KURITA

Advancing the Science of Water and
Environmental Management

ANNUAL REPORT 2009

For the Year Ended March 31, 2009

Profile & Vision

Advancing the Science of Water and Environmental Management

Kurita Water Industries Ltd. provides total solutions in the field of water and environmental management, under the corporate vision of becoming "an advanced water and environmental management company." Kurita's core business is water treatment and related products and services, based on which it provides a growing range of services in the broader field of environmental management. Consistent with this approach, Kurita supplies not only products, such as water treatment chemicals and facilities, but also consulting, outsourcing services and other high-value-added solutions that draw on its unique expertise built up over half a century. Based on the corporate philosophy, "Study the properties of water, master them, and we will create an environment in which nature and man are in harmony," Kurita is committed to realizing its goal of becoming an advanced water and environmental management company. Through these endeavors, Kurita aims to contribute broadly to meeting the needs of its customers and society.

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Cautionary Statement with Respect to Forward-Looking Statements

This annual report contains forward-looking statements regarding forecasts, plans, strategies and business performance in the future. These forward-looking statements represent judgments made by the Company based on information currently available to it and involve a variety of risks and uncertainties.
Actual results may be materially different from these forward-looking statements. Such risks and uncertainties include (but are not limited to) changes in the economic environment, business conditions, market, demand and currency exchange rates.

Consolidated Financial Highlights

Kurita Water Industries Ltd. and Consolidated Subsidiaries

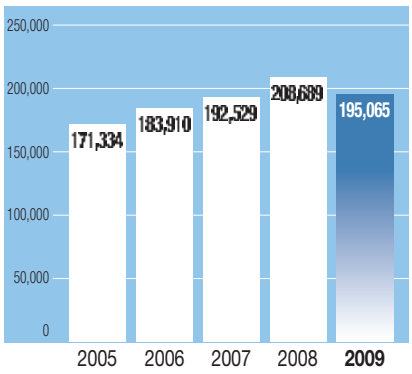
Years ended March 31

	Millions of yen		Percentage Change	Thousands of U.S. dollars (Note 1)
	2009	2008	2009/2008	**2009**
For the year:				
Net sales	**¥199,706**	¥204,875	-2.5%	**$2,033,047**
Operating income	**27,935**	30,468	-8.3	**284,385**
Income before income taxes and minority interests	**26,103**	31,279	-16.5	**265,734**
Net income	**16,299**	18,297	-10.9	**165,933**
At year-end:				
Total assets	**245,406**	231,498	+6.0	**2,498,288**
Equity (Note 2)	**177,291**	169,402	+4.7	**1,804,861**
Per share of common stock:	Yen			U.S. dollars
Net income	**¥126.69**	¥142.21		**$1.28**
Cash dividends applicable to the year	**34.00**	32.00		**0.34**

Notes: 1. The U.S. dollar amounts are given solely for convenience at the rate of ¥98.23 to US$1, the prevailing rate on the Tokyo Foreign Exchange Market on March 31, 2009.
2. Equity represents net assets less minority interests.

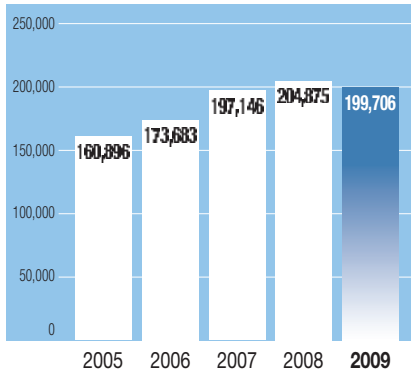
Years ended March 31 (Millions of yen)

Orders



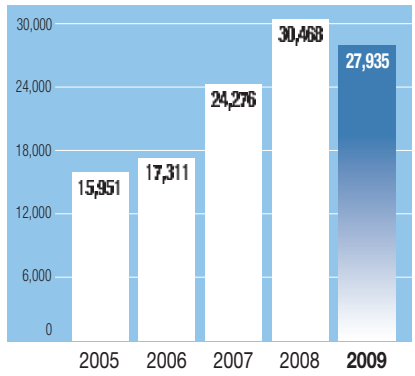
Years ended March 31 (Millions of yen)

Net Sales



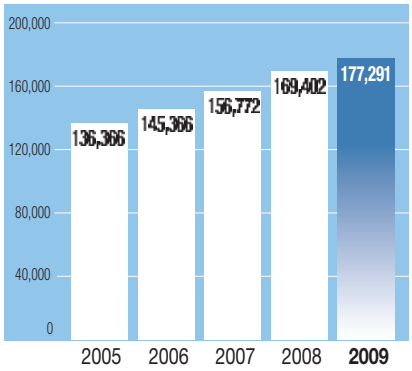
Years ended March 31(Millions of yen)

Operating Income



As of March 31(Millions of yen)

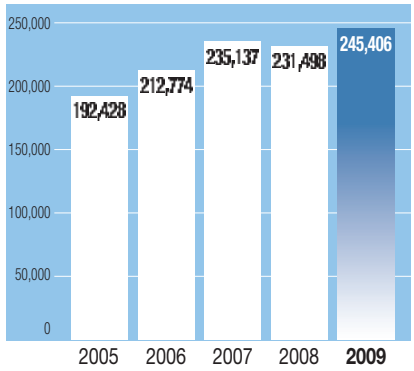
Equity*



*Equity represents net assets less minority interests.

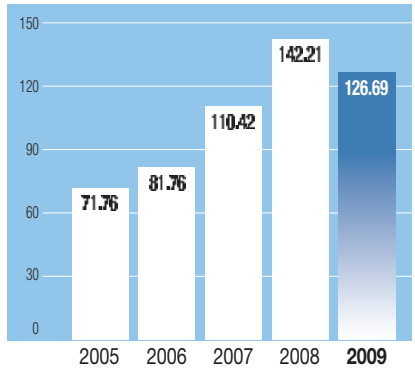
As of March 31 (Millions of yen)

Total Assets



Years ended March 31 (Yen)

Net Income per Share



Chairman's Message

During my six-year tenure as president of Kurita, I oversaw two medium-term management plans and helped build the foundations that will drive future growth. The support provided by our shareholders and all other investors was invaluable. I ask sincerely for your unwavering support and understanding as we move forward.

Hiroshi Fujino,
Chairman

Overview of Operations

In the fiscal year ended March 31, 2009, Kurita further solidified its earnings foundation even as tumultuous change in the operating environment weighed on operating performance.

For the fiscal year as a whole, consolidated order bookings were down 6.5% to ¥195,065 million, net sales declined 2.5% to ¥199,706 million, operating income fell 8.3% to ¥27,935 million, and net income declined 10.9% to ¥16,299 million. Kurita increased its annual dividend per share by ¥2 to ¥34, split equally between interim and year-end dividends (¥17 each).

In the second half of the fiscal year, the Kurita Group's operating environment turned extremely adverse as a result of the severe global recession triggered by the U.S. financial crisis. The domestic and overseas electronics industry sharply curtailed LCD- and semiconductor-related capital expenditure and reduced capacity utilization also. In other general industries, companies in many manufacturing sectors likewise cut capital expenditure and scaled down capacity utilization.

The Water Treatment Chemicals segment's earnings declined as a result of sharp increases in raw material prices in addition to the impact of customers' capacity utilization cutbacks. Even amid such an environment, the Water Treatment Chemicals segment achieved growth in sales of products and solutions that contribute to boosting customers' productivity. Its sales of ultrapure water production systems and maintenance services to the electronics industry declined due to customers' cutbacks in capital expenditure and capacity utilization. On the upside, the business increased its maintenance revenues from general industrial customers by accurately ascertaining and meeting their needs. The ultrapure water supply business also achieved brisk growth by expanding its operations at existing sites and initiating service at new sites. The ultrapure water supply business continued to contribute to strengthening Kurita's earnings foundation.

Initiatives and Results

The fiscal year ended March 31, 2009, was the final year of the Growth 2008 (G-8) medium-term management plan inaugurated in April 2006. Kurita has been pursuing the plan's priorities of accelerated transition to a service business model and global expansion.

In service businesses, Kurita has been focusing on providing high-value-added solutions for productivity enhancement and environmental mitigation, both of which are key customer priorities. Kurita also briskly expanded the ultrapure water supply business by continuing to invest heavily in the business's operations at a domestic large-panel LCD manufacturing complex and elsewhere.

Overseas, Kurita has been laying a foundation for future growth, mainly in China and Southeast Asia, by developing sales networks and training and deploying human resources.

As a result of these efforts, the share of total revenues derived from service businesses (the total of the Water Treatment Chemicals segment's sales and service revenues from the Water Treatment Facilities segment) rose to 79%. Kurita is building a business model capable of generating stable earnings even amid recessions.

Looking Back on Six Years as President

Guided by a corporate vision of becoming "an advanced water and environmental management company," the Kurita Group operates with the aim of not only providing products such as water treatment chemicals and equipment but also helping customers resolve their core challenges. Over the six years since I was appointed president in June 2003, Kurita successfully carried out two medium-term management plans—Powerful Advance 2005 (PA-5) and Growth 2008 (G-8)—in pursuit of this vision.

During my tenure as president, Kurita invested more intensively than ever before in service businesses such as ultrapure water supply and tool cleaning in the aim of achieving both growth and formidable earnings power. The ultrapure water supply business in particular has a unique business model. Namely, Kurita constructs, owns, operates, and maintains the ultrapure water production systems installed at customers' premises. This business model epitomizes Kurita's approach to simultaneously achieving both earnings stability and growth. While I was president, Kurita invested over ¥100 billion in the ultrapure water supply business, which generated revenues of ¥24 billion in the most recent fiscal year, up from less than ¥1 billion in the fiscal year before I became president.

Meanwhile, Kurita has also been expanding globally, mainly in Asia, and proactively strengthening integrated Group management. Through such efforts, Kurita earned record profits in the fiscal year ended March 31, 2008, and made tangible progress toward realizing its corporate vision. Kurita has also narrowed its focus to selected core businesses over the past six years, discontinuing unprofitable operations and exiting businesses targeted at public-sector demand. Through these initiatives, I believe that the Group has built a stable earnings foundation well-positioned for the future. I sincerely thank all shareholders and other stakeholders for their support of these endeavors.

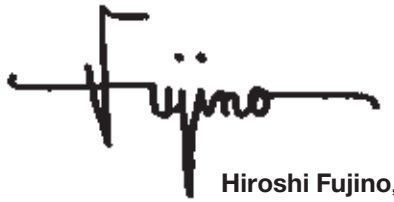
New Leadership for Implementing New Medium-Term Management Plan

Faced with an extremely adverse environment in the wake of the global recession that began last year, the Group must further strengthen its operations. Against such a backdrop, the Group embarked on a new three-year management plan entitled Make Progress 2011 (MP-11) from April 2009 and will commemorate the 60th anniversary of its founding in July 2009. With the Group now at such a significant juncture, I felt that the time had come for new leadership to help the Group advance into the future in unity and with a fresh spirit. I therefore decided to turn over the reins of management to a new president.

My successor, Hiroshi Saito, is an exceptionally astute executive with both an intimate knowledge of front-line manufacturing operations and a well-balanced management sense. I am confident that he will meet your expectations without fail.

In closing, I hope that you—all shareholders and other stakeholders —will continue to favor Kurita with your undiminished understanding and support.

July 2009

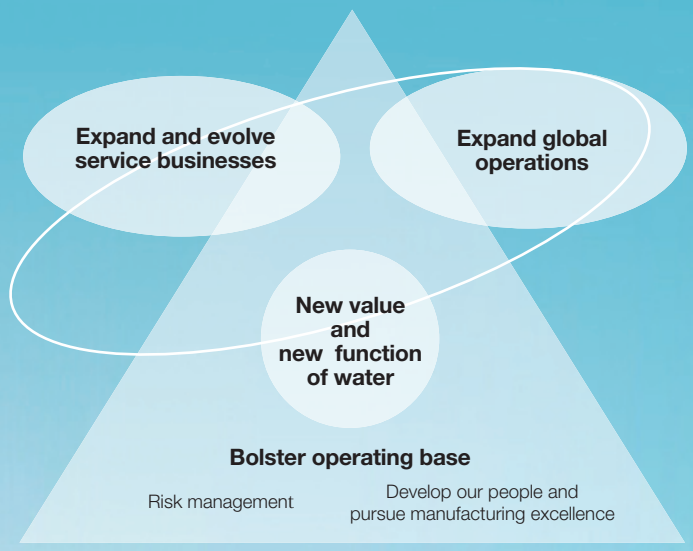


Hiroshi Fujino, *Chairman*

Overview of the New Medium-Term Management plan Make Progress 2011 (MP-11)

Evolution and Progress

The Kurita Group has launched a new medium-term management plan, titled Make Progress 2011 (MP-11), for the period from April 2009 through March 2012. Our previous medium-term management plan, Growth 2008 (G-8), was aimed at generating growth conducive to strong earnings power, and we realized definite positive effects through the plan's key initiatives of shifting to a service business model and expanding global operations. With the new plan, we aim to drive corporate value even higher by building on and reinforcing the previous plan's successes.

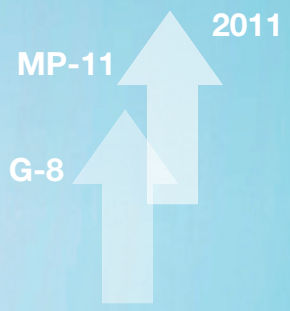


Performance Targets 2011 (Fiscal Year Ending March 2012)

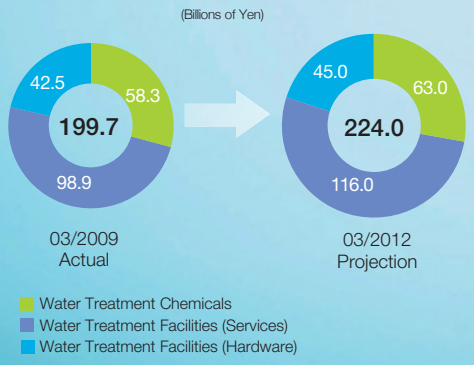
Net sales	**¥224 billion**
Operating income	**¥36 billion**
Operating income margin	**16%**

Key Strategies

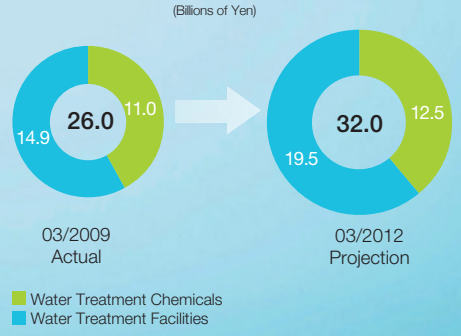
- Expand and evolve service businesses
- Expand global operations
- Create and expand into new business areas
- Bolster operating bases



Sales Targets and Sales Composition



Overseas Sales by Segment



I will continue to build on the Kurita Group's foundations in my new role and guide the new medium-term management plan to success in the ultimate aim of realizing our corporate philosophy: "Study the properties of water, master them, and we will create an environment in which nature and man are in harmony."

Hiroshi Saito,
President

Q: First, what do you hope to accomplish as president?

A: I, Hiroshi Saito, became president of Kurita Water Industries on June 26, 2009, taking over from my predecessor, Hiroshi Fujino. Capitalizing on the Kurita Group's business foundation built by my successive predecessors, I will spare no effort to win the trust and meet the expectations of our shareholders and other stakeholders in the aim of realizing our corporate philosophy: "Study the properties of water, master them, and we will create an environment in which nature and man are in harmony." I am committed to successfully carrying out the new medium-term management plan we launched in April this year, Make Progress 2011 (MP-11), by continuing the expansion of service businesses and global operations that former president Fujino spearheaded for the past six years.

The earth that we inhabit is plagued by various water problems, most notably shortages and pollution. Water, being a limited resource, will become increasingly important. As it does, I believe that water management is the key to realizing a sustainable society.

I consider the recent rising tide of societal concern about water to be expectations placed on the Kurita Group as a provider of advanced water management solutions. I believe it is my responsibility to grow Kurita into a group that contributes to society through its operations even more broadly than it does today.

Q: What is the fundamental concept behind the new medium-term management plan?

A: The operating environment currently remains adverse. Once the economy recovers, societal conditions are expected to differ substantially from the preceding economic boom. With companies confronting an increasingly diverse range of risks, I believe that only those capable of swiftly adapting to risks will survive in the coming era. To continue growing, a company must sensitively detect societal changes and strive boldly to transform risks into opportunities.

Based on such a mindset, we adopted "Evolution and Progress" as the MP-11 plan's basic theme. This theme expresses our determination to ceaselessly advance and reform our operations in pursuit of further growth.

