

FOR IMMEDIATE RELEASE

Kurita Water Industries Reports Earnings for the Nine Months ended December 31, 2010

Tokyo, Japan, January 31, 2011—Kurita Water Industries Ltd. (TSE Securities Code 6370) announced net sales of 129,237 million yen for the nine months ended December 31, 2010 (April 1, 2010 – December 31, 2010) and net income of 11,984 million, or 93.43 yen per share.

Results of Operations

Total consolidated orders for the Kurita Group in the nine months ended December 31, 2010, were up 0.8% versus the year-ago period (nine months ended December 31, 2009) to 126,004 million yen, and net sales increased 4.7% to 129,237 million yen. Operating income was 19,385 million yen, up 5.3% versus the year-ago period; ordinary income was 20,115 million yen, up 6.8%; and net income was 11,984 million yen, down 0.3%.

Markets in which the Kurita Group operates remained adverse during the nine months ended December 31, 2010, as new capital expenditure in Japan remained at low levels despite an ongoing mild economic recovery.

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 42,473 million yen, up 7.6% versus the year-ago period, and sales increased 5.8% to 42,373 million yen. Operating income rose 22.6% to 7,797 million yen.

During the nine months ended December 31, 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 period. The increase was a response to improvements in capacity utilization at customer plants and a redoubling of consultative sales efforts.

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 83,530 million yen, down 2.3% versus the year-ago period, and sales rose 4.1% to 86,863 million yen. Operating income fell 3.9% to 11,587 million yen.

During the nine months ended December 31, 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 rose slightly versus the year-ago period, while 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 declined versus the year-ago period, while orders for maintenance services increased. Sales of water treatment facilities declined amid a lull in sales from large projects in the steel industry, and soil remediation service sales also dropped. Meanwhile, sales of maintenance services increased versus the year-ago period.

Financial Condition

Current assets totaled 112,023 million yen at the end of the fiscal third quarter (December 31, 2010), an increase of 2,726 million yen versus the end of the previous fiscal year (March 31, 2010). The increase was mainly due to increases of 11,545 million yen in cash and deposits and 3,818 million yen in work in process, which were partially offset by declines of 5,864 million yen in trade accounts receivable and 8,500 million yen in marketable securities. The increase in cash and deposits resulted from 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 progress of works in the water treatment facilities business. The decreases in trade accounts receivable and marketable securities are stated above.

Noncurrent assets totaled 134,204 million yen at the end of the fiscal third quarter, a decline of 8,119 million yen versus the end of the previous fiscal year. The decline was due to an 8,103 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 32,285 million yen at the end of the fiscal third quarter, a decrease of 6,307 million yen versus the end of the previous fiscal year. The change was mainly due to a decline in income taxes payable of 5,145 million yen resulting from the payment of annual and interim taxes.

Noncurrent liabilities totaled 19,285 million yen at the end of the fiscal third quarter, a slight increase of 197 million yen versus the end of the previous fiscal year.

Net assets totaled 194,656 million yen at the end of the fiscal third quarter, an increase of 717 million yen versus the end of the previous fiscal year. The change mainly reflects an 11,984 million yen increase in retained earnings due to net income for the first three quarters. This increase were partially offset by a 4,783 million yen increase in treasury stock from open market repurchases, a 4,888 million yen decrease in retained earnings due to dividend payments, and a 1,619 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

In light of recent operating performance, the Kurita Group has revised the earnings forecast that it issued on April 30, 2010 for the fiscal year ending March 31, 2011 (April 1, 2010 – March 31, 2011) as follows.

Revised full-year consolidated earnings forecast for the fiscal year ending March 31, 2011 (April 1, 2010 – March 31, 2011)

	Net sales	Operating income (millions of yen)	Ordinary income	Net income	Net income per share (yen)
Previous forecast (A)	195,000	29,500	30,000	17,300	134.47
Revised forecast (B)	185,000	27,500	28,000	16,500	130.27
Change (B – A)	(10,000)	(2,000)	(2,000)	(800)	—
Percent change	(5.1)%	(6.8)%	(6.7)%	(4.6)%	—
For reference:					
Fiscal year ended March 31, 2010 (actual)	178,520	26,358	27,096	17,288	134.38

The Kurita Group continues to face an adverse market environment and murky economic outlook. In this environment, the Kurita Group worked to expand earnings through consultative sales aimed at helping customers successfully meet challenges such as productivity enhancement and environmental mitigation. Nevertheless, customers' capital expenditure demand has been slow to recover, and the Group has therefore revised its earnings forecast as detailed above.

