

Kurita Water Industries Ltd.

Results Presentation for 1st Half Ended 9/30/04

November 9, 2004

Financial Results of First Half Ended September 30, 2004

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Financial Results of First Half Ended September 2004



Manufacturing

Establishment and launch of Kurita (Suzhou) as the manufacturing center of water treatment facilities in China

Decision made to consolidate three chemical manufacturing locations into two locations

Development

Decision made to consolidate R&D centers

Launch of hydrogen fueling stations

Marketing

Two water treatment distributing agents had become fully subsidiaries

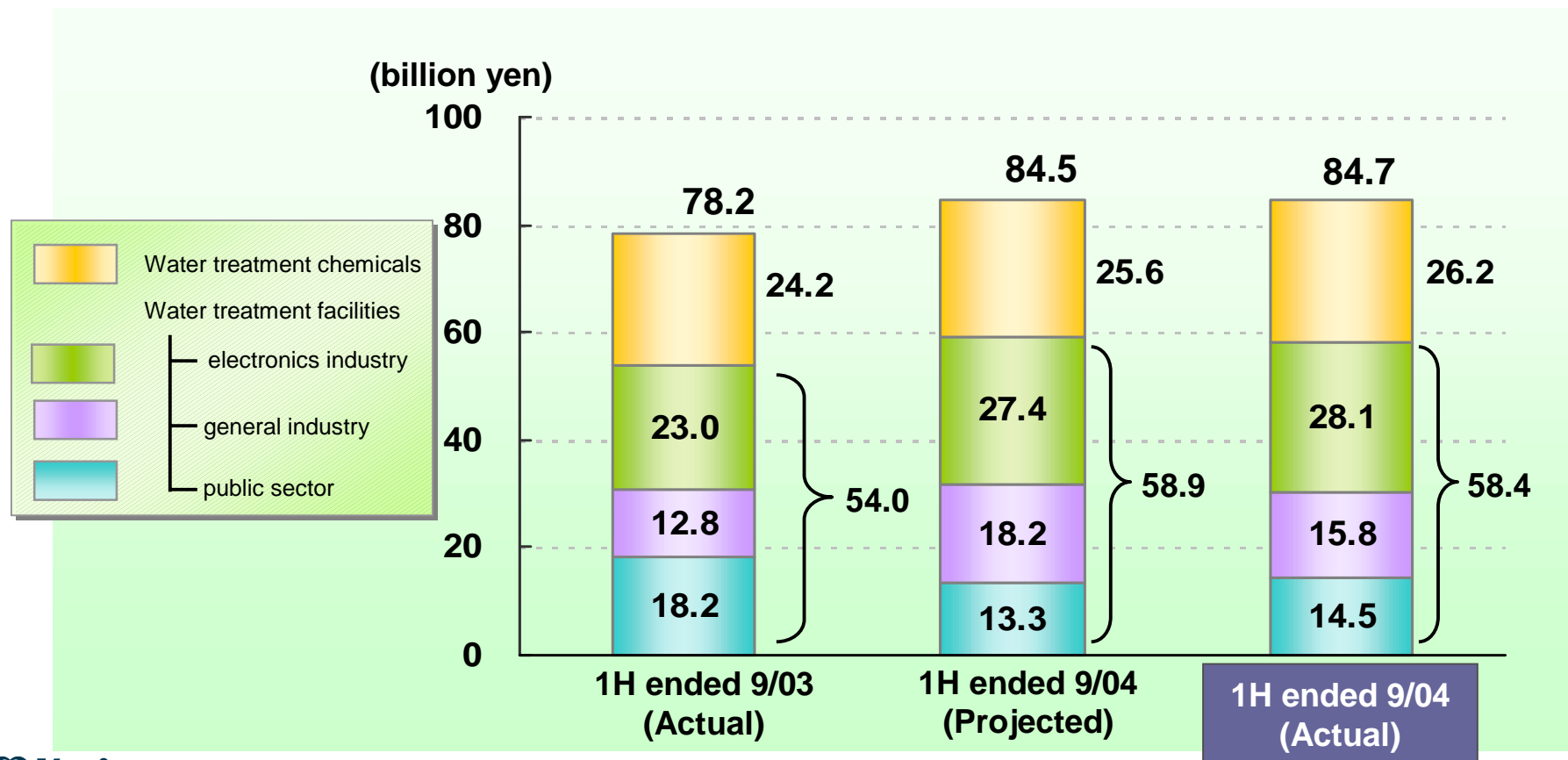
Promotion of the Taiwan representative office to marketing office status
Decision to promote Shanghai office of Kurita Dalian to branch status

(billion yen)

