

FOR IMMEDIATE RELEASE

Kurita Water Industries Reports Earnings for the First Six Months Ended September 2006

Tokyo, Japan October 31, 2006—Kurita Water Industries Ltd. (TSE Security Code 6370) announced net sales of 86,381 million yen for the first six months (April 1 – September 30, 2006) of the fiscal year ending March 31, 2007 and net income of 6,145 million yen, or 47.76 yen per share.

Results of Operations

Total consolidated orders for the Kurita Group increased 12.3% from the same period a year earlier to 101,555 million yen, while net sales grew 19.1% year-on-year to 86,381 million yen. Operating income surged 120.7% to 10,608 million yen and ordinary income also jumped 99.7% to 10,916 million yen, resulting in net income of 6,145 million yen, an increase of 115.2% year-on-year. By segment, water treatment chemicals sales grew 4.4% year-on-year to 27,694 million yen, while water treatment facilities sales rose 27.6% to 58,686 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 general industry, both factory operating rates and capital expenditures remained robust mainly in basic materials sectors such as steel, oil refining and petrochemical.

Taking into consideration the Group's business performance for the year and the Group's policy of rewarding its shareholders for their support, the Company has decided to raise its interim dividend by ¥2 to ¥13 per share.

Segment Information

Water Treatment Chemicals

Total Group orders for the segment increased 4.2% year-on-year to 28,359 million yen, while sales grew 4.4% to 27,694 million yen and operating income rose 16.1% to 4,655 million yen.

During the period, the Group concentrated its efforts on securing stable order flows by focusing on "solution business" aimed at solving clients' issues such as reduction of environmental burdens and productivity improvement, promotion of packaged water treatment management contracts, and sales expansion of mainstay products. Also, the Group worked to ensure revenue and earnings by shifting its focus to high margin products, responding to surging raw materials prices, and reducing production and logistics costs.

In the domestic market, orders for the Group's mainstay boiler water treatment chemicals, cooling water treatment chemicals and wastewater treatment chemicals were largely flat compared with a year earlier. In other products, orders for process treatment chemicals used in the oil refining and petrochemical industry were largely flat, while orders for packaged water treatment management contracts grew slightly and those for process treatment chemicals used in the paper/pulp industry increased.

Water Treatment Facilities

Total Group orders for the segment increased 15.8% year-on-year to 73,196 million yen, while sales grew 27.6% to 58,686 million yen and operating income jumped 643.9% to 5,951 million yen.

During the period, the Group further accelerated its drive to expand its proprietary businesses, including the ultra-pure water supply business, and aggressively expanded business in the Asian markets, primarily in China, Taiwan and South Korea, in a bid to secure stable order flows. Also, to ensure revenue and earnings, the Group continued its efforts to reduce the cost to sales ratio by improving quality and

productivity.

Orders for the Group's mainline ultra-pure water production systems, including the ultra-pure water supply business, primarily for the electronics industry surged both in Japan and abroad. Orders for related maintenance services also showed growth and those for tool cleaning for semiconductor and LCD production equipment increased significantly. In other areas, orders for water treatment facilities for the raw materials industry fell sharply compared with the high level seen in the previous year, whereas orders for related maintenance services were flat. Orders for soil remediation surged on the back of robust demand in land trading.

Net Sales

(in million yen)

Business segment	Six months ended September 30, 2006		Six months ended September 30, 2005		Year ended March 31, 2006	
	Amount	%	Amount	%	Amount	%
Water treatment chemicals	27,694	32.1	26,521	36.6	54,549	31.4
Water treatment facilities	58,686	67.9	45,978	63.4	119,133	68.6
Total	86,381	100.0	72,499	100.0	173,683	100.0

Order Intake

(in million yen)

Business segment	Six months ended September 30, 2006		Six months ended September 30, 2005		Year ended March 31, 2006	
	Amount	%	Amount	%	Amount	%
Water treatment chemicals	28,359	27.9	27,213	30.1	53,903	29.3
Water treatment facilities	73,196	72.1	63,194	69.9	130,007	70.7
Total	101,555	100.0	90,407	100.0	183,910	100.0

Order Backlog

(in million yen)

Business segment	Six months ended September 30, 2006		Six months ended September 30, 2005		Year ended March 31, 2006	
	Amount	%	Amount	%	Amount	%
Water treatment chemicals	4,272	5.7	4,944	7.3	3,607	6.0
Water treatment facilities	70,850	94.3	62,683	92.7	56,340	94.0
Total	75,122	100.0	67,628	100.0	59,947	100.0

Significant Events That Occurred during the Period

The Company was investigated by the Fair Trade Commission on suspicion of a violation of the anti-monopoly law concerning the construction of sludge treatment (human waste treatment) facilities. Due to this and other reasons, the Company withdrew from business activities involving new construction projects for sludge treatment (human waste treatment) facilities. In June 2006, the Company was indicted by the Osaka District Public Prosecutor's Office on suspicion of a violation of the anti-monopoly law.

