

**KURITA WATER  
INDUSTRIES  
LTD.**

**ANNUAL REPORT 2001**

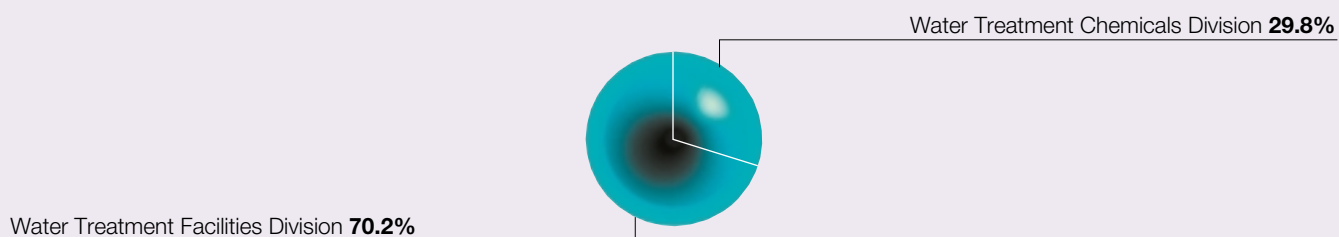


## Kurita in Profile

Since its establishment in 1949, Kurita Water Industries Ltd. has provided solutions to meet its clients' water treatment needs. Kurita's cutting-edge technologies have gained the Company recognition as one of the world's premier water treatment companies. In addition, through its facilities maintenance, operation, and consulting businesses, Kurita is able to cooperate with its customers in the areas of quality control, safety, and reduction of operating costs.

In recent years, society has undergone changes and the environmental protection needs of our clients have grown at an accelerating rate. We at Kurita see it as our job to use the wide range of technologies and know-how we have developed and mastered through our experience in the field of water treatment to satisfy these needs in an ever-expanding range of environmental fields, including our soil and air purification operations. Through the integrated management of water and other environmental resources, our aims are to achieve a high level of customer satisfaction and to benefit society.

Sales Composition by Division



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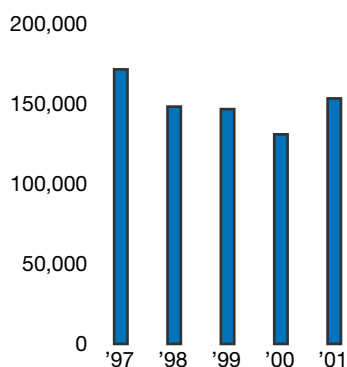
## Consolidated Financial Highlights

KURITA WATER INDUSTRIES LTD. FOR THE YEARS ENDED MARCH 31

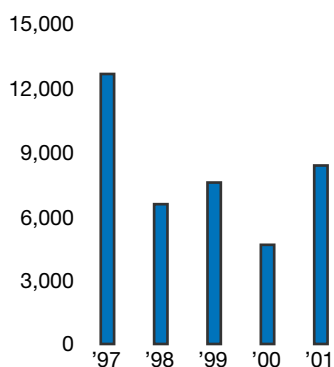
|  | Millions of Yen |                 | Thousands of<br>U.S. Dollars |
|--|-----------------|-----------------|------------------------------|
|  | 2000            | 2001            | 2001                         |
| <b>For the years ended March 31:</b>                     |                 |                 |                              |
| Net sales  | ¥130,998        | <b>¥153,435</b> | <b>\$1,237,379</b>           |
| Operating income   | 11,203          | <b>15,817</b>   | <b>127,556</b>               |
| Income before income taxes and minority interests        | 8,615           | <b>14,727</b>   | <b>118,766</b>               |
| Net income   | 4,648           | <b>8,366</b>    | <b>67,468</b>                |
| <b>At year-end:</b>                                      |                 |                 |                              |
| Total assets   | ¥165,297        | <b>¥183,175</b> | <b>\$1,477,218</b>           |
| Total shareholders' equity                               | 113,383         | <b>119,209</b>  | <b>961,363</b>               |
| <b>Per share of common stock (Yen and U.S. dollars):</b> |                 |                 |                              |
| Net income   | ¥35.1           | <b>¥63.2</b>    | <b>\$0.51</b>                |
| Cash dividends applicable to the year (Non-Consolidated) | 17.0            | <b>16.0</b>     | <b>0.13</b>                  |

Note: The U.S. dollar amounts are given solely for convenience at the rate of ¥124 to US\$1.00, the approximate exchange rate prevailing on March 30, 2001.

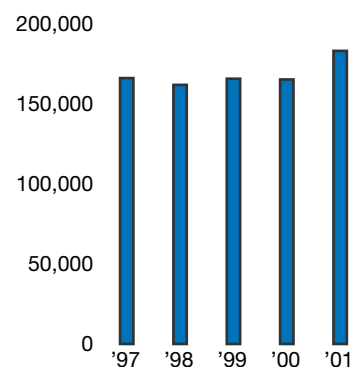
**NET SALES**  
(Millions of Yen)



**NET INCOME**  
(Millions of Yen)



**TOTAL ASSETS**  
(Millions of Yen)



### Summary of Financial Results:

Consolidated results for the Kurita Group for the fiscal year ended March 31, 2001 were generally positive. Due to favorable results in water treatment facilities, especially for the electronics industry, and rising sales in our maintenance services business, consolidated net sales rose to ¥153,435 million, an increase of 17.1%. Total orders amounted to ¥154,979 million, an increase of 13.1%. This increase in net sales resulted in operating profit of ¥15,817 million, a 41.2% increase, and net income of ¥8,366 million, an 80% increase, compared to the previous fiscal year.

### Main Policies in the Fiscal Year ended March 31, 2001

The fiscal year ended March 31, 2001 was the first year of EV-2 (Evolution 2002), Kurita's new three-year medium-term management plan. In line with EV-2's, "Changing how to sell and what to sell," we made considerable progress toward the main goals of EV-2, which include stepping up the pace of new business creation, strengthening our business, and improving our products.

### Creation of New Environment-Related Businesses

One example of the Company's activities in the area of new environment-related business creation is the continued development and introduction of new technologies in the soil and groundwater purification business. Through activities such as these, we are further reinforcing Kurita's strong ability to respond to a wide variety of customer needs under a wide variety of conditions.

Regarding the soil purification industry, which is expected to become more open and show significant growth due to rising real estate sales, in conjunction with the Japan Real Estate Institute, Kurita has developed a system for determining soil pollution risk. Furthermore, we are working to set de facto standards and remain the top player in this industry.

Regarding environment-related businesses, another growth industry, we are forming a strategic partnership with H Power Corp., a leading U.S. manufacturer of fuel cells. Also, through investment in H Power, we are aggressively entering the fuel cell industry, which shows promise as a source of clean energy. Kurita will be the exclusive supplier of water treatment systems to be used with the household fuel cells marketed nationwide in the United States by H Power.

### Improving Operations and Products

In the past year, Kurita has implemented a variety of policies to improve its operations and products so as to secure an income base that is less vulnerable to market fluctuations.

In the area of water treatment facilities, our efforts to reduce costs through the modularization of ultrapure water production devices have yielded concrete results. Modular devices can be test run in the plant before assembly on-site at the customer's facility. This not only cuts

costs by greatly reducing manufacturing time, it also simplifies quality control, responds to our customers' needs, and saves floor space.

Improvement of our maintenance services business is one of our most important objectives. Facilities maintenance and consulting regarding plant utilities contribute to the efficient and effective operations our clients demand. In addition, the maintenance business continues to show growth year after year and forms a profit base that is less vulnerable to market fluctuations.

In the area of chemicals, Kurita's ECO-SHUTTLE logistical system for the collection and reuse of returnable containers is rapidly replacing the former "bag in box" type container system. This new system responds to the needs of our customers who demand low environmental impact solutions. In addition, ECO-SHUTTLE contributes to Kurita's efforts to create lasting partnerships with its customers.



