

for Water,
for the Environment

Enter 

At the Center of Our Hearts ...

Kurita Water Industries Ltd. is a leader in the industrial water field. Kurita’s globally unique business portfolio is a balanced combination of water treatment chemicals, water treatment facilities, and maintenance services. Since its establishment in 1949, Kurita has accumulated a high level of technological expertise and know-how. We have the Kurita 21st Century Vision at the center of our hearts. It guides us as we strive to build a sustainable Group and society.

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

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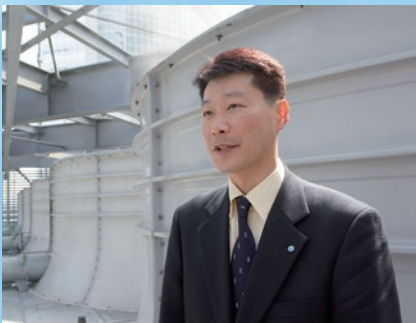
21st Century VISION

Corporate Philosophy

Corporate Vision

Management Guidelines

Code of Ethical Conduct



Corporate Vision
Becoming an advanced water and environmental management company

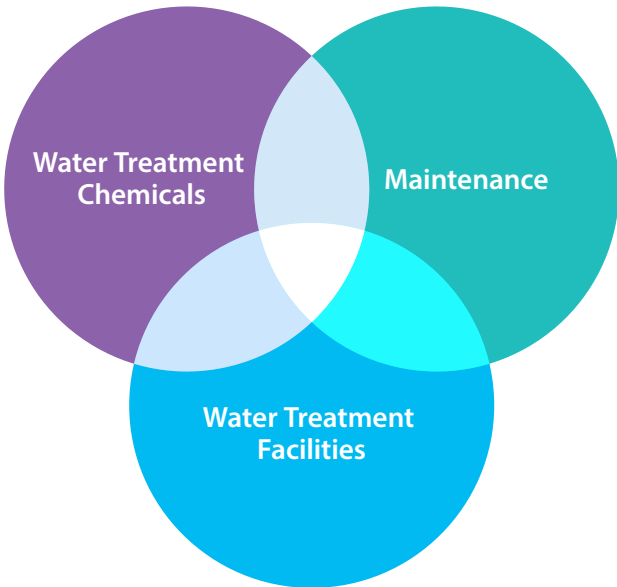
1. We will implement our Corporate Philosophy and contribute to society by striving to add new value and functions to water and by meeting global challenges such as the conservation of the natural environment and effective use of resources.
2. We will further progress our “water management” achieved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

Our Strengths

The Kurita Group satisfies customers’ needs in the fields of water and environmental management by providing total solutions. The Group also strives to satisfy all its stakeholders by further increasing its corporate value.

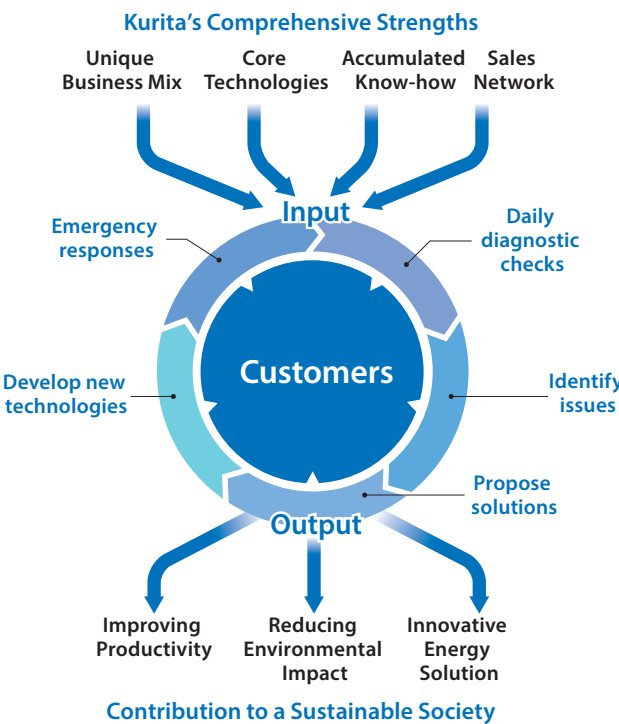
Unique Business Mix

Business capabilities that other companies don’t have



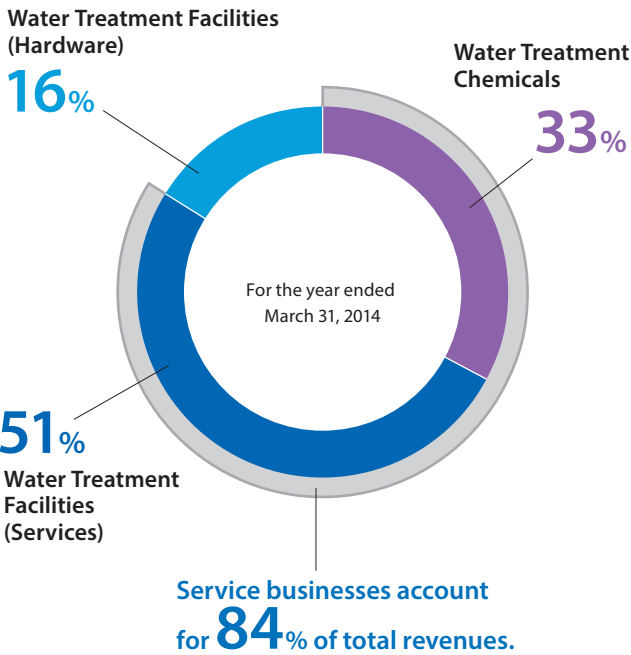
The Kurita Group is the only water treatment company in the world to develop its business based on a good balance of three distinct functions: water treatment chemicals, water treatment facilities, and maintenance services.

Solutions Cycle Running through Kurita’s Resources



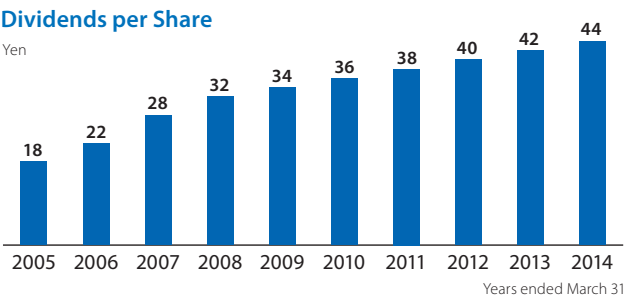
On the basis of our accumulated resources managing industrial water, the Kurita Group will devote all its strengths to helping resolve the various issues and challenges of our customers.

Service Business Orientation



Service businesses account for over 80% of total revenues. The proportion of sales coming from the after-market is far greater than any other major industrial water systems supplier.

Shareholder Value Creation



Based on our strong financial basis, we will aggressively invest required management resources to strengthen our business base overseas, including capital investments in advanced water analysis and product application testing locally, and increase local personnel overseas and reinforce human resources development programs.

We will also endeavor to strengthen ties with local partners, establish alliances and execute mergers and acquisitions (M&As).

At the same time, we aim to enhance shareholder returns including dividend and share buyback.

Based on our stable dividend payment policy, we have increased the annual dividend for the 10th consecutive year.



Business Review

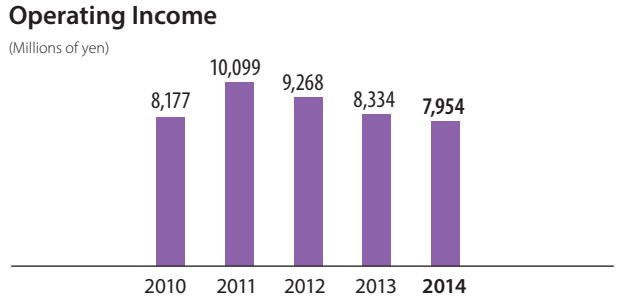
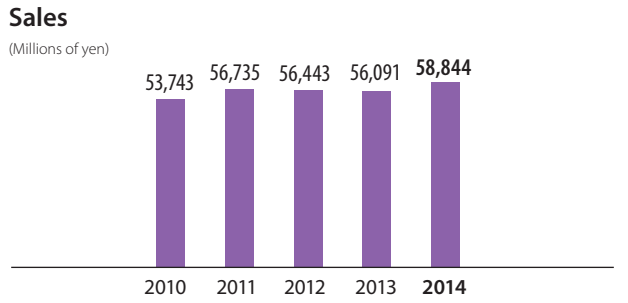
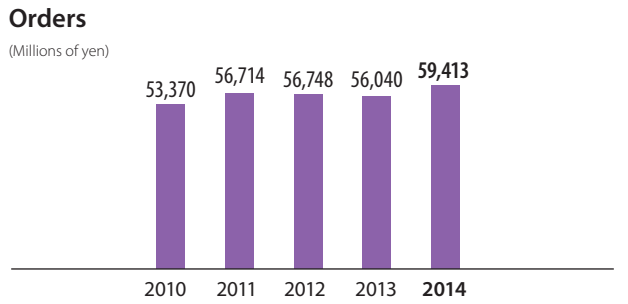
Segment Highlights

Water Treatment Chemicals

In the fiscal year ended March 31, 2014, in Japan capacity utilization at customer factories improved from the latter half of the fiscal year. However, the decline seen in the first half had a significant impact, leading to slight decreases in orders and sales on a full-year basis. Overseas, business grew steadily centering on the Asia region. As a result, orders and sales increased. However, expenses rose, driven by overseas business expansion, leading to a decrease in operating income.

In the fiscal year ending March 31, 2015, in Japan customer factory utilization rates are on a rising trend, and mainstay products are expected to recover. The Group is aiming to grow market share by leveraging its newly developed sensing technology. Overseas, the Group is working to strengthen its technical support structure and expand sales. Segment orders, sales and operating income are all expected to increase, year-on-year.

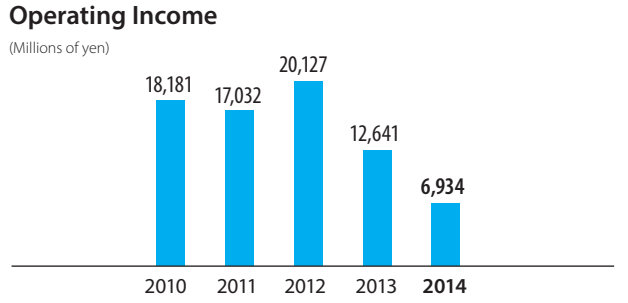
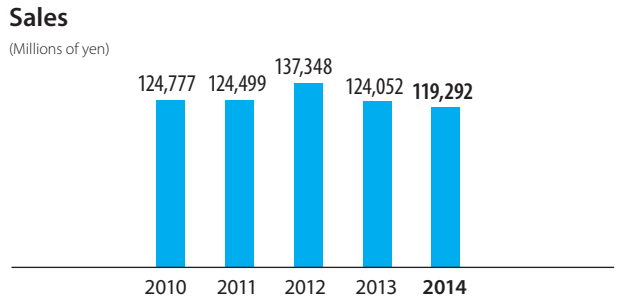
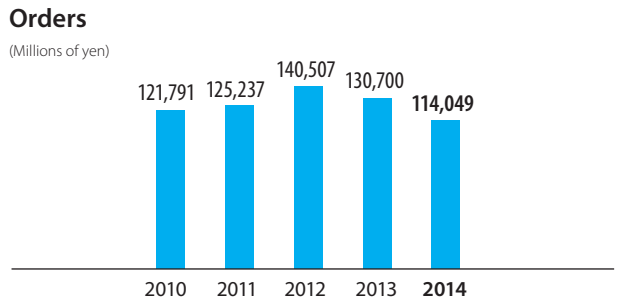
Years ended March 31



Water Treatment Facilities

In the fiscal year ended March 31, 2014, in Japan weak capital investment and low factory capacity utilization by customers led to declines in orders and sales. Overseas, some customers revised capital investment plans or canceled projects. As a result, orders and sales decreased. Operating income fell substantially owing to such factors as construction losses due to the emergence of unprofitable projects and an increase in additional costs.

In the fiscal year ending March 31, 2015, in Japan although customer capacity utilization is on a recovery trend, the rebound in capital investment is expected to remain sluggish. In this environment, the Company is working to bolster its standardized product offerings and develop new markets. Overseas, the Group will strive to win new projects by targeting the recycled water market. Segment orders, sales and operating income are all expected to increase, year-on-year.



See P. 32 → Management's Discussion and Analysis

Management Indicators

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

Financial	2005	2006	2007	2008	2009	2010	2011	2012	2013	Millions of yen	Thousands of U.S. dollars ¹
										2014	2014
Orders	¥171,334	¥183,910	¥192,529	¥208,689	¥195,065	¥175,162	¥181,951	¥197,256	¥186,741	¥173,463	\$1,684,107
Net sales	160,896	173,683	197,146	204,875	199,706	178,520	181,234	193,792	180,143	178,137	1,729,489
Cost of sales	112,077	122,630	137,819	138,549	135,874	117,221	118,573	127,905	121,047	122,870	1,192,913
Selling, general and administrative expenses	32,867	33,741	35,050	35,857	35,896	34,941	35,528	36,503	38,106	40,380	392,043
Operating income	15,951	17,311	24,276	30,468	27,935	26,358	27,131	29,382	20,989	14,886	144,532
Operating income margin (%)	9.9	10.0	12.3	14.9	14.0	14.8	15.0	15.2	11.7	8.4	
Net income	9,383	10,519	14,207	18,297	16,299	17,288	17,138	16,548	11,476	9,352	90,799
Return on sales (%)	5.8	6.1	7.2	8.9	8.2	9.7	9.5	8.5	6.4	5.3	
Total assets	192,428	212,774	235,137	231,498	245,406	251,620	253,298	271,141	263,580	274,925	2,669,183
Total assets turnover (Times) ²	0.86	0.86	0.88	0.88	0.84	0.72	0.72	0.74	0.67	0.66	
Equity ³	136,366	145,366	156,772	169,402	177,291	192,588	198,042	208,891	207,871	217,691	2,113,513
Equity ratio (%) ⁴	70.9	68.3	66.7	73.2	72.2	76.5	78.2	77.0	78.9	79.2	
Return on assets (ROA) (%) ⁵	5.0	5.2	6.3	7.8	6.8	7.0	6.8	6.3	4.3	3.5	
Return on equity (ROE) (%) ⁶	7.1	7.5	9.4	11.2	9.4	9.3	8.8	8.1	5.5	4.4	
Capital expenditures	6,706	16,537	19,563	24,097	56,322	8,083	5,965	8,105	6,688	5,709	55,435
Depreciation and amortization	4,361	4,906	6,512	9,425	11,716	15,523	16,066	16,035	15,054	14,774	143,441
R&D expenses	4,228	4,213	4,421	4,551	4,363	3,990	4,225	4,232	4,362	4,534	44,025
										Yen	U.S. dollars ¹
Net income per share ⁷	¥ 71.8	¥ 81.8	¥ 110.4	¥ 142.2	¥ 126.7	¥ 134.4	¥ 134.0	¥ 130.7	¥ 92.4	¥ 78.5	\$ 0.76
Equity per share ⁸	1,058.9	1,129.7	1,218.4	1,316.7	1,378.0	1,497.0	1,563.6	1,649.2	1,744.4	1,826.8	17.74
Dividends per share	18.0	22.0	28.0	32.0	34.0	36.0	38.0	40.0	42.0	44.0	0.43
Dividend payout ratio (%)	25.1	26.9	25.4	22.5	26.8	26.8	28.4	30.6	45.4	56.1	

Notes: 1. The U.S. dollar amounts are given solely for convenience at the rate of ¥103 to US\$1, the prevailing rate on the Tokyo Foreign Exchange Market on March 31, 2014.
2. Total assets turnover = Net sales ÷ Total assets (Average)
3. "Equity" represents "Net assets less minority interests" (hereinafter, the same).
4. Equity ratio = Equity ÷ Total assets × 100
5. Return on assets = Net income ÷ Total assets (Average) × 100
6. Return on equity = Net income ÷ Equity (Average) × 100
7. Calculation of net income per share is based on average number of shares outstanding (excluding treasury stock).
8. Calculation of equity per share is based on the number of shares at year-end (excluding treasury stock).

Non-Financial	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Total CO ₂ emissions (t-co ₂)	21,058	21,937	22,398	22,505	22,541	23,563	23,941	158,121	162,748	181,149
Total waste output (t)	9,649	13,699	25,954	26,895	27,133	26,186	24,739	47,181	41,561	47,859
Number of employees	3,382	3,668	3,992	4,249	4,404	4,445	4,490	4,555	4,640	4,635

*From the fiscal year ended March 31, 2012, we included the sites engaged in the ultrapure water supply business in the data tabulation target.



Management Guidelines

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

The second key focus area is expansion of our global business. The Group is identifying growth regions and markets, and shifting management resources to those areas. Based on the specific characteristics of each region and market, we are committed to providing profitable products and services using highly efficient sales and production methods. By doing so, we aim to expand our profitable overseas business.

Looking at individual regions, in East Asia demand is emerging for maintenance services related to water treatment facilities delivered in recent years, and maintenance sales are increasing. We plan to strengthen collaboration with Group companies to achieve further expansion overseas in the highly profitable maintenance business.

In Southeast Asia, in the water treatment chemicals business, we have stationed engineers in Singapore, and are working to develop products that meet regional needs while enhancing the technical skills of local staff. In addition, our Thai subsidiary has established a representative office in Vietnam. In the water treatment facilities business, to expand the maintenance business we have taken various measures to reinforce our organization. This includes the integration of the Malaysia sales office into Group company Kurita Water (Malaysia) Sdn. Bhd. Furthermore, we have begun to ship to Japan and Southeast Asia standardized water treatment facilities manufactured by Kurita Water Industries (Suzhou) Ltd. These facilities boast high cost competitiveness.

In Taiwan, we are particularly focusing on cost reductions for water treatment facilities, with efforts centering on such aspects as greater localization of design and construction management as well as strengthened purchasing capabilities. In Europe and the Americas—where our presence is low compared with Asia—centering mainly on the water treatment chemicals business, we are looking for potential M&A targets that have original products and an independent sales network.

The third key focus area is improving capital efficiency. Over the three years from the fiscal year ended March 31, 2013, to the fiscal year ending March 31, 2015, we forecast that the Company will generate cash flows from operating activities amounting to more than ¥80,000 million. With regard to the uses for this cash, we will give priority to investment in growth businesses, while at the same time we will work to enhance returns to shareholders. In addition to new investments and additional investments in the ultrapure water supply business and investment in research equipment and testing apparatus overseas, we are looking for potential M&A targets in North America and Europe. We are striving to effectively utilize the cash generated by the Kurita Group's unique business model, and increase our enterprise value.

Through execution of the measures outlined above, we will pursue profitable growth while aiming to enhance capital efficiency. In the fiscal year ending March 31, 2015, we forecast net sales of ¥185,000 million (up 3.9% year-on-year), operating income of ¥17,000 million (up 14.2% year-on-year), and net income of ¥11,000 million (up 17.6% year-on-year).

Q Please outline the essence of the Kurita Group's *raison d'être* as a corporate citizen.