For existing facilities, the Company's subsidiary, Kuritaz Co., Ltd., will continue to provide maintenance and operation management services.

In order to meet increasing demand for the tool cleaning from the electronics industries, Kuritec Service Co. Ltd., the Company's subsidiary engaging in the business, relocated and expanded its former Akoh Factory (in Hyogo prefecture). The new factory was named Harima Factory (located in Hyogo prefecture) and started operation in July 2006.

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 full 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 U.S. and Chinese economic trends, movements in crude oil prices and foreign exchange movements on corporate profits remains a concern.

Against this background, the Group will continue its focus on business expansion and stable earnings growth by accelerating the shift towards the service business, namely the ultra-pure water supply business, and expanding its operations on a global scale in a bid to achieve the targets set in the new medium-term management plan “G-8 (Growth 2008).”

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. However, there are concerns that cost-cutting efforts by clients and cost increases in this segment stemming from rising raw materials prices may adversely affect the segment’s profitability. Under such circumstances, the Group will strive to secure orders by focusing on strategically important markets and pursuing closer ties with clients to strengthen marketing of “solution business” that offers clients solutions for their problems. 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 water treatment facilities are generally expected to remain strong in the overall manufacturing sector, although there are concerns that downsizing of capital expenditure projects in the electronics-related industries may adversely affect the performance of the segment. Against this background, the Group aims to secure order flows through the following measures: 1) strengthening of its unique businesses, such as the ultra-pure water supply business; 2) expansion of tool cleaning and other “solution business” that carefully responds to clients’ needs; and 3) concentration of its marketing efforts in Asian markets centering on China, Taiwan and South Korea and on strategic clients. Also, the Group will continue to work on quality improvement, cost reduction and shortening of delivery period to secure earnings growth.

Profit Distribution

In consideration of the business performance for the year, future growth prospects and the Group’s policy of rewarding its shareholders for their support, the Company plans to raise its year-end dividend by ¥2 to ¥13 per share. As the Company also raised its interim dividend by ¥2 to ¥13 per share, the annual dividend for the year is expected to be ¥26 per share. Going forward, the Company will continue its commitment to its basic policy of maintaining stable dividend payouts.

Financial Condition (Cash Flow Trends)

Consolidated net cash and cash equivalents at the end of the period were 32,184 million yen, representing an increase of 2,313 million yen, or 7.7%, from the end of the previous fiscal year.

Net cash provided by operating activities amounted to 14,148 million yen, an increase of 5,906 million yen from a year earlier. This is primarily due to the cash inflows from income before income taxes which totaled 10,847 million yen, a decrease in trades receivable by 9,431 million yen, and depreciation and amortization totaling 3,083 million yen, which were partly offset by an increase in inventories by 7,283 million yen and payment of income taxes of 4,201 million yen, etc.

Net cash used in investing activities was 10,385 million yen, an increase of 2,660 million yen from a year earlier, primarily reflecting the payment of 10,061 million yen associated with acquisition of tangible fixed assets for business purposes.

Net cash used in financing activities was 1,637 million yen, an increase of 416 million yen from a year earlier period, mainly reflecting dividend payment of 1,419 million yen.

Trends in Cash Flow Indicators

	Six months to September 30, 2004	Fiscal year to March 31, 2005	Six months to September 30, 2005	Fiscal year to March 31, 2006	Six months to September 30, 2006
Equity ratio (%)	72.2	70.9	72.1	68.3	68.7
Equity ratio (based on market capitalization) (%)	105.8	112.7	137.8	152.3	135.7
Debt repayment period (years)	0.1	0.1	0.1	0.1	0.1
Interest coverage ratio (X)	573.3	230.5	412.1	322.2	832.2

(Notes) The above indicators are calculated based on consolidated financial figures.

