

FOR IMMEDIATE RELEASE

Kurita Water Industries Reports First Quarter Earnings For the Three Months Ended June 30, 2006

Tokyo, Japan July 28, 2006—Kurita Water Industries Ltd. (TSE Security Code 6370) announced net sales of 33,362 million yen for the first three months (April 1 – June 30, 2006) of the fiscal year ending March 31, 2007 and net income of 1,733 million yen, or 13.47 yen per share.

Results of Operations

Total consolidated orders for the Kurita Group increased 19.2% from the same period a year earlier to 50,881 million yen, while net sales grew 19.5% year-on-year to 33,362 million yen. Operating income surged 243.3% to 2,925 million yen and ordinary income also jumped 172.3% to 3,137 million yen, resulting in net income of 1,733 million yen, an increase of 177.7% year-on-year. By segment, water treatment chemicals sales grew 9.4% year-on-year to 13,093 million yen, while water treatment facilities sales rose 27.0% to 20,268 million yen.

During the period, capital expenditures in the electronics industry continued to be solid in Japan, Taiwan and South Korea on the back of buoyant demand for liquid crystal display (LCD) TVs and plasma display panel (PDP) TVs, etc. In the water treatment industry, both factory operating rates and capital expenditures remained robust mainly in basic materials sectors such as steel, oil refining and petrochemical.

Segment Information

Water Treatment Chemicals

Total Group orders for the segment increased 7.6% year-on-year to 14,470 million yen, while sales grew 9.4% to 13,093 million yen.

During the period, the Group focused on securing stable order flow by concentrating its efforts on strategic markets and pursuing closer relationships with its clients through “solution business.”

In the domestic market, orders for mainstay boiler water treatment chemicals and wastewater treatment chemicals slightly declined compared with the previous year, while orders for cooling water treatment chemicals were largely flat. On the other hand, orders increased for process treatment chemicals used in the paper/pulp industry and in the oil refining and petrochemical industries, as well as for contract based services .

Water Treatment Facilities

Total Group orders for the segment increased 24.6% year-on-year to 36,410 million yen, while sales grew 27.0% to 20,268 million yen.

During the period, the Group further accelerated its drive to expand its proprietary businesses, including the ultrapure water supply business, and aggressively expanded business in the Asian markets, primarily in Taiwan, South Korea and China, in a bid to secure stable order flow.

In the private sector, orders for the Group’s mainline ultra-pure water production systems (including the ultrapure water supply business) targeted primarily for the electronics industry surged both in Japan and abroad. Orders for related maintenance services also showed growth and those for tool cleaning services for semiconductor and LCD production equipment increased significantly. Orders for water treatment facilities fell sharply, whereas orders for related maintenance services showed growth. Orders for water treatment facilities for electric power plants increased sharply, and orders for soil remediation also surged.

Regarding the water treatment facilities business for the public sector, the Group withdrew from business activities involving construction projects for human waste treatment facilities.

Financial Condition (consolidated)

As of the end of the period, total assets decreased by 4,510 million yen from the end of the previous fiscal year to 208,264 million yen. Accounts receivable decreased by 12,715 million yen as a result of the progress in the collection of receivables related to sales that were concentrated at the end of the previous fiscal year, which offset a 7,339 million yen increase in inventories largely due to the progress in construction works in the water treatment facilities segment. Total liabilities decreased 4,287 million yen to 61,824 million yen, mainly reflecting a 4,571 million yen decrease in accounts payable. As a result, the shareholders' equity ratio rose from 68.3% at the end of the previous fiscal year to 69.7%.

Outlook for the Full Year

The Group's first-quarter earnings were largely in line with the initial forecast and the Group believes that it is on track to achieving its first-half and full-year earnings forecasts for the fiscal year ending March 31, 2007, which were included in its consolidated full-year earnings report for the previous fiscal year released on April 28, 2006.

Business Risks

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

Reflecting the seasonal nature of its water treatment facilities business, the Group's first quarter and third quarter sales tend to be lower than other quarters, with the water treatment facilities sale skewed toward the end of the first half and the end of the fiscal year.

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/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 rates at major clients in the steel, petroleum and paper/pulp industries; and capital expenditure trends in the electronics, food processing, pharmaceuticals, basic material and automobile industries.

Condensed Financial Statements - Consolidated

Condensed Balance Sheets - Consolidated

(Millions of Yen)

	As of June 30, 2006 (A)	As of June 30, 2005 (B)	(Reference) As of March 31, 2006 (C)	(A) – (B)	(A) – (C)
[Assets]					
Current assets	120,109	107,332	125,231	12,777	-5,122
Cash and deposits	30,003	30,781	30,107	-778	-104
Notes receivable - trade	9,343	11,344	10,115	-2,001	-772
Accounts receivable - trade	54,242	45,221	66,957	9,021	-12,715
Marketable securities	7,352	2,277	6,162	5,075	1,190
Inventories	15,409	14,154	8,070	1,255	7,339
Other	3,877	3,698	3,944	179	-67
Allowance for doubtful accounts	-119	-144	-125	25	6
Fixed assets	88,155	79,471	87,542	8,684	613
Tangible fixed assets	56,685	44,759	53,991	11,926	2,694
Intangible fixed assets	2,881	3,073	2,863	-192	18
Investments and other assets	28,589	31,638	30,687	-3,049	-2,098
Total assets	208,264	186,803	212,774	21,461	-4,510

