

IMMEDIATE RELEASE

Kurita Water Industries Reports Earnings for the Six Months ended September 30, 2010

Tokyo, Japan, October 29, 2010—Kurita Water Industries Ltd. (TSE Securities Code 6370) announced net sales of 87,712 million yen for the six months ended September 30, 2010 (April 1, 2010 – September 30, 2010) and net income of 8,202 million, or 63.76 yen per share.

Results of Operations

Total consolidated orders for the Kurita Group in the six months ended September 30, 2010, were up 2.1% versus the year-ago first half (six months ended September 30, 2009) to 89,946 million yen, and net sales increased 4.6% to 87,712 million yen. Operating income was 13,412 million yen, up 4.1% versus the year-ago first half; ordinary income was 13,902 million yen, up 5.6%; and net income was 8,202 million yen, up 0.7%.

Markets in which the Kurita Group operates remained adverse during the six months ended September 30, 2010. Although capacity utilization at customer plants improved amid signs of a pickup in some areas of the economy, new capital expenditure in Japan remained at low levels.

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 29,156 million yen, up 8.9% versus the year-ago first half, and sales increased 7.5% to 28,663 million yen. Operating income rose 30.9% to 5,538 million yen.

During the six months ended September 30, 2010, the Kurita Group bolstered sales efforts by strengthening intra-group alliances and pursued order bookings through consultative sales to help customers successfully meet challenges such as productivity enhancement and environmental mitigation.

In Japan, orders for and sales of boiler water treatment chemicals, cooling water treatment chemicals, and wastewater treatment chemicals, the Group's mainstay products, increased versus the year-ago first half, primarily in response to improvements in capacity utilization at customer plants.

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

Water Treatment Facilities

Total Group orders for the Water Treatment Facilities segment were 60,789 million yen, down 0.9% versus the year-ago first half, and sales rose 3.3% to 59,048 million yen. Operating income fell 8.9% to 7,875 million yen.

During the six months ended September 30, 2010, the Group worked to generate profits by focusing on service businesses and endeavored to expand 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 were flat versus the year-ago first half, but orders for ultrapure water production systems increased overseas. Orders for maintenance services rose due to recovery in maintenance services demand at customer plants in Japan. Sales of ultrapure water production systems increased on the back of progress on projects in Japan and overseas. Sales of maintenance services also rose.

In general industries, orders for water treatment facilities from the food and steel industries declined versus the year-ago first half, and orders for soil remediation services also fell. Sales of water treatment facilities declined amid a lull in sales from large projects in the steel industry. Meanwhile, sales of maintenance services rose slightly versus the year-ago first half.

Financial Condition

Current assets totaled 115,666 million yen at the end of the fiscal second quarter (September 30, 2010), an increase of 6,369 million yen versus the end of the previous fiscal year (March 31, 2010). The increase was mainly due to increases of 8,872 million yen in cash and deposits and 2,392 million yen in work in process, which were partially offset by declines of 3,848 million yen in trade accounts receivable and 2,000 million yen in marketable securities. 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 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 135,662 million yen at the end of the fiscal second quarter, a decline of 6,661 million yen versus the end of the previous fiscal year. The decline is mainly due to a 5,978 million yen decrease in property, plant and equipment due to depreciation on past years' investments in ultrapure water supply business facilities exceeding current period investments in property, plant and equipment.

Current liabilities totaled 34,607 million yen at the end of the fiscal second quarter, a decrease of 3,985 million yen versus the end of the previous fiscal year. The change is mainly due to decreases of 1,883 million yen in income taxes payable and 2,371 million yen in other current liabilities. The decline in income taxes payable is due to annual tax payments. The decline in other current liabilities is primarily due to a decline in consumption tax payable resulting from annual tax payment and decreases in other accrued payables.

Noncurrent liabilities totaled 19,143 million yen at the end of the fiscal first quarter, a slight increase of 55 million yen versus the end of the previous fiscal year.