1. Market capitalization is calculated by multiplying the closing stock price at the end of the period by the number of shares outstanding (excl. treasury stock) at the end of the period.

2. Interest-bearing debt is all debt subject to interest payment within liabilities in the consolidated balance sheet.

3. Cash flows from operating activities and interest payment are those shown in the consolidated statement of cash flows.

Medium-term Strategies

In April 2006, the Group started the new medium-term management plan “G-8 (Growth 2008)” with “growth and innovation” as its main theme. The Group is making group-wide efforts to achieve the following three objectives set in the plan:

a. Accelerate shift to a service-based business model

The Group has decided to shift the direction of its business from “sales of individual products” to “service-based businesses with high added-value,” and is accelerating its efforts to improve profitability. Also, the Group is working to expand its business by continuing active investment in its unique business models, such as the ultra-pure water supply business.

b. Expand global business operations

The Group is accelerating business expansion in Asia, mainly in the fast growing Chinese market, while aggressively expanding the new business model, such as “solutions business” in which the Group has experience in the domestic market, in Europe and North America. Through these efforts, the Group is working to broaden business areas and raise market share.

c. Reinforce management and business fundamentals

In order to continue its business as a going concern and achieve sustainable growth, the Group is making group-wide efforts to enhance its compliance activities. Also, the Group is making day-to-day efforts to improve the safety of its products, technologies and services, and achieve higher quality and value innovation, by ensuring that employees’ behavior, the business foundation for the Group, is underpinned by solid theories, data and scientific judgment.

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, 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 the Group's main clients in the steel, petroleum refining and petrochemical, and pulp/paper industries. The Group's business performance is also affected by movements in basic materials prices reflecting trends in crude oil prices.

The water treatment facilities business performance is affected by demand fluctuations caused by trends in capital expenditures at the Group's main clients in the electronics-related industries.

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 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 CONSOLIDATED STATEMENTS OF INCOME

(in million yen)

	Six months ended Sept. 30, 2006 (A)		Six months ended Sept. 30, 2005 (B)		(A) – (B)	Year ended March 31, 2006	
	Amount	%	Amount	%	Amount	Amount	%
Net sales	86,381	100.0	72,499	100.0	13,882	173,683	100.0
Cost of sales	58,415	67.6	50,464	69.6	7,951	122,630	70.6
Gross profit	27,965	32.4	22,035	30.4	5,930	51,052	29.4
Selling, general and administrative expenses	17,357	20.1	17,227	23.8	130	33,741	19.4
Operating income	10,608	12.3	4,807	6.6	5,801	17,311	10.0
Non-operating income	460	0.5	746	1.0	-286	1,334	0.7
Non-operating expenses	151	0.2	86	0.1	65	220	0.1
Ordinary income	10,916	12.6	5,466	7.5	5,450	18,425	10.6
Extraordinary gains	-	-	-	-	-	1,205	0.7
Extraordinary losses	69	-	211	0.3	-142	1,430	0.8
Income before income taxes	10,847	12.6	5,254	7.2	5,593	18,200	10.5
Income taxes	4,536	5.3	2,309	3.2	2,227	7,496	4.3
Minority interests in earnings of consolidated subsidiaries	164	0.2	90	0.1	74	184	0.1
Net income	6,145	7.1	2,855	3.9	3,290	10,519	6.1

CONDENSED CONSOLIDATED BALANCE SHEETS

(in million yen)

