

FOR IMMEDIATE RELEASE

### **Kurita Water Industries Reports Earnings for the First Three Months Ended June 2007**

Tokyo, Japan July 30, 2007—Kurita Water Industries Ltd. (TSE Security Code 6370) announced net sales of 40,520 million yen for the first three months (April 1 – June 30, 2007) of the fiscal year ending March 31, 2008 and net income of 2,907 million yen, or 22.60 yen per share.

#### **Results of Operations**

Total consolidated orders for the Kurita Group increased 7.4% from the same period a year earlier to 54,647 million yen, while net sales grew 21.5% year-on-year to 40,520 million yen. Operating income surged 60.6% to 4,697 million yen, and ordinary income also jumped 60.9% to 5,048 million yen, resulting in net income of 2,907 million yen, an increase of 67.7% year-on-year. By segment, water treatment chemicals sales grew 4.7% year-on-year to 13,704 million yen, while water treatment facilities sales rose 32.3% to 26,815 million yen.

During the period, the market environment was favorable for the Group with solid capital expenditures in the electronics industry in Japan, Taiwan and South Korea on the back of buoyant demand for semiconductors and other related products. In the general industries, factory operating rates and capital expenditures were robust primarily in materials industries such as steel, oil refining and petrochemicals.

#### **Segment Information**

##### **Water Treatment Chemicals**

Total Group orders for the segment increased 3.1% year-on-year to 14,924 million yen, while sales grew 4.7% to 13,704 million yen.

During the period, the Group concentrated its efforts on securing stable order flows by further focusing on expanding sales of mainstay products such as boiler water treatment chemicals and cooling water treatment chemicals as well as through speedy provision of water treatment technologies and services accommodating clients' needs.

Sales in the Japanese market were as follows. Of the Group's mainstay products, sales for boiler water treatment chemicals were flat compared with a year earlier, while sales for cooling water treatment chemicals and wastewater treatment chemicals increased. In other products, sales for process treatment chemicals used in the oil refining and petrochemical industry and sales for packaged water treatment management contracts decreased, while sales increased for process treatment chemicals used in the paper and pulp industry. Overseas orders increased sharply due to efforts to expand sales in high-growth markets such as China and Southeast Asia.

##### **Water Treatment Facilities**

Total Group orders for the segment increased 9.1% year-on-year to 39,722 million yen, while sales grew 32.3% to 26,815 million yen.

During the period, the Group accelerated its shift to services businesses such as the Ultrapure Water Supply Business and tool cleaning for semiconductor and LCD production equipment while strengthening sales efforts targeting clients in the semiconductor industry which saw continued buoyancy in capital expenditures. Overseas, the Group focused its sales efforts on strategic clients, primarily in China, Taiwan and South Korea, in a bid to secure stable order flows.

Orders for the Group's mainline ultrapure water production systems, primarily for the electronics industry, surged in Japan and overseas. In the general industries, orders fell sharply reflecting fewer orders for large-sized projects than a year earlier. Turning to services, the Ultrapure Water Supply Business surged and tool cleaning for semiconductor and LCD production equipment also increased. Orders for related maintenance services were flat, and orders for soil remediation dropped sharply primarily due to the postponement of orders for large-sized projects.

### Order Intake

(In million yen)

Business Segment	Three months ended June 30, 2007 (A)		Three months ended June 30, 2006 (B)		(A) – (B)		(Reference) Year ended March 31, 2007	
	Amount	%	Amount	%	Amount	%	Amount	%
Water treatment chemicals	14,924	27.3	14,470	28.4	454	3.1	56,560	29.4
Water treatment facilities	39,722	72.7	36,410	71.6	3,312	9.1	135,969	70.6
Total	54,647	100.0	50,881	100.0	3,766	7.4	192,529	100.0

### Net Sales

(In million yen)