Q: What type of measures do you plan to implement in accord with this basic theme?

A: We will further develop and expand the service businesses and global operations that were the focus of the previous medium-term management plan.

First, in terms of service businesses, with productivity enhancements and environmental mitigation becoming increasingly serious priorities for customers, I believe that the Kurita Group's services must continue to evolve. We will pursue evolution of existing business models, including that of the ultrapure water supply business, to transcend conventional delineations among products and businesses, such as chemicals and facilities. At the same time, we must develop new business models also. Global operations also are gaining importance as our major customers expand overseas. We intend to strengthen the Group's global organization and boost its competitiveness overseas to provide products, technologies, and services of uniform high quality on a worldwide basis.

Q: What are your plans regarding new businesses?

With the global population growing, water, food, and energy supply issues have become shared priorities for all of humanity. These issues are closely intertwined. For example, food production requires water and energy while alternative energy is produced from foodstuffs and water. To date, we have been meeting individual customers' water-related needs by, for example, supplying water for fuel cells or bottled water production. Going forward, however, we intend to adopt a more comprehensive approach in the aim of creating new value from water, such as by contributing to resolving food and energy problems. To do so, we have consolidated R&D functions previously spread among different operating divisions into the Research and Development Division.

Q: What is needed to support the initiatives you have planned?

A: First, the Group must become more resilient to risk. We will strengthen risk-management functions on a group-wide basis and diligently establish and strengthen internal controls to execute these functions. We also need to improve the quality, safety, and productivity of the products, technologies, and services that we provide, and cultivate the requisite human resources to do so. Toward this end, we will undertake activities to "develop our people and pursue manufacturing excellence." I believe that these initiatives will strengthen our management and operational foundations.

Q: Lastly, what is your outlook for the fiscal year ending March 31, 2010? And what are your plans regarding future uses of cash?

A: I expect the global recession to persist throughout the current fiscal year. Some customers' capacity utilization rates are showing signs of recovering, but I do not anticipate a strong recovery in capacity utilization. Meanwhile, customers are likely to continue to clamp down on capital expenditure. In the current fiscal year, we plan to steadily recoup existing investments and prepare for future risks. First and foremost, we intend to enhance our financial strength to enable us to nimbly shift into a more proactive mode once economic recovery is underway. We will also resolutely implement the MP-11 plan's priority measures to transform today's inclement operating environment into an opportunity and achieve formidable earnings power.

In terms of the earnings outlook for the current fiscal year, I see little prospect of an early earnings recovery amid the current adverse operating environment. Nonetheless, we plan to pay annual dividends of ¥34 per share, unchanged from the previous fiscal year, in accord with our stable dividend policy.

I would like to sincerely thank you—our shareholders, investors, and other stakeholders—for your long-standing support of Kurita. We hope to earn your continued support.

July 2009

Hiroshi Saito

Hiroshi Saito, *President*

Kurita at a Glance

Our Main Customer Industries

Pulp & Paper | Steel | Semiconductor | LCD | Oil refining & Petrochemical | Pharmaceutical | Food & Beverage | Real Estate

Water Treatment Chemicals

PRINCIPAL PRODUCTS and SERVICES

- Boiler water treatment chemicals
- Cooling water treatment chemicals
- Wastewater treatment chemicals
- Process treatment chemicals
- Incinerator chemicals
- Equipment and systems for water treatment chemicals
- Packaged water treatment management contracts

Water Treatment Facilities (Hardware)

PRINCIPAL PRODUCTS

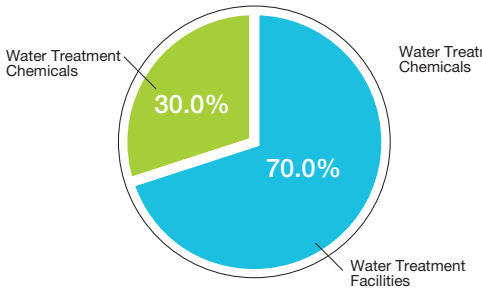
- Ultrapure water production systems
- Wastewater treatment facilities
- Wastewater reclamation systems
- Deionized water production systems

Water Treatment Facilities (Service)

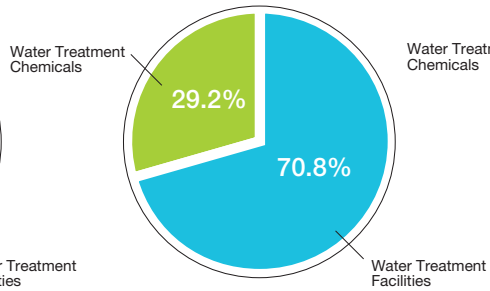
PRINCIPAL SERVICES

- Maintenance services
- Ultrapure water supply business
- Tool cleaning service
- Soil remediation service
- Chemical cleaning service
- Operations management and maintenance services

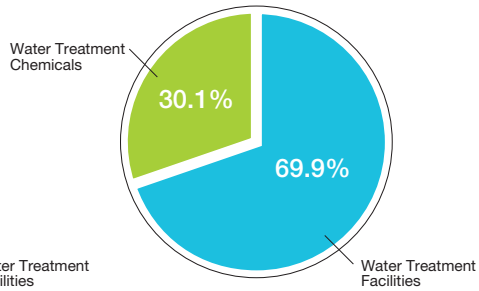
Percentage of Orders
Orders ¥195.1 billion



Percentage of Net Sales
Net Sales ¥199.7 billion



Percentage of Operating Income
Operating Income ¥27.9 billion



Fiscal year ended March 31,2009

Water Treatment Chemicals

Operating Results

In the fiscal year ended March 31, 2009, water treatment chemical sales were roughly flat, down 0.5% from the fiscal year ended March 31, 2008. Domestic sales decreased 0.3% while overseas sales, which accounted for around 20% of total segment sales, fell 1.5%. Geographically, overseas sales were down in Asia and Europe but grew elsewhere, most notably Brazil.

Manufacturers, a major source of demand for water treatment chemicals, drastically curtailed production in response to the precipitous economic slowdown from the fiscal third quarter. These production cutbacks had a major adverse effect on demand for water treatment chemicals. Meanwhile, customers' cost-cutting initiatives exerted downward pressure on water treatment chemical prices. These adverse conditions were seen both domestically and overseas. In the domestic market, which accounts for some 80% of water treatment chemical sales, sales to the electronics and pulp and paper industries fell particularly steeply in the fiscal second half.

Against such a backdrop, the Kurita Group endeavored to expand product sales by proposing solutions that help alleviate environmental burdens and

boost productivity in response to customers' strong need to improve production yields and conserve water and energy. In the domestic steel, oil refining, and petrochemical industries in particular, the Group achieved sales growth even in the fiscal second half, when production cutbacks were rampant, by reliably meeting customers' productivity-enhancement needs.

By product, domestic sales of boiler water treatment chemicals decreased due to reduction in customers' capacity utilization. Domestic sales of cooling water treatment chemicals declined only marginally on a full-year basis despite a falloff in demand in the second half. Domestic sales of wastewater and process treatment chemicals grew by virtue of customers' strong interest in productivity enhancement and environmental mitigation.

The Water Treatment Chemicals segment's operating income declined 11.6% versus the previous fiscal year as cost savings from manufacturing and logistics cost-cutting were outweighed by sharp increases in raw material prices.

Outlook for the Fiscal Year Ending March 31, 2010

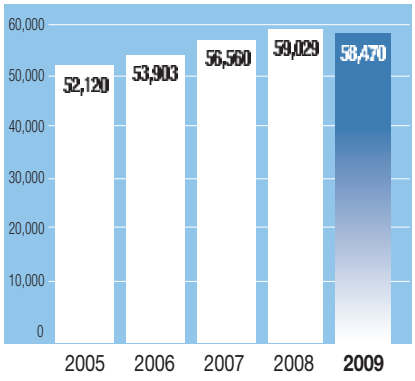
With customers closing or consolidating facilities and stepping up cost-cutting, the impact of these trends on the Water Treatment Chemicals segment's earnings is a concern, but customers' depressed capacity utilization should gradually restabilize.

Amid such an environment, the Kurita Group aims to profit by qualitatively improving products, services, and technologies supplied to customers through a focus on cultivating human resources and further strengthening intragroup cooperation both domestically and overseas. Additionally, the Group aims to boost its competitiveness by consolidating its water treatment chemical production technologies and know-how in its new manufacturing subsidiary, Kurita Chemical Manufacturing Ltd. (established April 1, 2009), and further improving product quality and production efficiency.

The Kurita Group endeavored to expand product sales by proposing solutions that help alleviate environmental burdens and boost productivity in response to customers' strong need to improve production yields and conserve water and energy.

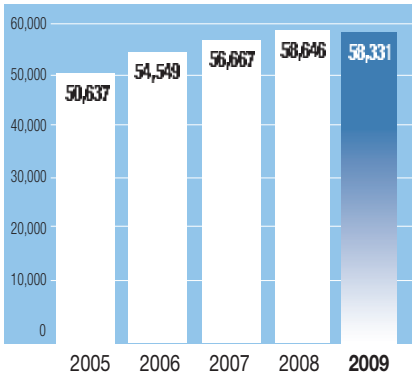
Years ended March 31 (Millions of yen)

Orders



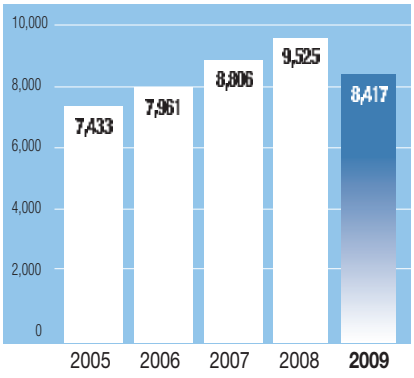
Years ended March 31 (Millions of yen)

Sales



Years ended March 31 (Millions of yen)

Operating Income



Water Treatment Facilities

Operating Results

Overview

The Water Treatment Facilities segment's sales and operating income respectively declined 3.3% and 6.8% as a result of customers' cutbacks in capital expenditure and capacity utilization. The segment minimized its earnings decline by capitalizing on its broadly diversified customer base and previous shift to a service business model and by continuing to proactively invest in its ultrapure water supply business.

Hardware

The ultrapure water production systems business saw a sharp decline in orders from and sales to the electronics industry both domestically and overseas, partly because of a lull in capital expenditure among customers that had invested heavily in such systems in the previous fiscal year. Another contributing factor is that semiconductor, LCD, and electronic parts makers clamped down even harder on capital expenditures once they were forced to cut production in response to the economic downturn from the fiscal second half.

In general industries, although manufacturers generally curtailed capital expenditures, the Group benefited from intensifying solutions-based sales activities to meet customers' needs in terms of improving productivity and mitigating environmental burdens. The Group also benefited from brisk order bookings from electric utilities and steelmakers. Sales to general industries grew substantially, partly by virtue of sales derived from the previous fiscal year's order backlog, and this sales growth buttressed the segment's overall earnings.

Services

In the ultrapure water supply business, the Group continued to invest heavily in installing ultrapure water production systems at a large-panel LCD production complex. The ultrapure water supply business grew solidly, largely because of commencement of sales to this complex from December 2008. In the fiscal year ended March 31, 2009, the Group invested ¥52.0 billion in the ultrapure water supply business, which increased its revenues to ¥23.9 billion from ¥16.8 billion in the fiscal year ended March 31, 2008.

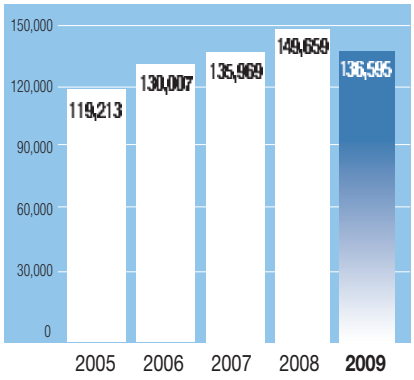
The domestic maintenance business was adversely affected by deferral of maintenance by customers in the electronics industry in response to decreased capacity utilization. Both orders and revenues from the electronics industry consequently fell substantially. However, the domestic maintenance business achieved growth in revenues from its broad array of general industrial customers by accurately identifying their productivity enhancement and environmental mitigation needs. Nevertheless, this sales growth was inadequate to fully offset the drop in demand from the electronics industry, so the domestic maintenance business's revenues were down overall.

In the tool cleaning business, an outsourcing service that cleans semiconductor and LCD production equipment's jigs and parts, both earnings and profit margins decreased as a result of a drop in revenues triggered by reduction in customers' capacity utilization in

The segment minimized its earnings decline by capitalizing on its broadly diversified customer base and previous shift to a service business model and by continuing to proactively invest in its ultrapure water supply business.

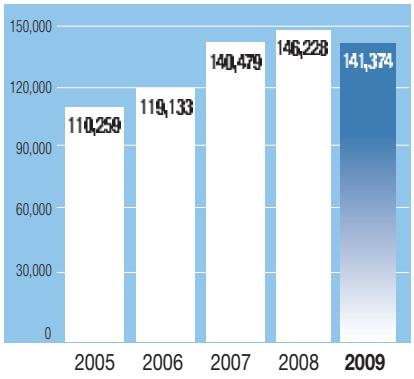
Years ended March 31 (Millions of yen)

Orders



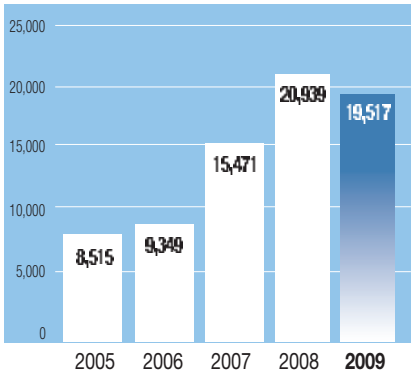
Years ended March 31 (Millions of yen)

Sales



Years ended March 31 (Millions of yen)

Operating Income



conjunction with large production cutbacks in the fiscal second half.

The chemical cleaning business, which cleans boilers and heat exchangers at thermal power plants and large industrial plants, achieved growth in both revenues and profits by virtue of solid demand and continued efforts to improve efficiency.

The soil remediation business encountered sluggish demand for both assessment and remediation services in the wake of the domestic real estate market downturn, but it nonetheless achieved growth in orders versus the previous fiscal year by meticulously meeting customers' soil remediation needs. Revenues also grew, bolstered by backlogged orders.

Outlook for the Fiscal Year Ending March 31, 2010

While customers' capital expenditure is likely to take quite a while to recover, their capacity utilization in the electronics, basic materials, and other industries should gradually restabilize as production recovers from severely depressed levels. Amid such an operating environment, the Kurita Group expects orders for and sales of hardware such as ultrapure water production systems and wastewater treatment systems to decrease for a second consecutive fiscal year. In service businesses such as maintenance and tool cleaning, however, the Group anticipates a gradual pickup in demand. In the ultrapure water supply business, which began supplying water at a new site in December 2008, the Group projects solid growth overall, although growth will be dampened by reduced operating rates at certain customers' sites. The Kurita Group will endeavor to profit from its group-wide expertise in proposing solutions to customer needs across all its businesses.

Research & Development

The Kurita Group is conducting research and development into basic technologies (e.g., analytical technologies, IT controls, technologies for monitoring the effect of water treatment) and technologies to create new businesses in addition to those related to its core businesses: boiler and cooling water treatment, ultrapure water production, industrial water and wastewater treatment, wastewater reclamation and soil remediation.

R&D is conducted mainly by our Research and Development Division and operating divisions' technology development units. The Kurita Group has a combined R&D staff of approximately 150 personnel, equivalent to 3.4% of the Group's total workforce. In the fiscal year ended March 31, 2009, R&D expenses totaled ¥4,363 million (2.2% of net sales).

1) Water Treatment Chemicals

In the Water Treatment Chemicals segment, Kurita is developing chemicals that contribute to energy efficiency, productivity enhancement, and the reduction of environmental load at customer sites and systems that monitor the effect of water treatment.

Major R&D accomplishments during the fiscal year ended March 31, 2009, include the following.

- Kurita developed wastewater treatment chemicals that substantially reduce use of inorganic flocculant, which is the main source of growth in industrial sludge in wastewater treatment processes. These chemicals also contribute to reducing the total cost of chemicals and waste treatment.
- Kurita developed water treatment chemicals that effectively flocculate and eliminate organic substances that clog reverse osmosis membranes and degrade their filtration efficiency.

The Water Treatment Chemicals segment's R&D expenses totaled ¥1,233 million.

