordinary income was 22,104 million yen, up 10.1%. Profit attributable to owners of parent reached 17,897 million yen, an increase of 23.4%. The Group recorded a gain on step acquisitions of 2,443 million yen in extraordinary income associated with the conversion of Hansu Co., Ltd. in South Korea into a consolidated subsidiary from an equity method affiliate through the acquisition of its additional shares. The Group also recorded extraordinary income of 1,720 million yen from the sale of shares of other listed companies.

During the fiscal year ended March 31, 2018, the global economy remained firm overall, reflecting the steady recovery of the U.S. and European economies and the picking up of the Chinese economy and other emerging economies in Asia.

The Japanese economy continued to enjoy a recovery trend, with consumer spending picking up and corporate earnings improving associated with the strengthening of overseas economies.

Looking at the market environment surrounding Kurita Group (Kurita Water Industries Ltd. and its consolidated subsidiaries and equity method affiliates), in Japan, the upward momentum continued in the production activities of the manufacturing industry due to the recovery of exports and the strengthening of demand, and capital expenditure also remained solid. Overseas, capital expenditure picked up, mainly in the electronics industry in East Asia.

In this environment, the Group focused on enhancing the foundation of overseas operations and developing the service business to improve profitability under the basic policy of “improving customer intimacy by providing customers with best solutions.” To enhance the foundation of overseas operations, Fremont Industries, LLC, which recently became a member of the Kurita Group, and Kurita America, Inc., an existing U.S. subsidiary, cooperated to proceed with initiatives to exercise synergies. In Europe, to increase the production capacity of process treatment chemicals for paper and pulp of Kurita Europe GmbH, the Group acquired a production base from Akzo Nobel in France. In Asia, the Group converted Hansu Co., Ltd., an equity method affiliate, into a consolidated subsidiary by acquiring additional shares to strengthen the power to provide solutions in South Korea. To develop the service business, the Group sought to develop a business model using the standardized wastewater reclamation system that contributes to water recycling with a combination of the fundamental technologies of water treatment facilities and water treatment chemicals of the Company.

The Group also continued to work on competitive products and services that utilize IT and sensing technology, while developing a market for these products and services.

The Group focused on proposal sales that will contribute to the solution of customer issues, such as the reduction of the environmental impact, energy saving and productivity improvement.

## **Segment Information**

### **Water Treatment Chemicals**

Total Group orders for the Water Treatment Chemicals segment were 90,358 million yen, up 10.0% versus the fiscal year ended March 31, 2017, while sales rose 10.4%, to 90,361 million yen.

Operating income was down 0.7% to 7,180 million yen, reflecting an increase in selling, general and administrative expenses caused by increases in personnel expenses due to the active development of overseas businesses, and IT-related expenses despite the effect of the increase in sales.

In Japan, capacity utilization recovered at customers' plants, and the Group sought to gain new customers by proposing solutions using new products and services. This effort produced growth in our main products, boiler water treatment chemicals and cooling water treatment chemicals. Process treatment chemicals for paper and pulp and chemicals for iron and steel also grew. As a result, both orders and sales increased in Japan.

Overseas, both orders and sales increased, reflecting the consolidation of results at the acquired subsidiary based in the United States from the first quarter of this fiscal year, and the conversion of an equity method affiliate in South Korea into a consolidated subsidiary in the fourth quarter, in addition to higher sales in each geographical area.

### **Water Treatment Facilities**

Total Group orders for the Water Treatment Facilities segment were 161,088 million yen, up 17.9% versus the previous fiscal year. Sales rose 10.7%, to 146,453 million yen. Operating income climbed 25.3%, to 15,312 million yen mainly due to the increase in sales and an improvement in profitability through thorough process control and cost management in installment in construction work.

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

In general industries, orders declined but sales increased in water treatment facilities. Orders in maintenance services increased mainly due to demand for the renewal and expansion of facilities at customers' plants, but sales declined slightly. Orders for water treatment facilities for electric power declined, but sales increased. Orders in soil remediation remained flat, but sales declined in a backlash to the posting of sales of large projects in the previous fiscal year.