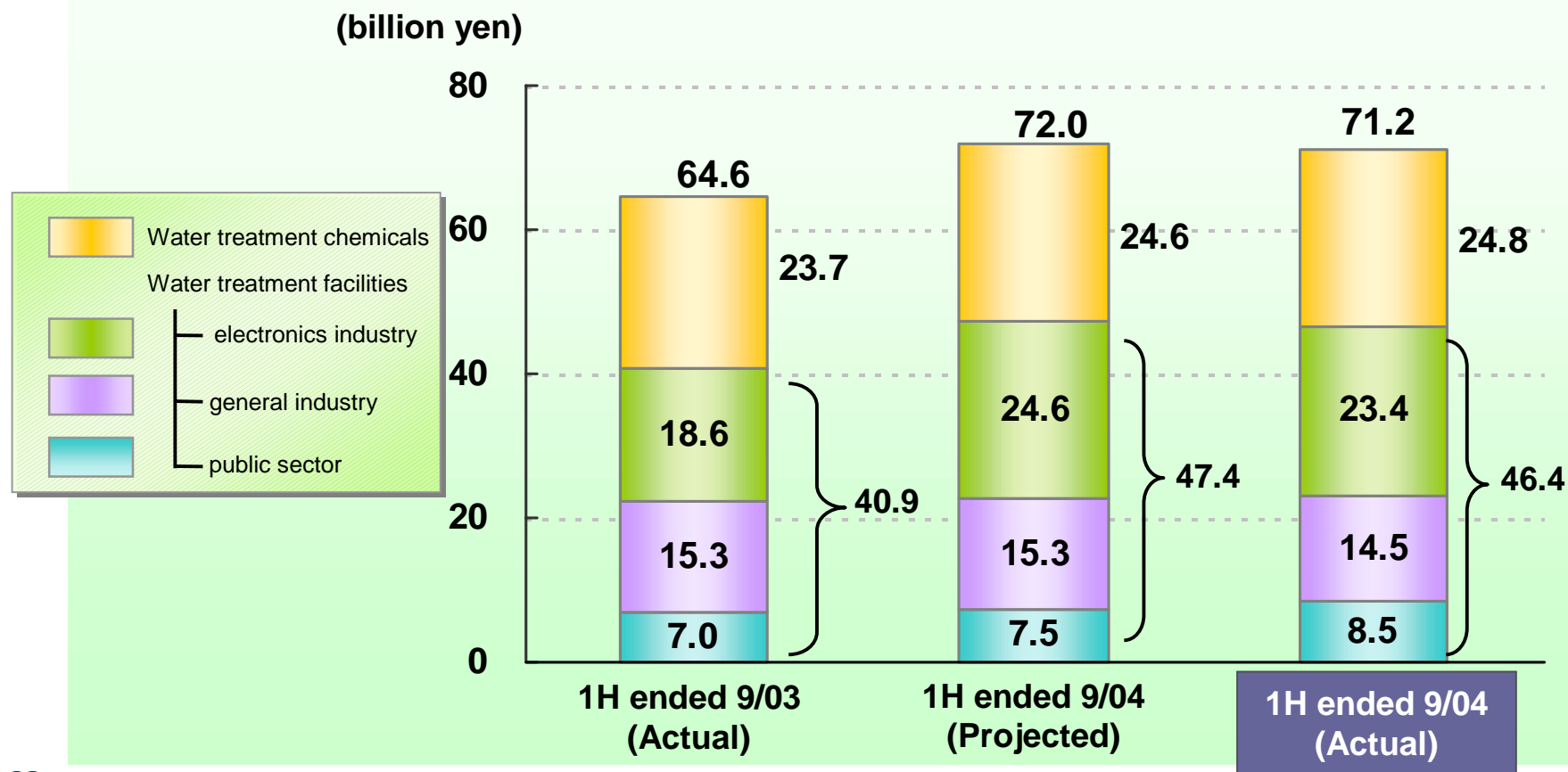
	1H ended 9/03 (Actual)	1H ended 9/04 (Projected)	1H ended 9/04 (Actual)	Change versus projected		Change versus previous year	
				amount	percentage	amount	percentage
Orders	78.2	84.5	84.7	+0.2	+0.2%	+6.5	+8.3%
Net Sales	64.6	72.0	71.2	-0.8	-1.2%	+6.6	+10.2%
Gross Profit	20.9	22.6	23.1	+0.5	+2.3%	+2.2	+10.4%
Operating Income	4.2	5.6	6.4	+0.8	+15.0%	+2.2	+52.5%
Ordinary Income	4.4	5.7	6.8	+1.1	+18.6%	+2.3	+52.7%
Net Income	2.4	3.2	3.8	+0.6	+19.8%	+1.4	+58.8%

- Orders exceeded projections due to strong orders in chemicals and in facilities to the electronics industry
- Net sales grew year-on-year although still short of projection
- Operating income exceeded projections while lower-than-expected SG&A expenses

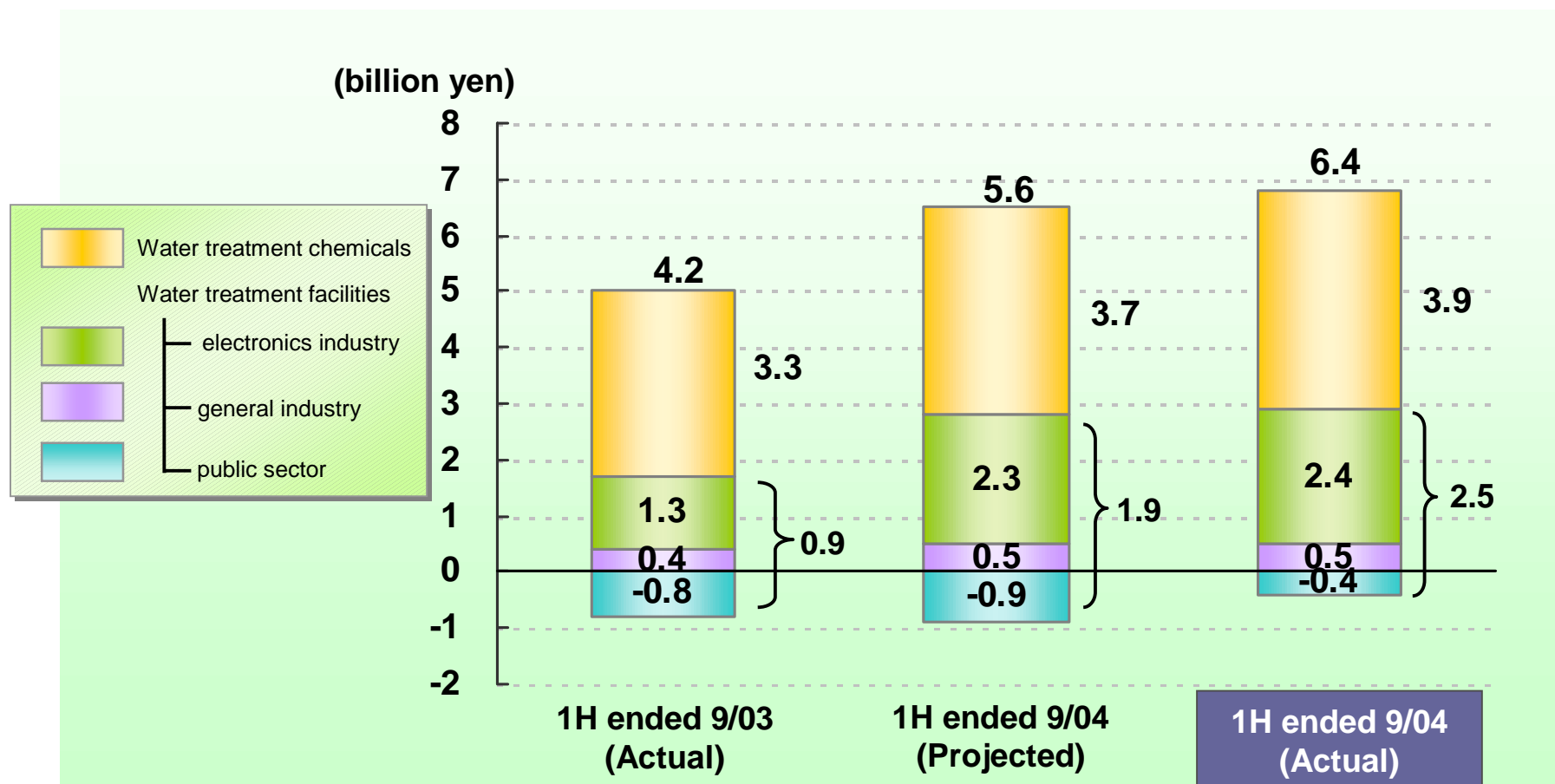
- Orders of water treatment chemicals exceeded projections due to recovery in cooling water treatment and growth in pulp and paper chemicals
- Orders of facilities from the electronics industry exceeded projections as investments for semiconductors and FPD (flat panel displays) remained strong
- Orders of facilities from the general industry grew year-on-year as capital expenditure remained on a recovery trend especially in the basic materials industry



