

FOR IMMEDIATE RELEASE

## **Kurita Water Industries Reports Earnings for the Fiscal Year Ended March 2008**

Tokyo, Japan, April 30, 2008—Kurita Water Industries Ltd. (TSE Security Code 6370) announced net sales of 204,875 million yen for the fiscal year ended March 31, 2008, (April 1 2007 – March 31, 2008) and net income of 18,297 million yen, or 142.21 yen per share.

### **Results of Operations**

Total consolidated orders for the Kurita Group increased 8.4% from a year earlier to 208,689 million yen, while net sales grew 3.9% to 204,875 million yen. Operating income was up 25.5% to 30,468 million yen, and ordinary income rose 23.9% to 31,243 million yen. This resulted in net income of 18,297 million yen, an increase of 28.8% from a year earlier. By segment, sales in water treatment chemicals grew 3.5% year on year to 58,646 million yen, while sales in water treatment facilities rose 4.1% to 146,228 million yen.

Markets in which the Kurita Group operates remained strong overall during the fiscal year under review amid the emergence in the second half of sources of uncertainty regarding future economic conditions, such as the subprime mortgage crisis and surging crude oil and materials prices. Capital expenditure levels were strong in Japan against a background of buoyant demand in the electronics industry for semiconductor and LCD products. Overseas, capital expenditure slowed in Taiwan as semiconductor prices declined. In general industries, both factory operating rates and capital expenditures remained robust in Japan, mainly in basic materials sectors such as steel, oil refining, and petrochemicals. Overseas, factory operating rates in these industries were largely robust, primarily in Asia.

### **Segment Information**

#### **Water Treatment Chemicals**

Total Group orders for the segment increased 4.4% from a year earlier to 59,029 million yen, while sales grew 3.5% to 58,646 million yen, and operating income rose 8.2% to 9,525 million yen.

During the period, the Group concentrated its efforts on securing stable order flows by further focusing on expanding sales of mainstay products, such as boiler water treatment chemicals and cooling water treatment chemicals, while promoting sales based on proposals tailored towards resolving the issues that clients face, such as the reduction of environmental burdens, operational stabilization, and productivity improvements. The Group also worked to expand sales of high-value-added products and reduce manufacturing and logistics costs in order to counter the rise in costs stemming from surging raw materials prices.

#### *Japan*

Of the Group's mainstay products, orders for boiler water treatment chemicals were flat. Orders for wastewater treatment chemicals and orders for cooling water treatment chemicals increased as a result of sales efforts focusing on the Group's mainstay products. With regard to other products, orders for packaged water treatment management contracts were flat, while orders for process treatment chemicals used in the paper and pulp industry increased significantly, buoyed by higher productivity requirements at client companies.

#### *Overseas*

Orders increased sharply in all regions, particularly orders for water treatment chemicals for petrochemical complexes.

#### **Water Treatment Facilities**

Total Group orders for the segment increased 10.1% from a year earlier to 149,659 million yen, while sales grew 4.1% to 146,228 million yen, and operating income rose 35.3% to 20,939 million yen.

During the period, the Group continued to invest aggressively in service businesses, such as the ultrapure water supply business and tool cleaning services, while bolstering sales to strategic clients in the electronics and steel industries. Overseas, the Group worked to secure orders through concentrated sales efforts aimed at strategic clients in Taiwan and South Korea. To secure revenues and earnings, the Group continued its efforts to improve design and installation productivity, reduce costs, and improve quality.

Orders for the Group's mainline ultrapure water production systems for the electronics industry increased slightly in Japan and were flat in overseas markets. Orders for water treatment facilities used in general industries grew significantly, reflecting increased orders from oil refining and petrochemical industries and large orders from the steel industry. In service businesses, orders for the ultrapure water supply business for the electronics industry rose significantly on the back of increased production at client companies. Orders for tool cleaning services for semiconductor and LCD production equipment and orders for related maintenance services increased moderately. Orders for soil remediation services declined substantially due to a slowdown in land trade.