2) Water Treatment Facilities

In the Water Treatment Facilities segment, Kurita is taking up the challenge to further improve ultrapure water quality to enhance productivity in the electronics industry as well as to develop wastewater treatment and soil remediation technologies in anticipation of future environmental regulations. Kurita is also developing technologies for a resource recycling based society, such as wastewater reclamation for reuse and sludge volume reduction in industrial plants.

Major R&D accomplishments during the fiscal year ended March 31, 2009, include the following.

- Kurita developed equipment to produce and recycle chemical solutions for resist removal in semiconductor manufacturing processes. The equipment reduces semiconductor production's environmental footprint by reducing the total quantity of chemicals used in photoresist stripping processes in comparison to existing processes.
- Kurita developed a wastewater treatment system for Integrated Gasification Combined Cycle (a coal gasification technology) plants, which are expected to be a next-generation power generation technology.
- Kurita developed a technology that utilizes both chemicals and anaerobic microorganisms to rapidly decontaminate soil and groundwater contaminated with high concentrations of trichloroethylene.

The Water Treatment Facilities segment's R&D expenses totaled ¥3,130 million.

Environmental Initiatives

The Kurita Group's most important societal responsibility is helping to build a sustainable society by providing solutions to the water and environmental challenges confronting all of humanity.

Environmental Improvement Activity Regime

Kurita instituted a Basic Environmental Improvement Policy in March 2004 and commenced environmental improvement activities pursuant to this Basic Policy the following month. Kurita extended the Basic Policy to encompass 19 domestic subsidiaries in April 2006 and has since been continuously endeavoring to better the environment. The Group's environmental activities are coordinated by the Environmental Improvement Promotion Committee chaired by Kurita's director responsible for environmental improvement activities. The Committee, which meets monthly, formulates group-wide targets, policies, initiatives, and action plans. Kurita also semiannually convenes group-wide Environmental Improvement Activity Promotion Meetings to monitor the progress of activities and attainment of targets.

Characteristics of Kurita's Environmental Improvement Activities

In accord with the Basic Policy, the Kurita Group aims to contribute to building a sustainable society through its business activities. Its environmental improvement activities broadly comprise two categories: initiatives that contribute to environmental improvement on behalf of customers or society at large and initiatives aimed at reducing the Kurita Group's own environmental footprint. The former include initiatives to create new products and technologies in response to environmental challenges or to help customers improve the environment by providing them with products, technologies, and services.

The Kurita Group has developed customer environmental benefit indicators to quantify the extent to which its environmental initiatives have reduced customers' environmental footprints. The Group utilizes this indicator to evaluate its environmental activities and improve their effectiveness from one fiscal year to the next. Although these indicators have shortcomings (e.g., they are estimated values and currently do not encompass all of the Group's activities), Kurita is endeavoring to improve their effectiveness by making them more accurate and more comprehensive.

Results of Environmental Activities in the Year Ended March 31, 2009

For intra-group environmental improvement activities, Kurita sets numerical targets for reduction of CO_2 emissions and waste. For the three years through March 31, 2009, Kurita set targets of reducing CO_2 emissions by 5% and limiting growth in waste output to ±0% relative to their respective per-unit levels in the year ended March 31, 2006. In the fiscal year ended March 31, 2009, Kurita achieved its CO_2 target with an approximately 11% reduction in CO_2 emissions but failed to achieve the target for waste output, which increased 73% relative to the base year. The main factor behind the failure to achieve the waste reduction target was waste output growth stemming from expansion of cleaning businesses.

Kurita will report in detail on its environmental improvement activities' results in its annual Environmental Report scheduled to be published in September 2009.

Activity Plan Revision Coinciding with the Initiation of the MP-11 Plan

The Kurita Group revised its Environmental Improvement Activity Plan in conjunction with initiating its new MP-11 medium-term management plan in April 2009.

First, the Group revised its Basic Policy to further clarify its societal contribution through its business activities. Next, the Group newly established Activity Guidelines to clarify its role in realizing a low-carbon,

resource-recycling society in response to societal demands. Additionally, the Group also embraced improvement in customers' productivity, environmental mitigation, and energy innovation as key themes of the MP-11 plan.

The Group changed its approach to group-wide targets by making environmental measures more specific and linking them more closely to business activities based on a trilateral framework of responding to societal needs, meeting customers' needs, and pursuing internal reforms.

For the internal reform component, which corresponds to intra-group environmental improvement activities, the Group changed its approach to setting numerical targets. Specifically, for the reduction of CO_2 emissions, the Groups switched from a base-year-based reduction target to a target of 1% annual reductions in perpetuity in the aim of greater sustainability. For waste reduction, the Group switched from a per-unit target to an absolute-volume target in the aim of achieving zero growth in waste output. At the same time, the Group resolved to reduce waste disposal volume by increasing recycling rates.

Through these activities, the Kurita Group aims to build a sustainable society.

Basic Environmental Improvement Policy (revised March 2009)

The Kurita Group will conduct business activities based on its corporate philosophy and will endeavor to solve water and environmental issues with the aim of making broad contribution to society.

Activity Guidelines

1) We will contribute to the realization of a recycling-based society by developing new products and technologies that contribute to environmental improvement.
2) We will strive with our customers to improve their environments by providing them with products, technologies and services that meet their needs for the improvement of productivity, reduction of environmental impact and creation of new energy.
3) In our daily business activities, we will steadily improve our operations in terms of the 3Rs (Reduce, Reuse and Recycle), to eventually reduce our environmental impact.

The three aspects of Kurita's environmental improvement activities.

Customers' environmental improvement activities

Aspect 1: Societal needs

Realization of a recycling based society through the development of new products and technologies conducive to environmental improvement

Aspect 2: Customer needs

Products, technologies and services that will enable customers to help improve the environment

Kurita's own environmental improvement activities

Aspect 3: Internal change

Reduce environmental impact by putting the 3Rs into practice through operational improvement and innovation

Corporate Governance

Basic Stance

Kurita and Kurita Group companies aim to contribute broadly to society and meet the expectations of their stakeholders through corporate activities in the fields of water and environmental management, in accord with the Kurita corporate philosophy. To realize these aims, the Group has adopted a basic corporate governance policy with two main components. The first is establishing management systems that improve management transparency, soundness, and efficiency and steadily increase corporate value on a long-term basis. The second is rigorous oversight of management and operational execution.

Board of Directors and Management Decision-Making, Oversight, and Execution

Kurita's Board of Directors currently comprises 13 directors, including one outside director. Board of Directors' meetings are chaired by the president and held monthly on a regularly scheduled basis and whenever else necessary on an ad hoc basis. The Board of Directors sets management policy, makes management decisions, and oversees directors' execution of their duties. Kurita has also established an Executive Committee composed of directors with a rank of managing director or above (currently six directors) to deliberate on important management matters and assist the Board of Directors' decision-making.

To complement the Board of Directors' decision-making, Kurita has also established an authorization protocol based on authorization and review regulations. In terms of operational execution, Kurita has employed an executive officer system since June 2005 in the aim of strengthening executory capabilities and expediting execution of management decisions. Kurita currently has six executive directors, who include the general managers of key operating divisions.

Corporate Auditors and Auditing System

Kurita employs a corporate auditor system. Its Board of Corporate Auditors comprises three corporate auditors, including two outside auditors. Corporate auditors audit directors' execution of their duties, in accord with audit policies and schedules set by the Board of Corporate Auditors. Corporate auditors attend Board of Directors' meetings and other important company meetings and oversee and monitor the Board of Directors' decision-making process and fulfillment of its oversight responsibilities. Corporate auditors' other responsibilities include conducting group-wide asset status surveys, checking the status of the Board of Directors' internal control systems, overseeing accounting auditors' independence and job performance, and verifying the results of accounting audits.

The two outside corporate auditors have broad knowledge and experience in industry and the legal profession, respectively. Their role is to serve as auditors from an objective standpoint.

Kurita has appointed Grant Thornton Taiyo ASG as its accounting auditor. Grant Thornton Taiyo ASG audits Kurita's accounts and internal controls (the latter beginning in the fiscal year ended March 31, 2009). The corporate auditors and the Board of Corporate Auditors augment these audits by conferring with the accounting auditor on both a periodic and as-needed basis.

The corporate auditors also endeavor to improve audit effectiveness and efficiency by reviewing the status and results of operational audits conducted by the Internal Auditing Department.

Internal Control Systems

Kurita recognizes that building and operating solid internal control systems enhances the effectiveness of corporate governance and helps to improve a company's credibility. Based on this recognition, Kurita is steadily implementing internal control systems.

As previously reported, the Board of Directors prescribed a Fundamental Policy Regarding the Establishment of Internal Control Systems in May 2006 in accord with the requirements of Japan's Companies Act and subsequently augmented it with several revisions. These revisions most notably established internal controls for financial reporting and prescribed provisions regarding establishment and augmentation of risk management systems.

The revision that established internal controls over financial reporting preceded the internal controls reporting system mandated by the Financial Instruments and Exchange Act effective from April 2008. It designated the Internal Auditing Department as the organizational unit responsible for monitoring the status of internal controls, recommending improvements to internal controls, and assisting with such improvements. The revision regarding risk management systems designated the general manager of the Corporate Planning Division as the corporate officer in charge of group-wide risk oversight and risk management. It also designated the Internal Auditing Department as the organizational unit responsible for monitoring risk management and the status of improvements to risk management systems.

The president recently evaluated the aforementioned internal controls over financial reporting, verified that they are properly implemented and operational as of March 31, 2009, and submitted an internal control report to that effect to the Financial Services Agency after the report had been audited by the accounting auditor.

Kurita plans to further augment its risk management and internal controls pursuant to its new medium-term management plan.

Compliance Initiatives

Compliance systems are another key component of internal controls. Kurita has established a Compliance Committee and Group Compliance Committee both chaired by an executive senior managing director (representative director), conducts group-wide compliance activities, and endeavors to improve compliance. Kurita's organizational units and group companies have formulated Compliance Guidelines based on the Code of Ethical Conduct prescribed in 2000 and rigorously practice compliance with laws and societal ethics in their day-to-day business activities. Additionally, Kurita has prescribed whistleblower protection regulations and established an internal consultation desk and a liaison for external consultations and reporting.

Information Disclosure

In the aim of gaining societal trust and building fair and transparent relationships with stakeholders, the Kurita Group endeavors to adequately disclose information on a timely basis in compliance with the Financial Instruments and Exchange Act, other applicable laws, and securities exchanges' timely disclosure regulations. The Group also conducts routine investor relations activities in the spirit of timely disclosure even of information outside the purview of timely disclosure regulations. The Group endeavors to promptly disclose such information by various means, including press conferences, explanatory meetings, and publication on the company website.

Board of Directors and Corporate Auditors

Chairman
Hiroshi Fujino

President*
Hiroshi Saito

Executive Senior Managing Director*
Kazufumi Moriuchi
General Manager of 1st Facilities Division

Managing Director
Toshiaki Deguchi
General Manager of Chemicals Division

Managing Director
Tetsuo Saeki
General Manager of Corporate Planning Division

Managing Director
Kaoru Kajii
General Manager of Facilities Production Division

Directors

Tetsuo Kai
General Manager of 2nd Facilities Division

Shigeaki Takeda
General Manager of 1st Group, Chemicals Division

Kouichi Iioka
General Manager of Facilities for General Industry Group, 1st Facilities Division

Heiju Maeda
General Manager of 2nd Group, Chemicals Division

Motoyuki Yoda
General Manager of Research and Development Division

Kiyoshi Itou
General Manager of Administrative Division

Noriyuki Hayata (External Director)

Corporate Auditors

Tohru Ishizaka

Chiaki Kuzuu (External Corporate Auditor)

Tamio Uda (External Corporate Auditor)

*Representative Director

Six-Year Financial Summary

Kurita Water Industries Ltd. and Consolidated Subsidiaries
Years ended March 31

	Millions of yen					
	2009	2008	2007	2006	2005	2004
For the year:						
Net sales	**¥199,706**	¥204,875	¥197,146	¥173,683	¥160,896	¥146,819
Water Treatment Chemicals	**58,331**	58,646	56,667	54,549	50,637	47,442
Water Treatment Facilities	**141,374**	146,228	140,479	119,133	110,259	99,377
Cost of sales	**135,874**	138,549	137,819	122,630	112,077	101,433
Selling, general and administrative expenses	**35,896**	35,857	35,050	33,741	32,867	31,895
Operating income	**27,935**	30,468	24,276	17,311	15,951	13,490
Income before income taxes and minority interests	**26,103**	31,279	24,591	18,200	16,376	14,918
Net income	**16,299**	18,297	14,207	10,519	9,383	8,444
Capital expenditures	**56,322**	24,097	19,563	16,537	6,706	9,718
Research and development (R&D) expenses	**4,363**	4,551	4,421	4,213	4,228	4,289
Depreciation and amortization	**11,716**	9,425	6,512	4,906	4,361	3,872
At year-end:						
Total current assets	**98,689**	121,562	137,004	125,231	116,400	118,923
Total current liabilities	**47,935**	49,080	65,496	54,877	44,465	42,954
Equity	**177,291**	169,402	156,772	145,366	136,366	128,676
Total assets	**245,406**	231,498	235,137	212,774	192,428	183,620
Number of shares issued outstanding (thousands)	**132,800**	132,800	132,800	132,800	132,800	132,800
Number of employees (persons)	**4,404**	4,249	3,992	3,668	3,382	3,383
Amounts per share of common stock (yen):						
Net income	**126.7**	142.2	110.4	81.8	71.8	64.6
Equity	**1,378.0**	1,316.7	1,218.4	1,129.7	1,058.9	999.7
Cash dividends applicable to the year	**34.0**	32.0	28.0	22.0	18.0	16.0
Ratios:						
Total assets turnover (times)	**0.84**	0.88	0.88	0.86	0.86	0.82
Equity ratio (%)	**72.2**	73.2	66.7	68.3	70.9	70.1
Return on sales (%)	**8.2**	8.9	7.2	6.1	5.8	5.8
Return on assets (ROA) (%)	**6.8**	7.8	6.3	5.2	5.0	4.7
Return on equity (ROE) (%)	**9.4**	11.2	9.4	7.5	7.1	6.8

Notes: Equity represents net assets less minority interests.
Return on Assets = Net Income ÷ Total Assets (Average) × 100

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Business Overview

In the first half of the fiscal year ended March 31, 2009, the Japanese economy experienced moderate growth driven chiefly by overseas demand despite a rapid rise in crude oil and other commodity prices dating back to 2007. From September, however, economic conditions rapidly deteriorated as corporate profits fell sharply and consumers cut back on spending in the wake of a synchronous global recession triggered by U.S. financial instability.

In the electronics industry, companies substantially curtailed capital expenditure and also reduced capacity utilization both in Japan and overseas.

In other manufacturing sectors, many manufacturers likewise reduced capacity utilization in response to decreased capital expenditure.

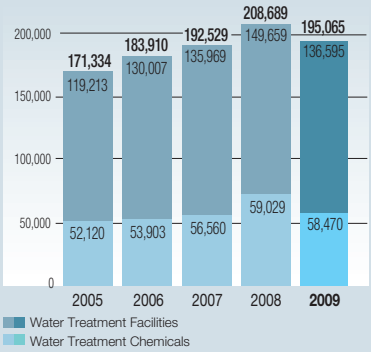
The fiscal year ended March 31, 2009, was the third and final fiscal year of the G-8 three-year management plan. Kurita endeavored to accelerate its transition to a service business model offering customers productivity enhancement and environmental mitigation solutions in the aim of strengthening its earnings power. At the same time, Kurita endeavored to expand global operations also.

Kurita invested more intensively than ever before in growth businesses-specifically ultrapure water supply and tool cleaning-in the aim of boosting its growth potential and increasing earnings.

Consolidated sales and profits declined in the fiscal year ended March 31, 2009.

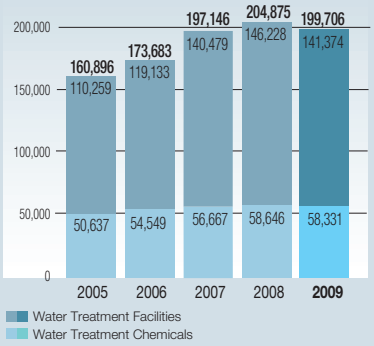
Years ended March 31 (Millions of yen)

Orders by Segment



Years ended March 31 (Millions of yen)

Sales by Segment



Operating Results

a) Orders

In the Water Treatment Chemicals segment, Kurita placed priority on expanding sales of core products (e.g., boiler water treatment chemicals, cooling water treatment chemicals) and process chemicals, while also pursuing order bookings by adopting a more consultative sales approach to help customers successfully meet challenges such as productivity enhancement and environmental mitigation.

