

FOR IMMEDIATE RELEASE

Kurita Water Industries Reports Earnings For The Year Ended March 2004

Tokyo, Japan May 11, 2004 -- Kurita Water Industries Ltd. (TSE Security Code 6370) announced Fiscal 2003 revenue of 146.819 billion yen and earnings of 8.444 billion yen or 64.60 yen per share.

Summary of Operating Results

Total consolidated orders for the Kurita Group increased 16.6% for the year to 149.735 billion yen, and net sales increased 3.7% to 146.819 billion yen. As a result, operating income increased by 9.6% to 13.490 billion yen and ordinary income grew by 12.4% to 13.938 billion yen, producing a net income increase of 54.2% to 8.444 billion yen. By segment, significant growth in the Company's water treatment facilities business centering on demand from the electronics industry offset declining demand in general industries and public segment, and was the main contributor to the growth in operating income for the period. Earnings per share, based on 128,584,628 shares outstanding, were 64.60 yen for the period vs. 40.67 yen for the previous year.

Overall, Japan's economy began to show signs of recovery from the second half of the year, with a recovery in corporate profits and a slight improvement in personal consumption. The operating environment for the Kurita Group was characterized by a favorable recovery in water processing-related demand in the electronics industries of Japan, China, Taiwan and South Korea, while business conditions for water processing-related demand from the public works and other sectors remain severe and have shown no signs of recovery.

Reflecting the business performance for the year and from the perspective of maintaining a stable dividend payout to shareholders, the Company plans to propose a 8 yen dividend per share for the end of the fiscal year, which along with an interim dividend of 8 yen per share will produce an annual dividend of 16 yen per share.

Segment Information

Water Treatment Chemicals

Total Group orders for the division increased by 2.3% for the year to 47.516 billion yen, while sales grew 0.7% to 47.442 billion yen, and produced operating earnings growth of 2.3% to 6.640 billion yen.

During the year, business conditions improved as corporate profits in general staged a mild recovery and factory operating ratios recovered. Yet continued cost reduction efforts by the Company's clients as well as competition with other firms in the industry continued to produce a tough operating environment. In response, the Company aggressively worked to gain and expand the volume of orders; through the development of competitive products, by developing closer relationships with its clients, by developing more regionally focused marketing, through more solutions-based sales aimed at meeting customer needs, and by offering management services related to water treatment. Moreover, the Company worked to further ensure revenues and earnings growth by pursuing cost savings in terms of procurement and manufacturing processes.

In terms of orders, there was a slight decline in the Company's mainstay products including boiler water treatment chemicals, cooling water chemicals and waste water treatment chemicals, while this decline was offset by increases in process chemicals used in the paper and pulp industry, agents for solidifying heavy metal contained in the fly ash given off during waste incineration, and management service related to water treatment.

Water Treatment Facilities

Total Group orders for the division saw strong growth of 24.7% for the year to 102.218 billion yen, while sales grew 5.1% to 99.377 billion yen, and operating earnings increased 19.5% to 6.845 billion yen.

The market for water treatment facilities during the year was characterized by strong demand related to active capital investment in the domestic and overseas electronics industry, given expanding markets for such products as digital cameras, flat panel

displays and camera-equipped mobile phones. However, business conditions remained severe in other segments of the water treatment facilities market.

During the year, the Company worked to reduce the environmental burden of its clients with expanded marketing of proposal-based solutions, focused sales to its major clients, and in ensuring as well as increasing the number of projects. Moreover, effort was made to improve profitability with ready-made system to improve the productivity of production processes to reduce costs, while the start-up of the ultra-pure water supply business also contributed to stabilizing revenues and earnings.

In terms of orders, large increases were seen in orders for ultra-pure water treatment facilities from the electronics industry, while favorable growth was seen in maintenance services and tool cleaning services used in semiconductor and liquid crystal display production equipment.

On the other hand, orders in the general industries segment saw large declines in orders from the food, pharmaceuticals, basic materials and automobile segments, as well as the electric power segment. This notwithstanding, while the market for soil remediation has become increasingly competitive, the Company was able to ensure growth in orders by leveraging the collective strengths of the Group.

