

FOR IMMEDIATE RELEASE

## **Kurita Water Industries Reports Earnings for the Full Year Ended March 2007**

Tokyo, Japan April 27, 2007—Kurita Water Industries Ltd. (TSE Security Code 6370) announced net sales of 197,146 million yen for the full year ended March 31, 2007 (April 1, 2006–March 31, 2007), and net income of 14,207 million yen, or 110.42 yen per share.

### **Results of Operations**

Total consolidated orders for the Kurita Group increased 4.7% from a year earlier to 192,529 million yen, while net sales grew 13.5% to 197,146 million yen. Operating income surged 40.2% to 24,276 million yen and ordinary income also rose 36.9% to 25,226 million yen, resulting in net income of 14,207 million yen, an increase of 35.1% over the prior year. In a breakdown by segment, water treatment chemicals sales grew 3.9% year on year to 56,667 million yen compared to the previous year, while water treatment facilities sales rose 17.9% to 140,479 million yen.

During the period, capital expenditures in the electronics industry were solid in Japan on the back of buoyant demand for liquid crystal display (LCD) TVs, plasma display panel (PDP) TVs, and so forth. Overseas, large capital expenditures slowed down at some clients in Taiwan and South Korea. In the general industry, both factory operating rates and capital expenditures remained robust, mainly in basic materials sectors such as steel, oil refining and petrochemicals.

Taking into consideration the Group's business performance, marked by the achievement of record consolidated net income for the year, and the Group's policy of rewarding its shareholders for their support, the Company has decided to raise its year-end dividend by ¥4 to ¥15 per share. Since the interim dividend was raised by ¥2 to ¥13 per share, the annual dividend will be ¥28 per share.

### **Segment Information**

#### **Water Treatment Chemicals**

Total Group orders for the segment increased 4.9% from a year earlier to 56,560 million yen, while sales grew 3.9% to 56,667 million yen and operating income rose 10.6% to 8,806 million yen.

During the period, the Group concentrated its efforts on securing stable order flows by promoting packaged water treatment management contracts and expanding sales of mainstay products. The group worked to achieve this by focusing on the "solutions business" aimed at accommodating clients' needs to reduce environmental burdens, ensure stable factory operation, and improve productivity. Also, the Group worked to ensure revenue and earnings by shifting its focus to high value-added products, responding to the hike in raw materials costs, and reducing manufacturing and logistics costs.

Sales in the Japanese market were as follows. Of the Group's mainstay products, sales for wastewater treatment chemicals declined slightly from a year earlier due to intensified competition, for boiler water treatment chemicals were largely flat, while sales for cooling water treatment chemicals increased slightly. With regard to other products, sales for process treatment chemicals used in the oil refining and petrochemical industry were largely flat, while sales for packaged water treatment management contracts increased slightly, and sales for process treatment chemicals used in the paper and pulp industry increased on the back of high factory operating rates at client companies.

#### **Water Treatment Facilities**

Total Group orders for the segment increased 4.6% from a year earlier to 135,969 million yen, while sales grew 17.9% to 140,479 million yen and operating income surged 65.5% to 15,471 million yen.

During the period, the Group further accelerated its drive to expand its unique businesses by actively investing in service businesses including the ultra-pure water supply business and tool cleaning for semiconductor and LCD production equipment. Also, in a bid to secure stable order flows, the Group expanded its “solutions business” aimed at accommodating clients’ needs to increase productivity and reduce environmental burdens, and so forth. and strengthened sales to strategic clients. To ensure revenue and earnings, the Group continued its efforts to improve design and installation productivity, reduce cost and improve quality.

Orders for the Group’s mainline ultra-pure water production systems for the electronics industry increased in Japan. In other industries, orders for water treatment facilities for the basic materials industry declined, reflecting a decrease in large orders from a year earlier. In service businesses, orders for the ultra-pure water supply business and orders for tool cleaning for semiconductor and LCD production equipment surged, while those for related maintenance services increased slightly. With regard to soil remediation business, orders for soil assessment and soil remediation surged on the back of increased land trading.