Since Kurita's founding in 1949, we have contributed to the development of society and industry and conservation of the environment as a leading company in the water and environmental sphere. Our corporate philosophy is: "Study the properties of water, master them, and we will create an environment in which nature and man are in harmony." By deeply and broadly investigating the properties of water, we strive to discover new functions and generate new value for water. The Kurita Group's mission is

to continue providing solutions that make the most effective use of precious and limited water resources. I believe that this mission fulfills a valuable role in society.

In particular, in newly emerging economies, as populations grow and economies develop, there is an increasing awareness of global-scale risks related to environmental contamination stemming from water shortages, factory wastewater and other phenomena. Within global economic activity, water management is becoming increasingly complex and difficult, and its importance is growing.

Kurita sees itself as a technology-driven company, and for over 60 years we have built up advanced technology and frontline know-how related to water used by enterprises in their business operations—in other words, the water used by industry. Based on this technology and know-how, we provide water of the required quality and volume, when and where it is needed. We also develop water management capabilities from a global perspective, including solutions for the recycling and reuse of water, as we seek to become an even more advanced water and environmental management company.

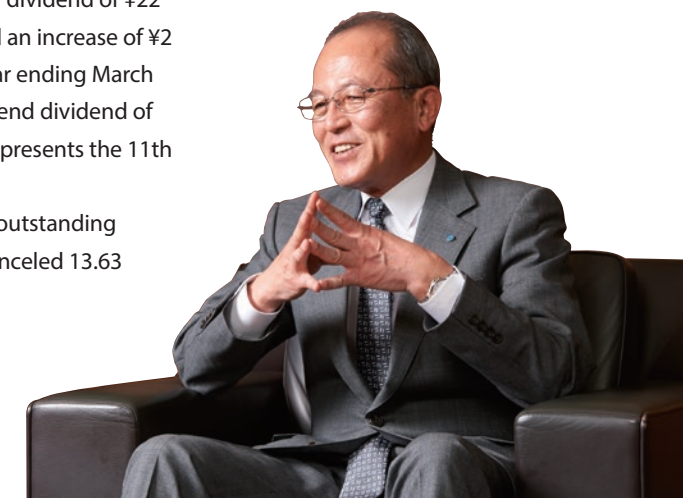
The starting point of the Kurita Group's business activities is to provide customers with proposals that will help them solve issues related to productivity improvement, environmental impact reduction and energy savings. We do this by offering comprehensive proposals that combine the three functions of water treatment chemicals, water treatment facilities, and maintenance services. Hence, we contribute to a sustainable society. These values are shared among the entire Kurita Group, and are the motivation for each individual employee in their day-to-day activities. It is fair to say that Kurita is a unique corporate group even at the global level.

“The starting point of the Kurita Group’s business activities is to provide customers with proposals that will help them solve issues related to productivity improvement, environmental impact reduction and energy savings.”

Q Please outline your policy on shareholder returns and your specific measures for further increasing shareholder value.

Our basic policy is to pay stable dividends on an ongoing basis. We have worked to increase dividends while taking into consideration earnings performance and investment required by our businesses. For the fiscal year ended March 31, 2014, we paid a year-end dividend of ¥22 per share. Combined with the interim dividend of ¥22 per share, the annual dividend totaled ¥44 per share. This represented an increase of ¥2 per share in comparison with the previous fiscal year. For the fiscal year ending March 31, 2015, we forecast an interim dividend of ¥23 per share and a year-end dividend of ¥23 per share, for an annual dividend of ¥46 per share. This forecast represents the 11th consecutive annual dividend increase.

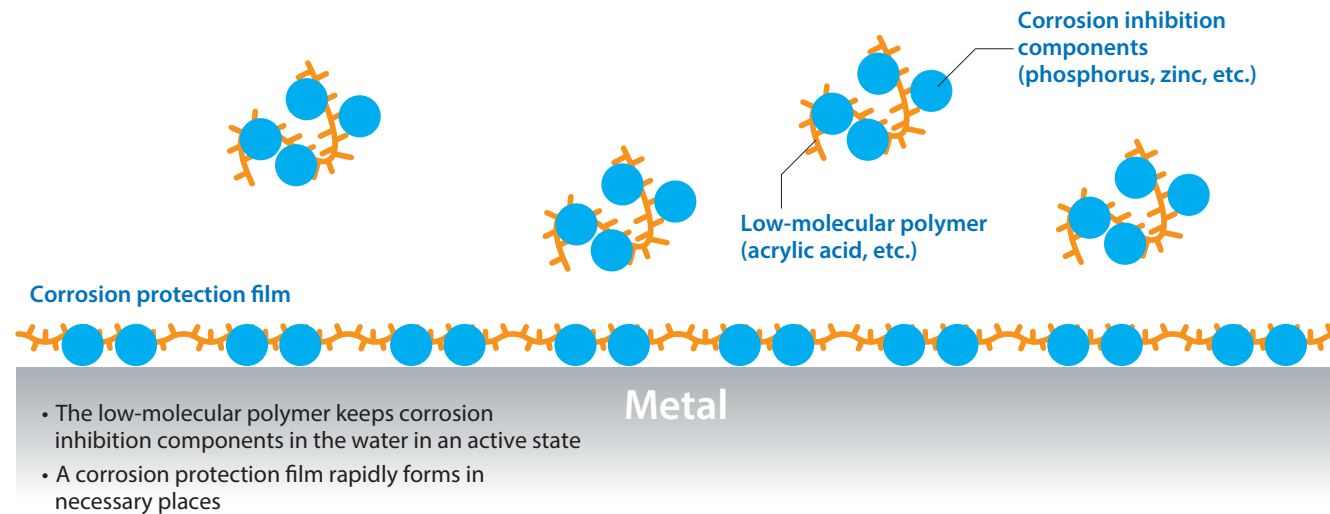
In November 2012, we acquired 7.49 million shares (5.64% of total outstanding shares) of our own stock through a tender offer. In August 2013 we canceled 13.63 million shares of treasury stock (10.27% of issued shares). In the future, with the aim of further increasing the Company's shareholder value, we will strive to increase dividends and maintain a flexible and agile approach to share buybacks while taking into consideration investment opportunities and share price.





Contributing to Reduced Environmental Impact and Effective Use of Water Resources through High Development Capabilities

Formation of a Corrosion Protection Film Using a New Water Treatment Chemical



KURITA ST: A new series of water treatment chemicals that boasts superior anticorrosion properties based on recycled water utilizing a newly developed polymer

As global needs expand in the area of effective use of water resources, in the industrial field it is becoming increasingly common to see a variety of levels of water quality used. This can include wastewater and recovered water as well as reverse osmosis (RO) treated water produced by a seawater desalination plant used as supplementary feed water for cooling systems. However, since such types of water tend to be highly corrosive, there are growing needs for water treatment chemicals that boast superior anticorrosion properties—no matter the water quality. Anticorrosion effectiveness is necessary to ensure stable cooling system operation.

To meet such needs, Kurita has commercialized KURITA ST, which is a cooling-water treatment chemical with low environmental impact. KURITA ST utilizes a newly developed polymer that realizes superior anticorrosion properties even for RO treated water and wastewater / recovered water.

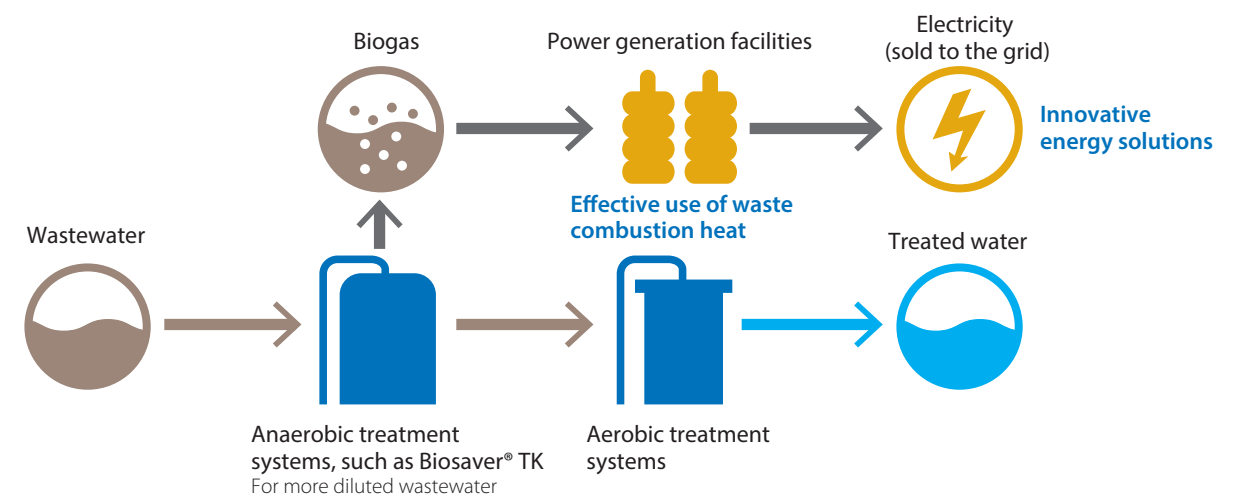
Through the action of the newly developed low-molecular polymer, corrosion inhibition components are maintained in an active state in the water, and a fine corrosion protection film is rapidly formed on metal surfaces. Compared with Kurita's conventional treatment chemicals, KURITA ST achieves double the level of anticorrosion effectiveness, and the product can be used even in water that is highly corrosive. For this reason, there is a reduction in the usage amounts of chemicals with corrosion inhibition components, such as phosphorus and zinc. This lowers environmental impact and cuts operational costs.

In the future, there is expected to be a worldwide increase in cooling systems that use RO treated water and wastewater / recovered water. Kurita will continue striving to develop and expand sales of water treatment chemicals that can help to reduce environmental impact and contribute to the effective use of water resources.



Combining Anaerobic Water Treatment with Biogas Power Generation to Contribute to the Increased Use of Renewable Energy

Example of Biogas-based Electricity Generation using Anaerobic Treatment Technology



System for power generation using biogas made from factory wastewater promotes application of feed-in tariff (FIT) scheme

In wastewater treatment at food manufacturing plants and other factories, Kurita is promoting proposals for anaerobic treatment systems that effectively use biogas as fuel for electricity generation.

Anaerobic treatment is a type of wastewater treatment technology, which utilizes the special characteristics of microorganisms that are active in environments where oxygen is not present. Compared with aerobic treatment, anaerobic treatment boasts such advantages as low power consumption, reduced amounts of waste, compact reactor, and the generation of biogas.

Methane in biogas is attracting significant attention as a new source of renewable energy, which can contribute to the reduction of CO₂ emissions. In July 2012, the Japanese Ministry of Economy, Trade and Industry (METI) launched a feed-in tariff (FIT) scheme for renewable energy, and there are expectations that the scheme will see widespread adoption in the future.

Kurita provides technical support for customers aiming to acquire certification under the FIT scheme, and utilizes anaerobic treatment technology to meet a broad array of customer needs in the area of wastewater treatment. This includes Biosaver® TK, which is suitable for the treatment of low-concentration organic wastewater. Kurita makes proposals regarding the improvement of existing wastewater treatment systems and methods for the adoption of biogas cogeneration systems. Kurita also provides comprehensive maintenance services for systems following installation and launch, and is committed to helping create innovative energy solutions and to promoting the widespread adoption of renewable energy.

Overseas Operations

The Kurita Group has a long history of doing business in the international arena. As early as the 1950s, Kurita began technology importation from the United States and Europe. In 1975, Kurita established its first wholly owned overseas subsidiary in Brazil.

In 1980, Kurita received an order for a water treatment system at a large-scale steel-manufacturing project in China developed by Japanese companies. This marked Kurita’s full-fledged entry into the Chinese market. In the late-1980s, Kurita established an international network of manufacturing and marketing operations for water treatment chemicals. From the 1990s, Kurita continued to expand its overseas operations, particularly driven by ultrapure water production systems for the electronics industry. At present, Kurita has 12 subsidiaries and one affiliated company overseas.

A feature of the Kurita Group’s overseas operations is the strong commitment to localization to ensure that it responds closely to the specific characteristics of each regional market and meets the needs of customers precisely. Hence, Kurita develops overseas operations with strong ties to each local market and community.

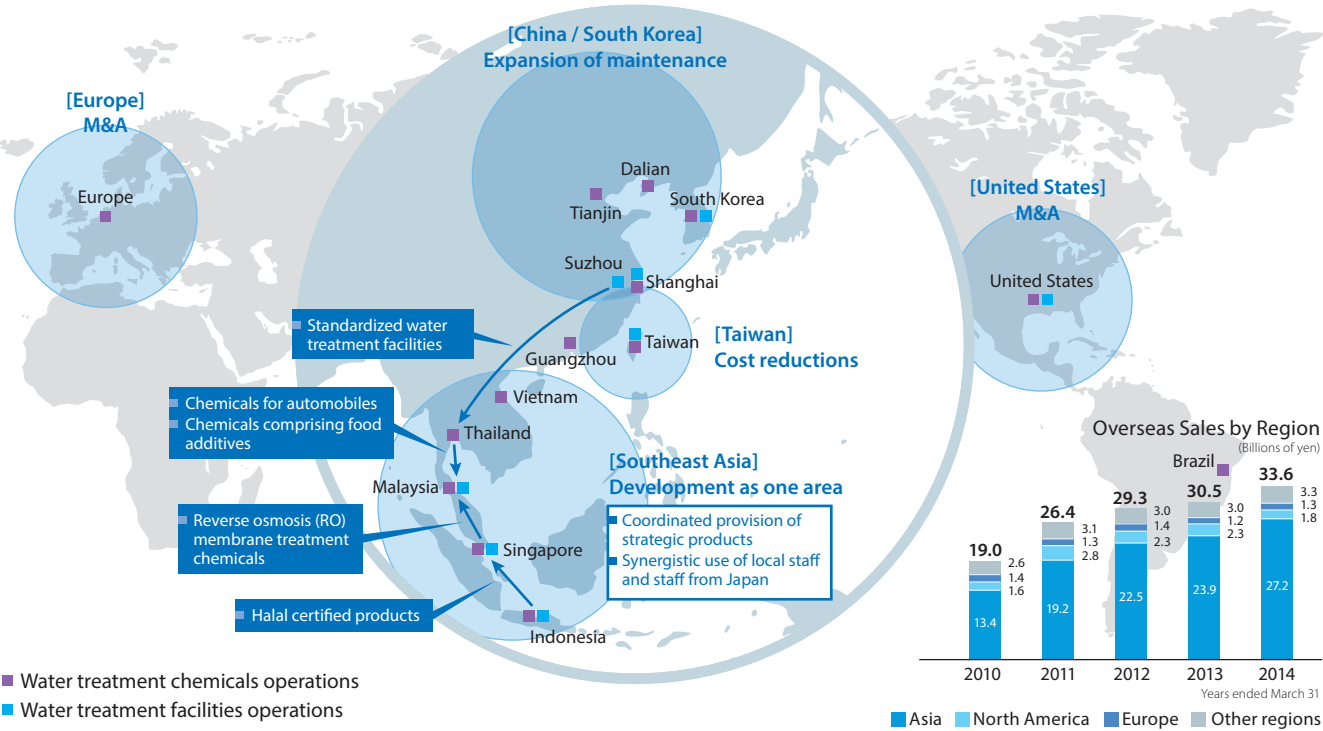
In water treatment chemicals, the local procurement rate at each overseas site is high, and a large proportion of staff are hired

locally. In water treatment facilities, Kurita builds an integrated manufacturing and service structure, from receipt of orders and design through to procurement, engineering and maintenance.

In newly emerging markets, even where economic growth is slowing, we believe that demand for water treatment will continue to expand. Although the Group’s presence in the Americas and Europe is small compared to the Asia region, the markets in which we operate are large. The Kurita Group has set a medium-term goal of raising its overseas sales ratio to around 30%. To achieve this target, Kurita is allocating management resources to such areas as increasing the number of sales engineers and other local staff and bolstering training programs, particularly in the Asia region. Kurita also plans to strengthen its on-site analysis and maintenance capabilities.

To strengthen links between different overseas operations and multiple businesses, Kurita is building an optimal procurement, production and sales system, including complementary product supply routes. In Europe and North America, Kurita is also examining potential opportunities for the use of M&As and forging alliance partnerships.

Expansion of Overseas Operations



Research and Development

Characteristics of the Kurita Group’s R&D

To realize the corporate vision of “becoming an advanced water and environmental management company,” one of Kurita’s core management policies is to be a technology-driven company. Kurita develops and cultivates technologies related to its main businesses, including boiler and cooling-water treatment, ultrapure water production, wastewater treatment, and water reclamation. The Kurita Group also develops new products and technologies to broadly meet the needs of industry and society from the perspectives of environmental impact reduction, productivity improvement, and energy generation.

A specific characteristic of the Kurita Group’s R&D is a philosophy focusing on “three core realities”—the factory floor, actual articles and substances, and real situations. Besides conducting laboratory-based testing and research, Kurita verifies performance of products at customer factories during the process of developing new products and services.

Initiatives under the TA-14 Medium-term Management Plan

Bolstering R&D has been made a key task under TA-14. In the plan’s final fiscal year, ending March 31, 2015, the Kurita Group is focused on the following tasks.

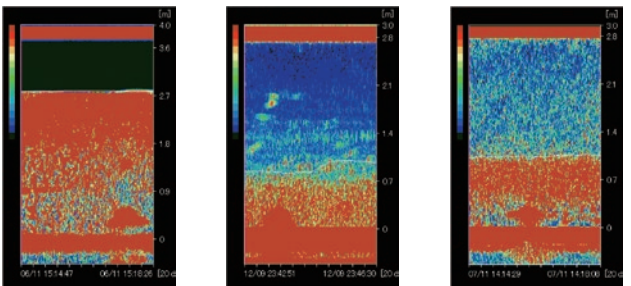
- (1) Develop new products and technologies that will contribute to the expansion of core-product market share and the creation of new markets

Kurita develops highly competitive new products based on an accurate understanding of customer needs and the characteristics of key markets in Japan and overseas. Kurita also works rigorously to enhance the performance and reduce the cost of its core products. Furthermore, Kurita carries out development of technologies that anticipate the needs of growth industries and needs stemming from environmental problems. Such technology fields include technologies related to next-generation semiconductors, treatment of radioactive substances, and biomass energy production.

(2) Cultivate core technologies

The Kurita Group has an array of core technologies essential to water treatment, including membrane separation, polymers,

ion exchange, advanced analysis and sensing, slime control, and cleaning and surface treatment of semiconductor devices. The Kurita Group takes a proactive approach to collaborative research with external research institutions and companies as a means of discovering new materials, mechanisms and methods from core technologies that will lead to products and technologies with technological advantages.



Screens for managing water treatment status with S.sensing®

(3) Pursue commercialization of new businesses

- In pursuit of the development of new business domains, the Kurita Group has been commissioned by the Japan Aerospace Exploration Agency (JAXA) to begin the design and production of a demonstration water recycling system for space stations.
- Kurita’s ballast water management system has received basic approval from the International Maritime Organization (IMO). Ballast water is used in ships to ensure stability. Kurita’s system treats ballast water to eliminate aquatic organisms that can have an impact on marine ecosystems.
- In the foodstuffs field, Kurita is working to develop technologies that support crop safety and security, including approaches focusing on microorganisms.



