

FOR IMMEDIATE RELEASE

Kurita Water Industries Reports Earnings for the Six Months ended September 30, 2011

Tokyo, Japan, October 31, 2011—Kurita Water Industries Ltd. (TSE Securities Code 6370) announced net sales of 89,515 million yen for the first six months ended September 30, 2011 (April 1, 2011 – September 30, 2011) and net income of 7,881 million yen, or 62.23 yen per share.

Results of Operations

Total consolidated orders for the Kurita Group in the first six months ended September 30, 2011 increased 9.4% versus the same period of the previous year to 98,436 million yen. Net sales increased 2.1% year on year to 89,515 million yen. In terms of income, operating income decreased 2.9% year on year to 13,017 million yen. Ordinary income totaled 13,384 million yen, down 3.7%, and net income totaled 7,881 million yen, down 3.9%.

Reviewing markets in which the Kurita Group operates, the Japanese market was severe at the beginning of the fiscal year due to the lingering effects of the Great East Japan Earthquake. Signs of recovery began to emerge, however, as corporate manufacturing activity rebounded following the revival of supply chains. The Japanese economy is expected to move towards moderate recovery. Overseas, economic growth continued, mainly in newly emerging economies. Overall, however, the future economic outlook became more clouded due to increasing concerns over the impact of financial instability in Europe on the global economy, as characterized by the fiscal plight of Greece.

Segment Information

Water Treatment Chemicals

Total Group orders for the Water Treatment Chemicals segment in the six-month period were 29,018 million yen, down 0.5% versus the same period of the previous year, and sales declined 0.2% to 28,617 million yen. Operating income declined 9.9% to 4,991 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 energy conservation and productivity enhancement.

In Japan, orders and sales of chemical-related equipment and systems increased in tandem with earthquake recovery efforts. Demand declined, however, for boiler water treatment chemicals and process treatment chemicals for the paper and pulp and petrochemical industries due to low capacity utilization rates at customer manufacturing facilities, mainly in the first quarter. 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 six-month period were 69,418 million yen, up 14.2% versus the same period of the previous year. Sales increased 3.1% to 60,898 million yen, and operating income rose 1.9% to 8,027 million

yen.

In the period, the Group strove to help Japanese customers restore their operations following the earthquake. In addition, the Group aimed to increase orders by bolstering its consultative sales targeting key customers and by strengthening its sales activities in Asia.

In the electronics industry, while orders in the ultrapure water supply business declined slightly, orders of maintenance services increased due to higher demand among customers in Japan recovering from the earthquake and orders of ultrapure water production systems also increased due to demand by overseas semiconductor manufacturers. In terms of electronics industry sales, maintenance services sales increased, but sales in the ultrapure water supply business slightly declined and sales of ultrapure water production systems declined.

In general industries, orders and sales of both water treatment facilities and maintenance services increased, as demand from domestic electric power industry surged during recovery efforts following the earthquake.

Financial Condition

Current assets totaled 128,652 million yen at the end of the first six months of the current fiscal year (September 30, 2011), an increase of 10,800 million yen versus the end of the previous fiscal year (March 31, 2011). Increases of 18,000 million yen in marketable securities and 2,371 million yen in work in process outweighed decreases of 8,560 million yen in cash and deposits and 1,458 million yen in trade accounts receivable. The decrease in trade accounts receivable was the result of progress in collections since 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 129,142 million yen at the end of the six months, a decline of 6,304 million yen versus the end of the previous fiscal year. The decline resulted from a 4,856 million yen decrease in property, plant and equipment and a 1,341 million yen decline in investments and other assets. The decline in property, plant and equipment was due to the current period's depreciation on past years' investments in ultrapure water supply business facilities exceeding the current period's investments in property, plant and equipment. The decline in investments and other assets was the result of a decline in the market price of marketable securities.

Current liabilities totaled 34,936 million yen at the end of the six months, a slight increase of 165 million yen versus the end of the previous fiscal year.

Noncurrent liabilities totaled 18,959 million yen, a slight decrease of 216 million yen versus the end of the previous fiscal year.

Net assets totaled 203,898 million yen at the end of the six months, an increase of 4,547 million yen versus the end of the previous fiscal year. While retained earnings increased 5,475 million yen, accumulated other comprehensive income declined 954 million yen. Retained earnings increased as the six months' net income of 7,881 million yen exceeded the year-end dividend payment of 2,406 million yen for the previous year. Accumulated other comprehensive income declined due to a decline in unrealized gains on available-for-sale securities caused by the aforementioned decline in the market price of marketable securities.

Cash Flows

At September 30, 2011, Kurita had cash and cash equivalents totaling 10,294 million yen, a decrease of 540 million yen versus March 31, 2011. Details regarding cash flows are as follows.