### Net Sales

(Millions of yen)

Business segment	Year ended March 2007 (April 1, 2006 to March 31, 2007)		Year ended March 2006 (April 1, 2005 to March 31, 2006)	
	Amount	%	Amount	%
Water Treatment Chemicals	56,667	28.7 %	54,549	31.4%
Water Treatment Facilities	140,479	71.3 %	119,133	68.6%
<b>Total</b>	<b>197,146</b>	<b>100.0%</b>	<b>173,683</b>	<b>100.0%</b>

### Order Intake

(Millions of yen)

Business segment	Year ended March 2007 (April 1, 2006 to March 31, 2007)		Year ended March 2006 (April 1, 2005 to March 31, 2006)	
	Amount	%	Amount	%
Water Treatment Chemicals	56,560	29.4 %	53,903	29.3%
Water Treatment Facilities	135,969	70.6 %	130,007	70.7%
<b>Total</b>	<b>192,529</b>	<b>100.0%</b>	<b>183,910</b>	<b>100.0%</b>

### Order Backlog

(Millions of yen)

Business segment	Year ended March 2007 (April 1, 2006 to March 31, 2007)		Year ended March 2006 (April 1, 2005 to March 31, 2006)	
	Amount	%	Amount	%
Water Treatment Chemicals	3,499	6.3	3,607	6.0
Water Treatment Facilities	51,830	93.7	56,340	94.0
<b>Total</b>	<b>55,330</b>	<b>100.0</b>	<b>59,947</b>	<b>100.0</b>

### Significant Events that Occurred during the Period

(1) Payment of penalty and surcharge in connection with the violation of the Antimonopoly Act  
Kurita Water Industries Ltd. was ordered to pay a criminal penalty of 160,000,000 yen and also received an order from the Japan Fair Trade Commission to pay a surcharge of 328,860,000 yen for committing an act that violated a provision of the Act Concerning Prohibition of Private Monopolization and Maintenance of Fair Trade (Antimonopoly Act). This occurred in connection with the bidding process for a project to construct sludge treatment (human waste treatment) facilities. The criminal penalty and surcharge were recognized as extraordinary losses.

To prevent the reoccurrence of this, or the occurrence of any similar violations, the Company withdrew from all business activities mandated by the state and municipal governments and other organizational bodies.

### (2) Migration to Corporate-type Defined Contribution Pension Plan

The Company previously adopted the Termination Allowance Plan and Qualified Retirement Pension Plan as its retirement benefit scheme. The Company’s Board of Directors, at the meeting held on January 31, 2007, resolved that the Company migrate from the Qualified Retirement Pension Plan to the Corporate-type Defined Contribution Pension Plan, effective April 1, 2007. Under the previous pension

plan, unfunded portions of plan assets adversely affected the Company's business results, an effect related to asset management performance and the market value of plan assets. The introduction of the Corporate-type Defined Contribution Pension Plan will eliminate asset management risks associated with plan assets and projected benefit obligations, enabling the Company to reduce the impact on its business results.

### **Outlook for the Fiscal Year Ending March 31, 2008**

The Group forecasts 207,000 million yen in net sales, 28,000 million yen in ordinary income, and 15,700 million yen in net income for the full year ending March 31, 2008.

While the Group expects the market to remain solid supported by strong factory operating rates and capital expenditures, it also expects demand for large capital expenditures in the domestic electronics industry to run its course. In addition, the potential impact of U.S. and Asian (mainly Chinese) economic trends, movements in crude oil prices and foreign exchange movements on corporate profits remains a concern.

Under such an environment, to further ensure the achievement of targets set in the new medium-term management plan, G-8 (Growth 2008), the Group will aggressively expand its business by accelerating the ultra-pure water supply business and other services, and expanding business globally. In addition, the Group will focus on improving quality by strengthening compliance and internal controls, which are fundamental for Group management and operation, and by developing its human resources.

