

FOR IMMEDIATE RELEASE

Kurita Water Industries Reports Earnings for the First Half Ended September 2005

Tokyo, Japan October 31, 2005—Kurita Water Industries Ltd. (TSE Security Code 6370) announced revenue for the first half (April 1 - September 30, 2005) of the fiscal year ending March 31, 2006 of 72,499 million yen, and net income of 2,855 million yen, or 22.20 yen per share.

Results of Operations

Total consolidated orders for the Kurita Group increased 6.8% over the same period a year earlier to 90,407 million yen, while net sales for the same period increased 1.9% to 72,499 million yen. Operating income decreased 25.3% to 4,807 million yen and ordinary income shrank 19.1% to 5,466 million yen, resulting in a net income decrease of 25.5% to 2,855 million yen. By segment, water treatment chemicals sales increased 7.1% year-on-year to 26,521 million yen, while water treatment facilities sales decreased 0.9% to 45,978 million yen.

In the electronics industry, while capital expenditures remained strong in Japan during the period on the back of strong demand for liquid crystal display (LCD) TVs and plasma display panel (PDP) TVs, large-scale capital expenditures ran their course at some of our clients in Taiwan and Korea. In the general industry, factory operating rate improved mainly in the basic materials industry such as steel, petroleum and chemicals, as well as in the automobile industry, accompanied by solid capital expenditures. On the other hand, the business climate for public spending related businesses remained severe due to shrinking budgets for public works projects and consolidation of municipal governments.

In view of the business performance for the period, outlook for the full fiscal year, and the Group's policy of maintaining stable dividend payouts, the Company has decided to reward its shareholders for their support by raising its dividend by 2 yen to 11 yen per share.

Segment Information

Water Treatment Chemicals

Total Group orders for the segment increased 3.7% to 27,213 million yen, while sales increased 7.1% to 26,521 million yen, resulting in a 1.4% increase in operating income to 4,008 million yen.

During the period, the Group focused its efforts on securing stable order flows by implementing a wide ranging measures including pursuing closer relationships with its clients, emphasizing its "Solutions Business" of offering clients solutions for reduction of costs and environmental burdens, strengthening marketing of core products, and promoting packaged water treatment management contracts. Also, responding to cost increases mainly reflecting rising raw materials prices, the Group concentrated its efforts on securing revenues by shifting its focus to high value-added and high margin products and reducing logistics costs.

Orders for the Group's mainstay boiler water treatment chemicals and cooling water treatment chemicals were largely flat compared with a year earlier period, while wastewater treatment chemicals saw an order increase. In other products, orders for process chemicals used in the pulp and paper industry and for process chemicals used in the oil refining and petrochemical industry both increased, while orders for agents used to solidify heavy metals contained in waste incineration fly ash decreased. Orders for packaged water treatment management contracts were flat.

Water Treatment Facilities

Total Group orders for the segment increased 8.2% to 63,194 million yen, while sales decreased 0.9% to 45,978 million yen, and operating income decreased 67.9% to 800 million yen.

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

Orders for the Group’s mainline ultra-pure water production systems for the electronics industry were flat in Japan and declined overseas, compared with the same period a year earlier. However, orders for maintenance services for the ultra-pure water production systems in Japan and overseas and orders for tool cleaning service for semiconductor and LCD production equipment both increased. In the general industry, orders for water treatment facilities for steel and food industries increased, while orders from petroleum and chemicals industries were flat, and orders from automobile and pharmaceutical industries decreased. On the other hand, orders for maintenance services for the general water treatment business increased. Orders for soil remediation increased supported by the strong demand .

In the public sector, the Group focused its efforts on securing order intake by implementing local oriented marketing activity and strengthening cooperation between Group companies. Orders for human waste treatment facilities and orders for sewage treatment facilities decreased from a year earlier period, under a slow public spending environment.

Outlook for the Full Year

For the full year ending March 31, 2006, the Group forecasts 175,000 million yen in net sales, 19,000 million yen in ordinary income, and 10,800 million yen in net income.

While the Group expects the domestic market to remain solid supported by strong factory operating rates and capital expenditures, the impact on corporate profits from rising oil prices and the rises passed onto chemicals affecting other basic material prices remains a concern.

Under such an environment, the Group will strive to expand its business and secure revenues by enhancing its proprietary businesses, further pursuing closer relationships with clients, and cost cutting efforts.