In the Water Treatment Facilities segment, Kurita carried out an unprecedentedly large-scale capital expenditure program to expand service businesses, most notably the ultrapure water supply business. Meanwhile, the Water Treatment Facilities segment likewise pursued order bookings through a more proactive consultative sales approach.

Despite these efforts, order bookings declined versus the fiscal year ended March 31, 2008, in both the Water Treatment Chemicals and Water Treatment Facilities segments. Overall order bookings declined 6.5% to ¥195,065 million in the year ended March 31, 2009.

b) Net Sales

Net sales declined marginally in the Water Treatment Chemicals segment. The Water Treatment Facilities segment also saw a decrease in net sales in conjunction with the falloff in orders. Overall net sales declined 2.5% to ¥199,706 million in the year ended March 31, 2009.

c) Cost of Sales and Gross Profit

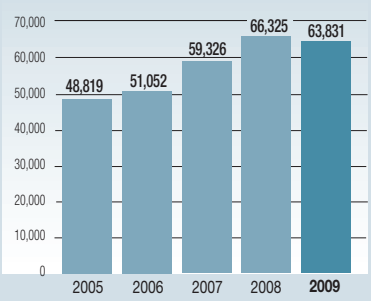
Cost of sales decreased in tandem with the decline in net sales, down 1.9% to ¥135,874 million from ¥138,549 million in the fiscal year ended March 31, 2008.

As a percentage of sales, cost of sales rose to 68.0% in the year ended March 31, 2009, up 0.4 percentage points from 67.6% in the previous fiscal year. In the Water Treatment Chemicals segment, the main factors behind the cost-of-sales ratio's rise were raw material price inflation and an adverse shift in the sales mix. In the Water Treatment Facilities segment, the cost-of-sales ratio's increase was chiefly attributable to a substantial decrease in sales to the electronics industry, which generally have higher margins than sales to other industries.

Gross profit consequently fell to ¥63,831 million, down 3.8% from ¥66,325 million in the previous fiscal year.

Years ended March 31 (Millions of yen)

Gross Profit



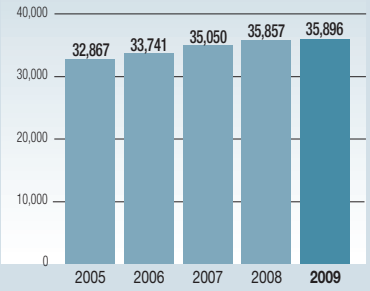
d) Selling, General and Administrative (SG&A) Expenses

SG&A expenses were roughly flat at ¥35,896 million, up 0.1% from ¥35,857 million in the fiscal year ended March 31, 2008.

As a percentage of sales, SG&A expenses increased to 18.0%, up 0.5 percentage points from 17.5% in the previous fiscal year.

Years ended March 31 (Millions of yen)

SG&A Expenses



e) Operating Income

Operating income decreased to ¥27,935 million in the year ended March 31, 2009, down 8.3% from ¥30,468 million in the fiscal year ended March 31, 2008. The operating margin fell to 14.0% from 14.9% in the previous fiscal year.

f) Business Results by Segment

Water Treatment Chemicals

Orders and Sales

Domestic orders for and sales of boiler water treatment chemicals, a core product, decreased versus the fiscal year ended March 31, 2008, as a result of customers' capacity utilization cutbacks. Wastewater treatment chemical orders and sales, by contrast, grew modestly while cooling water treatment chemical orders and sales were roughly unchanged versus the previous fiscal year. Among other products, packaged water treatment management contracts decreased, but orders for and sales of process chemicals for oil refineries and other industrial facilities increased by virtue of strong demand for productivity-boosting solutions.

Overseas orders and sales were flat year on year.

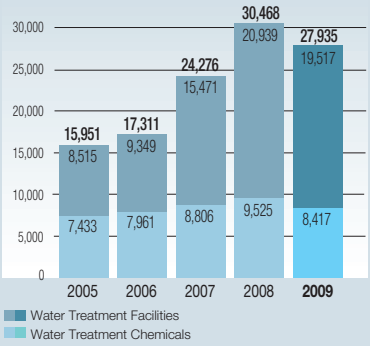
Profits

The Water Treatment Chemicals segment continued its efforts to cut manufacturing and logistics costs, but these efforts were negated by raw material price inflation.

Overall, the Water Treatment Chemicals segment booked orders of ¥58,470 million (down 0.9% year on year) and earned operating income of ¥8,417 million (down 11.6%) on sales of ¥58,331 million (down 0.5%). Its decline in operating income was largely attributable to raw material price inflation.

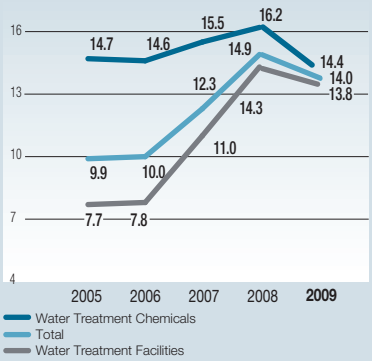
Years ended March 31 (Millions of yen)

Operating Income by Segment



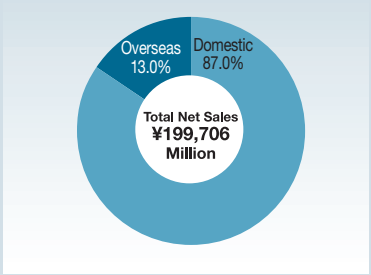
Years ended March 31 (%)

Operating Income Ratio by Segment



Fiscal year ended March 31, 2009

Percentage of Net Sales



Water Treatment Facilities

Orders

Orders for core ultrapure water production systems for the electronics industry decreased both domestically and overseas as a result of major reductions in semiconductor- and LCD-related capital expenditures.

The tool cleaning service business's orders decreased due to major cutbacks in capacity utilization but the ultrapure water supply business's orders grew substantially, bolstered by new contracts.

Orders for water treatment systems from general industrial customers declined modestly due to curtailment of capital expenditure in general.

Orders for maintenance services decreased in response to large capacity utilization reductions.

Sales

Sales of hardware, maintenance services, and tool cleaning services to the electronics industry declined, but the ultrapure water supply business increased its revenues.

Sales of hardware, maintenance services, and soil remediation services to general industrial customers all increased.

Profits

Despite continued efforts to qualitatively improve design and construction operations and boost their productivity, the Water Treatment Facilities segment's profits declined due to the large falloff in sales to the electronics industry.

The Water Treatment Facilities segment booked orders of ¥136,595 million (down 8.7% year on year) and earned operating income of ¥19,517 million (down 6.8%) on sales of ¥141,374 million (down 3.3%).

Business Segment Information

Years ended March 31

	Millions of yen				
	2009	2008	2007	2006	2005
Orders (Note)					
Water Treatment Chemicals	**¥ 58,470**	¥ 59,029	¥ 56,560	¥ 53,903	¥ 52,120
Water Treatment Facilities	**136,595**	149,659	135,969	130,007	119,213
Total	**¥195,065**	¥208,689	¥192,529	¥183,910	¥171,334
Sales					
Water Treatment Chemicals	**¥ 58,331**	¥ 58,646	¥ 56,667	¥ 54,549	¥ 50,637
Water Treatment Facilities	**141,374**	146,228	140,479	119,133	110,259
Total	**¥199,706**	¥204,875	¥197,146	¥173,683	¥160,896
Operating income					
Water Treatment Chemicals	**¥ 8,417**	¥ 9,525	¥ 8,806	¥ 7,961	¥ 7,433
Water Treatment Facilities	**19,517**	20,939	15,471	9,349	8,515
Elimination or Corporate	**0**	2	(1)	0	1
Total	**¥ 27,935**	¥ 30,468	¥ 24,276	¥ 17,311	¥ 15,951

Note: Orders are not included in the consolidated statements of income and shown for reference purposes only.

g) Overseas Sales

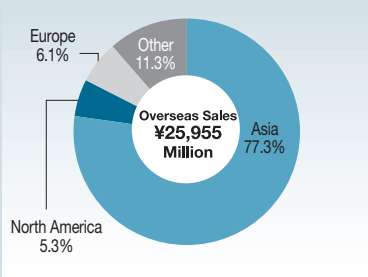
Overseas Sales by Region

Overseas sales fell 17.1% to ¥25,955 million in the year ended March 31, 2009. Overseas sales' share of consolidated net sales decreased to 13.0% from 15.3% in the fiscal year ended March 31, 2008.

By region, Asian sales were down 15.4% to ¥20,070 million, equivalent to 77.3% of total overseas sales; North America sales declined 50.3% to ¥1,371 million, 5.3% of total overseas sales; European sales fell 9.2% to ¥1,576 million, 6.1% of total overseas sales; and sales to the rest of the world decreased 5.5% to ¥2,936 million, 11.3% of total overseas sales.

Fiscal year ended March 31, 2009

Overseas Sales by Area



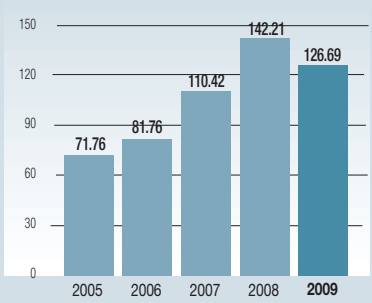
h) Other Income and Expenses

Other income and expenses netted out to a loss of ¥1,831 million in a reversal from the previous fiscal year's ¥811 million in income.

This reversal was mainly attributable to two factors. First, net financial income (interest and dividend income net of interest expense) decreased to ¥537 million from ¥606 million in the previous fiscal year as a result of a reduction in interest and dividend income. Second, valuation losses on investment securities increased to ¥2,018 million from ¥103 million in the previous fiscal year.

Years ended March 31 (Yen)

Net Income per Share



i) Income before Income Taxes and Minority Interests

Income before income taxes and minority interests fell 16.5% to ¥26,103 million from ¥31,279 million in the fiscal year ended March 31, 2008.

Pretax profit margin consequently decreased to 13.1% from 15.3% in the previous fiscal year.

j) Net Income

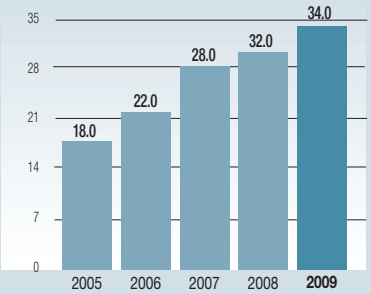
After deducting income taxes and income from minority interests, Kurita earned net income of ¥16,299 million, a 10.9% decrease from ¥18,297 million in the fiscal year ended March 31, 2008.

Net income per share fell to ¥126.69 from ¥142.21 in the previous fiscal year. Net margin decreased to 8.2% from 8.9% in the previous fiscal year.

Return on equity decreased to 9.4% from 11.2% in the previous fiscal year.

Years ended March 31 (Yen)

Dividends per Share



k) Dividend Policy

Kurita's basic policy is to pay stable dividends on an ongoing basis. Kurita strives to increase its dividends, taking into consideration earnings performance and accumulation and use of internally retained cash flow.

In light of future growth prospects, Kurita paid annual dividends of ¥34 per share (of which, ¥17 per share was an interim dividend), ¥2 per share increase versus the previous fiscal year's ¥32 per share (of which, ¥15 per share was an interim dividend).

Capital Expenditures

The Kurita Group is committed to making necessary investments in technological innovation, expansion of production capacity, and competitiveness enhancement in response to intensification of sales competition. In the year ended March 31, 2009, investment in tangible capital assets totaled ¥55,734 million, a 139.2% year-on-year increase, mainly for acquisition of operational assets. (The difference between this figure and total capital expenditures represents investment in intangible assets.)

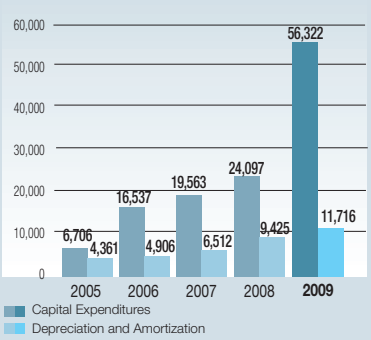
The Water Treatment Chemicals segment reduced its investment in tangible capital assets 7% year on year to ¥1,174 million, most of which was for replacement of chemical production equipment and acquisition of analytical equipment for the water-quality analysis service.

The Water Treatment Facilities segment increased its investment in tangible capital assets 147.5% year on year to ¥54,560 million, largely to newly install and expand ultrapure water supply and tool cleaning facilities.

Depreciation (i.e., excluding amortization of intangible assets) increased 28.6% to ¥10,916 million in the year ended March 31, 2009.

Years ended March 31 (Millions of yen)

Capital Expenditures and Depreciation and Amortization



Research and Development

Kurita conducts R&D mainly through its Research and Development Division and operating divisions' respective technical development organizations.

In the year ended March 31, 2009, total R&D expenses decreased 4.1% to ¥4,363 million, equivalent to 2.2% of net sales.

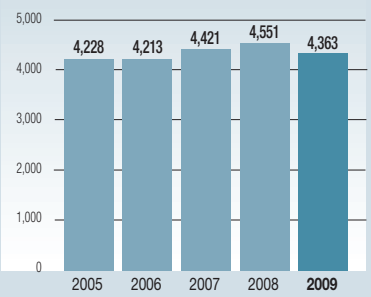
The Kurita Group employs approximately 150 R&D personnel, equivalent to 3.4% of its total workforce (4,404 personnel on a consolidated basis).

The Water Treatment Chemicals segment's R&D activities were predominantly focused on developing technologies for monitoring water treatment effectiveness and products that help customers improve energy efficiency, boost productivity, and reduce their environmental footprint. Its R&D expenditures totaled ¥1,233 million, a 12.2% decrease versus the fiscal year ended March 31, 2008.

The Water Treatment Facilities segment's R&D activities were primarily focused on further improving ultrapure water quality, developing environmental preservation technologies (e.g., for soil remediation, wastewater treatment that surpasses existing regulatory requirements), and developing technologies conducive to a resource-recycling society, including wastewater reclamation and recycling technologies. Its R&D expenditures totaled ¥3,130 million, a 0.5% decrease versus the previous fiscal year.

Years ended March 31 (Millions of yen)

R&D Expenses



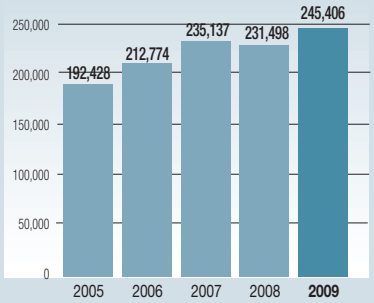
Financial Position

a) Total Assets

At March 31, 2009, Kurita had total assets of ¥245,406 million, an increase of ¥13,908 million from ¥231,498 million at March 31, 2008.

As of March 31 (Millions of yen)

Total Assets



Current Assets

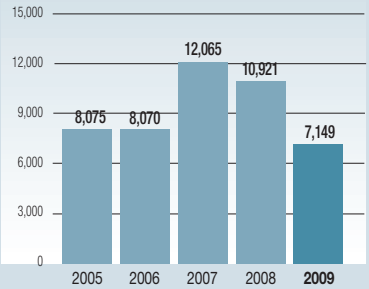
Current assets at March 31, 2009, totaled ¥98,689 million, a decrease of ¥22,873 million from ¥121,562 million at March 31, 2008.

The decrease was attributable to decreases in trade receivables and marketable securities of ¥11,435 million and ¥22,911 million, respectively, partially offset by a ¥15,744 million increase in cash and time deposits.

The decrease in trade receivables resulted from collection of accounts receivable coupled with decreased sales. The decrease in marketable securities was mainly due to redemptions. The increase in cash and time deposits was largely attributable to collection of accounts receivable and redemption of marketable securities. In aggregate, however, cash, time deposits, and marketable securities decreased as a result of large expenditures to acquire tangible fixed assets.

As of March 31 (Millions of yen)

Inventories



Fixed Assets (Property, Plant and Equipment, Intangible Assets, and Investments and Long-term Receivables)

At March 31, 2009, property, plant and equipment totaled ¥126,063 million, an increase of ¥44,079 million from ¥81,984 million at March 31, 2008. The increase stemmed chiefly from growth in capital investment.

Investments and long-term receivables ended March 31, 2009, at ¥18,368 million, a decrease of ¥7,086 million from ¥25,454 million a year earlier. The decrease was mainly attributable to a decrease in investment security holdings due largely to a decline in market values.

b) Liabilities

At March 31, 2009, liabilities totaled ¥66,779 million, an increase of ¥6,342 million from ¥60,437 million at March 31, 2008.

