

FOR IMMEDIATE RELEASE

Kurita Water Industries Reports Earnings for the Fiscal Year Ended March 2006

Tokyo, Japan April 28, 2006—Kurita Water Industries Ltd. (TSE Security Code 6370) announced consolidated net sales for the fiscal year ended March 31, 2006 (April 1, 2005 – March 31, 2006) of 173,683 million yen, and net income of 10,519 million yen, or 81.76 yen per share.

Results of Operations

Total consolidated orders for the Kurita Group increased 7.3% from a year earlier to 183,910 million yen, while net sales increased 7.9% to 173,683 million yen. Operating income grew 8.5% to 17,311 million yen and ordinary income rose 10.2% to 18,425 million yen, resulting in a net income increase of 12.1% to 10,519 million yen. By segment, water treatment chemicals sales increased 7.7% to 54,549 million yen, while water treatment facilities sales rose 8.0% to 119,133 million yen.

In the private sector, capital expenditures in the electronics industry were strong in Japan, Taiwan and South Korea on the back of buoyant demand for liquid crystal display (LCD) TVs and plasma display panel (PDP) TVs. In the water treatment industry, both factory operating rates and capital expenditures were solid mainly in the basic materials industry such as steel, petroleum and chemicals. On the other hand, business climate for public spending related businesses remained severe due primarily to shrinking budgets for public works projects.

Taking into consideration the Group's business performance for the year, future business growth plans, and the Group's policy of rewarding its shareholders for their support, the Company has decided to raise its year-end dividend by ¥2 to ¥11 per share. As the Company also raised its interim dividend by ¥2 to ¥11 per share, annual dividend for the year will total ¥22 per share. Going forward, the Company will continue its commitment to its basic policy of maintaining stable dividend payouts.

Segment Information

Water Treatment Chemicals

Total Group orders for the segment increased 3.4% from a year earlier to 53,903 million yen, while sales grew 7.7% to 54,549 million yen, resulting in a 7.1% increase in operating income to 7,961 million yen.

During the year, the Group concentrated its efforts on securing stable order flows by pursuing closer relationships with its clients, expanding sales of water treatment chemicals that accommodate clients' needs, and promoting packaged water treatment management contracts. Also, the Group implemented wide ranging measures to ensure revenue and earnings by shifting its focus to high value-added and high margin products, responding to the hike in raw materials costs, and reducing logistics costs.

Orders for the Group's mainstay boiler water treatment chemicals and cooling water treatment chemicals were flat compared with a year earlier, while wastewater treatment chemicals saw an order increase. In other products, orders for process treatment chemicals used in the pulp and paper industry and for process treatment chemicals used in the oil refining and petrochemical industry both increased. Orders for packaged water treatment management contracts also increased.

Water Treatment Facilities

Total Group orders for the segment increased 9.1% to 130,007 million yen, while sales rose 8.0% to 119,133 million yen, and operating income grew 9.8% to 9,349 million yen.

In the private sector, the Group focused its efforts on securing stable order flows by expanding the ultra-pure water supply business, by expanding its “Solutions Business” of offering clients solutions that address their needs to improve productivity and reduce environmental burdens, as well as by strengthening marketing efforts to strategic clients.

Orders for the Group’s mainline ultra-pure water production systems, including the ultra-pure water supply business, for the electronics industry increased both in Japan and overseas compared with a year earlier. Also, orders for maintenance services for the ultra-pure water production systems and orders for tool cleaning service for semiconductor and LCD production equipment both increased. In the water treatment business, orders for maintenance services for the general water treatment facilities increased, and orders for water treatment facilities for the raw materials industry also grew, while orders for water treatment facilities from automobile and pharmaceutical industries decreased. Orders for soil remediation increased on the back of robust demand in land trading.

In the public sector, despite the Group’s concentrated efforts to secure order intake by implementing locally oriented marketing activity and strengthening cooperation between Group companies, Group orders fell sharply compared with a year earlier.