Outlook by Segment

Water Treatment Chemicals

In water treatment chemicals, although factory operating rates at clients, which has a large impact on the Group’s order intake and sales, are expected to remain at similar levels seen in the first half of the fiscal year, there are concerns that further strengthened cost cutting efforts by clients in response to rising basic materials costs reflecting surging oil prices, and cost increases in this segment, may adversely affect the segment’s revenues. Under such circumstances, the Group aims to expand sales of core products and strengthen marketing of “solution” business that offer clients solutions for reduction of energy costs and environmental burdens, by further strengthening marketing efforts focused on local oriented and closer ties with clients, and thereby aims to maintain and increase order flows. The Group will also continue its efforts of reducing manufacturing and logistics costs of water treatment chemicals.

Water Treatment Facilities

Although large-scale capital expenditures in the private sector have run its course in the electronics industries, capital expenditures are largely expected to be strong across manufacturing industries. Under such an environment, the Group aims to secure order flows by expanding its proprietary businesses, such as the ultra-pure water supply business, by concentrating marketing efforts on strategic clients, and by further pursuing closer ties with clients.

The severe operating environment in the public sector is expected to continue for the foreseeable future.

However, the Group will strive to ensure order flows by solution-based marketing of new technologies and strengthened services more attuned to local needs, leveraging its local-oriented marketing structures by further strengthening cooperation between Group companies.

In the water treatment facilities business, the Group will focus its efforts on securing revenues by driving forward initiatives to offer modularized and ready-made facilities as well as by improving productivity through higher quality, lower cost and shorter order-receipt to delivery period.

Financial Condition (Cash Flow Trends)

Consolidated net cash and cash equivalents at the end of the period were 30,046 million yen, representing a decrease of 319 million yen, or 1.1%, from the end of the previous fiscal year.

Net cash inflow from operating activities amounted to 8,242 million yen, a decrease of 930 million yen from a year earlier period. This is primarily due to income before income taxes of 5,254 million yen, depreciation and amortization of 2,268 million yen, decrease in notes and accounts receivables-trades by 10,603 million yen, and increase in advances received by 2,227 million yen, which were partly offset mainly by the increase in inventory by 3,660 million yen, decrease in notes and accounts payable-trades by 3,972 million yen, and payment of income taxes of 3,723 million yen.

Net cash outflow from investing activities was 7,725 million yen, an increase of 5,905 million yen from a year earlier period, mainly reflecting the purchase of marketable securities of 5,058 million yen, purchase of tangible fixed assets of 4,258 million yen and purchase of investment securities of 2,939 million yen, which exceeded the sale of marketable securities etc. of 4,249 million yen.

Net cash outflow from financing activities was 1,221 million yen, an increase of 171 million yen from a year earlier period, mainly reflecting dividend payment of 1,157 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 on water treatment facilities and factory operating rates at its 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 the Group's clients in steel, petroleum and pulp and paper industries. 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.

About seasonal concentration of earnings in the water treatment facilities business in the second half of a fiscal year

The Kurita Group's operating income from the water treatment facilities business tends to be concentrated in the second half of a fiscal year. This is because recognition of sales of water treatment facilities, 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.

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 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; 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)

	First half ended September 30, 2005 (A)		First half ended September 30, 2004 (B)		Year ended March 31, 2005		Change (A)-(B)
	Amount	%	Amount	%	Amount	%	Amount
Net sales	72,499	100.0	71,170	100.0	160,896	100.0	1,329
Cost of sales	50,464	69.6	48,040	67.5	112,077	69.7	2,424
Gross profit	22,035	30.4	23,130	32.5	48,819	30.3	-1,095
Selling, general and administrative expenses	17,227	23.8	16,692	23.5	32,867	20.4	535
Operating income	4,807	6.6	6,438	9.0	15,951	9.9	-1,631
Non-operating income	746	1.0	567	0.8	1,068	0.7	179
Non-operating expense	86	0.1	245	0.3	295	0.2	-159
Ordinary income	5,466	7.5	6,759	9.5	16,725	10.4	-1,293
Extraordinary gains	-	-	-	-	128	0.1	-
Extraordinary losses	211	0.3	-	-	477	0.3	211
Net income before income taxes	5,254	7.2	6,759	9.5	16,376	10.2	-1,505
Income taxes	2,309	3.2	2,849	4.0	6,838	4.3	-540
Minority interests in earnings of consolidated subsidiaries	90	0.1	76	0.1	154	0.1	14
Net income	2,855	3.9	3,834	5.4	9,383	5.8	-979

CONDENSED CONSOLIDATED BALANCE SHEET

(In million yen)