Cash Flows from Operating Activities

Net cash provided by operating activities in the six months ended September 30, 2011 was 14,982 million yen (an increase of 1,273 million yen compared to the same period of the previous year). This primarily reflects a net inflow comprising income before income taxes and minority interests of 13,349 million yen, 7,904 million yen in depreciation and amortization, and a decrease of 1,047 million yen in trade receivables, which was partially offset by income taxes paid of 5,817 million yen and an increase of 2,560 million yen in inventories.

Cash Flows from Investing Activities

Investing activities used net cash of 12,727 million yen (a decrease of 2,905 million yen versus the same period of the previous fiscal year). This primarily reflects an inflow from an increase in time deposits of 8,042 million yen, and outflows from the purchase and redemption of investment securities of 18,000 million yen, and payments for purchase of property, plant and equipment for the ultrapure water supply and other businesses, totaling 2,671 million yen.

Cash Flows from Financing Activities

Financing activities used net cash of 2,842 million yen (an increase of 353 million yen from the same period of the previous year). The main use of cash was 2,416 million yen in cash dividends paid.

Outlook for the Fiscal Year Ending March 31, 2012

The Group's current outlook for 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 September 30, 2011 Amount
Assets		
Current assets		
Cash and deposits	35,073	26,513
Notes receivable - trade	5,983	6,514
Accounts receivable - trade	47,257	45,799
Marketable securities	20,000	38,000
Finished products	1,303	1,563
Work in process	2,643	5,014
Raw materials	1,533	1,500
Other	4,098	3,797
Allowance for doubtful accounts	(40)	(51)
Total current assets	117,852	128,652
Noncurrent assets		
Property, plant and equipment		
Buildings (net)	31,454	29,625
Machinery and equipment (net)	48,826	46,991
Other (net)	26,328	25,135
Total property, plant and equipment	106,608	101,752
Intangible fixed assets	1,939	1,832
Investments and other assets		
Other	27,081	25,739
Allowance for doubtful accounts	(184)	(182)
Total investments and other assets	26,897	25,556
Total noncurrent assets	135,446	129,142
Total assets	253,298	257,794
Liabilities		
Current liabilities		
Notes payable – trade	1,402	1,639
Accounts payable - trade	15,058	15,431
Income taxes payable	5,626	5,264
Accrued employees' bonuses	2,336	2,801
Other allowances	938	872
Other	9,407	8,926
Total current liabilities	34,771	34,936
Noncurrent liabilities		
Accrued employees' retirement benefits	9,936	10,097
Other allowances	440	162
Other	8,799	8,699
Total noncurrent liabilities	19,175	18,959
Total liabilities	53,946	53,895
Net assets		
Shareholders' equity		
Common stock	13,450	13,450
Capital surplus	11,426	11,426
Retained earnings	184,954	190,429
Treasury stock	(9,640)	(9,641)
Total shareholders' equity	200,191	205,665
Accumulated other comprehensive income		
Unrealized gains on available-for-sale securities	623	(589)
Unrealized gains (losses) on revaluation of land	(764)	(764)
Foreign currency translation adjustments	(2,006)	(1,748)
Total accumulated other comprehensive income	(2,148)	(3,102)
Minority interests	1,308	1,336
Total net assets	199,351	203,898
Total liabilities and net assets	253,298	257,794

Statements of Income and Comprehensive Income — Consolidated

	(millions of yen)	
	Six months ended September 30, 2010	Six months ended September 30, 2011
	Amount	Amount
Net sales	87,712	89,515
Cost of sales	56,486	58,226
Gross profit	31,225	31,288
Selling, general and administrative expenses		
Salaries and allowances	6,406	6,544
Provision for employees' bonuses	1,472	1,513
R&D expenses	2,023	2,065
Other	7,909	8,147
Total selling, general and administrative expenses	17,812	18,270
Operating income	13,412	13,017
Non-operating income		
Interest income	55	52
Dividend income	151	189
Equity in earnings of unconsolidated subsidiaries and affiliates	131	155
Other	317	135
Total non-operating income	656	533
Non-operating expenses		
Interest expense	14	48
Foreign exchange loss	57	42
Other	94	75
Total non-operating expenses	166	166
Ordinary income	13,902	13,384
Extraordinary losses		
Disaster losses	-	17
Disaster recovery expenses	-	17
Total extraordinary losses	-	35
Income before income taxes and minority interests	13,902	13,349
Income taxes	5,624	5,445
Income before minority interests	8,278	7,904
Minority interests in earnings of consolidated subsidiaries	76	22
Net income	8,202	7,881