Significant Events That were Decided or Took Place during the Period

In an effort to expand and strengthen its marketing structure in the water treatment chemicals business, the Group decided to make two sales agencies in Aichi and Gifu prefectures its wholly-owned subsidiaries and merged them to create Kurita Chemicals Tokai Ltd.

The Group also decided to relocate and expand its Akoh Factory in Hyogo prefecture to cope with the expansion in tool cleaning business for electronics industries.

Outlook for the Fiscal Year ending March 31, 2007

The Group forecasts 190,000 million yen in net sales, 21,000 million yen in ordinary income, and 11,500 million yen in net income for the fiscal year ending March 31, 2007.

While the Group expects the market to remain firm supported by strong factory operating rates and capital expenditures, possible impact of movements in crude oil prices on corporate profits remains a concern.

Under such an environment, the Group initiated a new medium-term management plan “G-8 (Growth 2008)”, starting this fiscal year. The Group will pursue more growth than ever and expand its business further by improving profitability in its core businesses and further aggressively enhancing Kurita’s proprietary businesses.

Outlook by Segment

Water Treatment Chemicals

In water treatment chemicals, factory operating rates at clients, which have a large impact on the Group’s order intake, are expected to remain solid at similar levels seen in the fiscal year ended March, 2006. However, there are concerns that cost increases in this segment and further cost cutting efforts by clients amid rising basic materials costs, as well as increased competition may adversely affect the segment’s profitability. Under such circumstances, the Group aims to focus on strategic markets and to strengthen marketing of “solution” business that offer clients solutions for their problems by further pursuing closer ties with clients, and thereby to maintain and increase order flows. The Group will also continue its efforts to reduce manufacturing and logistics costs of water treatment chemicals in order to maintain profitability.

Water Treatment Facilities

Capital expenditures in the private sector in water treatment facilities are largely expected to be robust, although there are concerns that large-scale capital expenditures have run its course in the electronics-related industries, which may affect the segment performance. Under such an environment, the Group aims to secure order flows by expanding its proprietary businesses, such as the ultra-pure water supply business, and also by further aggressively expanding business in Asia. In the public sector, the severe operating environment is expected to continue for the foreseeable future, reflecting shrinking budgets for public works projects. However, the Group will strive to ensure order flows by exploring initiatives such as private finance initiative (PFI) and other new business models. Also, the Group will focus its efforts on securing revenues by driving forward initiatives to offer modularized and ready-made systems in order to achieve improved productivity through higher quality, lower cost and shorter order-receipt to delivery period.

Medium-Term Strategies

In April 2006, the Group started a new medium-term management plan “G-8 (Growth 2008)” with “growth and innovation” as its main theme. For the current fiscal year ending March 2007, which is the first year of the business plan, the Group will pursue more growth than ever and expand its business further by improving profitability in its core businesses and further aggressively enhancing Kurita’s proprietary businesses. Specific objectives for the first year of the plan are as follows:

- a. Further strengthen collaboration within the Group and pursue closer ties with clients to provide high quality products and services quickly.
- b. Make exhaustive efforts to improve profitability of the Group’s core businesses including water treatment chemicals, water treatment facilities and maintenance services.
- c. Further aggressively expanding business in overseas markets.
- d. Develop world-class new products and services.
- e. Actively implement measures and make investments to achieve further expansion in scale and growth.
- f. Make Group-wide efforts to strengthen and implement compliance measures

Financial Condition (Cash Flow Trends)

Consolidated net cash and cash equivalents at the end of the year were 29,871 million yen, representing a decrease of 494 million yen, or 1.6%, from the end of the previous fiscal year.

Net cash inflow from operating activities amounted to 13,856 million yen, an increase of 5,559 million yen from a year earlier. This is primarily due to the cash inflows from income before income taxes which totaled 18,200 million yen, depreciation and amortization totaling 4,906 million yen and an increase in trades payable totaling 2,314 million yen, which were partly offset mainly by an increase in trades receivable by 5,259 million yen, and payment of income taxes of 6,981 million yen.

