

Kurita Water Industries Reports Earnings for the Three Months to June 30, 2008

Tokyo, Japan; July 30, 2008—Kurita Water Industries Ltd. (TSE Security Code 6370) announced sales of 41,093 million yen for the first three months of the fiscal year ending March 31, 2009 (April 1 – June 30, 2008), and net income of 2,872 million yen, or 22.33 yen per share.

Results of Operations

Total consolidated orders for the Kurita Group decreased 0.5% from a year earlier to 54,369 million yen, while net sales increased 1.4% to 41,093 million yen. Operating income was up 3.0% to 4,840 million yen, and ordinary income rose 1.5% to 5,124 million yen. This resulted in net income of 2,872 million yen for the quarter, a decline of 1.2% from last year's first-quarter figure.

Conditions in the markets in which the Kurita Group operates were challenging in the three-month period under review against a backdrop of surging crude oil and materials prices and the escalation of the subprime mortgage crisis. In the electronics industry, although demand for LCD products remained strong, signs of a slowdown in semiconductor-related capital investment were apparent in both Japan and overseas. Meanwhile in general industries, although evidence of decreased factory operating rates and capital investment was seen in some sectors in Japan, little change was observed in either of these in basic materials sectors such as steel, oil refining, and petrochemicals. Overseas, factory operating rates remained largely unchanged.

Surging crude oil and materials prices increased costs for the Kurita Group during the three-month period, thus reducing earnings.

Overview by Segment

Water Treatment Chemicals

Total Group orders for the segment increased 4.5% from a year earlier to 15,602 million yen, and sales grew 4.6% to 14,338 million yen.

During the three-month period under review, the Group strove to expand 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 and productivity improvements.

Japan

While orders for boiler water treatment chemicals remained largely unchanged compared to the first quarter last fiscal year, an increase was seen in orders for other mainstay products—cooling water treatment chemicals and waste water treatment chemicals, although only a slight rise for the former. With regard to other products, orders for process treatment chemicals used in the paper and pulp industry rose substantially as a result of higher productivity requirements at client companies, while orders for packaged water treatment management contracts edged up slightly.

Overseas

Overseas orders increased.

Water Treatment Facilities

Total Group orders for the segment decreased 2.4% from a year earlier to 38,767 million yen, while sales edged down 0.2% to 26,755 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 devoting greater resources in sales to securing orders from strategic clients in the electronics and steel industries. Outside Japan, the Group focused sales efforts on Taiwan and South Korea.

Orders from the electronics industry for the Group's mainline ultrapure water production systems were down significantly year on year in Japan and overseas as a result of lower capital investment, while orders for the ultrapure water supply business grew significantly due to higher demand, and orders for tool cleaning services also rose. Orders for water treatment facilities used in general industries increased considerably due to large orders from the steel industry. A slight decline was seen in orders for maintenance services.

Net Sales and Order Intake

Order Intake

Three months ended June 30,	(million yen)			
	2007		2008	
Business segment	Amount	%	Amount	%
Water treatment chemicals	14,924	27.3	15,602	28.7
Water treatment facilities	39,722	72.7	38,767	71.3
Total	54,647	100.0	54,369	100.0

Net Sales

Three months ended June 30,	(million yen)			
	2007		2008	
Business segment	Amount	%	Amount	%
Water treatment chemicals	13,704	33.8	14,338	34.9
Water treatment facilities	26,815	66.2	26,755	65.1
Total	40,520	100.0	41,093	100.0

Financial Condition

Current assets at the end of the first quarter totaled 110,643 million yen, a decline of 10,919 million yen from the end of the previous fiscal year. This decrease was mainly a result of a 7,843 million yen decline in trade accounts receivable and a 13,827 million yen decline in marketable securities, despite a 7,610 million yen increase in cash and deposits and a 2,724 million yen increase in work in process. The increase in work in process was due to headway made in works being constructed in the water treatment facilities business; the decrease in trade accounts receivable was attributable to progress made in collecting on amounts owed; while the decrease in marketable securities was mainly due to the redemption of securities.

Fixed assets at the end of the first quarter totaled 111,969 million yen, an increase of 2,033 million yen from the end of the previous fiscal year, mainly reflecting a 3,397 million yen increase in tangible fixed assets due to the acquisition of facilities for the ultrapure water supply business.

Current liabilities at the end of the period came to 38,760 million yen, a decline of 10,319 million from the end of the previous fiscal year. The decline was mainly attributable to a 3,887 million yen decrease in trade accounts payable, due to progress made in paying off accounts payable from the end of the previous fiscal year, and a 6,224 million yen decrease in income taxes payable due to the payment of income taxes.

Total net assets came to 172,214 million yen, an increase of 1,153 million yen from end of the previous fiscal year. This rise was mainly due to a 2,187 million yen increase in retained earnings from net income posted in the three-month period under review and a 1,345 million yen rise in unrealized gains on marketable securities due to an increase in the market value of investment securities held by the Group. These factors were offset somewhat by a 2,187 million yen decline in retained earnings due to the payment of dividends.

Outlook for the Fiscal Year Ending March 31, 2009

The Group's consolidated performance was solid overall during the three-month period under review, and the Group believes that it is on course to achieve the earnings forecasts for the interim period ending September 30, 2008, and the full fiscal year ending March 31, 2009, that appeared in the consolidated earnings release (and in Japanese in the *kessan tanshin*) for the fiscal year ended March 31, 2008, issued on April 30, 2008.

