

FOR IMMEDIATE RELEASE

Kurita Water Industries Reports Earnings for the Fiscal Year to March 31, 2005

Tokyo, Japan April 28, 2005—Kurita Water Industries Ltd. (TSE Security Code 6370) announced consolidated revenue for the fiscal year ended March 31, 2005 of 160,896 million yen, and net earnings of 9,383 million yen, or 71.76 yen per share.

Summary of Operating Results

Total consolidated orders for the fiscal year ended March 31, 2005 increased by 14.4% over the previous year to 171,334 million yen, while net sales for the same period grew 9.6% to 160,896 million yen. As a result, operating income for the fiscal year increased by 18.2% to 15,951 million yen and ordinary income grew by 20.0% to 16,725 million yen, producing net income of 9,383 million yen, up 11.1% from the previous year. While the cost of sales margin increased slightly from 69.1% the previous year to 69.7%, the S.G.& A. margin improved noticeably from 21.7% the previous year to 20.4%. By segment, water treatment chemicals sales increased 6.7% from the previous year to 50,637 million yen, while water treatment facilities sales grew by 11.0% to 110,259 million yen.

During the year, the Group's operations were supported by continued strong capital expenditure-related demand for water treatment from the electronics industry in Japan, Taiwan, South Korea and China. In addition, demand began to recover in the basic materials and automobile industries, supported by higher factory operating ratios and capital expenditures. On the other hand, the business climate for public expenditure related demand remained extremely severe, on shrinking budgets for public works projects, intensified competition, and mergers between local municipalities.

Segment Information

Water Treatment Chemicals

Total Group orders for the segment increased 9.7% to 52,120 million yen, while sales grew 6.7% to 50,637 million yen, and produced operating income growth of 11.9% to 7,433 million yen.

During the year, business conditions improved owing to higher factory operating ratios in the steel, oil, pulp/paper and other basic materials industries. However, continued cost reduction efforts by clients as well as competition with other firms in the industry require continued vigilance. Under these circumstances, the Group actively pursued closer relationships with its clients, worked to improve productivity and to leverage Kurita's strengths in offering proposals that provide solutions to client problems and promoted packaged water treatment management contracts to ensure order flow. Moreover, the Group continued to pursue greater cost savings in production and distribution to ensure enhanced profitability.

Orders for the Group's mainstay boiler water treatment chemicals were largely flat, while cooling water treatment chemicals and wastewater treatment chemicals saw a slight increase. In other products, orders for agents used to solidify heavy metal contained in the fly ash given off during waste disposal, as well as process chemicals used in the oil refining and petrochemical industry declined, while higher orders were seen for process chemicals used in the paper and pulp industry. In addition, management services related to water treatment also increased.

Water Treatment Facilities

Total Group orders for the segment increased 16.6% to 119,213 million yen, while sales grew 11.0% to 110,259 million yen, and produced operating profit growth of 24.4% to 8,515 million yen.

The Group saw continued strong demand from the private sector that is being driven by growth in capital expenditures in the electronic industries in Japan, Taiwan, South Korea and China for expanded production of semiconductors, LCDs and related components. Signs of recovery were also seen in basic materials industries as well as food, pharmaceuticals, automobiles and other general industries, supported by recovering corporate earnings and capital expenditures. During the year, the Group emphasized its “Solutions Business” in offering clients solutions to their production problems, and the “Outsourcing Business” as represented by the ultra-pure water supply business. In addition, the Group focused its marketing activities on a select group of clients to ensure order flow. Moreover, continued effort was made to improve profitability with more ready-made equipment to improve quality and raise productivity, and thereby enhance profitability.

Higher orders were seen for the Group’s mainline ultra-pure water production systems for the electronics industry, maintenance services, and in the tool cleaning business for semiconductor and LCD production equipment. In addition, there was growth in orders for water treatment facilities from the food, pharmaceuticals, basic materials and automobile industries, as well as related maintenance services. Moreover, orders for water treatment facilities for the electric power industry and soil remediation facilities also increased.

On the other hand, public works investment-related demand remained depressed. In response, the Group exerted every effort to deepen its regional ties and enhance collaboration between Group companies to capture orders. As a result, while orders for sewage treatment facilities declined, orders for sludge recycling centers saw a slight increase owing to focused efforts to capture orders for large projects.