Business Segment	Three months ended June 30, 2007 (A)		Three months ended June 30, 2006 (B)		(A) – (B)		(Reference) Year ended March 31, 2007	
	Amount	%	Amount	%	Amount	%	Amount	%
Water treatment chemicals	13,704	33.8	13,093	39.2	611	4.7	56,667	28.7
Water treatment facilities	26,815	66.2	20,268	60.8	6,547	32.3	140,479	71.3
Total	40,520	100.0	33,362	100.0	7,158	21.5	197,146	100.0

### Financial Condition

As of the end of the period, total assets had decreased by 2,669 million yen from the end of the previous fiscal year to 232,468 million yen. Accounts receivable decreased by 10,617 million yen as a result of progress in the collection of receivables related to sales that were concentrated at the end of the previous fiscal year. This offset an 8,889 million yen increase in tangible fixed assets due to the acquisition of facilities for the Ultrapure Water Supply Business and other purposes. Total liabilities decreased 4,428 million yen to 72,509 million yen. This mainly reflects a 5,705 million yen increase in accounts payable and other accrued expenses due to an increase in obligations associated with the expense of construction work of facilities for the Ultrapure Water Supply Business, which was more than offset by a 5,067 million yen decrease in trade accounts payable, which increased at the end of the previous fiscal year, due to the arrival of payment due dates for trade accounts payable, and by a 5,108 million yen decrease in income taxes payable following the payment of income taxes. Total net assets increased 1,758 million yen to 159,958 million yen. This is primarily due to an increase in retained earnings of 974 million yen in conjunction with the recognition of quarterly net income of 2,907 million yen, as well as a 739 million yen increase in valuation and translation adjustments reflecting higher market values of investment securities held by the Group.

### **Outlook for the Fiscal Year Ending March 31, 2008**

The Group's earnings for the three-month period were largely in line with the initial forecast, and the Group believes that it is on track to achieving its interim and full-year earnings forecasts for the fiscal year ending March 31, 2008. These forecasts were included in the consolidated earnings report for the fiscal year ended March 31, 2007, released on April 27, 2007.

### **Business Risks**

Major risk factors that could affect the Group's future performance include, but are not limited to, economic trends, trends in capital expenditure on water treatment facilities and factory operating rates at clients, price movements in basic materials, and competition with peers.

### **Other – Adoption of Simplified Accounting Method**

The Company recognizes income taxes based on calculations using annual expected tax rates based on statutory effective tax rates. The Company uses simplified accounting methods for certain items where the impact of such use is negligible.

### **About the Kurita Group**

The Kurita Group provides a wide range of products, technologies and maintenance services related to water treatment. The two core lines of the Group's business consist of: 1) water treatment chemicals used for boiler water, cooling water and wastewater in manufacturing processes, and 2) water treatment facilities such as ultrapure water production systems and wastewater treatment facilities. The business scope of both lines includes production, sales and maintenance services. For additional information about the Kurita Group, please visit the Company's website at: [www.kurita.co.jp/english](http://www.kurita.co.jp/english)

### **Forward-Looking Statements**

This news release contains various forward-looking statements that are based on current expectations and assumptions regarding future events. Except for the historical information contained herein, all figures and statements with respect to future performance, projections and business plans of the Kurita Group constitute forward-looking statements. Although Kurita believes that its expectations and assumptions are reasonable, actual results and trends in the Group's performance could differ materially from those expressed or implied by such figures or statements because of risks and uncertainties.

## Condensed Financial Statements - Consolidated

### Condensed Balance Sheets - Consolidated

(In million yen)