Overseas, orders rose significantly on orders for large-scale projects in China and South Korea. Sales also increased, reflecting progress in construction work for projects the orders for which were received in this fiscal year.

Sales in the ultrapure water supply business declined partly due to a fall in sales attributable to changes in contracts with a customer in the previous fiscal year, although revenues were posted for projects for the expansion of facilities.

## **Financial Condition**

1) Total assets: 323,046 million yen (increased 23,797 million yen from the end of the previous fiscal year)

Current assets increased 6,074 million yen from the end of the previous fiscal year (March 31, 2017), mainly attributable to increases in accounts receivable-trade and inventories. Noncurrent assets also rose 17,724 million yen from the end of the previous fiscal year principally attributable to increases in property, plant and equipment and goodwill.

2) Liabilities: 82,193 million yen (increased 11,703 million yen from the end of the previous fiscal year)

Current liabilities rose 11,739 million yen from the end of the previous fiscal year chiefly due to increases in accounts payable-trade and accounts payable-other. Noncurrent liabilities decreased 36 million yen from the end of the previous fiscal year.

3) Net assets: 240,853 million yen (increased 12,095 million yen from the end of the previous fiscal year)

The main factors for the increase were a 3,563 million yen increase in retained earnings, a 3,600 million yen rise in foreign currency translation adjustments, and a 1,766 million yen increase in unrealized gains on available-for-sale securities. Treasury stock declined 2,947 million yen.

## **Cash Flows**

Consolidated net cash and cash equivalents at the end of the fiscal year (March 31, 2018) totaled 58,917 million yen, a decrease of 6,521 million yen from the end of the previous fiscal year (March 31, 2017).

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, 2018 totaled 21,408 million yen, a decrease of 12,533 million yen from the previous fiscal year. Inflows from income before income taxes (25,535 million yen) and depreciation and amortization (16,861 million yen) including the amortization of goodwill were partly offset by an increase in notes and accounts receivable-trade (16,332 million yen) and income taxes paid (6,170 million yen).

2) Cash Flows from Investing Activities

Net cash used in investing activities totaled 15,928 million yen, an increase of 14,809 million yen from the previous fiscal year. Net cash decreased chiefly due to payments for the purchase of property, plant and equipment of 17,924 million yen and payments for purchase of shares of and purchase of investments in capital of subsidiaries and associates of 4,012 million yen, which were partially offset by the increase in funds from net deposits of 8,173 million yen, which is the balance between deposits into time deposit accounts and withdrawals from time deposits.

3) Cash Flows from Financing Activities

Net cash used in financing activities totaled 12,419 million yen, an increase of 2,265 million yen from the previous fiscal year. The main cash outflows were cash dividends paid of 5,819 million yen, the purchase of treasury stock of 5,592 million yen.

(Reference) Cash flow indicators

	Year ended March 31, 2014	Year ended March 31, 2015	Year ended March 31, 2016	Year ended March 31, 2017	Year ended March 31, 2018
Equity ratio (%)	79.2	75.5	76.4	76.1	73.9
Equity ratio (market value basis) (%)	97.0	115.0	100.1	102.8	117.3
Cash flow/interest bearing liabilities ratio (%)	24.1	32.8	33.0	28.2	42.6
Interest coverage ratio (times)	478.5	277.6	96.3	104.4	41.6

(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 Results, Including Production, Sales, and Profits and Losses**

For the full fiscal year ending March 31, 2019, the Group forecasts 255,000 million yen in net sales (up 7.7% year on year), 24,000 million yen in operating income (up 6.8%), 24,200 million yen in ordinary income (up 9.5%), and 17,000 million yen in net income attributable to owners of parent (down 5.0%).