- In the chemical segment, sales of cooling water treatment, pulp and paper chemicals and contract-based services increased
- Sales of facilities to the electronics industry grew reflecting an increase in orders and firm maintenance business
- Sales of facilities to the public sector increased reflecting an increase in orders received in the previous year



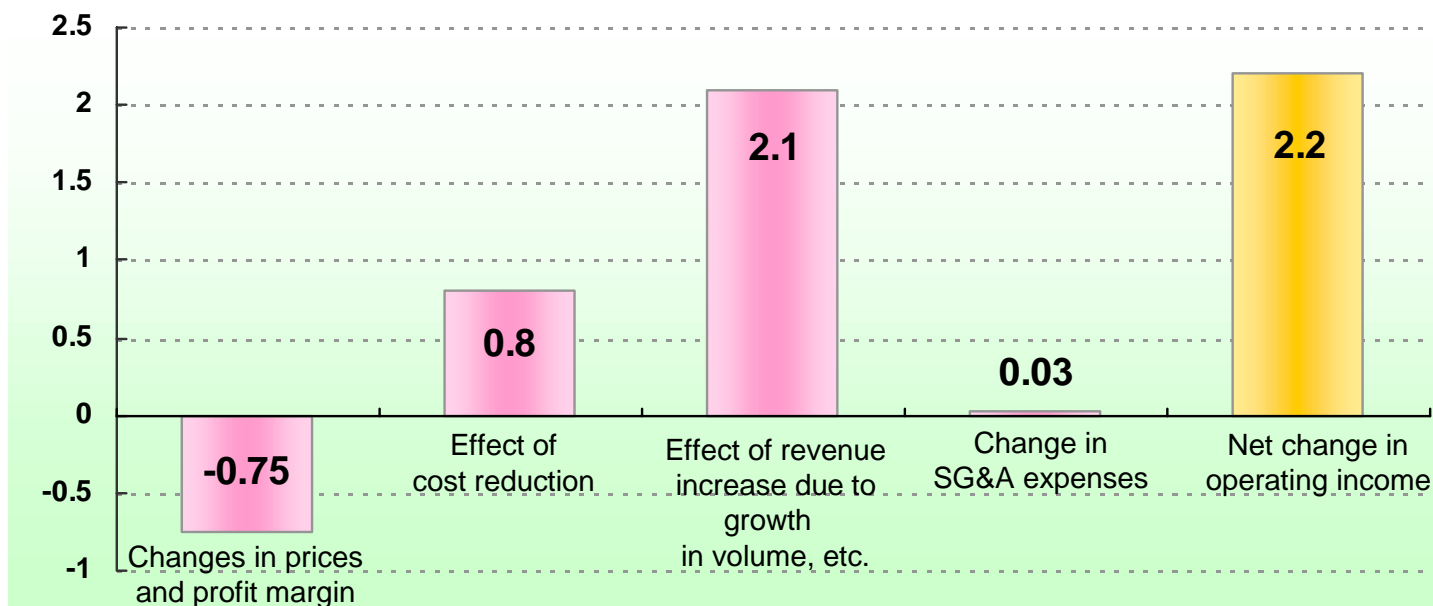
- The chemical segment exceeded projections as high-margin products such as pulp and paper chemicals grew
- In the water treatment facilities segment, increase in sales to the electronics industry and strong maintenance services contributed toward a growth in profits



Results of 1st Half Ended Sep. 30, 2004: Analysis of Change in Operating Income

- Improvement in profit margin owing to launch of new chemical products
- Improvement of profits due to revenue growth in both the chemical segment and the water treatment facilities segment
- Group affiliates contributed to an increase in profits through improved profitability and revenue growth

(billion yen)

