

FOR IMMEDIATE RELEASE

Kurita Water Industries Reports Earnings for the First Quarter ended June 30, 2011

Tokyo, Japan, July 29, 2011—Kurita Water Industries Ltd. (TSE Securities Code 6370) announced net sales of 38,248 million yen for the first quarter ended June 30, 2011 (April 1, 2011 – June 30, 2011) and net income of 2,993 million yen, or 23.64 yen per share.

Results of Operations

Total consolidated orders for the Kurita Group in the first quarter ended June 30, 2011 increased 5.7% versus the same period of the previous year to 46,953 million yen. Net sales declined 2.4% year on year to 38,248 million yen. Though efforts were made to reduce costs, the decline in net sales resulted in operating income decreasing 9.6% year on year to 4,760 million yen. Ordinary income was 5,054 million yen, down 9.1%, and net income totaled 2,993 million yen, down 9.8%.

Reviewing markets in which the Kurita Group operates, the Japanese market was severe during the first quarter due to the lingering impact of the Great East Japan Earthquake. Restoration and reconstruction efforts gradually gained momentum during the period, and there are expectations of a recovery ahead. Overseas, concerns arose over the economic course of advanced nations. Newly emerging economies, however, continued to exhibit growth.

Segment Information

Water Treatment Chemicals

Total Group orders for the Water Treatment Chemicals segment in the first quarter were 14,658 million yen, up 0.7% versus the same period of the previous year, while sales declined 1.2% to 13,445 million yen. Operating income declined 6.0% to 2,195 million yen.

In the period, the Kurita Group strove to help customers in Japan restore their operations following the earthquake. In addition, the Group continued to strengthen alliances between Group companies in Japan and overseas, while promoting a consultative sales approach geared towards helping customers successfully meet challenges such as productivity enhancement and environmental mitigation.

In Japan, orders and sales declined due to the suspension of operations and decreased activity among manufacturers following the earthquake, most notably in the petrochemical and auto industries. Overseas, orders and sales increased on growing manufacturing activity, primarily in newly emerging economies.

Water Treatment Facilities

Total Group orders for the Water Treatment Facilities segment in the first quarter were 32,295 million yen, up 8.2% versus the same period of the previous year. Sales declined 3.1% to 24,802 million yen, while operating income fell 12.0% to 2,579 million yen.

In the period, the Group strove to help Japanese customers restore their operations following the earthquake. In addition, the Group bolstered its consultative sales targeting key customers and sales activities in Asia, with emphasis on China.

In the electronics industry, orders and sales in the ultrapure water supply business

declined slightly versus the same period the previous fiscal year, while maintenance services sales and orders rose as customers in Japan worked to restore their manufacturing operations following the disaster and manufacturing activity on the whole recovered. Orders for ultrapure water production systems increased both in and outside Japan, but sales of the systems declined.

In general industries, orders for both water treatment facilities and maintenance services increased as customers in Japan worked to restore their manufacturing operations following the disaster and manufacturing activity on the whole recovered. Sales of water treatment facilities declined slightly, while maintenance services sales increased.

Financial Condition

Current assets totaled 117,579 million yen at the end of the first quarter (June 30, 2011), a decrease of 273 million yen versus the end of the previous fiscal year (March 31, 2011). Increases of 5,000 million yen in marketable securities and 2,750 million yen in work in process were outweighed by decreases of 7,540 million yen in trade accounts receivable and 957 million yen in cash and deposits.

The decrease in trade accounts receivable was the result of progress in collections made at the end of the previous fiscal year. The decline in cash and deposits was the result of increased investment in negotiable certificates of deposits, which are treated as marketable securities. The increase in work in process was the result of progress in water treatment facility construction, and the increase in marketable securities is as stated above.

Noncurrent assets totaled 132,741 million yen at the end of the first quarter, a decline of 2,705 million yen versus the end of the previous fiscal year. The decline resulted from a 2,492 million yen decrease in property, plant and equipment due to depreciation on past years' investments in ultrapure water supply business facilities exceeding the current period's investments in property, plant and equipment.

Current liabilities totaled 31,069 million yen at the end of the first quarter, a decrease of 3,702 million yen versus the end of the previous fiscal year. The change was mainly due to declines of 3,577 million yen in income taxes payable and 1,640 million yen in trade accounts payable.

Noncurrent liabilities totaled 18,987 million yen at the end of the first quarter, a slight decrease of 188 million yen versus the end of the previous fiscal year.

Net assets totaled 200,264 million yen at the end of the first quarter, an increase of 913 million yen versus the end of the previous fiscal year. The change mainly reflects a 587 million yen increase in retained earnings and a 296 million yen increase in accumulated other comprehensive income. Retained earnings increased as the first-quarter net income of 2,993 million yen exceeded the year-end dividend payment of 2,406 million yen for the previous year.

Outlook for the Fiscal Year Ending March 31, 2012

The Group's current outlook for the first half of the year ending September 30, 2011 and the full year ending March 31, 2012 is consistent with the targets disclosed in the April 28, 2011 financial results announcement.