Conversely, business conditions in the public works market remained severe, given ongoing budget reductions by both national and regional governmental organizations. In response, the Company worked to leverage the collective strengths of the Group to better understand and present appropriate solutions for client needs, focusing on expanding orders for human waste treatment facilities, proposals for the renewal of existing facilities, and products to reduce the amount of sludge.

Orders in the sewage treatment facilities market declined owing to intensified competition. However, sharp growth was seen in the human waste treatment facilities segment due to a major facility renewal project.

Outlook for the Coming Year

Overview

For the fiscal year to March, 2005, the Company is projecting consolidated net sales of 161.8 billion yen, ordinary income of 17.4 billion yen and net income of 10.0 billion yen, representing increases of 10.2%, 24.8% and 18.4% respectively.

Japan's economy is expected to continue recovering mildly, but the environment is such that continued caution is warranted. Kurita will continue working to expand its business and revenues by accelerating the establishment of a new business model that focuses on outsourcing business, client solution-oriented marketing and sales, and enhanced cost competitiveness.

Outlook by Segment

In water treatment chemicals, while client factory operating ratios are expected to continue improving mildly, ongoing cost-cutting efforts as well as competition from other firms in the industry mean that industry operating conditions will remain challenging. Kurita will endeavor to ensure order inflows and revenue growth by reorganizing its sales organization for more regionally-focused sales efforts and better client relationship management, while at the same time providing customer solutions-based proposals and better collaboration with the maintenance arm of the water treatment facilities division.

As for water treatment facilities, it is difficult to foresee a sharp increase in new capital investment in either the private sector or the public sector. In the private sector, there has been a noticeable recovery in domestic as well as overseas electronics markets, and the concern is that related capital expenditures may be facing a peaking out of the cycle, given historical trends. This notwithstanding, the Company will continue to focus on aggressively promoting orders by emphasizing proposals that more fully leverage the strengths of the Group in areas such as ultra-pure water supply.

In general industry segments such as food, pharmaceuticals, basic materials, automobile and electric power, no major improvement is foreseen in currently severe market conditions, but the Company nevertheless intends to implement strategies to

ensure stable orders and revenues, such as the further penetration of major markets, and a further strengthening of its competitive position with ready-made products. In the soil remediation segment, the Company will endeavor to expand its business through new services designed to hedge the risks associated with soil pollution and highly competitive remediation technologies in conjunction with its subsidiary, Land Solutions Co., Ltd.

In the public sector, the shrinkage in public works investment is expected to continue, further exacerbating already tough market conditions. The Company will be working to capture order and revenue flow from the upgrading and renewal of human waste treatment facilities, tap water purification with advanced membrane technology, and sludge reduction system.

Medium-Term Strategies

Kurita Water is exerting Group-wide efforts to expand into new business domains and into overseas markets, and is implementing the following strategies in this effort. During the past year, the Company focused on;

- a) Expanding the business domains of both its offensive and defensive businesses.
- b) Expanding its overseas business in China and the rest of Asia, utilizing the new business models the Company is developing for the Japanese market.
- c) Developing new energy-related businesses it believes will become the next core business.

Business Risks

In terms of the major variables that could affect the Company's future performance;

- a) Business performance and demand in the water treatment chemicals segment is affected by factory operating ratios at major clients in industries such as steel, petroleum, and paper and pulp.
- b) Demand for water treatment facilities is dependent on capital expenditure trends in

industries such as electronics, food, pharmaceuticals, basic materials and automobile. In addition, performance of the Company's water treatment facilities business for the public sector is influenced by the financial condition and budgeting actions of national and local governments which affects demand for these products.

c) While international political uncertainties do give cause for concern regarding exposure to exchange rate fluctuations, because overseas sales and earnings are a relatively small part of the Group's overall sales and earnings (at less than 11% total sales) the impact of exchange rate fluctuations is limited.

Cash Flow Trends

In terms of consolidated cash flows for the period under review, the balance of cash and cash equivalents at the end of the period was 35.137 billion yen, up 11.5% and 3.63 billion yen higher than at the end of the previous year.

Operating cash flow declined by 4.828 billion yen to 5.574 billion yen. Factors contributing to operating cash flow were pretax profits of 14.918 billion yen and depreciation expenses of 3.872 billion yen, while the major items representing cash outflow were an increase in notes and accounts receivables of 7.202 billion yen that were related to the increase in net sales and corporate and other tax payments of 5.829 billion yen.

