

FOR IMMEDIATE RELEASE

## **Kurita Water Industries Reports Earnings for the Three Months ended June 30, 2012**

Tokyo, Japan, July 31, 2012—Kurita Water Industries Ltd. (TSE Securities Code 6370) announced net sales of 40,273 million yen and net income of 3,510 million yen, or 27.72 yen per share, for the three months ended June 30, 2012 (April 1, 2012 – June 30, 2012).

### **Results of Operations**

Total consolidated orders for the Kurita Group in the three months ended June 30, 2012, decreased 5.2% versus the same period of the previous fiscal year to 44,516 million yen. Net sales rose 5.3% year on year to 40,273 million yen. In terms of income, operating income declined 8.7% year on year to 4,345 million yen, while ordinary income declined 9.1% to 4,592 million yen. Net income amounted to 3,510 million yen, up 17.3%.

Reviewing markets in which the Kurita Group operates, the fiscal year got off to a challenging start overall, as despite ongoing restoration efforts in the wake of the Great East Japan Earthquake, the appreciation of the yen together with unstable electricity supply caused companies to continue to consolidate production sites or relocate them overseas, amid a reduction in capital investment by key customers. Overseas, although there are ongoing large capital investment projects in the electronics industry in East Asia, the growing debt crisis in Europe and the flattening out of economic growth in China and other emerging nations have brought a sense of uncertainty over the economy.

Amid this environment, the Kurita Group secured orders by continuing to focus on helping the restoration efforts of customers affected by the Great East Japan Earthquake, and further bolstered teamwork within the Group to demonstrate the Group's integrative capabilities as well as promoting consultative sales to help customers with issues such as productivity enhancement and environmental mitigation.

### **Segment Information**

#### **Water Treatment Chemicals**

Total Group orders for the Water Treatment Chemicals segment in the three-month period totaled 14,462 million yen, down 1.3% versus the same period of the previous fiscal year, while sales increased 0.1% to 13,465 million yen. Operating income declined 8.3% to 2,013 million yen.

In Japan, orders for and sales of products including boiler water treatment chemicals and process treatment chemicals for the paper and pulp industries increased as industrial production recovered. There was also an increase in sales of agents for solidifying heavy metals. On the other hand, there was a decline in orders for equipment and services which had hitherto seen an increase as a result of strong post-earthquake recovery demand. Overall, there was a decline in orders and an increase in sales in Japan.

Overseas, despite a robust showing in China, sales of cooling water treatment chemicals and other core chemicals declined in Southeast Asia and Europe, resulting in an overall decline in both orders and sales.

### **Water Treatment Facilities**

Total Group orders for the Water Treatment Facilities segment in the three-month period amounted to 30,053 million yen, down 6.9% versus the same period of the previous fiscal year. Sales increased 8.1% to 26,807 million yen, while operating income declined 10.1% to 2,318 million yen.

In the electronics industry, orders and sales in the ultrapure water supply business were largely unchanged compared to the same period of the previous fiscal year, despite consolidation of production facilities by key customers. Maintenance service sales and orders declined as a result of the decline in restoration related demand caused by the earthquake. Overseas, there was an increase in orders and sales to semiconductor and LCD panel plants in East Asia.

In general industries, orders for water treatment facilities, soil remediation, and maintenance services declined due to the drop in restoration-related demand. Sales increased in conjunction with progress on the construction of water treatment facilities for the electric power industry.

### **Financial Condition**

Current assets totaled 145,305 million yen at the end of the first quarter (June 30, 2012), an increase of 320 million yen versus the end of the previous fiscal year (March 31, 2012). This was mainly a result of increases such as 13,000 million yen in marketable securities and 1,920 million yen in work in process, outweighing declines of 10,522 million yen in trade accounts receivable and 4,964 million yen in cash and deposits.

The decline 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 deposit, 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 120,483 million yen at the end of the three-month period, a decline of 5,673 million yen versus the end of the previous fiscal year. The decline was mainly due to a 4,771 million yen drop in property, plant and equipment due to depreciation on past years' investments in ultrapure water supply business facilities exceeding capital expenditures during the first quarter ended June 30, 2012, as well as the sale of some ultrapure water supply business facilities owned by the company.