### **Outlook by Segment**

#### **Water Treatment Chemicals**

In water treatment chemicals, factory operating rates at clients, which have a large impact on the Group's order intake, are expected to remain solid, as seen a year earlier. However, there are concerns that cost cutting efforts by clients and cost increases in this segment due to rising basic materials costs, as well as other factors, may adversely affect the segment's profitability. Under such circumstances, the Group aims to further expand sales of its mainstay products, including boiler water treatment chemicals and cooling water treatment chemicals. The Group will also strive to maintain and increase order flows moving to rapidly offer water treatment technologies and services that accommodate clients' needs. The Group will continue its efforts to maintain profitability by accelerating development and the expansion of sales of competitive and profitable new products, while at the same time reducing manufacturing and logistics costs and reviewing its business operations.

#### **Water Treatment Facilities**

Capital expenditures on water treatment facilities in the overall manufacturing sector are largely expected to be robust, although there are concerns that reductions in the scale of capital expenditure projects in electronics industries may adversely affect the segment's performance. Under such an environment, the Group aims to accelerate its shift into service businesses. In particular, it will expand its unique businesses, such as the ultra-pure water supply business and tool cleaning for semiconductor and LCD production equipment. Overseas, the Group will concentrate sales efforts on Asian markets centering on Taiwan, South Korea and China, and on strategic clients, while also expanding its domestically proven business models in these markets to secure order flows. Furthermore, the Group will focus on securing revenues by driving forward initiatives to achieve higher quality, lower cost and higher design and installation productivity.

#### **Profit Distribution**

In consideration of its full-year business performance, marked by the achievement of record consolidated net income, future business growth plans, and the Group's policy of rewarding its shareholders for their support, the Company plans to raise its year-end dividend by ¥4 to ¥15 per share. Since the Company raised its interim dividend by ¥2 to ¥13 per share, the annual dividend for the year is expected to be ¥28 per share. For the year ending March 31, 2008, the Company plans to pay an interim dividend of ¥15 per share and a year-end dividend of ¥17 per share, totaling an annual dividend of ¥32 per share.

Moving forward, the Company will continue its commitment to its basic policy of maintaining stable dividend payments. The Company will strive to increase dividends while taking account of trends in its business results and increasing and utilizing retained earnings. Although the Company has the option of discontinuing the restriction on the frequency of dividend payments per year, the Company will continue to maintain its policy of paying dividends semiannually because it determines dividends based on interim and full-year business results.

### **Financial Condition (Cash Flows)**

Consolidated net cash and cash equivalents at the end of the period were 37,442 million yen, representing an increase of 7,571 million yen, or 25.3%, from the end of the previous fiscal year.

Net cash provided by operating activities amounted to 27,070 million yen, an increase of 13,214 million yen from a year earlier. This is primarily due to the cash inflows from income before income taxes, which totaled 24,591 million yen, and depreciation and amortization totaling 6,512 million yen, which were partly offset mainly by the payment of income taxes in the amount of 8,032 million yen.

Net cash used in investing activities was 16,453 million yen, an increase of 4,135 million yen from a year earlier, primarily reflecting the fact that net sales of investment securities of 3,009 million yen were more than offset by a payment of 18,846 million yen associated with acquisition of tangible fixed assets for business purposes.

Net cash used in financing activities was 3,458 million yen, an increase of 942 million yen from a year earlier, mainly reflecting dividend payments of 3,174 million yen.

#### Cash Flow Indicators

	Fiscal year ended March 31, 2004	Fiscal year ended March 31, 2005	Fiscal year ended March 31, 2006	Fiscal year ended March 31, 2007
Equity ratio (%)	70.1	70.9	68.3	66.7
Equity ratio (based on market capitalization) (%)	96.3	112.7	152.3	155.9
Interest-bearing debt to cash flow ratio (%)	21.3	13.8	8.9	4.1
Interest coverage ratio (X)	206.4	230.5	322.2	601.6

#### Notes

1. These indicators are calculated using financial figures calculated on a consolidated basis.
2. Market capitalization is calculated by multiplying the closing stock price at the end of the period by the number of shares issued and outstanding (excluding treasury shares) at the end of the period.
3. Cash flows from operating activities are used in the calculation.
4. Interest-bearing debt includes debts recorded on the consolidated balance sheet that incur interest payments.