	(millions of yen)	
	Six months ended September 30, 2010	Six months ended September 30, 2011
	Amount	Amount
Income before minority interests	8,278	7,904
Other comprehensive income		
Unrealized gains on available-for-sale securities	(1,623)	(1,211)
Foreign currency translation adjustments	(508)	248
Share of other comprehensive income of associates accounted for using equity method	(51)	27
Total other comprehensive income	(2,182)	(935)
Comprehensive income	6,096	6,968
Components:		
Comprehensive income attributable to owners of the parent company	6,061	6,927
Comprehensive income attributable to minority interests	35	41

Statements of Cash Flows — Consolidated

	(millions of yen)	
	Six months ended September 30, 2010	Six months ended September 30, 2011
	Amount	Amount
Cash flows from operating activities		
Income before income taxes and minority interests	13,902	13,349
Depreciation and amortization	8,010	7,904
Increase (decrease) in allowances	626	271
(Increase) decrease in notes and accounts receivable - trade	2,977	1,047
(Increase) decrease in inventories	(2,563)	(2,560)
Increase (decrease) in notes and accounts payable - trade	(543)	434
Income taxes paid	(7,365)	(5,817)
Other	(1,334)	353
Net cash provided by (used in) operating activities	13,709	14,982
Cash flows from investing activities		
Deposits into time deposit accounts	(14,996)	(19,647)
Withdrawals from time deposits	1,055	27,689
Payments for purchases of marketable securities	(36,000)	(39,000)
Proceeds from sale and redemption of marketable securities	38,500	21,000
Payments for purchases of property, plant and equipment	(2,366)	(2,671)
Proceeds from sale of property, plant and equipment	19	8
Payments for purchases of investment securities	(1,706)	(6)
Other payments	(289)	(319)
Other proceeds	151	219
Net cash provided by (used in) investing activities	(15,632)	(12,727)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	200	(182)
Income from long-term borrowings	-	2
Repayment of finance lease obligations	(234)	(244)
Purchase of treasury stock	(3)	(1)
Cash dividends paid	(2,441)	(2,403)
Cash dividends paid to minority shareholders	(11)	(13)
Net cash provided by (used in) financing activities	(2,489)	(2,842)
Effect of exchange rate changes on cash and cash equivalents	(179)	47
Net increase (decrease) in cash and cash equivalents	(4,592)	(540)
Cash and cash equivalents at the beginning of the period	20,590	10,834
Increase in cash and cash equivalents from newly consolidated subsidiaries	46	-
Cash and cash equivalents at the end of the period	16,044	10,294

(4) Notes on the Going-concern Assumption

Six months ended September 30, 2011 (April 1, 2011 – September 30, 2011)

Not applicable

(5) Segment Information

1. Sales and income by reportable segment

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

	Reportable segments			Adjustments (note 1)	(millions of yen) Amounts reported on the quarterly statements of income (note 2)
	Water Treatment Chemicals	Water Treatment Facilities	Total		
Sales					
Sales to outside customers	28,663	59,048	87,712	-	87,712
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

Six months ended September 30, 2011 (April 1, 2011 – September 30, 2011)

	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					
Sales to outside customers	28,617	60,898	89,515	-	89,515
Inter-segment sales or transfers	197	92	290	(290)	-
Total	28,814	60,991	89,806	(290)	89,515
Segment income	4,991	8,027	13,018	(0)	13,017

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.

(6) Notes on Significant Changes in Shareholders' Equity

Six months ended September 30, 2011 (April 1, 2011 – September 30, 2011)

Not applicable

4. Other Information — Consolidated

(1) Order Intake

(millions of yen)

Six months ended September 30,

Business segment	2010		2011	
	Amount	%	Amount	%
Water Treatment Chemicals	29,156	32.4	29,018	29.5
Water Treatment Facilities	60,789	67.6	69,418	70.5
Total	89,946	100.0	98,436	100.0

(2) Net Sales

(millions of yen)

Six months ended September 30,

Business segment	2010		2011	
	Amount	%	Amount	%
Water Treatment Chemicals	28,663	32.7	28,617	32.0
Water Treatment Facilities	59,048	67.3	60,898	68.0
Total	87,712	100.0	89,515	100.0

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

(millions of yen)

Six months ended September 30,

Business segment	2010		2011	
	Amount	%	Amount	%
Water Treatment Chemicals	436	25.9	667	25.2
Water Treatment Facilities	1,247	74.1	1,984	74.8
Total	1,683	100.0	2,652	100.0

(4) Depreciation (Property, Plant and Equipment)

(millions of yen)

Six months ended September 30,

Business segment	2010		2011	
	Amount	%	Amount	%
Water Treatment Chemicals	583	7.6	563	7.4
Water Treatment Facilities	7,087	92.4	7,015	92.6
Total	7,670	100.0	7,579	100.0