

## **IMMEDIATE RELEASE**

### **Kurita Water Industries Reports Earnings for the Three Months ended June 30, 2010**

Tokyo, Japan, July 29, 2010—Kurita Water Industries Ltd. (TSE Securities Code 6370) announced net sales of 39,201 million yen for the three months ended June 30, 2010 (April 1, 2010 – June 30, 2010) and net income of 3,318 million, or 25.79 yen per share.

#### **Results of Operations**

Total consolidated orders for the Kurita Group in the three months ended June 30, 2010, were up 9.6% versus the year-ago first quarter (three months ended June 30, 2009) to 44,410 million yen, while net sales increased 7.2% to 39,201 million yen. Operating income was 5,267 million yen, up 10.1% versus the year-ago first quarter, ordinary income was 5,559 million yen, up 11.1%, and net income was 3,318 million yen, up 3.8%.

Markets in which the Kurita Group operates remained adverse during the three months ended June 30, 2010. Although some signs emerged of improving capacity utilization at customer plants due to a global economic recovery, new capital expenditure in Japan remained low.

#### **Overview by Segment**

The Kurita Group is composed of segments delineated according to the products and services handled by each of its business divisions. These reportable segments correspond to the segments that the Group has used thus far, namely the Water Treatment Chemicals segment and the Water Treatment Facilities segment.

#### **Water Treatment Chemicals**

Total Group orders for the Water Treatment Chemicals segment were 14,550 million yen, up 7.3% versus the year-ago first quarter, while sales increased 6.1% to 13,604 million yen. Operating income rose 24.6% to 2,334 million yen.

During the three months ended June 30, 2010, the Kurita Group bolstered sales efforts by strengthening alliances with its domestic and overseas sales subsidiaries and pursued order bookings through consultative sales to help customers successfully meet challenges such as productivity enhancement and environmental mitigation.

In Japan, among the Group's mainstay products, orders for boiler water treatment chemicals and wastewater treatment chemicals increased versus the year-ago first quarter.

Overseas orders increased in response to more determined sales activities and recoveries in production in various industries, mainly in Asia.

#### **Water Treatment Facilities**

Total Group orders for the Water Treatment Facilities segment were 29,859 million yen, up 10.8% versus the year-ago first quarter, while sales rose 7.7% to 25,596 million yen. Operating income rose 0.7% to 2,932 million yen.

During the three months ended June 30, 2010, the Group worked to generate profits by focusing on service businesses and pursued order bookings by stepping up both consultative sales targeting key customers and sales activities in Asia, with emphasis on China.

In the electronics industry, orders for the ultrapure water supply business and tool cleaning services were flat versus the year-ago first quarter, but orders for ultrapure water production systems increased, mainly overseas. Orders for maintenance services rose sharply due to recovery in maintenance services demand at customer plants.

### **Financial Condition**

Current assets totaled 105,414 million yen at the end of the fiscal first quarter (June 30, 2010), a decline of 3,883 million yen versus the end of the previous fiscal year (March 31, 2010). The decrease was mainly due to sharp declines of 7,369 million yen in trade accounts receivable and 6,000 million yen in marketable securities, which were partially offset by increases of 4,945 million yen in cash and deposits, 1,731 million yen in trade notes receivable, and 2,431 million yen in work in process. The increase in cash and deposits resulted from steady progress with collections and a decrease in negotiable certificates of deposits, which are treated as marketable securities. The increase in trade notes receivable was due to an increase in trade notes received as payment for accounts receivable, and the increase in work in process was due to ongoing works in the water treatment facilities business. The decreases in trade accounts receivable and marketable securities are stated above.

Noncurrent assets totaled 138,799 million yen at the end of the fiscal first quarter, a decline of 3,524 million yen versus the end of the previous fiscal year. The decline mainly reflects a 2,929 million yen decrease in property, plant and equipment due to depreciation related to past years' investments in facilities used in the ultrapure water supply business.

Current liabilities totaled 31,788 million yen at the end of the fiscal first quarter, a decrease of 6,804 million yen versus the end of the previous fiscal year. The change is mainly due to decreases of 5,046 million yen in income taxes payable and 1,333 million yen in trade accounts payable.

Noncurrent liabilities totaled 19,240 million yen at the end of the fiscal first quarter, a slight increase of 152 million yen versus the end of the previous fiscal year.

Total net assets were 193,184 million yen at the end of the fiscal first quarter, a decrease of 755 million yen versus the end of the previous fiscal year. The change is mainly due to a 3,318 million yen increase in retained earnings from quarterly net income, a 2,444 million yen decrease in retained earnings due to dividend payments, and a 1,629 million yen decrease in valuation and translation adjustments due to a decrease in unrealized gains on available-for-sale securities reflecting a drop in the market prices of investment securities held by the Group.