In the fiscal year ending March 31, 2019, the global economy is expected to continue to grow moderately overall, despite uncertainties due to rising trade protectionism and the geopolitical risk. In addition, the production activities of domestic companies are likely to continue to expand, backed by increasing exports and recovering domestic demand, and capital expenditure to increase production capacity and maintain and update existing equipment is expected to remain firm on the back of strong corporate earnings.

In these circumstances, the Group will continue to promote a 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 further focus on improving customer intimacy and will develop total solutions that will contribute to the natural environment, industries and people's lives, making full use of technologies, products and services of water treatment chemicals, water treatment facilities and maintenance.

## **Outlook by Segment**

### **Water Treatment Chemicals**

Both orders and sales are likely to increase, particularly in overseas operations, including Hansu Co. Ltd. which the Group converted into a consolidated subsidiary from an equity method affiliate by acquiring its additional shares in November 2017. In Japan, this segment will improve profitability by focusing on the service business that will provide best solutions for customers while utilizing IT and sensing technology under a system that has further strengthened cooperation with maintenance services in the water treatment facilities business.

### **Water Treatment Facilities**

The Group expects orders to decline due to the effects of posting strong orders in the previous fiscal year, although sales should increase. The segment will increase profitability by working to improve the quality and accelerate the speed of production activities through fundamental revisions to the production systems and processes and a focus on providing solutions that will contribute to the prevention of environmental contamination, the utilization of renewable energy, the effective use of water resources and the improvement of production technologies of industries.

### **Dividend Policy and Dividends for the Fiscal Year ended March 31, 2018 and the Fiscal Year ending March 31, 2019**

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 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 26 yen per share for the fiscal year ended March 31, 2018, 1 yen more than the previous year-end dividend. Combined with the interim dividend of 26 yen per share (1 yen more than the previous interim dividend), the annual dividend comes to 52 yen per share, 2 yen higher than the previous fiscal year's annual dividend. For the fiscal year ending March 31, 2019, Kurita Water Industries plans to pay an interim dividend of 27 yen per share and a year-end dividend of 27 yen per share, for an annual dividend of 54 yen per share.

## **Business and Other Risks**

The following are summaries of major foreseeable risks present in the business environments in which the Group operates. Forward-looking statements herein are based on judgments made by management as of March 31, 2018.

### 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, parts and services procurement

The Group procures raw materials and parts from outside the Group for the manufacture of products and the fabrication of facilities. The Group also procures services necessary to conduct operations from outside the Group. The prices of raw materials, parts and services 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 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.

**Basic concept for the selection of accounting standards**

While the Kurita Group plans to voluntarily apply the International Financial Reporting Standards (IFRS), the Group is currently considering the specific time of application.

## Financial Statements — Consolidated

### Balance Sheet — Consolidated

	As of March 31, 2017	(Million yen) As of March 31, 2018
	Amount	Amount
<b>Assets</b>		
<b>Current assets</b>		
Cash and deposits	72,750	61,086
Notes receivable – trade	7,843	7,870
Accounts receivable – trade	60,439	78,994
Marketable securities	603	3
Finished products	3,114	3,968
Work in process	4,181	3,621
Raw materials and supplies	2,229	2,800
Deferred tax assets	1,568	1,595
Other	3,447	2,528
Allowance for doubtful accounts	(246)	(464)
Total current assets	155,930	162,004
<b>Noncurrent assets</b>		
Property, plant and equipment		
Buildings and structures	62,093	63,191
Accumulated depreciation	(48,087)	(51,193)
Buildings and structures (net)	14,005	11,997
Machinery, equipment and vehicles	121,311	137,176
Accumulated depreciation	(85,258)	(94,085)
Machinery, equipment and vehicles (net)	36,053	43,090
Land	13,881	15,596
Leased assets	8,352	8,256
Accumulated depreciation	(3,679)	(3,831)
Leased assets (net)	4,673	4,424
Construction in progress	2,852	7,880
Other	13,755	15,292
Accumulated depreciation	(11,184)	(12,255)
Other (net)	2,570	3,037
Total property, plant and equipment	74,036	86,028
Intangible fixed assets		
Goodwill	15,049	20,362
Software	1,908	2,111
Other	8,350	8,529
Total intangible fixed assets	25,308	31,003
Investments and other assets		
Investment securities	34,844	35,683
Deferred tax assets	4,275	3,265
Other	5,042	5,238
Allowance for doubtful accounts	(189)	(176)
Total investments and other assets	43,972	44,010
Total noncurrent assets	143,318	161,042
Total assets	299,249	323,046