Current Liabilities

Current liabilities at March 31, 2009, were ¥47,935 million, a decrease of ¥1,144 million from ¥49,080 million at March 31, 2008.

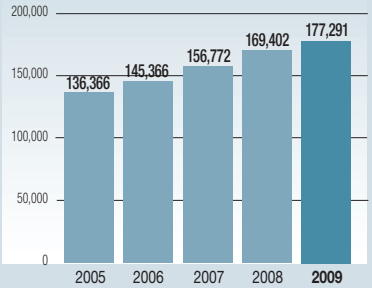
The decrease was mainly due to a ¥4,334 million reduction in trade payables, ¥4,346 million decrease in taxes payable, and ¥818 million decrease in advances received, partially offset by a ¥8,780 million increase in non-trade accounts payable.

The decrease in trade payables was chiefly attributable to the decline in sales in the fiscal second half.

Growth in non-trade accounts payable was mainly associated with acquisition of property, plant and equipment.

As of March 31 (Millions of yen)

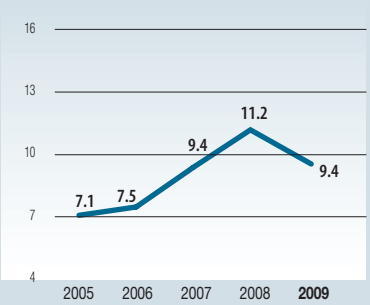
Equity



Note: Equity represents net assets less minority interests.

Years ended March 31 (%)

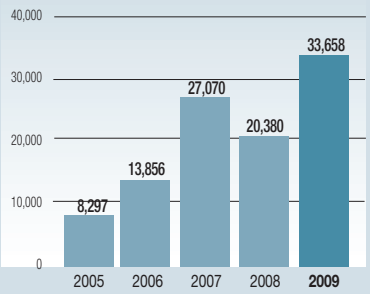
Return on Equity



Note: Equity represents net assets less minority interests.

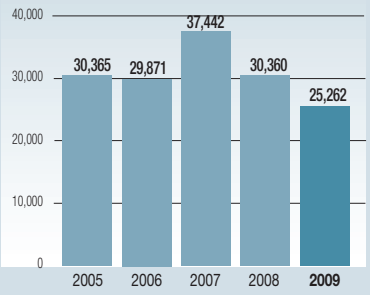
Years ended March 31 (Millions of yen)

Cash Flows from Operating Activities



As of March 31 (Millions of yen)

Cash and Cash Equivalents at End of Year



Long-term Liabilities

Long-term liabilities at March 31, 2009, were ¥18,844 million, an increase of ¥7,487 million from ¥11,357 million at March 31, 2008. The increase was due mainly to newly incurred lease liabilities related to buildings occupied by the ultrapure water supply business.

c) Net Assets

At March 31, 2009, net assets totaled ¥178,626 million, a ¥7,565 million increase from ¥171,061 million at March 31, 2008. The increase resulted from a ¥11,917 million increase in retained earnings derived from Kurita's annual net income of ¥16,299 million, partially offset by a ¥4,008 million decrease in valuation and currency translation adjustment accounts due to a decline in the market value of investment securities holdings and a reduction in the yen-equivalent value of overseas subsidiaries and affiliates' net assets as a result of yen appreciation.

At March 31, 2009, Kurita had an equity ratio of 72.2%, down 1 percentage point from 73.2% a year earlier.

Equity per share at March 31, 2009, was ¥1,378.04, an increase of ¥61.39 from ¥1,316.65 a year earlier.

Equity is defined as net assets less minority interests.

Cash Flows

Cash Flows from Operating Activities

Operating activities provided net cash of ¥33,658 million in the fiscal year ended March 31, 2009, an increase of ¥13,278 million versus the previous fiscal year (ended March 31, 2008). The main factors that contributed to positive operating cash flow were income before income taxes and minority interests, growth in depreciation and amortization, and a decrease in trade receivables. Factors that detracted from positive operating cash flow include income taxes paid and a reduction in trade payables.

Cash Flows from Investing Activities

Investing activities used net cash of ¥32,922 million, an increase of ¥9,766 million versus the previous fiscal year. The main uses of net cash were outlays to acquire property, plant and equipment, most notably equipment for the ultrapure water supply business.

Cash Flows from Financing Activities

Financing activities used net cash of ¥4,713 million, an increase of ¥348 million increase versus the previous fiscal year. The main use of cash was dividend payments.

Cash and Cash Equivalents' Ending Balance

At March 31, 2009, Kurita had cash and cash equivalents of ¥25,262 million, a decrease of ¥5,097 million versus March 31, 2008.

Business Risks

Major risk factors that affect the Kurita Group's operating performance include domestic and overseas economic trends, customers' capacity utilization rates and level of capital expenditure related to water treatment, and movements in prices of crude oil and raw materials. Risks facing the Group, some of which are unpredictable, are not limited to those specified herein.

(1) Factors That May Affect Operating Performance

Water Treatment Chemicals

Operating performance is affected by fluctuations in demand depending on capacity utilization rates in industries that are the major sources of demand for the Water Treatment Chemicals segment's products and services, including the steel, oil refining, petrochemical, and pulp and paper industries. Changes in prices of key raw materials in response to movements in crude oil and other commodity prices also affect operating performance.

Water Treatment Facilities

Operating performance is affected by fluctuations in demand due to capital expenditure trends in electronics and other industries that are the main sources of demand for the Water Treatment Facilities segment's products and services. Changes in hardware production costs due to changes in construction material prices and outsourcing costs also affect operating performance.

(2) Currency Risk

The Kurita Group considers its earnings' sensitivity to exchange rate movements to be minor because foreign currency-denominated transactions account for only a small share of the Group's total sales and purchases.

Consolidated Balance Sheets

Kurita Water Industries Ltd. and Consolidated Subsidiaries
As of March 31, 2009 and 2008

Assets	Millions of yen 2009	Millions of yen 2008	Thousands of U.S. dollars (Note 1) 2009
Current assets:			
Cash and time deposits (Note 3)	**¥ 26,061**	¥ 10,316	**$ 265,311**
Notes and accounts receivable, trade	**60,397**	72,215	**614,858**
Allowance for doubtful accounts	**(104)**	(159)	**(1,432)**
Marketable securities (Note 4)	**1,033**	23,945	**10,519**
Inventories (Note 5)	**7,149**	10,921	**72,782**
Deferred tax assets (Note 7)	**2,635**	2,912	**26,825**
Other current assets	**1,552**	1,410	**15,809**
Total current assets	**98,689**	121,562	**1,004,673**
Investments and long-term receivables:			
Investment securities (Note 4)	**9,612**	15,319	**97,861**
Investments in non-consolidated subsidiaries and affiliates	**1,175**	3,109	**11,971**
Deferred tax assets (Note 7)	**5,677**	3,127	**57,802**
Other investments	**2,053**	3,991	**20,908**
Allowance for doubtful accounts	**(152)**	(93)	**(1,548)**
Total investments and long-term receivables	**18,368**	25,454	**186,994**
Property, plant and equipment, at cost:			
Land (Note 11)	**13,895**	13,965	**141,460**
Buildings and structures	**63,872**	43,711	**650,237**
Machinery and equipment	**72,813**	53,744	**741,258**
Construction in progress	**11,448**	4,664	**116,551**
Other facilities	**11,234**	11,125	**114,372**
Leased assets (Note 9)	**7,370**	—	**75,035**
Total	**180,636**	127,212	**1,838,917**
Accumulated depreciation	**(54,572)**	(45,227)	**(555,562)**
Property, plant and equipment, net	**126,063**	81,984	**1,283,354**
Intangible assets	**2,285**	2,497	**23,267**
Total assets	**¥245,406**	¥231,498	**$2,498,288**

The accompanying notes are an integral part of these statements.

Liabilities and Net Assets	Millions of yen 2009	Millions of yen 2008	Thousands of U.S. dollars (Note 1) 2009
Current liabilities:			
Short-term borrowings and current portion of long-term liabilities (Note 6)	**¥ 420**	¥ 102	**$ 4,284**
Notes and accounts payable, trade	**18,830**	23,334	**191,698**
Accounts payable, other	**16,893**	8,113	**171,982**
Income taxes payable	**3,781**	8,128	**38,494**
Advances received	**2,766**	3,584	**28,162**
Accrued employees' bonuses	**2,372**	2,401	**24,153**
Provision for product warranties	**937**	1,131	**9,543**
Other current liabilities	**1,932**	2,283	**19,674**
Total current liabilities	**47,935**	49,080	**487,994**
Long-term liabilities:			
Lease obligation (Note 6)	**7,183**	0	**73,126**
Accrued employees' retirement benefits (Note 8)	**8,644**	8,358	**87,997**
Accrued retirement benefits for directors and corporate auditors	**738**	709	**7,513**
Deferred tax liabilities on revaluation of land (Note 11)	**1,519**	1,519	**15,465**
Other long-term liabilities (Note 6)	**759**	768	**7,735**
Total long-term liabilities	**18,844**	11,357	**191,838**
Total liabilities	**66,779**	60,437	**679,832**
Net assets:			
Shareholders' equity (Note 10)**:**			
Common stock, 2009 and 2008			
Authorized: 531,000,000 shares			
Issued: 2009–132,800,256 shares			
2008–132,800,256 shares	**13,450**	13,450	**136,931**
Capital surplus	**11,426**	11,426	**116,326**
Retained earnings	**159,792**	147,874	**1,626,713**
Treasury stock, at cost			
2009–4,145,400 shares			
2008–4,138,621 shares	**(4,847)**	(4,827)	**(49,351)**
Total shareholders' equity	**179,821**	167,924	**1,830,620**
Valuation and translation adjustments:			
Unrealized gains on available-for-sale securities	**170**	1,773	**1,738**
Unrealized losses on revaluation of land (Note 11)	**(750)**	(750)	**(7,645)**
Foreign currency translation adjustments	**(1,950)**	455	**(19,852)**
Total valuation and translation adjustments	**(2,530)**	1,478	**(25,758)**
Minority interests	**1,335**	1,658	**13,594**
Total net assets	**178,626**	171,061	**1,818,455**
Total liabilities and net assets	**¥245,406**	¥231,498	**$2,498,288**

The accompanying notes are an integral part of these statements.

Consolidated Statements of Income

Kurita Water Industries Ltd. and Consolidated Subsidiaries
For years ended March 31, 2009, 2008 and 2007

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2009	2008	2007	**2009**
Net sales (Note 13)	**¥199,706**	¥204,875	¥197,146	**$2,033,047**
Cost of sales	**135,874**	138,549	137,819	**1,383,229**
Gross profit	**63,831**	66,325	59,326	**649,817**
Selling, general and administrative expenses (Note 12)	**35,896**	35,857	35,050	**365,432**
Operating income (Note 13)	**27,935**	30,468	24,276	**284,385**
Other income (expenses):				
Interest and dividend income	**573**	652	566	**5,837**
Interest expense	**(36)**	(45)	(50)	**(369)**
Gain on sale of properties	**21**	204	—	**219**
Gain on sale of investment securities	**—**	97	—	**—**
Equity in earnings of non-consolidated subsidiaries and affiliates	**269**	115	172	**2,745**
Loss on disposal of properties	**(100)**	(162)	(145)	**(1,026)**
Loss on sale and disposal of inventories	**—**	(108)	(61)	**—**
Loss on valuation of investment securities	**(2,018)**	(103)	—	**(20,550)**
Surcharges and penalties	**—**	—	(488)	**—**
Other, net	**(540)**	161	322	**(5,507)**
	(1,832)	811	315	**(18,651)**
Income before income taxes and minority interests	**26,103**	31,279	24,591	**265,734**
Income taxes (Note 7)**:**				
Current	**10,689**	13,113	11,131	**108,824**
Deferred	**1,160**	(469)	(1,061)	**11,809**
	9,529	12,644	10,070	**97,014**
Minority interests in earnings of consolidated subsidiaries	**(273)**	337	314	**(2,786)**
Net income	**¥ 16,299**	¥ 18,297	¥ 14,207	**$ 165,933**

	Yen			U.S. dollars (Note 1)
	2009	2008	2007	**2009**
Per share of common stock:				
Net income	**¥126.69**	¥142.21	¥110.42	**$1.28**
Cash dividends applicable to the year	**34.00**	32.00	28.00	**0.34**

The accompanying notes are an integral part of these statements.

Consolidated Statements of Changes in Net Assets

Kurita Water Industries Ltd. and Consolidated Subsidiaries

For years ended March 31, 2009, 2008 and 2007

	Millions of yen										
	Shareholders' equity (Note 10)					Evaluation and translation adjustments					
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Unrealized gains on available-for-sale securities	Unrealized gains (losses) on revaluation of land (Note 11)	Foreign currency translation adjustment	Total evaluation and translation adjustments	Minority interests	Total net assets
Balance as of March 31, 2006	¥13,450	¥11,426	¥122,350	¥(4,793)	¥142,434	¥3,873	¥(740)	¥(200)	¥2,932	¥1,295	¥146,662
Changes during the year											
Cash dividends paid			(3,088)		(3,088)						(3,088)
Bonuses to directors and corporate auditors			(8)		(8)						(8)
Contribution to employees' incentive and welfare fund			(15)		(15)						(15)
Net income for the year			14,207		14,207						14,207
Acquisition of treasury stock				(10)	(10)						(10)
Net changes of net assets other than shareholders' equity						(210)	—	530	320	132	452
Total changes during the year	—	—	11,095	(10)	11,085	(210)	—	530	320	132	11,538
Balance as of March 31, 2007	¥13,450	¥11,426	¥133,446	¥(4,803)	¥153,519	¥ 3,662	¥(740)	¥ 330	¥ 3,252	¥1,427	¥158,200
Changes during the year											
Cash dividends paid			(3,859)		(3,859)						(3,859)
Bonuses to directors and corporate auditors			(9)		(9)						(9)
Reversal of unrealized gains (losses) on revaluation of land			10		10						10
Contribution to employees' incentive and welfare fund			(10)		(10)						(10)
Net income for the year			18,297		18,297						18,297
Acquisition of treasury stock				(24)	(24)						(24)
Net changes of net assets other than shareholders' equity						(1,889)	(10)	124	(1,774)	230	(1,543)
Total changes during the year	—	—	14,428	(24)	14,404	(1,889)	(10)	124	(1,774)	230	12,860
Balance as of March 31, 2008	**¥13,450**	**¥11,426**	**¥147,874**	**¥(4,827)**	**¥167,924**	**¥ 1,773**	**¥(750)**	**¥ 455**	**¥ 1,478**	**¥1,658**	**¥171,061**
Changes during the year											
Cash dividends paid			**(4,374)**		**(4,374)**						**(4,374)**
Bonuses to directors and corporate auditors			**(6)**		**(6)**						**(6)**
Contribution to employees' incentive and welfare fund			**(1)**		**(1)**						**(1)**
Net income for the year			**16,299**		**16,299**						**16,299**
Acquisition of treasury stock				**(19)**	**(19)**						**(19)**
Net changes of net assets other than shareholders' equity						**(1,603)**	**—**	**(2,405)**	**(4,008)**	**(323)**	**(4,331)**
Total changes during the year	**—**	**—**	**11,917**	**(19)**	**11,897**	**(1,603)**	**—**	**(2,405)**	**(4,008)**	**(323)**	**7,565**
Balance as of March 31, 2009	**¥13,450**	**¥11,426**	**¥159,792**	**¥(4,847)**	**¥179,821**	**¥ 170**	**¥(750)**	**¥(1,950)**	**¥(2,530)**	**¥1,335**	**¥178,626**

	Thousands of U.S. dollars (Note 1)										
	Shareholders' equity (Note 10)					Evaluation and translation adjustments					
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Unrealized gains on available-for-sale securities	Unrealized gains (losses) on revaluation of land (Note 11)	Foreign currency translation adjustment	Total evaluation and translation adjustments	Minority interests	Total net assets
Balance as of March 31, 2008	**$136,931**	**$116,326**	**$1,505,395**	**$(49,149)**	**$1,709,503**	**$ 18,057**	**$(7,645)**	**$ 4,635**	**$ 15,048**	**$16,883**	**$1,741,435**
Changes during the year											
Cash dividends paid			**(44,532)**		**(44,532)**						**(44,532)**
Bonuses to directors and corporate auditors			**(70)**		**(70)**						**(70)**
Contribution to employees' incentive and welfare fund			**(11)**		**(11)**						**(11)**
Net income for the year			**165,933**		**165,933**						**165,933**
Acquisition of treasury stock				**(202)**	**(202)**						**(202)**
Net changes of net assets other than shareholders' equity						**(16,318)**	**—**	**(24,488)**	**(40,807)**	**(3,288)**	**(44,096)**
Total changes during the year	**—**	**—**	**121,318**	**(202)**	**121,116**	**(16,318)**	**—**	**(24,488)**	**(40,807)**	**(3,288)**	**77,020**
Balance as of March 31, 2009	**$136,931**	**$116,326**	**$1,626,713**	**$(49,351)**	**$1,830,620**	**$ 1,738**	**$(7,645)**	**$(19,852)**	**$(25,758)**	**$13,594**	**$1,818,455**

The accompanying notes are an integral part of these statements.