Net Sales

(in million yen)

Segment	Year ended March 2005 (April 1, 2004 to March 31, 2005)		Year ended March 2004 (April 1, 2003 to March 31, 2004)	
	Amount	%	Amount	%
Water Treatment Chemicals	50,637	31.5%	47,442	32.3%
Water Treatment Facilities	110,259	68.5%	99,377	67.7%
Total	160,896	100.0%	146,819	100.0%

Order Intake

(in million yen)

Segment	Year ended March 2005 (April 1, 2004 to March 31, 2005)		Year ended March 2004 (April 1, 2003 to March 31, 2004)	
	Amount	%	Amount	%
Water Treatment Chemicals	52,120	30.4%	47,516	31.7%
Water Treatment Facilities	119,213	69.6%	102,218	68.3%
Total	171,334	100.0%	149,735	100.0%

Cash Flow Trends

Consolidated net cash and cash equivalents at the end of March 31, 2005 were 30,365 million yen, representing a decrease of 4,772 million yen (13.6%) from the end of the previous fiscal year.

Net cash inflow from operating activities was 8,297 million yen, compared to an inflow of 5,574 million yen the year previous, reflecting cash inflows of 16,376 million yen and 4,361 million yen respectively from pretax profit for the period and depreciation expenses. Conversely, major cash outflows included an increase of 4,063 million yen in accounts receivable and tax payments of 6,479 million yen.

Net cash outflow from investing activities was 10,669 million yen, versus a net outflow of 146 million yen the year previous. While there was a net cash inflow of 4,970 million yen from sale/purchase of marketable securities, this was more than offset by a net cash outflow from purchase of investment securities of 8,096 million yen, and a cash outflow of 5,905 million yen from the purchase of fixed operating assets.

Net cash outflow from financing activities was 2,422 million yen, versus a net outflow of 1,720 million yen the previous year, mainly reflecting a 2,227 million yen cash outflow from the payment of cash dividends.

Scope of Consolidation for the Year Ended March 31, 2005

The Group's consolidated accounts for the year reflected 31 consolidated subsidiaries and six companies accounted for under the equity method, with another four companies not reflected under the equity method. Compared to the previous fiscal year, two new companies were consolidated and one was removed, for a net increase of one company. Five new companies were reflected under the equity method, while none were removed.

Outlook for the Coming Year

Overview

For the coming fiscal year, the Group foresees Japan's economy continuing in a mild recovery, supported by improved corporate profits and a pickup in personal consumption. However, there is concern that the movement in crude oil and basic materials could have a negative impact on the recovery.

As the coming year represents the last year of the Group's "PA-5" management plan, Kurita will be exerting every effort to achieve the goals outlined in the plan and to expand its business as well as its earnings through further growth in the Group's unique businesses and through deeper relationships with its clients. For the fiscal year to March 31, 2006, the Group is forecasting consolidated net sales of 175,000 million yen, ordinary profit of 20,500 million yen and net income of 11,500 million yen, representing year-on-year increases of 8.8%, 22.6% and 22.6%, respectively.

Outlook by Segment

Water Treatment Chemicals

While the Group anticipates that the factory operating ratios of its clients, which have a large impact on order trends, will continue at FY2005 (to March 31, 2005) levels, there is a concern that the sharp rise in basic material prices, client cost cutting efforts and competition with other firms will have an impact on profitability. The Group intends to ensure order flow by expanding market share, through the promotion of the Group's unique businesses such as management services related to water treatment, and by deepening client relationships. In addition, continued effort will be made to lower basic material, distribution and manufacturing costs to maintain profitability.

Water Treatment Facilities

The Group foresees continued strong capital expenditures and demand for the Group's water treatment facilities and services from the private sector. However, as the segment with the largest impact on the division, i.e., the electronics industry, is expected to see a lull in large-scale capital expenditures, the environment for profitability could noticeably deteriorate. In response, the Group will endeavor to further expand its unique "Solutions" and "Outsourcing" businesses in order to ensure order flow, while at the same time expanding the ratio of ready-made products, and increasing both the quality and efficiency of production to maintain profitability.

The prognosis for public sector demand remains bleak, given continued shrinkage in local government public works budgets. Consequently, the Group will be working to further enhance collaboration within the Group and utilize regionally-based sales organizations to leverage the Group's strengths in developing proposal-based sales in order to ensure order flow. At the same time, the Group will continue to emphasize cost reductions and quality improvements in production in an effort to ensure profitability.