## Net Sales, Order Intake, and Order Backlog

### Net Sales

Year ended March 31,	2006		2007		2008	
	Amount	%	Amount	%	Amount	%
Business segment						
Water treatment chemicals	54,549	31.4	56,667	28.7	58,646	28.6
Water treatment facilities	119,133	68.6	140,479	71.3	146,228	71.4
Total	173,683	100.0	197,146	100.0	204,875	100.0

### Order Intake

Year ended March 31,	2006		2007		2008	
	Amount	%	Amount	%	Amount	%
Business segment						
Water treatment chemicals	53,903	29.3	56,560	29.4	59,029	28.3
Water treatment facilities	130,007	70.7	135,969	70.6	149,659	71.7
Total	183,910	100.0	192,529	100.0	208,689	100.0

### Order Backlog

Year ended March 31,	2006		2007		2008	
	Amount	%	Amount	%	Amount	%
Business segment						
Water treatment chemicals	3,607	6.0	3,499	6.3	3,882	6.6
Water treatment facilities	56,340	94.0	51,830	93.7	55,262	93.4
Total	59,947	100.0	55,330	100.0	59,144	100.0

## Significant Events during the Fiscal Year Ended March 31, 2008

During the year ended March 31, 2008, the Company finalized decisions to make capital investments totaling 50,000 million yen primarily in facilities used by the ultrapure water supply business.

## Outlook for the Fiscal Year Ending March 31, 2009

The Group forecasts 213,000 million yen in net sales, 32,000 million yen in operating income, and 18,500 million yen in net income for the full year ending March 31, 2009.

Amid a global slowdown in economic growth due to the impact of the subprime mortgage crisis, surging crude oil and raw materials prices, and other factors, the Group is expecting harsher market conditions as capital expenditure and factory operating rates at client companies decline.

In this environment, as the Group concludes the final year of the current medium-term management plan, *Growth 2008 (G-8)*, it will focus on accelerating the expansion of the ultrapure water supply business, along with its other service businesses and global businesses, to achieve profitable growth.

## **Outlook by Segment**

### **Water Treatment Chemicals**

Factory operating rates at clients, which significantly impact order intake, may decline, and there are also concerns that increased cost-cutting efforts by clients, along with cost increases in this segment, due to surging oil and basic materials prices, may adversely affect the segment's profitability. Under such circumstances, the Group aims to further expand sales of its mainstay products and will also strive to maintain and increase order flows by bolstering efforts to build close client relationships, thereby facilitating sales based on proposals tailored towards resolving the issues that clients face, as well as by strengthening collaboration with domestic sales subsidiaries and investing resources in strategic overseas markets.

The Group will continue its efforts to secure earnings by reducing manufacturing and logistics costs for water treatment chemicals and accelerating the development of new, high-value-added products.

### **Water Treatment Facilities**

Uncertainty remains regarding future capital expenditures on water treatment facilities due to demand trends in the electronics industry, industry restructuring, and other factors. In the overall manufacturing sector also, there are concerns that capital expenditures by client companies on water treatment facilities may decline. In this environment, the Group aims to expand orders steadily by accelerating its shift to service businesses that are not directly affected by capital investment trends at client companies. The Group also aims to secure a flow of orders for water treatment facilities by concentrating on sales to strategic clients and promoting sales based on proposals tailored towards resolving the issues that clients face.

Furthermore, the Group will focus on securing earnings by continuing efforts to enhance quality, reduce costs, and improve design and installation productivity.

### **Dividends**

The Company has decided on a year-end dividend of 17 yen per share, an increase of 2 yen from the previous year-end dividend. This takes into account the Group's business performance and is aimed at rewarding shareholders for their support. This year-end dividend, together with the interim dividend of 15 yen per share (an increase of 2 yen from the previous interim dividend), will result in an annual dividend of 32 yen per share, an increase of 4 yen per share from a year earlier.

For the next fiscal year, the Company intends to pay an interim dividend of 17 yen per share and a year-end dividend of 17 yen per share for a total annual dividend of 34 yen per share.

Moving forward, the Company will remain committed to the basic policy of maintaining stable dividend payments. The Company will also strive to increase dividends while taking account of trends in its business results and working to increase and utilize retained earnings.

### **Financial Condition**

#### **Assets, Liabilities, and Net Assets**

Current assets at the end of the fiscal year amounted to 121,562 million yen, a decline of 15,441 million yen compared to the end of last fiscal year. This was mainly attributable to declines of 27,444 million yen in cash and deposits, 3,212 million yen in trade accounts receivable, and 1,143 million yen in inventories, as well as an increase of 18,114 million yen in marketable securities. The decline in cash and deposits was primarily due to the shift of negotiable deposits, which were included in cash and deposits, into marketable securities and the payment of accounts payable. The decline in accounts receivable was due to progress made in the collection of receivables.