Cash flow from investing activities was 0.146 billion yen, and represented a decline of 6.853 billion yen from the previous year. This largely reflected a 6.695 billion yen cash inflow from the sale of marketable securities, and a net cash inflow of 1.780 billion yen from the sale and purchase of investment securities, as well as a cash outflow of 8.364 billion yen related to the purchase of fixed operating assets.

Cash flow from financing activities was down by 4.55 billion yen for the year to 1.72 billion yen. This reflected a cash inflow from overseas subsidiary borrowings of 0.358 billion yen, and a cash outflow of 2.089 billion yen for dividend payments.

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 systems, waste water treatment facilities, and sewerage water treatment facilities. The business scope of both lines includes production, sales, and maintenance services. For additional information about the Kurita Group, visit the Company's website at www.kurita.co.jp.

Except for historical information contained herein, matters discussed in this news release may contain forward-looking statements that involve risks and uncertainties as discussed earlier in Business Risks section.

KURITA WATER INDUSTRIES, LTD.

CONDENSED CONSOLIDATED STATEMENTS OF INCOME

(in million yen)

	Year Ended March 2004 (April 1,2003 to March 31, 2004)		Previous Fiscal Year (April 1,2002 to March 31, 2003)		Increase (Decrease)
	Amount	% of Net Sales	Amount	% of Net Sales	Amount
Net Sales	146,819	100.0	141,628	100.0	5,191
Cost of Sales	101,433	69.1	97,846	69.1	3,587
Gross Profit	45,386	30.9	43,781	30.9	1,605
Selling, General and Administrative Expenses	31,895	21.7	31,474	22.2	421
Operating Income	13,490	9.2	12,307	8.7	1,183
Non-operating Income	1,034	0.7	1,012	0.7	22
Non-operating Expense	586	0.4	919	0.6	(333)
Ordinary Income	13,938	9.5	12,400	8.8	1,538
Special Gains	1,479	1.0	-	-	1,479
Special Losses	499	0.3	2,136	1.5	(1,637)
Income before Income Taxes	14,918	10.2	10,263	7.3	4,655
Income Taxes	6,346	4.3	4,674	3.3	1,672
Minority Interests in Earnings of Consolidated Subsidiaries	126	0.1	112	0.1	14
Net Income	8,444	5.8	5,476	3.9	2,968

CONDENSED CONSOLIDATED BALANCE SHEET

(in million yen)

	Year Ended March 2004 (as of March 31, 2004)	Previous Fiscal Year End (as of March 31, 2003)	Increase (Decrease)
[Assets]			
<u>Current Assets</u>			
Cash and Deposits	35,512	31,838	3,674
Notes Receivable - Trade	10,607	10,255	352
Accounts Receivable - Trade	56,074	49,442	6,632
Marketable Securities	6,720	6,615	105
Inventories	6,713	6,301	412
Deferred Tax Assets	2,070	1,806	264
Other	1,365	1,090	264
Allowance for Doubtful Accounts	(140)	(169)	29
Total Current Assets	118,923	107,180	11,743
Fixed Assets			
Tangible Fixed Assets	41,671	38,310	3,361
Intangible Fixed Assets	3,347	2,659	688
Investment & Other Assets	19,678	25,538	(5,860)
Total Fixed Assets	64,697	66,508	(1,811)
Total Assets	183,620	173,689	9,931
[Liabilities]			
<u>Current Liabilities</u>			
Notes Payable - Trade	1,371	1,420	(49)
Accounts Payable - Trade	25,517	22,841	2,676
Short-term borrowings	48	7	41
Outstanding Payments/Expenses	7,128	6,391	737
Income Taxes Payable	3,593	3,335	258
Advances received	1,373	966	407
Accrued Employees' Bonuses	2,173	2,154	19
Allowance for product warranty	1,028	848	180
Other	718	675	43
Total Current Liabilities	42,954	38,643	4,311