	As of March 31, 2017	(Million yen) As of March 31, 2018
	Amount	Amount
<b>Liabilities</b>		
<b>Current liabilities</b>		
Notes payable – trade	1,710	2,073
Accounts payable – trade	21,715	26,801
Accounts payable – other	8,019	10,995
Income taxes payable	2,875	4,806
Provision for bonuses	2,361	2,420
Provision for directors' bonuses	-	145
Provision for loss on construction contracts	81	94
Provision for product warranties	801	455
Other	6,844	8,355
Total current liabilities	44,410	56,149
<b>Noncurrent liabilities</b>		
Lease obligations	4,339	4,038
Deferred tax liabilities related to revaluation	1,119	1,119
Provision for directors' retirement benefit	25	7
Net defined benefit liability	16,054	16,610
Provision for directors' stock benefits	-	183
Other	4,540	4,084
Total noncurrent liabilities	26,080	26,044
Total liabilities	70,490	82,193
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Common stock	13,450	13,450
Capital surplus	10,993	10,959
Retained earnings	205,586	209,149
Treasury stock	(13,891)	(10,943)
Total shareholders' equity	216,138	222,615
<b>Accumulated other comprehensive income</b>		
Unrealized gains (losses) on available-for-sale securities	14,792	16,558
Deferred gains (losses) on hedges	670	(1)
Revaluation reserve for land	(380)	(380)
Foreign currency translation adjustments	(3,593)	6
Remeasurements of defined benefit plans	(3)	3
Total accumulated other comprehensive income	11,484	16,187
Non-controlling interests	1,135	2,049
Total net assets	228,758	240,853
Total liabilities and net assets	299,249	323,046

## Statements of Income and Comprehensive Income — Consolidated

### Statement of Income

	(Million yen)	
	Year ended March 31, 2017	Year ended March 31, 2018
	Amount	Amount
Net sales	214,187	236,815
Cost of sales	145,455	160,476
Gross profit	68,732	76,338
Selling, general and administrative expenses		
Directors' and corporate auditors' compensations, salaries and allowances	19,160	20,610
Provision for bonuses	1,334	1,411
Retirement benefit expenses	1,440	1,343
Traveling and transportation expenses	2,767	2,906
Research and development expenses	5,038	5,258
Other	19,537	22,333
Total Selling, general and administrative expenses	49,280	53,863
Operating income	19,452	22,475
Non-operating income		
Interest income	183	187
Dividend income	488	550
Equity in earnings of unconsolidated subsidiaries and affiliates	175	73
Other	582	764
Total non-operating income	1,429	1,576
Non-operating expenses		
Interest expense	187	352
Foreign exchange losses	39	192
Commitment fee	-	250
Acquisition-related costs	259	319
Other	321	831
Total non-operating expenses	807	1,946
Ordinary income	20,074	22,104
Extraordinary income		
Gain on sales of investment securities	391	1,720
Gain on step acquisitions	-	2,443
Total extraordinary income	391	4,163
Extraordinary losses		
Impairment loss	-	413
Provision of allowance for building demolition expenses	-	320
Total extraordinary losses	-	733
Income before income taxes	20,465	25,535
Income taxes		
Current	5,996	7,906
Deferred	(193)	(408)
Total income taxes	5,803	7,498
Net income	14,661	18,037
Profit attributable to non-controlling interests	155	139
Profit attributable to owners of parent	14,506	17,897