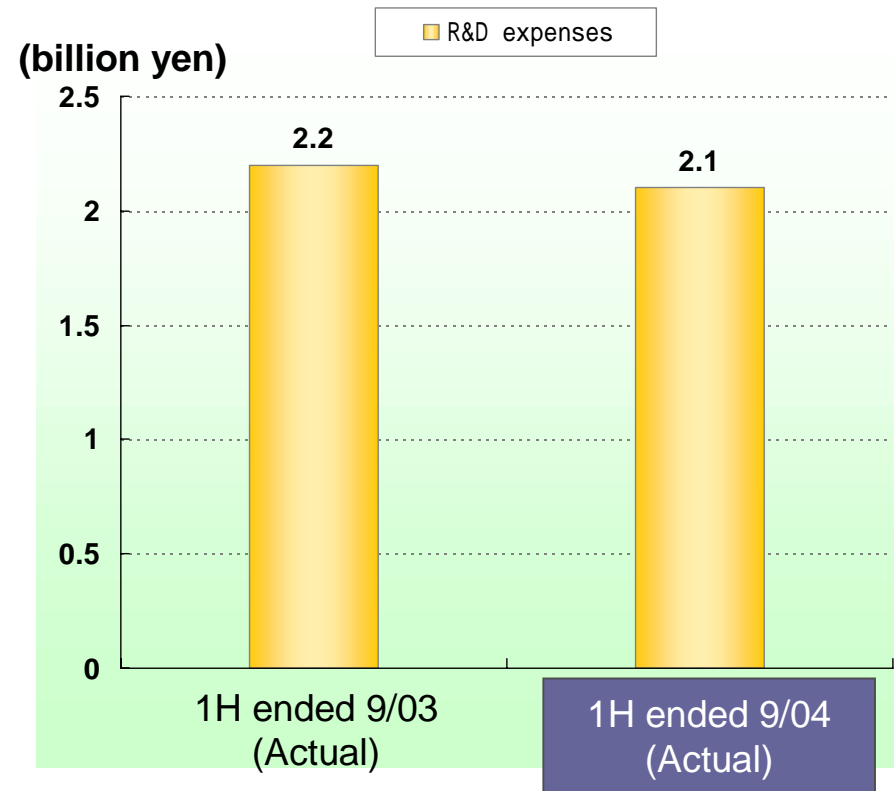
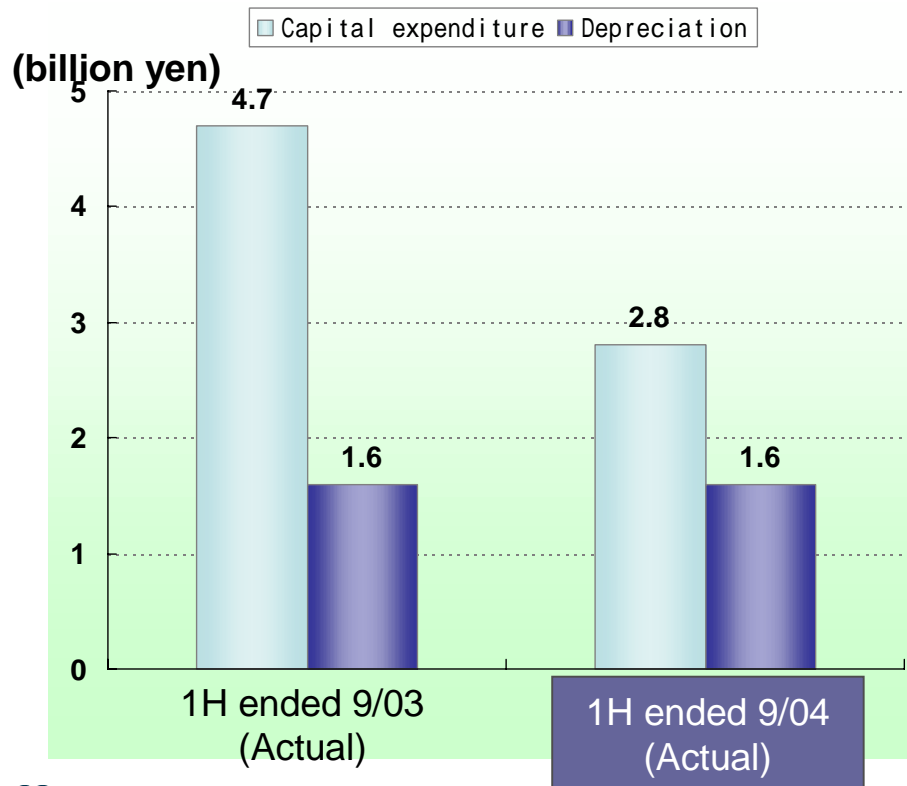


(billion yen)

	1H ended 9/03 (Actual)	1H ended 9/04 (Actual)	change	% change
Operating Income	4.2	6.4	+2.2	+52.5%

Results of 1st Half Ended Sep. 30, 2004: Capital Expenditure/Depreciation/R&D Expenses

- The main capital expenditure was related to the acquisition of business facilities for the ultrapure water supply business
- R&D expenses declined due to streamlining and a portion of it was carried over to 2H



In the chemicals segment, profit projection was achieved through revenue growth and efforts to improve profit margins

In facilities to the electronics industry, the ultrapure water supply business grew steadily while maintenance business also expanded

Orders for facilities from the general industry increased, helped mainly by the strong demand from the basic materials industry

Overseas businesses are operating in line with original projections

Eco-Solution Group is achieving steady growth of orders

**Business Plan
for the Fiscal Year Ending March 2005**



Market Outlook

【Water Treatment Chemicals】

- Operating ratios among Japanese corporations remain at high levels
- Increasing demand for solution business from clients
- Existing pressure of rising costs as prices of raw materials surge

【Water Treatment Facilities】

- Capital expenditure by the domestic electronics industry remains strong
- Capital expenditure for LCD in South Korea and basic materials industry/electronic components in China remain firm
- Increasing needs for reinforcement of facilities and renewed capital expenditure, and demand for solutions in the domestic general industry
- Budget cuts in the public sector