Fixed assets at the end of the fiscal year totaled 109,935 million yen, an increase of 11,802 million yen compared to the end of last fiscal year. This was mainly attributable to the 14,695 million yen increase in tangible fixed assets, due to the acquisition of facilities primarily for use by the ultrapure water supply business, although investment securities declined.

Current liabilities at the end of the fiscal year totaled 49,080 million yen, a decline of 16,416 million yen compared to the end of last fiscal year. This was mainly attributable to declines of 10,974 million yen in trade accounts payable and 4,102 million yen in other accounts payable and accrued expenses.

Total net assets came to 171,061 million yen, an increase of 12,860 million yen compared to the end of last fiscal year. This was mainly attributable to an increase in retained earnings of 14,428 million yen due to net income of 18,297 million yen being achieved, and comes despite a 1,889 million yen decrease in unrealized gains on other securities due to a decline in market values of investment securities held by the Kurita Group.

## **Cash Flows**

Consolidated net cash and cash equivalents at the end of the year stood at 30,360 million yen, a decrease of 7,082 million yen, or 18.9%, from the end of the previous fiscal year.

### *Cash Flows from Operating Activities*

Net cash provided by operating activities amounted to 20,380 million yen, a decline of 6,689 million yen from the end of last fiscal year. This primarily reflects net inflows in the form of income before income taxes of 31,279 million yen, a 4,987 million yen decrease in trade notes and accounts receivable, and depreciation and amortization totaling 9,425 million yen, which were offset by a 11,203 million yen decrease in trade notes and accounts payable and the payment of income taxes in the amount of 12,475 million yen.

### *Cash Flows from Investing Activities*

Net cash used in investing activities was 23,156 million yen, a decline of 6,702 million yen from a year earlier, primarily reflecting outflows of 10,055 million yen for the acquisition of marketable securities and 26,101 million yen for the acquisition of tangible fixed assets, such as equipment for use in the ultrapure water supply business, which were offset somewhat by 13,299 million yen in proceeds from the redemption and sale of marketable securities.

### *Cash Flows from Financing Activities*

Net cash used in financing activities was 4,365 million yen, an increase of 906 million yen from a year earlier, mainly reflecting dividend payments of 3,857 million yen.

## Cash Flow Indicators

Fiscal year ended March 31,	2005	2006	2007	2008
Equity ratio (%)	70.9	68.3	66.7	73.2
Equity ratio (based on market capitalization) (%)	112.7	152.3	155.9	203.9
Interest-bearing debt to cash flow ratio (%)	13.8	8.9	4.1	4.0
Interest coverage ratio (times)	230.5	322.2	601.6	452.9

### Notes:

1. All indicators are calculated using financial figures produced 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 (i.e. excluding treasury stock) at the end of the period.
3. The cash flow variable used in the calculations represents cash flow from operating activities.
4. Interest-bearing debt refers to all 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, trends in capital expenditure related to water treatment facilities and factory operating rates at client companies, price movements in basic materials, and competition with industry peers.

### **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 the 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 the prices of basic materials.

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’s business performance is also affected by movements in the prices of major raw materials and outsourcing costs, which influence equipment production costs.

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.

### **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, and wastewater and in manufacturing processes; and 2) water treatment facilities such as ultrapure water production systems and wastewater treatment facilities. The scope of both business lines includes production, sales, and maintenance services. For additional information about the Kurita Group, please visit the Company’s website at: <http://www.kurita.co.jp/english/>.

### **Forward-Looking Statements**

This news release contains various forward-looking statements based on current expectations 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 due to risks and uncertainties.

Condensed Financial Statements — Consolidated

Condensed Balance Sheets — Consolidated

(millions of yen)

