

FOR IMMEDIATE RELEASE

Kurita Water Industries Reports Earnings for the Third Quarter Ended December 2004

Tokyo, Japan January 31, 2005—Kurita Water Industries Ltd. (TSE Security Code 6370) announced year-to-date revenue for the third quarter ended December, 2004 of 101,240 million yen and year-to-date earnings of 4,555 million yen, or 35.42 yen per share.

Summary of Operating Results

Total consolidated orders for the nine months ended December 31, 2004 increased by 9.9% over the previous year to 121,595 million yen, while net sales for the same period increased 12.6% to 101,240 million yen. As a result, operating income for the nine months period increased by 74.5% to 7,860 million yen and ordinary income grew by 80.8% to 8,212 million yen, resulting in a net income increase of 40.1% to 4,555 million yen. Particularly noteworthy was the improvement in S.G. & A. margin to 24.4% of sales from 27.3% of sales for the same period the previous year. By segment, water treatment chemicals sales increased by 4.7% over the previous year to 36,603 million yen, while water treatment facilities sales grew by 17.6% to 64,636 million yen.

During the quarter, the Group's operations were supported by continued strong capital expenditures in the electronics industry of Japan, Taiwan and South Korea, and an emerging recovery in capital expenditures in other industries as well. However, public works expenditure related demand remained weak, reflecting continued reductions in budgeted expenditures in the public sector.

Segment Information

Water Treatment Chemicals

Total group orders for the segment for the nine months ended December 31, 2004 increased by 7.0% from the same period a year earlier to 38,101 million yen and accounted for 31.3% of total orders versus 32.2% of total orders for the same period of the previous fiscal year. Sales for the nine months increased by 4.7% to 36,603 million yen and were 36.2% of total sales versus 38.9% of sales in the previous year.

Water treatment chemicals orders for the nine months period were supported by efforts to expand sales of new products more aligned with customer needs, and to expand contracts for integrated management services related to water treatment. Orders increased for the Company's mainstay cooling water and waste water treatment chemicals, while orders for boiler water treatment chemicals recorded a slight decline. In other products, orders for process treatment chemicals from the pulp and paper industry increased, as did orders for water treatment maintenance and services. On the other hand, orders for agents to solidify heavy metal contained in waste incineration fly ash recorded a slight decline.

Water Treatment Facilities

Total group orders for the segment for the nine months ended December 31, 2004 increased by 11.2% from the same period a year earlier to 83,494 million yen and accounted for 68.7% of total orders versus 67.8% of total orders for the same period of the previous fiscal year. Sales for the nine months increased by 17.6% to 64,636 million yen and were 63.8% of total sales versus 61.1% of sales in the previous year.

The increase in orders for the segment was supported by the Company's efforts to expand its

“solutions business” with proposals based on appraisals of the fundamental problems customers need to solve, and its “outsourcing business”, particularly ultra-pure water supply business where the company offers construction, retention, operation and maintenance services for ultra-pure water production system.

The increase in private sector orders was driven by orders for the Company’s mainstay ultra-pure water production systems for the electronic industry, where an increase was seen in orders for tool cleaning services for semiconductor and liquid crystal display production equipment, as well as other maintenance services. In addition, there was an increase in orders for other private sector water treatment facilities. On the other hand, public sector orders for sludge recycling facilities declined owing to a concentration of large facility orders in the previous year, while there was a slight increase in sewage system-related orders.

Order intake

(in million yen)

Segment	3Q ended Dec. 31, 2004 (April 1, 2004 to December 31, 2004)		3Q ended Dec. 31, 2003 (April 1, 2003 to December 31, 2003)		y-t-y change vs 3Q 2003	Year ended March 2004 (April 2003 to March 2004)	
	Amount	%	Amount	%	Amount	Amount	%
Water treatment chemicals	38,101	31.3	35,604	32.2	2,497	47,516	31.7
Water treatment facilities	83,494	68.7	75,072	67.8	8,422	102,218	68.3
Total	121,595	100.0	110,677	100.0	10,918	149,735	100.0

Net sales

(in million yen)

Segment	3Q ended Dec. 31, 2004 (April 1, 2004 to December 31, 2004)		3Q ended Dec. 31, 2003 (April 1, 2003 to December 31, 2003)		y-t-y change vs 3Q 2003	Year ended March 2004 (April 2003 to March 2004)	
	Amount	%	Amount	%	Amount	Amount	%
Water treatment chemicals	36,603	36.2	34,962	38.9	1,641	47,442	32.3
Water treatment facilities	64,636	63.8	54,959	61.1	9,677	99,377	67.7
Total	101,240	100.0	89,922	100.0	11,318	146,819	100.0

Financial Condition

Total assets for the third quarter declined by 1,874 million yen from the end of the previous fiscal year, reflecting a 14,511 million yen decline in accounts receivable, which was partially offset by a 10,185 million yen increase in inventories, and a 1,798 million yen increase in tangible fixed assets resulting from the purchase of fixed operating assets. Total liabilities decreased 4,805 million yen, reflecting a decrease in accrued liabilities and expenses of 2,004 million yen, and a 2,807 million yen decrease in income taxes payable. Shareholders' equity increased 2,847 million yen, owing mainly to a 2,316 million yen increase in retained earnings. As a result, the Company's shareholder equity ratio improved to 72.4% from 70.1% at the end of the previous fiscal year.