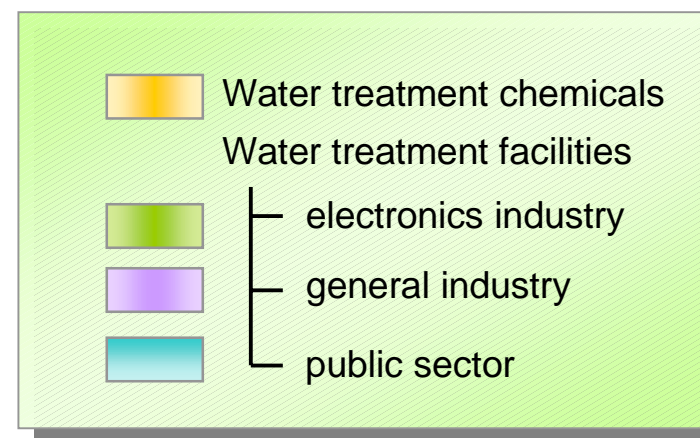
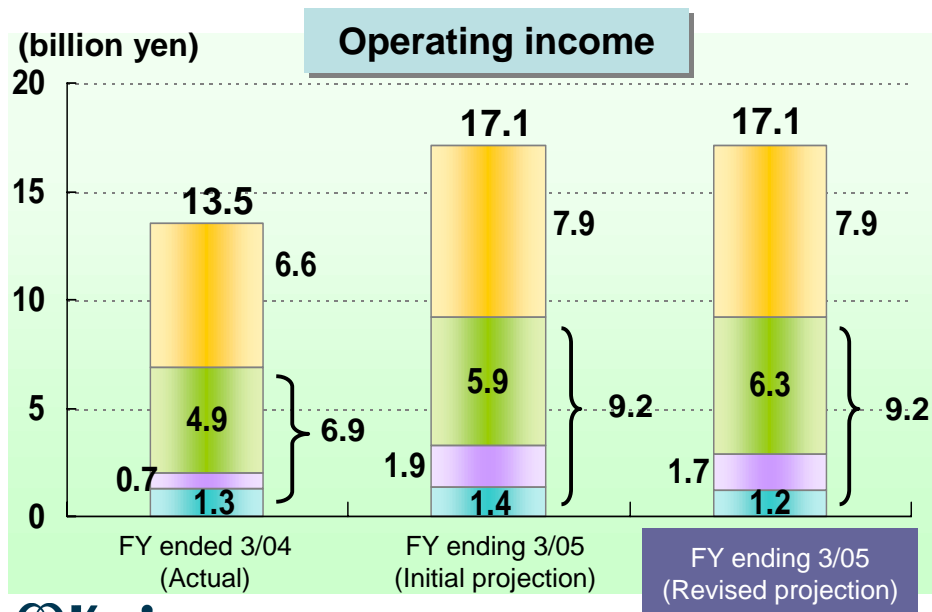
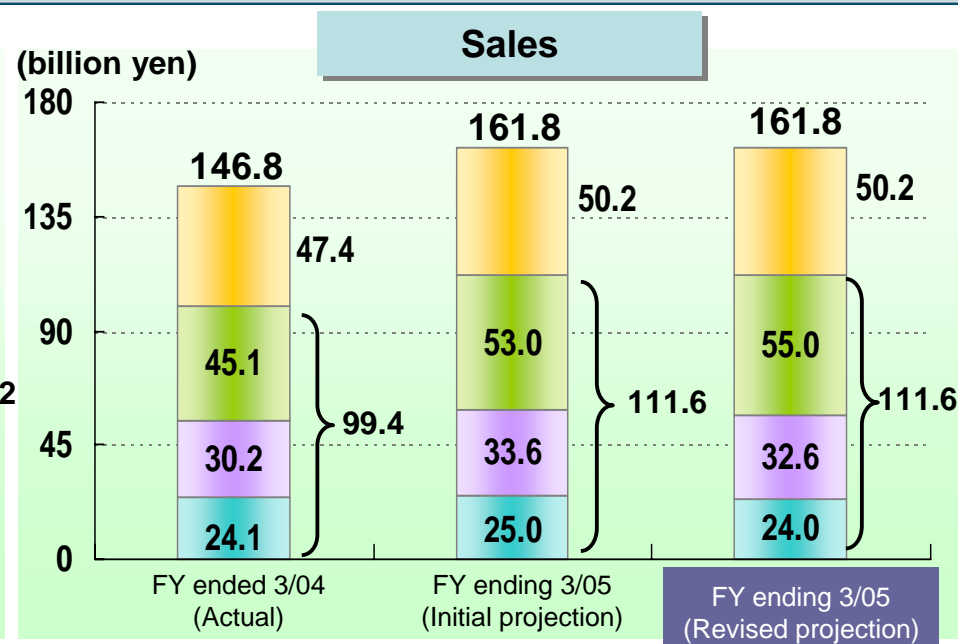
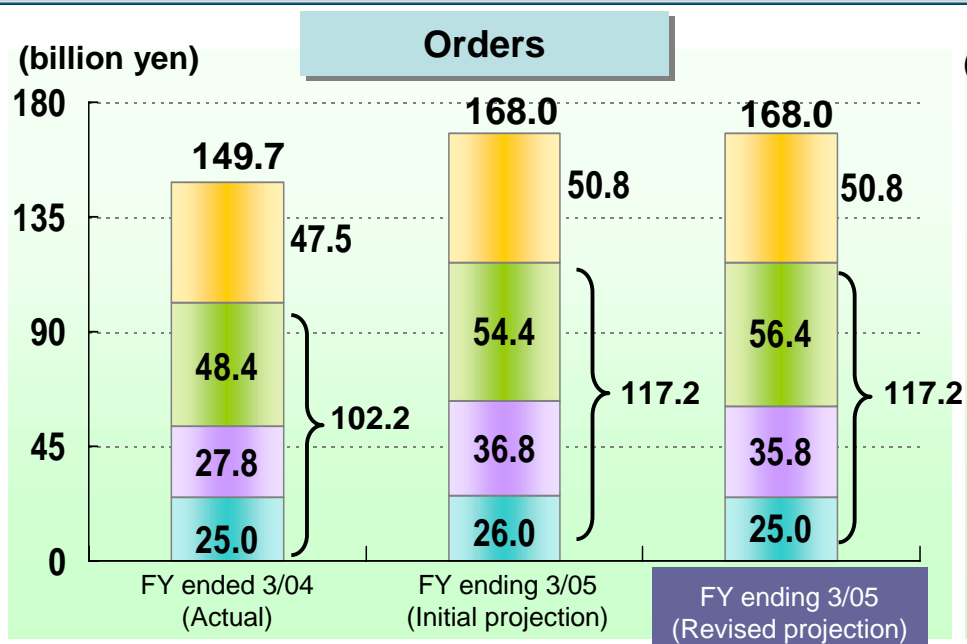
(billion yen)

