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## **Kurita Water Industries Reports Earnings for the Nine Months ended December 31, 2011**

Tokyo, Japan, January 31, 2012—Kurita Water Industries Ltd. (TSE Securities Code 6370) announced net sales of 133,404 million yen and net income of 10,754 million yen, or 84.91 yen per share, for the nine months ended December 31, 2011 (April 1, 2011 – December 31, 2011).

### **Results of Operations**

Total consolidated orders for the Kurita Group in the nine months ended December 31, 2011 increased 9.7% versus the same period of the previous year to 138,194 million yen. Net sales increased 3.2% year on year to 133,404 million yen. In terms of income, operating income increased 1.0% year on year to 19,586 million yen and ordinary income increased 0.7% to 20,255 million yen. Net income totaled 10,754 million yen, down 10.3%.

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. Afterwards, however, corporate manufacturing activity recovered to near-normal levels and reconstruction initiatives began in earnest. Overseas, newly emerging economies were the main force behind moderate economic expansion, though signs of slowing growth emerged due to the European debt crisis arising from the fiscal plight of Greece.

### **Segment Information**

#### **Water Treatment Chemicals**

Total Group orders for the Water Treatment Chemicals segment in the nine-month period were 42,330 million yen, down 0.3% versus the same period of the previous year, while sales increased slightly to 42,393 million yen. Operating income declined 7.7% to 7,194 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 such challenges as energy conservation and productivity enhancement.

In Japan, orders and sales of chemical-related equipment and systems increased in tandem with earthquake recovery efforts, and initiatives to expand sales of chemicals for reverse osmosis membranes further increased sales. Demand declined, however, for boiler water treatment chemicals and process treatment chemicals for the paper and pulp and oil refining and petrochemical industries due to low capacity utilization rates at customer manufacturing facilities, mainly in the first quarter. Overseas, orders and sales of cooling water treatment chemicals and other core products increased as a result of growing manufacturing activity, primarily in newly emerging economies.

#### **Water Treatment Facilities**

Total Group orders for the Water Treatment Facilities segment in the nine-month period were 95,864 million yen, up 14.8% versus the same period of the previous year. Sales increased 4.8% to 91,011 million yen, while operating income rose 6.9% to 12,392 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 approach towards 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 for maintenance services increased mainly due to growing demand for facility modification, and orders for ultrapure water production systems from overseas semiconductor manufacturers also increased. In terms of sales to the electronics industry, maintenance services sales increased, but sales in the ultrapure water supply business declined slightly and sales of ultrapure water production systems also showed a decline.

In general industries, orders and sales increased significantly as demand for water treatment facilities from the domestic electric power industry surged during recovery efforts following the earthquake. Demand for maintenance services, mainly in relation to facility modification in industries such as electric power and food, also increased.

### **Financial Condition**

Current assets totaled 129,300 million yen at the end of the fiscal third quarter (December 31, 2011), an increase of 11,448 million yen versus the end of the previous fiscal year (March 31, 2011). This primarily reflects increases of 16,000 million yen in marketable securities and 5,450 million yen in work in process outweighing the 10,331 million yen decrease in cash and deposits.

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 126,449 million yen at the end of the nine-month period, a decline of 8,997 million yen versus the end of the previous fiscal year. The decline was mainly due to a 6,304 million yen decrease in property, plant and equipment and a 2,498 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 33,940 million yen at the end of the nine-month period, a decrease of 831 million yen versus the end of the previous fiscal year. The change mainly reflects a decline in income taxes payable, following annual tax return adjustments, of 2,329 million yen outweighing an increase in trade accounts payable of 1,926 million yen.

Noncurrent liabilities totaled 18,837 million yen, a slight decrease of 338 million yen versus the end of the previous fiscal year.

Net assets totaled 202,972 million yen at the end of the nine-month period, an increase of 3,621 million yen versus the end of the previous fiscal year. The change mainly reflects a 5,815 million yen increase in retained earnings outweighing a 2,166 million yen decline in accumulated other comprehensive income.