### **Business Risks**

Major risk factors that could affect the Group's future performance include, but are not limited to, economic trends, capital expenditure trends in water treatment facilities and factory operating rates at client companies, price movements in basic materials, and competition with other industry players.

## **Factors that may affect the Group's business performance**

The performance of the water treatment chemicals business is affected by fluctuations in demand levels reflecting changes in factory operating rates at companies in steel, petroleum refining and petrochemical, and pulp and paper industries, the Group's main sources of clients for the business. The Group's business performance is also affected by movements in basic materials prices reflecting trends in crude oil prices.

The performance of the water treatment facilities business is affected by demand fluctuations caused by trends in capital expenditures at companies in electronics related industries, the Group's main source of clients for the business.

The Group considers the potential impact of exchange rate movements on its business performance to be insignificant as its overseas operations account for only a small proportion of its overall sales, and are distributed across a number of currencies.

## **About the Kurita Group**

The Kurita Group provides a wide range of products, technologies, and maintenance services related to water treatment. The two core lines of the Group's business consist of: 1) water treatment chemicals used for boiler water, cooling water, wastewater and in manufacturing processes, and 2) water treatment facilities such as ultra-pure water production systems and wastewater treatment facilities. The business scope of both lines includes production, sales, and maintenance services. For additional information about the Kurita Group, please visit the Company's website at: [www.kurita.co.jp/english](http://www.kurita.co.jp/english)

## **Forward-Looking Statements**

This news release contains various forward-looking statements which are based on current expectations of and assumptions regarding future events. Except for the historical information contained herein, all figures and statements with respect to future performance, projections and business plans of the Kurita Group constitute forward-looking statements. Although Kurita believes that its expectations and assumptions are reasonable, actual results and trends in the Group's performance could differ materially from those expressed or implied by such figures and statements because of risks and uncertainties

Condensed Financial Statements - Consolidated

Condensed Balance Sheets - Consolidated

(In million yen)

	As of March 31, 2007 (A)	As of March 31, 2006 (B)	(A) – (B)
<b>[Assets]</b>			
<b>Current assets</b>	137,004	125,231	11,773
Cash and deposits	37,761	30,107	7,654
Notes receivable - trade	10,320	10,115	205
Accounts receivable - trade	66,760	66,957	(197)
Marketable securities	5,830	6,162	(332)
Inventories	12,065	8,070	3,995
Deferred tax assets	2,713	2,170	543
Other	1,716	1,773	(57)
Allowance for doubtful accounts	(164)	(125)	(39)
<b>Fixed assets</b>	98,133	87,542	10,591
Tangible fixed assets	67,288	53,991	13,297
Intangible fixed assets	2,607	2,863	(256)
Investments and other assets	28,237	30,687	(2,450)
<b>Total assets</b>	<b>235,137</b>	<b>212,774</b>	<b>22,363</b>

<b>[Liabilities]</b>			
<b>Current liabilities</b>	65,496	54,877	10,619
Notes payable - trade	2,433	1,638	795
Accounts payable - trade	32,318	28,773	3,545
Short-term borrowings	333	320	13
Accounts payable - other/Accrued expenses	13,141	13,493	(352)
Income taxes payable	7,498	4,376	3,122
Advances received	4,920	2,055	2,865
Accrued employees' bonuses	2,327	2,362	(35)
Allowance for product warranty	1,230	739	491
Other	1,291	1,118	173
<b>Fixed liabilities</b>	11,440	11,233	207
Long-term borrowings	96	180	(84)
Deferred tax liabilities related to revaluation	1,526	1,526	-
Accrued employees' retirement benefits	8,392	8,261	131
Accrued retirement benefits for directors and corporate auditors	696	488	208
Other	729	777	(48)
<b>Total liabilities</b>	<b>76,937</b>	<b>66,111</b>	<b>10,826</b>

(In million yen)

