

FOR IMMEDIATE RELEASE

## **Kurita Water Industries Reports Earnings for the Six Months Ended September 30, 2009**

Tokyo, Japan, October 30, 2009—Kurita Water Industries Ltd. (TSE Security Code 6370) announced net sales of 83,815 million yen for the six months ended September 30, 2009 (April 1 – September 30, 2009), and net income of 8,142 million yen, or 63.29 yen per share.

### **Results of Operations**

Total consolidated orders for the Kurita Group in the six months ended September 30, 2009, were down 17.5% versus the year-ago period (six months ended September 30, 2008) to 88,101 million yen, while net sales declined 12.4% to 83,815 million yen. Efforts to curtail costs helped the Group achieve operating income of 12,878 million, down 2.5% versus the year-ago period, ordinary income of 13,166 million yen, down 3.6%, and net income of 8,142 million yen, up 8.9%.

Markets in which the Kurita Group operates remained extremely challenging during the six months ended September 30, 2009. Despite some signs of improvement mainly in Asian markets, capital expenditure fell sharply in the electronics industry and general industries, both in Japan and overseas, and customers' capacity utilization remained low.

### **Segment Information**

#### **Water Treatment Chemicals**

Total Group orders for the Water Treatment Chemicals segment were 26,775 million yen, down 14.2% versus the year-ago period, while sales fell 13.1% to 26,665 million yen. Operating income declined 16.1% to 4,230 million yen.

During the six months ended September 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.

In Japan, overall orders fell compared with the year-ago period, including those for the Group's mainstay boiler water treatment chemicals, cooling water treatment chemicals, and wastewater treatment chemicals, due to a decline in customers' capacity utilization.

Overseas orders also decreased amid the global economic slowdown.

#### **Water Treatment Facilities**

Total Group orders for the Water Treatment Facilities segment were 61,325 million yen, down 18.8% versus the year-ago period, while sales fell 12.1% to 57,150 million yen. Operating income rose 5.9% to 8,647 million yen on the contribution to earnings from service businesses.

During the six months ended September 30, 2009, the Group worked to generate profits by focusing on service businesses and secure orders by stepping up consultative sales efforts aimed at key customers.

In the electronics industry, orders for the ultrapure water supply business were up markedly versus the year-ago period, but orders for the Group's ultrapure water production systems fell substantially as semiconductor- and LCD-related capital expenditures remained sluggish. Orders for the tool-cleaning service business also dropped considerably due to customers' lower capacity utilization. Orders for water treatment facilities for general industries decreased markedly versus the year-ago period due to a fall in capital expenditure, and orders for maintenance services also plunged because of diminished capacity utilization at client companies.

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

The Group believes that it is on course to achieve its earnings forecasts for 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 Condition**

Current assets totaled 95,718 million yen at the end of the fiscal second quarter (September 30, 2009), a decline of 2,971 million yen versus the end of the previous fiscal year (March 31, 2009). This was mainly due to sharp decreases in cash and deposits of 11,425 million yen and trade accounts receivable of 10,170 million yen, which were partly offset by increases in marketable securities of 16,267 million yen and work in process of 2,133 million yen. Despite steady collection of trade accounts receivable, cash and deposits declined because of an increase in certificates of deposit, which are recorded as marketable securities. The decline in trade accounts receivable was due to both increased collections as well as a decrease in sales. The increase in marketable securities reflects the increase in certificates of deposit, while the increase in work in process was due to the progress of ongoing works in the water treatment facilities business.

Noncurrent assets totaled 144,511 million yen at the end of the second quarter, a decline of 2,206 million yen compared with the end of the previous fiscal year. This mainly reflects a 3,421 million yen decrease in property, plant and equipment, which more than offset a 1,323 million yen increase in the "Investments and other assets" account reflecting increased market values of investment securities held by the Group. Property, plant and equipment declined because depreciation on large-scale capital expenditures executed in previous years exceeded capital expenditure during the first two quarters.

Current liabilities totaled 35,281 million yen at the end of the second quarter, a decline of 12,654 million yen versus the end of the previous fiscal year. This was mainly due to decreases of 2,440 million yen in trade accounts payable and 11,431 million yen in "Other" current liabilities, which more than offset a 1,656 million yen increase in income taxes payable. The increase in income taxes payable reflects recorded taxable income. The decline in trade accounts payable was due to a reduction in purchases in line with diminished production. The decrease in "Other" current liabilities was a result of the payment of accrued expenses associated with facilities for the ultrapure water supply business acquired in the previous fiscal year.

Noncurrent liabilities totaled 18,537 million yen at the end of the second quarter, a slight decrease of 307 million yen versus the end of the previous fiscal year.

Net assets were 186,410 million yen at the end of the second quarter, an increase of 7,784 million yen versus the end of the previous fiscal year. Despite dividend payments of 2,187 million yen, positive net income for the six months ended September 30, 2009,

meant that retained earnings rose by 8,142 million yen. Valuation and translation adjustments increased by 1,825 million yen due to a rise in unrealized gains on available-for-sale securities reflecting higher market values of investment securities held by the Group.