### **Outlook for the Fiscal Year Ending March 31, 2011**

The Group believes that it is on course to achieve its earnings forecasts for both the six months ending September 30, 2010, and the full fiscal year ending March 31, 2011, which are detailed in its consolidated earnings release (and in Japanese in the *kessan tanshin*) for the fiscal year ended March 31, 2010, issued on April 30, 2010.

## Financial Statements — Consolidated

### Balance Sheets — Consolidated

	As of June 30, 2010 Amount	(millions of yen) As of March 31, 2010 Amount
<b>Assets</b>		
<b>Current assets</b>		
Cash and deposits	21,308	16,363
Notes receivable - trade	7,124	5,393
Accounts receivable - trade	42,606	49,975
Marketable securities	22,500	28,500
Finished products	1,496	1,334
Work in process	5,031	2,600
Raw materials and supplies	1,279	1,186
Other	4,135	4,075
Allowance for doubtful accounts	(68)	(132)
Total current assets	105,414	109,297
<b>Noncurrent assets</b>		
Property, plant and equipment		
Buildings (net)	34,706	35,685
Machinery and equipment (net)	54,454	51,659
Other (net)	24,409	29,154
Total property, plant and equipment	113,571	116,500
Intangible fixed assets	2,154	2,173
Investments and other assets		
Other	23,270	23,854
Allowance for doubtful accounts	(197)	(205)
Total investments and other assets	23,073	23,649
Total noncurrent assets	138,799	142,323
Total assets	244,213	251,620
<b>Liabilities</b>		
<b>Current liabilities</b>		
Notes payable – trade	1,374	1,198
Accounts payable - trade	14,299	15,632
Income taxes payable	2,384	7,430
Allowances	1,859	2,924
Other	11,871	11,406
Total current liabilities	31,788	38,592
<b>Noncurrent liabilities</b>		
Accrued employees' retirement benefits	9,724	9,465
Other allowances	431	449
Other	9,084	9,172
Total noncurrent liabilities	19,240	19,088
Total liabilities	51,028	57,680
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Common stock	13,450	13,450
Capital surplus	11,426	11,426
Retained earnings	173,590	172,717
Treasury stock	(4,857)	(4,855)
Total shareholders' equity	193,611	192,738
<b>Valuation and translation adjustments</b>		
Unrealized gains on available-for-sale securities	300	1,989
Unrealized gains (losses) on revaluation of land	(764)	(764)
Foreign currency translation adjustments	(1,315)	(1,374)
Total valuation and translation adjustments	(1,778)	(149)
<b>Minority interests</b>		
	1,352	1,350
Total net assets	193,184	193,939
Total liabilities and net assets	244,213	251,620

## Statements of Income — Consolidated

	(millions of yen)	
	Three months ended June 30, 2009	Three months ended June 30, 2010
	Amount	Amount
Net sales	36,584	39,201
Cost of sales	23,317	25,077
Gross profit	13,267	14,123
Selling, general and administrative expenses		
Salaries and directors' remuneration	2,981	3,215
Provision for employees' bonuses	675	723
R&D expenses	908	936
Other	3,916	3,980
Total selling, general and administrative expenses	8,481	8,856
Operating income	4,785	5,267
Non-operating income		
Interest income	29	29
Dividend income	125	148
Other	126	205
Total non-operating income	281	383
Non-operating expenses		
Interest expense	6	5
Foreign exchange loss	-	37
Other	55	48
Total non-operating expenses	62	91
Ordinary income	5,004	5,559
Extraordinary income		
Gain from cancellation of contracts	646	-
Total extraordinary income	646	-
Extraordinary losses		
Loss on liquidation of business	136	-
Total extraordinary losses	136	-
Income before income taxes and minority interests	5,514	5,559
Income taxes	2,278	2,244
Income before minority interests	-	3,314
Minority interests in earnings of consolidated subsidiaries	38	(3)
Net income	3,197	3,318

