

FOR IMMEDIATE RELEASE

## **Kurita Water Industries Reports Earnings for the Nine Months to December 31, 2007**

Tokyo, Japan; January 30, 2008—Kurita Water Industries Ltd. (TSE Security Code 6370) announced sales of 139,474 million yen for the first nine months (April 1 – December 31, 2007) of the fiscal year ending March 31, 2008, and net income of 11,432 million yen, or 88.86 yen per share.

### **Results of Operations**

Total consolidated orders for the Kurita Group increased 4.9% from a year earlier to 151,725 million yen, while sales grew 8.3% to 139,474 million yen. Operating income was up 30.5% to 19,657 million yen, and ordinary income rose 31.3% to 20,475 million yen. This resulted in net income of 11,432 million yen, an increase of 27.4% over last year's third-quarter figure.

Capital expenditure levels were strong in Japan throughout the period against a background of buoyant demand in the electronics industry for semiconductor and LCD products. Overseas, however, signs of a slowdown in capital investment were seen in South Korea and South East Asia. In general industries, both factory operating rates and capital expenditures in Japan remained robust, mainly in basic materials sectors such as steel, oil refining, petrochemicals, and paper and pulp. Overseas, factory operating rates in all industries, mainly in Asia, were strong overall.

### **Overview by Segment**

#### **Water Treatment Chemicals**

Total Group orders for the segment increased 4.4% from a year earlier to 43,833 million yen, while sales grew 4.4% to 43,534 million yen.

During the period, the Group concentrated its efforts on securing stable order flows through sales efforts that focus on presenting proposals tailored towards resolving the issues that clients face, while further strengthening efforts to expand sales of mainstay products, such as boiler water treatment chemicals and cooling water treatment chemicals.

In Japan, although orders for boiler water treatment chemicals remained flat compared with figures from the same period last year, orders for cooling water treatment chemicals grew strongly, and those for waste water treatment chemicals were higher owing to strong demand from the paper and pulp industry. Orders for process treatment chemicals increased on the back of favorable performance attributable to a strong need for improved productivity in the paper and pulp industry. Orders for packaged water treatment management contracts declined. Overseas, orders rose in all areas where the Kurita Group conducts business.

#### **Water Treatment Facilities**

Total Group orders for the segment increased 5.1% from a year earlier to 107,892 million yen, while sales grew 10.2% to 95,940 million yen.

In the water treatment facilities segment, the Group strengthened sales efforts aimed at clients in industries such as electronics and steel. The Group also focused its energy on expanding service businesses, such as ultrapure water supply and tool cleaning services. Overseas, the Group worked to secure orders through concentrated sales efforts aimed at strategic clients in Taiwan and South Korea.

Orders for the Group's mainline ultrapure water production systems for the electronics industry increased slightly in Japan but declined slightly in overseas markets. Orders for water treatment

facilities for general industries increased as a result of growth in orders from the steel industry and other areas during the first half of the fiscal year. In service businesses, orders for the ultrapure water supply business rose substantially as a result of increased demand from existing clients, and orders for tool cleaning services for semiconductor and LCD production equipment also increased. Orders in the soil remediation business fell owing to a sluggish land market, while those for maintenance services were flat.

## Net Sales and Order Intake

### Order Intake

(In million yen)

Business Segment	Nine months ended December 31, 2006 (A)		Nine months ended December 31, 2007 (B)		(B) – (A)		(For reference) Year ended March 31, 2007	
	Amount	%	Amount	%	Amount	%	Amount	%
Water treatment chemicals	41,978	29.0	43,833	28.9	1,854	4.4	56,560	29.4
Water treatment facilities	102,627	71.0	107,892	71.1	5,264	5.1	135,969	70.6
Total	144,606	100.0	151,725	100.0	7,119	4.9	192,529	100.0

### Net Sales

(In million yen)

Business Segment	Nine months ended December 31, 2006 (A)		Nine months ended December 31, 2007 (B)		(B) – (A)		(For reference) Year ended March 31, 2007	
	Amount	%	Amount	%	Amount	%	Amount	%
Water treatment chemicals	41,682	32.4	43,534	31.2	1,851	4.4	56,667	28.7
Water treatment facilities	87,072	67.6	95,940	68.8	8,867	10.2	140,479	71.3
Total	128,754	100.0	139,474	100.0	10,719	8.3	197,146	100.0

### Financial Condition

Total assets at the end of the third quarter amounted to 223,939 million yen, a decline of 11,198 million yen compared to the end of last fiscal year. Major increases and decreases in assets were as follows: a 12,933 million yen increase in tangible fixed assets due to acquisitions, primarily of ultrapure water supply facilities, which was offset by the resulting 14,022 million yen decline in cash and deposits and marketable securities; and a 15,216 million yen decline in trade accounts receivable, due to progress made in the collection of these accounts.

Total liabilities came to 57,877 million yen, a decline of 19,060 million yen compared to the end of last fiscal year. This was mainly attributable to declines of 11,879 million yen in trade accounts payable, 4,187 million yen in income taxes payable, and 3,120 million yen in other accounts payable and accrued expenses.

Total net assets came to 166,061 million yen, an increase of 7,861 million yen compared to the end of last fiscal year. This was mainly attributable to the downward effect of 3,859 million yen in dividend payments being offset by a 7,579 million yen increase in retained earnings following the realization of 11,432 million yen in net income over the nine-month period under review.

### **Outlook for the Fiscal Year Ending March 31, 2008**

The Group's consolidated performance was solid overall during the nine-month period under review, and the Group believes that it is on track to achieve the earnings forecasts appearing in the interim consolidated earnings report for the fiscal year ending March 31, 2008, released on October 31, 2007.