Financial Statements — Consolidated

Balance Sheets — Consolidated

	As of March 31, 2011 Amount	(millions of yen) As of June 30, 2011 Amount
Assets		
Current assets		
Cash and deposits	35,073	34,116
Notes receivable - trade	5,983	6,133
Accounts receivable - trade	47,257	39,717
Marketable securities	20,000	25,000
Finished products	1,303	1,481
Work in process	2,643	5,393
Raw materials and supplies	1,533	1,703
Other	4,098	4,079
Allowance for doubtful accounts	(40)	(46)
Total current assets	117,852	117,579
Noncurrent assets		
Property, plant and equipment		
Buildings (net)	31,454	30,647
Machinery and equipment (net)	48,826	48,903
Other (net)	26,328	24,566
Total property, plant and equipment	106,608	104,116
Intangible fixed assets	1,939	1,866
Investments and other assets		
Other	27,081	26,946
Allowance for doubtful accounts	(184)	(187)
Total investments and other assets	26,897	26,758
Total noncurrent assets	135,446	132,741
Total assets	253,298	250,321
Liabilities		
Current liabilities		
Notes payable – trade	1,402	1,750
Accounts payable - trade	15,058	13,418
Income taxes payable	5,626	2,049
Allowances	3,275	2,312
Other	9,407	11,537
Total current liabilities	34,771	31,069
Noncurrent liabilities		
Accrued employees' retirement benefits	9,936	10,070
Other allowances	440	161
Other	8,799	8,755
Total noncurrent liabilities	19,175	18,987
Total liabilities	53,946	50,056
Net assets		
Shareholders' equity		
Common stock	13,450	13,450
Capital surplus	11,426	11,426
Retained earnings	184,954	185,541
Treasury stock	(9,640)	(9,641)
Total shareholders' equity	200,191	200,777

Accumulated other comprehensive income		
Unrealized gains on available-for-sale securities	623	570
Unrealized gains (losses) on revaluation of land	(764)	(764)
Foreign currency translation adjustments	(2,006)	(1,658)
Total accumulated other comprehensive income	(2,148)	(1,852)
Minority interests	1,308	1,340
Total net assets	199,351	200,264
Total liabilities and net assets	253,298	250,321

Statements of Income and Comprehensive Income – Consolidated

	(millions of yen)	
	Three months ended	Three months ended
	June 30, 2010	June 30, 2011
	Amount	Amount
Net sales	39,201	38,248
Cost of sales	25,077	24,406
Gross profit	14,123	13,841
Selling, general and administrative expenses	8,856	9,081
Operating income	5,267	4,760
Non-operating income		
Interest income	29	23
Dividend income	148	171
Equity in earnings of unconsolidated subsidiaries and affiliates	62	77
Other	143	88
Total non-operating income	383	362
Non-operating expenses		
Interest expense	5	17
Foreign exchange loss	37	15
Other	48	34
Total non-operating expenses	91	68
Ordinary income	5,559	5,054
Income before income taxes and minority interests	5,559	5,054
Income taxes	2,244	2,044
Income before minority interests	3,314	3,010
Minority interests in earnings of consolidated subsidiaries	(3)	16
Net income	3,318	2,993

	(millions of yen)	
	Three months ended	Three months ended
	June 30, 2010	June 30, 2011
Income before minority interests	3,314	3,010
Other comprehensive income		
Unrealized gains on available-for-sale securities	(1,687)	(52)
Foreign currency translation adjustments	47	346
Share of other comprehensive income of associates accounted for using equity method	25	29
Total other comprehensive income	(1,613)	323
Comprehensive income	1,701	3,333
(Components)		
Comprehensive income attributable to owners of the parent company	1,688	3,289
Comprehensive income attributable to minority interests	12	44

Notes on the Going-concern Assumption

Three months ended June 30, 2011 (April 1, 2011 – June 30, 2011)

Not applicable

Segment Information

1. Sales and income/loss by reportable segment

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

(millions of yen)

	Reportable Segments			Adjustments (note 1)	Consolidated (note 2)
	Water Treatment Chemicals	Water Treatment Facilities	Total		
Sales					
Sales to outside customers	13,604	25,596	39,201	-	39,201
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

Three months ended June 30, 2011 (April 1, 2011 – June 30, 2011)

(millions of yen)

	Reportable Segments			Adjustments (note 1)	Consolidated (note 2)
	Water Treatment Chemicals	Water Treatment Facilities	Total		
Sales					
Sales to outside customers	13,445	24,802	38,248	-	38,248
Inter-segment sales or transfers	77	19	97	(97)	-
Total	13,523	24,822	38,345	(97)	38,248
Segment income	2,195	2,579	4,774	(14)	4,760

Notes:

1. Adjustments related to sales represents elimination of inter-segment sales. Resultant adjustment of segment income is reflected in segment income Adjustments.
2. Segment income is shown at the operating income level.

Notes on Significant Changes in Shareholders' Equity

Three months ended June 30, 2011 (April 1, 2011 – June 30, 2011)

Not applicable

Other Information — Consolidated

Order Intake

(millions of yen)

Three months ended June 30,

Business segment	2010		2011	
	Amount	%	Amount	%
Water Treatment Chemicals	14,550	32.8	14,658	31.2
Water Treatment Facilities	29,859	67.2	32,295	68.8
Total	44,410	100.0	46,953	100.0

Net Sales

(millions of yen)

Three months ended June 30,

Business segment	2010		2011	
	Amount	%	Amount	%
Water Treatment Chemicals	13,604	34.7	13,445	35.2
Water Treatment Facilities	25,596	65.3	24,802	64.8
Total	39,201	100.0	38,248	100.0

Capital Expenditures (Property, Plant and Equipment)

(millions of yen)

Three months ended June 30,

Business segment	2010		2011	
	Amount	%	Amount	%
Water Treatment Chemicals	106	14.8	331	28.8
Water Treatment Facilities	609	85.2	820	71.2
Total	715	100.0	1,152	100.0

Depreciation (Property, Plant and Equipment)

(millions of yen)

Three months ended June 30,

Business segment	2010		2011	
	Amount	%	Amount	%
Water Treatment Chemicals	286	7.5	272	7.3
Water Treatment Facilities	3,513	92.5	3,470	92.7
Total	3,799	100.0	3,742	100.0