	As of March 31,		Change (B) – (A)
	2007 (A)	2008 (A)	
<b>Assets</b>			
<b>Current assets</b>	137,004	121,562	(15,441)
Cash and deposits	37,761	10,316	(27,444)
Notes receivable - trade	10,320	8,666	(1,653)
Accounts receivable - trade	66,760	63,548	(3,212)
Marketable securities	5,830	23,945	18,114
Inventories	12,065	10,921	(1,143)
Deferred tax assets	2,713	2,912	199
Other	1,716	1,410	(306)
Allowance for doubtful accounts	(164)	(159)	4
<b>Fixed assets</b>	98,133	109,935	11,802
Tangible fixed assets	67,288	81,984	14,695
Intangible fixed assets	2,607	2,497	(110)
Investments and other assets	28,237	25,454	(2,783)
<b>Total assets</b>	<b>235,137</b>	<b>231,498</b>	<b>(3,638)</b>
<b>Liabilities</b>			
<b>Current liabilities</b>	65,496	49,080	(16,416)
Notes payable - trade	2,433	1,990	(443)
Accounts payable - trade	32,318	21,344	(10,974)
Short-term borrowings	333	102	(230)
Accounts payable - other / Accrued expenses	13,141	9,039	(4,102)
Income taxes payable	7,498	8,128	629
Advances received	4,920	3,584	(1,335)
Accrued employees' bonuses	2,327	2,401	73
Allowance for product warranty	1,230	1,131	(98)
Other	1,291	1,357	65
<b>Fixed liabilities</b>	11,440	11,357	(83)
Deferred tax liabilities related to revaluation	1,526	1,519	(7)
Accrued employees' retirement benefits	8,392	8,358	(34)
Accrued retirement benefits for directors and corporate auditors	696	709	13
Other	825	769	(55)
<b>Total liabilities</b>	<b>76,937</b>	<b>60,437</b>	<b>(16,499)</b>
<b>Net assets</b>			
<b>Shareholders' equity</b>	153,519	167,924	14,404
Common stock	13,450	13,450	-
Additional paid-in capital	11,426	11,426	-
Retained earnings	133,446	147,874	14,428
Treasury stock	(4,803)	(4,827)	(24)
<b>Valuation and translation adjustments</b>	3,252	1,478	(1,774)
<b>Minority interests</b>	1,427	1,658	230
<b>Total net assets</b>	<b>158,200</b>	<b>171,061</b>	<b>12,860</b>
<b>Total liabilities and net assets</b>	<b>235,137</b>	<b>231,498</b>	<b>(3,638)</b>

## Condensed Statements of Income — Consolidated

(millions of yen)

	Year ended March 31,				Change (B) – (A)
	2007 (A)		2008 (B)		
	Amount	%	Amount	%	Amount
Net sales	197,146	100.0	204,875	100.0	7,728
Cost of sales	137,819	69.9	138,549	67.6	729
Gross profit	59,326	30.1	66,325	32.4	6,998
Selling, general and administrative expenses	35,050	17.8	35,857	17.5	807
Operating income	24,276	12.3	30,468	14.9	6,191
Non-operating income	1,242	0.6	1,190	0.5	(52)
Non-operating expense	293	0.1	415	0.2	121
Ordinary income	25,226	12.8	31,243	15.2	6,017
Extraordinary gains	-	-	302	0.2	302
Extraordinary losses	634	0.3	266	0.1	(367)
Income before income taxes	24,591	12.5	31,279	15.3	6,687
Income taxes					
Current	11,131	5.6	13,113	6.4	1,982
Deferred	(1,061)	(0.5)	(469)	(0.2)	591
Minority interests in earnings of consolidated subsidiaries	314	0.2	337	0.2	22
Net income	14,207	7.2	18,297	8.9	4,090

## Statements of Cash Flows — Consolidated

(millions of yen)

