

Kurita Water Industries Reports Earnings for the Nine Months Ended December 31, 2009

Tokyo, Japan, January 29, 2010—Kurita Water Industries (TSE Securities Code 6370) announced net sales of 123,458 million yen for the nine months ended December 31, 2009 (April 1 – December 31, 2009), and net income of 12,019 million yen, or 93.42 yen per share.

Results of Operations

Total consolidated orders for the Kurita Group in the nine months ended December 31, 2009, were down 17.0% versus the year-ago period (nine months ended December 31, 2008) to 125,024 million yen, while net sales declined 10.9% to 123,458 million yen. Enhanced cost-cutting efforts helped the Group achieve operating income of 18,415 million yen, up 3.7% versus the year-ago period, ordinary income of 18,831 million yen, up 1.8%, and net income of 12,019 million yen, up 35.9%.

Markets in which the Kurita Group operates were extremely challenging overall during the nine months ended December 31, 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. Customers' capacity utilization is in a moderate recovery but remained low.

Segment Information

Water Treatment Chemicals

Total Group orders for the Water Treatment Chemicals segment were 39,487 million yen, down 12.8% versus the year-ago period, while sales fell 11.6% to 40,054 million yen.

During the nine months ended December 31, 2009, Kurita bolstered sales efforts by strengthening alliances with its domestic and overseas sales subsidiaries and pursued order bookings based on a consultative sales approach to help customers successfully meet challenges such as productivity enhancement and environmental mitigation. The Group also worked to increase future orders by developing and expanding sales of new products.

In Japan, overall orders fell versus the year-ago period, including those for the Group's mainstay boiler water treatment chemicals, cooling water treatment chemicals, and wastewater treatment chemicals, as the recovery in customers' capacity utilization lacked vigor.

Overseas orders also decreased amid the global economic slowdown.

Water Treatment Facilities

Total Group orders for the Water Treatment Facilities segment were 85,537 million yen, down 18.8% versus the year-ago period, while sales fell 10.6% to 83,403 million yen.

During the nine months ended December 31, 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, including those undertaking overseas projects. The Group also worked on developing and expanding sales of new products.

In the electronics industry, orders for the ultrapure water supply business were up markedly versus the year-ago period as new facilities went into operation, but orders for the Group's ultrapure water production systems fell substantially as semiconductor- and LCD-related capital expenditures remained sluggish. Orders for water treatment facilities for general industries dropped considerably versus the year-ago period due to a fall in capital expenditure, while orders for maintenance services also fell considerably because of a decline in customers' capacity utilization and maintenance frequency.

Outlook for the Fiscal Year Ending March 31, 2010

In light of the Group's recent operating performance, the Group has revised 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. Revisions are shown in the following table.

	Net sales	Operating income	Ordinary income	Net income	Net income per share
Previous forecast (A)	192,000	26,000	26,500	15,000	116.59
Revised forecast (B)	180,000	26,000	26,500	15,000	116.59
Change (B – A)	(12,000)	—	—	—	—
Percent change	(6.3)%	—	—	—	—
For reference:					
Fiscal year ended March 31, 2009 (actual)	199,706	27,935	28,917	16,299	126.69

Markets in which the Kurita Group operates remain extremely challenging amid the highly uncertain economic outlook and ongoing efforts by customers to curb capital expenditure and reduce expenses. Consequently, the Group has downwardly revised its consolidated sales forecast for the full fiscal year ending March 31, 2010.

By virtue of efforts to cut costs and expenses, the Group believes that it is on course to achieve previously issued forecasts for operating income, ordinary income, and net income.

Financial Condition

Current assets totaled 102,011 million yen at the end of the fiscal third quarter (December 31, 2009), an increase of 3,322 million yen versus the end of the previous fiscal year (March 31, 2009). This was mainly due to increases in marketable securities of 19,967 million yen and work in process of 5,444 million yen, which were partly offset by sharp decreases in cash and deposits of 10,301 million yen and trade accounts receivable of 11,915 million yen.