	As of September 30, 2005 (A)	As of September 30, 2004 (B)	As of March 31, 2005 (C)	Change	
				(A)-(B)	(A)-(C)
[Assets]					
Current assets	110,790	115,827	116,400	-5,037	-5,610
Cash and deposits	30,356	41,914	30,679	-11,558	-323
Notes receivable - trade	9,135	10,036	9,958	-901	-823
Accounts receivable - trade	51,795	44,907	61,158	6,888	-9,363
Marketable securities	3,502	5,202	2,794	-1,700	708
Inventories	11,795	10,571	8,075	1,224	3,720
Deferred tax assets	2,107	2,104	2,038	3	69
Other	2,221	1,220	1,852	1,001	369
Allowance for doubtful accounts	-124	-129	-156	5	32
Fixed assets	81,506	65,826	76,028	15,680	5,478
Tangible fixed assets	46,459	42,835	43,855	3,624	2,604
Intangible fixed assets	3,034	3,298	3,180	-264	-146
Investment and other assets	32,011	19,691	28,993	12,320	3,018
Total assets	192,297	181,653	192,428	10,644	-131
[Liabilities]					
Current liabilities	42,522	38,526	44,465	3,996	-1,943
Notes payable - trade	2,276	2,494	1,521	-218	755
Accounts payable - trade	22,701	20,522	26,642	2,179	-3,941
Short-term borrowings	80	79	85	1	-5
Accounts payable - other, Accrued expenses	7,242	5,290	7,413	1,952	-171
Income taxes payable	2,409	2,853	3,924	-444	-1,515
Advances received	3,180	2,904	942	276	2,238
Accrued employees' bonuses	2,676	2,613	2,060	63	616
Allowance for product warranty	901	1,058	992	-157	-91
Other	1,053	710	884	343	169
Fixed liabilities	9,897	10,850	10,485	-953	-588
Long-term borrowings	214	292	270	-78	-56
Accrued employees' retirement benefits	8,464	9,107	8,689	-643	-225
Accrued retirement benefits for directors and corporate auditors	389	623	704	-234	-315
Other	829	827	821	2	8
Total liabilities	52,420	49,376	54,951	3,044	-2,531
[Minority interests]					
Minority interests	1,197	1,066	1,110	131	87
[Shareholders' equity]					
Common stock	13,450	13,450	13,450	-	-
Additional paid-in capital	11,409	11,409	11,409	-	-
Retained earnings	116,199	110,933	115,318	5,266	881
Net unrealized gains/losses on revaluation of land	379	-257	-257	636	636
Net unrealized gains on available-for-sale securities	2,688	1,366	2,067	1,322	621
Foreign currency translation adjustments	-613	-868	-790	255	177
Treasury stock	-4,835	-4,823	-4,830	-12	-5
Total shareholders' equity	138,678	131,210	136,366	7,468	2,312
Total liabilities, minority interests and shareholders' equity	192,297	181,653	192,428	10,644	-131

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In million yen)

	First half ended September 30, 2005	First half ended September 30, 2004	Year ended March 31, 2005
	Amount	Amount	Amount
Cash flows from operating activities			
Income before income taxes	5,254	6,759	16,376
Depreciation and amortization	2,268	2,019	4,361
Amortization of consolidation goodwill	-31	0	-17
Equity in earnings of unconsolidated subsidiaries and affiliates	-116	-129	-244
Decrease in allowance for employees' retirement benefits	-239	-43	-463
Increase/decrease in allowance for doubtful accounts	-36	-4	5
Increase/decrease in other allowances	107	434	-104
Interest and dividend income	-260	-202	-356
Other non-operating income	-230	-182	-345
Interest expense	18	17	38
Other non-operating expenses and extraordinary losses	40	204	224
Gains/losses on sale of investment securities	-	-	-128
Gains/losses on sale/disposal of tangible fixed assets	199	0	472
Increase/decrease in notes and accounts receivables - trade	10,603	11,910	-4,063
Increase in inventories	-3,660	-3,872	-1,375
Increase/decrease in other current assets	351	211	-440
Increase/decrease in notes and accounts payable - trade	-3,972	-4,763	848
Increase/decrease in advances received	2,227	1,531	-431
Increase/decrease in other current liabilities	-923	-1,258	37
Bonus paid to directors	-95	-80	-138
Other	28	22	69
Sub total	11,535	12,573	14,323
Interest and dividend received	331	261	424
Other non-operating income received	186	173	322
Interest paid	-20	-16	-36
Other non-operating expenses paid	-67	-227	-257
Income taxes paid	-3,723	-3,591	-6,479
Net cash provided by operating activities	8,242	9,172	8,297
Cash flows from investing activities			
Deposits into time deposit accounts	-389	-1,312	-3,518
Withdrawals from time deposits	308	218	1,594
Payments for purchases of marketable securities	-5,058	-999	-5,038
Proceeds from sale of marketable securities	4,249	3,320	10,008
Payments for purchases of tangible fixed assets	-4,258	-2,984	-5,905
Proceeds from sale of tangible fixed assets	57	162	100
Payments for purchases of investment securities	-2,939	-136	-8,096
Proceeds from sale of investment securities	471	152	546
Other expenses	-527	-579	-829
Other income	359	337	468
Net cash provided by/used in investing activities	7,725	-1,820	-10,669
Cash flows from financing activities			
Repayment of short-term borrowings	-	-	-60
Proceeds from long-term borrowings	-	39	-
Repayment of long-term borrowings	-42	-59	-125
Acquisition/sale of treasury stock	-4	-2	-10
Dividends paid	-1,157	-1,027	-2,185
Dividends paid to minority shareholders	-55	-	-42
Payment by minority shareholders	38	-	-
Net cash used in financing activities	-1,221	-1,050	-2,422