**Statement of Comprehensive Income**

	Year ended March 31, 2017	(Million yen) Year ended March 31, 2018
	Amount	Amount
Net income	14,661	18,037
Other comprehensive income		
Unrealized gains (losses) on available-for-sale securities	(1,263)	1,739
Deferred gains (losses) on hedges	271	(671)
Revaluation reserve for land	-	0
Foreign currency translation adjustments	(2,897)	3,219
Remeasurements of defined benefit plans, net of tax	97	7
Share of other comprehensive income of associates accounted for using equity method	(83)	93
Total other comprehensive income	(3,876)	4,389
Comprehensive income	10,784	22,426
Components:		
Comprehensive income attributable to owners of parent	10,649	22,255
Comprehensive income attributable to non-controlling interests	134	170

## Statement of Changes in Shareholders' Equity — Consolidated

Year ended March 31, 2017 (April 1, 2016 - March 31, 2017)

(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	196,788	(8,695)	212,536
Change during the period					
Dividend from surplus			(5,693)		(5,693)
Profit attributable to owners of parent			14,506		14,506
Purchase of treasury stock				(5,195)	(5,195)
Disposal of treasury stock					-
Retirement of treasury stock					-
Reversal of revaluation reserve for land					-
Changes of equity interest in consolidated subsidiaries					-
Other			(15)		(15)
Net change in items other than shareholders' equity during the period					-
Total change during the period	-	-	8,797	(5,195)	3,602
Balance as of the end of the fiscal year	13,450	10,993	205,586	(13,891)	216,138

	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	16,061	398	(380)	(618)	(101)	15,360	1,067	228,964
Change during the period								
Dividend from surplus								(5,693)
Profit attributable to owners of parent								14,506
Purchase of treasury stock								(5,195)
Disposal of treasury stock								-
Retirement of treasury stock								-
Reversal of revaluation reserve for land								-
Changes of equity interest in consolidated subsidiaries								-
Other								(15)
Net change in items other than shareholders' equity during the period	(1,269)	271	-	(2,975)	97	(3,875)	67	(3,807)
Total change during the period	(1,269)	271	-	(2,975)	97	(3,875)	67	(205)
Balance as of the end of the fiscal year	14,792	670	(380)	(3,593)	(3)	11,484	1,135	228,758

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 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 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

## Statement of Cash Flows — Consolidated

	Year ended March 31, 2017	(Million yen) Year ended March 31, 2018
	Amount	Amount
<b>Cash flows from operating activities</b>		
Income before income taxes	20,465	25,535
Depreciation and amortization	14,877	15,677
Amortization of goodwill	980	1,184
Equity in (earnings) losses of unconsolidated subsidiaries and affiliates	(175)	(73)
Increase (decrease) in net defined benefit liability	646	387
Increase (decrease) in other allowances	(143)	6
Interest and dividend income	(671)	(737)
Interest expense	187	352
Other non-operating (income) losses	(51)	626
Loss (gain) on step acquisitions	-	(2,443)
Provision of allowance for building demolition expenses	-	320
(Gains) losses on sale/disposal of property, plant and equipment	26	54
Impairment loss	-	413
(Gains) losses on sale of investment securities	(391)	(1,720)
(Increase) decrease in notes and accounts receivable – trade	2,030	(16,332)
(Increase) decrease in inventories	(144)	(29)
(Increase) decrease in other current assets	(866)	1,073
Increase (decrease) in notes and accounts payable – trade	1,525	3,699
Increase (decrease) in other current liabilities	1,890	298
Other	112	(195)
<b>Sub-total</b>	<b>40,297</b>	<b>28,095</b>
Interest and dividend received	835	897
Other proceeds	570	743
Interest paid	(325)	(514)
Other payments	(542)	(1,643)
Income taxes paid	(6,893)	(6,170)
<b>Net cash provided by (used in) operating activities</b>	<b>33,941</b>	<b>21,408</b>
<b>Cash flows from investing activities</b>		
Deposits into time deposit accounts	(20,802)	(11,600)
Withdrawals from time deposits	34,762	17,387
Payments for purchases of marketable securities	-	(1)
Proceeds from sale and redemption of marketable securities	516	-
Payments for purchases of property, plant and equipment	(10,156)	(17,924)
Proceeds from sale of property, plant and equipment	30	15
Payments for purchase of intangible assets	(791)	(972)
Payments for purchases of investment securities	(240)	(5)
Proceeds from sale and redemption of investment securities	863	2,115
Payments associated with acquisition of business	(4,506)	(136)
Payments for purchase of shares in and purchase of investments in capital of subsidiaries and associates	-	(4,012)
Other payments	(924)	(1,198)
Other proceeds	129	404
<b>Net cash provided by (used in) investing activities</b>	<b>(1,119)</b>	<b>(15,928)</b>