Current liabilities totaled 35,902 million yen at the end of the period, a decline of 6,456 million yen versus the end of the previous fiscal year. This was mainly a result of declines of 4,603 million yen in income taxes payable and 3,163 million yen in trade accounts payable.

Noncurrent liabilities totaled 18,993 million yen at the end of the period, a slight increase of 212 million yen versus the end of the previous fiscal year.

Net assets totaled 210,892 million yen at the end of the period, an increase of 890 million yen versus the end of the previous fiscal year. The change mainly reflects a 978 million yen increase in retained earnings resulting from the posting of 3,510 million yen in net income, which exceeded the dividend payments of 2,533 million yen at the end of the previous fiscal year.

### **Outlook for the Fiscal Year Ending March 31, 2013**

The Group's current outlook for the six months ending September 30, 2012, and the full year ending March 31, 2013, is consistent with the targets disclosed in the April 27, 2012 financial results announcement.

### **Other Information**

(1) Accounting treatment specific to the preparation of quarterly consolidated financial statements

a. Tax expense

The Company calculates tax expense by producing a reasonable estimate of the effective tax rate after applying tax-effect accounting to income before income taxes and minority interests for the fiscal year and then multiplying quarterly income before income taxes and minority interests by this estimated effective tax rate.

(2) Changes in accounting policy, changes in accounting estimates, and retrospective restatement

Changes in accounting principles hard to distinguish from changes in accounting estimates

In response to Japan's recent corporate tax law amendments and effective from the first quarter of the fiscal year ending March 31, 2013, the method which Kurita Water Industries Ltd. and its domestic consolidated subsidiaries use for depreciation of noncurrent assets acquired on or after April 1, 2012 will be adjusted to reflect the revised corporate tax code. Impact on earnings for the three months ended June 30, 2012 is expected to be minimal.

## Financial Statements — Consolidated

### Balance Sheet — Consolidated

	As of March 31, 2012 Amount	(millions of yen) As of June 30, 2012 Amount
<b>Assets</b>		
<b>Current assets</b>		
Cash and deposits	28,902	23,938
Notes receivable - trade	7,045	7,417
Accounts receivable - trade	59,311	48,789
Marketable securities	40,500	53,500
Finished products	1,598	1,788
Work in process	2,715	4,635
Raw materials and supplies	1,209	1,537
Other	3,761	3,750
Allowance for doubtful accounts	(58)	(52)
Total current assets	144,985	145,305
<b>Noncurrent assets</b>		
Property, plant and equipment		
Buildings (net)	28,355	26,705
Machinery and equipment (net)	44,779	42,003
Other (net)	25,233	24,889
Total property, plant and equipment	98,368	93,597
Intangible fixed assets	1,683	1,775
Investments and other assets		
Other	26,443	25,451
Allowance for doubtful accounts	(339)	(342)
Total investments and other assets	26,103	25,109
Total noncurrent assets	126,156	120,483
Total assets	271,141	265,788
<b>Liabilities</b>		
<b>Current liabilities</b>		
Notes payable – trade	1,701	1,840
Accounts payable - trade	19,620	16,457
Income taxes payable	7,045	2,442
Allowances	3,434	2,462
Other	10,555	12,698
Total current liabilities	42,358	35,902
<b>Noncurrent liabilities</b>		
Accrued employees' retirement benefits	10,335	10,584
Other allowances	168	156
Other	8,277	8,252
Total noncurrent liabilities	18,781	18,993
Total liabilities	61,139	54,895
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Common stock	13,450	13,450
Capital surplus	11,426	11,426
Retained earnings	196,541	197,519
Treasury stock	(9,642)	(9,643)
Total shareholders' equity	211,776	212,753

<b>Accumulated other comprehensive income</b>		
Unrealized gains on available-for-sale securities	252	(565)
Unrealized gains (losses) on revaluation of land	(564)	(564)
Foreign currency translation adjustments	(2,572)	(1,942)
Total accumulated other comprehensive income	(2,884)	(3,072)
<b>Minority interests</b>	1,110	1,211
Total net assets	210,002	210,892
Total liabilities and net assets	271,141	265,788