### **Strengthening the Growth Potential of Kurita's Businesses**

It is expected that the market environment will continue to be difficult, with price wars and the merger and closure of many of our clients' plants. However, for Kurita, which seeks to provide value-added services as an integrated, cutting-edge management company in the fields of water treatment and environment-related businesses, the expanding needs of our clients for environmental protection and their increasing awareness of total costs present an opportunity for us to provide new services.

In the area of soil purification, Kurita is forming a new business model for soil handling and is working to become the leading player in this market. In the field of maintenance, rather than working to maintain each individual device, we are pursuing the possibilities of a business model in which we perform integrated, facilitywide maintenance for each client.

Regarding manufacturing, in addition to expanding the modularization of ultrapure water production systems, the Company is also working to modularize water purification systems for general use. In addition, Kurita is also promoting "ready-made" standardization of these products to further reduce costs. Our goal is to strengthen our base for growth by introducing new technologies and forming new partnerships.

July 2001

A handwritten signature in black ink that reads "Takahide Santo". The signature is written in a cursive, flowing style.

Takahide Santo, President

### Water Treatment Chemicals



Returnable Container for Use with the ECO-SHUTTLE

#### From Selling Products to Selling Value

Due to streamlining and the intensification of competition, the overall market environment has remained severe. However, demand has increased for water treatment chemicals for the paper and pulp industries, where demand for woodfree paper for the IT industry has increased. Demand has also increased for water treatment chemicals for waste incineration facilities. It is thought that severe market conditions will continue.

Under these conditions, Kurita's Water Treatment Chemicals Division is in the process of changing its business style from simply selling chemicals to focus on long-term, comprehensive contracts covering consulting and maintenance services and the monitoring of water treatment. In doing this, the Group is aiming to improve its rate of return. To achieve this goal, the Water Treatment Chemicals Division must strengthen partnerships with customers so that sales staff may suggest solutions appropriate to meeting the challenges faced by our customers.

#### ECO-SHUTTLE

In August 2000, Kurita initiated ECO-SHUTTLE, the first returnable container collection system for the water treatment industry in Japan. Previously, small-scale consumers would receive water treatment chemicals in a plastic bag inside a cardboard box and, after the chemicals were used, the box and bag were disposed of as waste materials. Kurita has developed a returnable container for these chemicals and created a distribution system wherein these containers are collected and returned. This not only assists our customers by reducing their waste products, it also strengthens Kurita's partnerships with its clients.

### Water Treatment Facilities



Ultrapure Water Production System

The market environment for water treatment facilities has been severe, due to a slump in capital investment accompanying the general slump in the Japanese economy. This is particularly true regarding sales to private enterprises outside of the electronics industry and sales of publicly run environmental facilities, such as those for processing sewage and human waste, and the maintenance of such facilities. However, capital investment in the electronics industry, particularly in the semiconductor segment, rose significantly, greatly improving Kurita's business results related to the electronics industry.

#### From Special Order to Modular Products

Until recently, Kurita, when supplying ultrapure water production systems, planned each project according to the individual needs of its customers, obtained materials locally, and constructed the systems on-site. However, in recent years, our customers have been demanding

less costly systems requiring shorter construction times. This has made it necessary for Kurita to reevaluate its production methods for such systems.

As a result of this reevaluation, Kurita has introduced the concept of modularized ultrapure water production systems. This includes not only the standardization of blueprints, but also the design of modular unit systems, consisting of ion exchange membranes, ion exchange resin towers, and pumps. These systems may be constructed at Kurita's plant within the Shizuoka Operations Center, flow tested, and then brought on-site to the customer's facility. Because the system is manufactured at Kurita's plant, assembly work on-site is kept to a minimum and a large reduction in cost, compared to the previous system, is achieved. Design of an extremely compact system has been made possible through this modular production method. Modularization achieves cost reductions, reduces construction time, saves space, and assists in quality maintenance.



Shizuoka Operations Center

Kurita has implemented a variety of policies in order to achieve modularization. Firstly, the Design Department considered the best placement of modular devices and the Manufacturing Department worked to improve modular manufacturing technologies and perfect quality control. Through these and other activities, Kurita has completed its modularization plan and, in the future, will expand the range of this project.



Bioleader

### **Comprehensive Maintenance Services**

Kurita's Maintenance Group is working to change its business style with regard to the maintenance and service it offers customers in the form of after-sales service for water treatment facilities. Formerly, the Group performed maintenance services on water treatment facilities delivered by Kurita. Kurita is now in the process of changing to a business style where the Group performs maintenance services not only on the water treatment facilities in customers' plants, but also undertakes maintenance and operations management of other utilities, such as electricity and gas.

In overseas markets, Kurita has assigned operating managers who are on call 24 hours a day and has built an outsourcing business for operations management and maintenance services of ultrapure water production systems. However, the Group conducts no such business activities in the Japanese market. This is because, until recently, outsourcing had not been common business practice in Japan.

However, the benefits of outsourcing are becoming more widely known in Japan and business opportunities in this field are expanding. Kurita showed positive results for its operations management and maintenance services outsourcing business targeting the electronics industry in Japan. Kurita plans to aggressively pursue outsourcing business opportunities in the future.



Wastewater Treatment Facility

## Soil and Groundwater Remediation

Kurita has long targeted the soil remediation business as a growth industry and, in 1993, introduced technology from GTI, Inc. (currently IT Group, U.S.A.), enabling it to enter the soil remediation business. Since then, Kurita has used its Water Treatment Chemicals Division and Water Treatment Facilities Division customer networks to increase its market share and is currently one of the top companies in Japan in this field. In recent years, soil remediation has become an important social issue in Japan and many new players have been entering the field. To further expand business activities in this field, Kurita is developing new technologies and strengthening its partnerships with other companies.

### Development of New Remediation Technologies

Last year, Kurita succeeded in the development of two new technologies. The first is an in situ chemical oxidation method. This method consists of directly injecting an oxidizing agent into the soil, followed by analysis and remediation of the contaminants. This groundbreaking new technology allows soil that would have previously required a year or more for processing to be processed in a few months.

The other technology developed last year by Kurita is a remediation technology using micro-organisms. This technology propagates and activates the micro-organisms in the soil by providing them with nutrients, thereby decomposing and purifying the chlorinated hydrocarbons. This technology allows soil remediation processing to be completed in a few months.

### Benefits of Kurita's Partnership with Dowa Mining Co., Ltd.

In February of 2000, Kurita formed a business partnership with Dowa Mining Co., Ltd., in the field of soil remediation, and the two companies have been conducting exchanges of information regarding business and technology. Both companies are benefiting from each other's strengths and are conducting several projects in the field of remediation.

As a result of this partnership, Kurita participated in Dowa Mining's development of remediation technology making use of iron powder, and both companies are working toward practical application of this technology. Through these activities, Kurita aims to increase the number of sites it is able to remediate, increase its competitive edge, and expand its business.



Soil Environmental Survey



Soil Remediation Facility

### New Activities

In December 2000, in conjunction with the Japan Real Estate Institute, Kurita developed a method for determining latent soil pollution risk due to contaminants wherein the value of remediated soil is determined, taking into consideration the cost of remediation. Kurita, along with the Japan Real Estate Institute offers this real estate valuing service for polluted land.

Kurita, in cooperation with the Development Bank of Japan, Dowa Mining Co., Ltd., and other companies, has established a new company which conducts soil inspection for land where soil contamination may have occurred, soil remediation, and sales support for land.



