

## **FOR IMMEDIATE RELEASE**

### **Kurita Water Industries Reports Earnings for the Three Months Ended June 30, 2009**

Tokyo, Japan, July 30, 2009—Kurita Water Industries Ltd. (TSE Security Code 6370) announced net sales of 36,584 million yen for the three months ended June 30, 2009 (April 1, 2009 – June 30, 2009) and net income of 3,197 million yen, or 24.85 yen per share.

#### **Results of Operations**

Total consolidated orders for the Kurita Group in the three months ended June 30, 2009, were down 25.5% versus last fiscal year's first quarter to 40,503 million yen, while net sales declined 11.0% to 36,584 million yen. An improved cost-of-sales ratio and reduction of selling, general and administrative expenses helped the Group achieve operating income of 4,785 million, down 1.1% versus last fiscal year's first quarter, ordinary income of 5,004 million yen, down 2.3%, and net income of 3,197 million yen, up 11.3%.

Markets in which the Kurita Group operates were extremely challenging during the three months ended June 30, 2009. Amid the sharp global downturn, ongoing since last fiscal year's second half, capital expenditure remained subdued and capacity utilization remained low in the electronics industry and general industries, both in Japan and overseas.

#### **Overview by Segment**

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

Total Group orders for the Water Treatment Chemicals segment were 13,560 million yen, down 13.1% versus the year-ago period, while sales fell 10.6% to 12,820 million yen.

During the three months ended June 30, 2009, the Group bolstered sales efforts by strengthening alliances between Group companies both in Japan and overseas, and pursued order bookings based on a consultative sales approach to help customers successfully meet challenges such as productivity enhancement and environmental mitigation.

##### *Japan*

Orders declined for the Group's mainstay boiler water treatment chemicals, cooling water treatment chemicals, and wastewater treatment chemicals, as well as for other products, due to the decline in customers' capacity utilization.

##### *Overseas*

Overseas orders also decreased.

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

Total Group orders for the Water Treatment Facilities segment were 26,942 million yen, down 30.5% versus the year-ago period, while sales fell 11.2% to 23,764 million yen.

During the three months ended June 30, 2009, the Group worked to generate profits by focusing on service businesses and pursued order bookings by stepping up consultative sales efforts aimed at key customers.

In the electronics industry, the ultrapure water supply business's orders were up versus the year-ago period, but orders for the Group's ultrapure water production systems fell substantially due to suspensions and postponements of semiconductor- and LCD-related capital expenditures

in Japan and Asia. The tool-cleaning service business's orders also fell considerably due to diminished capacity utilization. Orders for water treatment facilities and maintenance services from general industries were down markedly versus the year-ago period due to curtailment of capital expenditure and capacity utilization reductions.

### **Financial Condition**

Current assets totaled 95,762 million yen at the end of the fiscal first quarter (June 30, 2009), a decline of 2,926 million yen versus the end of the previous fiscal year (March 31, 2009). This was mainly due to trade accounts receivable's large decline of 11,488 million yen, which was partly offset by increases in cash and deposits of 3,539 million yen, in trade notes receivable of 1,168 million yen, and in work in process of 3,853 million yen. The decline in trade accounts receivable was due to both increased collections as well as the drop in sales. The increases in cash and deposits and trade notes receivable were due to the aforementioned increase in collections, while the increase in work in process was due to ongoing works in the water treatment facilities business.

Noncurrent assets totaled 146,091 million yen at the end of the fiscal first quarter, a decline of 626 million yen versus the end of the previous fiscal year. This mainly reflects a 1,579 million yen decrease in property, plant and equipment due to depreciation expenses on facilities used in the ultrapure water supply business that we invested in before and during the previous fiscal year, which more than offset a 1,043 million yen increase in the "investments and other assets" account reflecting market-price appreciation of investment securities held by the Group.

Current liabilities totaled 42,142 million yen at the end of the fiscal first quarter, a decline of 5,793 million yen versus the end of the previous fiscal year. This was mainly due to declines of 2,847 million yen in trade accounts payable, 2,808 million yen in other accounts payable, and 1,354 million yen in income taxes payable.

Noncurrent liabilities totaled 18,681 million yen at the end of the fiscal first quarter, a small decrease of 162 million yen versus the end of the previous fiscal year.

Net assets were 181,030 million yen at the end of the fiscal first quarter, an increase of 2,403 million yen versus the end of the previous fiscal year. Despite dividend payments of 2,187 million yen out of retained earnings, quarterly net income added 3,197 million yen to retained earnings, and valuation and translation adjustments increased by 1,423 million yen due to an increase in unrealized gains on available-for-sale securities, reflecting market-price appreciation of investment securities held by the Group.