Medium-Term Strategies

The Kurita Group is currently mid-way through its "PA-5" medium-term management plan. Each company in the Group is well aware of its respective role in the plan, and in addition the Group as a whole is committed to working as one in "achieving the PA-5 Plan through the expansion of Kurita's proprietary businesses and strengthened client relationships". To do this, the Group will be particularly focusing on the following strategies during the fiscal year to March 2006:

- a) Accelerated market share expansion in Japan through closer relationships with clients and an "offensive" business structure.
- b) Developing clear business strategies that are appropriate for the characteristics of each overseas region, and to selectively concentrate management resources accordingly.
- c) In addition to pursuing continued overall cost reductions, to strengthen the development and marketing of key new products that can contribute to substantial market share expansion and a significant improvement in overall profitability.

Business Risks

Major risk factors that could affect the Group's future performance are as follows:

- a) Business performance and demand in the water treatment chemicals segment is affected by factory operating ratios at major clients in the steel, petroleum, and paper/pulp industries.

- b) Demand for water treatment facilities is dependent on capital expenditure trends in the electronics, food processing, pharmaceutical, basic materials and automobiles industries. In addition, performance of the Company's environmental facilities business is influenced by the financial condition and budgeting actions of local governments, which affects demand for these products.
- c) Demand for water treatment facilities is seasonally concentrated in the second half of the fiscal year, owing to public sector-related construction, which is reflected both on an as-completed and a percentage completion basis. These sales are concentrated at the end of the fiscal year, meaning that operating profits are also concentrated in the second half of the fiscal year.
- d) 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 sales and earnings (at less than 14% total sales), the impact of exchange rate fluctuations is limited.

Profit Distribution

Kurita's basic philosophy regarding profit distribution is to aim to consistently provide a stable dividend stream and distribute dividends to shareholders, giving due consideration for earnings performance and future business expansion. In addition, the Group is also endeavoring to provide sufficient retained earnings for various investments and the development of new businesses that will further enhance the Group's corporate value.

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, wastewater 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.

Forward-Looking Statements

This news release contains various forward-looking statements which are based on current expectations and assumptions of 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 of the Kurita Group's performance could differ materially from those expressed or implied by such figures or statements because of 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)

	Year ended March 2004 (April 1, 2004 to March 31, 2005)		Year ended March 2003 (April 1, 2003 to March 31, 2004)		Increase/ Decrease Amount
	Amount	%	Amount	%	
Net sales	160,896	100.0	146,819	100.0	14,077
Cost of sales	112,077	69.7	101,433	69.1	10,644
Gross Profit	48,819	30.3	45,386	30.9	3,433
Selling, general and administrative expenses	32,867	20.4	31,895	21.7	972
Operating income	15,951	9.9	13,490	9.2	2,461
Non-operating income	1,068	0.7	1,034	0.7	34
Non-operating expense	295	0.2	586	0.4	-291
Ordinary income	16,725	10.4	13,938	9.5	2,787
Extraordinary gains	128	0.1	1,479	1.0	-1,351
Extraordinary losses	477	0.3	499	0.3	-22
Income before income taxes	16,376	10.2	14,918	10.2	1,458
Income taxes	6,837	4.2	6,346	4.3	491
Minority interests in earnings of consolidated subsidiaries	154	0.1	126	0.1	28
Net income	9,383	5.8	8,444	5.8	939

CONDENSED CONSOLIDATED BALANCE SHEET

(in million yen)