### **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 and in manufacturing processes; and 2) water treatment facilities such as ultrapure water production systems and wastewater treatment facilities. The scope of both business lines includes production, sales, and maintenance services. For additional information about the Kurita Group, please visit the Company's website at: <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 and statements due to risks and uncertainties.

## Financial Statements — Consolidated

### Balance Sheets — Consolidated

	As of September 30, 2009 Amount	(millions of yen) As of March 31, 2009 Amount
<b>Assets</b>		
<b>Current assets</b>		
Cash and deposits	14,636	26,061
Notes receivable - trade	8,700	8,284
Accounts receivable - trade	41,943	52,113
Marketable securities	17,300	1,033
Finished products	1,508	1,414
Work in process	6,426	4,293
Raw materials and supplies	1,356	1,440
Other	3,996	4,188
Allowance for doubtful accounts	(149)	(140)
Total current assets	95,718	98,689
<b>Noncurrent assets</b>		
Property, plant and equipment		
Buildings (net)	37,974	39,290
Machinery and equipment (net)	55,456	50,821
Other (net)	29,210	35,950
Total property, plant and equipment	122,642	126,063
Intangible fixed assets	2,177	2,285
Investments and other assets		
Other	19,819	18,520
Allowance for doubtful accounts	(127)	(152)
Total investments and other assets	19,691	18,368
Total noncurrent assets	144,511	146,717
Total assets	240,229	245,406
<b>Liabilities</b>		
<b>Current liabilities</b>		
Notes payable - trade	1,239	1,820
Accounts payable - trade	14,570	17,010
Income taxes payable	5,437	3,781
Accrued employees' bonuses	2,691	2,372
Other allowances	833	1,011
Other	10,508	21,939
Total current liabilities	35,281	47,935
<b>Noncurrent liabilities</b>		
Accrued employees' retirement benefits	8,807	8,644
Other allowances	446	738
Other	9,284	9,462
Total noncurrent liabilities	18,537	18,844
Total liabilities	53,818	66,779
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Common stock	13,450	13,450
Capital surplus	11,426	11,426
Retained earnings	165,747	159,792
Treasury stock	(4,852)	(4,847)
Total shareholders' equity	185,772	179,821
<b>Valuation and translation adjustments</b>		
Unrealized gains on available-for-sale securities	1,431	170
Unrealized gains (losses) on revaluation of land	(750)	(750)
Foreign currency translation adjustments	(1,386)	(1,950)
Total valuation and translation adjustments	(705)	(2,530)
<b>Minority interests</b>		
	1,344	1,335
Total net assets	186,410	178,626
Total liabilities and net assets	240,229	245,406

## Statements of Income — Consolidated

	(millions of yen)	
	Six months ended September 30, 2009	Six months ended September 30, 2008
	Amount	Amount
Net sales	83,815	95,671
Cost of sales	53,881	64,019
Gross profit	29,933	31,652
Selling, general and administrative expenses		
Salaries and directors' remuneration	6,004	6,024
Provision for employees' bonuses	1,332	1,386
R&D expenses	1,958	2,404
Other	7,759	8,632
Total selling, general and administrative expenses	17,055	18,448
Operating income	12,878	13,203
Non-operating income		
Interest income	46	146
Dividend income	128	165
Equity in earnings of unconsolidated subsidiaries and affiliates	131	-
Other	136	260
Total non-operating income	443	572
Non-operating expenses		
Interest expense	17	19
Loss on disposal of properties	-	29
Other	138	72
Total non-operating expenses	155	120
Ordinary income	13,166	13,655
Extraordinary income		
Gain from cancellation of contracts	679	-
Total extraordinary income	679	-
Extraordinary losses		
Valuation loss on investment securities	-	317
Loss on liquidation of business	136	-
Total extraordinary losses	136	317
Income before income taxes and minority interests	13,709	13,337
Income taxes	5,514	5,667
Minority interests in earnings of consolidated subsidiaries	53	191
Net income	8,142	7,478

## Statements of Cash Flows — Consolidated

	Six months ended September 30, 2009	(millions of yen) Six months ended September 30, 2008
	Amount	Amount
<b>Cash flows from operating activities</b>		
Income before income taxes and minority interests	13,709	13,337
Depreciation and amortization	7,468	5,346
Increase (decrease) in allowances	(24)	531
(Increase) decrease in notes and accounts receivable - trade	9,284	4,698
(Increase) decrease in inventories	(1,970)	(2,587)
Increase (decrease) in notes and accounts payable - trade	(3,501)	(2,401)
Income taxes paid	(4,011)	(8,643)
Other (net)	1,326	525
<b>Net cash provided by (used in) operating activities</b>	<b>22,280</b>	<b>10,806</b>
<b>Cash flows from investing activities</b>		
Payments for purchases of marketable securities	(2,099)	(3,497)
Proceeds from sale and redemption of marketable securities	2,916	4,698
Purchases of property, plant and equipment	(15,487)	(11,155)
Proceeds from sale of property, plant and equipment	42	25
Purchases of investment securities	(5)	(5)
Proceeds from liquidation of subsidiaries	-	1,451
Other payments	(995)	(735)
Other proceeds	1,051	177
<b>Net cash provided by (used in) investing activities</b>	<b>(14,579)</b>	<b>(9,040)</b>
<b>Cash flows from financing activities</b>		
Net increase (decrease) in short-term borrowings	40	-
Repayment of long-term borrowings	-	(50)
Repayment of finance lease obligations	(214)	(7)
Purchase of treasury stock	(4)	(12)
Cash dividends paid	(2,182)	(2,184)
Cash dividends paid to minority shareholders	(78)	(44)
<b>Net cash provided by (used in) financing activities</b>	<b>(2,438)</b>	<b>(2,300)</b>
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<b>814</b>	<b>(320)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>6,075</b>	<b>(854)</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>31,398</b>	<b>29,505</b>