Corporate Social Responsibility

Kurita's CSR Policy

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

Accomplishment of Social Responsibility

Management that respects shareholders	Corporate Governance	→ P.19
Building new relationships with employees	Relationship with Employees	→ P.24
Emphasis on safety and quality	Relationship with Customers	→ P.26
Healthy relationship with suppliers	Relationship with Suppliers	→ P.27
Activities as a good corporate citizen	Environmental Improvement Activities	→ P.28
	Relationship with Local Communities	→ P.30

Corporate Governance

The Kurita Group aims to contribute broadly to society and meet the expectations of its stakeholders through corporate activities in the fields of water and environment.

To realize these aims, the Group has adopted a basic corporate governance policy with two main components. The first is establishing management systems that improve management transparency, efficiency and sustainably to increase corporate value over the long term. The second is rigorous oversight of management and operational execution.

Corporate Governance Structure

Directors and the Board of Directors

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

Executive Committee

The Executive Committee deliberates on important management-related matters to support the decision-making of the Board of Directors, and conducts

checks on the status of progress toward objectives and the implementation of policies and measures. The Executive Committee comprises the president, directors of the rank of managing director or above, the general manager of corporate planning, and other directors and executive officers nominated by the president. The committee meets, in principle, twice monthly, and on an ad hoc basis as necessary.

Executive Officer System

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

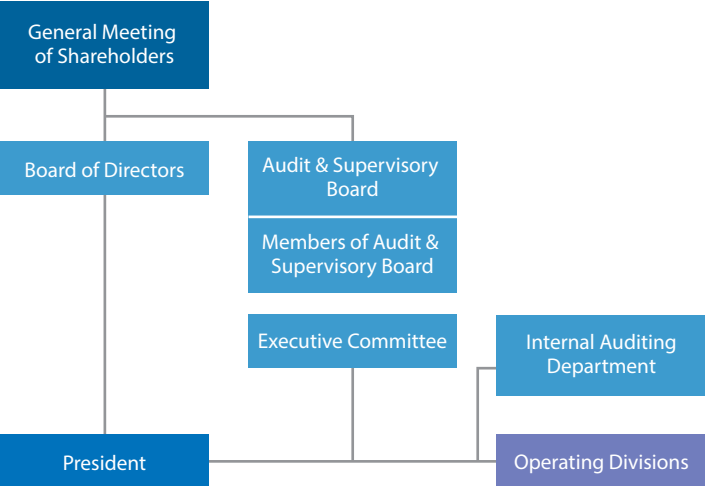
Audit & Supervisory System

Kurita employs an audit & supervisory system. As of June 27, 2014, the Audit & Supervisory Board comprised three members, including two external members. The Audit and Supervisory Board decides on audit policies for the fiscal year, the allocation of duties

Matters relating to Directors and the Board of Directors (June 27, 2014)

Number of directors specified under the Articles of Incorporation	No maximum number specified
Term of appointment of directors under the Articles of Incorporation	1 year
Chair of the Board of Directors	President
Number of directors	10
Number of external directors (within the total above)	1
Number of independent officers specified within external directors	1
Number of Board of Directors' meetings held (fiscal year ended March 31, 2014)	11

Corporate Governance Structure



to each of its members, specific items to be performed, schedules, and other items for executing audits. Based on this framework, each member of the Audit & Supervisory Board then conducts audits.

The members of the Audit & Supervisory Board attend Board of Directors’ meetings, Executive Committee meetings, and other important company meetings and monitor the directors’ execution of duties and the Board of Directors’ fulfillment of its oversight responsibilities. Other responsibilities of the members of the Audit & Supervisory Board include conducting asset status surveys of the entire Group, including subsidiaries, and auditing the development and operation status of internal control systems implemented by the directors.

Internal Audit

The Company has an Internal Auditing Department, which is independent from operational execution functions and reports directly to the president. The Internal Auditing Department—comprising a general manager and eight other staff—conducts internal audits of the Company and its subsidiaries, identifies issues and problems in operational execution, and provides recommendations to the president on improvement measures. From the fiscal year commencing on April 1, 2008, in accordance with the Japanese Financial Instruments and Exchange Act the Company established the Internal Control Reporting System in relation to financial reporting, and carries out monitoring as well as provides recommendations and support for improvements. This system also monitors the status

of risk management and measures for improvement.

Accounting Audit

The Company has appointed Grant Thornton Taiyo ASG LLC as its accounting auditor. Grant Thornton Taiyo ASG LLC provides opinions related to the Group’s financial statements and other matters from the standpoint of an independent accounting auditor.

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

From the perspective of enhancing its corporate governance, the Company strives to ensure ample cooperation between the Internal Auditing Department, Audit & Supervisory Board, and accounting auditor. The members of the Audit & Supervisory Board verify the independence of the accounting auditor and the status of execution of the accounting auditor’s duties. The Audit & Supervisory Board also holds meetings with the accounting auditor regularly and as necessary regarding the accounting audits and exchanges opinions during these meetings. The members of the Audit & Supervisory Board discuss with the Internal Auditing Department the audit plan prepared by the department, and exchange opinions with the department regarding audit results, evaluation of internal control relating to financial reporting, and evaluation of risk management.

External Director and External Members of the Audit & Supervisory Board

The Company appoints an external member of the Board of Directors to provide an objective perspective from outside the Company on the management oversight conducted by the Board of Directors. The Company has appointed one external director and two external members of the Audit & Supervisory Board. Regarding the independence of these external officers, appointments are made of members who have not worked at the Kurita Group and are not affiliated with the Company’s major shareholders, suppliers or customers. This policy is maintained in accordance with the independent decision-making standards established by the Tokyo Stock Exchange, and appointment criteria specify that there should

be no potential for conflict of interest arising with ordinary shareholders.

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

In 2013, Kurita made provision for a limited liability agreement with external directors and external mem-

Meeting Attendance by the External Director and External Members of the Audit & Supervisory Board (fiscal year ended March 31, 2014)

	Number of meetings of the Board of Directors attended	Number of meetings of the Audit & Supervisory Board attended
Total number of meetings held	11	10
Seiji Nakamura*1	9 (all meetings since appointment on June 27)	–
Chiaki Kuzuu*2	11	10
Tamio Uda*2	11	10

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

bers of the Audit & Supervisory Board in the Articles of Incorporation. This was done to facilitate the use of outside human resources with an emphasis on greater independence, with the aim of respecting shareholder profits and increasing management transparency. Pursuant to the provisions of Article 427, Paragraph 1 of the Companies Act, Kurita entered into agreements with Mr. Seiji Nakamura (part-time external director) and Mr. Tamio Uda (part-time external member of the Audit & Supervisory Board) to limit liability, as provided for under Article 423, Paragraph 1 of the Companies Act. The maximum liability provided for under these

agreements is limited to the amount specified under Article 425, Paragraph 1 of the Companies Act.

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

Kurita’s system for compensating directors and members of the Audit & Supervisory Board is intended to create incentives to continuously work to increase the Company’s enterprise value and business results. To this end, the remuneration packages comprise two components: a basic annual salary and a performance-linked component that reflects the Company’s business results. Specifically, for directors the basic annual salary is set separately for each office, while for members of the Audit & Supervisory Board the basic annual salary reflects the full-time or part-time status of the officer. The performance-linked amount is variable and dependent on achievement of performance targets for the fiscal year. To incentivize improved business performance over the medium-to-long term, a certain proportion of the basic annual salary is paid to the Directors’ and Audit & Supervisory Board Members’ Shareholding Scheme and allocated for purchasing the Company’s shares. Based on this policy, the remuneration for each director is decided by the Board of Directors and the remuneration for each member of the Audit & Supervisory Board is decided through deliberation by all of the members of the Audit & Supervisory Board within the total limit set by the General Meeting of Shareholders.

The total amounts of remuneration by officer classification and type as well as the number of officers to whom remuneration was paid for the fiscal year under review

Classification	Total remuneration paid (Millions of yen)	Total remuneration paid by type (Millions of yen)				Number of recipients (Persons)
		Basic remuneration	Stock options	Bonus	Retirement package	
Directors (Excluding external directors)	406	402	–	–	3	12
Members of the Audit & Supervisory Board (Excluding external members of the Audit & Supervisory Board)	32	32	–	–	–	1
External members of the Audit & Supervisory Board	54	54	–	–	–	3

Directors and Members of the Audit & Supervisory Board

As of June 27, 2014

Directors



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



Kaoru Kajii*
2014 Executive Managing Director
General Manager of Facilities Division and Executive Officer overseeing China and General Manager of Global Business Group, Facilities Division (to present)
2013 General Manager of Facilities Division and General Manager of Ultra Pure Water Supply Group, Facilities Division
2011 General Manager of Research and Development Division
2009 Managing Director
2005 Director
1974 Joined Kurita Water Industries Ltd.



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



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

* Representative Director

Directors

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

Youichi Kurokawa
2013 General Manager of Facilities Production Division (to present)
2011 Director (to present)
1984 Joined Kurita Water Industries Ltd.

Toshitaka Kodama
2014 Director
General Manager of Domestic Sales Group I and General Manager of Ultra Pure Water Supply Group, Facilities Division (to present)
2011 Executive Officer
1977 Joined Kurita Water Industries Ltd.

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

Michiya Kadota
2014 Director
General Manager of Administrative Division and General Manager of Finance and Accounting Department, Administrative Division (to present)
2013 Executive Officer
1983 Joined Kurita Water Industries Ltd.

Director

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

Members of the Audit & Supervisory Board

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

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

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

Internal Control System

In May 2006, the Kurita Group formulated the Fundamental Policy Regarding the Establishment of Internal Control Systems in accordance with the requirements of Japan’s Companies Act, and has subsequently been improving its structures in line with this basic policy. The Fundamental Policy Regarding the Establishment of Internal Control Systems has been revised by a Board of Directors’ resolution. To ensure that financial reporting by the Group is carried out appropriately, the Company has established the Internal Control Reporting System in accordance with the Japanese Financial Instruments and Exchange Act. This system is monitored by the Internal Auditing Department and the department provides recommendations and support for improvements.

Compliance

The Kurita Group regards compliance activities as entailing more than simple law abidance. Rather, compliance activities are conceived as ethical practices aimed at realizing five values: fairness, transparency, integrity, safety, and coexistence. These values are set forth in the Code of Ethical Conduct, established in 2000. Kurita then prescribed its Basic Principles and Compliance Guidelines to Practice Ethical Conduct to ensure rigorous compliance with laws, regulations and social ethics in Kurita’s daily business activities.

Kurita has established a Compliance Committee, chaired by a representative director, and a Group Compliance Committee—chaired by the same representative director—comprising representatives from Group companies in Japan. Through these committees, the Kurita Group determines policies and priority measures related to compliance activities. These policies and measures are rigorously implemented among all employees through subcommittees at each headquarters division, business division, and Group company division.

In addition, the Company has established “Whistleblower Protection Rules,” and set up procedures for whistleblowers to discuss and report compliance issues through an internal desk as well as an outside organization. Kurita’s suppliers may also use the

outside organization to discuss compliance-related matters.

Risk Management

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

Among serious risks, those related to compliance are the responsibility of the Compliance Committee head, and their management is strengthened by the Compliance Committee. Those related to labor, health, and safety are the responsibility of the Headquarters Health and Safety Committee head, and their management is strengthened by the Headquarters Health and Safety Committee.

For more information on risks, please refer to page 40.

Information Disclosure and Investor Relations (IR) Activities

The Managing Director and General Manager of the Corporate Planning Division has overall responsibility in managing the corporate information and IR of the Kurita Group. Kurita holds an earnings presentation twice a year, at which time the president explains the results and holds a Q&A session. In addition, the president also conducts overseas meetings twice annually.

Kurita has also set up a dedicated IR website on which the Company discloses earnings presentation materials and a variety of other financial materials.

Relationship with Employees

With the aim of promoting employees’ enthusiasm for work, in its Management Guidelines the Kurita Group strives to provide a diverse range of employment styles for employees to choose from and allows employees to select a working style that enables them to achieve their individual dreams and suits their lifestyle and stage in life.

Developing Human Resources

The Ideal Situation

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

Self-reporting System

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

Creating Opportunities for Personal Development

For operational areas where the Company has needs, Kurita Water Industries has a paid study sabbatical system that provides employees with opportunities to study at educational institutions and research institutions in Japan and overseas, as well as a scholarship program for employees which aims to develop personnel who can contribute to the advancement of society through our business activities. We have also prepared “Global Training” that includes language study with the aim of developing personnel who can operate

Employee Breakdown
Kurita Water Industries (as of April 1, 2014)

Age	Full-time employees	(Management positions therein)
29 and under	281	(0)
30–39	371	(58)
40–49	555	(316)
50 and over	269	(213)
Total	1,476	(587)
Female	188	(5)
Non-Japanese	9	(2)

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

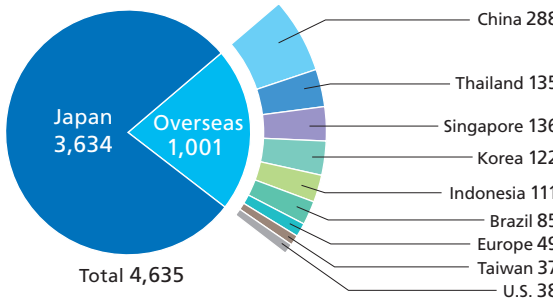
globally, as well as more than 200 distance learning and classroom-based courses for the acquisition of a wide range of knowledge and skills.

Promoting Personnel Diversity

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

- Average age 40.0
- Average service years 16.4 years (Male 16.5 years; Female 15.9 years)
- Ratio of female employees among career track employees 4.3%
- Ratio of local nationals among directors in overseas group companies As of April 1, 2014, seven of 32 directors are local nationals (22%)

Number of Employees by Region
(as of March 31, 2014; Consolidated)



Employment of Personnel with Disabilities

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

As of June 1, 2014, the disabled person employment rate is 2.07%, which surpasses the statutory employment rate (2.0%).

Securing Employment Opportunities for Senior Personnel

In conjunction with the enforcement of the amended Act on Stabilization of Employment of Elderly Persons

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

Between 2006 and April 1, 2014, a total of 276 retirement age personnel secured employment opportunities. As of April 1, 2014, there are 106 retirement age employees who have secured employment opportunities at the Company.

Second Career Support System

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

Realizing a Pleasant Workplace

Child-raising Leave and Shortened Working Hours for Child Raising

In accordance with the Act on Advancement of Measures to Support Raising Next-Generation Children, Kurita Water Industries has established an environment that makes it easier for employees to balance work with raising children. In principle, each employee can take child-raising leave until the day that their child reaches one year and six months of age, but this period can be extended if stipulated conditions are met. As of April 2014, over the past three years a total of 23 employees (including one male employee) have used the childcare leave system, while 427 employees have taken advantage of another system that allows employees raising children to have shortened working hours.

Nursing Care Leave and Shortened Working Hours for Nursing Care

At Kurita Water Industries, employees with a family member who needs nursing care and who wishes to continue to work after taking nursing care leave, may take nursing care leave up to a total of one year (365 days) in principle. Also, employees may use the shortened working hours

system for a cumulative total of up to 12 months per family member depending on the condition of the family member requiring care.

Volunteer Leave System

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

Work Health and Safety

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

We also provide health and safety rules in all overseas Kurita Group companies in accord with local law.

Relationship with Labor Union

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

Respect for Human Rights

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

Environmental Improvement Activities

The Kurita Group’s basic policy for its environmental improvement activities is to operate in keeping with its corporate philosophy and endeavor to resolve water and environmental issues so that it can contribute broadly to society. This is based on recognition of the deep connection between the significance of the Company and our corporate values, and our ability to meet global challenges such as the conservation of the natural environment and the effective use of resources as we strive to add new value and functions to water.

Activity Guidelines and the Three Aspects

Our environmental improvement activities, which reflect the connection between water and the environment and Kurita Group business activities, are

characterized by three guidelines and three aspects. The activity guidelines are as follows.

1. We will contribute to the realization of a sustainable society by developing new products and technologies conducive to environmental improvement.

2. We will work with customers to improve the environment by providing products, technologies, and services that boost productivity, reduce environmental impact and offer innovative energy solutions.

3. In conducting daily business activities, we will reduce environmental impact through operational improvement and innovation.

The three aspects of our environmental improvement activities



Results of Environmental Activities in the Fiscal Year Ended March 31, 2014

Technological Innovation Initiatives

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

environment,” and we establish a theme for the development of new products and technologies. Key results for the year under review were as follows.

New Products and Technologies for Environmental Improvements

Environmental Improvements	New Products and Technologies
CO ₂ emissions reduction	• Chemical agents that reduce fuel consumption by keeping heat transfer surfaces clean in low-pressure boilers
	• Chemical agents that reduce paper defects by preventing pitch adhesions to paper in the papermaking process
Waste reduction and wastewater treatment	• Suspended solids coagulation monitor used for flocculation agents dosage control that reduces sludge volume in wastewater treatment process
	• Space-saving coagulation-sedimentation system characterized by the forming of pelletized sludge in wastewater
	• Fenton (oxidation decomposition) wastewater treatment system that generates less sludge
	• Anaerobic wastewater treatment process for low-concentration organic wastewater using a biofilm grown on carrier media which anaerobically degrades pollutants
	• Aerobic wastewater treatment process that reduces sludge volume by utilizing an ecosystem whereby protozoa feed on sludge
Reducing use of environmentally harmful substances	• Double-bed single-tower (two beds of ion-exchange resins in a single tank) deionizer that needs a relatively small amount of chemical agents (acid / alkali) for regeneration of resins
Remediation technologies for soil and groundwater pollution	• Permeable reactive barrier technology to purify groundwater polluted by heavy metals (fluorine, arsenic, hexavalent chromium)

Initiatives for Meeting Customers’ Needs

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

The main results for the fiscal year ended March 31, 2014, include examples of waste reduction and energy conservation by means of operational improvements using water treatment chemicals based on an analysis of the operational situation of customer utilities.



Refrigerator that achieves operational improvement by means of a data analysis

Internal Change Initiatives

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

The carbon dioxide emissions results in the Kurita Group for the fiscal year ended March 31, 2014, were in excess of those of the previous year as, in addition to the increased amount of energy used due to the additional supply of water in the ultrapure water supply business, the carbon dioxide emissions factor of the power company also increased.

In terms of the absolute amount of waste emitted by the Kurita Group for the fiscal year ended March 31, 2014, the results were in excess of those of fiscal 2013 and we did not achieve our targets due to the additional supply of water in the ultrapure water supply business, and the effect of the increased impact of wastewater.

Specific details are reported in the Environmental Report.

*The Environmental Report for the fiscal year ended March 31, 2014, covers Kurita Water Industries and domestic Group companies regarding data aggregation, and the sales amount covered by the report accounts for 81% of consolidated sales. We are striving to expand coverage to include overseas Group companies in the future.