	Year ended March 31, 2017	(Million yen) Year ended March 31, 2018
	Amount	Amount
<b>Cash flows from financing activities</b>		
Net increase (decrease) in short-term borrowings	(665)	177
Proceeds from long-term loans payable	2,329	-
Repayments of long-term loans payable	(223)	(400)
Repayment of finance lease obligations	(637)	(610)
Purchase of treasury stock	(5,195)	(5,592)
Cash dividends paid	(5,694)	(5,753)
Dividends paid to non-controlling interests	(67)	(66)
Purchase of shares of subsidiaries without change in scope of consolidation	-	(173)
<b>Net cash provided by (used in) financing activities</b>	<b>(10,154)</b>	<b>(12,419)</b>
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<b>(821)</b>	<b>417</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>21,846</b>	<b>(6,521)</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>43,591</b>	<b>65,438</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>65,438</b>	<b>58,917</b>

## Statement of Income

### 1. 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 groups.

Use	Classification	Location	Amount
Idle assets	Buildings and structures	Atsugi-shi, Kanagawa	214 million yen
Idle assets	Land	Yamaguchi-shi, Yamaguchi	113 million yen
Idle assets	Machinery and equipment	Ludwigshafen, Germany	85 million yen

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

In the fiscal year under review, we have decided to begin demolishing the buildings and structures of the former aging Corporate Research & Development Center (Atsugi-shi, Kanagawa) starting in June 2018, and the recoverability is now no longer recognized. Therefore, we have recognized an impairment loss.

Part of the land of Yamaguchi Plant (Yamaguchi-shi, Yamaguchi) is not expected to be used for business, and we have made it land to be sold. Therefore, we have recognized an impairment loss up to the recoverable amount.

Manufacturing facilities for a certain customer in Ludwigshafen, Germany became idle, and the recoverability is now no longer recognized because the commissioned manufacturing contract with the customer was terminated at the end of January 2018. Therefore, we have recognized an impairment loss.

#### (3) Amount of impairment losses

The book value of the asset groups 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 losses of 413 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

The recoverable amount of idle assets for which we have come to recognize an impairment loss is measured by net sales value. The net sales value is assessed by using the memorandum value of 1 yen for buildings, structures, machinery and equipment and by the official land price for land.

### 2. Provision of allowance for building demolition expenses

In the fiscal year under review, we have decided to demolish the buildings and structures of the former Corporate Research & Development Center (Atsugi-shi, Kanagawa) and posted a reasonably estimated amount for expenses to be incurred in the future as provision of allowance for building demolition expenses of 320 million yen in extraordinary losses.

## Business Combination

### Business combination through acquisition

#### 1. Overview of business combination

##### (1) Name and business of the acquired company

Name: Hansu Co. Ltd.