Financial Statements — Consolidated

Balance Sheets — Consolidated

	As of December 31, 2010	As of March 31, 2010
	Amount	Amount
Assets		
Current assets		
Cash and deposits	27,908	16,363
Notes receivable - trade	6,276	5,393
Accounts receivable - trade	44,111	49,975
Marketable securities	20,000	28,500
Finished products	1,399	1,334
Work in process	6,418	2,600
Raw materials and supplies	1,536	1,186
Other	4,422	4,075
Allowance for doubtful accounts	(50)	(132)
Total current assets	112,023	109,297
Noncurrent assets		
Property, plant and equipment		
Buildings (net)	32,546	35,685
Machinery and equipment (net)	50,540	51,659
Other (net)	25,309	29,154
Total property, plant and equipment	108,397	116,500
Intangible fixed assets	1,964	2,173
Investments and other assets		
Other	24,008	23,854
Allowance for doubtful accounts	(165)	(205)
Total investments and other assets	23,842	23,649
Total noncurrent assets	134,204	142,323
Total assets	246,227	251,620
Liabilities		
Current liabilities		
Notes payable – trade	1,715	1,198
Accounts payable - trade	15,562	15,632
Income taxes payable	2,285	7,430
Allowances	1,873	2,924
Other	10,847	11,406
Total current liabilities	32,285	38,592
Noncurrent liabilities		
Accrued employees' retirement benefits	9,957	9,465
Other allowances	437	449
Other	8,891	9,172
Total noncurrent liabilities	19,285	19,088
Total liabilities	51,571	57,680
Net assets		
Shareholders' equity		
Common stock	13,450	13,450
Capital surplus	11,426	11,426
Retained earnings	179,812	172,717
Treasury stock	(9,638)	(4,855)
Total shareholders' equity	195,052	192,738
Valuation and translation adjustments		
Unrealized gains on available-for-sale securities	814	1,989
Unrealized gains (losses) on revaluation of land	(764)	(764)
Foreign currency translation adjustments	(1,818)	(1,374)
Total valuation and translation adjustments	(1,768)	(149)
Minority interests	1,372	1,350
Total net assets	194,656	193,939
Total liabilities and net assets	246,227	251,620

Statements of Income — Consolidated

	Nine months ended December 31, 2009	Nine months ended December 31, 2010	(millions of yen)
	Amount	Amount	
Net sales	123,458	129,237	
Cost of sales	79,585	83,426	
Gross profit	<u>43,873</u>	<u>45,810</u>	
Selling, general and administrative expenses			
Salaries and directors' remuneration	10,316	10,900	
Provision for employees' bonuses	641	699	
R&D expenses	2,923	3,023	
Other	<u>11,576</u>	<u>11,801</u>	
Total selling, general and administrative expenses	<u>25,458</u>	<u>26,424</u>	
Operating income	<u>18,415</u>	<u>19,385</u>	
Non-operating income			
Interest income	65	76	
Dividend income	233	307	
Equity in earnings of unconsolidated subsidiaries and affiliates	211	220	
Other	<u>189</u>	<u>353</u>	
Total non-operating income	<u>700</u>	<u>958</u>	
Non-operating expenses			
Interest expense	21	22	
Commissions paid	-	55	
Loss on disposal of properties	50	-	
Foreign exchange loss	-	56	
Other	<u>212</u>	<u>94</u>	
Total non-operating expenses	<u>284</u>	<u>228</u>	
Ordinary income	<u>18,831</u>	<u>20,115</u>	
Extraordinary income			
Gain from cancellation of contracts	<u>1,505</u>	-	
Total extraordinary income	<u>1,505</u>	-	
Extraordinary losses			
Loss on liquidation of affiliated companies	-	73	
Loss on liquidation of business	136	-	
Total extraordinary losses	<u>136</u>	<u>73</u>	
Income before income taxes and minority interests	<u>20,199</u>	<u>20,041</u>	
Income taxes	<u>8,139</u>	<u>7,956</u>	
Income before minority interests	-	12,084	
Minority interests in earnings of consolidated subsidiaries	<u>40</u>	<u>100</u>	
Net income	<u>12,019</u>	<u>11,984</u>	