	As of Sept. 30, 2006 (A)	As of Sept. 30, 2005 (B)	As of March 31, 2006 (C)	Change	
				(A) – (B)	(A) – (C)
[Assets]					
Current assets					
Cash and deposits	32,488	30,356	30,107	2,132	2,381
Notes receivable - trade	10,009	9,135	10,115	874	-106
Accounts receivable - trade	58,084	51,795	66,957	6,289	-8,873
Marketable securities	7,831	3,502	6,162	4,329	1,669
Inventories	15,363	11,795	8,070	3,568	7,293
Deferred tax assets	2,222	2,107	2,170	115	52
Other	1,659	2,221	1,773	-562	-114
Allowance for doubtful accounts	-132	-124	-125	-8	-7
Total current assets	127,527	110,790	125,231	16,737	2,296
Fixed assets					
Tangible fixed assets	59,437	46,459	53,991	12,978	5,446
Intangible fixed assets	2,806	3,034	2,863	-228	-57
Investments and other assets	27,364	32,011	30,687	-4,647	-3,323
Total fixed assets	89,608	81,506	87,542	8,102	2,066
Total assets	217,136	192,297	212,774	24,839	4,362
[Liabilities]					
Current liabilities					
Notes payable - trade	2,219	2,276	1,638	-57	581
Accounts payable - trade	29,316	22,701	28,773	6,615	543
Short-term borrowings	296	80	320	216	-24
Accounts payable - other/Accrued expenses	9,669	7,242	13,493	2,427	-3,824
Income taxes payable	4,620	2,409	4,376	2,211	244
Advances received	4,305	3,180	2,055	1,125	2,250
Accrued employees' bonuses	2,689	2,676	2,362	13	327
Allowance for product warranty	828	901	739	-73	89
Other	1,407	1,053	1,118	354	289
Total current liabilities	55,354	42,522	54,877	12,832	477
Fixed liabilities					
Long-term borrowings	195	214	180	-19	15
Deferred tax liabilities related to revaluation	1,526	-	1,526	1,526	-
Accrued employees' retirement benefits	8,327	8,464	8,261	-137	66
Accrued retirement benefits for directors and corporate auditors	570	389	488	181	82
Other	738	829	777	-91	-39
Total fixed liabilities	11,357	9,897	11,233	1,460	124
Total liabilities	66,712	52,420	66,111	14,292	601

CONDENSED CONSOLIDATED BALANCE SHEETS (Continued)

(in million yen)

	As of Sept. 30, 2006 (A)	As of Sept. 30, 2005 (B)	As of March 31, 2006 (C)	Change	
				(A) – (B)	(A) – (C)
[Minority interests]					
Minority interests	-	1,197	1,295	-	-
[Shareholders' equity]					
Common stock	-	13,450	13,450	-	-
Additional paid-in capital	-	11,409	11,426	-	-
Retained earnings	-	116,199	122,350	-	-
Unrealized gains (losses) on revaluation of land	-	379	-740	-	-
Revaluation surplus of other securities	-	2,688	3,873	-	-
Foreign currency translation adjustments	-	-613	-200	-	-
Treasury stock	-	-4,835	-4,793	-	-
Total shareholders' equity	-	138,678	145,366	-	-
Total liabilities, minority interests and shareholders' equity	-	192,297	212,774	-	-
[Net assets]					
Shareholders' capital	147,153	-	-	-	-
Common stock	13,450	-	-	-	-
Additional paid-in capital	11,426	-	-	-	-
Retained earnings	127,073	-	-	-	-
Treasury stock	-4,797	-	-	-	-
Valuation and translation adjustments	1,914	-	-	-	-
Revaluation surplus of other securities	2,749	-	-	-	-
Unrealized gains (losses) on revaluation of land	-740	-	-	-	-
Foreign currency translation adjustments	-94	-	-	-	-
Minority interests	1,356	-	-	-	-
Total net assets	150,424	-	-	-	-
Total liabilities and net assets	217,136	-	-	-	-

CONSOLIDATED STATEMENTS OF CASH FLOWS

(in million yen)