### **Business Risks**

Major risk factors that could affect the Group's future performance include, but are not limited to, trends in capital expenditure related to water treatment facilities at client companies, factory operating rates, and movements in the price of oil and basic materials.

### **Other Matters**

Use of simplified accounting methods:

- Reporting standard for income taxes: calculated using the estimated annual rate based on effective statutory tax rates.
- Partly simplified accounting methods are used for other items where the effect of such use is negligible.

## Condensed Financial Statements - Consolidated

### Condensed Balance Sheets - Consolidated

(In million yen)

	As of December 31, 2006 (A)	As of December 31, 2007 (B)	(B) – (A)		(Reference) As of March 31, 2007
	Amount	Amount	Amount	%	Amount
<b>Assets</b>					
<b>Current assets</b>	123,819	114,717	(9,101)	(7.4)	137,004
Cash and deposits	31,087	11,075	(20,011)	(64.4)	37,761
Notes receivable - trade	10,511	10,322	(188)	(1.8)	10,320
Accounts receivable - trade	49,592	51,544	1,952	3.9	66,760
Marketable securities	6,902	18,494	11,592	168.0	5,830
Inventories	21,665	19,131	(2,534)	(11.7)	12,065
Other	4,182	4,307	124	3.0	4,430
Allowance for doubtful accounts	(123)	(158)	(35)	28.5	(164)
<b>Fixed assets</b>	92,260	109,221	16,961	18.4	98,133
Tangible fixed assets	62,259	80,221	17,961	28.8	67,288
Intangible fixed assets	2,672	2,495	(176)	(6.6)	2,607
Investments and other assets	27,328	26,503	(824)	(3.0)	28,237
<b>Total assets</b>	<b>216,079</b>	<b>223,939</b>	<b>7,859</b>	<b>3.6</b>	<b>235,137</b>

<b>Liabilities</b>					
<b>Current liabilities</b>	52,112	46,040	(6,072)	(11.7)	65,496
Notes payable - trade	1,964	1,994	29	1.5	2,433
Accounts payable - trade	29,238	20,439	(8,798)	(30.1)	32,318
Accounts payable - other/accrued expenses	8,993	10,021	1,027	11.4	13,141
Income taxes payable	3,032	3,311	278	9.2	7,498
Advances received	4,696	5,608	911	19.4	4,920
Other	4,187	4,665	478	11.4	5,182
<b>Fixed liabilities</b>	11,476	11,837	361	3.1	11,440
Accrued employees' retirement benefits	8,494	8,889	394	4.6	8,392
Other	2,981	2,948	(33)	(1.1)	3,047
<b>Total liabilities</b>	<b>63,589</b>	<b>57,877</b>	<b>(5,711)</b>	<b>(9.0)</b>	<b>76,937</b>

<b>Net assets</b>					
<b>Shareholders' equity</b>	148,308	161,078	12,769	8.6	153,519
Common stock	13,450	13,450	-	-	13,450
Capital surplus	11,426	11,426	-	-	11,426
Retained earnings	128,232	141,025	12,793	10.0	133,446
Treasury stock	(4,801)	(4,825)	(24)	0.5	(4,803)
<b>Valuation and translation adjustments</b>	2,786	3,318	532	19.1	3,252
<b>Minority interests</b>	1,395	1,664	268	19.2	1,427
<b>Total net assets</b>	<b>152,490</b>	<b>166,061</b>	<b>13,571</b>	<b>8.9</b>	<b>158,200</b>
<b>Total liabilities and net assets</b>	<b>216,079</b>	<b>223,939</b>	<b>7,859</b>	<b>3.6</b>	<b>235,137</b>

## Condensed Statements of Income - Consolidated

(In million yen)

	Nine months ended December 31, 2006 (A)		Nine months ended December 31, 2007 (B)		(B) – (A)		(Reference) Year ended March 31, 2007	
	Amount	%	Amount	%	Amount	%	Amount	%
Net sales	128,754	100.0	139,474	100.0	10,719	8.3	197,146	100.0
Cost of sales	87,787	68.2	92,868	66.6	5,081	5.8	137,819	69.9
Gross profit	40,967	31.8	46,606	33.4	5,638	13.8	59,326	30.1
Selling, general and administrative expenses	25,903	20.1	26,948	19.3	1,045	4.0	35,050	17.8
Operating income	15,064	11.7	19,657	14.1	4,592	30.5	24,276	12.3
Non-operating income	699	0.5	985	0.7	286	40.9	1,242	0.6
Non-operating expense	174	0.1	167	0.1	(7)	(4.0)	293	0.1
Ordinary income	15,589	12.1	20,475	14.7	4,886	31.3	25,226	12.8
Extraordinary gains	-	-	186	0.1	186	-	-	-
Extraordinary losses	71	0.1	74	0.0	3	4.2	634	0.3
Income before income taxes	15,517	12.0	20,587	14.8	5,070	32.7	24,591	12.5
Income taxes	6,362	4.9	8,886	6.4	2,524	39.7	10,070	5.1
Minority interests in earnings of consolidated subsidiaries	179	0.1	268	0.2	89	49.7	314	0.2
Net income	8,976	7.0	11,432	8.2	2,456	27.4	14,207	7.2

### Change in Presentation Method

Negotiable deposits (13,800 million yen at the end of the nine months under review), which were previously included in the “cash and deposits” item, are now included in “marketable securities.” This change was made in conjunction with revisions to official guidelines on the application of regulations governing financial statement terminology, format, and method of presentation.

The balance of negotiable deposits was 20,100 million yen and 25,300 million yen at the end of the nine months under review and the end of the previous fiscal year, respectively.