	FY ended 3/04 (Actual)	FY ending 3/05 (Initial projection)	FY ending 3/05 (Revised projection)	Change versus previous year	
				amount	percentage
Orders	149.7	168.0	168.0	+18.3	+12.2%
Net Sales	146.8	161.8	161.8	+15.0	+10.2%
Gross profit	45.4	50.8	50.8	+5.4	+11.9%
SG&A expenses	31.9	33.7	33.7	+1.8	+5.7%
Operating income	13.5	17.1	17.1	+3.6	+26.8%
Net Non-operating Income/expenses	0.4	0.3	0.6	+0.2	+33.9%
Ordinary income	13.9	17.4	17.7	+3.8	+27.0%
Special gains/losses	1.0	-	-0.3	-1.3	-
Net income	8.4	10.0	10.0	+1.6	+18.4%

【Main Strategies】

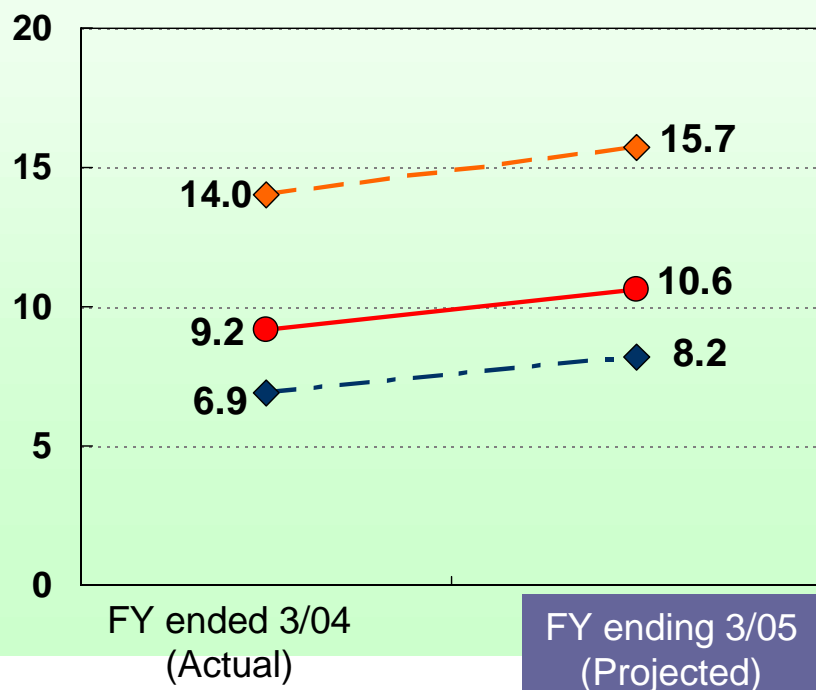
- Accelerate “aggressive” business expansion both domestically and overseas
- Raise profitability of new business models as well as bolster new product development and launch of new businesses
- Enhance profitability through cost reduction

Business Plan: Earnings by Segment



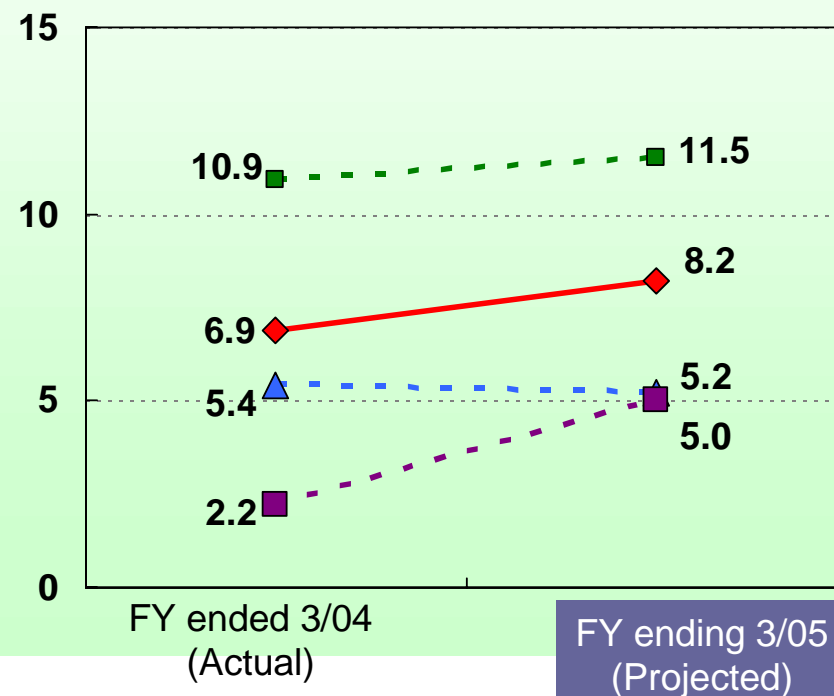
Operating Income Margin by Segment

- ◇— Operating income margin for water treatment chemicals
- Operating income margin
- ◆— Operating income margin for water treatment facilities



Operating Income Margin of Water Treatment Facilities Segment

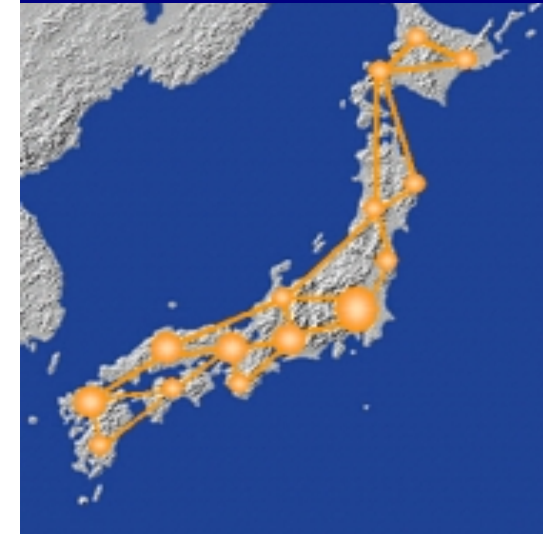
- Water treatment facilities for the electronics sector
- ◇— Water treatment facilities
- ▲— Water treatment facilities for the public sector
- Water treatment facilities for general industry