	Year ended March 31,		Change (B) – (A)
	2007 (A)	2008 (B)	
	Amount	Amount	Amount
<b>Cash flows from operating activities</b>			
Income before income taxes	24,591	31,279	6,687
Depreciation and amortization	6,512	9,425	2,913
Amortization of negative consolidation goodwill	(56)	-	56
Equity in earnings of unconsolidated subsidiaries and affiliates	(172)	(115)	56
Increase (decrease) in accrued bonuses	(66)	59	125
Increase (decrease) in allowance for employees' retirement benefits	103	(42)	(146)
Increase (decrease) in allowance for doubtful accounts	119	(114)	(233)
Increase (decrease) in other allowances	694	(93)	(788)
Interest and dividend income	(566)	(652)	(85)
Other non-operating income	(350)	(422)	(71)
Interest expense	50	45	(4)
Other non-operating expenses and extraordinary losses	745	343	(402)
Losses (gains) on sale/disposal of tangible fixed assets	141	(42)	(183)
Decrease in notes and accounts receivables - trade	708	4,987	4,278
Decrease (increase) in inventories	(3,945)	1,073	5,018
Decrease (increase) in other current assets	98	(187)	(285)
Increase (decrease) in notes and accounts payable - trade	2,192	(11,203)	(13,395)
Increase (decrease) in advances received	2,846	(1,338)	(4,184)
Increase (decrease) in other current liabilities	1,256	(1,106)	(2,362)
Bonus paid to directors	-	(14)	(14)
Other	(230)	77	307
Sub total	34,673	31,957	(2,716)
Interest and dividend received	649	747	97
Other non-operating income received	360	411	50
Interest paid	(45)	(45)	0
Other non-operating expenses paid	(536)	(215)	320
Income taxes paid	(8,032)	(12,475)	(4,442)
<b>Net cash provided by (used in) operating activities</b>	<b>27,070</b>	<b>20,380</b>	<b>(6,689)</b>
<b>Cash flows from investing activities</b>			
Deposits into time deposit accounts	(113)	(50)	63
Withdrawals from time deposits	34	15	(19)
Payments for purchases of marketable securities	(11,124)	(10,055)	1,068
Proceeds from redemption and sale of marketable securities	14,843	13,299	(1,544)
Payments for purchases of tangible fixed assets	(18,846)	(26,101)	(7,255)
Proceeds from sale of tangible fixed assets	43	350	306
Payments for purchases of investment securities	(1,224)	(1,988)	(763)
Proceeds from sale of investment securities	514	1,914	1,399
Other expenses	(786)	(1,040)	(253)
Other income	205	500	295
<b>Net cash provided by (used in) investing activities</b>	<b>(16,453)</b>	<b>(23,156)</b>	<b>(6,702)</b>
<b>Cash flows from financing activities</b>			
Proceeds from and repayment of short-term borrowings	(81)	(235)	(154)
Proceeds from and repayment of long-term borrowings	(192)	(139)	52
Acquisition of treasury stock	(10)	(24)	(13)
Dividends paid	(3,086)	(3,857)	(770)
Dividends paid to minority shareholders	(88)	(108)	(20)
<b>Net cash provided by (used in) financing activities</b>	<b>(3,458)</b>	<b>(4,365)</b>	<b>(906)</b>
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<b>280</b>	<b>(18)</b>	<b>(299)</b>
<b>Increase (decrease) in cash and cash equivalents</b>	<b>7,438</b>	<b>(7,160)</b>	<b>(14,598)</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>29,871</b>	<b>37,442</b>	<b>7,570</b>
<b>Cash and cash equivalents of newly consolidated subsidiaries at the beginning of the period</b>	<b>132</b>	<b>78</b>	<b>(54)</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>37,442</b>	<b>30,360</b>	<b>(7,082)</b>



## Segment Information

By business type for the year ended March 31, 2007 (April 1, 2006 – 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) 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 the year ended March 31, 2008 (April 1, 2007 – March 31, 2008)

(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	58,646	146,228	204,875	-	204,875
(2) Inter-segment sales	310	87	397	(397)	-
Total	58,957	146,315	205,272	(397)	204,875
Operating cost 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

## Geographical Segment Information

Geographical segment information for last fiscal year is omitted as the Japanese market accounted for more than 90% of both sales and total assets as a proportion of total sales and total assets, respectively, across all segments.

Year ended March 31, 2008 (April 1, 2007 – March 31, 2008)

	Japan	Other regions	Total	Elimination or corporate	Consolidated
(millions of yen)					
I. Sales and operating income					
Sales					
(1) Sales to outside customers	183,867	21,007	204,875	-	204,875
(2) Inter-segment sales	2,272	802	3,075	(3,075)	-
Total	186,139	21,810	207,950	(3,075)	204,875
Operating cost 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

## Overseas Sales

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

	Asia	North America	Europe	Other	Total
(millions of yen)					
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, 2008 (April 1, 2007 – March 31, 2008)

	Asia	North America	Europe	Other	Total
(millions of yen)					
I. Overseas sales	23,723	2,759	1,736	3,107	31,327
II. Consolidated net sales	-	-	-	-	204,875
III. Ratio of overseas sales to total consolidated sales	11.6%	1.3%	0.9%	1.5%	15.3%

### Notes:

- Geographic segmentation is based on geographic proximity.
- Major countries or regions in each category are as follows:
  - Asia: Korea, China, Taiwan, Singapore, Indonesia, and Thailand
  - North America: U.S.A.
  - Europe: Germany
  - Other areas: Brazil
- “Overseas sales” includes sales by the Company and its consolidated subsidiaries in countries or regions other than Japan.