	As of June 30, 2007 (A)	As of June 30, 2006 (B)	(A) – (B)		(Reference) As of March 31, 2007
			Amount	%	
<b>[Assets]</b>					
<b>Current assets</b>	125,361	120,109	5,252	4.4	137,004
Cash and deposits	33,859	30,003	3,856	12.9	37,761
Notes receivable - trade	10,597	9,343	1,254	13.4	10,320
Accounts receivable - trade	56,143	54,242	1,901	3.5	66,760
Marketable securities	5,090	7,352	(2,262)	(30.8)	5,830
Inventories	15,241	15,409	(168)	(1.1)	12,065
Other	4,575	3,877	698	18.0	4,430
Allowance for doubtful accounts	(146)	(119)	(27)	22.7	(164)
<b>Fixed assets</b>	107,106	88,155	18,951	21.5	98,133
Tangible fixed assets	76,177	56,685	19,492	34.4	67,288
Intangible fixed assets	2,722	2,881	(159)	(5.5)	2,607
Investments and other assets	28,206	28,589	(383)	(1.3)	28,237
<b>Total assets</b>	<b>232,468</b>	<b>208,264</b>	<b>24,204</b>	<b>11.6</b>	<b>235,137</b>

<b>[Liabilities]</b>					
<b>Current liabilities</b>	61,103	50,455	10,648	21.1	65,496
Notes payable - trade	2,056	2,780	(724)	(26.0)	2,433
Accounts payable - trade	27,251	24,202	3,049	12.6	32,318
Accounts payable - other/Accrued expenses	18,846	10,994	7,852	71.4	13,141
Income taxes payable	2,390	1,737	653	37.6	7,498
Advances received	6,112	6,746	(634)	(9.4)	4,920
Other	4,446	3,994	452	11.3	5,182
<b>Fixed liabilities</b>	11,406	11,368	38	0.3	11,440
Accrued employees' retirement benefits	8,479	8,388	91	1.1	8,392
Other	2,926	2,980	(54)	(1.8)	3,047
<b>Total liabilities</b>	<b>72,509</b>	<b>61,824</b>	<b>10,685</b>	<b>17.3</b>	<b>76,937</b>

<b>[Net assets]</b>					
<b>Shareholders' equity</b>	154,487	142,738	11,749	8.2	153,519
Common stock	13,450	13,450	-	-	13,450
Capital surplus	11,426	11,426	-	-	11,426
Retained earnings	134,420	122,656	11,764	9.6	133,446
Treasury stock	(4,810)	(4,795)	(15)	0.3	(4,803)
<b>Valuation and translation adjustments</b>	3,991	2,329	1,662	71.4	3,252
<b>Minority interests</b>	1,480	1,372	108	7.9	1,427
<b>Total net assets</b>	<b>159,958</b>	<b>146,440</b>	<b>13,518</b>	<b>9.2</b>	<b>158,200</b>
<b>Total liabilities and net assets</b>	<b>232,468</b>	<b>208,264</b>	<b>24,204</b>	<b>11.6</b>	<b>235,137</b>

## Condensed Statements of Operations - Consolidated

(In million yen)

	Three months ended June 30, 2007 (A)		Three months ended June 30, 2006 (B)		(A) – (B)		(Reference) Year ended March 31, 2007	
	Amount	%	Amount	%	Amount	%	Amount	%
Net sales	40,520	100.0	33,362	100.0	7,158	21.5	197,146	100.0
Cost of sales	26,706	65.9	21,923	65.7	4,783	21.8	137,819	69.9
Gross profit	13,813	34.1	11,438	34.3	2,375	20.8	59,326	30.1
Selling, general and administrative expenses	9,116	22.5	8,512	25.5	604	7.1	35,050	17.8
Operating income	4,697	11.6	2,925	8.8	1,772	60.6	24,276	12.3
Non-operating income	393	1.0	268	0.8	125	46.6	1,242	0.6
Non-operating expense	41	0.1	56	0.2	(15)	(26.8)	293	0.1
Ordinary income	5,048	12.5	3,137	9.4	1,911	60.9	25,226	12.8
Extraordinary losses	-	-	-	-	-	-	634	0.3
Income before income taxes	5,048	12.5	3,137	9.4	1,911	60.9	24,591	12.5
Income taxes	2,064	5.1	1,289	3.9	775	60.1	10,070	5.1
Minority interests in earnings of consolidated subsidiaries	76	0.2	115	0.3	(39)	(33.9)	314	0.2
Net income	2,907	7.2	1,733	5.2	1,174	67.7	14,207	7.2