Financial Statements — Consolidated

Effective this fiscal year, the Company has adopted the “Accounting Standards for Quarterly Financial Reporting” (ASBJ Statement No. 12) and “Guidance on Accounting Standards for Quarterly Financial Reporting” (ASBJ Guidance No. 14). Consolidated financial statements for the period under review are prepared based on the “Regulations on the Terminology, Form and Preparation of Quarterly Financial Statements.”

Balance Sheets — Consolidated

	As of June 30, 2008	(millions of yen) As of March 31, 2008
Assets		
Current assets		
Cash and deposits	17,927	10,316
Notes receivable - trade	8,689	8,666
Accounts receivable - trade	55,705	63,548
Marketable securities	10,117	23,945
Finished products	1,548	1,428
Raw materials	1,571	1,365
Work in process	10,852	8,128
Other	4,377	4,323
Allowance for doubtful accounts	(147)	(159)
Total current assets	110,643	121,562
Fixed assets		
Tangible fixed assets		
Buildings	21,643	22,002
Machinery and equipment	36,651	37,703
Other	27,087	22,278
Total for tangible fixed assets	85,382	81,984
Intangible fixed assets	2,338	2,497
Investments and other assets		
Other	24,344	25,547
Allowance for doubtful accounts	(95)	(93)
Total investments and other assets	24,248	25,454
Total fixed assets	111,969	109,935
Total assets	222,613	231,498
Liabilities		
Current liabilities		
Notes payable - trade	1,901	1,990
Accounts payable - trade	17,457	21,344
Short-term borrowings	80	102
Income taxes payable	1,903	8,128
Accrued employees bonuses	1,419	2,401
Other reserves	1,084	1,182
Other	14,913	13,930
Total current liabilities	38,760	49,080
Fixed liabilities		
Accrued employees' retirement benefits	8,596	8,358
Other reserves	739	709
Other	2,302	2,288
Total fixed liabilities	11,637	11,357
Total liabilities	50,398	60,437

Net assets		
Shareholders' equity		
Common stock	13,450	13,450
Additional paid-in capital	11,426	11,426
Retained earnings	148,560	147,874
Treasury stock	(4,831)	(4,827)
Total shareholder's equity	168,606	167,924
Valuation and translation adjustments		
Net unrealized gains (losses) on available-for-sale securities	3,119	1,773
Unrealized gains (losses) on revaluation of land	(750)	(750)
Foreign currency translation adjustments	(409)	455
Total Valuation and translation adjustments	1,959	1,478
Minority interests		
	1,648	1,658
Total net assets	172,214	171,061
Total liabilities and net assets	222,613	231,498

Statements of Income — Consolidated

(millions of yen)

	Three months ended June 30,	
	2008	2007
	Amount	Amount
Net sales	41,093	40,520
Cost of sales	27,174	26,706
Gross profit	13,919	13,813
Selling, general and administrative expenses		
Salaries and directors' remuneration	2,910	-
Provision for employees' bonuses	695	-
R&D expenses	1,073	-
Other	4,399	-
Total selling, general and administrative expenses	9,078	9,116
Operating income	4,840	4,697
Non-operating income		
Interest income	80	-
Dividend income	173	-
Other	67	-
Total non-operating income	322	393
Non-operating expense		
Interest expense	8	-
Other	30	-
Total non-operating expense	38	41
Ordinary income	5,124	5,048
Income before income taxes	5,124	5,048
Income taxes	2,066	2,064
Minority interests in earnings of consolidated subsidiaries	185	76
Net income	2,872	2,907

Accounting standards applied this fiscal year differ from those applied last fiscal year, so last year's quarterly results are provided for reference only.

Segment Information

• Business segment information

Three months ended June 30, 2008 (April 1, 2008 – June 30, 2008)

	(million yen)				
	Water treatment chemicals	Water treatment facilities	Total	Elimination or corporate	Consolidated
Sales and operating income					
Sales					
(1) Sales to outside customers	14,338	26,755	41,093	-	41,093
(2) Inter-segment sales	56	29	86	(86)	-
Total	14,394	26,785	41,179	(86)	41,093
Operating income	2,269	2,583	4,852	(11)	4,840

• Geographical segment information

Three months ended June 30, 2008 (April 1, 2008 – June 30, 2008)

	(million yen)				
	Japan	Other regions	Total	Elimination or corporate	Consolidated
Sales and operating income					
Sales					
(1) Sales to outside customers	36,791	4,302	41,093	-	41,093
(2) Inter-segment sales	418	19	438	(438)	-
Total	37,209	4,322	41,531	(438)	41,093
Operating income	4,422	337	4,759	80	4,840

Notes:

1. Geographic segmentation is based on geographic proximity.
2. "Other regions" in the above table consists of Asia and other areas.

Overseas Sales

Three months ended June 30, 2008 (April 1, 2008 – June 30, 2008)

	(million yen)				
	Asia	North America	Europe	Other	Total
I. Overseas sales	3,781	218	381	845	5,227
II. Consolidated sales	-	-	-	-	41,093
III. Ratio of overseas sales to total consolidated sales	9.2%	0.5%	0.9%	2.1%	12.7%

Notes:

1. Geographic segmentation is based on geographic proximity.
2. Major countries or regions in each category are as follows:
 - (1) Asia: 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 in countries or regions other than Japan.