Consolidated Statements of Cash Flows

Kurita Water Industries Ltd. and Consolidated Subsidiaries
For years ended March 31, 2009, 2008 and 2007

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2009	2008	2007	**2009**
I. Cash flows from operating activities:				
Income before income taxes and minority interests	**¥ 26,103**	¥ 31,279	¥ 24,591	**$ 265,734**
Depreciation and amortization (Note 13)	**11,716**	9,425	6,512	**119,272**
Increase (decrease) in accrued employees' retirement benefits	**332**	(42)	103	**3,389**
Gain on sale of investment securities	**12**	—	—	**131**
Equity in earnings of non-consolidated subsidiaries and affiliates	**(269)**	(115)	(172)	**(2,745)**
Interest and dividend income	**(573)**	(652)	(566)	**(5,837)**
Interest expense	**36**	45	50	**369**
Payments of bonuses to directors and corporate auditors	**(11)**	(14)	—	**(117)**
Increase (decrease) in accrued employees' bonuses	**(23)**	59	(66)	**(234)**
Increase (decrease) in other allowances, accrual and non-cash items, net	**2,546**	(329)	1,294	**25,928**
Changes in assets and liabilities:				
Decrease in trade receivables	**10,778**	3,648	3,555	**109,729**
(Increase) decrease in inventories	**3,086**	1,073	(3,945)	**31,422**
Increase (decrease) in trade payables	**(4,110)**	(11,203)	2,192	**(41,848)**
Others, net	**(1,250)**	(1,216)	1,124	**(12,734)**
	48,374	31,957	34,673	**492,459**
Interest and dividends received	**1,094**	747	649	**11,146**
Interest paid	**(32)**	(45)	(45)	**(330)**
Income taxes paid	**(15,249)**	(12,475)	(8,032)	**(155,238)**
Others, net	**(528)**	196	(175)	**(5,383)**
Net cash provided by operating activities	**33,658**	20,380	27,070	**342,652**
II. Cash flows from investing activities:				
(Increase) decrease in time deposits, net	**1,230**	(34)	(78)	**12,522**
Payments for purchase of property, plant and equipment	**(38,291)**	(26,101)	(18,846)	**(389,818)**
Proceeds from sale of property, plant and equipment	**47**	350	43	**484**
Payments for purchase of marketable securities and investment securities	**(5,145)**	(12,043)	(12,349)	**(52,381)**
Proceeds from sale and redemption of marketable securities and investment securities	**9,959**	15,213	15,358	**101,386**
Others, net	**(722)**	(539)	(581)	**(7,352)**
Net cash used in investing activities	**(32,922)**	(23,156)	(16,453)	**(335,157)**
III. Cash flows from financing activities:				
Increase (decrease) in short-term borrowings, net	**0**	(235)	(81)	**(1)**
Decrease in long-term borrowings, net	**(92)**	(139)	(192)	**(945)**
Cash dividends paid	**(4,370)**	(3,857)	(3,086)	**(44,496)**
Cash dividends paid to minority shareholders of consolidated subsidiaries	**(98)**	(108)	(88)	**(1,000)**
Payments for lease obligations	**(131)**	—	—	**(1,339)**
Payments for purchase of treasury stock, net	**(19)**	(24)	(10)	**(202)**
Net cash used in financing activities	**(4,713)**	(4,365)	(3,458)	**(47,985)**
IV. Effect of exchange rate changes on cash and cash equivalents	**(1,119)**	(18)	280	**(11,400)**
V. Net increase (decrease) in cash and cash equivalents	**(5,097)**	(7,160)	7,438	**(51,892)**
VI. Cash and cash equivalents at beginning of year (Note 3)	**30,360**	37,442	29,871	**309,072**
VII. Cash and cash equivalents of newly consolidated subsidiaries, net of excluded subsidiaries from consolidation	**0**	78	132	**0**
VIII. Cash and cash equivalents at end of year (Note 3)	**¥ 25,262**	¥ 30,360	¥ 37,442	**$ 257,180**

The accompanying notes are an integral part of these statements.

Notes to Consolidated Financial Statements

Kurita Water Industries Ltd. and Consolidated Subsidiaries

1. Basis of presenting consolidated financial statements

Kurita Water Industries Ltd. (the "Company") and its domestic subsidiaries maintain their books of account and prepare their financial statements in accordance with accounting principles and practices generally accepted in Japan, while its foreign subsidiaries maintain their books of account and prepare their financial statements in conformity with those of the countries of their domicile. Certain accounting principles and practices generally accepted in Japan are different from International Financial Reporting Standards and standards in other countries in certain respects as to application and disclosure requirements. Accordingly, the accompanying consolidated financial statements are intended for use by those who are informed about Japanese accounting principles and practices.

The Company's consolidated financial statements, prepared in accordance with accounting principles and practices generally accepted in Japan, were originally filed with the Japanese Ministry of Finance and the Tokyo Stock Exchange as required by the Financial Instruments and Exchange Law of Japan.

Certain reclassifications of accounts and modifications have been made in the accompanying consolidated financial statements to facilitate understanding by readers outside Japan. These reclassifications and modifications have no effect on net income or shareholders' equity.

All figures in the consolidated financial statements and notes are stated in millions of Japanese yen by discarding fractional amounts of less than ¥1 million. As a result, the totals shown in the consolidated financial statements are notes in yen do not necessarily agree with the sum of the individual amounts.

The translation of yen amounts as of or for the year ended March 31, 2009 into U.S. dollars is included solely for the convenience of readers and has been made, as a matter of arithmetical computation only, at the rate of ¥98.23 to US$1, the prevailing rate on the Tokyo Foreign Exchange Market on March 31, 2009. The translation should not be construed as a representation that yen amounts have been, could have been or could in the future be converted into U.S. dollars at the above or any other rate.

2. Significant accounting policies

(1) Consolidation

Scope of consolidation

The consolidated financial statements included the accounts of the Company and its significant subsidiaries. For the years ended March 31, 2009 and 2008, 38 subsidiaries were consolidated. All significant inter-company transactions and balances have been eliminated in consolidation.

Names of principal consolidated subsidiaries: Kuritaz Co., Ltd., Kurita Engineering Co., Ltd., and Kuritec Service Co. Ltd.

Combined assets, net sales, net income (the proportion of the Company's interest) and retained earnings (the proportion of the Company's interest) of all the non-consolidated subsidiaries in the aggregate are not significant in terms of the consolidated financial statements.

Revaluation of assets and liabilities of the consolidated subsidiaries in the consolidation process

In the elimination of investments in subsidiaries, the assets and liabilities of the subsidiaries, including the portions attributable to the minority shareholders, are evaluated using the fair value at the time the Company acquired control of the respective subsidiaries.

Fiscal year of consolidated subsidiaries

The fiscal years of Kurita (Singapore) Pte. Ltd. and 14 other consolidated subsidiaries end on December 31. For these consolidated subsidiaries, the financial statements as of December 31 were used for consolidation purposes. However, material transactions that have occurred during the three-month period from January 1 to March 31 of the following year have been adjusted as necessary for consolidation.

Amortization of goodwill

The goodwill and negative goodwill are amortized using the straight-line method, over practically estimated effective years where applicable or, otherwise, three years, except for minor amounts that are charged to income in the period of acquisition.

(2) Equity method

Scope of equity method application

Significant investments in non-consolidated subsidiaries and affiliated companies over which the Company has the ability to exercise significant influence with regard to the operating and financial policies of the investees, are accounted for by the equity method. For the years ended March 31, 2009, and 2008, 3 companies were accounted for by the equity method.

Name of principal company applying the equity method: Kurita Sogo Service Co., Ltd.

In the year ended March 31, 2009, a company was excluded from the scope of equity method application, as it was liquidated and a company was newly included in the scope of equity method since the materiality increased.

Kurita Chemical Kumamoto Co., Ltd. and other non-consolidated subsidiaries which are not accounted for by the equity method were excluded from the scope of equity method application, because such exclusion has minimal impact to net income (the proportion of the Company's interest) and retained earnings (the proportion of the Company's interest) of the consolidated financial statements and is considered immaterial as a whole.

Fiscal year of companies accounted for by the equity method

Adjustments were made to the financial statements of the companies accounted for by the equity method whose fiscal year-ends were not identical to the Company.

(3) Cash and cash equivalents

Cash and cash equivalents in the consolidated statements of cash flows are composed of cash on hand, readily available bank deposits and short-term investments with an original maturity of three months or less and subject to a minor risk of fluctuations in value.

(4) Available-for-sale securities

Available-for-sale securities that have available fair values are stated at fair value at the balance sheet date, with resulting unrealized holding gains and losses reported as a separate component of net assets. Available-for-sale securities with no available fair values are stated at cost computed by the moving-average method. The cost of sold securities is computed by the moving-average method.

(5) Inventories

Prior to April 1, 2008, inventories were stated at cost determined by the moving-average method, except for work in process whose costs were determined by the specific-identification method. In July 2006, the ASBJ issued ASBJ Statement No.9, "Accounting Standard for Measurement of Inventories". This standard requires that inventories held for sale in the ordinary course of business are measured at the lower of cost or net selling value, which is defined as the selling price less incremental estimated manufacturing costs and estimated direct selling expenses. The Company applied this new accounting standard for measurement of inventories effective April 1, 2008. The effect of this change on income or loss for the year ended March 31, 2009 is insignificant.

(6) Derivative transactions

Derivative transactions utilized by the Company and its subsidiaries are composed of only forward currency contracts entered into when necessary to hedge the risk, as the Company maintains the policy not to engage in speculative transactions. The Company believes that the risk of counterparty default is negligible because its forward currency contracts are entered into only with banks with high credit ratings. In addition, transactions in forward currency contracts are executed and managed by the finance and accounting department on a contract-by-contract basis after they have been approval by prescribed internal procedures.

(7) Depreciation of property, plant and equipment

Property, plant and equipment is depreciated by the declining-balance method for the Company and its domestic consolidated subsidiaries, except for buildings (other than building equipment) acquired on and after April 1, 1998, and ultrapure water supply equipment located at the clients' sites, for which the straight-line method is applied. The straight-line method is applied by foreign consolidated subsidiaries.

The estimated useful lives of these assets are as follows:

Buildings and structures 2–65 years

Machinery and equipment 2–13 years

Leased assets other than those that are deemed to transfer ownership of the leased assets are depreciated over respective lease period by the straight-line method without salvage value.

Additional information on depreciation

From the year ended March 31, 2009, pursuant to the revision to the Corporation Tax Law, the Company and its domestic consolidated subsidiaries reduced the useful lives of certain assets after having reviewed the status of the use of machinery and equipment. As a result of the change in useful lives, income before income taxes and minority interests decreased by ¥113 million ($1,154 thousand) for the year ended March 31, 2009.

(8) Impairment of long-lived assets

The Company reviews its long-lived assets for impairment in accordance with the accounting standards for impairment of fixed assets whenever events or changes in circumstances indicate the carrying amount of an asset or asset group may not be recoverable. An impairment loss would be recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group. The impairment loss would be measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or the net selling price at disposition.

(9) Accrued employees' bonuses

The Company and its domestic subsidiaries accrue the amount of employees' bonuses based on the anticipated bonus payments to employees.

(10) Accrued employees' retirement benefits

Accrued employees' retirement benefits are recorded based on the estimated amount of projected benefit obligation at the balance sheet date by the Company, certain of its domestic subsidiaries and certain consolidated foreign subsidiaries and, based on the estimated amounts of projected benefit obligation and pension plan assets, at the

balance sheet date by other domestic subsidiaries. Actuarial differences are subject to amortization over a period of 1-2 years from the year when they are incurred.

Additional information

4 domestic consolidated subsidiaries adopted qualified pension plans until the year ended March 31, 2008, but during the fiscal year ended March 31, 2009, they transferred qualified pension plans to defined contribution pension plans (1 company transferred effective April 1, 2009). As a result, loss on transfer of these pension plans was recorded in an amount of ¥215 million ($2,188 thousand).

(11) Leases

On March 30, 2007, the ASBJ issued ASBJ Statement No.13, "Accounting Standard for Lease Transactions", which revised the previous accounting standard for lease transactions issued in 1993. The revised accounting standard for lease transaction became effective for the fiscal years beginning April 1, 2008. Under the previous accounting standard, finance leases that are deemed to transfer the ownership of the leased assets to lessees were to be capitalized, but other finance leases were permitted to be accounted for as operating lease transactions if certain "as if capitalized" was described in the notes to the lessee's financial statements. The revised accounting standard requires that all lease transactions should be capitalized to recognized leased assets and lease obligations in the balance sheet. The revised accounting standard permits lease arrangements which commenced prior to April 1, 2008 and do not transfer ownership of the leased property to be accounted for as operating lease transactions. Accordingly, the Company accounted for leases which commenced prior to April 1, 2008 and do not transfer ownership of the leased property to the lessee as operating leases. As a result of this accounting change, leased assets amounting to ¥7,254 million ($73,856) were recognized under "Property, plant and equipment" in the accompanying balance sheet at March 31, 2009, but there was no effect on income or loss for the year then ended .

(12) Consumption taxes

Consumption taxes are accounted for separately from transaction prices and are not reflected in the consolidated statements of income.

(13) Foreign currency translation

Monetary receivables and payables denominated in foreign currency are translated using the spot exchange rate prevailing at the balance sheet date, and the differences are charged to income as foreign exchange gains or losses.

Foreign subsidiaries' assets and liabilities are translated using the spot exchange rate at their balance sheet date and their income and expenses are translated using the average exchange rate during the year. The translation differences are recorded in "Foreign currency translation adjustments" and "Minority interests" in net assets.

(14) Appropriations of retained earnings

The accompanying consolidated statements of changes in net assets reflect the appropriations of retained earnings of the Company in the fiscal year in which the appropriations are approved at the general shareholders' meeting.

(15) Earnings per share

Earnings per share are computed using the weighted-average number of common shares outstanding.

(16) Reclassifications

Certain prior year amounts have been reclassified to conform to the presentation for the year ended March 31, 2009.

These changes had no impact on previously reported results of operations.

(17) Changes during the year ended March 31, 2009

Tax effect accounting in balance sheets

Since the Corporate Tax Law which was revised on March 31, 2009 introduced the exclusion of the dividends received from certain foreign subsidiaries from taxable income, deferred tax liabilities recognized on retained earnings of foreign consolidated subsidiaries which had been recorded in prior years were reversed and deferred tax liabilities were recorded based on the Accounting System Committee Report No.6, "Practical Guideline on Tax Effect Accounting in the Balance Sheet". This accounting change caused an increase in net income for the year ended March 31, 2009 by ¥558 million ($5,685 thousand), compared to the previous method.

Unification of accounting policies applied to foreign subsidiaries for the consolidated financial statements

In May 2006, the ASBJ issued ASBJ Practical Issues Task Force (PITF) No.18, "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements". Pursuant to this accounting standard, the Company made necessary adjustments effective the fiscal year ended March 31, 2009, but the effect of this change on income or loss is insignificant.

Accounting Standard for Lease Transactions

On March 30, 2007, the ASBJ issued ASBJ Statement No.13, "Accounting Standard for Lease Transactions", which revised the previous accounting standard for lease transactions issued in 1993. The revised accounting standard for lease transaction became effective for the fiscal years beginning April 1, 2008. Under the previous accounting standard, finance leases that are deemed to transfer the ownership of the leased assets to lessees were to be capitalized, but other finance leases were permitted to be accounted for as operating lease transactions if certain "as if capitalized" was described in the notes to the lessee's financial statements. The revised accounting standard requires that all lease transactions should be capitalized to recognized leased assets and lease obligations in the balance sheet. The revised accounting standard permits lease arrangements which commenced prior to April 1, 2008 and do not transfer ownership of the leased property to be accounted for as operating lease transactions. As a result of this accounting change, leased assets amounting to ¥7,254 million ($73,856) were recognized under "Property, plant and equipment" in the accompanying balance sheet at March 31, 2009, but there was no effect on income or loss for the year then ended.