Outlook for the Full Fiscal Year

Given the favorable business performance for the third quarter, the Company believes it can achieve its forecasts for the March, 2005 full fiscal year as previously announced.

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, waste water, and in manufacturing processes; and 2) water treatment facilities such as ultra-pure water production systems, waste water treatment facilities, and sewage water 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.

Except for the historical information contained herein, matters discussed in this news release may contain forward-looking statements that involve risks and uncertainties, including but

not limited to factory operating ratios at major clients in the steel, petroleum and paper/pulp industries; capital expenditure trends in the electronics, food, pharmaceuticals, basic material and automobile industries; and the financial condition and budgeting actions of national and local governments in Japan.

KURITA WATER INDUSTRIES, LTD.

CONDENSED CONSOLIDATED STATEMENTS OF INCOME

(in million yen)

	3Q ended Dec. 31, 2004 (April 1, 2004 to December 31, 2004)		3Q ended Dec. 31, 2003 (April 1, 2003 to December 31, 2003)		Increase/ Decrease Amount	Previous Fiscal Year (April 1, 2003 to March 31, 2004)	
	Amount	% of Net Sales	Amount	% of Net Sales		Amount	% of Net Sales
Net Sales	101,240	100.0	89,922	100.0	11,318	146,819	100.0
Cost of Sales	68,695	67.8	60,867	67.7	7,828	101,433	69.1
Gross Profit	32,544	32.2	29,054	32.3	3,490	45,386	30.9
Selling, General and Administrative Expenses	24,684	24.4	24,550	27.3	134	31,895	21.7
Operating Income	7,860	7.8	4,504	5.0	3,356	13,490	9.2
Non-operating Income	679	0.6	686	0.7	-7	1,034	0.7
Non-operating Expense	326	0.3	649	0.7	-323	586	0.4
Ordinary Income	8,212	8.1	4,541	5.0	3,671	13,938	9.5
Special Gains	-	-	1,414	1.6	-1,414	1,479	1.0
Special Losses	-	-	-	-	-	499	0.3
Income before Income Taxes	8,212	8.1	5,955	6.6	2,257	14,918	10.2
Income Taxes	3,542	3.5	2,596	2.9	946	6,347	4.3
Minority Interests in Earnings of Consolidated Subsidiaries	114	0.1	107	0.1	7	126	0.1
Net Income	4,555	4.5	3,251	3.6	1,304	8,444	5.8

CONDENSED CONSOLIDATED BALANCE SHEET

(in million yen)

	As of December 31, 2004	As of December. 31, 2003	As of March 31, 2004	Increase/Decrease over	
				Dec. 31, 2003	March 31, 2004
[Assets]					
<u>Current Assets</u>					
Cash and Deposits	36,052	31,208	35,512	4,844	540
Notes Receivable - Trade	10,592	10,355	10,607	237	-15
Accounts Receivable - Trade	41,563	35,419	56,074	6,144	-14,511
Marketable Securities	4,100	8,967	6,720	-4,867	-2,620
Inventories	16,898	13,622	6,713	3,276	10,185
Other	3,705	6,014	3,435	-2,309	270
Allowance for Doubtful Accounts	-131	-132	-140	1	9
Total Current Assets	112,781	105,454	118,923	7,327	-6,142
<u>Fixed Assets</u>					
Tangible Fixed Assets	43,469	42,384	41,671	1,085	1,798
Intangible Fixed Assets	3,265	3,333	3,347	-68	-82
Investments and Other Assets	22,230	20,397	19,678	1,833	2,552
Total Fixed Assets	68,965	66,115	64,697	2,850	4,268
Total Assets	181,746	171,570	183,620	10,176	-1,874
[Liabilities]					
<u>Current Liabilities</u>					
Notes Payable - Trade	1,908	1,550	1,371	358	537
Accounts Payable - Trade	23,978	18,988	25,517	4,990	-1,539
Outstanding Payments/Expenses	5,124	5,938	7,128	(814)	-2,004
Income Taxes Payable	786	650	3,593	136	-2,807
Other	6,272	7,776	5,342	-1,504	930
Total Current Liabilities	38,071	34,905	42,954	3,166	-4,883
<u>Fixed Liabilities</u>					
Accrued Employees' Retirement Benefits	9,099	10,805	9,149	-1,706	-50
Other	1,935	1,779	1,808	156	127
Total Fixed Liabilities	11,035	12,585	10,958	-1,550	77
Total Liabilities	49,107	47,490	53,912	1,617	-4,805
[Minority Interests]					
Minority Interests	1,115	1,058	1,031	57	84
[Shareholders' Equity]					
Common Stock	13,450	13,450	13,450	-	-
Additional Paid-in Capital	11,409	11,398	11,398	11	11
Retained Earnings	110,496	102,713	108,180	7,783	2,316
Revaluation Surplus of Other Securities	1,695	1,033	1,367	662	328
Foreign Currency Translation Adjustments	-701	-685	-829	-16	128
Treasury Stock	-4,827	-4,888	4,890	61	63
Total Shareholders' Equity	131,523	123,021	128,676	8,502	2,847
Total Liabilities, Minority Interests and Shareholders' Equity	181,746	171,570	183,620	10,176	-1,874