## Consolidated Five-Year Summary

KURITA WATER INDUSTRIES LTD. AND SUBSIDIARIES YEARS ENDED MARCH 31, 1997 TO 2001

|   | Millions of Yen |          |          |          |                 |
|---|-----------------|----------|----------|----------|-----------------|
|   | 1997            | 1998     | 1999     | 2000     | 2001            |
| <b>For the year:</b>                              |                 |          |          |          |                 |
| Net sales   | ¥171,592        | ¥148,322 | ¥146,754 | ¥130,998 | <b>¥153,435</b> |
| Cost of sales                                     | 117,170         | 104,226  | 101,366  | 88,174   | <b>105,587</b>  |
| Selling, general and administrative expenses      | 28,426          | 29,070   | 30,179   | 31,619   | <b>32,030</b>   |
| Operating income                                  | 25,995          | 15,025   | 15,209   | 11,203   | <b>15,817</b>   |
| Income before income taxes and minority interests | 27,096          | 14,850   | 15,580   | 8,615    | <b>14,727</b>   |
| Net income  | 12,655          | 6,553    | 7,567    | 4,648    | <b>8,366</b>    |
| <b>At year-end:</b>                               |                 |          |          |          |                 |
| Current assets                                    | 121,600         | 114,426  | 112,576  | 111,017  | <b>115,263</b>  |
| Current liabilities                               | 59,788          | 51,287   | 49,340   | 41,633   | <b>51,625</b>   |
| Working capital                                   | 61,812          | 63,139   | 63,236   | 69,384   | <b>63,638</b>   |
| Total shareholders' equity                        | 98,482          | 102,585  | 108,051  | 113,383  | <b>119,209</b>  |
| Total assets                                      | 166,170         | 161,922  | 165,775  | 165,297  | <b>183,175</b>  |
| <b>Amounts per share of common stock (Yen):</b>   |                 |          |          |          |                 |
| Net income per share                              | 95.3            | 49.4     | 57.1     | 35.1     | <b>63.2</b>     |
| Dividends per share (Non-Consolidated)            | 16.0            | 16.0     | 16.0     | 17.0     | <b>16.0</b>     |

## Financial Review

### RESULTS OF OPERATIONS

#### Analysis of Net Sales

Consolidated net sales in the fiscal year ended March 31, 2001 rose to ¥153,435 million, an increase of 17.1%, due to greatly increased sales in the water treatment facilities business.

Net sales of water treatment chemicals rose to ¥45,709 million, an increase of 0.5%. Sales of boiler treatment chemicals, cooling water treatment chemicals, and chemicals used in oil refining processes fell due to client streamlining and intensification of price competition. Sales of chemicals used for paper and pulp processing increased due to an increasing demand from the IT industry for woodfree paper. Sales of fixing agents for the heavy metals contained in fly ash for use during waste incineration and maintenance for water treatment management also rose. Net orders for this sector rose to ¥46,572 million, an increase of 3.0%.

Net sales of water treatment facilities rose to ¥107,725 million, an increase of 26.0%. Due to high capital investment by producers of semiconductors and LCD panels for mobile telecommunications devices, etc., sales of ultrapure water production systems for the electronics industry rose significantly both in Japan and abroad, and maintenance and service sales for these facilities also rose. Despite overall low capital investment by clients, sales of water purification systems for general use rose slightly due to an increase in the sale of systems for medical use. Net sales in the soil purification business showed significant gains partially due to completion of orders and their inclusion in sales. Net sales of environmental control facilities rose as a result of increased orders for water treatment facilities and the fulfillment of orders received in the previous fiscal year for sludge concentration and conditioning facilities.

Although orders for environmental control facilities fell, due to increasing orders for ultrapure water production systems for the electronics industry and improvement in maintenance and service business results, net orders for water treatment facilities rose 18.1%, from ¥91,786 million in the previous fiscal year to ¥108,406 million.

#### Analysis of Net Income

In the fiscal year ended March 31, 2001, the cost of sales ratio increased 1.5 percentage points over the previous fiscal year to 68.8%. The main reasons for this were increasing costs due to intensifying competition for orders and an increase in supplementary and indemnification costs.

The selling, general and administrative (SG&A) expenses to net sales ratio fell from 24.1% in the previous fiscal year to 20.9%, due to the fact that although net sales rose greatly, SG&A expenses rose only 1.3%. R&D expenses, included in administrative expenses, were ¥4,743 million, representing 3.1% of net sales, a 0.8 percentage point reduction compared to the 3.9% posted the previous fiscal year.

As a result of the above factors, operating income jumped 41.2% to ¥15,817 million, and the operating income margin improved 1.7 percentage points, from 8.6% to 10.3%.

Net financial income rose slightly from ¥385 million the previous fiscal year to ¥466 million. Other net expenses fell from ¥2,974 million last fiscal year to ¥1,555 million. The main reason for this reduction was the absence of the ¥2,855 million in employees' prior service cost recognized in the previous fiscal year under the qualified retirement pension plan. Factors increasing net expenses include the new ¥1,162 million amortization of unrecognized effect of change in accounting for employees' severance benefits.

Income before income taxes reached ¥14,727 million, an increase of 70.9%, and net income reached ¥8,366 million, an increase of 80.0%. Because there was very little difference in the number of shares issued at the end of the fiscal year, net income per share for the fiscal year increased by 80.0% from ¥35.12 to ¥63.22.

### LIQUIDITY AND FINANCIAL RESOURCES

#### Analysis of Cash Flows

Cash provided by operating activities totaled ¥5,340 million, a decline of ¥7,680 million compared to last term. Major factors included increases of ¥16,742 million in trade receivables and ¥5,619 million in trade payables.

#### ANALYSIS OF INCOME STATEMENTS AS PERCENTAGE OF NET SALES

| Years ended March 31                              | Net sales=100.0 |       |       |
|---|-----------------|-------|-------|
|   | 1999            | 2000  | 2001  |
| Net sales   | 100.0           | 100.0 | 100.0 |
| Cost of sales                                     | 69.1            | 67.3  | 68.8  |
| SG&A expenses                                     | 20.5            | 24.1  | 20.9  |
| Operating income                                  | 10.4            | 8.6   | 10.3  |
| Income before income taxes and minority interests | 10.6            | 6.6   | 9.6   |
| Net income  | 5.2             | 3.5   | 5.5   |

This was due to the delivery of large-scale facilities being concentrated at the end of the year as well as the increase in net sales. Depreciation and amortization fell slightly, compared to the previous fiscal year, to ¥3,196 million.

Cash used in investing activities was ¥4,750 million, a decrease of ¥3,045 million compared to the previous fiscal year. The largest use of cash was ¥8,379 million for the acquisition of marketable securities, which was partially offset by income from the sale of marketable securities totaling ¥6,351 million. Payments for the purchase of

tangible fixed assets rose slightly from ¥2,429 million in the previous fiscal year to ¥2,596 million.

Cash used in financing activities was ¥2,371 million, a decrease of ¥901 million compared to the previous fiscal year. Dividend payments of ¥2,117 million accounted for most of the cash outflows in this category.

As a result, cash and cash equivalents at the end of the year fell from ¥33,240 million the previous fiscal year to ¥31,569 million.

#### EFFICIENCY AND RETURN MEASURES

| Years ended March 31           | 1999 | 2000 | 2001        |
|--------------------------------|------|------|-------------|
| Return on equity (%)           | 7.2  | 4.2  | <b>7.2</b>  |
| Return on assets (%)           | 4.6  | 2.8  | <b>4.8</b>  |
| Shareholders' equity ratio (%) | 65.2 | 68.6 | <b>65.1</b> |
| Total assets turnover (times)  | 0.9  | 0.8  | <b>0.9</b>  |

#### Analysis of Financial Position

Total current assets increased ¥4,246 million compared to the previous year, to reach ¥115,263 million. The greatest factor in this increase was the ¥16,827 million increase in notes and accounts receivable which accompanied the increase in sales. The largest factors reducing current assets were the ¥7,407 million reduction in marketable securities, most of which was transferred to the investment securities account due to the adoption of new accounting standards for financial instruments, and the ¥5,287 million reduction in cash on hand and in banks. Current liabilities increased ¥9,992 million to ¥51,625 million, mainly due to a ¥5,958 million increase in trade payables due to the increase in net sales and a ¥2,975 million increase in income taxes payable due to the increase in net income. As a result, working capital fell ¥5,746 million compared to the previous fiscal year to ¥63,638 million and the current ratio fell from 2.67 to 2.23.