Business: Manufacturing and sales of water treatment chemicals

##### (2) Reason of business combination

Hansu Co. Ltd. was established in 1974 as a joint venture company of Kurita Water Industries Ltd. and has been developing the water treatment chemicals business in South Korea for more than 40 years. It has built community-based sales and service networks and customer base and has a number of staff with knowledge about water treatment in the electronics and other manufacturing industries. This time, we have acquired its shares for the purpose of strengthening its business base and promoting the unification of business strategies.

##### (3) Date of business combination

November 30, 2017

##### (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
- |   |       |
|---|-------|
| Percentage of voting rights owned immediately before business combination             | 33.2% |
| Percentage of voting rights additionally acquired on the date of business combination | 51.8% |
| Percentage of voting rights after acquisition   | 85.0% |
- Percentage of voting rights at the end of the fiscal year under review has become 87.1% as a result of acquiring additional shares from non-controlling shareholders after business combination.
- (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 December 1, 2017 to December 31, 2017  
Results from January 1, 2017 to November 30, 2017 are posted as share of profit of entities accounted for using equity method.
3. Breakdown of the acquisition cost of acquired business and consideration by type
- |  |                    |
|--|--------------------|
| Market value of equity of Hansu Co. Ltd. owned immediately before business combination on the date of business combination | 3,991 million yen  |
| Cash spent for the acquisition of additional shares  | 6,241 million yen  |
| Acquisition cost   | 10,232 million yen |
4. Major expenses related to the acquisition  
Compensation, fees, etc. paid to the advisor: 413 million yen
5. Difference between the acquisition cost of acquired business and the sum of acquisition costs for each transaction to arrive at the acquisition  
Gain on step acquisitions: 2,443 million yen
6. Amount of goodwill, reason of the occurrence of goodwill, amortization method, and amortization period
- (1) Amount of goodwill 5,155 million yen  
In the third quarter of the fiscal year, we conducted provisional accounting for the allocation of the acquisition cost of Hansu Co. Ltd. based on reasonable information, etc. available at the time of preparing the consolidated financial statements for the quarter. However, the accounting was fixed in the fourth quarter of the fiscal year under review.
- (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
7. Assets accepted and liabilities assumed on the date of the business combination
- |                        |                   |
|------------------------|-------------------|
| Current assets         | 4,225 million yen |
| Noncurrent assets      | 4,092 million yen |
| Total assets           | 8,317 million yen |
| Current liabilities    | 1,523 million yen |
| Noncurrent liabilities | 460 million yen   |
| Total liabilities      | 1,984 million yen |
8. Amount allocated to intangible fixed assets other than goodwill and its major breakdown by type and weighted average amortization period
- (1) Amount allocated to intangible fixed assets: 733 million yen
- (2) Major breakdown and amortization period  
Customer-related assets: 733 million yen  
Amortization period: 7 years

## 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, 2017 (April 1, 2016 - March 31, 2017)

	Reportable segment			Adjustments (see note)	(Million yen)
	Water Treatment Chemicals	Water Treatment Facilities	Total		Amounts reported on the statements of income
Sales					
Sales to outside customers	81,883	132,304	214,187	-	214,187
Inter-segment sales and transfers	242	191	434	(434)	-
Total	82,126	132,495	214,621	(434)	214,187
Segment income	7,231	12,220	19,451	0	19,452
Segment assets	80,120	134,623	214,744	84,504	299,249
Segment liabilities	24,759	45,786	70,545	(54)	70,490
Other amounts					
Depreciation	2,926	11,950	14,877	-	14,877
Impairment loss	-	-	-	-	-
Change in property, plant and equipment and intangible fixed assets	2,175	7,911	10,087	-	10,087

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
Sales					
Sales to outside customers	90,361	146,453	236,815	-	236,815
Inter-segment sales and transfers	431	298	729	(729)	-
Total	90,792	146,751	237,544	(729)	236,815
Segment income	7,180	15,312	22,493	(18)	22,475
Segment assets	95,589	158,631	254,220	68,826	323,046
Segment liabilities	29,198	53,167	82,366	(172)	82,193
Other amounts					
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

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 84,550 million yen at March 31, 2017 and 68,890 million yen at March 31, 2018.
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).