### **Outlook for the Fiscal Year Ending March 31, 2010**

The Group believes that it is on course to achieve its earnings forecasts for both the six months ending September 30, 2009, and the full fiscal year ending March 31, 2010, detailed in its consolidated earnings release (and in Japanese in the *kessan tanshin*) for the fiscal year ended March 31, 2009, issued on April 28, 2009.

## Financial Statements — Consolidated

### Balance Sheets — Consolidated

	As of June 30, 2009 Amount	(millions of yen) As of March 31, 2009 Amount
<b>Assets</b>		
<b>Current assets</b>		
Cash and deposits	29,601	26,061
Notes receivable - trade	9,452	8,284
Accounts receivable - trade	40,624	52,113
Finished products	1,520	1,414
Work in process	8,146	4,293
Raw materials and supplies	1,476	1,440
Other	5,083	5,221
Allowance for doubtful accounts	(144)	(140)
Total current assets	95,762	98,689
<b>Noncurrent assets</b>		
Property, plant and equipment		
Buildings (net)	38,837	39,290
Machinery and equipment (net)	53,195	50,821
Other (net)	32,452	35,950
Total property, plant and equipment	124,484	126,063
Intangible fixed assets	2,194	2,285
Investments and other assets		
Other	19,549	18,520
Allowance for doubtful accounts	(137)	(152)
Total investments and other assets	19,411	18,368
Total noncurrent assets	146,091	146,717
Total assets	241,854	245,406
<b>Liabilities</b>		
<b>Current liabilities</b>		
Notes payable - trade	1,807	1,820
Accounts payable - trade	14,163	17,010
Accounts payable - other	14,085	16,893
Income taxes payable	2,427	3,781
Allowances	2,328	3,384
Other	7,329	5,045
Total current liabilities	42,142	47,935
<b>Noncurrent liabilities</b>		
Accrued employees' retirement benefits	8,824	8,644
Other allowances	492	738
Other	9,365	9,462
Total noncurrent liabilities	18,681	18,844
Total liabilities	60,823	66,779
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Common stock	13,450	13,450
Capital surplus	11,426	11,426
Retained earnings	160,802	159,792
Treasury stock	(4,849)	(4,847)
Total shareholders' equity	180,830	179,821
<b>Valuation and translation adjustments</b>		
Unrealized gains on available-for-sale securities	1,291	170
Unrealized gains (losses) on revaluation of land	(750)	(750)
Foreign currency translation adjustments	(1,647)	(1,950)
Total valuation and translation adjustments	(1,107)	(2,530)
<b>Minority interests</b>	1,307	1,335
Total net assets	181,030	178,626
Total liabilities and net assets	241,854	245,406

## Statements of Income — Consolidated

	(millions of yen)	
	Three months ended June 30, 2009	Three months ended June 30, 2008
	Amount	Amount
Net sales	36,584	41,093
Cost of sales	23,317	27,174
Gross profit	13,267	13,919
Selling, general and administrative expenses		
Salaries and directors' remuneration	2,981	2,910
Provision for employees' bonuses	675	695
R&D expenses	908	1,073
Other	3,916	4,399
Total selling, general and administrative expenses	8,481	9,078
Operating income	4,785	4,840
Non-operating income		
Interest income	29	80
Dividend income	125	173
Other	126	67
Total non-operating income	281	322
Non-operating expenses		
Interest expense	6	8
Other	55	30
Total non-operating expenses	62	38
Ordinary income	5,004	5,124
Extraordinary income		
Gain from cancellation of contracts	646	-
Total extraordinary income	646	-
Extraordinary income		
Loss on liquidation of business	136	-
Total extraordinary losses	136	-
Income before income taxes and minority interests	5,514	5,124
Income taxes	2,278	2,066
Minority interests in earnings of consolidated subsidiaries	38	185
Net income	3,197	2,872

## Statements of Cash Flows — Consolidated

	Three months ended June 30, 2009	(millions of yen) Three months ended June 30, 2008
	Amount	Amount
<b>Cash flows from operating activities</b>		
Income before income taxes and minority interests	5,514	5,124
Depreciation and amortization	3,663	2,648
Increase (decrease) in allowances	(1,154)	(794)
(Increase) decrease in notes and accounts receivable - trade	10,142	7,676
(Increase) decrease in inventories	(3,906)	(3,249)
Increase (decrease) in notes and accounts payable - trade	(2,445)	(3,970)
Income taxes paid	(3,709)	(8,553)
Other (net)	2,625	2,011
<b>Net cash provided by (used in) operating activities</b>	<b>10,729</b>	<b>893</b>
<b>Cash flows from investing activities</b>		
Payments for purchases of marketable securities	(2,099)	(1,498)
Proceeds from sale and redemption of marketable securities	2,916	2,699
Purchases of property, plant and equipment	(6,865)	(6,528)
Proceeds from sale of property, plant and equipment	6	14
Purchases of investment securities	(3)	(3)
Proceeds from liquidation of subsidiaries	-	1,451
Other payments	(294)	(207)
Other proceeds	621	56
<b>Net cash provided by (used in) investing activities</b>	<b>(5,720)</b>	<b>(4,016)</b>
<b>Cash flows from financing activities</b>		
Net increase (decrease) in short-term borrowings	60	33
Repayment of long-term borrowings	-	(49)
Repayment of finance lease obligations	(101)	-
Purchase of treasury stock	(1)	(3)
Cash dividends paid	(1,866)	(1,931)
Cash dividends paid to minority shareholders	(78)	(44)
<b>Net cash provided by (used in) financing activities</b>	<b>(1,988)</b>	<b>(1,996)</b>
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<b>727</b>	<b>(396)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>3,748</b>	<b>(5,516)</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>25,262</b>	<b>30,360</b>
<b>Increase in cash and cash equivalents from newly consolidated subsidiaries</b>	<b>60</b>	<b>-</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>29,071</b>	<b>24,843</b>