## Statements of Cash Flows — Consolidated

	Three months ended June 30, 2009	(millions of yen) Three months ended June 30, 2010
	Amount	Amount
<b>Cash flows from operating activities</b>		
Income before income taxes and minority interests	5,514	5,559
Depreciation and amortization	3,663	3,970
Increase (decrease) in allowances	(1,154)	(952)
(Increase) decrease in notes and accounts receivable - trade	10,142	5,640
(Increase) decrease in inventories	(3,906)	(2,646)
Increase (decrease) in notes and accounts payable - trade	(2,445)	(1,488)
Income taxes paid	(3,709)	(7,321)
Other	2,625	1,090
<b>Net cash provided by (used in) operating activities</b>	<b>10,729</b>	<b>3,851</b>
<b>Cash flows from investing activities</b>		
Deposits into time deposit accounts	-	(8,186)
Payments for purchases of marketable securities	(2,099)	(15,500)
Proceeds from sale and redemption of marketable securities	2,916	18,500
Payments for purchases of property, plant and equipment	(6,865)	(1,070)
Proceeds from sale of property, plant and equipment	6	8
Payments for purchases of investment securities	(3)	(1,641)
Other payments	(294)	(169)
Other proceeds	621	49
<b>Net cash provided by (used in) investing activities</b>	<b>(5,720)</b>	<b>(8,008)</b>
<b>Cash flows from financing activities</b>		
Net increase (decrease) in short-term borrowings	60	199
Repayment of finance lease obligations	(101)	(116)
Purchase of treasury stock	(1)	(1)
Cash dividends paid	(1,866)	(2,272)
Cash dividends paid to minority shareholders	(78)	(11)
<b>Net cash provided by (used in) financing activities</b>	<b>(1,988)</b>	<b>(2,201)</b>
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<b>727</b>	<b>58</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>3,748</b>	<b>(6,300)</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>25,262</b>	<b>20,590</b>
<b>Increase in cash and cash equivalents from newly consolidated subsidiaries</b>	<b>60</b>	<b>46</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>29,071</b>	<b>14,336</b>

## Notes on the Going-concern Assumption

Three months ended June 30, 2010 (April 1, 2010 – June 30, 2010)

Not applicable

## 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
Sales					
(1) Sales to outside customers	12,820	23,764	36,584	-	36,584
(2) Inter-segment sales or transfers	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

### 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
Sales					
(1) Sales to outside customers	33,522	3,062	36,584	-	36,584
(2) Inter-segment sales or transfers	267	101	369	(369)	-
Total	33,789	3,164	36,954	(369)	36,584
Operating income	4,438	272	4,711	74	4,785

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%

Notes:

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

## Additional information

Effective the first quarter of the fiscal year ending March 31, 2011, the Company adopted the *Revised Accounting Standard for Disclosures about Segments of an Enterprise and Related Information* (ASBJ Statement No. 17, revised March 27, 2009) and its accompanying *Guidance on the Accounting Standard for Disclosures about Segments of an Enterprise and Related Information* (Guidance No. 20, March 21, 2008).

### 1. Overview of reportable segments

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

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

The Group's operations are therefore segmented based on the products and services handled by each of the divisions. The Company's reportable segments correspond to the segments it has used thus far, namely the Water Treatment Chemicals segment and Water Treatment Facilities segment.

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. Sales and income by reportable segment

#### Three months ended June 30, 2010 (April 1, 2010 – June 30, 2010)

	Reportable segment			Adjustments (note 1)	(millions of yen) Amounts reported on the quarterly statements of income (note 2)
	Water Treatment Chemicals	Water Treatment Facilities	Total		
Sales					
(1) Sales to outside customers	13,604	25,596	39,201	-	39,201
(2) Inter-segment sales or transfers	82	18	101	(101)	-
Total	13,686	25,615	39,302	(101)	39,201
Segment income	2,334	2,932	5,267	-	5,267

#### Notes:

1. "Adjustments" represent the elimination of inter-segment transactions.
2. Segment income is based on operating income, and there is no difference between segment income and operating income reported in the statements of income for the corresponding period.

## Notes on Significant Changes in Shareholders' Equity

#### Three months ended June 30, 2010 (April 1, 2010 – June 30, 2010)

Not applicable

## Other Information — Consolidated

### Order Intake

(millions of yen)

Business segment	Three months ended June 30,			
	2009		2010	
	Amount	%	Amount	%
Water Treatment Chemicals	13,560	33.5	14,550	32.8
Water Treatment Facilities	26,942	66.5	29,859	67.2
Total	40,503	100.0	44,410	100.0

### Net Sales

(millions of yen)

Business segment	Three months ended June 30,			
	2009		2010	
	Amount	%	Amount	%
Water Treatment Chemicals	12,820	35.0	13,604	34.7
Water Treatment Facilities	23,764	65.0	25,596	65.3
Total	36,584	100.0	39,201	100.0

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

(millions of yen)

Business segment	Three months ended June 30,			
	2009		2010	
	Amount	%	Amount	%
Water Treatment Chemicals	156	6.9	106	14.8
Water Treatment Facilities	2,102	93.1	609	85.2
Total	2,259	100.0	715	100.0

### Depreciation (Property, Plant and Equipment)

(millions of yen)

Business segment	Three months ended June 30,			
	2009		2010	
	Amount	%	Amount	%
Water Treatment Chemicals	308	8.8	286	7.5
Water Treatment Facilities	3,191	91.2	3,513	92.5
Total	3,499	100.0	3,799	100.0