Net cash outflow from investing activities was 12,318 million yen, an increase of 1,649 million yen from a year earlier, primarily reflecting net purchase of securities of 1,697 million yen and acquisition of tangible fixed assets of 10,962 million yen.

Net cash outflow from financing activities was 2,516 million yen, an increase of 94 million yen from a year earlier period, mainly reflecting dividend payment of 2,678 million yen.

Business Risks

Major risk factors that could affect the Group’s future performance include, but are not limited to, economic trends, capital expenditure trends in water treatment facilities and factory operating rates at clients, public investment trends, price movements in oil and other basic materials, and competition with

peers.

Factors that may affect the Group's business performance

The water treatment chemicals business performance is affected by fluctuations in demand levels reflecting changes in factory operating rates at companies in steel, petroleum refining and petrochemical, and pulp and paper industries, the Group's main clients. The Group's business performance is also affected by movements in basic materials prices reflecting rising crude oil prices.

The water treatment facilities business performance is affected by demand fluctuations caused by trends in capital expenditures at companies in the electronics related industries, the Group's main clients. Also, the Group's business performance in public sector projects is affected by financial conditions of and execution of budgets by municipal governments.

The Group considers impact of exchange rate movements on its business performance would be insignificant as its overseas operations account for only a small proportion of its overall sales.

About seasonal concentration of profit from the water treatment facilities business on the second half of a fiscal year

The Kurita Group's operating income from the water treatment facilities business tends to be skewed toward the second half of the fiscal year. This is because recognition of sales of water treatment facilities for public works projects, particularly sales from completed work and sales recognized according to the percentage of completion method for long-term projects, are concentrated toward the end of a fiscal year of the public sector typically ending March.

Subsequent Significant Events That Occurred After the End of the Fiscal Year

In April 2006, the Company was investigated by the Fair Trade Commission and the Osaka District Public Prosecutors Office over possible violation of the Act concerning Prohibition of Private Monopoly and Maintenance of Fair Trade for a human waste treatment facility construction project.

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 <http://www.kurita.co.jp/english>

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 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 processing, 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 31, 2006		Year ended March 31, 2005		Increase/ Decrease
	Amount	%	Amount	%	Amount
Net sales	173,683	100.0	160,896	100.0	12,787
Cost of sales	122,630	70.6	112,077	69.7	10,553
Gross Profit	51,052	29.4	48,819	30.3	2,233
Selling, general and administrative expenses	33,741	19.4	32,867	20.4	874
Operating income	17,311	10.0	15,951	9.9	1,360
Non-operating income	1,334	0.7	1,068	0.7	266
Non-operating expense	220	0.1	295	0.2	-75
Ordinary income	18,425	10.6	16,725	10.4	1,700
Extraordinary gains	1,205	0.7	128	0.1	1,077
Extraordinary losses	1,430	0.8	477	0.3	953
Income before income taxes	18,200	10.5	16,376	10.2	1,824
Income taxes	7,495	4.3	6,837	4.3	658
Minority interests in earnings of consolidated subsidiaries	184	0.1	154	0.1	30
Net income	10,519	6.1	9,383	5.8	1,136

CONDENSED CONSOLIDATED BALANCE SHEET

(in million yen)