Fixed assets increased by ¥14,591 million over the previous fiscal year. This increase was mainly due to a

combination of the transferred portion of the investment securities account from securities in current assets as mentioned above and purchases of investment securities. These two factors accounted for ¥13,580 million of the increase.

As a result, total assets increased by ¥17,878 million over the previous fiscal year, to ¥183,175 million.

The return on assets improved by 2.0 percentage points to 4.8%, reflecting a year-on-year improvement in the total assets turnover from 0.79 to 0.84, and the 2.0 percentage point year-on-year improvement in the net income margin, to 5.5%.

Total shareholders' equity increased by 5.1% to ¥119,209 million. However, due to the increase in total assets, the shareholders' equity ratio decreased 3.5 percentage points to 65.1%. As a result, return on equity (ROE) improved 3.0 percentage points to 7.2%.

#### STOCK PRICE RANGE

|          | Apr. '00 | May '00 | June '00 | July '00 | Aug. '00 | Sept. '00 | Oct. '00 | Nov. '00 | Dec. '00 | Jan. '01 | Feb. '01 | Mar. '01 |
|----------|----------|---------|----------|----------|----------|-----------|----------|----------|----------|----------|----------|----------|
| High (¥) | 2,430    | 2,540   | 2,475    | 2,420    | 2,230    | 2,240     | 2,000    | 1,920    | 1,658    | 1,579    | 1,513    | 1,549    |
| Low (¥)  | 1,900    | 2,195   | 2,180    | 1,837    | 1,852    | 1,957     | 1,650    | 1,585    | 1,386    | 1,425    | 1,400    | 1,300    |

## Consolidated Balance Sheets

KURITA WATER INDUSTRIES LTD. AND SUBSIDIARIES AT MARCH 31, 2000 AND 2001

| Assets  | Millions of Yen |          | Thousands of<br>U.S. Dollars<br>(Note 1) |
|---|-----------------|----------|--|
|   | 2000            | 2001     | 2001                                     |
| <b>Current assets:</b>                                      |                 |          |  |
| Cash on hand and in banks                                   | ¥ 33,721        | ¥ 28,434 | \$ 229,306                               |
| Notes receivable, trade (Note 15)                           | 12,126          | 13,822   | 111,468                                  |
| Accounts receivable, trade                                  | 38,444          | 53,575   | 432,056                                  |
| Marketable securities (Note 11)                             | 14,175          | 6,768    | 54,581                                   |
| Inventories   | 10,175          | 10,185   | 82,137                                   |
| Deferred taxes—current                                      | 1,626           | 1,729    | 13,944                                   |
| Others  | 922             | 946      | 7,629                                    |
| Allowance for doubtful accounts                             | (174)           | (199)    | (1,605)                                  |
| Total current assets  | 111,017         | 115,263  | 929,540                                  |
| <b>Fixed assets</b>   |                 |          |  |
| <b>Property, plant and equipment (Note 13):</b>             |                 |          |  |
| Buildings and structures                                    | 14,774          | 14,428   | 116,355                                  |
| Machinery, fixtures and vehicles                            | 3,778           | 4,165    | 33,589                                   |
| Land  | 14,688          | 14,808   | 119,419                                  |
| Construction in progress                                    | 560             | 341      | 2,750                                    |
| Others  | 2,411           | 2,302    | 18,565                                   |
| Total property, plant and equipment                         | 36,213          | 36,045   | 290,685                                  |
| <b>Intangible assets:</b>                                   |                 |          |  |
| Others  | 1,250           | 1,194    | 9,629                                    |
| Total intangible assets                                     | 1,250           | 1,194    | 9,629                                    |
| <b>Investments and other assets:</b>                        |                 |          |  |
| Investments in securities (Note 11)                         | 9,141           | 22,721   | 183,234                                  |
| Investments in non-consolidated subsidiaries and affiliates | 2,559           | 3,137    | 25,298                                   |
| Deferred taxes—non-current                                  | 924             | 2,167    | 17,476                                   |
| Others  | 3,381           | 2,734    | 22,048                                   |
| Allowance for doubtful accounts                             | (150)           | (89)     | (718)                                    |
| Total investments and other assets                          | 15,856          | 30,672   | 247,355                                  |
| Total fixed assets  | 53,321          | 67,912   | 547,677                                  |
| <b>Foreign currency translation adjustment (Note 12)</b>    | 958             | —        | —  |
| Total assets  | ¥165,297        | ¥183,175 | \$1,477,218                              |

The accompanying notes are an integral part of these statements.

| <b>Liabilities</b>   | Millions of Yen |          | Thousands of<br>U.S. Dollars<br>(Note 1) |
|--|-----------------|----------|--|
|  | 2000            | 2001     | 2001                                     |
| <b>Current liabilities:</b>                                    |                 |          |  |
| Notes payable, trade (Note 15)                                 | ¥ 15,516        | ¥ 20,000 | \$ 161,290                               |
| Accounts payable, trade  | 11,142          | 12,616   | 101,742                                  |
| Short-term borrowings  | 283             | 97       | 782                                      |
| Income taxes payable   | 2,788           | 5,763    | 46,476                                   |
| Advance received   | 2,946           | 2,941    | 23,718                                   |
| Accrued employees' bonuses                                     | 2,927           | 2,913    | 23,492                                   |
| Accrued product warranty                                       | 450             | 956      | 7,710                                    |
| Others   | 5,578           | 6,337    | 51,105                                   |
| Total current liabilities                                      | 41,633          | 51,625   | 416,331                                  |
| <b>Long-term liabilities:</b>                                  |                 |          |  |
| Long-term borrowings   | 145             | 97       | 782                                      |
| Accrued employees' retirement benefits (Note 10)               | 6,434           | 10,031   | 80,895                                   |
| Accrued directors' retirement benefits                         | 763             | 961      | 7,750                                    |
| Others   | 2,387           | 727      | 5,863                                    |
| Total long-term liabilities                                    | 9,730           | 11,818   | 95,306                                   |
| Total liabilities  | 51,363          | 63,444   | 511,645                                  |
| <b>Minority interests in consolidated subsidiaries</b>         | 550             | 522      | 4,210                                    |
| <b>Shareholders' equity:</b>                                   |                 |          |  |
| Common stock   | 13,450          | 13,450   | 108,468                                  |
| Capital surplus  | 11,398          | 11,398   | 91,919                                   |
| Retained earnings  | 89,340          | 95,444   | 769,710                                  |
| Unrealized holding gains on other securities                   | —               | 493      | 3,976                                    |
| Foreign currency translation adjustment (Note 12)              | —               | (775)    | (6,250)                                  |
| Cost of treasury stock   | (806)           | (801)    | (6,460)                                  |
| Total shareholders' equity                                     | 113,383         | 119,209  | 961,363                                  |
| Total liabilities, minority interests and shareholders' equity | ¥165,297        | ¥183,175 | \$1,477,218                              |