<u>Fixed Liabilities</u>			
Long-term borrowings	349	40	309
Accrued Employees' Retirement Benefits	9,149	11,469	(2,320)
Accrued retirement benefits for directors and corporate auditors	658	813	(155)
Other	800	796	(4)
Total Fixed Liabilities	10,958	13,120	(2,162)
Total Liabilities	53,912	51,763	2,149
<u>Minority Interests</u>			
Minority Interests	1,031	956	75
<u>[Shareholders' Equity]</u>			
Common Stock	13,450	13,450	-
Additional Paid-in Capital	11,398	11,398	-
Retained Earnings	108,180	101,637	6,543
Unrealized gains(losses) on revaluation of land	(257)	20	(277)
Revaluation Surplus of Other Securities	1,625	(108)	1,733
Foreign Currency Translation Adjustments	(829)	(543)	(286)
Treasury Stock	(4,890)	(4,885)	(5)
Total Shareholders' Equity	128,676	120,969	7,707
Total Liabilities, Minority Interests and Shareholders' equity	183,620	173,689	9,931

CONSOLIDATED STATEMENTS OF CASH FLOWS

(in million yen)

	Year ended March 2004 (April 1, 2003 – March 31, 2004)	Previous Fiscal Year (April 1, 2002 – March 31, 2003)
	Amount	Amount
Cash flows from operating activities		
Income before Income Taxes	14,918	10,263
Depreciation and amortization	3,872	3,208
Amortization of consolidation goodwill	(2)	0
Equity in earnings of unconsolidated subsidiaries and affiliates	(208)	(143)
Increase (Decrease) in allowance for employees' retirement benefits	(2,317)	592
Increase (Decrease) in allowance for doubtful accounts	73	(52)
Increase (Decrease) in other allowance	45	(708)
Interest and dividend income	(409)	(417)
Other non-operating income	(402)	(430)
Interest expense	27	17
Other non-operating expenses and special losses	354	742
(Gains) Losses on sale/revaluation of investment securities	(1,414)	824
Loss on revaluation of tangible fixed assets	499	-
(Gains) Losses on sale/disposal of tangible fixed assets	(57)	226
Increase in notes and accounts receivables, trade	(7,202)	(4,076)
(Increase) Decrease in inventories	(442)	1,369
Increase in other current assets	(327)	(14)
Increase in notes and accounts payable, trade	2,995	1,771
Increase (Decrease) in advances received	409	(708)
Increase (Decrease) in other current liabilities	636	(341)
Bonus paid to directors and corporate auditors	(118)	(120)
Other	(1)	28
Sub total	10,927	12,028
Interest and dividend received	482	609
Other non-operating income received	408	430

Interest paid	(27)	(17)
Other non-operating expenses paid	(388)	(590)
Income taxes paid	(5,829)	(2,058)
Net cash provided by operating activities	5,574	10,402
Cash flows from investing activities		
Deposits into time deposit accounts	(507)	(194)
Withdrawals from time deposits	431	272
Payments for purchases of marketable securities	(200)	(1,483)
Proceeds from sale of marketable securities	6,695	5,100
Payments for purchases of tangible fixed assets	(8,364)	(4,895)
Proceeds from sale of tangible fixed assets	1,183	251
Payments for purchases of investment securities	(2,212)	(7,877)
Proceeds from sale of investment securities	3,992	1,973
Other expenses	(1,642)	(1,140)
Other income	476	993
Net cash used in investing activities	(146)	(6,999)
Cash flows from financing activities		
Proceeds from short-term borrowings	-	150
Repayment of short-term borrowings	-	(207)
Proceeds from long-term borrowings	358	2
Repayment of long-term borrowings	(12)	(13)
Acquisition/sale of treasury stock	(4)	(4,058)
Other income	28	-
Dividends paid (including dividends paid to minority stockholders)	(2,089)	(2,145)
Net cash used in financing activities	(1,720)	(6,270)
Effect of exchange rate changes on cash and cash equivalents	(127)	(59)
Net Increase (Decrease) in cash and cash equivalents	3,580	(2,927)
Cash and cash equivalents at beginning of year	31,507	32,980
Cash and cash equivalents of newly consolidated Subsidiaries at beginning of year	50	1,454
Cash and cash equivalents at end of year	35,137	31,507

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SOURCE: Kurita Water Industries, Ltd.

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