	As of March 31, 2006	As of March 31, 2005	Increase/ Decrease
[Assets]			
Current assets			
Cash and deposits	30,107	30,679	-572
Notes receivable - trade	10,115	9,958	157
Accounts receivable - trade	66,957	61,158	5,799
Marketable securities	6,162	2,794	3,368
Inventories	8,070	8,075	-5
Deferred tax assets	2,170	2,038	132
Other	1,773	1,852	-79
Allowance for doubtful accounts	-125	-156	31
Total current assets	125,231	116,400	8,831
Fixed assets			
Tangible fixed assets	53,991	43,855	10,136
Intangible fixed assets	2,863	3,180	-317
Investment and other assets	30,687	28,993	1,694
Total fixed assets	87,542	76,028	11,514
Total assets	212,774	192,428	20,346
[Liabilities]			
Current liabilities			
Notes payable - trade	1,638	1,521	117
Accounts payable - trade	28,773	26,642	2,131
Short-term borrowings	320	85	235
Accounts payable, other/Accrued expenses	13,493	7,413	6,080
Income taxes payable	4,376	3,924	452
Advances received	2,055	942	1,113
Accrued employees' bonuses	2,362	2,060	302
Allowance for product warranty	739	992	-253
Other	1,118	884	234
Total current liabilities	54,877	44,465	10,412
Fixed liabilities			
Long-term borrowings	180	270	-90
Deferred tax liabilities related to revaluation	1,526	-	1,526
Accrued employees' retirement benefits	8,261	8,689	-428
Accrued retirement benefits for directors and corporate auditors	488	704	-216
Other	777	821	-44
Total fixed liabilities	11,233	10,485	748
Total liabilities	66,111	54,951	11,160
[Minority interests]			
Minority interests	1,295	1,110	185
[Shareholders' equity]			
Common stock	13,450	13,450	-
Additional paid-in capital	11,426	11,409	17
Retained earnings	122,350	115,318	7,032
Unrealized gains (losses) on revaluation of land	-740	-257	-483
Revaluation surplus of other securities	3,873	2,067	1,806
Foreign currency translation adjustments	-200	-790	590
Treasury stock	-4,793	-4,830	37
Total shareholders' equity	145,366	136,366	9,000
Total liabilities, minority interests and shareholders' equity	212,774	192,428	20,346

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In million yen)

	Year ended	Year ended
	March 31, 2006	March 31, 2005
	Amount	Amount
Cash flows from operating activities		
Income before income taxes	18,200	16,376
Depreciation and amortization	4,906	4,361
Impairment losses	846	-
Amortization of consolidation goodwill	-24	-17
Equity in earnings of unconsolidated subsidiaries and affiliates	-266	-244
Decrease in allowance for employees' retirement benefits	-447	-463
Increase (decrease) in reserve for bonuses	238	-112
Increase (decrease) in allowance for doubtful accounts	-56	5
Increase (decrease) in other allowances	-510	8
Interest and dividend income	-452	-356
Other non-operating income	-328	-345
Interest expense	41	38
Other non-operating expenses and extraordinary losses	311	224
(Gains) losses on sale/revaluation of investment securities	-1,205	-128
(Gains) losses on sale/disposal of tangible fixed assets	411	472
Increase in notes and accounts receivables, trade	-5,259	-4,063
Increase (decrease) in inventories	156	-1,375
Increase (decrease) in other current assets	175	-440
Increase in notes and accounts payable, trade	2,314	848
Increase (decrease) in advances received	1,077	-431
Increase in other current liabilities	362	37
Bonus paid to directors	-180	-138
Other	-212	69
Sub total	20,096	14,323
Interest and dividend received	589	424
Other non-operating income received	374	322
Interest paid	-43	-36
Other non-operating expenses paid	-179	-257
Income taxes paid	-6,981	-6,479
Net cash provided by operating activities	13,856	8,297
Cash flows from investing activities		
Deposits into time deposit accounts	-305	-3,518
Withdrawals from time deposits	314	1,594
Payments for purchases of marketable securities	-10,807	-5,038
Proceeds from sale of marketable securities	10,239	10,008
Payments for purchases of tangible fixed assets	-10,962	-5,905
Proceeds from sale of tangible fixed assets	817	100
Payments for purchases of investment securities	-3,914	-8,096
Proceeds from sale of investment securities	2,785	546
Other expenses	-986	-829
Other income	500	468
Net cash used in investing activities	-12,318	-10,669
Cash flows from financing activities		
Proceeds from short-term borrowings	220	-
Repayment of short-term borrowings	-	-60
Repayment of long-term borrowings	-84	-125
Acquisition/sale of treasury stock	-11	-10
Dividends paid	-2,572	-2,185
Dividends paid to minority stockholders	-106	-42
Payment by minority shareholders	38	-
Net cash used in financing activities	-2,516	-2,422
Effect of exchange rate changes on cash and cash equivalents	173	22
Net increase (decrease) in cash and cash equivalents	-804	-4,772
Cash and cash equivalents at beginning of period	30,365	35,137
Cash and cash equivalents of newly consolidated subsidiaries at beginning of period	310	-
Cash and cash equivalents at end of period	29,871	30,365