## Consolidated Statements of Income and Retained Earnings

KURITA WATER INDUSTRIES LTD. AND SUBSIDIARIES FOR THE YEARS ENDED MARCH 31, 2000 AND 2001

|  | Millions of Yen |                 | Thousands of<br>U.S. Dollars<br>(Note 1) |
|--|-----------------|-----------------|--|
|  | 2000            | 2001            | 2001                                     |
| <b>Net sales</b>   | ¥130,998        | <b>¥153,435</b> | <b>\$1,237,379</b>                       |
| <b>Cost of sales</b>   | 88,174          | <b>105,587</b>  | <b>851,508</b>                           |
| Gross profit   | 42,823          | <b>47,847</b>   | <b>385,863</b>                           |
| Selling, general and administrative expenses (Note 16)   | 31,619          | <b>32,030</b>   | <b>258,306</b>                           |
| <b>Operating income</b>  | 11,203          | <b>15,817</b>   | <b>127,556</b>                           |
| Non-operating income   | 1,036           | <b>1,605</b>    | <b>12,944</b>                            |
| Non-operating expenses   | 365             | <b>281</b>      | <b>2,266</b>                             |
| <b>Ordinary income</b>   | 11,875          | <b>17,140</b>   | <b>138,226</b>                           |
| Extraordinary gain   |                 |                 |  |
| Gain on sale of investment securities  | —               | <b>449</b>      | <b>3,621</b>                             |
| Others   | 69              | —               | —  |
| Extraordinary losses   |                 |                 |  |
| Loss on disposal of fixed assets   | 136             | <b>223</b>      | <b>1,798</b>                             |
| Loss on sale of investment securities  | 250             | <b>407</b>      | <b>3,282</b>                             |
| Write-down of loss on investment securities  | 36              | <b>504</b>      | <b>4,065</b>                             |
| Prior service costs of qualified pension plan  | 2,855           | —               | —  |
| Amortization of unrecognized effect of change in accounting<br>for employees' severance benefits | —               | <b>1,162</b>    | <b>9,371</b>                             |
| Others   | 50              | <b>563</b>      | <b>4,540</b>                             |
| <b>Income before income taxes</b>  | 8,615           | <b>14,727</b>   | <b>118,766</b>                           |
| Corporate, inhabitants' and enterprise taxes   | 5,061           | <b>8,058</b>    | <b>64,984</b>                            |
| Income taxes—deferred  | (1,162)         | <b>(1,716)</b>  | <b>(13,839)</b>                          |
| Minority interests in earnings of consolidated subsidiaries                                      | 68              | <b>19</b>       | <b>153</b>                               |
| <b>Net income</b>  | 4,648           | <b>8,366</b>    | <b>67,468</b>                            |
| Retained earnings at the beginning of the period   | 84,006          | <b>89,340</b>   | <b>720,484</b>                           |
| Prior years' deferred tax recognized currently   | 977             | —               | —  |
| Addition:  |                 |                 |  |
| Effect of increases in consolidated subsidiaries   | 188             | —               | —  |
| Effect of increase in equity-method affiliates   | 1,907           | —               | —  |
| Appropriations:  |                 |                 |  |
| Cash dividends   | 2,253           | <b>2,117</b>    | <b>17,073</b>                            |
| Bonuses to directors and statutory auditors  | 134             | <b>145</b>      | <b>1,169</b>                             |
| <b>Retained earnings at the end of the period</b>  | ¥89,340         | <b>¥ 95,444</b> | <b>\$ 769,710</b>                        |

The accompanying notes are an integral part of these statements.

## Consolidated Statements of Cash Flows

KURITA WATER INDUSTRIES LTD. AND SUBSIDIARIES FOR THE YEARS ENDED MARCH 31, 2000 AND 2001

|  | Millions of Yen |          | Thousands of<br>U.S. Dollars<br>(Note 1) |
|--|-----------------|----------|--|
|  | 2000            | 2001     | 2001                                     |
| <b>I. Cash flows from operating activities</b>                           |                 |          |  |
| Income before income taxes   | ¥ 8,615         | ¥14,727  | \$118,766                                |
| Depreciation and amortization  | 3,425           | 3,196    | 25,774                                   |
| Increase (decrease) in allowances and accruals                           | (970)           | 4,249    | 34,266                                   |
| Decrease (increase) in trade receivables                                 | 13,032          | (16,742) | (135,016)                                |
| Increase (decrease) in trade payables                                    | (6,237)         | 5,619    | 45,315                                   |
| Payments of bonuses to directors   | (131)           | (146)    | (1,177)                                  |
| Others   | 1,322           | (1,098)  | (8,855)                                  |
|  | 19,056          | 9,805    | 79,073                                   |
| Interest and dividends received  | 472             | 453      | 3,653                                    |
| Interest paid  | (60)            | (38)     | (306)                                    |
| Corporate and other income taxes paid                                    | (6,506)         | (5,085)  | (41,008)                                 |
| Others   | 59              | 206      | 1,661                                    |
| Net cash provided by operating activities                                | 13,020          | 5,340    | 43,065                                   |
| <b>II. Cash flows from investing activities</b>                          |                 |          |  |
| Payments for purchase of tangible fixed assets                           | (2,429)         | (2,596)  | (20,935)                                 |
| Proceeds from sales of tangible fixed assets                             | 218             | 116      | 935                                      |
| Payments for purchase of marketable securities                           | (9,266)         | (8,379)  | (67,573)                                 |
| Proceeds from sales of marketable securities                             | 4,480           | 6,351    | 51,218                                   |
| Other payments   | (1,413)         | (929)    | (7,492)                                  |
| Other revenues   | 614             | 686      | 5,532                                    |
| Net cash used in investing activities                                    | (7,795)         | (4,750)  | (38,306)                                 |
| <b>III. Cash flows from financing activities</b>                         |                 |          |  |
| Decrease in short-term debt, net   | (1,032)         | (140)    | (1,129)                                  |
| Proceeds from long-term debt   | 194             | 319      | 2,573                                    |
| Repayments of long-term debt   | (189)           | (407)    | (3,282)                                  |
| Cash dividends paid  | (2,215)         | (2,117)  | (17,073)                                 |
| Other  | (29)            | (26)     | (210)                                    |
| Net cash used in financing activities                                    | (3,272)         | (2,371)  | (19,121)                                 |
| <b>IV. Effect of exchange rate changes on cash and cash equivalents</b>  | (119)           | 58       | 468                                      |
| <b>V. Net increase (decrease) in cash and cash equivalents</b>           | 1,833           | (1,723)  | (13,895)                                 |
| <b>VI. Cash and cash equivalents at beginning of year</b>                | 31,035          | 33,240   | 268,065                                  |
| <b>VII. Cash and cash equivalents of newly consolidated subsidiaries</b> | 371             | 52       | 419                                      |
| <b>VIII. Cash and cash equivalents at end of year</b>                    | ¥33,240         | ¥31,569  | \$254,589                                |

The accompanying notes are an integral part of these statements.

## Notes to Consolidated Financial Statements

|   |  |
|---|--|
| <b>1. Basis of Presenting Consolidated Financial Statements</b> | <p>All figures in the financial statements and notes are stated in millions of yen by discarding fractional amounts of less than ¥1 million. As a result, the totals shown in the financial statements and notes in yen do not necessarily agree with the sum of the individual amounts.</p> <p>The translation of yen amounts into U.S. dollar amounts is included solely for convenience and has been made for 2001, as a matter of arithmetical computation only, at the rate of ¥124 to US\$1, the prevailing rate on the Tokyo foreign exchange market on March 30, 2001. The translation should not be construed as a representation that yen have been, could have been, or could in the future be converted into U.S. dollars at the above or any other rate.</p>  |
| <b>2. Scope of consolidation</b>                                | <p><b>(1) Number of consolidated subsidiaries: 26</b><br/>Name of principal consolidated subsidiaries: Kurita Chemicals Ltd., Kurita Kasei Co., Ltd., Kurita Engineering Co., Ltd., and Kuritaz Co., Ltd.</p> <p>The consolidated financial statements have included Kurita Chemical Sanyo Co., Ltd. after having been newly established and Kuritec (Taiwan) Co., Ltd. from the year ended March 31, 2001 due to its growing significance (changed from the equity method).</p> <p>Merger between two subsidiaries has reduced the number of the consolidated subsidiaries by one.</p> <p><b>(2) Name of principal non-consolidated subsidiary: Kurita Sogo Service Co., Ltd.</b><br/>All the non-consolidated subsidiaries whose combined assets, net sales, net income, and retained earnings in the aggregate are not significant in terms of the consolidated financial statements.</p> |
| <b>3. Application of equity method</b>                          | <p><b>(1) Number of companies to which the equity method is applied: 5</b><br/>Name of principal investee: Kurita Sogo Service Co., Ltd.<br/>Change from the equity method due to the consolidation has reduced the number of equity-method companies by one.</p> <p><b>(2) Affiliates to which no equity method has been applied had no material effect on consolidated net income and consolidated retained earnings in the aggregate. Hence, they have not been included in the application scope of the equity method.</b></p>   |
| <b>4. Business terms of consolidated subsidiaries</b>           | <p>The fiscal year of Kurita (Singapore) Pte. Ltd. and eleven other overseas consolidated subsidiaries ended December 31, 2000. The accompanying consolidated financial statements include the accounts of these subsidiaries as of December 31, 2000 and for the year then ended.</p>   |
| <b>5. Significant Accounting Policies</b>                       | <p><b>(1) Valuation basis and method</b></p> <p>Marketable securities</p> <p>Held-to-maturity debt securities: Amortized cost (straight-line amortization)</p> <p>Other securities</p> <p>Items that have market price: Evaluated at market price at the balance sheet date, with resulting unrealized holding gains and losses reported as a separate component of shareholders' equity (cost of sold securities are computed by the moving average method)</p> <p>Items that have no market price: Cost basis by the moving average method</p> <p>Inventories</p> <p>Principally Cost basis by the moving average method (except for work in process whose costs are determined by the specific identification method)</p>   |