Topics

Technological Innovation Initiatives

Carrier-type Anaerobic Wastewater Treatment System Wins Prize in the Ministry of Economy, Trade and Industry Awards

In June 2014, the “carrier-type anaerobic wastewater treatment system (Biosaver® TK)” won a prize in the Ministry of Economy Trade and Industry Awards at the 40th Excellent Environmental Equipment Awards hosted by the Japan Society of Industrial Machinery Manufacturers.

Biosaver® TK is a wastewater treatment system that uses plastic carriers with anaerobic microorganisms. The plastic carrier developed by Kurita enables anaerobic treatment to be applied to low concentration wastewater and wastewater consisting of only specific organic compounds, which has been

unsuitable for conventional anaerobic treatment. Since going on sale in 2012, it has become highly regarded for its results in contributing to energy conservation and waste reduction in a wide range of industries, such as foods, beverages, liquid crystal displays and chemicals.



Plastic carriers with anaerobic microorganisms



MANAGEMENT’S DISCUSSION AND ANALYSIS

Business Overview

During the fiscal year ended March 31, 2014, the global economy gradually recovered, driven by a robust United States economy. The European economy—which had stagnated owing to debt crises—bottomed out, while emerging economies, including China, generally showed healthy growth despite the presence of some instability. The Japanese economy staged a steady recovery throughout the fiscal year. Underpinned by the Bank of Japan’s quantitative and qualitative monetary easing as well as the government’s emergency economic stimulus package, the yen’s weakening trend continued and stock prices made further advances. Corporate performance showed a sound recovery, both in the manufacturing and non-manufacturing sectors. Production activity in the domestic manufacturing sector remained at below the previous year’s level through the second half of the fiscal year. Capital investment also lacked vigor, and remained at a weak level.

Against this backdrop, the Kurita Group worked to maximize the combined strengths of its water treatment chemicals, water treatment facilities and maintenance services businesses with the aim of developing into a highly competitive global Group, as it strove to expand its domestic market share and grow its overseas operations. The Group pursued the expansion of business sites focusing on Asia while adding to and developing its work force. The Group focused management resources on growth regions and industries.

However, the operating environment faced by the Group remained harsh. In Japan, the Group suffered from the impact of low capacity utilization rates and weak capital investment by its main customers in the manufacturing sector, leading to decreases in sales and operating income. Overseas, despite an increase in sales driven by growth in demand for water treatment in East Asia and Southeast Asia as well as a correction in the value of the yen, the Group posted a large loss due to such factors as intensified price competition in the electronics industry, a deterioration in the gross profit margin owing to the emergence of unprofitable projects, and an increase in selling, general and administrative (SG&A) expenses. There were also some cancellations and changes in customer capital investment plans, leading to the withdrawal of orders that had been previously booked.

Operating Results

a) Orders

In the fiscal year ended March 31, 2014, the Group focused on growth in both water treatment chemicals and water treatment facilities. In water treatment chemicals, in growth regions overseas—particularly China and Southeast Asia—as well as Japan, the Group worked to expand sales of high-margin products and reduce overall costs. The Group also carried out initiatives to strengthen its services programs, including through the launch of its S-sensing® service, which realizes optimal water treatment based on the use of

sensing technology. In water treatment facilities, the Group strove to leverage its comprehensive capabilities both in Japan and overseas, and undertook measure to reinforce the structure of its maintenance business.

However, both domestically and internationally conditions for winning orders were harsh, and the level of orders fell below that achieved in the previous fiscal year. Total consolidated orders for the Kurita Group in the fiscal year ended March 31, 2014, were ¥173,463 million, down 7.1% compared with the previous fiscal year.

b) Net Sales

Consolidated net sales for the fiscal year ended March 31, 2014 decreased ¥2,006 million, or 1.1%, to ¥178,137 million. In the Water Treatment Chemicals segment, sales rose by ¥2,753 million. However, in the Water Treatment Facilities segment, sales decreased by ¥4,760 million.

c) Cost of Sales and Gross Profit

Cost of sales increased ¥1,823 million, or 1.5%, to ¥122,870 million compared with ¥121,047 million in the previous fiscal year. As a percentage of sales, cost of sales increased 1.8 percentage points to 69.0% compared with 67.2% in the previous fiscal year. This was mainly attributable to a deterioration in the cost of sales ratio in the Water Treatment Facilities segment, with the principal cause being the emergence of unprofitable projects, which led to construction losses and increases in additional costs.

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

SG&A expenses were ¥40,380 million compared with ¥38,106 million in the previous fiscal year. This was an increase of ¥2,274 million, or 6.0%. The main factors driving this increase were increases of ¥885 million in salaries and allowances and ¥172 million in research and development (R&D) expenditures.

e) Operating Income

Operating income was ¥14,886 million, down ¥6,103 million, or 29.1%, compared with ¥20,989 million in the previous fiscal year. The operating margin declined to 8.4% from 11.7% in the previous fiscal year.

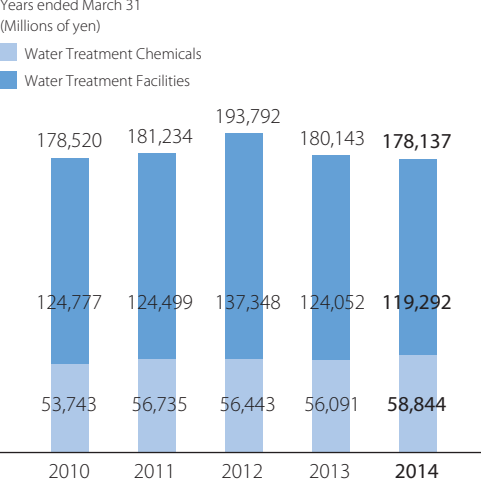
f) Results by Business Segment

Water Treatment Chemicals

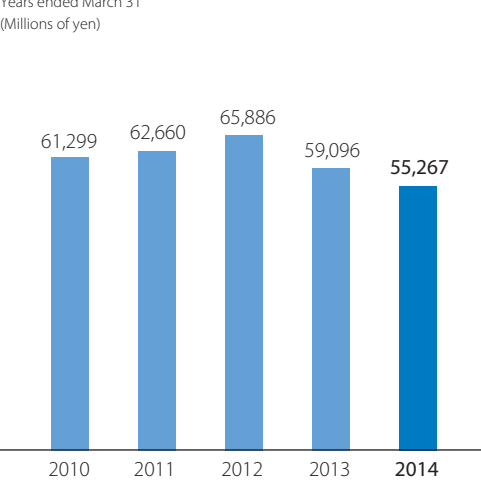
Orders and Sales

In Japan, orders and sales increased for cooling water chemicals and process chemicals for petroleum refining and petrochemicals. However, there were decreases for boiler chemicals, and process chemicals for pulp and paper.

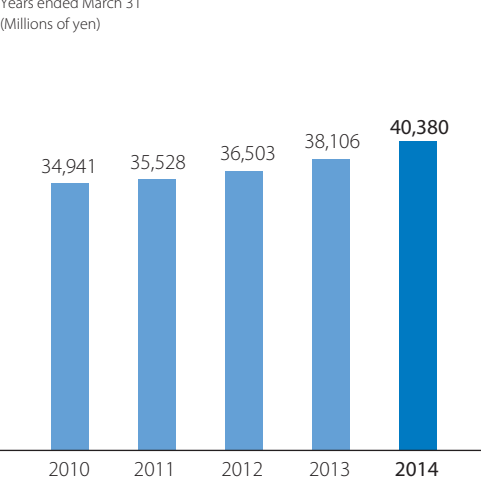
Sales by Segment



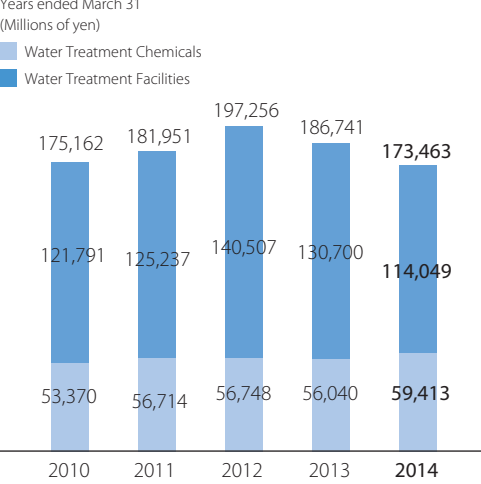
Gross Profit



SG&A Expenses



Orders by Segment





Despite a gradual recovery in the capacity utilization rates at customer factories in the second half of the fiscal year, orders and sales overall slightly decreased. Overseas, centering on China and Southeast Asia, cooling-water chemicals, wastewater treatment chemicals and reverse osmosis (RO) treatment chemicals increased, leading to rises in both orders and sales.

As a result, total Group orders for the Water Treatment Chemicals segment were ¥59,413 million, up 6.0% compared with the previous fiscal year, and sales were ¥58,844 million, up 4.9%.

Operating Income

Segment operating income declined 4.6%, to ¥7,954 million. Factors contributing to this decline included an increase in SG&A expenses driven by the expansion of overseas operations and an accompanying rise in personnel.

Water Treatment Facilities

Orders and Sales

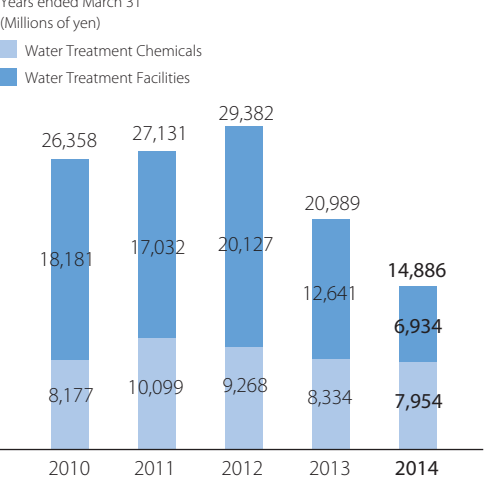
In Japan, despite the ultrapure water supply business in the electronics industry largely proceeding according to plan, orders and sales decreased in water treatment facilities and maintenance services owing to weak capital investment and low capacity utilization at customer factories. In general industries, the cycle of post-earthquake reconstruction demand came to an end, leading to falls in sales of water treatment facilities for electric utilities. However, soil remediation saw increases in orders and sales. Overseas, among projects in East Asia for the electronics sector, there were changes and cancellations in customer capital investment plans, leading to decreases in orders and sales.

As a result, total Group orders for the Water Treatment Facilities segment were ¥114,049 million, down 12.7% compared with the previous fiscal year, and sales were ¥119,292 million, down 3.8%.

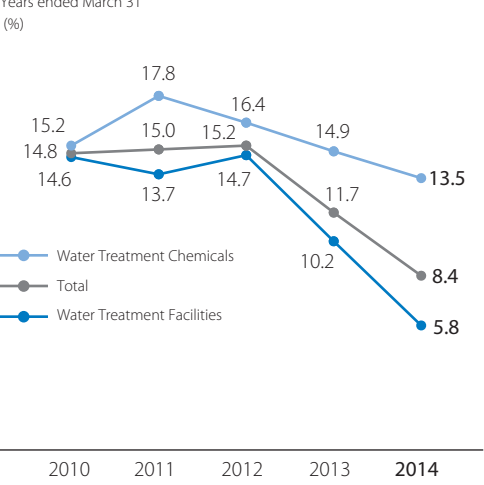
Operating Income

Segment operating income decreased 45.1%, to ¥6,934 million. This was mainly due to construction losses and an increase in additional costs owing to the emergence of unprofitable projects, which led to a deterioration in the cost of sales ratio.

Operating Income by Segment



Operating Margin by Segment



g) Overseas Sales

Sales by Region

Overseas sales rose 10.2%, to ¥33,590 million. The overseas sales ratio within consolidated net sales increased to 18.9% from 16.9% in the previous fiscal year.

Regional Breakdown

Asia: Up 13.7% to ¥27,162 million; 80.9% of total overseas sales

North America: Down 24.8% to ¥1,765 million; 5.3% of total overseas sales

Europe: Up 11.2% to ¥1,330 million; 4.0% of total overseas sales

Other regions: Up 10.0% to ¥3,331 million; 9.9% of total overseas sales

h) Other Income and Expenses

Other income and expenses—net was income of ¥488 million, compared with expenses of ¥1,212 million in the previous fiscal year. This turnaround was mainly attributable to the absence of two large expenses booked in the previous fiscal year—a loss on valuation of investment securities of ¥2,343 million, and impairment losses of ¥1,108 million related to the relocation of the head office.

i) Income before Income Taxes and Minority Interests

Income before income taxes and minority interests decreased 22.3%, to ¥15,375 million compared with ¥19,776 million in the previous fiscal year.

The pretax profit margin decreased to 8.6% from 11.0% in the previous fiscal year.

j) Net Income

After deducting income taxes and minority interests in income, Kurita recorded net income of ¥9,352 million for the fiscal year ended March 31, 2014, an 18.5% decrease compared with ¥11,476 million in the previous fiscal year.

Net income per share decreased to ¥78.48 from ¥92.43 in the previous fiscal year, and the net margin fell to 5.2% from 6.4% in the previous fiscal year.

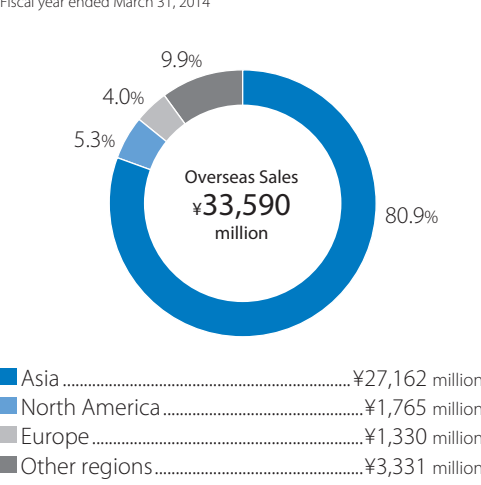
Return on equity (ROE) decreased to 4.4% from 5.5% in the previous fiscal year.

k) Policies on Shareholder Returns

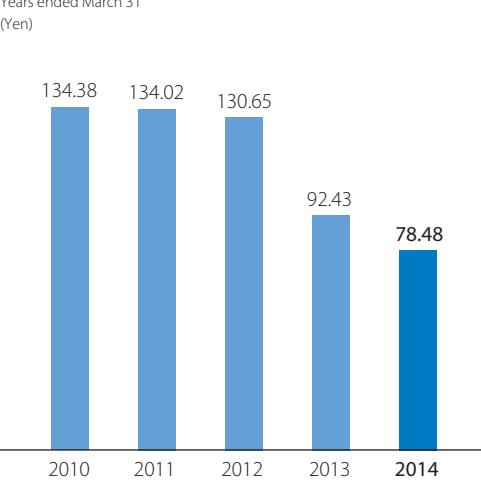
Kurita's basic policy is to pay stable dividends on an ongoing basis. Kurita strives to increase its dividends, taking into consideration earnings performance and investment in its businesses.

Taking into account the future business outlook, and as recognition of shareholder support, for the fiscal year ended March 31, 2014, the Company paid an annual dividend of ¥44 per share (of which ¥22 per share was an interim dividend), an increase of ¥2 per share compared with the ¥42 per share paid in the previous fiscal year (of which ¥21 per share was an interim dividend).

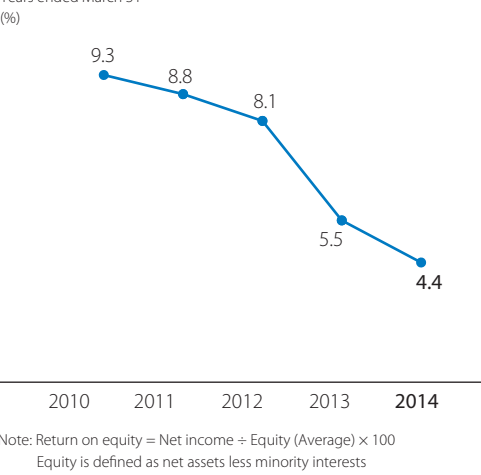
Overseas Sales by Region



Net Income per Share



Return on Equity





Capital Expenditure

The Kurita Group is committed to making investments necessary for technological innovation and production capacity expansion, and to enhance competitiveness in response to intensified sales competition. In the year ended March 31, 2014, capital expenditures totaled ¥5,709 million, a decrease of ¥979 million compared with the previous fiscal year (including leased assets and lease obligations for finance lease transactions that do not transfer ownership).

The Water Treatment Chemicals segment undertook capital expenditure totaling ¥1,792 million, mainly for upgrading water treatment chemicals production facilities. This represented an increase of ¥334 million compared with the previous fiscal year.

The Water Treatment Facilities segment carried out capital expenditure totaling ¥3,917 million, mainly for the installation and expansion of facilities for the ultrapure water supply business. This represented a ¥1.313 million decrease compared with the previous fiscal year.

Depreciation and amortization decreased by 1.9%, to ¥14,774 million.

Research and Development

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

In the fiscal year ended March 31, 2014, Kurita's R&D expenses totaled ¥4,534 million, equivalent to 2.5% of sales. It increased by 3.9% compared to the previous fiscal year.

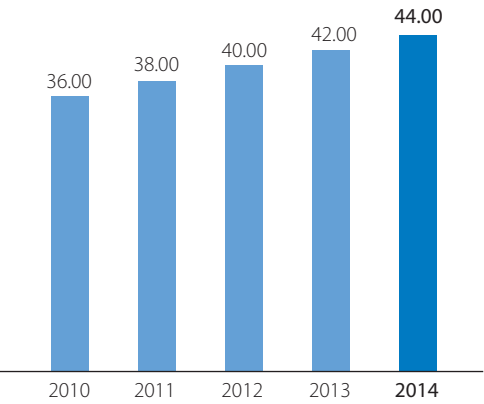
The Kurita Group as a whole employs approximately 170 R&D staff members, equivalent to 3.7% of its total workforce (4,635 on a consolidated basis).

The R&D activities of Water Treatment Chemical segment predominantly consisted of developing chemicals for water treatment, environmental improvement and process enhancement, which help customers improve their energy efficiency, reduce environmental impacts and increase productivity. Other activities include development of monitoring systems for the potency of water treatment chemicals. The segment had the following R&D achievements:

- For small once-through boilers, of which the number of installation is increasing rapidly in recent years, Kurita has developed a new chemical that removes scale, which would lower the boiler efficiency, off the inner surface of the boiler while the boiler is in operation and also prevents a new scale formation. Kurita also has developed a device to optimize the chemical dosage for multiple small once-through boiler units.
- For food manufacturing customers, who strongly focus on food safety, Kurita has increased the lineup of water treatment chemicals that contain only food additive constituents. In addition to conventional boiler chemicals, Kurita has newly developed cooling-water chemicals and pulp and paper process chemicals that only contain food additive ingredients.
- Kurita has developed a sensor which is able to monitor the coagulation state

Dividends per Share

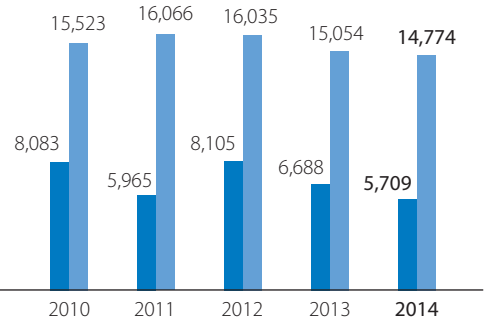
Years ended March 31
(Yen)



Capital Expenditures and Depreciation and Amortization

Years ended March 31
(Millions of yen)

■ Capital Expenditures
■ Depreciation and Amortization



of inorganic flocks and optimize the dosage flocculants. This sensor can be utilized in annual chemical treatment service contracts for wastewater.