Net assets totaled 197,577 million yen at the end of the fiscal second quarter, an increase of 3,638 million yen versus the end of the previous fiscal year. The change is mainly due to a 8,202 million yen increase in retained earnings owing to first-half net income, which was partially offset by a 2,444 million yen decrease in retained earnings due to dividend payments, and a 2,141 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 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 September 30, 2010 Amount	(millions of yen) As of March 31, 2010 Amount
Assets		
Current assets		
Cash and deposits	25,235	16,363
Notes receivable - trade	6,296	5,393
Accounts receivable - trade	46,127	49,975
Marketable securities	26,500	28,500
Finished products	1,379	1,334
Work in process	4,992	2,600
Raw materials and supplies	1,257	1,186
Other	3,929	4,075
Allowance for doubtful accounts	(52)	(132)
Total current assets	115,666	109,297
Noncurrent assets		
Property, plant and equipment		
Buildings (net)	33,616	35,685
Machinery and equipment (net)	52,665	51,659
Other (net)	24,241	29,154
Total property, plant and equipment	110,522	116,500
Intangible fixed assets	2,033	2,173
Investments and other assets		
Other	23,274	23,854
Allowance for doubtful accounts	(167)	(205)
Total investments and other assets	23,106	23,649
Total noncurrent assets	135,662	142,323
Total assets	251,328	251,620
Liabilities		
Current liabilities		
Notes payable – trade	1,704	1,198
Accounts payable - trade	14,855	15,632
Income taxes payable	5,547	7,430
Accrued employees' bonuses	2,829	2,377
Other allowances	635	546
Other	9,035	11,406
Total current liabilities	34,607	38,592
Noncurrent liabilities		
Accrued employees' retirement benefits	9,710	9,465
Other allowances	434	449
Other	8,998	9,172
Total noncurrent liabilities	19,143	19,088
Total liabilities	53,751	57,680
Net assets		
Shareholders' equity		
Common stock	13,450	13,450
Capital surplus	11,426	11,426
Retained earnings	178,475	172,717
Treasury stock	(4,859)	(4,855)
Total shareholders' equity	198,493	192,738
Valuation and translation adjustments		
Unrealized gains on available-for-sale securities	364	1,989
Unrealized gains (losses) on revaluation of land	(764)	(764)
Foreign currency translation adjustments	(1,890)	(1,374)
Total valuation and translation adjustments	(2,290)	(149)
Minority interests	1,374	1,350
Total net assets	197,577	193,939
Total liabilities and net assets	251,328	251,620

Statements of Income — Consolidated

	(millions of yen)	
	Six months ended September 30, 2009	Six months ended September 30, 2010
	Amount	Amount
Net sales	83,815	87,712
Cost of sales	53,881	56,486
Gross profit	29,933	31,225
Selling, general and administrative expenses		
Salaries and directors' remuneration	6,004	6,406
Provision for employees' bonuses	1,332	1,472
R&D expenses	1,958	2,023
Other	7,759	7,909
Total selling, general and administrative expenses	17,055	17,812
Operating income	12,878	13,412
Non-operating income		
Interest income	46	55
Dividend income	128	151
Equity in earnings of unconsolidated subsidiaries and affiliates	131	131
Other	136	317
Total non-operating income	443	656
Non-operating expenses		
Interest expense	17	14
Foreign exchange loss	-	57
Other	138	94
Total non-operating expenses	155	166
Ordinary income	13,166	13,902
Extraordinary income		
Gain from cancellation of contracts	679	-
Total extraordinary income	679	-
Extraordinary losses		
Loss on liquidation of business	136	-
Total extraordinary losses	136	-
Income before income taxes and minority interests	13,709	13,902
Income taxes	5,514	5,624
Income before minority interests	-	8,278
Minority interests in earnings of consolidated subsidiaries	53	76
Net income	8,142	8,202