	As of March 31, 2005	As of March 31, 2004	Increase/ Decrease
[Assets]			
Current assets			
Cash and deposits	30,679	35,512	-4,833
Notes receivable - trade	9,958	10,607	-649
Accounts receivable - trade	61,158	56,074	5,084
Marketable securities	2,794	6,720	-3,926
Inventories	8,075	6,713	1,362
Deferred tax assets	2,038	2,070	-32
Other	1,852	1,365	487
Allowance for doubtful accounts	-156	-140	-16
Total current assets	116,400	118,923	-2,523
Fixed assets			
Tangible fixed assets	43,855	41,671	2,184
Intangible fixed assets	3,180	3,347	-167
Investment and other assets	28,993	19,678	9,315
Total fixed assets	76,028	64,697	11,331
Total assets	192,428	183,620	8,808
[Liabilities]			
Current liabilities			
Notes payable - trade	1,521	1,371	150
Accounts payable - trade	26,624	25,517	1,125
Short-term borrowings	85	48	37
Accounts payable, other/Accrued expenses	7,413	7,128	285
Income taxes payable	3,924	3,593	331
Advances received	942	1,373	-431
Accrued employees' bonuses	2,060	2,173	-113
Allowance for product warranty	992	1,028	-36
Other	884	718	166
Total current liabilities	44,465	42,954	1,511
Fixed liabilities			
Long-term borrowings	270	349	-79
Accrued employees' retirement benefits	8,689	9,149	-460
Accrued retirement benefits for directors and corporate auditors	704	658	46
Other	821	800	21
Total fixed liabilities	10,485	10,958	-473
Total liabilities	54,951	53,912	1,039
[Minority interests]			
Minority interests	1,110	1,031	79
[Shareholders' equity]			
Common stock	13,450	13,450	-
Additional paid-in capital	11,409	11,398	11
Retained earnings	115,318	108,180	7,138
Unrealized gains (losses) on revaluation of land	-257	-257	-
Revaluation surplus of other securities	2,067	1,625	442
Foreign currency translation adjustments	-790	-829	39
Treasury stock	-4,830	-4,890	60
Total shareholders' equity	136,366	128,676	7,690
Total liabilities, minority interests and shareholders' equity	192,428	183,620	8,808

CONSOLIDATED STATEMENTS OF CASH FLOWS

(in million yen)

	Year ended March 31, 2005 (April 1, 2004 – March 31, 2005)	Year ended March 31, 2004 (April 1, 2003 – March 31, 2004)
	Amount	Amount
Cash flows from operating activities		
Income before income taxes	16,376	14,918
Depreciation and amortization	4,361	3,872
Amortization of consolidation goodwill	-17	-2
Equity in earnings of unconsolidated subsidiaries and affiliates	-244	-208
Decrease in allowance for employees' retirement benefits	-463	-2,317
Increase in allowance for doubtful accounts	5	73
Increase (decrease) in other allowances	-104	45
Interest and dividend income	-356	-409
Other non-operating income	-345	-402
Interest expense	38	27
Other non-operating expenses and extraordinary losses	224	354
(Gains) losses on sale/revaluation of investment securities	-128	-1,414
Loss on revaluation of tangible fixed assets	-	499
(Gains) losses on sale/disposal of tangible fixed assets	472	-57
Increase in notes and accounts receivables, trade	-4,063	-7,202
Increase in inventories	-1,375	-442
Increase in other current assets	-440	-327
Increase in notes and accounts payable, trade	848	2,995
Increase (decrease) in advances received	-431	409
Increase in other current liabilities	37	636
Bonus paid to directors	-138	-118
Other	69	-1
Sub total	14,323	10,927
Interest and dividend received	424	482
Other non-operating income received	322	408
Interest paid	-36	-27
Other non-operating expenses paid	-257	-388
Income taxes paid	-6,479	-5,829
Net cash provided by operating activities	8,297	5,574
Cash flows from investing activities		
Deposits into time deposit accounts	-3,518	-507
Withdrawals from time deposits	1,594	431
Payments for purchases of marketable securities	-5,038	-200
Proceeds from sale of marketable securities	10,008	6,695
Payments for purchases of tangible fixed assets	-5,905	-8,364
Proceeds from sale of tangible fixed assets	100	1,183
Payments for purchases of investment securities	-8,096	-2,212
Proceeds from sale of investment securities	546	3,992
Other expenses	-829	-1,642
Other income	468	476
Net cash used in investing activities	-10,669	-146
Cash flows from financing activities		
Proceeds from short-term borrowings	-	-
Repayment of short-term borrowings	-60	-
Proceeds from long-term borrowings	-	358
Repayment of long-term borrowings	-125	-12
Acquisition/sale of treasury stock	-10	-4
Dividends paid (including dividends paid to minority stockholders)	-2,227	-2,089
Other income	-	28
Net cash used in financing activities	-2,422	-1,720
Effect of exchange rate changes on cash and cash equivalents	22	-127
Net increase (decrease) in cash and cash equivalents	-4,722	3,580
Cash and cash equivalents at the beginning of the period	35,137	31,507
Cash and cash equivalents of newly consolidated subsidiaries at the beginning of the period	-	50
Cash and cash equivalents at the end of the period	30,365	35,137