Statements of Cash Flows — Consolidated

	Nine months ended December 31, 2009	Nine months ended December 31, 2010	(millions of yen)
	Amount	Amount	
Cash flows from operating activities			
Income before income taxes and minority interests	20,199	20,041	
Depreciation and amortization	11,468	12,046	
Increase (decrease) in allowances	(1,273)	(717)	
(Increase) decrease in notes and accounts receivable - trade	14,002	4,974	
(Increase) decrease in inventories	(5,100)	(4,304)	
Increase (decrease) in notes and accounts payable - trade	(1,849)	169	
Increase (decrease) in advances received	1,081	-	
Income taxes paid	(8,546)	(12,875)	
Other	1,335	(668)	
Net cash provided by (used in) operating activities	31,316	18,666	
Cash flows from investing activities			
Deposits into time deposit accounts	-	(29,678)	
Withdrawals from time deposits	-	12,759	
Payments for purchases of marketable securities	(2,099)	(50,000)	
Proceeds from sale and redemption of marketable securities	2,916	54,000	
Payments for purchases of property, plant and equipment	(17,337)	(3,766)	
Proceeds from sale of property, plant and equipment	49	26	
Payments for purchases of investment securities	(7)	(1,952)	
Other payments	(1,431)	(443)	
Other proceeds	1,398	170	
Net cash provided by (used in) investing activities	(16,513)	(18,884)	
Cash flows from financing activities			
Net increase (decrease) in short-term borrowings	(0)	509	
Repayment of finance lease obligations	(327)	(352)	
Purchase of treasury stock	(6)	(4,782)	
Cash dividends paid	(4,111)	(4,870)	
Cash dividends paid to minority shareholders	(78)	(11)	
Net cash provided by (used in) financing activities	(4,525)	(9,506)	
Effect of exchange rate changes on cash and cash equivalents	660	(183)	
Net increase (decrease) in cash and cash equivalents	10,938	(9,907)	
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	36,261	10,729	

Notes on the Going-concern Assumption

Nine months ended December 31, 2010 (April 1, 2010 – December 31, 2010)

Not applicable

Segment Information

Business segment information

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

	Water Treatment Chemicals	Water Treatment Facilities	Total	Elimination or corporate	(millions of yen) Consolidated
Sales					
(1) Sales to outside customers	40,054	83,403	123,458	-	123,458
(2) Inter-segment sales or transfers	297	59	356	(356)	-
Total	40,352	83,462	123,814	(356)	123,458
Operating income	6,359	12,055	18,415	-	18,415

Geographical segment information

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

	Japan	Other regions	Total	Elimination or corporate	(millions of yen) Consolidated
Sales					
(1) Sales to outside customers	112,661	10,796	123,458	-	123,458
(2) Inter-segment sales or transfers	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

Notes:

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

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%

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 manufacturers 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

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

	Reportable segment			Adjustments (note 1)	Amounts reported on the quarterly statements of income (note 2)
	Water Treatment Chemicals	Water Treatment Facilities	Total		
Sales					
(1) Sales to outside customers	42,373	86,863	129,237	-	129,237
(2) Inter-segment sales or transfers	276	115	391	(391)	-
Total	42,650	86,979	129,629	(391)	129,237
Segment income	7,797	11,587	19,385	0	19,385

Notes:

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

Notes on Significant Changes in Shareholders' Equity

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

Not applicable

Other Information — Consolidated

Order Intake

Business segment	Nine months ended December 31,			
	2009		2010	
	Amount	%	Amount	%
Water Treatment Chemicals	39,487	31.6	42,473	33.7
Water Treatment Facilities	85,537	68.4	83,530	66.3
Total	125,024	100.0	126,004	100.0

Net Sales

Business segment	Nine months ended December 31,			
	2009		2010	
	Amount	%	Amount	%
Water Treatment Chemicals	40,054	32.4	42,373	32.8
Water Treatment Facilities	83,403	67.6	86,863	67.2
Total	123,458	100.0	129,237	100.0

Capital Expenditures (Property, Plant and Equipment)

Business segment	Nine months ended December 31,			
	2009		2010	
	Amount	%	Amount	%
Water Treatment Chemicals	560	10.8	508	15.8
Water Treatment Facilities	4,635	89.2	2,721	84.2
Total	5,196	100.0	3,230	100.0

Depreciation (Property, Plant and Equipment)

Business segment	Nine months ended December 31,			
	2009		2010	
	Amount	%	Amount	%
Water Treatment Chemicals	963	8.8	887	7.7
Water Treatment Facilities	10,008	91.2	10,651	92.3
Total	10,972	100.0	11,539	100.0