The R&D expenses for the Water Treatment Chemical segment for the fiscal year ended March 31, 2014, totaled ¥1,556 million, with a 13.8% increase compared to the previous fiscal year.

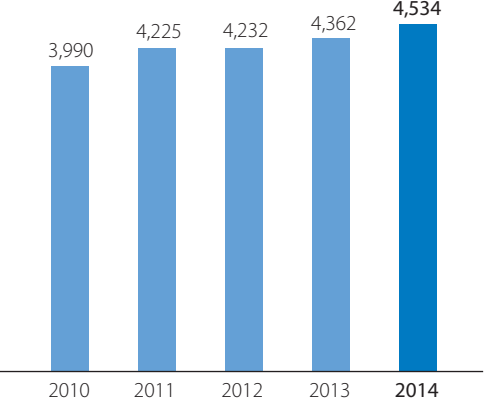
For the Water Treatment Facilities segment, Kurita has strived to further improve ultrapure water quality to contribute to a higher productivity in the electronics industry, and also developed wastewater treatment and soil remediation technologies compatible with future environmental regulations. Kurita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

- Kurita has developed a technology for the removal of fine particles from ultrapure water. This technology can meet the requirements for the semiconductor manufacturing processes, which are seeing advances in the miniaturization of circuits. In addition, Kurita has enhanced the performance of unit processes that make up an ultrapure water production system to improve the quality of ultrapure water production at a reduced cost.
- Kurita has improved and strengthened competitiveness of its coagulation and sedimentation process and biological treatment process, which are core technologies for wastewater treatment systems.
- Kurita has developed an adsorbent, which can remove radioactive strontium from contaminated water generated due to the nuclear power plant accident with a simple operation and at low cost.

The R&D expenses for the Water Treatment Facilities segment for the fiscal year ended March 31, 2014, totaled ¥2,978 million, with a 0.5% decrease compared to the previous fiscal year.

R&D Expenses

Years ended March 31
(Millions of yen)





Financial Position

a) Assets

As of March 31, 2014, Kurita had total assets of ¥274,925 million, an increase of ¥11,345 million compared with ¥263,580 million as of March 31, 2013.

Current Assets

Current assets as of March 31, 2014, totaled ¥162,500 million, an increase of ¥15,626 million compared with ¥146,874 million as of March 31, 2013.

Although notes and accounts receivable, trade, decreased by ¥4,776 million, cash and deposits rose by ¥4,297 million, and marketable securities increased by ¥13,999 million.

The decrease in notes and accounts receivable, trade, and increase in cash and deposits reflected the payment of notes and accounts receivable, trade, according to schedule by customers. The increase in marketable securities was due to an increase in negotiable certificates of deposits, which are treated as marketable securities.

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

As of March 31, 2014, property, plant and equipment, net, totaled ¥77,855 million, a decrease of ¥8,965 million compared with ¥86,820 million as of March 31, 2013.

Investments and long-term receivables were ¥32,991 million as of March 31, 2014, an increase of ¥4,726 million compared with ¥28,265 million a year earlier.

Intangible assets as of March 31, 2014, were ¥1,578 million, a decrease of ¥41 million compared with ¥1,619 million a year earlier.

The decrease in property, plant and equipment, net, was due to depreciation of ultrapure water supply operational facilities exceeding capital expenditure in the year under review.

The increase in investments and long-term receivables was due to an increase in unrealized gains on investment securities driven by rising stock prices.

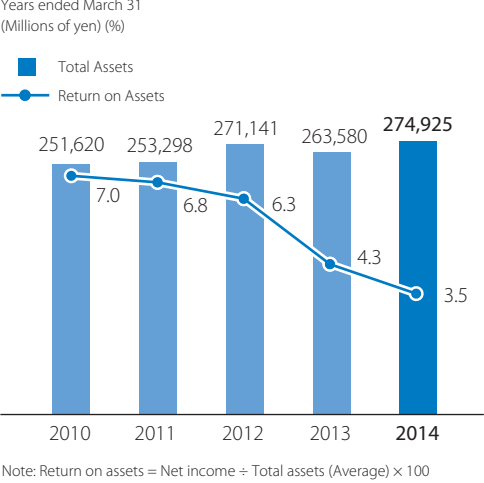
b) Liabilities

As of March 31, 2014, liabilities totaled ¥55,772 million, an increase of ¥1,308 million compared with ¥54,462 million as of March 31, 2013.

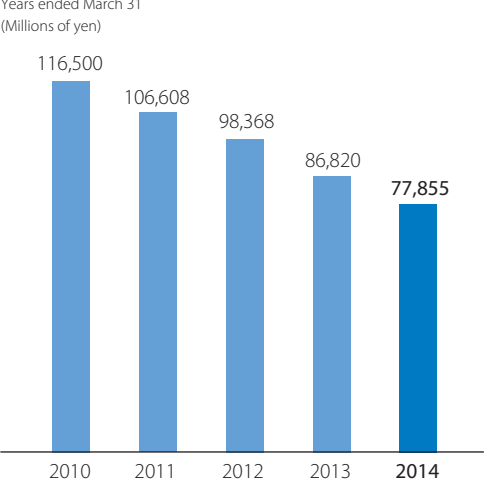
Current Liabilities

Current liabilities as of March 31, 2014, were ¥36,899 million, an increase of ¥1,484 million compared with ¥35,415 million as of March 31, 2013. This was mainly due to an increase in provision for loss on construction of ¥1,308 million, accompanying the emergence of unprofitable projects in the overseas water treatment facilities business.

Total Assets and Return on Assets



Property, Plant and Equipment, Net



Long-term Liabilities

Long-term liabilities as of March 31, 2014, were ¥18,872 million, a slight decrease of ¥174 million compared with ¥19,046 million as of March 31, 2013.

c) Net Assets

As of March 31, 2014, net assets totaled ¥219,153 million, an increase of ¥10,035 million compared with ¥209,118 million as of March 31, 2013. This increase reflects an increase in total shareholders' equity of ¥4,208 million, and an increase in total accumulated other comprehensive income of ¥5,612 million. The rise in total shareholders' equity reflected net income of ¥9,352 million exceeding dividend payments of ¥5,124 million (previous fiscal year year-end dividend and interim dividend for the fiscal year under review). The increase in total accumulated other comprehensive income reflected an increase in unrealized gains on available-for-sale securities of ¥3,783 million due to an increase in unrealized gains on investment securities, and an increase of ¥1,853 million in foreign currency translation adjustments due to the weaker yen. The retirement of treasury stock in the second quarter of the fiscal year under review led to a decrease in treasury stock of ¥21,859 million and a decrease in retained earnings of the same amount. This had no effect on total net assets.

As a result, total assets were ¥274,925 million as of March 31, 2014, an increase of ¥11,345 million compared with ¥263,580 million at the previous fiscal year-end. As of March 31, 2014, Kurita had an equity ratio of 79.2%, up 0.3 percentage point from 78.9% a year earlier. Net assets per share at March 31, 2014, was ¥1,826.84, an increase of ¥82.43 compared with ¥1,744.41 a year earlier.

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

Cash Flows

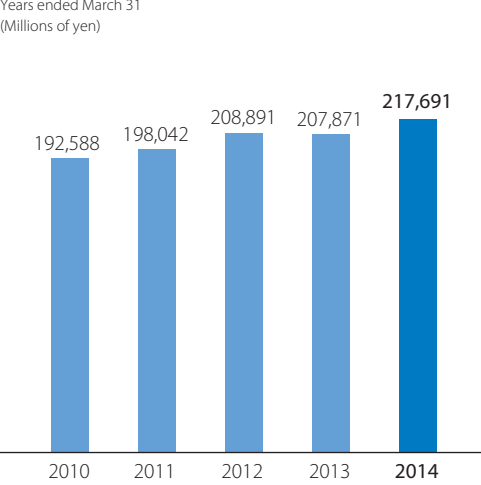
Cash Flows from Operating Activities

Net cash provided by operating activities amounted to ¥29,666 million in the fiscal year ended March 31, 2014, an increase of ¥2,390 million compared with the previous fiscal year. Major items within this total were income before income taxes and minority interests of ¥15,375 million, depreciation and amortization of ¥14,774 million, decrease in trade receivables of ¥4,997 million, and income taxes paid of ¥6,652 million.

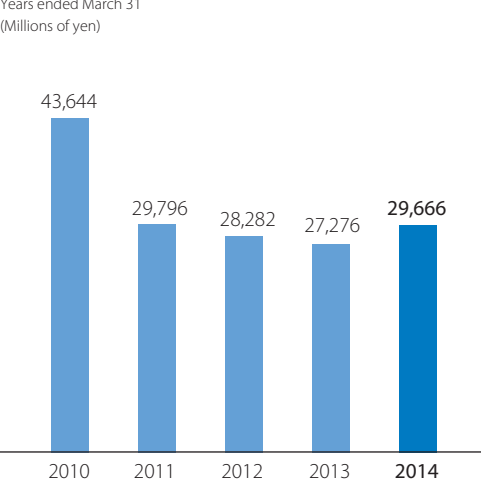
Cash Flows from Investing Activities

Net cash used in investing activities totaled ¥16,676 million, an increase of ¥20,944 million compared with net cash provided by investing activities of ¥4,268 million in the previous fiscal year. Major items within this total were increase in time deposits, net, of ¥1,516 million, the net amount of payments for purchase of marketable securities and investment securities less proceeds

Equity



Cash Flows from Operating Activities





from sale and redemption of marketable securities and investment securities of ¥8,999 million, and payments for purchase of property, plant and equipment, mainly for equipment for the ultrapure water supply business, of ¥5,670 million.

Cash Flows from Financing Activities

Net cash used in financing activities amounted to ¥5,957 million, a decrease of ¥12,604 million compared with the previous fiscal year. The main item was cash dividends paid of ¥5,193 million.

Cash and Cash Equivalents at End of Year

At March 31, 2014, Kurita had cash and cash equivalents totaling ¥41,028 million, an increase of ¥7,715 million compared with March 31, 2013.

Business Risks

The following are summaries of major foreseeable risks present in the business environments in which the Kurita Group operates. Forward-looking statements herein are based on judgments made by management as of March 31, 2014.

1. Economic and Market Conditions

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

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

2. Materials and Parts Procurement

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

3. Overseas Business Development

The Group is striving to expand its business outside Japan. In contrast to the Japanese market, doing business in overseas markets involves a number of inherent risks, including the risk of changes to local laws and regulations, the

risk of political and economic instability, and the risk of foreign exchange rate fluctuations. If such risks materialized, the Group's financial results could be affected.

4. New Product Development

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

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

5. Intellectual Property

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

6. Dependence on Information Systems

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

7. Large-scale Natural Disasters

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



CONSOLIDATED BALANCE SHEETS

Kurita Water Industries Ltd. and Consolidated Subsidiaries
As of March 31, 2014 and 2013

	Millions of yen		Thousands of U.S. dollars (Note 1)
Assets	2014	2013	2014
Current assets:			
Cash and time deposits (Notes 3, 5 and 7)	¥47,336	¥43,039	\$459,577
Notes and accounts receivable, trade (Notes 4 and 5)	57,791	61,387	561,081
Allowance for doubtful accounts	(184)	(104)	(1,791)
Marketable securities (Notes 5 and 6)	47,999	34,000	466,018
Inventories (Note 8)	5,811	4,875	56,424
Deferred tax assets (Note 10)	2,193	1,956	21,293
Other current assets	1,551	1,719	15,067
Total current assets	162,500	146,874	1,577,671
Investments and long-term receivables:			
Investment securities (Notes 5 and 6)	23,004	17,367	223,341
Investments in unconsolidated subsidiaries and affiliates (Note 5)	1,713	1,384	16,635
Deferred tax assets (Note 10)	6,586	7,738	63,941
Other investments	2,097	2,015	20,363
Allowance for doubtful accounts	(409)	(241)	(3,977)
Total investments and long-term receivables	32,991	28,265	320,305
Property, plant and equipment, at cost (Notes 16 and 17):			
Land (Note 13)	13,953	13,984	135,474
Buildings and structures	61,177	59,982	593,955
Machinery and equipment	93,982	87,994	912,455
Construction in progress	1,742	4,074	16,914
Other facilities	11,867	11,368	115,219
Leased assets	7,990	8,183	77,577
Total	190,714	185,589	1,851,597
Accumulated depreciation	(112,859)	(98,768)	(1,095,719)
Property, plant and equipment, net	77,855	86,820	755,877
Intangible assets	1,578	1,619	15,330
Total assets	¥274,925	¥263,580	\$2,669,183

The accompanying notes are an integral part of these statements.

	Millions of yen		Thousands of U.S. dollars (Note 1)
Liabilities and Net Assets	2014	2013	2014
Current liabilities:			
Short-term borrowings and current portion of long-term borrowings lease obligations (Note 9)	¥1,063	¥1,127	\$10,323
Notes and accounts payable, trade (Notes 4 and 5)	18,887	17,973	183,375
Accounts payable, other	5,541	6,857	53,802
Income taxes payable	2,535	2,509	24,612
Advances received	1,995	1,409	19,377
Accrued employees' bonuses	2,246	2,362	21,811
Provision for product warranties	801	774	7,780
Provision for loss on construction contracts	1,311	2	12,728
Other current liabilities	2,516	2,397	24,434
Total current liabilities	36,899	35,415	358,245
Long-term liabilities:			
Lease obligations (Note 9)	5,389	6,020	52,322
Accrued employees' retirement benefits (Note 11)	—	10,835	—
Net defined benefit liability (Note 11)	11,363	—	110,322
Accrued retirement benefits for directors and corporate auditors	98	165	952
Deferred tax liabilities on revaluation of land (Note 13)	1,303	1,303	12,654
Other long-term liabilities (Note 9)	718	721	6,978
Total long-term liabilities	18,872	19,046	183,230
Total liabilities	55,772	54,462	541,475
Net assets:			
Shareholders' equity (Note 12):			
Common stock, 2014 and 2013			
Authorized: 531,000,000 shares			
Issued: 2014—119,164,594 shares	13,450	13,450	130,589
2013—132,800,256 shares	11,426	11,426	110,939
Capital surplus	185,159	202,807	1,797,666
Retained earnings			
Treasury stock, at cost			
2014—1,125 shares	(2)	(21,859)	(23)
2013—13,635,467 shares	210,034	205,826	2,039,172
Total shareholders' equity			
Accumulated other comprehensive income:			
Unrealized gains on available-for-sale securities	7,862	4,079	76,336
Unrealized losses on revaluation of land (Note 13)	(564)	(564)	(5,482)
Foreign currency translation adjustments	384	(1,469)	3,734
Remeasurements of defined benefit plans (Note 11)	(25)	—	(246)
Total accumulated other comprehensive income	7,657	2,045	74,341
Minority interests	1,461	1,246	14,193
Total net assets	219,153	209,118	2,127,707
Liabilities and net assets	¥274,925	¥263,580	\$2,669,183



CONSOLIDATED STATEMENTS OF INCOME AND

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Kurita Water Industries Ltd. and Consolidated Subsidiaries
For the years ended March 31, 2014 and 2013

CONSOLIDATED STATEMENTS OF INCOME

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2014	2013	2014
Net sales (Note 19)	¥178,137	¥180,143	\$1,729,489
Cost of sales (Note 14)	122,870	121,047	1,192,913
Gross profit	55,267	59,096	536,576
Selling, general and administrative expenses (Note 15)	40,380	38,106	392,043
Operating income (Note 19)	14,886	20,989	144,532
Other income (expenses):			
Interest and dividend income	501	501	4,867
Foreign exchange gains	174	120	1,692
Interest expense	(60)	(78)	(589)
Settlement	(56)	—	(548)
Equity in earnings of unconsolidated subsidiaries and affiliates	302	348	2,941
Loss on disposal of properties	(23)	(49)	(232)
Rent expenses on properties	(24)	(17)	(233)
Gain on sales of properties (Note 16)	—	1,051	—
Gain on sale of investment securities (Note 6)	—	403	—
Gain on discontinuation of approved retirement annuity system (closed-type)	—	137	—
Impairment losses (Note 17)	—	(1,108)	—
Provision for building demolition expenses (Note 16)	(197)	(410)	(1,912)
Contribution (Note 16)	(500)	—	(4,854)
Loss on valuation of investment securities (Note 6)	—	(2,343)	—
Other, net	372	232	3,614
Other income (expense), net	488	(1,212)	4,744
Income before income taxes and minority interests	15,375	19,776	149,277
Income taxes (Note 10):			
Current	6,614	8,660	64,222
Deferred	(737)	(452)	(7,160)
Total income taxes	5,877	8,208	57,062
Income before minority interests	9,498	11,568	92,215
Minority interests in income	145	92	1,416
Net income	¥9,352	¥11,476	\$90,799

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2014	2013	2014
Income before minority interests	¥9,498	¥11,568	\$92,215
Other comprehensive income (Note 18):			
Unrealized gains on available-for-sale securities	3,782	3,824	36,724
Foreign currency translation adjustments	1,792	1,069	17,403
Share of other comprehensive income of associates accounted for using equity method	204	133	1,989
Total other comprehensive income	5,780	5,027	56,118
Comprehensive income	¥15,278	¥16,595	\$148,333
Comprehensive income attributable to			
Comprehensive income attributable to owners of parent	¥14,989	¥16,406	\$145,528
Comprehensive income attributable to minority interests	288	189	2,804

	Yen		U.S.dollars (Note 1)
	2014	2013	2014
Per share of common stock (Note 21):			
Net income	¥78.48	¥92.43	\$0.76
Cash dividends applicable to the year	44.00	42.00	0.43

The accompanying notes are an integral part of these statements.