**(2) Depreciation method of property, plant and equipment**

Declining-balance method for the Company and domestic consolidated subsidiaries (except for buildings, not including auxiliary facilities, acquired on and after April 1, 1999, for which straight-line method is applied) and straight-line method for overseas consolidated subsidiaries

**(3) Allowances and accruals**

Accrued employees' bonus:

The Company and its domestic consolidated subsidiaries provide for an amount equivalent to the anticipated bonus payments to employees.

Accrued employees' retirement benefits:

Accrued employees' retirement benefits are recorded based on the estimated projected benefit obligation and fair value of the pension assets at the balance sheet date. Unrecognized net obligation at transition in the amount of ¥3,480 million is recognized over three years. Actuarial gains and losses are amortized over one to two years.

**(4) Leases**

Finance leases other than those that are deemed to transfer the ownership of the leased assets to leasees are accounted for by the same method as that of operating leases.

**(5) Consumption tax**

Consumption taxes are accounted for separately from transaction prices.

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|   |                        |
|---|------------------------|
| <b>6. Revaluation of assets and liabilities of the consolidated subsidiaries in consolidation process</b> | Full fair value method |
|---|------------------------|

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|  |  |
|--|--|
| <b>7. Amortization of consolidated differences</b> | Differences between acquisition cost and the underlying net equity at the time of acquisition are amortized over three years, or charged or credited to income at the date of acquisition, if minor. |
|--|--|

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|  |   |
|--|---|
| <b>8. Appropriation of retained earnings</b> | The accompanying consolidated statements of income and retained earnings reflect the appropriations of retained earnings of the Company and its consolidated subsidiaries in the year in which the annual shareholders meet and approve the appropriations. |
|--|---|

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|  |   |
|--|---|
| <b>9. Scope of cash and cash equivalents</b> | Cash and cash equivalents in the consolidated statement of cash flows are composed of cash on hand, bank deposits withdrawable on demand and short-term investments with an original maturity of three months or less and subject to a minor risk of fluctuations in value. |
|--|---|

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|  |  |
|--|--|
| <b>10. Accounting for employees' severance and retirement benefits</b> | <p>Effective April 1, 2000, the Company adopted the new Japanese financial accounting standard for employees' severance or retirement benefits which was issued by the Business Accounting Deliberation Council on January 22, 1998.</p> <p>Due to this adoption, pension cost and extraordinary losses were increased by ¥1,000 million and ¥1,162 million, respectively, and operating expenses and inventories were decreased by ¥130 million and ¥31 million, respectively, which resulted in an increase in ordinary income of ¥130 million and decrease in income before income taxes of ¥1,031 million compared with the previous accounting policies.</p> <p>Payables on prior service costs concerning the qualified pension plan as of March 31, 2001 were included in "Accrued employees' retirement benefits."</p> |
|--|--|

**11. Accounting for financial instruments** Effective April 1, 2000 the Company adopted the new Japanese financial accounting standard for financial instruments which was issued by the Business Accounting Deliberation Council on January 22, 1999.

As a result of this adoption, ordinary income was increased by ¥19 million and income before income taxes was decreased by ¥841 million compared with the previous accounting policies. Pursuant to the new standard, the Company changed classification of marketable and investments in securities as of April 1, 2000, under which the held-to-maturity debt securities and the debt securities due within one year, which were included in other securities, were presented in "Marketable securities" under current assets, while all the remaining securities were presented in "Investments in securities."

As a result of this reclassification, marketable securities were decreased by ¥11,651 million and investments in securities were increased by the same amount as of March 31, 2001 compared with the previous presentation.

**12. Foreign currency translation** Effective April 1, 2000, the Company adopted the revised Japanese financial accounting standard for foreign currency transactions and translation which was issued by the Business Accounting Deliberation Council on October 22, 1999. The effect of this adoption on net income was not material.

"Foreign currency translation adjustment," which was hitherto recorded under assets, was recorded under shareholders' equity and partially included in minority interests in consolidated subsidiaries.

| <b>13. Accumulated depreciation of tangible fixed assets</b> | Millions of yen |                |
|--|-----------------|----------------|
|  | 2000            | 2001           |
|  | ¥25,059         | <b>¥27,311</b> |

| <b>14. Guarantee of indebtedness</b> | Millions of yen |             |
|--------------------------------------|-----------------|-------------|
|                                      | 2000            | 2001        |
|                                      | ¥304            | <b>¥197</b> |

**15. Notes payable and receivable** Trade notes receivable of ¥1,788 million and trade notes payable of ¥4,905 million, whose maturity dates fell on March 31, 2001, a non-working day for financial institutions in Japan, have been treated as if they had been settled on that date.

| <b>16. Research and development expenses</b> | Millions of yen |               |
|--|-----------------|---------------|
|  | 2000            | 2001          |
|  | ¥5,164          | <b>¥4,743</b> |

**17. Reconciliation  
between cash and  
cash equivalents**

Reconciliation between the cash and cash equivalents in the consolidated statement of cash flows and the consolidated balance sheet items is as follows:

|  | Millions of yen |                |
|--|-----------------|----------------|
|  | 2000            | 2001           |
| Cash and bank deposits   | ¥33,721         | <b>¥28,434</b> |
| Time deposits having original maturity of more than three months | (481)           | <b>(368)</b>   |
| Cash equivalents included in marketable securities               | —               | <b>3,503</b>   |
| Cash and cash equivalents  | ¥33,240         | <b>¥31,569</b> |