Despite steady collection of trade accounts receivable, cash and deposits decreased due to an increase in certificates of deposit, which are recorded as marketable securities. The decline in trade accounts receivable was due to both steady 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 140,229 million yen at the end of the third quarter, a decline of 6,488 million yen versus the end of the previous fiscal year. This mainly reflects a 7,773 million yen decrease in property, plant and equipment, which more than offset a 1,427 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 three quarters.

Current liabilities totaled 35,400 million yen at the end of the third quarter, a decline of 12,535 million yen versus the end of the previous fiscal year. This was mainly due to a 9,904 million yen decrease in other current liabilities, due to the payment of accrued expenses associated with facilities for the ultrapure water supply business acquired in the previous fiscal year, and a 1,350 million yen decrease in accrued employees' bonuses mainly due to the payment of bonuses.

Noncurrent liabilities totaled 18,771 million yen at the end of the third quarter, a slight decrease of 73 million yen versus the end of the previous fiscal year.

Net assets were 188,069 million yen at the end of the third quarter, an increase of 9,443 million yen versus the end of the previous fiscal year. Despite dividend payments of 4,374 million yen, net assets increased due to positive net income for the nine months ended December 31, 2009, that resulted in a 12,019 million yen increase in retained earnings. Valuation and translation adjustments added 1,818 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) the Water Treatment Chemicals segment, which provides water treatment chemicals used for boiler water, cooling water, and wastewater and in manufacturing processes; and 2) the Water Treatment Facilities segment, which encompasses ultrapure water production systems, wastewater treatment facilities, and the ultrapure water supply business. 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 December 31, 2009 Amount	(millions of yen) As of March 31, 2009 Amount
Assets		
Current assets		
Cash and deposits	15,760	26,061
Notes receivable - trade	6,208	8,284
Accounts receivable - trade	40,198	52,113
Marketable securities	21,000	1,033
Finished products	1,408	1,414
Work in process	9,737	4,293
Raw materials and supplies	1,149	1,440
Other	6,696	4,188
Allowance for doubtful accounts	(147)	(140)
Total current assets	102,011	98,689
Noncurrent assets		
Property, plant and equipment		
Buildings (net)	36,895	39,290
Machinery and equipment (net)	53,365	50,821
Other (net)	28,029	35,950
Total property, plant and equipment	118,290	126,063
Intangible fixed assets	2,144	2,285
Investments and other assets		
Other	19,923	18,520
Allowance for doubtful accounts	(128)	(152)
Total investments and other assets	19,795	18,368
Total noncurrent assets	140,229	146,717
Total assets	242,241	245,406
Liabilities		
Current liabilities		
Notes payable - trade	1,145	1,820
Accounts payable - trade	16,560	17,010
Income taxes payable	3,624	3,781
Allowances	2,034	3,384
Other	12,035	21,939
Total current liabilities	35,400	47,935
Noncurrent liabilities		
Accrued employees' retirement benefits	9,046	8,644
Other allowances	449	738
Other	9,275	9,462
Total noncurrent liabilities	18,771	18,844
Total liabilities	54,172	66,779
Net assets		
Shareholders' equity		
Common stock	13,450	13,450
Capital surplus	11,426	11,426
Retained earnings	167,437	159,792
Treasury stock	(4,854)	(4,847)
Total shareholders' equity	187,460	179,821
Valuation and translation adjustments		
Unrealized gains on available-for-sale securities	1,610	170
Unrealized gains (losses) on revaluation of land	(750)	(750)
Foreign currency translation adjustments	(1,571)	(1,950)
Total valuation and translation adjustments	(712)	(2,530)
Minority interests		
	1,321	1,335
Total net assets	188,069	178,626
Total liabilities and net assets	242,241	245,406