SEGMENT INFORMATION

Year Ended March 31, 2006 (April 1, 2005 to March 31, 2006)

(In million yen)

	Water Treatment Chemicals	Water Treatment Facilities	Total	Elimination or corporate	Consolidated
I. Net sales and operating income					
(1) External sales	54,549	119,133	173,683	-	173,683
(2) Inter-segment sales	322	573	895	-895	-
Total	54,872	119,706	174,578	-895	173,683
Operating expenses	46,910	110,357	157,268	-895	156,372
Operating income/loss	7,961	9,349	17,310	0	17,311
II. Assets, depreciation and capital expenditures					
Assets	46,191	124,280	170,471	42,302	212,774
Depreciation	1,608	3,298	4,906	-	4,906
Capital expenditures	2,018	14,519	16,537	-	16,537

Year Ended March 31, 2005 (April 1, 2004 to March 31, 2005)

(In million yen)

	Water Treatment Chemicals	Water Treatment Facilities	Total	Elimination or corporate	Consolidated
I. Net sales and operating income					
(1) External sales	50,637	110,259	160,896	-	160,896
(2) Inter-segment sales	199	681	881	-881	-
Total	50,837	110,941	161,778	-881	160,896
Operating expenses	43,403	102,425	145,829	-883	144,945
Operating income/loss	7,433	8,515	15,949	1	15,951
II. Assets, depreciation and capital expenditures					
Assets	43,433	108,025	151,459	40,969	192,428
Depreciation	1,465	2,895	4,361	-	4,361
Capital expenditures	1,322	5,383	6,706	-	6,706

OVERSEAS SALES

Year ended March 31, 2006 (April 1, 2005 to March 31, 2006)

(In million yen)

	Asia	North America	Europe	Other	Total
I. Overseas sales	16,602	2,340	1,121	1,724	21,788
II. Consolidated net sales	-	-	-	-	173,683
III. Ratio of overseas sales to total consolidated sales	9.6%	1.3%	0.6%	1.0%	12.5%

Year ended March 31, 2005 (April 1, 2004 to March 31, 2005)

(In million yen)

	Asia	North America	Europe	Other	Total
I. Overseas sales	18,966	979	1,015	1,440	22,402
II. Consolidated net sales	-	-	-	-	160,896
III. Ratio of overseas sales to total consolidated sales	11.8%	0.6%	0.6%	0.9%	13.9%

Notes:

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

NET SALES, ORDER INTAKE, ORDER BACKLOG

Net Sales

(In million yen)

Business Segment	Year ended March 31, 2006		Year ended March 31, 2005	
	Amount	%	Amount	%
Water Treatment Chemicals	54,549	31.4	50,637	31.5
Water Treatment Facilities	119,133	68.6	110,259	68.5
Total	173,683	100.0	160,896	100.0

Order Intake

(In million yen)

Business Segment	Year ended March 31, 2006		Year ended March 31, 2005	
	Amount	%	Amount	%
Water Treatment Chemicals	53,903	29.3	52,120	30.4
Water Treatment Facilities	130,007	70.7	119,213	69.6
Total	183,910	100.0	171,334	100.0

Order Backlog

(in million yen)

Business Segment	Year ended March 31, 2006		Year ended March 31, 2005	
	Amount	%	Amount	%
Water Treatment Chemicals	3,607	6.0	4,253	8.6
Water Treatment Facilities	56,340	94.0	45,467	91.4
Total	59,947	100.0	49,720	100.0