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

Kurita Water Industries Ltd. and Consolidated Subsidiaries
For the years ended March 31, 2014 and 2013

	Millions of yen											
	Shareholders' equity (Note 12)					Accumulated other comprehensive income						
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Unrealized gains on available-for-sale securities	Unrealized losses on revaluation of land (Note 13)	Foreign currency translation adjustments	Remeasure-ments of defined benefit plans	Total accumu-lated other comprehensive income	Minority interests	Total net assets
Balance as of March 31, 2012	¥13,450	¥11,426	¥196,541	¥(9,642)	¥211,776	¥252	¥(564)	¥(2,572)	¥—	¥(2,884)	¥1,110	¥210,002
Changes during the year												
Cash dividends paid			(5,193)		(5,193)							(5,193)
Other			(16)		(16)							(16)
Net income for the year			11,476		11,476							11,476
Acquisition of treasury stock				(12,216)	(12,216)							(12,216)
Retirement of treasury stock					—							—
Reversal of unrealized gains (losses) on revaluation of land			(0)		(0)							(0)
Net changes of net assets other than shareholders' equity						3,826	0	1,103	—	4,930	135	5,065
Total changes during the year	—	—	6,266	(12,216)	(5,950)	3,826	0	1,103	—	4,930	135	(884)
Balance as of March 31, 2013	¥13,450	¥11,426	¥202,807	¥(21,859)	¥205,826	¥4,079	¥(564)	¥(1,469)	¥—	¥2,045	¥1,246	¥209,118
Changes during the year												
Cash dividends paid			(5,124)		(5,124)							(5,124)
Other			(17)		(17)							(17)
Net income for the year			9,352		9,352							9,352
Acquisition of treasury stock				(2)	(2)							(2)
Retirement of treasury stock			(21,859)	21,859	—							—
Reversal of unrealized gains (losses) on revaluation of land					—							—
Net changes of net assets other than shareholders' equity						3,783	—	1,853	(25)	5,611	215	5,827
Total changes during the year	—	—	(17,648)	21,856	4,208	3,783	—	1,853	(25)	5,611	215	10,035
Balance as of March 31, 2014	¥13,450	¥11,426	¥185,159	¥(2)	¥210,034	¥7,862	¥(564)	¥384	¥(25)	¥7,657	¥1,461	¥219,153

	Thousands of U.S. dollars (Note 1)											
	Shareholders' equity (Note 12)					Accumulated other comprehensive income						
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Unrealized gains on available-for-sale securities	Unrealized losses on revaluation of land (Note 13)	Foreign currency translation adjustments	Remeasure-ments of defined benefit plans	Total accumu-lated other comprehensive income	Minority interests	Total net assets
Balance as of March 31, 2013	\$130,589	\$110,939	\$1,969,009	\$(212,223)	\$1,998,315	\$39,603	\$(5,482)	\$(14,263)	\$—	\$19,858	\$12,100	\$2,030,273
Changes during the year												
Cash dividends paid			(49,748)		(49,748)							(49,748)
Other			(165)		(165)							(165)
Net income for the year			90,799		90,799							90,799
Acquisition of treasury stock				(27)	(27)							(27)
Retirement of treasury stock			(212,228)	212,228	—							—
Reversal of unrealized gains (losses) on revaluation of land					—							—
Net changes of net assets other than shareholders' equity						36,732	—	17,997	(246)	54,483	2,093	56,576
Total changes during the year	—	—	(171,343)	212,200	40,857	36,732	—	17,997	(246)	54,483	2,093	97,434
Balance as of March 31, 2014	\$130,589	\$110,939	\$1,797,666	\$(23)	\$2,039,172	\$76,336	\$(5,482)	\$3,734	\$(246)	\$74,341	\$14,193	\$2,127,707

The accompanying notes are an integral part of these statements.



CONSOLIDATED STATEMENTS OF CASH FLOWS

Kurita Water Industries Ltd. and Consolidated Subsidiaries
For the years ended March 31, 2014 and 2013

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2014	2013	2014
I. Cash flows from operating activities			
Income before income taxes and minority interests	¥15,375	¥19,776	\$149,277
Depreciation and amortization	14,774	15,054	143,441
Increase in accrued employees' retirement benefits	—	464	—
Increase in net defined benefit liability	454	—	4,414
Increase (decrease) in other allowances	1,559	(379)	15,136
Equity in earnings of unconsolidated subsidiaries and affiliates	(302)	(348)	(2,941)
Interest and dividend income	(501)	(501)	(4,867)
Interest expense	60	78	589
Gain on sales and disposal of properties	14	(1,000)	144
Impairment loss	—	1,108	—
Gain on sales of investment securities	(0)	(403)	(8)
Loss on valuation of investment securities	—	2,343	—
Changes in assets and liabilities:			
Decrease in trade receivables	4,997	6,095	48,552
Decrease (increase) in inventories	(673)	808	(6,541)
Decrease in trade payables	(26)	(4,005)	(253)
Decrease (increase) in other assets	204	(76)	1,986
Increase (decrease) in other liabilities	(222)	173	(2,160)
Others, net	121	221	1,175
	35,835	39,409	347,916
Interest and dividends received	751	730	7,291
Interest paid	(62)	(73)	(610)
Income taxes paid	(6,652)	(13,152)	(64,590)
Others, net	(204)	361	(1,987)
Net cash provided by operating activities	29,666	27,276	288,019
II. Cash flows from investing activities			
Decrease in time deposits, net	(1,516)	7,895	(14,726)
Payments for purchase of property, plant and equipment	(5,670)	(5,048)	(55,052)
Proceeds from sale of property, plant and equipment	105	3,356	1,023
Payments for purchase of marketable securities and investment securities	(100,145)	(76,510)	(972,282)
Proceeds from sale and redemption of marketable securities and investment securities	91,004	75,117	883,537
Others, net	(454)	(541)	(4,409)
Net cash used in investing activities	(16,676)	4,268	(161,910)
III. Cash flows from financing activities			
Decrease in short-term borrowings, net	(164)	(494)	(1,594)
Proceeds from long-term loans payable	—	58	—
Repayment of long-term loans payable	—	(89)	—
Cash dividends paid	(5,122)	(5,192)	(49,733)
Cash dividends paid to minority shareholders of consolidated subsidiaries	(71)	(49)	(696)
Payments for lease obligations	(595)	(579)	(5,785)
Payments for purchase of treasury stock, net	(2)	(12,216)	(27)
Net cash used in financing activities	(5,957)	(18,561)	(57,837)
IV. Effect of exchange rate changes on cash and cash equivalents	683	503	6,637
V. Net increase in cash and cash equivalents	7,715	13,487	74,910
VI. Cash and cash equivalents at beginning of year	33,313	19,825	323,427
VII.Cash and cash equivalents at end of year (Note 3)	¥41,028	¥33,313	\$398,337

The accompanying notes are an integral part of these statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Kurita Water Industries Ltd. and Consolidated Subsidiaries

1. Basis of presentation of consolidated financial statements

Kurita Water Industries Ltd. (the “Company”) and its domestic subsidiaries maintain their books of account and prepare their financial statements in accordance with accounting principles and practices generally accepted in Japan, while its foreign subsidiaries maintain their books of account and prepare their financial statements in conformity with those of the countries of their domicile. Certain accounting principles and practices generally accepted in Japan are different from International Financial Reporting Standards and standards in other countries in certain respects as to application and disclosure requirements. Accordingly, the accompanying consolidated financial statements are intended for use by those who are informed about Japanese accounting principles and practices.

The Company’s consolidated financial statements, prepared in accordance with accounting principles and practices generally accepted in Japan, were filed with the Japanese Ministry of Finance and the Tokyo Stock Exchange as required by the Financial Instruments and Exchange Law of Japan.

Certain reclassifications of accounts and modifications have been made in the accompanying consolidated financial statements to facilitate understanding by readers outside Japan. In addition, certain reclassifications have been made in the 2013 financial statements to conform to the classification used in 2014.

All figures in the consolidated financial statements and notes are stated in millions of Japanese yen by discarding fractional amounts of less than ¥1 million. As a result, the totals shown in the consolidated financial statements and notes in yen do not necessarily agree with the sum of the individual amounts.

The translation of yen amounts as of or for the year ended March 31, 2014 into U.S. dollars is included solely for the convenience of readers and has been made, as a matter of arithmetical computation only, at the rate of ¥103 to US\$1, the prevailing rate on the Tokyo Foreign Exchange Market on March 31, 2014. The translation should not be construed as a representation that yen amounts have been, could have been or could in the future be converted into U.S. dollars at the above or any other rate.

2. Significant accounting policies

(1) Consolidation

Scope of consolidation

The consolidated financial statements included the accounts of the Company and its significant subsidiaries (together, the “Group”). For the years ended March 31, 2014 and 2013, 36 and 37 subsidiaries were consolidated, respectively.

Under the control concept, those companies in which the Company, directly or indirectly, is able to exercise control over operations are fully consolidated.

All significant inter-company transactions and balances have been eliminated in consolidation.

Names of principal consolidated subsidiaries:

- Kuritaz Co., Ltd.
- Kurita Engineering Co., Ltd.
- Kuritec Service Co. Ltd.
- Kurita Chemical Manufacturing Ltd.

Fiscal years of consolidated subsidiaries

The fiscal years of Kurita (Singapore) Pte. Ltd. and 11 (12 in 2013) other consolidated subsidiaries end on December 31. For these consolidated subsidiaries, the financial statements as of December 31 were used for consolidation purposes. However, material transactions that have occurred during the three-month period from January 1 to March 31 of the following year have been adjusted as necessary for consolidation.

Amortization of goodwill

Goodwill is amortized using the straight-line method over three years, except for minor amounts that are charged to income in the period of acquisition.

(2) Equity method

Scope of equity method application

Under the influence concept, significant investments in unconsolidated subsidiaries and affiliates over which the Company has the ability to exercise significant influence with regard to the operating and financial policies of the investees are accounted for by the equity method. For the years ended March 31, 2014 and 2013, 5 and 3 companies were accounted for by the equity method, respectively.

Name of principal company applying the equity method:
Kurita Sogo Service Co., Ltd.

Investments in the remaining unconsolidated subsidiaries and affiliates were stated at cost. If the equity method of accounting had been applied to the investments in these companies, the effect on the accompanying consolidated financial statements would not be material.

Fiscal years of companies accounted for by the equity method

Adjustments were made to the financial statements of the companies accounted for by the equity method whose fiscal year-ends were not identical to the Company.

(3) Cash and cash equivalents

Cash and cash equivalents in the consolidated statements of cash flows are composed of cash on hand, readily available bank deposits, and short-term investments with an original maturity of three months or less and subject to a minor risk of fluctuations in value.

(4) Available-for-sale securities

Available-for-sale securities that have available fair values are stated at fair value at the balance sheet date, with resulting unrealized holding gains and losses reported as a separate component of net assets. Available-for-sale securities with no available fair values are stated at cost computed by the moving-average method. The cost of sold securities is computed by the moving-average method.

(5) Inventories

Inventories held for sale in the ordinary course of business are stated at the lower of cost determined by the moving-average method, except for work in process determined by the specific-identification method, or net selling value.

(6) Derivative transactions

Derivative transactions utilized by the Group are composed of only forward currency contracts entered into when necessary to hedge the market risk, as the Company maintains the policy not to engage in speculative transactions. The Company believes that the risk of counterparty default is negligible because its forward currency contracts are entered into only with banks with high credit ratings. In addition, transactions in forward currency contracts are executed and managed by the finance and accounting department on a contract-by-contract basis after they have been approved by prescribed internal procedures.

(7) Depreciation of property, plant and equipment

Property, plant and equipment is depreciated by the declining-balance method for the Company and its domestic consolidated subsidiaries, except for buildings (other than building equipment) acquired on and after April 1, 1998, and ultrapure water supply equipment located at clients’ sites, for which the straight-line method is applied. The straight-line method is applied by foreign consolidated subsidiaries.

The estimated useful lives of these assets are as follows:

Buildings and structures:	2–65 years
Machinery and equipment:	4–10 years

(8) Impairment of long-lived assets

The Company reviews its long-lived assets for impairment in accordance with the accounting standards for impairment of fixed assets whenever events or changes in circumstances indicate the carrying amount of an asset or asset group may not be recoverable. An impairment loss would be recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group. The impairment loss would be measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or the net selling price at disposition.

(9) Accrued employees’ bonuses

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

(10) Provision for loss on construction contracts

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

(11) Accounting method for employees’ retirement benefits

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

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

(Change in accounting policies)
Effective from the end of the year ended March 31, 2014, the Group adopted “Accounting Standard for Retirement Benefits” (Accounting Standards Board of Japan (“ASBJ”) Statement No. 26, May 17, 2012) and “Guidance on Accounting Standard for Retirement Benefits” (ASBJ Guidance No. 25, May 17, 2012), except the article 35 of the standard and the article 67 of the guidance. Under the standard and the guidance, retirement benefit obligations are recorded as net defined benefit liability and unrecognized actuarial differences are also recorded in net defined benefit liability

With regards to the application of the standard and the guidance, the effect of this change is recognized in remeasurements of defined benefit plans in accumulated other comprehensive income in accordance with the transitional treatment in article 37 of the standard.

As a result of this change, net defined benefit liability of ¥11,363 million (US\$110,322 thousand) was recorded, deferred tax assets increased by ¥14 million (US\$136,009 thousand) and accumulated other comprehensive income decreased by ¥25 million (US\$246 thousand) at March 31, 2014.



(12) Leases

Finance leases which do not transfer ownership are capitalized to recognize leased assets and lease obligations in the consolidated balance sheets. Leased assets are depreciated using the straight-line method over the respective lease periods without residual value.

(13) Consumption taxes

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

(14) Construction contracts

The percentage-of-completion method has been applied to the contracts if the outcome of the construction activity is deemed certain for the percentage of performance of the contractor's obligation at the end of the balance sheet date, otherwise the completed-contract method is applied. The percentage of completion is determined using the cost incurred to the estimated total cost.

(15) Foreign currency translation

Monetary receivables and payables denominated in foreign currency are translated using the spot exchange rate prevailing at the balance sheet date, and the differences are charged to income as foreign exchange gains or losses.

Foreign subsidiaries' assets and liabilities are translated using the spot exchange rate at their balance sheet dates, and their income and expenses are translated using the average exchange rate during the year. The translation differences are recorded in "Foreign currency translation adjustments" and "Minority interests" in net assets.

(16) Appropriation of retained earnings

The accompanying consolidated statements of changes in net assets reflect the appropriations of retained earnings of the Company in the fiscal year in which the appropriations are approved at the general shareholders' meeting.

(17) Earnings per share

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

(18) New accounting pronouncements

Accounting standard for retirement benefits

On May 17, 2012, the ASBJ issued ASBJ Statement No. 26, "Accounting Standard for Retirement Benefits" and ASBJ Guidance No. 25, "Guidance on Accounting Standard for Retirement Benefits," which replaced the Accounting Standard for Retirement Benefits that had been issued by the Business Accounting Council in 1998 with effective date of April 1, 2000 and the other related practical guidance, being followed by partial amendments from time to time through 2009.

These accounting standards were revised mainly on a processing method of unrecognized actuarial loss and unrecognized prior service cost, a calculation method of retirement benefit obligations and service cost and expansion of the disclosure based on a point of view that improved a financial report and an international trend.

The Company expects to apply the revision on the calculation method of retirement benefit obligations and service cost from the beginning of the annual period ending on March 31, 2015.

The effect of application of the revised accounting standard on operating income and income before income taxes and minority interests for the year ending March 31, 2015 is expected to immaterial.

(19) Reclassifications

Certain reclassifications have been made in the 2013 consolidated financial statements to conform to the 2014 presentation. These reclassifications had no impact on previously reported results of operations.

3. Reconciliation between cash and cash equivalents

The reconciliation between the fiscal year-end cash and cash equivalents (See Note 2 (3)) in the consolidated statements of cash flows and cash and time deposits in the consolidated balance sheet items is as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2014	2013	2014
Cash and time deposits	¥47,336	¥43,039	\$459,577
Time deposits with original maturity of more than three months	(11,307)	(9,726)	(109,784)
Certificates of deposits included in marketable securities, excluding deposits maturing over three months	5,000	—	48,543
Cash and cash equivalents	¥41,028	¥33,313	\$398,337

4. Trade notes with maturity on the balance sheet date

The following amount of trade notes had March 31, 2014 and 2013 as their maturity date, which fell on a holiday of financial institutions. These trade notes were accounted for as if they had been cleared on their maturity date.

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2014	2013	2014
Notes receivable	¥—	¥629	\$—
Notes payable	—	195	—

5. Financial instruments and related disclosures

(1) Policy for financial instruments

The Group invests its funds in low risk financial assets (deposits, etc.) in principle. The Group finances its working fund and capital investment fund internally and does not need external funds, but may raise necessary funds from external resources in case of special demand for significant capital investment, if any. In such cases, financing from external resources would be possible without any problem thanks to our sound financial position. With respect to derivatives, only forward foreign currency contracts are used if necessary to avoid foreign exchange risk, and not for speculative purposes.

(2) Nature of financial instruments and their related risks

Trade receivables such as notes and accounts are exposed to customer credit risk. Certain trade receivables denominated in foreign currencies arising from overseas operations are exposed to the market risk of fluctuation in foreign currency exchange rates.

Marketable securities and investment securities are exposed to the risk of market price fluctuations and business risk of the investees.

Payment terms of trade payables such as notes and accounts are mostly less than one year. Lease obligations under finance lease transactions are mainly related to ultrapure water supply business and its payment term is 15 years (16 in 2013) later at maximum.



(3) Risk management system for financial instruments

Credit risk management (customers’ default risk):

The Company manages its credit risk involved in trade receivables based on the Credit Control Policy and Manual. The Control Division of each business unit and the Legal Department collect credit information on a regular basis and control the payment terms and outstanding balances by customer, and the Company is making efforts to prevent them from damages and to improve the soundness of the transactions by monitoring the default risk of customers due to the deterioration of their financial position at an early stage. The consolidated subsidiaries are also making efforts to reduce credit risk by controlling payment terms and outstanding balances of customers. Counterparties of forward foreign currency contracts to be used to avoid foreign exchange risk when necessary are limited to high-credit-rating financial institutions and accordingly, we believe there is very little credit risk.

Market risk management (foreign exchange risk and interest rate risk):

The Company and certain consolidated subsidiaries utilize forward foreign currency contracts to hedge the market risk of fluctuations in foreign exchange rates involved in trade receivables and payables by currency and by month. Forward foreign currency contracts are executed and controlled by the Finance Department after the individual contract is approved in accordance with the predetermined rule.

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

The Finance Departments of the Company and its consolidated subsidiaries prepare and update the fund management plan every month based on reports from each business unit and hold a sufficient amount of liquidity in hand and manage the liquidity risk.