Statements of Income — Consolidated

	(millions of yen)	
	Nine months ended December 31, 2009	Nine months ended December 31, 2008
	Amount	Amount
Net sales	123,458	138,599
Cost of sales	79,585	93,475
Gross profit	43,873	45,123
Selling, general and administrative expenses		
Salaries and directors' remuneration	10,316	10,412
Provision for employees' bonuses	641	652
R&D expenses	2,923	3,391
Other	11,576	12,913
Total selling, general and administrative expenses	25,458	27,369
Operating income	18,415	17,753
Non-operating income		
Interest income	65	212
Dividend income	233	303
Equity in earnings of unconsolidated subsidiaries and affiliates	211	219
Other	189	218
Total non-operating income	700	954
Non-operating expenses		
Interest expense	21	30
Loss on disposal of properties	50	55
Other	212	132
Total non-operating expenses	284	218
Ordinary income	18,831	18,489
Extraordinary income		
Gain from cancellation of contracts	1,505	-
Total extraordinary income	1,505	-
Extraordinary losses		
Valuation loss on investment securities	-	1,513
Legal settlement	-	480
Loss on liquidation of business	136	-
Total extraordinary losses	136	1,993
Income before income taxes and minority interests	20,199	16,496
Income taxes	8,139	7,420
Minority interests in earnings of consolidated subsidiaries	40	232
Net income	12,019	8,843

Statements of Cash Flows — Consolidated

	Nine months ended December 31, 2009	(millions of yen) Nine months ended December 31, 2008
	Amount	Amount
Cash flows from operating activities		
Income before income taxes and minority interests	20,199	16,496
Depreciation and amortization	11,468	8,079
Increase (decrease) in allowances	(1,273)	(821)
(Increase) decrease in notes and accounts receivable - trade	14,002	12,225
(Increase) decrease in inventories	(5,100)	(7,161)
Increase (decrease) in notes and accounts payable - trade	(1,849)	(1,457)
Increase (decrease) in advances received	1,081	3,414
Valuation (gain) loss on investment securities	-	1,513
Income taxes paid	(8,546)	(15,068)
Other (net)	1,335	(940)
Net cash provided by (used in) operating activities	31,316	16,279
Cash flows from investing activities		
Payments for purchases of marketable securities	(2,099)	(4,497)
Proceeds from sale and redemption of marketable securities	2,916	6,897
Payments for purchases of property, plant and equipment	(17,337)	(16,772)
Proceeds from sale of property, plant and equipment	49	53
Payments for purchases of investment securities	(7)	(8)
Proceeds from liquidation of subsidiaries	-	1,451
Other payments	(1,431)	(1,787)
Other proceeds	1,398	201
Net cash provided by (used in) investing activities	(16,513)	(14,460)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(0)	-
Repayment of long-term borrowings	-	(99)
Repayment of finance lease obligations	(327)	(25)
Purchase of treasury stock	(6)	(17)
Cash dividends paid	(4,111)	(4,111)
Cash dividends paid to minority shareholders	(78)	(44)
Net cash provided by (used in) financing activities	(4,525)	(4,298)
Effect of exchange rate changes on cash and cash equivalents	660	(536)
Net increase (decrease) in cash and cash equivalents	10,938	(3,015)
Cash and cash equivalents at the beginning of the period	25,262	30,360
Increase in cash and cash equivalents from newly consolidated subsidiaries	60	-
Cash and cash equivalents at the end of the period	36,261	27,345

Segment Information

Business segment information

Nine months ended December 31, 2009 (April 1, 2009 – December 31, 2009)

(millions of yen)

	Water treatment chemicals	Water treatment facilities	Total	Elimination or corporate	Consolidated
I. Sales and operating income					
Sales					
(1) Sales to outside customers	40,054	83,403	123,458	-	123,458
(2) Inter-segment sales	297	59	356	(356)	-
Total	40,352	83,462	123,814	(356)	123,458
Operating income	6,359	12,055	18,415	-	18,415

Nine months ended December 31, 2008 (April 1, 2008 – December 31, 2008)

(millions of yen)

	Water treatment chemicals	Water treatment facilities	Total	Elimination or corporate	Consolidated
I. Sales and operating income					
Sales					
(1) Sales to outside customers	45,288	93,310	138,599	-	138,599
(2) Inter-segment sales	248	74	323	(323)	-
Total	45,537	93,385	138,922	(323)	138,599
Operating income	6,930	10,823	17,754	(0)	17,753

Note:

- 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 nine months ended December 31, 2009, sales were 3,434 million yen higher and operating income was 908 million yen higher than would have resulted with the previous accounting method.