Retained earnings increased as the nine months' net income of 10,754 million yen exceeded the 4,939 million yen aggregate of the year-end dividend payment for the previous year and the interim payment for the current year. Accumulated other comprehensive income declined due to a decrease in unrealized gains on available-for-sale securities caused by the aforementioned decline in the market price of marketable securities.

## **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.

### **Other Information**

(1) Accounting treatment specific to the preparation of quarterly consolidated financial statements

a. Tax expense

The Company calculates tax expense by producing a reasonable estimate of the effective tax rate after applying tax-effect accounting to income before income taxes and minority interests for the fiscal year and then multiplying quarterly income before income taxes and minority interests by this estimated effective tax rate.

#### *Additional Information*

In accordance with the promulgation on December 2, 2011 of a corporate tax law partial amendment (statute no. 114 of 2011) and a reconstruction funding law (statute no. 117 of 2011), normal effective statutory tax rate will change from 40.6% to 38.0% for the fiscal years from April 1, 2012 through March 31, 2015, and to 35.6% from the fiscal years beginning on and after April 1, 2015.

Given this change, Kurita Water Industries calculated the estimated effective tax rate for the fiscal year ending March 31, 2012 by adding expected annual income tax payment and expected annual income tax adjustment (calculated by estimating increase or decrease of deferred tax assets and deferred tax liabilities), instead of using the estimated annual tax expense. As a result, the estimated effective tax rate was up to 45.0%, which is 5.5% higher than it would have been under the previous method.

Due to this change, income taxes for the nine months ended December 31, 2011 increased by 1,076 million yen, while the quarterly net income decreased by the same amount.

Other comprehensive income also increased by 111 million yen, as unrealized gains on available-for-sale securities decreased by 72 million yen and unrealized gains (losses) on revaluation of land increased by 184 million yen.

## Financial Statements — Consolidated

### Balance Sheet — Consolidated

	As of March 31, 2011 Amount	(millions of yen) As of December 31, 2011 Amount
<b>Assets</b>		
<b>Current assets</b>		
Cash and deposits	35,073	24,742
Notes receivable - trade	5,983	6,780
Accounts receivable - trade	47,257	46,961
Marketable securities	20,000	36,000
Finished products	1,303	1,377
Work in process	2,643	8,093
Raw materials and supplies	1,533	1,614
Other	4,098	3,778
Allowance for doubtful accounts	(40)	(47)
Total current assets	117,852	129,300
<b>Noncurrent assets</b>		
Property, plant and equipment		
Buildings (net)	31,454	28,843
Machinery and equipment (net)	48,826	45,122
Other (net)	26,328	26,337
Total property, plant and equipment	106,608	100,304
Intangible fixed assets	1,939	1,746
Investments and other assets		
Other	27,081	24,575
Allowance for doubtful accounts	(184)	(176)
Total investments and other assets	26,897	24,399
Total noncurrent assets	135,446	126,449
Total assets	253,298	255,750
<b>Liabilities</b>		
<b>Current liabilities</b>		
Notes payable – trade	1,402	1,713
Accounts payable - trade	15,058	16,984
Income taxes payable	5,626	3,297
Allowances	3,275	2,090
Other	9,407	9,854
Total current liabilities	34,771	33,940
<b>Noncurrent liabilities</b>		
Accrued employees' retirement benefits	9,936	10,289
Other allowances	440	165
Other	8,799	8,382
Total noncurrent liabilities	19,175	18,837
Total liabilities	53,946	52,777
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Common stock	13,450	13,450
Capital surplus	11,426	11,426
Retained earnings	184,954	190,769
Treasury stock	(9,640)	(9,642)
Total shareholders' equity	200,191	206,004
<b>Accumulated other comprehensive income</b>		
Unrealized gains on available-for-sale securities	623	(1,137)
Unrealized gains (losses) on revaluation of land	(764)	(580)
Foreign currency translation adjustments	(2,006)	(2,596)
Total accumulated other comprehensive income	(2,148)	(4,314)
<b>Minority interests</b>		
	1,308	1,283
Total net assets	199,351	202,972
Total liabilities and net assets	253,298	255,750