Carrying amounts, fair values and unrealized gain (loss) of financial instruments at March 31, 2014 and 2013 were as follows (financial instruments whose fair values cannot be reliably determined are not included in the following table):

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

	Thousands of U.S. dollars (Note 1)		
	Carrying amount	Fair value	Difference
At March 31, 2014			
Cash and time deposits	\$459,577	\$459,577	\$—
Notes and accounts receivable, trade	561,081	561,081	—
Marketable securities and investment securities Available-for-sale securities	688,476	688,476	—
Total assets	\$1,709,135	\$1,709,135	\$—
Notes and accounts payable, trade	\$183,375	\$183,375	\$—
Total liabilities	\$183,375	\$183,375	\$—

	Millions of yen		
	Carrying amount	Fair value	Difference
At March 31, 2013			
Cash and time deposits	¥43,039	¥43,039	¥—
Notes and accounts receivable, trade	61,387	61,387	—
Marketable securities and investment securities Available-for-sale securities	51,277	51,277	—
Total assets	¥155,705	¥155,705	¥—
Notes and accounts payable, trade	¥17,973	¥17,973	¥—
Total liabilities	¥17,973	¥17,973	¥—
Derivatives	¥ —	¥ —	¥—

Notes:

- a. Computation method of fair values
Cash and time deposits and notes and accounts receivable, trade:
Fair values approximate carrying amounts because of their short maturities.
Marketable securities and investment securities:
Fair values approximate carrying amounts because of their short maturities since marketable securities consist of certificates of deposits and commercial paper. Fair values of investment securities are determined based on the quoted market price of the stock exchange.
Notes and accounts payable, trade:
Fair values approximate carrying amounts because of short maturities.
Derivatives:
For the year ended March 31, 2013, these derivatives are accounted for together with time deposits designated as a hedged item. Therefore, the fair value of such derivatives is included in that of time deposits. (Note2 (6))
For the year ended March 31, 2014, derivatives are not disclosed because they are not material.
Detail and information are discussed in Note 7.
- b. Financial instruments whose fair values cannot be reliably determined are as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2014	2013	2014
Unlisted equity securities (Unlisted shares)	¥91	¥90	\$883
(Shares of unconsolidated subsidiaries and affiliates)	¥1,713	¥1,384	\$16,635

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

c. Maturities of monetary receivables and securities after the balance sheet date:

	Millions of yen			
	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
At March 31, 2014				
Deposits	¥47,303	¥—	¥—	¥—
Notes and accounts receivable, trade	57,791	—	—	—
Marketable securities and investment securities Available-for-sale securities with maturities (Certificates of deposits)	47,000	—	—	—
Marketable securities and investment securities Available-for-sale securities with maturities (Commercial paper)	999			
Total	¥153,094	¥—	¥—	¥—



	Thousands of U.S. dollars (Note 1)			
	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
At March 31, 2014				
Deposits	\$459,255	\$—	\$—	\$—
Notes and accounts receivable, trade	561,081	—	—	—
Marketable securities and investment securities				
Available-for-sale securities with maturities (Certificates of deposits)	456,310	—	—	—
Marketable securities and investment securities				
Available-for-sale securities with maturities (Commercial paper)	9,707			
Total	\$1,486,355	\$—	\$—	\$—

6. Marketable securities and investment securities

(1) Available-for-sale securities with fair value at March 31, 2014 and 2013 are summarized as follows:

	Millions of yen		
	Carrying amount	Acquisition cost	Difference
At March 31, 2014			
Carrying amount exceeding acquisition cost:			
Stocks	¥22,841	¥11,198	¥10,842
Bonds	—	—	—
Other	—	—	—
Subtotal	22,841	11,198	10,842
Carrying amount not exceeding acquisition cost:			
Stocks	71	96	(24)
Bonds	—	—	—
Other	—	—	—
Subtotal	71	96	(24)
Total	¥22,913	¥12,095	¥10,818

	Thousands of U.S. dollars (Note 1)		
	Carrying amount	Acquisition cost	Difference
At March 31, 2014			
Carrying amount exceeding acquisition cost:			
Stocks	\$221,763	\$116,493	\$105,269
Bonds	—	—	—
Other	—	—	—
Subtotal	\$221,763	\$116,493	\$105,269
Carrying amount not exceeding acquisition cost:			
Stocks	694	934	(240)
Bonds	—	—	—
Other	—	—	—
Subtotal	694	934	(240)
Total	\$222,458	\$117,428	\$105,029

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

	Millions of yen		
	Carrying amount	Acquisition cost	Difference
At March 31, 2013			
Carrying amount exceeding acquisition cost:			
Stocks	¥16,679	¥11,198	¥5,481
Bonds	—	—	—
Other	—	—	—
Subtotal	16,679	11,198	5,481
Carrying amount not exceeding acquisition cost:			
Stocks	598	756	(157)
Bonds	—	—	—
Other	—	—	—
Subtotal	598	756	(157)
Total	¥17,277	¥11,954	¥5,323

Notes:
The above table does not include negotiable deposits that have not been assigned a market value (value on consolidated balance sheets: ¥34,000 million) and unlisted shares (value on consolidated balance sheets: ¥90 million).

(2) Available-for-sale securities sold during the years ended March 31, 2014 and 2013 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2014	2013	2014
Sales amount	¥4	¥617	\$42
Total gains on sales	0	411	8
Total losses on sales	—	7	—

(3) Loss on valuation of available-for-sale securities
The Company recognizes loss valuation for the full amount of securities when the fair value declines below 50% of the acquisition cost, and for amounts deemed necessary after consideration of recoverability when the fair value declines by 30 to 50% of the acquisition cost. For the year ended March 31, 2013, loss on valuation recognized on equity securities classified as available-for-sale securities amounted to ¥2,343 million.



7. Derivatives

All Derivatives held by the Group as of March 31, 2014 and 2013 have been applied the hedge accounting.

Derivatives for which hedge accounting applied at March 31, 2013 are as follows:

Currency related

At March 31, 2013	Hedging instrument	Hedge item	Millions of yen		Fair value
			Contract amount	Contracts longer than one year	
	Forward currency contracts: Selling Yuan Renminbi	Time deposits	¥4,000	—	Note

Note:
These derivatives are accounted for together with time deposits designated as a hedged item. Therefore, the fair value of such derivatives is included in that of time deposits. (Note2 (6))
Derivatives for which hedge accounting applied at March 31, 2014 are not disclosed because they are not material.

8. Inventories

Inventories at March 31, 2014 and 2013 consist of the following:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2014	2013	2014
Finished products	¥1,788	¥1,445	\$17,359
Raw materials	1,455	1,191	14,128
Work in process	2,568	2,238	24,936
Total	¥5,811	¥4,875	\$56,424

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

9. Short-term borrowings and long-term debt

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

The short-term borrowings and current portion of long-term debt at March 31, 2014 and 2013 consist of the following:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2014	2013	2014
Short-term borrowings	¥498	¥543	\$4,835
Current portion of lease obligations	565	583	5,488
Total	¥1,063	¥1,127	\$10,323

The weighted-average annual interest rate of short-term borrowings for the years ended March 31, 2014 and 2013 were 4.56% and 4.62%, respectively.

(2) Long-term debt

Long-term debt at March 31, 2014 and 2013 is summarized as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2014	2013	2014
Long-term borrowings	¥—	¥0	\$—
Less current portion of long-term borrowings	—	—	—
Long-term borrowings (Excluding current portion)	¥—	¥0	\$—
Lease obligations	¥5,954	¥6,604	\$57,810
Less current portion of lease obligations	(565)	(583)	(5,488)
Lease obligations (Excluding current portion)	¥5,389	¥6,020	\$52,322

The weighted-average annual interest rate of long-term borrowings for the year ended March 31, 2013 was 10.37%.

Annual maturities of long-term debt at March 31, 2014 are as follows:

Years Ending March 31	Millions of yen	Thousands of U.S. dollars (Note 1)
2015	¥565	\$5,488
2016	528	5,130
2017	494	4,796
2018	425	4,131
2019 and thereafter	3,941	38,263
Total	¥5,954	\$57,810

(3) Other long-term liabilities

Other than the short-term borrowings and lease obligations described above, ¥684 million (US\$6,648 thousand) and ¥664 million of interest-bearing long-term deposits received were included in other long-term liabilities as of March 31, 2014 and 2013, respectively. The weighted-average annual interest rates for such deposits received for the years ended March 31, 2014 and 2013 were 0.36%.



10. Income taxes

Significant components of the deferred tax assets and liabilities as of March 31, 2014 and 2013 are as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2014	2013	2014
Deferred tax assets:			
Excess depreciation of property, plant and equipment	¥6,212	¥5,676	\$60,311
Excess provision for accrued employees' retirement benefits	—	3,815	—
Net defined benefit liability	3,913	—	37,999
Loss on revaluation of investment securities	1,159	1,187	11,256
Excess provision for accrued bonuses to employees	785	873	7,629
Provision for loss on construction contracts	467	—	4,537
Impairment loss	322	351	3,128
Excess provision of allowance for product warranty	285	287	2,771
Accrued enterprise taxes not deductible	190	251	1,854
Unrealized gain on sale of property, plant and equipment	187	157	1,816
Other	1,097	1,060	10,656
Subtotal	14,621	13,662	141,960
Valuation allowance	(1,591)	(1,539)	(15,448)
Total deferred tax assets	13,030	12,122	126,512
Deferred tax liabilities:			
Unrealized losses on available-for-sale securities	(2,944)	(1,267)	(28,589)
Estimated income taxes pertaining to retained earnings of overseas consolidated subsidiaries	(670)	(520)	(6,505)
Capital gains on properties deferred for tax purposes	(636)	(638)	(6,182)
Total deferred tax liabilities	(4,251)	(2,426)	(41,277)
Deferred tax assets, net	¥8,779	¥9,695	\$85,235

A reconciliation between the normal effective statutory tax rate and the effective income tax rate as a percentage of income before income taxes and minority interests for the year ended March 31, 2013 was as follows:

	2013
Normal effective statutory tax rate	38.0%
Loss on revaluation of investment securities	3.8
Expenses not deductible for income tax purposes	0.5
Reversal of deferred tax liabilities on retained earnings of foreign consolidated subsidiaries	(0.4)
Dividend income not taxable for income tax purposes	(0.3)
R&D expense tax credit	(1.4)
Difference in statutory tax rates of foreign subsidiaries	(1.0)
Income taxes—correction	1.3
Other	1.0
Actual effective tax rate	41.5%

On March 31, 2014, “Act on Partial Revision of the Income Tax Act” (Act No. 10 of 2014) was enacted into law. As a result, the special reconstruction corporate tax will be no longer be imposed from years

beginning on or after April 1, 2014. Accordingly, the effective statutory tax rate is changed from 38.0% to 35.6% for the year beginning on April 1, 2014.

As a result of this change, compared with when using the previous effective statutory tax rate, deferred tax assets, net of deferred tax liabilities as of March 31, 2014 decreased by ¥172 million (US\$1,674 thousand) and income taxes – deferred increased by ¥172 million (US\$1,674 thousand) for the year ended March 31, 2014.

11. Retirement benefits and pension plans

For the year ended March 31, 2014

Defined benefit plans

The Company and 24 domestic consolidated subsidiaries provide lump-sum retirement benefit plans (all unfunded) for defined benefit plans; 21 provide lump-sum retirement benefit plans partly; and 4 provide lump-sum retirement plans entirely. 5 overseas consolidated subsidiaries provide lump-sum retirement benefit plans (all unfunded) for defined benefit plans; 2 provide lump-sum retirement benefit plans partly; and 3 provide lump-sum retirement plans entirely. Also, 23 domestic consolidated company subsidiaries except the Company, 1 domestic consolidated subsidiary and 5 overseas consolidated subsidiaries use the simplified method for computing benefit obligations.

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

	Millions of yen	Thousands of U.S. dollars (Note 1)
	2014	2014
Balance at April 1, 2013	¥9,562	\$92,842
Service cost	568	5,522
Interest cost	183	1,779
Actuarial differences incurred	34	334
Benefits paid	(414)	(4,019)
Other	40	391
Balance at March 31, 2014	¥9,975	\$96,850

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

	Millions of yen	Thousands of U.S. dollars (Note 1)
	2014	2014
Balance at April 1, 2013	¥1,290	\$12,526
Net periodic benefit costs	201	1,959
Benefits paid	(104)	(1,014)
Balance at March 31, 2014	¥1,387	\$13,472



In the above table, benefit cost incurred for the domestic consolidated subsidiaries, which use the simplified method for computing benefit obligations, is included in “Service cost,” and “Other” represents contribution to the defined contribution pension plan.

(3) Assumptions to determine above obligation and cost

	2013
Periodic allocation of projected benefit obligation	Equal amount over each period
Discount rate	1.7–1.8%
Expected rate of return on plan assets	0.5%
Amortization period of actuarial differences	1–2 years

12. Shareholders’ equity

Japanese companies are subject to the Companies Act. A summary of the sections of the Companies Act that affect financial statements and accounting matters is as follows:

(1) Distribution of dividends to shareholders

Under the Companies Act, if companies meet certain criteria, dividends can be paid at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders’ meeting. Semiannual interim dividends may also be paid once a year upon resolution by the Board of Directors’ meeting if the articles of incorporation of the company so stipulate.

The Companies Act provides certain limitations on the amounts available for dividends and/or the purchase of treasury stock. The limitation is defined as the amount available for distribution to the shareholders, and it is calculated mainly based on capital surplus other than paid-in capital, retained earnings, and treasury stock, but the amount of net assets after dividends must be maintained at no less than ¥3 million.

(2) Increases/decreases; transfer of common stock, reserve, and surplus

The Companies Act requires that an amount equal to 10% of dividends must be appropriated as a legal reserve (a component of retained earnings) or as additional paid-in capital (a component of capital surplus) depending on the equity account charged upon the payment of such dividends. However, such appropriation may not be made if the aggregate amount of legal reserve and additional paid-in capital exceeds 25% of the common stock. Under the Companies Act, this legal reserve and additional paid-in capital may be reversed without limitation.

The Companies Act also provides that common stock, legal reserve, additional paid-in capital, other capital surplus, and retained earnings can be transferred among the accounts under certain conditions upon resolution of the shareholders.

(3) Treasury stock

The Companies Act provides that companies may purchase, hold or dispose of such treasury stock by resolution of the Board of Directors’ meetings. The amount of treasury stock purchased cannot exceed the amount available for distribution to the shareholders which is determined by a specific formula.

13. Unrealized gains on revaluation of land

The Company implemented a revaluation of land for business use in accordance with the Land Revaluation Law (enacted on March 31, 1998). The revaluation difference, net of taxes is stated as “Unrealized gains (losses) on revaluation of land” in the valuation and translation account in net assets. The tax equivalent is stated as deferred tax assets or liabilities in long-term liabilities.

When any revaluated land is sold, the related unrealized gain or loss on revaluation of land is transferred to retained earnings.

Revaluation method: The revaluation of land was computed in accordance with Article Two, Item One of the Land Revaluation Law Enforcement Order.

Revaluation date: March 31, 2002

14. Cost of sales

Provision for loss on construction contracts included in cost of sales were ¥1,311 million (US\$12,728 thousand) and ¥2 million for the years ended March 31, 2014 and 2013, respectively.

15. Selling, general and administrative expenses

Selling, general and administrative expenses for the years ended March 31, 2014 and 2013 consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2014	2013	2014
Salaries and allowances	¥15,780	¥14,895	\$153,212
Provision for employees’ bonuses	1,223	1,368	11,883
Retirement benefit expenses	1,018	1,079	9,891
Travel expenses	2,808	2,675	27,268
Research and development expenses	4,534	4,362	44,025
Other	15,013	13,726	145,762
Total	¥40,380	¥38,106	\$392,043

16. Other income (expenses)

The details of gain on sales of properties for the year ended March 31, 2014 and 2013 are as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2014	2013	2014
Machinery and equipment	¥—	¥701	\$—
Buildings and structures	—	346	—
Others	—	3	—

Provision for building demolition expenses

Provision for building demolition expenses is recorded for demolishing the former head office building of the Company (Shinjuku-ku, Tokyo) in reasonably estimated amounts to be incurred in the future.

Contribution

The Company contributed ¥500 million (US\$4,854 thousand) as the endowment for the Charitable Organization Kurita Water and the Environmental Science Foundations and recorded as contribution in other income (expenses) for the year ended March 31, 2014.

17. Impairment losses

For the purpose of impairment testing, assets of the Group are generally grouped based on business, however, idle assets and investment properties are grouped by individual property.

For the year ended March 31, 2014, the Group recognized no impairment losses.



For the year ended March 31, 2013, the Group recognized impairment losses of ¥1,108 million on the following assets.

Land, buildings and structures, etc. of the former head office of the Company (Shinjuku Ward, Tokyo) became idle assets as a result of the relocation of the head office. Of these assets, the Group recognized an impairment loss on buildings and structures, etc. as because of aging and other factors the carrying value of these assets may not be recoverable.

The Group recognized an impairment loss on land in Ichinomiya City, Aichi, for which there is no intended use in the future and whose market values significantly declined.

The details of impairment losses recognized for the year ended March 31, 2013 are as follows:

Year ended March 31, 2013		Millions of yen
Idle assets:		
Shinjuku-ku, Tokyo	Buildings and structures	¥1,094
Ichinomiya City, Aichi	Land	13

The carrying value of these assets is written down to their fair value less costs to sell, of which buildings and structures, etc. is estimated memorandum value of ¥1 because the carrying value of these assets may not be recoverable, and of which land is based on Japanese Real Estate Appraisal Standards.

18. Comprehensive income

The components of other comprehensive income for the years ended March 31, 2014 and 2013 are as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2014	2013	2014
Unrealized gains on available-for-sale securities			
Gains arising during the year	¥5,488	¥2,982	\$53,289
Reclassification adjustments to profit or loss	(0)	2,085	(8)
Amount before income tax effect	5,487	5,067	53,281
Income tax effect	(1,705)	(1,243)	(16,556)
Subtotal	3,782	3,824	36,724
Foreign currency translation adjustments			
Gains arising during the year	1,792	1,069	17,403
Share of other comprehensive income of associates accounted for using equity method			
Gains arising during the year	204	133	1,989
Total	¥5,780	¥5,027	\$56,118

19. Segment information

(1) Overview of reportable segments

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

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

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

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

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

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

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

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



Year ended March 31, 2014	Thousands of U.S.dollars (Note1)				
	Water Treatment Chemicals	Water Treatment Facilities	Total	Adjustments	Consolidated
Sales					
1) Sales to outside customers	\$571,309	\$1,158,179	\$1,729,489	\$—	\$1,729,489
2) Intersegment sales	2,700	2,452	5,152	(5,152)	—
Total	\$574,009	\$1,160,631	\$1,734,641	\$(5,152)	\$1,729,489
Segment income	\$77,227	\$67,324	\$144,552	\$(20)	\$144,532
Segment assets	362,237	1,297,288	1,659,525	1,009,658	2,669,183
Segment liabilities	153,631	389,202	542,833	(1,357)	541,475
Other items					
Depreciation and amortization	13,461	129,980	143,441	—	143,441
Increase in property, plant and equipment and intangible assets	17,404	38,030	55,435	—	55,435

Year ended March 31, 2013	Millions of yen				
	Water Treatment Chemicals	Water Treatment Facilities	Total	Adjustments	Consolidated
Sales					
1) Sales to outside customers	¥56,091	¥124,052	¥180,143	¥—	¥180,143
2) Intersegment sales	287	188	476	(476)	—
Total	¥56,378	¥124,241	¥180,619	¥(476)	¥180,143
Segment income	¥8,334	¥12,641	¥20,975	¥13	¥20,989
Segment assets	34,647	143,772	178,419	85,161	263,580
Segment liabilities	16,589	37,983	54,573	(111)	54,462
Other items					
Depreciation and amortization	1,369	13,684	15,054	—	15,054
Impairment losses	—	—	—	1,108	1,108
Increase in property, plant and equipment and intangible assets	1,458	5,230	6,688	—	6,688
Amortization of goodwill	13	—	13	—	13
Goodwill	—	—	—	—	—

Note:

"Adjustments" represents the following:

1. Sales: Elimination of intersegment transactions.
2. Segment income: Amount resulting from eliminations of intersegment transactions.
3. Segment assets: Mainly corporate assets of ¥104,135 million (US\$1,011,028 thousand) and ¥85,272 million as of March 31, 2014 and 2013, respectively, unallocated to reportable segment assets (cash deposits, securities in trust, and long-term investments).
4. Segment liabilities: Amount resulting from eliminations of intersegment claims and liabilities.
5. Impairment loss on idle assets was recognized for the year ended March 31, 2013. This had no effect on the reportable segments.