Geographical segment information

Nine months ended December 31, 2009 (April 1, 2009 – December 31, 2009)

(millions of yen)

	Japan	Other regions	Total	Elimination or corporate	Consolidated
I. Sales and operating income					
Sales					
(1) Sales to outside customers	112,661	10,796	123,458	-	123,458
(2) Inter-segment sales	1,127	185	1,312	(1,312)	-
Total	113,788	10,982	124,771	(1,312)	123,458
Operating income	17,044	1,152	18,196	218	18,415

Nine months ended December 31, 2008 (April 1, 2008 – December 31, 2008)

(millions of yen)

	Japan	Other regions	Total	Elimination or corporate	Consolidated
I. Sales and operating income					
Sales					
(1) Sales to outside customers	123,157	15,441	138,599	-	138,599
(2) Inter-segment sales	1,599	204	1,803	(1,803)	-
Total	124,756	15,645	140,402	(1,803)	138,599
Operating income	15,988	1,498	17,486	266	17,753

Notes:

1. Geographic segmentation is based on geographic proximity.
2. "Other regions" in the above table consists of Asia and other areas.
3. 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 nine months ended December 31, 2009, in Japan sales were 3,434 million yen higher and operating income was 908 million yen higher than would have resulted with the previous accounting method.

Overseas sales

Nine months ended December 31, 2009 (April 1, 2009 – December 31, 2009)

(millions of yen)

	Asia	North America	Europe	Other	Total
I. Overseas sales	8,641	1,163	1,038	1,815	12,659
II. Consolidated net sales	-	-	-	-	123,458
III. Ratio of overseas sales to total consolidated sales	7.0%	1.0%	0.8%	1.5%	10.3%

Nine months ended December 31, 2008 (April 1, 2008 – December 31, 2008)

(millions of yen)

	Asia	North America	Europe	Other	Total
I. Overseas sales	15,553	824	1,298	2,474	20,149
II. Consolidated net sales	-	-	-	-	138,599
III. Ratio of overseas sales to total consolidated sales	11.2%	0.6%	0.9%	1.8%	14.5%

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.
4. 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 nine months ended December 31, 2009, sales in Asia were 560 million yen higher than would have resulted with the previous accounting method.

Net Sales, Order Intake

Net Sales

(millions of yen)

Business segment	Nine months ended December 31,			
	2009		2008	
	Amount	%	Amount	%
Water treatment chemicals	40,054	32.4	45,288	32.7
Water treatment facilities	83,403	67.6	93,310	67.3
Total	123,458	100.0	138,599	100.0

Order Intake

(millions of yen)

Business segment	Nine months ended December 31,			
	2009		2008	
	Amount	%	Amount	%
Water treatment chemicals	39,487	31.6	45,262	30.1
Water treatment facilities	85,537	68.4	105,278	69.9
Total	125,024	100.0	150,541	100.0

Capital Expenditures (Property, Plant and Equipment)

(millions of yen)

Business segment	Nine months ended December 31,			
	2009		2008	
	Amount	%	Amount	%
Water treatment chemicals	560	10.8	1,005	2.4
Water treatment facilities	4,635	89.2	40,972	97.6
Total	5,196	100.0	41,977	100.0

Depreciation (Property, Plant and Equipment)

(millions of yen)

Business segment	Nine months ended December 31,			
	2009		2008	
	Amount	%	Amount	%
Water treatment chemicals	963	8.8	1,018	13.7
Water treatment facilities	10,008	91.2	6,432	86.3
Total	10,972	100.0	7,451	100.0