**18. Segment Information**

The business segment information of the Company and its consolidated subsidiaries for the years ended March 31, 2000 and 2001 is outlined as follows:

| Year ended March 31, 2000                         | Millions of yen    |                     |          |                          |              |
|---|--------------------|---------------------|----------|--------------------------|--------------|
|   | Chemicals division | Facilities division | Total    | Elimination or corporate | Consolidated |
| I. Sales and operating income                     |                    |                     |          |                          |              |
| Sales   |                    |                     |          |                          |              |
| 1) Sales to outside customers                     | ¥45,486            | ¥85,511             | ¥130,998 | ¥ —                      | ¥130,998     |
| 2) Intersegment sales                             | 268                | 411                 | 680      | (680)                    | —            |
| Total   | 45,755             | 85,923              | 131,678  | (680)                    | 130,998      |
| Operating costs and expenses                      | 39,462             | 81,050              | 120,512  | (718)                    | 119,794      |
| Operating income                                  | ¥ 6,292            | ¥ 4,873             | ¥ 11,166 | ¥ 37                     | ¥ 11,203     |
| II. Assets, depreciation and capital expenditures |                    |                     |          |                          |              |
| Assets  | ¥30,491            | ¥85,522             | ¥116,014 | ¥49,283                  | ¥165,297     |
| Depreciation and amortization                     | 1,226              | 2,327               | 3,553    | —                        | 3,553        |
| Capital expenditures                              | 866                | 1,691               | 2,558    | —                        | 2,558        |

| Year ended March 31, 2001                         | Millions of yen    |                     |                 |                          |                 |
|---|--------------------|---------------------|-----------------|--------------------------|-----------------|
|   | Chemicals division | Facilities division | Total           | Elimination or corporate | Consolidated    |
| I. Sales and operating income                     |                    |                     |                 |                          |                 |
| Sales   |                    |                     |                 |                          |                 |
| 1) Sales to outside customers                     | <b>¥45,709</b>     | <b>¥107,725</b>     | <b>¥153,435</b> | ¥ —                      | <b>¥153,435</b> |
| 2) Intersegment sales                             | <b>312</b>         | <b>131</b>          | <b>444</b>      | <b>(444)</b>             | <b>—</b>        |
| Total   | <b>46,022</b>      | <b>107,856</b>      | <b>153,879</b>  | <b>(444)</b>             | <b>153,435</b>  |
| Operating costs and expenses                      | <b>39,399</b>      | <b>98,661</b>       | <b>138,060</b>  | <b>(442)</b>             | <b>137,617</b>  |
| Operating income                                  | <b>¥ 6,623</b>     | <b>¥ 9,195</b>      | <b>¥ 15,819</b> | <b>¥ (2)</b>             | <b>¥ 15,817</b> |
| II. Assets, depreciation and capital expenditures |                    |                     |                 |                          |                 |
| Assets  | <b>¥34,080</b>     | <b>¥94,317</b>      | <b>¥128,397</b> | <b>¥54,777</b>           | <b>¥183,175</b> |
| Depreciation and amortization                     | <b>1,108</b>       | <b>2,160</b>        | <b>3,268</b>    | —                        | <b>3,268</b>    |
| Capital expenditures                              | <b>1,339</b>       | <b>1,740</b>        | <b>3,079</b>    | —                        | <b>3,079</b>    |

## Report of Independent Certified Public Accountants

To the Board of Directors  
Kurita Water Industries Ltd.

We have examined the consolidated balance sheets of Kurita Water Industries Ltd. as of March 31, 2001 and 2000, the related consolidated statements of income and retained earnings and cash flows for the years then ended, expressed in Japanese yen.

Our examinations were made in accordance with generally accepted auditing standards in Japan and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the aforementioned consolidated financial statements present fairly the financial position of Kurita Water Industries Ltd. as of March 31, 2001 and 2000, and the consolidated results of its operations and cash flows for the years then ended, in conformity with accounting principles generally accepted in Japan applied on a consistent basis.

*Taiyo Audit Corporation*

Tokyo, Japan  
June 28, 2001

TAIYO AUDIT CORPORATION

## Non-Consolidated Summary

### Non-Consolidated Balance Sheets, at March 31, 2000 and 2001

|  | Millions of Yen |          | Thousands of<br>U.S. Dollars |
|--|-----------------|----------|------------------------------|
|  | 2000            | 2001     | 2001                         |
| <b>Assets</b>                                |                 |          |                              |
| Current assets                               | ¥103,557        | ¥107,315 | \$ 865,444                   |
| Property, plant and equipment                | 30,163          | 29,485   | 237,782                      |
| Intangible assets                            | 842             | 838      | 6,758                        |
| Investments and other assets                 | 18,196          | 32,548   | 262,484                      |
|  | ¥152,758        | ¥170,186 | \$1,372,468                  |
| <b>Liabilities</b>                           |                 |          |                              |
| Current liabilities                          | 39,547          | 50,082   | 403,887                      |
| Long-term liabilities                        | 8,244           | 10,059   | 81,121                       |
|  | 47,791          | 60,141   | 485,008                      |
| <b>Shareholders' equity</b>                  |                 |          |                              |
| Common stock                                 | 13,451          | 13,451   | 108,476                      |
| Capital surplus and legal reserve            | 13,924          | 14,144   | 114,065                      |
| Retained earnings                            | 77,592          | 81,950   | 660,887                      |
| Unrealized holding gains on other securities | 0               | 500      | 4,032                        |
|  | 104,967         | 110,045  | 887,460                      |
| Total liabilities and shareholders' equity   | ¥152,758        | ¥170,186 | \$1,372,468                  |

### Non-Consolidated Statements of Income, for the Years Ended March 31, 2000 and 2001

|  | Millions of Yen |          | Thousands of<br>U.S. Dollars |
|--|-----------------|----------|------------------------------|
|  | 2000            | 2001     | 2001                         |
| <b>Net sales</b>                             | ¥107,702        | ¥129,698 | \$1,045,952                  |
| <b>Cost of sales</b>                         | 75,065          | 92,986   | 749,887                      |
| Gross profit                                 | 32,637          | 36,712   | 296,065                      |
| Selling, general and administrative expenses | 24,288          | 24,699   | 199,185                      |
| <b>Operating income</b>                      | 8,349           | 12,013   | 96,879                       |
| Non-operating income                         | 1,759           | 2,259    | 18,218                       |
| Non-operating expenses                       | 3,030           | 2,644    | 21,323                       |
| <b>Income before income taxes</b>            | 7,078           | 11,628   | 93,774                       |
| Corporate, inhabitants' and enterprise taxes | 2,916           | 4,858    | 39,177                       |
| <b>Net income</b>                            | ¥ 4,162         | ¥ 6,770  | \$ 54,597                    |