	As of March 31, 2007 (A)	As of March 31, 2006 (B)	(A) – (B)
<b>[Minority interests]</b>			
Minority interests	-	1,295	-
<b>[Shareholders' equity]</b>			
<b>Common stock</b>	-	13,450	-
<b>Additional paid-in capital</b>	-	11,426	-
<b>Retained earnings</b>	-	122,350	-
<b>Net unrealized gains (losses) on revaluation of land</b>	-	(740)	-
<b>Revaluation surplus of other securities</b>	-	3,873	-
<b>Foreign currency translation adjustments</b>	-	(200)	-
<b>Treasury stock</b>	-	(4,793)	-
Total shareholders' equity	-	145,366	-
Total liabilities, minority interests and shareholders' equity	-	212,774	-
<b>[Net assets]</b>			
<b>Shareholders' capital</b>	153,519	-	-
Common stock	13,450	-	-
Additional paid-in capital	11,426	-	-
Retained earnings	133,446	-	-
Treasury stock	(4,803)	-	-
<b>Valuation and translation adjustments</b>	3,252	-	-
<b>Minority interests</b>	1,427	-	-
Total net assets	158,200	-	-
Total liabilities and net assets	235,137	-	-

## Condensed Statements of Income - Consolidated

(In million yen)

	Year ended March 31, 2007 (A)		Year ended March 31, 2006 (B)		(A) – (B)
	Amount	%	Amount	%	Amount
Net sales	197,146	100.0	173,683	100.0	23,463
Cost of sales	137,819	69.9	122,630	70.6	15,189
Gross profit	59,326	30.1	51,052	29.4	8,274
Selling, general and administrative expenses	35,050	17.8	33,741	19.4	1,309
Operating income	24,276	12.3	17,311	10.0	6,965
Non-operating income	1,242	0.6	1,334	0.7	(92)
Non-operating expense	293	0.1	220	0.1	73
Ordinary income	25,226	12.8	18,425	10.6	6,801
Extraordinary gains	-	-	1,205	0.7	(1,205)
Extraordinary losses	634	0.3	1,430	0.8	(796)
Income before income taxes	24,591	12.5	18,200	10.5	6,391
Income taxes					
Current	11,131	5.6	7,395	4.2	3,736
Deferred	(1,061)	(0.5)	100	0.1	(1,161)
Minority interests in earnings of consolidated subsidiaries	314	0.2	184	0.1	130
Net income	14,207	7.2	10,519	6.1	3,688

## Statements of Cash Flows - Consolidated

(In million yen)

	Year ended March 31, 2007	Year ended March 31, 2006	(A) – (B)
	(A)	(B)	
	Amount	Amount	Amount
<b>Cash flows from operating activities</b>			
Income before income taxes	24,591	18,200	6,391
Depreciation and amortization	6,512	4,906	1,606
Impairment losses	-	846	(846)
Amortization of consolidation goodwill	(56)	(24)	(32)
Equity in earnings of unconsolidated subsidiaries and affiliates	(172)	(266)	94
Increase/decrease in accrued bonuses	(66)	238	(304)
Increase/decrease in allowance for employees' retirement benefits	103	(447)	550
Increase/decrease in allowance for doubtful accounts	119	(56)	175
Increase/decrease in other allowances	694	(510)	1,204
Interest and dividend income	(566)	(452)	(114)
Other non-operating income	(350)	(328)	(22)
Interest expense	50	41	9
Other non-operating expenses and extraordinary losses	745	311	434
Gains/losses on sale of investment securities	-	(1,205)	1,205
Gains/losses on sale/disposal of tangible fixed assets	141	411	(270)
Increase/decrease in notes and accounts receivables - trade	708	(5,259)	5,967
Increase/decrease in inventories	(3,945)	156	(4,101)
Decrease in other current assets	98	175	(77)
Increase in notes and accounts payable-trade	2,192	2,314	(122)
Increase in advances received	2,846	1,077	1,769
Increase in other current liabilities	1,256	362	894
Bonus paid to directors	-	(180)	180
Other	(230)	(212)	(18)
Sub total	34,673	20,096	14,577
Interest and dividend received	649	589	60
Other non-operating income received	360	374	(14)
Interest paid	(45)	(43)	(2)
Other non-operating expenses paid	(536)	(179)	(357)
Income taxes paid	(8,032)	(6,981)	(1,051)
<b>Net cash provided by operating activities</b>	27,070	13,856	13,214
<b>Cash flows from investing activities</b>			
Deposits into time deposit accounts	(113)	(305)	192
Withdrawals from time deposits	34	314	(280)
Payments for purchases of marketable securities	(11,124)	(10,807)	(317)
Proceeds from sale of marketable securities	14,843	10,239	4,604
Payments for purchases of tangible fixed assets	(18,846)	(10,962)	(7,884)
Proceeds from sale of tangible fixed assets	43	817	(774)
Payments for purchases of investment securities	(1,224)	(3,914)	2,690
Proceeds from sale of investment securities	514	2,785	(2,271)
Other expenses	(786)	(986)	200
Other income	205	500	(295)
<b>Net cash used in investing activities</b>	(16,453)	(12,318)	(4,135)
<b>Cash flows from financing activities</b>			
Proceeds from and repayment of short-term borrowings	(81)	220	(301)
Proceeds from and repayment of long-term borrowings	(192)	(84)	(108)
Acquisition of treasury stock	(10)	(11)	1
Dividends paid	(3,086)	(2,572)	(514)
Dividends paid to minority shareholders	(88)	(106)	18
Payment by minority shareholders	-	38	(38)
<b>Net cash used in financing activities</b>	(3,458)	(2,516)	(942)
<b>Effect of exchange rate changes on cash and cash equivalents</b>	280	173	107
<b>Increase/decrease in cash and cash equivalents</b>	7,438	(804)	8,242
<b>Cash and cash equivalents at the beginning of the period</b>	29,871	30,365	(494)
<b>Cash and cash equivalents of newly consolidated subsidiaries at the beginning of the period</b>	132	310	(178)
<b>Cash and cash equivalents at the end of the period</b>	37,442	29,871	7,571