	Six months ended Sept. 30, 2006	Six months ended Sept. 30, 2005	Year ended March 31, 2006
	Amount	Amount	Amount
Cash flows from operating activities			
Income before income taxes	10,847	5,254	18,200
Depreciation and amortization	3,083	2,268	4,906
Impairment losses	-	-	846
Amortization of consolidation goodwill	-	-31	-24
Equity in earnings of unconsolidated subsidiaries and affiliates	57	-116	-266
Increase in reserve for bonuses	295	551	238
Increase (decrease) in allowance for employees' retirement benefits	46	-239	-447
Increase (decrease) in allowance for doubtful accounts	187	-36	-56
Increase (decrease) in other allowances	169	-443	-510
Interest and dividend income	-326	-260	-452
Other non-operating income	-97	-230	-328
Interest expense	21	18	41
Other non-operating expenses and extraordinary losses	77	40	311
(Gains) losses on sale/revaluation of investment securities	-	-	-1,205
(Gains) losses on sale/disposal of tangible fixed assets	72	199	411
(Increase) decrease in notes and accounts receivable, trade	9,431	10,603	-5,259
(Increase) decrease in inventories	-7,283	-3,660	156
Decrease in other current assets	129	351	175
Increase (decrease) in notes and accounts payable, trade	-317	-3,972	2,314
Increase in advances received	2,246	2,227	1,077
Increase (decrease) in other current liabilities	-435	-923	362
Bonus paid to directors	-	-95	-180
Other	-242	28	-212
Sub total	17,963	11,535	20,096
Interest and dividend received	365	331	589
Other non-operating income received	88	186	374
Interest paid	-17	-20	-43
Other non-operating expenses paid	-50	-67	-179
Income taxes paid	-4,201	-3,723	-6,981
Net cash provided by operating activities	14,148	8,242	13,856
Cash flows from investing activities			
Deposits into time deposits accounts	-63	-389	-305
Withdrawals from time deposits	34	308	314
Payments for purchases of marketable securities	-6,096	-5,058	-10,807
Proceeds from redemption/sale of marketable securities	6,324	4,249	10,239
Payments for purchases of tangible fixed assets	-10,061	-4,258	-10,962
Proceeds from sale of tangible fixed assets	32	57	817
Payments for purchases of investment securities	-133	-2,939	-3,914
Proceeds from sale of investment securities	-	471	2,785
Other expenses	-501	-527	-986
Other income	79	359	500
Net cash used in investing activities	-10,385	-7,725	-12,318
Cash flows from financing activities			
Proceeds from and repayment of short-term borrowings	-127	-	220
Repayment of long-term borrowings	-64	-42	-84
Payment for acquisition of treasury stock	-3	-4	-11
Dividends paid	-1,419	-1,157	-2,572
Dividends paid to minority shareholders	-21	-55	-106
Proceeds from payment by minority shareholders	-	38	38
Net cash used in financing activities	-1,637	-1,221	-2,516
Effect of exchange rate changes on cash and cash equivalents	54	74	173
Net increase (decrease) in cash and cash equivalents	2,180	-629	-804
Cash and cash equivalents at beginning of period	29,871	30,365	30,365
Cash and cash equivalents of newly consolidated subsidiaries at beginning of period	132	310	310
Cash and cash equivalents at end of period	32,184	30,046	29,871

SEGMENT INFORMATION

By business type for six months ended September 30, 2006 (April 1, 2006 to September 30, 2006)

(in million yen)

	Water treatment chemicals	Water treatment facilities	Total	Elimination or corporate	Consolidated
I. Net sales and operating income					
(1) External sales	27,694	58,686	86,381	-	86,381
(2) Inter-segment sales	122	29	151	-151	-
Total	27,816	58,715	86,531	-151	86,381
Operating expenses	23,160	52,764	75,925	-152	75,773
Operating income	4,655	5,951	10,606	1	10,608
II. Assets, depreciation and capital expenditures					
Assets	37,395	126,513	163,909	53,227	217,136
Depreciation and amortization	792	2,278	3,070	-	3,070
Capital expenditures	570	7,906	8,476	-	8,476

By business type for six months ended September 30, 2005 (April 1, 2005 to September 30, 2005)

(in million yen)

	Water treatment chemicals	Water treatment facilities	Total	Elimination or corporate	Consolidated
I. Net sales and operating income					
(1) External sales	26,521	45,978	72,499	-	72,499
(2) Inter-segment sales	170	215	386	-386	-
Total	26,692	46,194	72,886	-386	72,499
Operating expenses	22,683	45,393	68,077	-384	67,692
Operating income	4,008	800	4,809	-1	4,807
II. Assets, depreciation and capital expenditures					
Assets	46,684	103,711	150,395	41,901	192,297
Depreciation and amortization	682	1,585	2,268	-	2,268
Capital expenditures	1,231	4,362	5,593	-	5,593

OVERSEAS SALES

For six months ended September 30, 2006 (April 1, 2006 to September 30, 2006)

(in million yen)

	Asia	North America	Europe	Other	Total
I. Overseas sales	9,761	1,438	609	939	12,749
II. Consolidated net sales	-	-	-	-	86,381
III. Ratio of overseas sales to total consolidated sales	11.3	1.7	0.7	1.1	14.8

For six months ended September 30, 2005 (April 1, 2005 to September 30, 2005)

(in million yen)

	Asia	North America	Europe	Other	Total
I. Overseas sales	5,704	1,004	613	729	8,051
II. Consolidated net sales	-	-	-	-	72,499
III. Ratio of overseas sales to total consolidated sales	7.9	1.4	0.8	1.0	11.1

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" include sales by the Company and its consolidated subsidiaries to the countries or regions other than Japan.