## Segment Information

### Business segment information

Three months ended June 30, 2009 (April 1, 2009 – June 30, 2009)

(millions of yen)

	Water treatment chemicals	Water treatment facilities	Total	Elimination or corporate	Consolidated
I. Sales and operating income					
Sales					
(1) Sales to outside customers	12,820	23,764	36,584	-	36,584
(2) Inter-segment sales	64	12	76	(76)	-
Total	12,885	23,776	36,661	(76)	36,584
Operating income	1,873	2,911	4,785	(0)	4,785

Three months ended June 30, 2008 (April 1, 2008 – June 30, 2008)

(millions of yen)

	Water treatment chemicals	Water treatment facilities	Total	Elimination or corporate	Consolidated
I. Sales and operating income					
Sales					
(1) Sales to outside customers	14,338	26,755	41,093	-	41,093
(2) Inter-segment sales	56	29	86	(86)	-
Total	14,394	26,785	41,179	(86)	41,093
Operating income	2,269	2,583	4,852	(11)	4,840

### Geographical segment information

Three months ended June 30, 2009 (April 1, 2009 – June 30, 2009)

(millions of yen)

	Japan	Other regions	Total	Elimination or corporate	Consolidated
I. Sales and operating income					
Sales					
(1) Sales to outside customers	33,522	3,062	36,584	-	36,584
(2) Inter-segment sales	267	101	369	(369)	-
Total	33,789	3,164	36,954	(369)	36,584
Operating income	4,438	272	4,711	74	4,785

Three months ended June 30, 2008 (April 1, 2008 – June 30, 2008)

(millions of yen)

	Japan	Other regions	Total	Elimination or corporate	Consolidated
I. Sales and operating income					
Sales					
(1) Sales to outside customers	36,791	4,302	41,093	-	41,093
(2) Inter-segment sales	418	19	438	(438)	-
Total	37,209	4,322	41,531	(438)	41,093
Operating income	4,422	337	4,759	80	4,840

Notes:

1. Geographic segmentation is based on geographic proximity.
2. "Other regions" in the above table consists of Asia and other areas.

## Overseas sales

Three months ended June 30, 2009 (April 1, 2009 – June 30, 2009)

(millions of yen)

	Asia	North America	Europe	Other	Total
I. Overseas sales	2,038	268	340	609	3,256
II. Consolidated net sales	-	-	-	-	36,584
III. Ratio of overseas sales to total consolidated sales	5.6%	0.7%	0.9%	1.7%	8.9%

Three months ended June 30, 2008 (April 1, 2008 – June 30, 2008)

(millions of yen)

	Asia	North America	Europe	Other	Total
I. Overseas sales	3,781	218	381	845	5,227
II. Consolidated net sales	-	-	-	-	41,093
III. Ratio of overseas sales to total consolidated sales	9.2%	0.5%	0.9%	2.1%	12.7%

Notes:

- Geographic segmentation is based on geographic proximity.
- Major countries or regions in each category are as follows:
  - Asia: Korea, China, Taiwan, Singapore, Indonesia, and Thailand
  - North America: U.S.A.
  - Europe: Germany
  - Other areas: Brazil
- “Overseas sales” comprises sales by the Company and its consolidated subsidiaries in countries or regions other than Japan.

## Net Sales, Order Intake

### Net Sales

(millions of yen)

Business segment	Three months ended June 30,			
	2009		2008	
	Amount	%	Amount	%
Water treatment chemicals	12,820	35.0	14,338	34.9
Water treatment facilities	23,764	65.0	26,755	65.1
Total	36,584	100.0	41,093	100.0

### Order Intake

(millions of yen)

Business segment	Three months ended June 30,			
	2009		2008	
	Amount	%	Amount	%
Water treatment chemicals	13,560	33.5	15,602	28.7
Water treatment facilities	26,942	66.5	38,767	71.3
Total	40,503	100.0	54,369	100.0