[Liabilities]					
Current liabilities	50,455	39,731	54,877	10,724	-4,422
Notes payable - trade	2,780	1,729	1,638	1,051	1,142
Accounts payable - trade	24,202	21,725	28,773	2,477	-4,571
Accounts payable - other/Accrued expenses	10,994	8,401	13,493	2,593	-2,499
Income taxes payable	1,737	933	4,376	804	-2,639
Advances received	6,746	3,365	2,055	3,381	4,691
Other	3,994	3,576	4,540	418	-546
Fixed liabilities	11,368	10,104	11,233	1,264	135
Accrued employees' retirement benefits	8,388	8,655	8,261	-267	127
Other	2,980	1,448	2,972	1,532	8
Total liabilities	61,824	49,835	66,111	11,989	-4,287

Condensed Balance Sheets – Consolidated (Continued)

	As of June 30, 2006 (A)	As of June 30, 2005 (B)	(Reference) As of March 31, 2006 (C)	(A) – (B)	(A) – (C)
[Minority interests]					
Minority interests	-	1,230	1,295	-	-
[Shareholders' equity]					
Common stock	-	13,450	13,450	-	-
Additional paid-in capital	-	11,409	11,426	-	-
Retained earnings	-	114,628	122,350	-	-
Net unrealized gains on available-for-sale securities	-	1,766	3,132	-	-
Foreign currency translation adjustments	-	-685	-200	-	-
Treasury stock	-	-4,832	-4,793	-	-
Total shareholders' equity	-	135,737	145,366	-	-
Total liabilities, minority interests and shareholders' equity	-	186,803	212,774	-	-
[Net assets]					
Shareholders' capital	142,738	-	-	-	-
Common stock	13,450	-	-	-	-
Additional paid-in capital	11,426	-	-	-	-
Retained earnings	122,656	-	-	-	-
Treasury stock	-4,795	-	-	-	-
Valuation and translation adjustments	2,329	-	-	-	-
Minority interests	1,372	-	-	-	-
Total net assets	146,440	-	-	-	-
Total liabilities and net assets	208,264	-	-	-	-

Condensed Statements of Operations - Consolidated

(Millions of Yen)

	Three months ended June 30, 2006 (A)		Three months ended June 30, 2005 (B)		(A) – (B)	(Reference) Year ended March 31, 2006	
	Amount	%	Amount	%	Amount	Amount	%
Net sales	33,362	100.0	27,922	100.0	5,440	173,683	100.0
Cost of sales	21,923	65.7	18,579	66.5	3,344	122,630	70.6
Gross profit	11,438	34.3	9,343	33.5	2,095	51,052	29.4
Selling, general and administrative expenses	8,512	25.5	8,490	30.4	22	33,741	19.4
Operating income	2,925	8.8	852	3.1	2,073	17,311	10.0
Non-operating income	268	0.8	369	1.3	-101	1,334	0.7
Non-operating expense	56	0.2	70	0.3	-14	220	0.1
Ordinary income	3,137	9.4	1,152	4.1	1,985	18,425	10.6
Extraordinary gains	-	-	-	-	-	1,205	0.7
Extraordinary losses	-	-	-	-	-	1,430	0.8
Net income before income taxes	3,137	9.4	1,152	4.1	1,985	18,200	10.5
Income taxes, inhabitants tax and enterprise taxes	1,289	3.9	457	1.6	832	7,496	4.3
Minority interests in earnings of consolidated subsidiaries	115	0.3	70	0.3	45	184	0.1
Net income	1,733	5.2	624	2.2	1,109	10,519	6.1

Order Intake

(Millions of Yen)

Business Segment	Three months ended June 30, 2006 (A)		Three months ended June 30, 2005 (B)		(A) – (B)	(Reference) Year ended March 31, 2006	
	Amount	%	Amount	%	Amount	Amount	%
Water Treatment Chemicals	14,470	28.4	13,446	31.5	1,024	53,903	29.3
Water Treatment Facilities	36,410	71.6	29,222	68.5	7,188	130,007	70.7
Total	50,881	100.0	42,668	100.0	8,213	183,910	100.0

Net Sales

(Millions of Yen)

Business Segment	Three months ended June 30, 2006 (A)		Three months ended June 30, 2005 (B)		(A) – (B)	(Reference) Year ended March 31, 2006	
	Amount	%	Amount	%	Amount	Amount	%
Water Treatment Chemicals	13,093	39.2	11,963	42.8	1,130	54,549	31.4
Water Treatment Facilities	20,268	60.8	15,959	57.2	4,309	119,133	68.6
Total	33,362	100.0	27,922	100.0	5,440	173,683	100.0