## Statements of Income and Comprehensive Income – Consolidated

### Statement of Income

	(millions of yen)	
	Three months ended June 30, 2011	Three months ended June 30, 2012
	Amount	Amount
Net sales	38,248	40,273
Cost of sales	24,406	26,578
Gross profit	13,841	13,695
Selling, general and administrative expenses	9,081	9,349
Operating income	4,760	4,345
Non-operating income		
Interest income	23	43
Dividend income	171	182
Equity in earnings of unconsolidated subsidiaries and affiliates	77	75
Other	88	40
Total non-operating income	362	342
Non-operating expenses		
Interest expense	17	22
Valuation loss on investment securities	-	53
Foreign exchange loss	15	-
Other	34	19
Total non-operating expenses	68	95
Ordinary income	5,054	4,592
Extraordinary income		
Gain on sales of noncurrent assets	-	1,040
Gain on discontinuation of approved retirement annuity system (closed-type)	-	137
Total extraordinary income	-	1,177
Income before income taxes and minority interests	5,054	5,770
Income taxes	2,044	2,200
Income before minority interests	3,010	3,570
Minority interests in earnings of consolidated subsidiaries	16	59
Net income	2,993	3,510

## Statement of Comprehensive Income

	(millions of yen)	
	Three months ended June 30, 2011	Three months ended June 30, 2012
Income before minority interests	3,010	3,570
Other comprehensive income		
Unrealized gains on available-for-sale securities	(52)	(816)
Foreign currency translation adjustments	346	632
Share of other comprehensive income of associates accounted for using equity method	29	42
Total other comprehensive income	323	(142)
Comprehensive income	3,333	3,428
(Components)		
Comprehensive income attributable to owners of the parent company	3,289	3,322
Comprehensive income attributable to minority interests	44	105

## Notes on the Going-concern Assumption

Three months ended June 30, 2012 (April 1, 2012 – June 30, 2012)

Not applicable

## Segment Information

1. Sales and income/loss by reportable segment

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

(millions of yen)

	Reportable Segment			Adjustments (note 1)	Amount reported on the quarterly statements of income (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

Three months ended June 30, 2012 (April 1, 2012 – June 30, 2012)

(millions of yen)

	Reportable Segment			Adjustments (note 1)	Amount reported on the quarterly statements of income (note 2)
	Water Treatment Chemicals	Water Treatment Facilities	Total		
Sales					
Sales to outside customers	13,465	26,807	40,273	-	40,273
Inter-segment sales or transfers	55	51	107	(107)	-
Total	13,521	26,859	40,381	(107)	40,273
Segment income	2,013	2,318	4,332	13	4,345

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, 2012 (April 1, 2012 – June 30, 2012)

Not applicable



## Other Information — Consolidated

### (1) Order Intake

(millions of yen)

Three months ended June 30,

Business segment	2011		2012	
	Amount	%	Amount	%
Water Treatment Chemicals	14,658	31.2	14,462	32.5
Water Treatment Facilities	32,295	68.8	30,053	67.5
Total	46,953	100.0	44,516	100.0

### (2) Net Sales

(millions of yen)

Three months ended June 30,

Business segment	2011		2012	
	Amount	%	Amount	%
Water Treatment Chemicals	13,445	35.2	13,465	33.4
Water Treatment Facilities	24,802	64.8	26,807	66.6
Total	38,248	100.0	40,273	100.0

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

(millions of yen)

Three months ended June 30,

Business segment	2011		2012	
	Amount	%	Amount	%
Water Treatment Chemicals	331	28.8	199	18.8
Water Treatment Facilities	820	71.2	862	81.2
Total	1,152	100.0	1,061	100.0

### (4) Depreciation (Property, Plant and Equipment)

(millions of yen)

Three months ended June 30,

Business segment	2011		2012	
	Amount	%	Amount	%
Water Treatment Chemicals	272	7.3	254	6.9
Water Treatment Facilities	3,470	92.7	3,438	93.1
Total	3,742	100.0	3,693	100.0