3. Reconciliation between cash and cash equivalents

The reconciliation between the fiscal year-end cash and cash equivalents (See Note 2 (3)) in the consolidated statements of cash flows and cash and time deposits in the consolidated balance sheet items is as follows:

	Millions of yen			Thousands of U.S. dollars
	2009	2008	2007	**2009**
Cash and time deposits	**¥26,061**	¥10,316	¥37,761	**$265,311**
Time deposits with original maturity of more than three months	**(1,032)**	(343)	(319)	**(10,513)**
Certificates of deposit included in marketable securities	**234**	20,386	—	**2,382**
Cash and cash equivalents	**¥25,262**	¥30,360	¥37,442	**$257,180**

4. Marketable securities and investment in securities

(1) Available-for-sale securities with fair value at March 31, 2009 and 2008 are summarized as follows:

At March 31, 2009	Millions of yen		
	Acquisition cost	Book value	Difference
Book value exceeding acquisition cost:	**¥3,478**	**¥ 4,590**	**¥1,111**
Stocks			
Bonds:			
Corporate bond	**300**	**300**	**0**
Other	**—**	**—**	**—**
Subtotal	**3,778**	**4,890**	**1,111**
Book value not exceeding acquisition cost:			
Stocks	**5,538**	**4,678**	**(859)**
Bonds:			
Corporate bonds	**500**	**499**	**(0)**
Other	**—**	**—**	**—**
Subtotal	**6,038**	**5,177**	**(860)**
Total	**¥9,816**	**¥10,068**	**¥ 251**

At March 31, 2008	Millions of yen		
	Acquisition cost	Book value	Difference
Book value exceeding acquisition cost:	¥ 7,696	¥11,040	¥3,343
Stocks			
Bonds:			
Corporate bond	300	300	0
Other	999	999	0
Subtotal	8,995	12,339	3,343
Book value not exceeding acquisition cost:			
Stocks	3,228	2,895	(333)
Bonds:			
Corporate bonds	2,625	2,549	(76)
Other	998	998	(0)
Subtotal	6,853	6,443	(410)
Total	¥15,849	¥18,782	¥2,933

At March 31, 2009	Thousands of U.S. dollars		
	Acquisition cost	Book value	Difference
Book value exceeding acquisition cost:	**$35,416**	**$ 46,732**	**$11,316**
Stocks			
Bonds:			
Corporate bonds	**3,054**	**3,055**	**1**
Other	**—**	**—**	**—**
Subtotal	**38,470**	**49,778**	**11,318**
Book value not exceeding acquisition cost:			
Stocks	**56,378**	**47,628**	**(8,750)**
Bonds:			
Corporate bonds	**5,090**	**5,081**	**(8)**
Other	**—**	**—**	**—**
Subtotal	**61,468**	**52,709**	**(8,759)**
Total	**$99,938**	**$102,498**	**$ 2,559**

(2) Available-for-sale securities sold during the years ended March 31, 2009, 2008 and 2007 are summarized as follows:

	Millions of yen			Thousands of U.S. dollars
	2009	2008	2007	**2009**
Sales amount	**¥110**	¥578	¥ —	**$1,125**
Total gains on sales	**—**	61	—	**—**
Total losses on sales	**¥ 12**	¥ 0	¥ —	**$ 128**

(3) The schedule for the redemption of available-for-sale securities with maturities at March 31, 2009 and 2008 is summarized as follows:

	Millions of yen				Thousands of U.S. dollars	
	March 31, 2009		March 31, 2008		**March 31, 2009**	
	Within 1 year	1 to 5 years	Within 1 year	1 to 5 years	Within 1 year	1 to 5 years
Bonds:						
Corporate bonds	**¥ 799**	**¥ —**	¥ 1,398	¥1,450	**$ 8,136**	**$ —**
Other	**—**	**—**	1,998	—	**—**	**—**
Other:						
Certificates of deposit (See Note 2 (3) and Note 3)	**234**	**—**	20,386	—	**2,382**	**—**
Total	**¥1,033**	**¥ —**	¥23,783	¥1,450	**$10,519**	**$ —**

(4) Available-for-sale securities with no available fair value at March 31, 2009 and 2008 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	**2009**
Available-for-sale securities:			
Certificates of deposit (See Note 3)	**¥234**	¥20,386	**$2,382**
Unlisted stocks	**343**	94	**3,500**
Unlisted stocks	**¥577**	¥20,481	**$5,882**

5. Inventories

Inventories at March 31, 2009 and 2008 consist of the following:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	**2009**
Finished products	**¥1,414**	¥ 1,428	**$14,404**
Raw materials	**1,440**	1,365	**14,668**
Work in process	**4,293**	8,128	**43,708**
Total	**¥7,149**	¥10,921	**$72,782**

6. Short-term and long-term borrowings and lease obligations

(1) Short-term borrowings and current portion of long-term borrowings and lease obligations

The short-term borrowings and current portion of long-term borrowings and lease obligations at March 31, 2009 and 2008 consist of the following:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	**2009**
Short-term borrowings	**¥ 0**	¥ 1	**$ 8**
Current portion of long-term borrowings	**—**	101	**—**
Current portion of lease obligations	**420**	—	**4,284**
Total	**¥420**	¥102	**$4,293**

The weighted-average annual interest rate of short-term borrowings for the year ended March 31, 2009 is 1.95%

(2) Long-term borrowings and lease obligations

Long-term borrowings and lease obligations at March 31, 2009 and 2008 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	**2009**
Loan from banks at weighted-average annual interest rates of:	**¥ —**	¥102	**$ —**
2008–10.25%			
Less: Obligations	**7,603**	—	**77,411**
Less: Current portion	**420**	101	**4,284**
Total	**¥7,183**	¥ 0	**$73,126**

Annual maturities of lease obligations at March 31, 2009 are as follows:

Years ending March 31,	Millions of yen	Thousands of U.S. dollars
2010	**¥ 420**	**$ 4,284**
2011	**412**	**4,202**
2012	**407**	**4,146**
2013	**402**	**4,093**
2014 and thereafter	**5,962**	**60,683**
Total	**¥7,603**	**$77,411**

(3) Other long-term liabilities

Other than the short-and long-term borrowings described above, ¥728 million (US$7,415 thousands) and ¥719 million of interest-bearing long-term deposits received were included in other long-term liabilities as of March 31, 2009 and 2008, respectively. The weighted-average annual interest rates for such deposits received for the years ended March 31, 2009 and 2008 were 0.37% and 0.92%, respectively.

7. Income taxes

Significant components of the deferred tax assets and liabilities as of March 31, 2009 and 2008 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	**2009**
Deferred tax assets:			
Excess provision for accrued employees' retirement benefits	**¥ 3,462**	¥ 3,361	**$ 35,245**
Excess depreciation of property, plant and equipment	**2,731**	1,989	**27,809**
Excess provision for accrued bonuses to employees	**949**	947	**9,670**
Excess portion of design expenses	**565**	653	**5,757**
Accrued enterprise taxes not deductible	**374**	466	**3,811**
Excess provision of allowance for product warranty	**362**	391	**3,690**
Impairment loss	**319**	312	**3,249**
Accrued retirement benefits for directors and corporate auditors	**293**	273	**2,985**
Loss on revaluation of investment securities	**277**	—	**2,824**
Loss on revaluation of golf membership	**125**	—	**1,275**
Other	**920**	1,045	**9,370**
Subtotal	**10,381**	9,437	**105,690**
Valuation allowances	**(660)**	(430)	**(6,726)**
Total deferred tax assets	**9,721**	9,007	**98,964**
Deferred tax liabilities:			
Unrealized gain on available-for-sale securitie	**(116)**	(1,191)	**(1,188)**
Estimated income taxes pertaining to retained earnings of overseas consolidated subsidiaries	**(554)**	(1,034)	**(5,647)**
Capital gain on properties deferred for tax purposes	**(736)**	(740)	**(7,500)**
Total deferred tax liabilities	**(1,408)**	(2,966)	**(14,337)**
Deferred tax assets, net	**¥ 8,312**	¥ 6,040	**$ 84,627**

A reconciliation between the normal effective statutory tax rate and the effective income tax rate as a percentage of income before income taxes and minority interests for the year ended March 31, 2009 was as follows:

	2009
Normal effective statutory tax rate	**40.6%**
Loss on revaluation of investment securities	**0.9**
Expenses not deductible for income tax purposes	**0.6**
R&D expense tax credit	**(0.9)**
Dividend income not taxable for income tax purposes	**(1.6)**
Reversal of deferred tax liabilities on retained earnings of foreign consolidated subsidiaries	**(1.8)**
Other	**(1.3)**
Actual effective tax rate	**36.5%**

8. Retirement benefits and pension plans

The Company provides both lump-sum retirement benefit plan and a defined contribution pension plan. Of the consolidated subsidiaries, 25 companies (20 domestic and 5 overseas companies) provide lump-sum retirement benefit plans, qualified pension plans or defined contribution plans, 3 domestic companies provide both lump-sum benefit and defined contribution pension plans, 4 domestic companies have only qualified pension plans and 1 overseas consolidated subsidiary has only defined contribution pension plan. In addition, as in Note 2(10), 4 consolidated subsidiaries transferred qualified pension plans to defined contribution plans during the fiscal year ended March 31, 2009 (1 company transferred effective April 1, 2009).

(1) Benefit obligations

	Millions of yen		Thousands of U.S. dollars
	2009	2008	**2009**
Retirement benefit obligation	**¥(18,796)**	¥(19,586)	**$(191,355)**
Fair value of pension plan assets	**10,153**	11,264	**103,367**
Unfunded retirement benefit obligations	**(8,643)**	(8,322)	**(87,988)**
Unrecognized actuarial (gain) loss	**(0)**	(35)	**(9)**
Accrued employees' retirement benefits	**¥ (8,644)**	¥ (8,358)	**$ (87,997)**

(2) Net periodic benefit costs

	Millions of yen			Thousands of U.S. dollars
	2009	2008	2007	**2009**
Service cost	**¥ 923**	¥ 968	¥1,344	**$ 9,401**
Interest cost	**242**	258	535	**2,463**
Expected return on plan assets	**—**	—	(85)	**—**
Amortization of actuarial differences	**57**	(34)	138	**580**
Additional retirement payments	**4**	7	31	**47**
Profit at transition to defined contribution pension plan	**215**	(17)	—	**2,188**
Other	**482**	471	—	**4,913**
Net periodic benefit cost	**¥1,924**	¥1,654	¥1,964	**$19,595**

In the above table, benefit cost incurred for the domestic consolidated subsidiaries which use the simplified method for computing benefit obligations is included in "Service cost," and "Other" represents contribution to the defined contribution pension plan.

(3) Assumptions to determine above obligation and cost:

	2009	2008
Periodic allocation of projected benefit obligation	**Equal amount over each period**	Equal amount over each period
Discount rate	**2.5%**	2.5%
Expected rate of return on plan assets	**0.0–0.8%**	0.0%
Amortization period of actuarial differences	**1–2 years**	1–2 years

9. Leases

(1) Leased assets

Leased assets are mainly mountings for piping used in the ultrapure water supply business

(2) Depreciation of leased assets

The leased assets are depreciated over respective lease period by the straight-line method without residual value.

10. Unrealized gains on revaluation of land

The Company implemented a revaluation of land for business use in accordance with the Land Revaluation Law (enacted on March 31, 1998). The revaluation difference, net of taxes is stated as "Unrealized gains (losses) on revaluation of land "in the valuation and translation account in net assets. The tax equivalent is stated as deferred tax assets or liabilities in long-term liabilities.

When any revaluated land is sold, the related unrealized gain or loss on revaluation of land is transferred to retained earnings.

Revaluation method: The revaluation of land was computed in accordance with Article Two, Item One of the Land Revaluation Law Enforcement Order.

Revaluation date: March 31, 2002

11. Selling, general and administrative expenses

Selling, general and administrative expenses for the years ended March 31, 2009, 2008 and 2007 consist of the following:

	Millions of yen			Thousands of U.S. dollars
	2009	2008	2007	2009
Salaries and allowances	**¥12,999**	¥12,804	¥12,780	**$132,340**
Provision for employees' bonuses	**1,561**	1,648	1,242	**15,892**
Retirement benefit expenses	**861**	825	1,153	**8,768**
Travel expenses	**2,542**	2,642	2,527	**25,886**
Research and development expenses	**4,363**	4,551	4,421	**44,425**
Other	**13,567**	13,384	12,925	**138,117**
Total	**¥35,896**	¥35,857	¥35,050	**$365,432**

12. Segment information

(1) Business segment information

The business segment information of the Company and its consolidated subsidiaries for the years ended March 31, 2009, 2008, and 2007, is outlined as follows:

	Millions of yen				
Year ended March 31, 2009	Water Treatment Chemicals	Water Treatment Facilities	Total	Elimination or corporate	Consolidated
I. Sales and operating income					
Sales					
1) Sales to outside customers	**¥58,331**	**¥141,374**	**¥199,706**	**¥ —**	**¥199,706**
2) Intersegment sales	**353**	**102**	**455**	**(455)**	**—**
Total	**58,685**	**141,476**	**200,162**	**(455)**	**199,706**
Operating costs and expenses	**50,267**	**121,959**	**172,226**	**(455)**	**171,771**
Operating income	**¥ 8,417**	**¥ 19,517**	**¥ 27,935**	**¥ 0**	**¥ 27,935**
II. Assets, depreciation and capital expenditures					
Assets	**¥34,476**	**¥180,626**	**¥215,102**	**¥30,304**	**¥245,406**
Depreciation and amortization	**1,745**	**9,970**	**11,716**	**—**	**11,716**
Capital expenditures	**1,432**	**54,889**	**56,322**	**—**	**56,322**

	Millions of yen				
Year ended March 31, 2008	Water Treatment Chemicals	Water Treatment Facilities	Total	Elimination or corporate	Consolidated
I. Sales and operating income					
Sales					
1) Sales to outside customers	¥58,646	¥146,228	¥204,875	¥ —	¥204,875
2) Intersegment sales	310	87	397	(397)	—
Total	58,957	146,315	205,272	(397)	204,875
Operating costs and expenses	49,431	125,375	174,807	(400)	174,407
Operating income	¥ 9,525	¥ 20,939	¥ 30,465	¥ 2	¥ 30,468
II. Assets, depreciation and capital expenditures					
Assets	¥37,791	¥150,225	¥188,017	¥43,481	¥231,498
Depreciation and amortization	1,732	7,692	9,425	—	9,425
Capital expenditures	1,617	22,480	24,097	—	24,097

Year ended March 31, 2007	Millions of yen				
	Water Treatment Chemicals	Water Treatment Facilities	Total	Elimination or corporate	Consolidated
I. Sales and operating income					
Sales					
1) Sales to outside customers	¥ 56,667	¥140,479	¥197,146	¥ —	¥197,146
2) Intersegment sales	262	78	340	(340)	—
Total	56,930	140,557	197,487	(340)	197,146
Operating costs and expenses	48,123	125,086	173,209	(339)	172,870
Operating income	¥ 8,806	¥ 15,471	¥ 24,278	¥ (1)	¥ 24,276
II. Assets, depreciation and capital expenditures					
Assets	¥37,726	¥141,952	¥179,679	¥ 55,458	¥235,137
Depreciation and amortization	1,648	4,864	6,512	—	6,512
Capital expenditures	1,324	18,238	19,563	—	19,563

Year ended March 31, 2009	Thousands of U.S, dollars				
	Water Treatment Chemicals	Water Treatment Facilities	Total	Elimination or corporate	Consolidated
I. Sales and operating income					
Sales					
1) Sales to outside customers	**$593,829**	**$1,439,217**	**$ 2,033,047**	**$ —**	**$2,033,047**
2) Intersegment sales	**3,595**	**1,044**	**4,640**	**(4,640)**	**—**
Total	**597,425**	**1,440,262**	**2,037,688**	**(4,640)**	**2,033,047**
Operating costs and expenses	**511,734**	**1,241,568**	**1,753,303**	**(4,640)**	**1,748,662**
Operating income	**$ 85,691**	**$ 198,694**	**$ 284,385**	**$ 0**	**$ 284,385**
II. Assets, depreciation and capital expenditures					
Assets	**$ 350,974**	**$1,838,809**	**$2,189,783**	**$ 308,504**	**$2,498,288**
Depreciation and amortization	**17,767**	**101,504**	**119,272**	**—**	**119,272**
Capital expenditures	**14,579**	**558,789**	**573,368**	**—**	**573,368**

Notes:

1. Principal products and services of each segment are as follows:

   Water Treatment Chemicals

   Boiler water treatment chemicals, cooling water treatment chemicals, wastewater treatment chemicals, process treatment chemicals used in the oil refining and pulp and paper incinerator chemicals, equipment and systems for water treatment chemicals, packaged water treatment management contracts, including a steam supply contract and blanket contracts for factories, water analysis services, chemical injection and dosing equipment and ion exchange resin.