## Segment Information

### Business segment information

Six months ended September 30, 2009 (April 1, 2009 – September 30, 2009)

(millions of yen)

	Water treatment chemicals	Water treatment facilities	Total	Elimination or corporate	Consolidated
Sales					
(1) Sales to outside customers	26,665	57,150	83,815	-	83,815
(2) Inter-segment sales	195	42	237	(237)	-
Total	26,860	57,192	84,052	(237)	83,815
Operating income	4,230	8,647	12,878	-	12,878

Six months ended September 30, 2008 (April 1, 2008 – September 30, 2008)

(millions of yen)

	Water treatment chemicals	Water treatment facilities	Total	Elimination or corporate	Consolidated
Sales					
(1) Sales to outside customers	30,682	64,989	95,671	-	95,671
(2) Inter-segment sales	135	57	193	(193)	-
Total	30,817	65,047	95,864	(193)	95,671
Operating income	5,043	8,165	13,208	(4)	13,203

Notes:

- Effective the first quarter of the fiscal year ending March 31, 2010, the Company adopted the *Accounting Standard for Construction Contracts* and its accompanying *Guidance on the Accounting Standard for Construction Contracts*. Due to this change, for the six months ended September 31, 2009, sales were 1,231 million yen higher and operating income was 348 million yen higher than they would have been under the previous accounting method.

### Geographical segment information

Six months ended September 30, 2009 (April 1, 2009 – September 30, 2009)

(millions of yen)

	Japan	Other regions	Total	Elimination or corporate	Consolidated
Sales					
(1) Sales to outside customers	77,018	6,796	83,815	-	83,815
(2) Inter-segment sales	750	140	891	(891)	-
Total	77,769	6,937	84,707	(891)	83,815
Operating income	12,160	661	12,821	57	12,878

Six months ended September 30, 2008 (April 1, 2008 – September 30, 2008)

(millions of yen)

	Japan	Other regions	Total	Elimination or corporate	Consolidated
Sales					
(1) Sales to outside customers	86,176	9,494	95,671	-	95,671
(2) Inter-segment sales	993	59	1,053	(1,053)	-
Total	87,170	9,554	96,724	(1,053)	95,671
Operating income	12,040	979	13,019	184	13,203

Notes:

- Geographic segmentation is based on geographic proximity.
- “Other regions” in the above table consists of Asia and other areas.
- Effective the first quarter of the fiscal year ending March 31, 2010, the Company adopted the *Accounting Standard for Construction Contracts* and its accompanying *Guidance on the Accounting Standard for Construction Contracts*. Due to this change, for the six months ended September 31, 2009, sales in Japan were 1,231 million yen higher and operating income for Japan was 348 million yen higher than they would have been under the previous accounting method.

## Overseas sales

Six months ended September 30, 2009 (April 1, 2009 – September 30, 2009)

(millions of yen)

	Asia	North America	Europe	Other	Total
I. Overseas sales	5,243	781	683	1,042	7,751
II. Consolidated net sales	-	-	-	-	83,815
III. Ratio of overseas sales to total consolidated sales	6.3%	0.9%	0.8%	1.2%	9.2%

Six months ended September 30, 2008 (April 1, 2008 – September 30, 2008)

(millions of yen)

	Asia	North America	Europe	Other	Total
I. Overseas sales	9,472	502	840	1,691	12,507
II. Consolidated net sales	-	-	-	-	95,671
III. Ratio of overseas sales to total consolidated sales	9.9%	0.5%	0.9%	1.8%	13.1%

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.

## Net Sales, Order Intake

### Net Sales

(millions of yen)

Business segment	Six months ended September 30,			
	2009		2008	
	Amount	%	Amount	%
Water treatment chemicals	26,665	31.8	30,682	32.1
Water treatment facilities	57,150	68.2	64,989	67.9
Total	83,815	100.0	95,671	100.0

### Order Intake

(millions of yen)

Business segment	Six months ended September 30,			
	2009		2008	
	Amount	%	Amount	%
Water treatment chemicals	26,775	30.4	31,198	29.2
Water treatment facilities	61,325	69.6	75,557	70.8
Total	88,101	100.0	106,755	100.0