【Water Treatment Chemical Business】

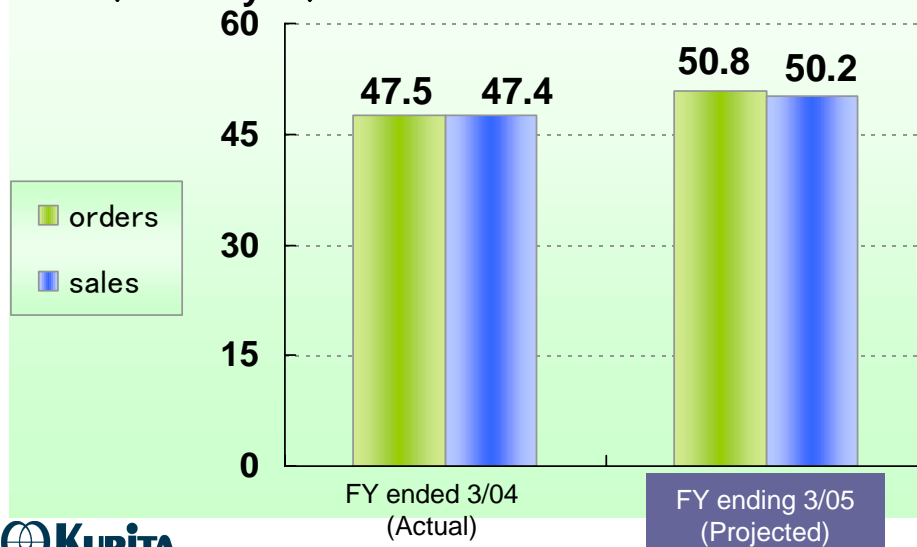
- Expansion of Solution Business
- Sales expansion of process chemicals for pulp and paper, incinerator chemicals, and high-margin products
- Reinforcement of the Group's marketing network
- Bolstering of businesses in China and Europe

Reinforcement of the Group's domestic marketing network



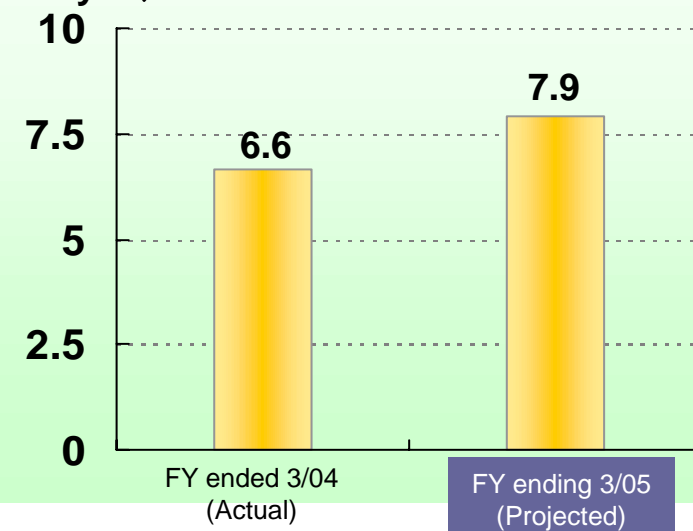
Orders /Sales

(billion yen)

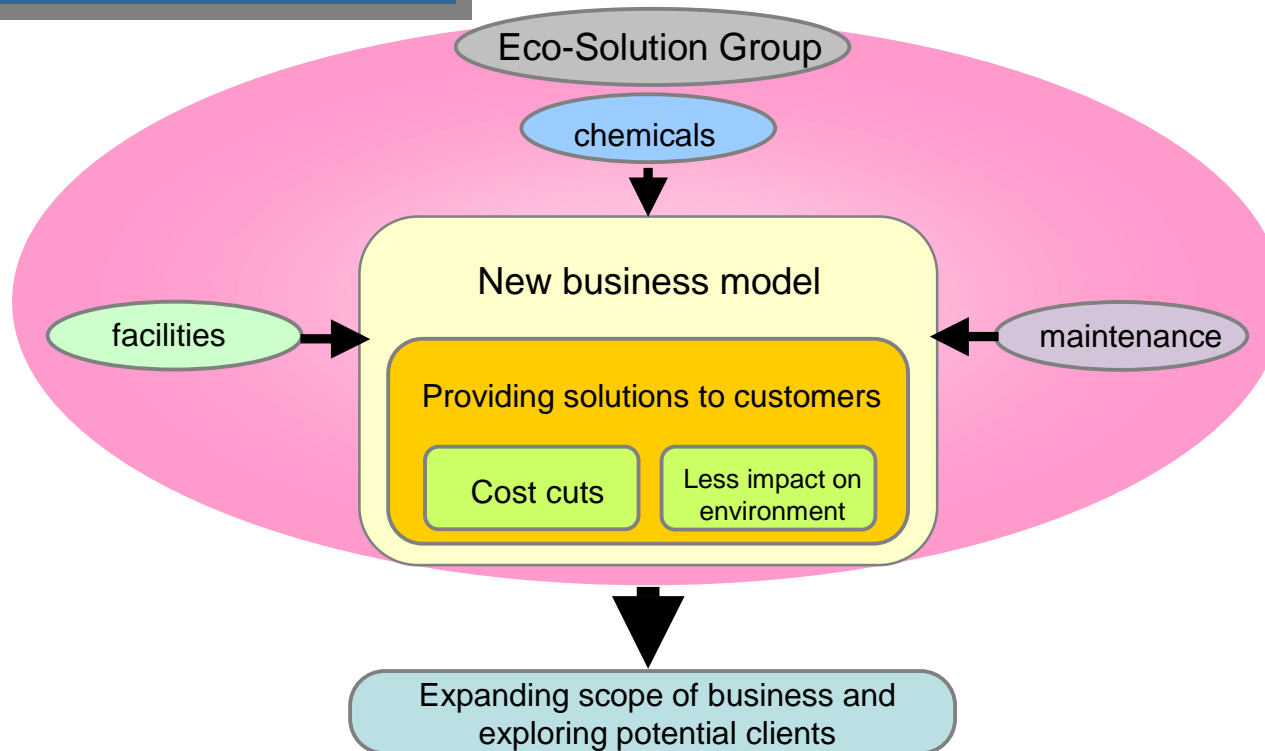


Operating Income

(billion yen)