   Water Treatment Facilities

   For the electronics industry:

   Ultrapure water production systems, wastewater reclaim systems, wastewater treatment systems, tool cleaning, operation and maintenance services, and ultrapure water supply business

   For general industries:

   Pure water production systems, wastewater treatment systems, soil remediation, chemical cleaning, maintenance services and home-use water purifier

2. There were no costs and expenses included in "Elimination or corporate" that cannot be allocated to business segments for the years ended March 31, 2009 and 2008.
3. Total assets under "Elimination or corporate" include corporate assets, consisting primarily of deposits with banks, marketable portfolio securities and long-term investment funds (deposits, marketable securities and investment securities). Such corporate assets as of March 31, 2009 and 2008 amounted to ¥30,353 million (US$309,002 thousand) and ¥43,547 million, respectively..

(2) Geographic segment information

Geographic segment information for the year ended March 31, 2007 is not shown since the amounts of net sales and assets in Japan exceeded 90% of the amount of combined net sales and assets of all segments.

Geographical segment information for the years ended March 31, 2009 and 2008 is as follows:

	Millions of yen				
Year ended March 31, 2009	Japan	Other regions	Total	Elimination or corporate	Consolidated
I. Sales and operating income					
Sales					
1) Sales to outside customers	**¥179,726**	**¥19,980**	**¥199,706**	**¥ —**	**¥199,706**
2) Intersegment sales	**2,057**	**433**	**2,490**	**(2,490)**	**—**
Total	**181,783**	**20,413**	**202,197**	**(2,490)**	**199,706**
Operating costs and expenses	**155,950**	**18,679**	**174,629**	**(2,858)**	**171,771**
Operating income	**¥ 25,833**	**¥ 1,734**	**¥ 27,567**	**¥ 367**	**¥ 27,935**
II. Assets	**¥198,465**	**¥ 8,683**	**¥207,148**	**¥38,258**	**¥245,406**

	Millions of yen				
Year ended March 31, 2008	Japan	Other regions	Total	Elimination or corporate	Consolidated
I. Sales and operating income					
Sales					
1) Sales to outside customers	¥183,867	¥21,007	¥204,875	¥ —	¥204,875
2) Intersegment sales	2,272	802	3,075	(3,075)	—
Total	186,139	21,810	207,950	(3,075)	204,875
Operating costs and expenses	158,222	19,600	177,822	(3,415)	174,407
Operating income	¥ 27,917	¥ 2,210	¥ 30,127	¥ 340	¥ 30,468
II. Assets	¥178,960	¥10,028	¥188,989	¥42,509	¥231,498

Year ended March 31, 2009	Thousands of U.S, dollars				
	Japan	Other regions	Total	Elimination or corporate	Consolidated
I. Sales and operating income					
Sales					
1) Sales to outside customers	**$1,829,646**	**$203,400**	**$2,033,047**	**$ —**	**$2,033,047**
2) Intersegment sales	**20,945**	**4,412**	**25,357**	**(25,357)**	**—**
Total	**1,850,592**	**207,813**	**2,058,405**	**(23,357)**	**2,033,047**
Operating costs and expenses	**1,587,600**	**190,157**	**1,777,758**	**(29,095)**	**1,748,662**
Operating income	**$ 262,991**	**$ 17,655**	**$ 280,647**	**$ 3,738**	**$ 284,385**
II. Assets	**$2,020,414**	**$ 88,397**	**$2,108,811**	**$389,476**	**$2,498,288**

Notes:
1. Countries and regions are classified into segments according to geography and proximity.
2. "Other regions" are comprised primarily of Asia.
3. There were no costs and expenses under "Elimination or corporate" that cannot be allocated to geographical segments.
4. Assets under "Elimination or corporate" include corporate assets, the amount and components of which are the same as those provided in Note 3 to the above (1) Business segment information.

(3) Overseas sales

For the year ended March 31, 2009	Millions of yen					Thousands of U.S. dollars
	Asia	North America	Europe	Other	Total	Total
Overseas net sales	**¥20,070**	**¥1,371**	**¥1,576**	**¥2,936**	**¥ 25,955**	**$ 264,232**
Consolidated net sales	**—**	**—**	**—**	**—**	**199,706**	**2,033,047**
Percentage of overseas net sales to consolidated net sales	**10.0%**	**0.7%**	**0.8%**	**1.5%**	**13.0%**	**13.0%**

For the year ended March 31, 2008	Millions of yen				
	Asia	North America	Europe	Other	Total
Overseas net sales	¥23,723	¥2,759	¥1,736	¥3,107	¥ 31,327
Consolidated net sales	—	—	—	—	204,875
Percentage of overseas net sales to consolidated net sales	11.6%	1.3%	0.9%	1.5%	15.3%

For the year ended March 31, 2007	Millions of yen				
	Asia	North America	Europe	Other	Total
Overseas net sales	¥22,635	¥3,424	¥1,296	¥2,171	¥ 29,528
Consolidated net sales	—	—	—	—	197,146
Percentage of overseas net sales to consolidated net sales	11.5%	1.7%	0.7%	1.1%	15.0%

Notes:
1. Countries and regions are classified according to geography and proximity.
2. The major countries or regions included in respective categories are as follows:
   Asia: South Korea, China, Taiwan, Singapore, Indonesia, Thailand / North America: United States of America / Europe: Germany / Other: Brazil
3. Overseas net sales refers to sales outside Japan generated by the Company and its consolidated subsidiaries.

13. Subsequent events

Appropriation of retained earnings

The following appropriation of retained earnings for the year ended March 31, 2009 was approved at the ordinary general meeting of shareholders of the Company held on June 26, 2009.

	Millions of yen	Thousands of U.S. dollars
Cash dividends (year-end dividends)	**¥2,187**	**$22,265**

14. Per share information

	Yen			U.S. dollars
	2009	2008	2007	**2009**
Net assets per share	**¥1,378.04**	¥1,316.65	¥1,218.42	**$14.03**
Net income per share (EPS)	**126.69**	142.21	110.42	**1.29**

Basis of calculation for EPS is as follows:

	Millions of yen			Thousands of U.S. dollars
	2009	2008	2007	**2009**
Net income	**¥16,299**	¥18,297	¥14,207	**$165,933**
Net income attributable to common stock	**16,299**	18,297	14,207	**165,933**
Average number of shares outstanding	**128,658,142**	128,664,115	128,670,582	**128,658,142**

(The Company has no dilutive shares.)

Report of Independent Certified Public Accountants

Grant Thornton Taiyo ASG

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To the Board of Directors of
Kurita Water Industries Ltd.

We have audited the accompanying consolidated balance sheets of Kurita Water Industries Ltd. and subsidiaries as of March 31, 2009 and 2008, and the related consolidated statements of income, changes in net assets and cash flows for each of the three years in period ended March 31, 2009, expressed in Japanese yen. These consolidated financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above preset fairly, in all material respects, the consolidated financial position of Kurita Water Industries Ltd. and subsidiaries as of March 31, 2009 and 2008, and the consolidated results of their operations and their cash flows for each of the three years in the period ended March 31, 2009 in conformity with accounting principles generally accepted in Japan as described in Note 1 to the consolidated statements.

The consolidated financial statements as of and for the year ended March 31, 2009 have been translated into United States dollars solely for the convenience of the reader. We have recomputed the translation and, in our opinion, the consolidated financial statements expressed in Japanese yen have been translated into United States dollars on the basis set forth in Note 1 to the consolidated financial statements.

Grant Thornton Taiyo ASG

Tokyo, Japan
June 26 2009

Corporate Data

As of March 31, 2009

Company Name	Kurita Water Industries Ltd.
Address	4-7, Nishi-Shinjuku 3-chome, Shinjuku-ku, Tokyo 160-8383, Japan
Paid-in Capital	¥13,450,751,434
Date of Establishment	July 13, 1949
Number of Employees	4,404 (on a consolidated basis)
Domestic Offices	Head Office: 4-7, Nishi-Shinjuku 3-chome, Shinjuku-ku, Tokyo 160-8383 Tel.: 81 (3) 3347-3111 Osaka Branch: 2-22, Kitahama 2-chome, Chuo-ku, Osaka 541-0041 Tel.: 81 (6) 6228-4800 Kurita Global Technology Center: 1-1, Gochoyama, Kawada, Nogi-machi, Shimotsuga-gun, Tochigi 329-0105 Tel.: 81 (280) 54-1511 Offices: Sapporo, Tohoku, Nagoya, Hiroshima and Kyushu
Overseas Offices	Taiwan Branch: 5F-3, No. 295, Section 2, Kuang-Fu Road, (Empire Commercial Bldg.) Shinchu, Taiwan, R.O.C. Tel.: 886 (3) 575-1157

Major Consolidated Subsidiaries and Affiliated Company

Company Name	Paid-in Capital (Millions)	Equity Ownership (%)	Main Business
OVERSEAS			
■ North America & South America			
Kurita America Inc.	US$3.0	100.0	Manufacture & sale of water treatment facilities, operation & maintenance of systems and facilities
Kurita do Brasil LTDA.	R$6.986	100.0	Manufacture & sale of water treatment chemicals
■ Europe			
Kurita Europe GmbH	EUR2.301	95.0	Manufacture & sale of water treatment chemicals
■ Asia			
Kurita Water Industries (Dalian) Co., Ltd.	¥550	90.1	Manufacture & sale of water treatment chemicals
Kuritec (Shanghai) Co., Ltd.	¥30	100.0	Operation & maintenance of systems and facilities
Kurita Water Industries (Suzhou) Ltd.	¥100	100.0	Manufacture & sale of water treatment facilities
Kurita (Taiwan) Co., Ltd.	NT$20	95.0	Manufacture & sale of water treatment chemicals
Hansu Ltd.	W2,500	33.2	Manufacture & sale of water treatment chemicals
Hansu Technical Service Ltd.	W400	59.4	Manufacture & sale of water treatment facilities
Kurita-GK Chemical Co., Ltd.	BAHT92	85.0	Manufacture & sale of water treatment chemicals
Kurita (Singapore) Pte. Ltd.	S$4.0	100.0	Manufacture & sale of water treatment chemicals and water treatment facilities
Kuritec Singapore Pte. Ltd.	S$1.49	100.0	Ultrapure water supply for specified customer
Kurita Water (Malaysia) Sdn. Bhd.	RM$0.6	83.3	Sale of water treatment chemicals and water treatment facilities
P.T. Kurita Indonesia	US$2.0	92.5	Manufacture & sale of water treatment chemicals
DOMESTIC			
Kurita Creation Co., Ltd.	¥160	100.0	Manufacture & sale of water purifiers
Kuritec Service Co. Ltd.	¥50	100.0	Tool cleaning
Kuritaz Co., Ltd.	¥220	100.0	Operation & maintenance of water treatment facilities
Kurita Engineering Co., Ltd.	¥160	100.0	Chemical cleaning
Land Solution Inc.	¥450	51.0	Soil remediation
Kurita Chemical Manufacturing Ltd.	¥50	100.0	Manufacture of water treatment chemicals

Investor Information

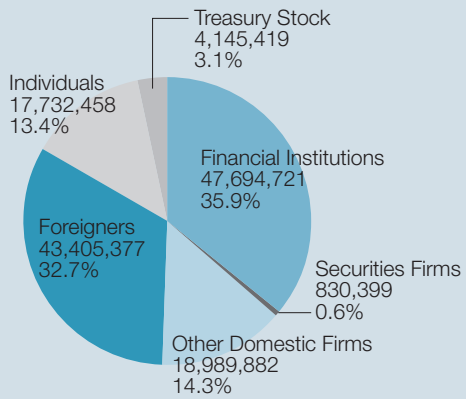
As of March 31, 2009

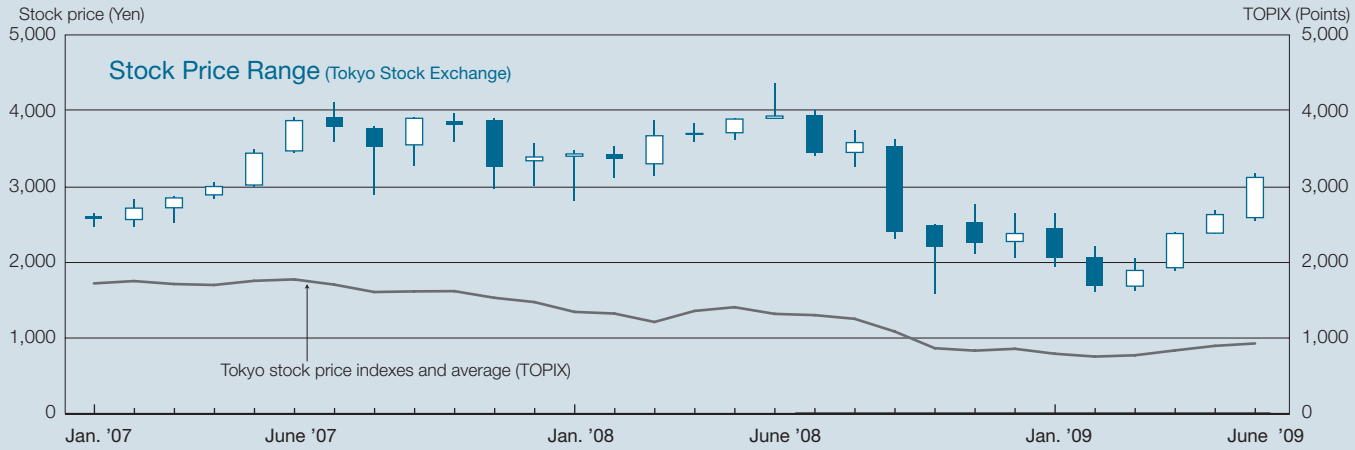
Stock Exchange Listings	First Section of the Tokyo Stock Exchange First Section of the Osaka Securities Exchange
Common Stock	Authorized: 531,000,000 shares Issued: 132,800,256 shares (Stock trading unit: 100 shares)
Number of Shareholders	36,445
Independent Auditor	Grant Thornton Taiyo ASG Akasaka DS Bldg. 9F, 8-5-26, Akasaka, Minato-ku, Tokyo 107-0052, Japan
Transfer Agent	The Chuo Mitsui Trust and Banking Co., Ltd. 33-1, Shiba 3-chome, Minato-ku, Tokyo 105-8574, Japan

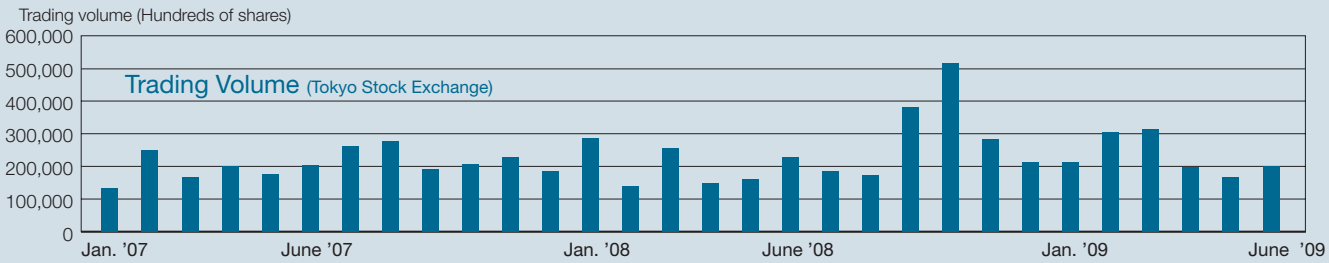
Main Shareholders

	Shareholdings (Thousands of Shares)	Percentage of total shares issued (%)
Itochu Corporation	10,268	7.73
Japan Trustee Services Bank, Ltd. (Trust Account)	8,032	6.04
Japan Trustee Services Bank, Ltd. (Trust Account 4G)	7,463	5.61
Nippon Life Insurance Company	7,284	5.48
The Master Trust Bank of Japan, Ltd. (Trust Account)	5,087	3.83
Tokio Marine & Nichido Fire Insurance Co., Ltd.	4,311	3.24
Kurita Water Industries Ltd.	4,145	3.12
State Street Bank and Trust Company 505041	2,956	2.22
The Bank of Tokyo Mitsubishi UFJ, Ltd.	2,936	2.21
Pictet & Cie (Europe) S.A.	2,672	2.01

Distribution of Shares







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