Related Information

(Information by geographic region)

(1) Net Sales

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

Year ended March 31, 2014	Thousands of U.S. dollars (Note 1)					
	Japan	Asia	North America	Europe	Other	Total
Sales	\$1,403,368	\$263,714	\$17,143	\$12,917	\$32,346	\$1,729,489

Year ended March 31, 2013	Millions of yen					
	Japan	Asia	North America	Europe	Other	Total
Sales	¥149,670	¥23,898	¥2,349	¥1,196	¥3,028	¥180,143

Note:

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

(2) Property, Plant and Equipment

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

(Information by major customer)

Year ended March 31, 2014	Millions of yen	Thousands of U.S. dollars (Note 1)	Reportable segment
Sales to:			
Sharp Corporation	¥26,850	\$260,681	Water Treatment Facilities

Year ended March 31, 2013	Millions of yen	Reportable segment
Sales to:		
Sharp Corporation	¥25,684	Water Treatment Facilities

20. Subsequent events

Appropriation of retained earnings

The following appropriation of retained earnings for the year ended March 31, 2014 was approved at the ordinary general meeting of shareholders of the Company held on June 27, 2014.

	Millions of yen	Thousands of U.S. dollars (Note 1)
Cash dividends (year-end dividends)	¥2,621	\$25,452



Report of Independent Certified Public Accountants



Grant Thornton Taiyo ASG LLC

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Kurita Water Industries Ltd.

We have audited the accompanying consolidated financial statements of Kurita Water Industries Ltd. and its consolidated subsidiaries, which comprise the consolidated balance sheets as at March 31, 2014, and the consolidated statements of income, comprehensive income, changes in net assets, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Kurita Water Industries Ltd. and its consolidated subsidiaries as at March 31, 2014, and their consolidated financial performance and their cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Convenience Translation

The United States dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2014 are presented solely for the convenience. Our audit also included the translation of Japanese yen amounts into United States dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

Grant Thornton Taiyo ASG LLC

June 27, 2014
Tokyo, Japan

Member of Grant Thornton International Ltd

21. Per share information

	Yen		U.S. dollars (Note 1)
	2014	2013	2014
Net assets per share	¥1,826.84	¥1,744.41	\$17.74
Net income per share (EPS)	78.48	92.43	\$0.76

As discussed in Note 2. (11), the Group applied the accounting standard for retirement benefits and others and have followed the transitional treatment in the article 37 of the standard.

As a result, net assets per share decreased by ¥0.21 (US\$0.00) as of March 31, 2014.

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

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2014	2013	2014
Net assets	¥219,153	¥209,118	\$2,127,707
Amounts excluded from net assets	1,461	1,246	14,193
(Minority interests on the above)	(1,461)	(1,246)	(14,193)
Net assets attributable to common stock	217,691	207,871	2,113,514
Number of common stock at the year-end used for the calculation of net assets per share	119,163,469	119,164,789	

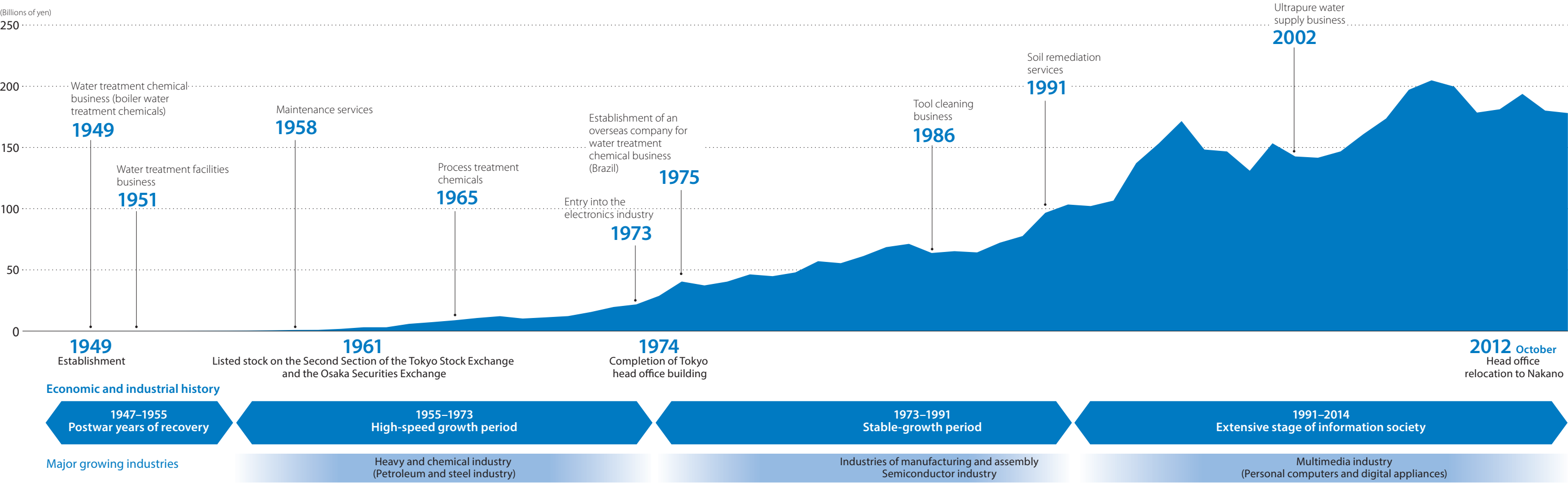
The basis of calculation for EPS is as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2014	2013	2014
Net income	¥9,352	¥11,476	\$90,799
Net income attributable to common stock	9,352	11,476	90,799
Average number of shares outstanding	119,164,231	124,160,885	

(The Company has no dilutive shares.)

KURITA History

Net Sales and Historical Highlights of Business



History & Achievements

1949–1950s

- 1949** Founded upon water treatment chemical business (boiler water treatment chemicals).
The founder of the Company, who had previously served in the navy, starts selling boiler water treatment chemicals based on navy boiler technology.
- 1951** Entry into the water treatment facilities business
Capitalizing on sales of deionizers for the pretreatment of boiler water supplies, the Company moves into the water treatment facilities business.
- 1951** Boiler Water Supply Laboratory established.
- 1953** Start-up of chemical cleaning services
New expansion into the chemical cleaning business in which boiler interiors are cleaned using chemical technology.
- 1958** Expansion of maintenance services
An organization specializing in maintenance services is established with a view to expanding after-sales services and maintenance operations for water treatment facilities.
- 1959** KK Suzuki Shokai established as a chemical cleaning company (now Kurita Engineering Co., Ltd.).

1960s

- 1961** Listed stock on the Second Section of the Tokyo Stock Exchange and the Osaka Securities Exchange.
- 1961** Kansai Kurita Seibi KK. established as a maintenance company for water treatment facilities (predecessor of Kurita Technical Service Co., Ltd.).
- 1962** Listed stock on the First Section of the Tokyo Stock Exchange and the Osaka Securities Exchange.

- 1965** Expansion into process treatment chemicals
Development of chemicals that increase productivity in the pulp and paper, petrochemical and steel industries, where large volumes of water are used, as the Company broadens the scope of its business from water treatment chemicals to production process treatment chemicals.

1970s

- 1973** Entry into the electronics industry
Ultrapure water production technology is developed to meet the demand for water of a higher degree of purity that comes with increasing miniaturization in semiconductor manufacturing processes.
- 1974** Completion of Tokyo head office building.
- 1975** Kurita do Brasil LTDA. established to manufacture and sell water treatment chemicals in Brazil.
- 1975** Kurita Operation and Maintenance Services, Ltd. established as a water treatment facilities operation and maintenance company (now Kuritaz Co., Ltd.).
- 1978** Kurita (Singapore) Pte. Ltd. established as Kurita's water treatment chemicals and water treatment facilities business base in Southeast Asia.

1980s

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

- 1986** P.T. Kurita Indonesia established to carry out the production and sale of water treatment chemicals in Indonesia.
- 1987** Kurita (Taiwan) Co., Ltd. established to conduct water treatment chemical manufacturing and sales in Taiwan.
- 1989** Goshu Chemical Co., Ltd. established to conduct water treatment chemical manufacturing and sales in Thailand (now Kurita-GK Chemical Co., Ltd.).
- 1989** Kurita Europe GmbH established in Germany as Kurita's base in Europe for water treatment chemical production and sales.

1990s

- 1991** Launch of soil remediation services
Soil pollution is increasingly becoming a major social problem, and, as a result, the Company commences soil remediation business operations based on water treatment technology developed to date.
- 1995** Kurita Water Industries (Dalian) Co., Ltd. established as Kurita's base in China for water treatment chemical production and sales.
- 1996** Kurita America, Inc. established in the United States to conduct water treatment facilities sales and maintenance services.
- 1997** Kurita Water Industries Ltd. merges with maintenance company Kurita Technical Service Co., Ltd.
- 1998** Acquires an equity stake in Hansu Technical Service Ltd., which is involved in the production, sale and maintenance of water treatment facilities in Korea.

2000s

- 2001** Start of consulting services for hedging soil pollution risks

- Start of business involving the hedging of pollution risks and schemes to facilitate the smooth liquidation of land that has been restored to a safe condition based on soil remediation successes to date.
- 2001** Land Solution Inc. established as a consulting company dealing in soil remediation.
- 2001** Kuritec (Shanghai) Co., Ltd. established as Kurita's base in China for water treatment facilities sales and maintenance services.
- 2002** Launch of ultrapure water supply business
Launch of outsourcing business in which Kurita owns, operates and manages facilities for customers, supplying them with ultrapure water.
A business model is developed that represents a fusion of technology, products and services developed to date across the chemicals, facilities and maintenance arms of the business.
- 2003** Integration of tool cleaning business units from Group companies and establishment of Kuritec Service Co. Ltd.
- 2003** Analysis division split off to establish Kurita Analysis Service Co. Ltd.
- 2004** Kurita Water Industries (Suzhou) Ltd. established as a water treatment facilities production and sales base in China.
- 2005** Kurita Global Technology Center established through the integration of research and development facilities.
- 2009** Kurita Chemical Manufacturing Ltd. established as a new subsidiary to manufacture water treatment chemicals.
- 2012** Head office relocation to Nakano.



Corporate Data

Company Name	Kurita Water Industries Ltd.		Osaka Office:
Address	10-1, Nakano 4-chome, Nakano-ku, Tokyo 164-0001, Japan		2-22, Kitahama 2-chome, Chuo-ku, Osaka-shi, Osaka 541-0041, Japan
Paid-in Capital	¥13,450,751,434		Tel.: 81 (6) 6228-4800
Date of Establishment	July 13, 1949		Other Offices:
Number of Employees	4,635 (on a consolidated basis); 1,529 (parent company) (As of March 31, 2014)		Tohoku, Nagoya, Hiroshima and Kyushu
Domestic Offices	Head Office: 10-1, Nakano 4-chome, Nakano-ku, Tokyo 164-0001, Japan Tel.: 81 (3) 6743-5000 Kurita Global Technology Center: 1-1, Kawada, Nogi-machi, Shimotsuga-gun, Tochigi 329-0105, Japan Tel.: 81 (280) 54-1511	Overseas Office	Taiwan Branch: 5F-3, No. 295, Section 2, Kuang-Fu Road, (Empire Commercial Bldg.) Shinchu, Taiwan, R.O.C. Tel.: 886 (3) 575-1157

Major Consolidated Subsidiaries and One Affiliated Company

Company name	Paid-in capital (Millions)	Equity ownership (%)	Main business
OVERSEAS			
■ North America & South America			
Kurita America, Inc.	US\$3.0	100.0	Manufacture & sale of water treatment chemicals and water treatment facilities
Kurita do Brasil LTDA.	R\$6.986	100.0	Manufacture & sale of water treatment chemicals
■ Europe			
Kurita Europe GmbH	EUR2.301	95.0	Manufacture & sale of water treatment chemicals
■ Asia			
Kurita Water Industries (Dalian) Co., Ltd.	¥550	90.1	Manufacture & sale of water treatment chemicals
Kuritec (Shanghai) Co., Ltd.	¥30	100.0	Sale & maintenance of water treatment facilities
Kurita Water Industries (Suzhou) Ltd.	¥530	100.0	Manufacture & sale of water treatment facilities
Kurita (Taiwan) Co., Ltd.	NT\$20	100.0	Manufacture & sale of water treatment chemicals
Hansu Co., Ltd.	W2,500	33.2	Manufacture & sale of water treatment chemicals
Hansu Technical Service Ltd.	W400	59.4	Manufacture & sale of water treatment facilities
Kurita-GK Chemical Co., Ltd.	BAHT92	85.0	Manufacture & sale of water treatment chemicals
Kurita (Singapore) Pte. Ltd.	S\$4.0	100.0	Manufacture & sale of water treatment chemicals and water treatment facilities
Kurita Water (Malaysia) Sdn. Bhd.	RM\$0.6	100.0	Sale of water treatment chemicals and water treatment facilities
P.T. Kurita Indonesia	US\$2.0	92.5	Manufacture & sale of water treatment chemicals and water treatment facilities
DOMESTIC			
Kurita Creation Co., Ltd.	¥160	100.0	Manufacture & sale of water purifiers
Kuritec Service Co. Ltd.	¥50	100.0	Tool cleaning
Kuritaz Co., Ltd.	¥220	100.0	Operation & maintenance of water treatment facilities
Kurita Engineering Co., Ltd.	¥160	100.0	Chemical cleaning
Land Solution Inc.	¥450	66.0	Soil remediation
Kurita Chemical Manufacturing Ltd.	¥50	100.0	Manufacture of water treatment chemicals

(As of March 31, 2014)

Investor Information

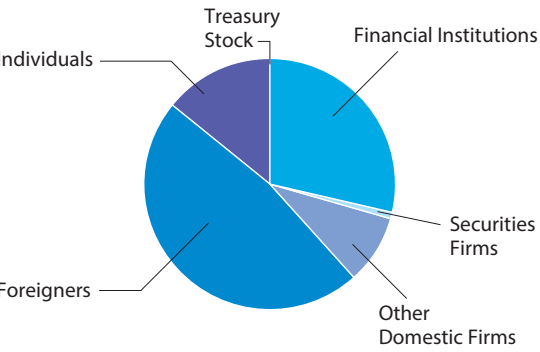
Stock Exchange Listing	First Section of the Tokyo Stock Exchange
Common Stock	Authorized: 531,000,000 shares Issued: 119,164,594 shares (Stock trading unit: 100 shares) (As of March 31, 2014)
Number of Shareholders	33,131 (As of March 31, 2014)
Independent Auditor	Grant Thornton Taiyo ASG LLC Akasaka Oji Bldg. 5F, 8-1-22, Akasaka, Minato-ku, Tokyo 107-0052, Japan
Transfer Agent	Sumitomo Mitsui Trust Bank, Ltd. 1-4-1, Marunouchi, Chiyoda-ku, Tokyo 100-8233, Japan

Major Shareholders

	Shareholdings (Number of Shares)	Percentage of total shares issued (%)
Nippon Life Insurance Company	6,312,083	5.29
Japan Trustee Services Bank, Ltd. (Trust Account)	5,318,200	4.46
Goldman Sachs and Company Regular Account	4,428,623	3.71
National Mutual Insurance Federation of Agricultural Cooperatives	2,863,800	2.40
NORTHERN TRUST CO. (AVFC) RE SILCHESTER INTERNATIONAL INVESTORS INTERNATIONAL VALUE EQUITY TRUST	2,772,600	2.32
The Master Trust Bank of Japan, Ltd. (Trust Account)	2,589,900	2.17
Northern Trust Company AVFC Re U.S. Tax-Exempted Pension Funds	2,573,785	2.15
Tokio Marine & Nichido Fire Insurance Co., Ltd.	2,500,626	2.09
NORTHERN TRUST CO. (AVFC) RE 15PCT TREATY ACCOUNT	2,178,208	1.82
RBC IST 15 PCT LENDING ACCOUNT	2,109,757	1.77

(As of March 31, 2014)

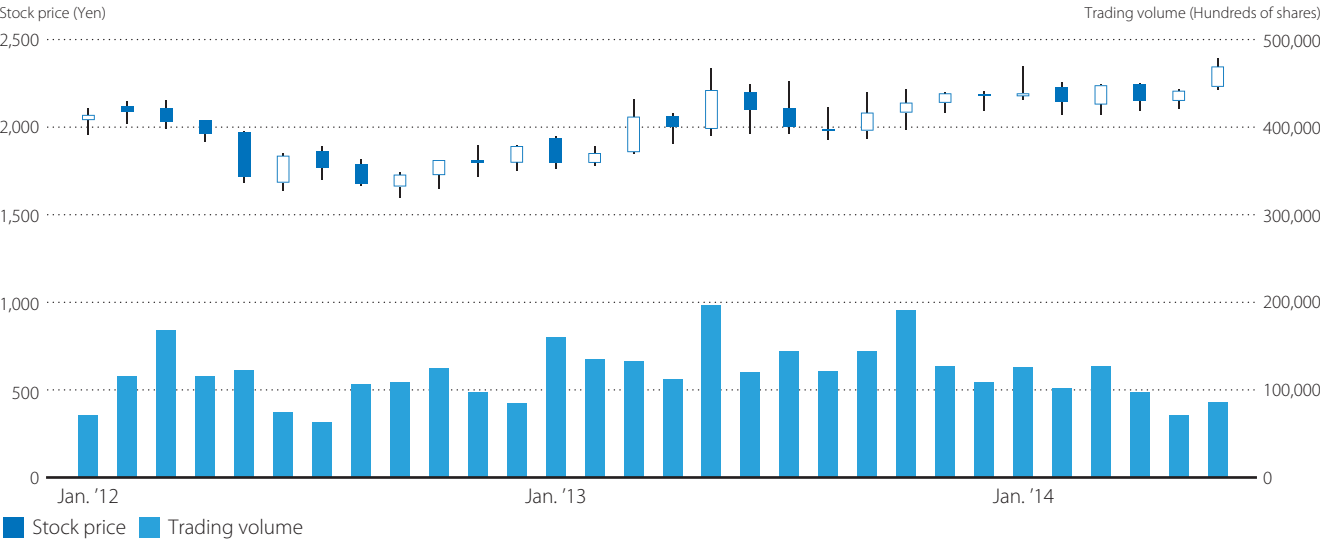
Distribution of Shares



	Shareholdings (Number of shares)	Percentage of total shares issued (%)
Financial Institutions	35,118,480	29.5
Treasury Stock	775,108	0.7
Individuals	10,329,547	8.7
Foreigners	56,654,561	47.5
Securities Firms	16,285,773	13.7
Other Domestic Firms	1,125	0.0
Total	119,164,594	100.0

(As of March 31, 2014)

Stock Price Range and Trading Volume (Tokyo Stock Exchange)





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