Effect of exchange rate changes on cash and cash equivalents	74	-2	22
Increase/decrease in cash and cash equivalents	-629	6,299	-4,772
Cash and cash equivalents at the beginning of the period	30,365	35,137	35,137
Cash and cash equivalents of newly consolidated subsidiaries at the beginning of the period	310	-	-
Cash and cash equivalents at the end of the period	30,046	41,437	30,365

Segment Information

First Half 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. Sales and operating income					
(1) Sales to outside customers	26,521	45,978	72,499	-	72,499
(2) Intersegment sales	170	215	386	-386	-
Total	26,692	46,194	72,886	-386	72,499
Operating costs and 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

First Half Ended September 30, 2004 (April 1, 2004 to September 30 2004)

(In million yen)

	Water Treatment Chemicals	Water Treatment Facilities	Total	Elimination or corporate	Consolidated
I. Sales and operating income					
(1) Sales to outside customers	24,760	46,409	71,170	-	71,170
(2) Intersegment sales	40	351	392	-392	-
Total	24,800	46,761	71,562	-392	71,170
Operating costs and expenses	20,849	44,268	65,117	-385	64,732
Operating income	3,951	2,493	6,444	-6	6,438
II. Assets, depreciation and capital expenditures					
Assets	41,087	88,350	129,438	52,215	181,653
Depreciation and amortization	713	1,306	2,019	-	2,019
Capital expenditures	550	2,615	3,165	-	3,165

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. Sales and operating income					
(1) Sales to outside customers	50,637	110,259	160,896	-	160,896
(2) Intersegment sales	199	681	881	-881	-
Total	50,837	110,941	161,778	-881	160,896
Operating costs and expenses	43,403	102,425	145,829	-883	144,945
Operating income	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 and amortization	1,465	2,895	4,361	-	4,361
Capital expenditures	1,322	5,383	6,706	-	6,706

Overseas Sales

First Half Ended September 30, 2005 (April 1, 2005 to September 30 2005)

(In million yen)

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

First Half Ended September 30, 2004 (April 1, 2004 to September 30 2004)

(In million yen)

	Asia	North America	Europe	Other	Total
I. Overseas net sales	8,942	199	567	629	10,338
II. Consolidated net sales					71,170
III. Percentage of overseas net sales to consolidated net sales	12.5%	0.3%	0.8%	0.9%	14.5%

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

(In million yen)

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

Notes:

- Countries and regions are classified into segments according to geography and proximity.
- The major countries or regions classified in each geographic segment are as follows:
 - Asia: South Korea, China, Taiwan, Singapore, Indonesia, Thailand
 - North America: U.S.A.
 - Europe: Germany
 - Other areas: Brazil
- Overseas sales refer to sales outside Japan generated by the Company and its consolidated subsidiaries.

Order Intake

(In million yen)

Business Segment	First half ended September 30, 2005		First half ended September 30, 2004		(Reference) Year ended March 31, 2005	
	Amount	%	Amount	%	Amount	%
Water Treatment Chemicals	26,521	36.6	24,760	34.8	50,637	31.5
Water Treatment Facilities	45,978	63.4	46,409	65.2	110,259	68.5
Total	72,499	100.00	71,170	100.0	160,896	100.0

Sales

(In million yen)

Business Segment	First half ended September 30, 2005		First half ended September 30, 2004		(Reference) Year ended March 31, 2005	
	Amount	%	Amount	%	Amount	%
Water Treatment Chemicals	27,213	30.1	26,246	31.0	52,120	30.4
Water Treatment Facilities	63,194	69.9	58,404	69.0	119,213	69.6
Total	90,407	100.0	84,651	100.0	171,334	100.0

Order Backlog

(In million yen)

Business Segment	First half ended September 30, 2005 (A)		First half ended September 30, 2004 (B)		(Reference) Year ended March 31, 2005	
	Amount	%	Amount	%	Amount	%
Water Treatment Chemicals	4,944	7.3	4,256	8.1	4,253	8.6
Water Treatment Facilities	62,683	92.7	48,507	91.9	45,467	91.4
Total	67,628	100.0	52,764	100.0	49,720	100.0