Statements of Cash Flows — Consolidated

	(millions of yen)	
	Six months ended September 30, 2009	Six months ended September 30, 2010
	Amount	Amount
Cash flows from operating activities		
Income before income taxes and minority interests	13,709	13,902
Depreciation and amortization	7,468	8,010
Increase (decrease) in allowances	(24)	626
(Increase) decrease in notes and accounts receivable - trade	9,284	2,977
(Increase) decrease in inventories	(1,970)	(2,563)
Increase (decrease) in notes and accounts payable - trade	(3,501)	(543)
Income taxes paid	(4,011)	(7,365)
Other	1,326	(1,334)
Net cash provided by (used in) operating activities	22,280	13,709
Cash flows from investing activities		
Deposits into time deposit accounts	-	(14,996)
Withdrawals from time deposits	-	1,055
Payments for purchases of marketable securities	(2,099)	(36,000)
Proceeds from sale and redemption of marketable securities	2,916	38,500
Payments for purchases of property, plant and equipment	(15,487)	(2,366)
Proceeds from sale of property, plant and equipment	42	19
Payments for purchases of investment securities	(5)	(1,706)
Other payments	(995)	(289)
Other proceeds	1,051	151
Net cash provided by (used in) investing activities	(14,579)	(15,632)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	40	200
Repayment of finance lease obligations	(214)	(234)
Purchase of treasury stock	(4)	(3)
Cash dividends paid	(2,182)	(2,441)
Cash dividends paid to minority shareholders	(78)	(11)
Net cash provided by (used in) financing activities	(2,438)	(2,489)
Effect of exchange rate changes on cash and cash equivalents	814	(179)
Net increase (decrease) in cash and cash equivalents	6,075	(4,592)
Cash and cash equivalents at the beginning of the period	25,262	20,590
Increase in cash and cash equivalents from newly consolidated subsidiaries	60	46
Cash and cash equivalents at the end of the period	31,398	16,044

Notes on the Going-concern Assumption

Six months ended September 30, 2010 (April 1, 2010 – September 30, 2010)

Not applicable

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 or transfers	195	42	237	(237)	-
Total	26,860	57,192	84,052	(237)	83,815
Operating income	4,230	8,647	12,878	0	12,878

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 or transfers	750	140	891	(891)	-
Total	77,769	6,937	84,707	(891)	83,815
Operating income	12,160	661	12,821	57	12,878

Notes:

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

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%

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

Six months ended September 30, 2010 (April 1, 2010 – September 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	28,663	59,048	87,712	-	87,712
(2) Inter-segment sales or transfers	187	85	272	(272)	-
Total	28,850	59,133	87,984	(272)	87,712
Segment income	5,538	7,875	13,413	(0)	13,412

Notes:

1. "Adjustments" represent the elimination of inter-segment transactions.
2. Segment income represents operating income.

Notes on Significant Changes in Shareholders' Equity

Six months ended September 30, 2010 (April 1, 2010 – September 30, 2010)

Not applicable

Other Information — Consolidated

Order Intake

(millions of yen)

Business segment	Six months ended September 30,			
	2009		2010	
	Amount	%	Amount	%
Water Treatment Chemicals	26,775	30.4	29,156	32.4
Water Treatment Facilities	61,325	69.6	60,789	67.6
Total	88,101	100.0	89,946	100.0

Net Sales

(millions of yen)

Business segment	Six months ended September 30,			
	2009		2010	
	Amount	%	Amount	%
Water Treatment Chemicals	26,665	31.8	28,663	32.7
Water Treatment Facilities	57,150	68.2	59,048	67.3
Total	83,815	100.0	87,712	100.0

Capital Expenditures (Property, Plant and Equipment)

(millions of yen)

Business segment	Six months ended September 30,			
	2009		2010	
	Amount	%	Amount	%
Water Treatment Chemicals	403	10.2	436	25.9
Water Treatment Facilities	3,554	89.8	1,247	74.1
Total	3,958	100.0	1,683	100.0

Depreciation (Property, Plant and Equipment)

(millions of yen)

Business segment	Six months ended September 30,			
	2009		2010	
	Amount	%	Amount	%
Water Treatment Chemicals	630	8.8	583	7.6
Water Treatment Facilities	6,510	91.2	7,087	92.4
Total	7,141	100.0	7,670	100.0