## Statements of Income and Comprehensive Income — Consolidated

### Statement of Income

	(millions of yen)	
	Nine months ended December 31, 2010	Nine months ended December 31, 2011
	Amount	Amount
Net sales	129,237	133,404
Cost of sales	83,426	86,768
Gross profit	45,810	46,636
Selling, general and administrative expenses	26,424	27,049
Operating income	19,385	19,586
Non-operating income		
Interest income	76	107
Dividend income	307	353
Equity in earnings of unconsolidated subsidiaries and affiliates	220	265
Other	353	134
Total non-operating income	958	860
Non-operating expenses		
Interest expense	22	69
Other	206	121
Total non-operating expenses	228	191
Ordinary income	20,115	20,255
Extraordinary losses		
Valuation loss on investment securities	-	608
Disaster losses and disaster recovery expenses	-	35
Loss on liquidation of business	73	-
Total extraordinary losses	73	644
Income before income taxes and minority interests	20,041	19,611
Income taxes	7,956	8,825
Income before minority interests	12,084	10,786
Minority interests in earnings of consolidated subsidiaries	100	31
Net income	11,984	10,754

## Statement of Comprehensive Income

	(millions of yen)	
	Nine months ended December 31, 2010	Nine months ended December 31, 2011
	Amount	Amount
Income before minority interests	12,084	10,786
Other comprehensive income		
Unrealized gains on available-for-sale securities	(1,173)	(1,758)
Unrealized gains (losses) on revaluation of land	-	184
Foreign currency translation adjustments	(445)	(577)
Share of other comprehensive income of associates accounted for using equity method	(36)	(57)
Total other comprehensive income	(1,655)	(2,207)
Comprehensive income	10,429	8,578
Components:		
Comprehensive income attributable to owners of the parent company	10,366	8,588
Comprehensive income attributable to minority interests	63	(10)

## Notes on the Going-concern Assumption

Nine months ended December 31, 2011 (April 1, 2011 – December 31, 2011)

Not applicable

## Segment Information

### 1. Sales and income by reportable segment

Nine months ended December 31, 2010 (April 1, 2010 – December 31, 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	42,373	86,863	129,237	—	129,237
Inter-segment sales or transfers					
	276	115	391	(391)	—
Total	42,650	86,979	129,629		129,237
Segment income	7,797	11,587	19,385	0	19,385

Nine months ended December 31, 2011 (April 1, 2011 – December 31, 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	42,393	91,011	133,404	—	133,404
Inter-segment sales or transfers	265	198	463	(463)	—
Total	42,658	91,209	133,868	(463)	133,404
Segment income	7,194	12,392	19,587	(0)	19,586

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.

## Notes on Significant Changes in Shareholders' Equity

Nine months ended December 31, 2011 (April 1, 2011 – December 31, 2011)

Not applicable

## Supplementary Information — Consolidated

### (1) Order Intake

(millions of yen)

Business segment	Nine months ended December 31			
	2010		2011	
	Amount	%	Amount	%
Water Treatment Chemicals	42,473	33.7	42,330	30.6
Water Treatment Facilities	83,530	66.3	95,864	69.4
Total	126,004	100.0	138,194	100.0

### (2) Net Sales

(millions of yen)

Business segment	Nine months ended December 31,			
	2010		2011	
	Amount	%	Amount	%
Water Treatment Chemicals	42,373	32.8	42,393	31.8
Water Treatment Facilities	86,863	67.2	91,011	68.2
Total	129,237	100.0	133,404	100.0

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

(millions of yen)

Business segment	Nine months ended December 31,			
	2010		2011	
	Amount	%	Amount	%
Water Treatment Chemicals	508	15.8	853	15.8
Water Treatment Facilities	2,721	84.2	4,562	84.2
Total	3,230	100.0	5,415	100.0

### (4) Depreciation (Property, Plant and Equipment)

(millions of yen)

Business segment	Nine months ended December 31,			
	2010		2011	
	Amount	%	Amount	%
Water Treatment Chemicals	887	7.7	867	7.6
Water Treatment Facilities	10,651	92.3	10,615	92.4
Total	11,539	100.0	11,482	100.0