*Related information*

Year ended March 31, 2017 (April 1, 2016 - March 31, 2017)

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
149,988	39,899	1,885	19,774	2,641	214,187

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
62,387	8,881	147	1,939	682	74,036

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, 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.

*Information on impairment of reportable segments' noncurrent assets*

Year ended March 31, 2017 (April 1, 2016 - March 31, 2017)

Not applicable

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.

*Goodwill amortization and unamortized balance of goodwill by segment*

Year ended March 31, 2017 (April 1, 2016 - March 31, 2017)

(Million yen)

	Reportable segment			Elimination or corporate	Total
	Water Treatment Chemicals	Water Treatment Facilities	Total		
Goodwill amortization	980	-	980	-	980
Unamortized balance of goodwill	15,049	-	15,049	-	15,049

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

*Information on negative goodwill*

Year ended March 31, 2017 (April 1, 2016 - March 31, 2017)

Not applicable

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

Not applicable

**Per Share Information**

	Year ended March 31, 2017	Year ended March 31, 2018
Net assets per share	1,991.91 yen	2,126.96 yen
Net income per share	125.23 yen	159.37 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 226,000 in the previous fiscal year and 335,000 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, 2017	As of March 31, 2018
Total net assets	228,758	240,853
Amount deducted from total net assets	1,135	2,049
(Those with non-controlling interests)	(1,135)	(2,049)
Net assets attributed to common stock	227,623	238,803
Number of common stock used in calculation of net assets per share (shares)	114,274,081	112,274,296

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

	(Million yen unless otherwise stated)	
	Year ended March 31, 2017	Year ended March 31, 2018
Net income attributable to owners of parent	14,506	17,897
Amount not attributed to common stockholders	-	-
Net income attributed to owners of parent associated with common stock	14,506	17,897
Average number of shares outstanding (shares)	115,837,837	112,303,666

**Significant Subsequent Events**

Not applicable

## Supplementary Information — Consolidated

### (1) Net Sales

(Million yen)

Business segment	Year ended March 31,			
	2017		2018	
	Amount	%	Amount	%
Water Treatment Chemicals	81,883	38.2	90,361	38.2
Water Treatment Facilities	132,304	61.8	146,453	61.8
Total	214,187	100.0	236,815	100.0

### (2) Order Intake and Backlog

(Million yen)

Business segment		Year ended March 31,			
		2017		2018	
		Amount	%	Amount	%
Order Intake	Water Treatment Chemicals	82,118	37.5	90,358	35.9
	Water Treatment Facilities	136,611	62.5	161,088	64.1
	Total	218,730	100.0	251,447	100.0
Order Backlog	Water Treatment Chemicals	3,793	6.3	3,791	5.0
	Water Treatment Facilities	56,783	93.7	71,417	95.0
	Total	60,577	100.0	75,209	100.0

### (3) Production Results

(Million yen)

Business segment	Year ended March 31,			
	2017		2018	
	Amount	%	Amount	%
Water Treatment Chemicals	81,363	38.0	90,088	38.2
Water Treatment Facilities	132,828	62.0	145,811	61.8
Total	214,192	100.0	235,899	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,			
	2017		2018	
	Amount	%	Amount	%
Water Treatment Chemicals	1,822	19.6	2,809	12.7
Water Treatment Facilities	7,466	80.4	19,261	87.3
Total	9,289	100.0	22,070	100.0

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

(Million yen)

Business segment	Year ended March 31,			
	2017		2018	
	Amount	%	Amount	%
Water Treatment Chemicals	1,624	12.3	1,804	13.4
Water Treatment Facilities	11,623	87.7	11,702	86.6
Total	13,248	100.0	13,507	100.0

**Disclaimer**

- This document is an English translation of the Earnings Report for the Year Ended March 31, 2018 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.