## Segment Information

By business type for year ended March 31, 2007 (April 1, 2006 to March 31, 2007)

(In million 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) Inter-segment sales	262	78	340	(340)	-
Total	56,930	140,557	197,487	(340)	197,146
Operating cost 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

By business type for year ended March 31, 2006 (April 1, 2005 to March 31, 2006)

(In million yen)

	Water treatment chemicals	Water treatment facilities	Total	Elimination or corporate	Consolidated
I. Sales and operating income					
Sales					
(1) Sales to outside customers	54,549	119,133	173,683	-	173,683
(2) Inter-segment sales	322	573	895	(895)	-
Total	54,872	119,706	174,578	(895)	173,683
Operating cost and expenses	46,910	110,357	157,268	(895)	156,372
Operating income	7,961	9,349	17,310	0	17,311
II. Assets, depreciation and capital expenditures					
Assets	46,191	124,280	170,471	42,302	212,774
Depreciation and amortization	1,608	3,298	4,906	-	4,906
Impairment losses	-	-	-	846	846
Capital expenditures	2,018	14,519	16,537	-	16,537

## Overseas Sales

Year ended March 31, 2007 (April 1, 2006 to March 31, 2007)

(In million yen)

	Asia	North America	Europe	Other	Total
I. Overseas sales	22,635	3,424	1,296	2,171	29,528
II. Consolidated net sales	-	-	-	-	197,146
III. Ratio of overseas sales to total consolidated sales	11.5%	1.7%	0.7%	1.1%	15.0%

Year ended March 31, 2006 (April 1, 2005 to March 31, 2006)

(In million yen)

	Asia	North America	Europe	Other	Total
I. Overseas sales	16,602	2,340	1,121	1,724	21,788
II. Consolidated net sales	-	-	-	-	173,683
III. Ratio of overseas sales to total consolidated sales	9.6%	1.3%	0.6%	1.0%	12.5%

Notes:

1. Geographic segmentation is based on geographic proximity.
2. Major countries or regions in each segment are as follows:
  - (1) Asia: South Korea, China, Taiwan, Singapore, Indonesia, and Thailand
  - (2) North America: U.S.A.
  - (3) Europe: Germany
  - (4) Other areas: Brazil
3. "Overseas sales" includes sales by the Company and its consolidated subsidiaries to the countries or regions other than Japan.