## Subsidiaries

### Major Consolidated Subsidiaries and Affiliates

| Company Name   | Paid-in Capital (Millions) | Equity Ownership (%) | Business  |
|--|----------------------------|----------------------|---|
| <b>OVERSEAS SUBSIDIARIES</b>   |                            |                      |   |
| <b>North America•South America</b>   |                            |                      |   |
| <b>Kurita do Brasil Ltda.</b><br>Av. Eng. Eusebio Stevauz 1469, CEP 04696, Santo Amaro, São Paulo, Brazil<br>Telephone: 55 (11) 246-8388 Facsimile: 55 (11) 246-6365   | R\$1.6                     | 100.0                | Manufacture and Sales of Water Treatment Chemicals                                |
| <b>Kurita America Inc.</b><br>Suite 877, Prestonwood Tower, 5151 Belt Line Road, Dallas, TX 75240, U.S.A.<br>Telephone: 1 (972) 889-8921 Facsimile: 1 (972) 889-8924   | US\$3.0                    | 100.0                | Facility Operation  |
| <b>Kurita de Mexico S.A. de C.V.</b><br>Calle #1 No. 191, Parque Industrial Jurica, Querétaro, C.P. 76100, Mexico<br>Telephone: 52 (42) 185911 Facsimile: 52 (42) 181177   | M.N. PES08.1               | 45.0                 | Manufacture and Sales of Water Treatment Chemicals                                |
| <b>Europe</b>  |                            |                      |   |
| <b>Kurita Europe GmbH</b><br>Industriepark Mackenstein, Industriering 43, D-41751 Viersen, Germany<br>Telephone: 49 (2162) 95800 Facsimile: 49 (2162) 40159  | DM4.5                      | 80.0                 | Manufacture and Sales of Water Treatment Chemicals                                |
| <b>Kuritec Europe GmbH</b><br>Rebenring 11, D-84032 Altdorf, Germany<br>Telephone: 49 (871) 684277 Facsimile: 49 (871) 35827   | DM1.8                      | 100.0                | Facility Operation  |
| <b>Asia</b>  |                            |                      |   |
| <b>Kurita (Singapore) Pte. Ltd.</b><br>30 Joo Koon Rd., Singapore 628984<br>Telephone: 65-861-2622 Facsimile: 65-861-4768  | S\$4.0                     | 100.0                | Manufacture and Sales of Water Treatment Chemicals and Water Treatment Facilities |
| <b>Kurita Water (Malaysia) Sdn. Bhd.</b><br>21 Jalan Brp, 1/3 Bukit Rahman Putra, 47000 Sungei Buloh, Selangor, Darul Ehsan, Malaysia<br>Telephone: 60 (3) 6157-3166 Facsimile: 60 (3) 6157-2892                                   | M\$0.3                     | 100.0                | Sales of Water Treatment Chemicals and Water Treatment Facilities                 |
| <b>Peremba-Kurita Sdn. Bhd.</b><br>15A Jalan Brp, 1/3 Bukit Rahman Putra, 47000 Sungei Buloh, Selangor, Darul Ehsan, Malaysia<br>Telephone: 60 (3) 6157-0551 Facsimile: 60 (3) 6157-0562   | M\$1.3                     | 30.0                 | Sales of Water Treatment Chemicals  |
| <b>Kurita Water Industries (Dalian) Co., Ltd.</b><br>33-27 Dalian Industrial Park, Dalian Economic & Technical Development Zone, Liaoning, People's Republic of China<br>Telephone: 86 (411) 761-3520 Facsimile: 86 (411) 761-3435 | ¥550                       | 80.0                 | Manufacture and Sales of Water Treatment Chemicals                                |
| <b>Kurita (Taiwan) Co., Ltd.</b><br>10th Fl.-6, No. 150, Fu Hsing North Rd., Taipei, Taiwan<br>Telephone: 886 (2) 2717-4464 Facsimile: 886 (2) 2719-0292   | NT\$20                     | 55.0                 | Manufacture and Sales of Water Treatment Chemicals                                |
| <b>Kuritec (Taiwan) Co., Ltd.</b><br>No. 7-1 Ta Tung Rd., Hukou Hsiang, Hsinchu, Hsien, Taiwan<br>Telephone: 886 (3) 598-2523 Facsimile: 886 (3) 598-5597  | NT\$80                     | 60.0                 | Precision Cleaning  |
| <b>P.T. Kurita Indonesia</b><br>Jl. Jababeka XIIA Kav. V-6, Kawasan Industri Jababeka, Cikarang-Bekasi 17530, Jawa Barat, Indonesia<br>Telephone: 62 (21) 893-6245 Facsimile: 62 (21) 893-5158                                     | US\$2.0                    | 90.0                 | Manufacture and Sales of Water Treatment Chemicals                                |
| <b>Kurita-GK Chemical Co., Ltd.</b><br>460 Moo 17, Bangphli Industrial Estate, Bangsaothong, Bangsaothong Subdistrict, Samutprakarn 10540, Thailand<br>Telephone: 66 (2) 315-2300 Facsimile: 66 (2) 315-2301                       | BAHT56                     | 60.0                 | Manufacture and Sales of Water Treatment Chemicals                                |
| <b>HANSU Ltd.</b><br>8th Fl., Korean Bible Society Bldg., #1365-16 Seocho 2-dong, Seocho-ku, Seoul, Republic of Korea<br>Telephone: 82 (2) 3473-6491 Facsimile: 82 (2) 581-4166  | W2,500                     | 33.2                 | Manufacture and Sales of Water Treatment Chemicals                                |
| <b>HANSU Technical Service Ltd.</b><br>7th Fl., Sungjin Bldg., 181-2, Jamsilbon-dong, Songpa-ku, Seoul, Republic of Korea<br>Telephone: 82 (2) 421-3301 Facsimile: 82 (2) 421-3304   | W568                       | 59.4                 | Sales of Water Treatment Facilities   |
| <b>DOMESTIC SUBSIDIARIES</b>   |                            |                      |   |
| <b>Kurita Chemicals, Ltd.</b>  | ¥232                       | 100.0                | Manufacture of Water Treatment Chemicals  |
| <b>Kurita Kasei Co., Ltd.</b>  | ¥450                       | 100.0                | Manufacture of Water Treatment Chemicals  |
| <b>Kurita Engineering Co., Ltd.</b>  | ¥160                       | 100.0                | Chemical Cleaning and Precision Cleaning  |
| <b>Kuritz Co., Ltd.</b>  | ¥220                       | 100.0                | Facility Operation  |
| <b>Kurita Creation Co., Ltd.</b>   | ¥160                       | 100.0                | Manufacture and Sales of Purifiers  |
| <b>Kurita Kako Corp.</b>   | ¥ 80                       | 100.0                | Manufacture and Sales of Water Treatment Facilities                               |

(As of June 30, 2001)

## Officers/Corporate Data

### Officers

#### President

Takahide Santo

#### Executive Senior Managing Director

Hiroshi Fujino

#### Managing Directors

Shinichi Chino

Tohru Kawamura

Tohru Ishizaka

Toyoaki Inoue

Sumio Miyake

Takuo Ishida

#### Directors

Eiki Uno

Hiroshi Nakamura

Katsuhiko Inoue

Hiroshi Saito

Toshiyuki Hisamatsu

Kazuyoshi Yoshitomi

Yoshio Akamatsu

#### Statutory Auditors

Mitsunobu Hattori

Masahiko Kurita

Hisashi Nemoto

Takeo Yanagihara

### Corporate Data

#### DOMESTIC OFFICES

##### Head Office (International Operations)

4-7, Nishi-Shinjuku 3-chome, Shinjuku-ku,

Tokyo 160-8383

Telephone: 81 (3) 3347-3111

Facsimile: 81 (3) 3344-9328

##### Corporate Research & Development Center

7-1, Wakamiya, Morinosato,

Atsugi, Kanagawa 243-0124

Telephone: 81 (46) 270-2111

Facsimile: 81 (46) 270-2119

##### Osaka Office

2-22, Kitahama 2-chome,

Chuo-ku, Osaka 541-0041

Telephone: 81 (6) 6228-4811

Facsimile: 81 (6) 6228-4831

##### Business & Technology Development Center

1-1, Gochoyama, Kawada,

Nogi, Shimotsuga-gun,

Tochigi 329-0105

Telephone: 81 (280) 54-1511

Facsimile: 81 (280) 57-2956

#### OVERSEAS OFFICES

##### Singapore Branch

30 Joo Koon Rd.,

Singapore 628984

Telephone: 65-861-2622

Facsimile: 65-861-4768

##### Taiwan Representative Office

4th Fl., 350,

Section 2, Kuang-Fu Rd.,

Hsinchu, Taiwan

Telephone: 886 (3) 573-6251

Facsimile: 886 (3) 573-6243

##### Philippines Representative Office

Unit 704A, The Richville Corporate

Tower 1107, Alabang-Zapote Road,

Madriral Business Park, Ayala Alabang,

Muntinlupa City, Metro Manila,

1780, Philippines

Telephone: 63 (2) 842-7150

Facsimile: 63 (2) 842-7149

#### PRINCIPAL PRODUCTS

##### *Water Treatment Chemicals*

Boiler water treatment chemicals,

Cooling water treatment chemicals,

Flocculant, Process treatment chemicals,

Maintenance services

##### *Water Treatment Facilities*

###### *Electronics*

Ultrapure water production systems,

Maintenance services,

Precision cleaning

###### *General*

Water treatment facilities,

Wastewater treatment facilities,

Soil and groundwater purification,

Chemical cleaning,

Maintenance services

###### *Environment*

Sewage treatment facilities,

Human waste treatment facilities,

Seawater desalination facilities, Fountains,

Swimming pools,

Facility operation, Maintenance services

(As of June 30, 2001)



**KURITA WATER INDUSTRIES LTD.**

**KURITA**

**ADDRESS:** 4-7, Nishi-Shinjuku 3-chome,  
Shinjuku-ku, Tokyo 160-8383, Japan  
**TELEPHONE:** (03) 3347-3111  
**FACSIMILE:** (03) 3344-9328  
**HOME PAGE:** <http://www.kurita.co.jp>