Eco-Solution Group's activities



Orders and Net Sales of the Eco-Solution Group

(billion yen)

	FY ended 3/04 (Actual)	1H ended 9/04 (Actual)	FY ending 3/05 (Projected)
Orders	1.7	2.1	5.0
Net Sales	0.7	1.0	3.0

【Ultrapure Water Supply Business】

- Breakdown of clients: 2 LCD plants and 3 semiconductor plants

Customer Plant

Semiconductor/
LCD production
lines

Supply ultrapure water

Payment of fees

Kurita

- ownership
- maintenance
- operation & management

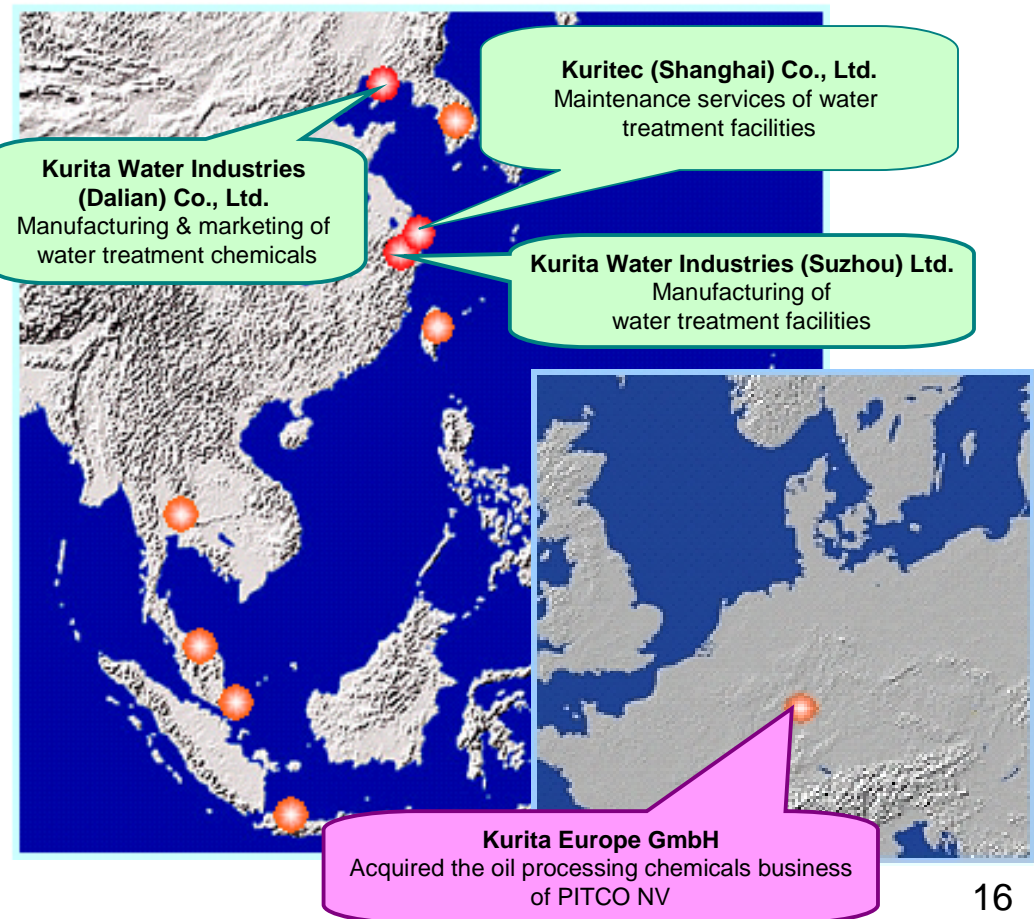
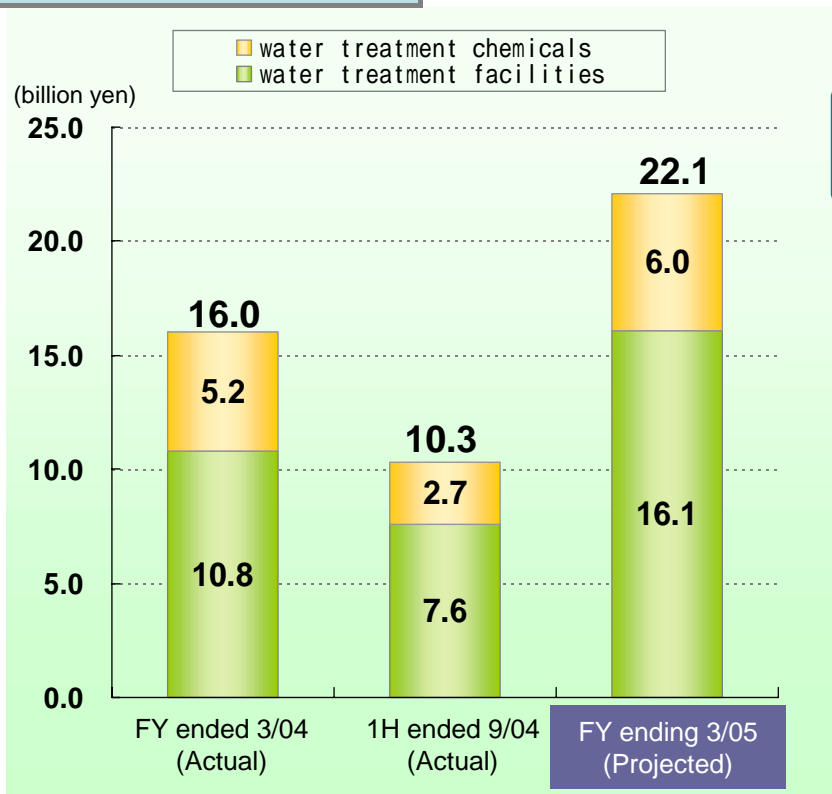
ultrapure water facilities



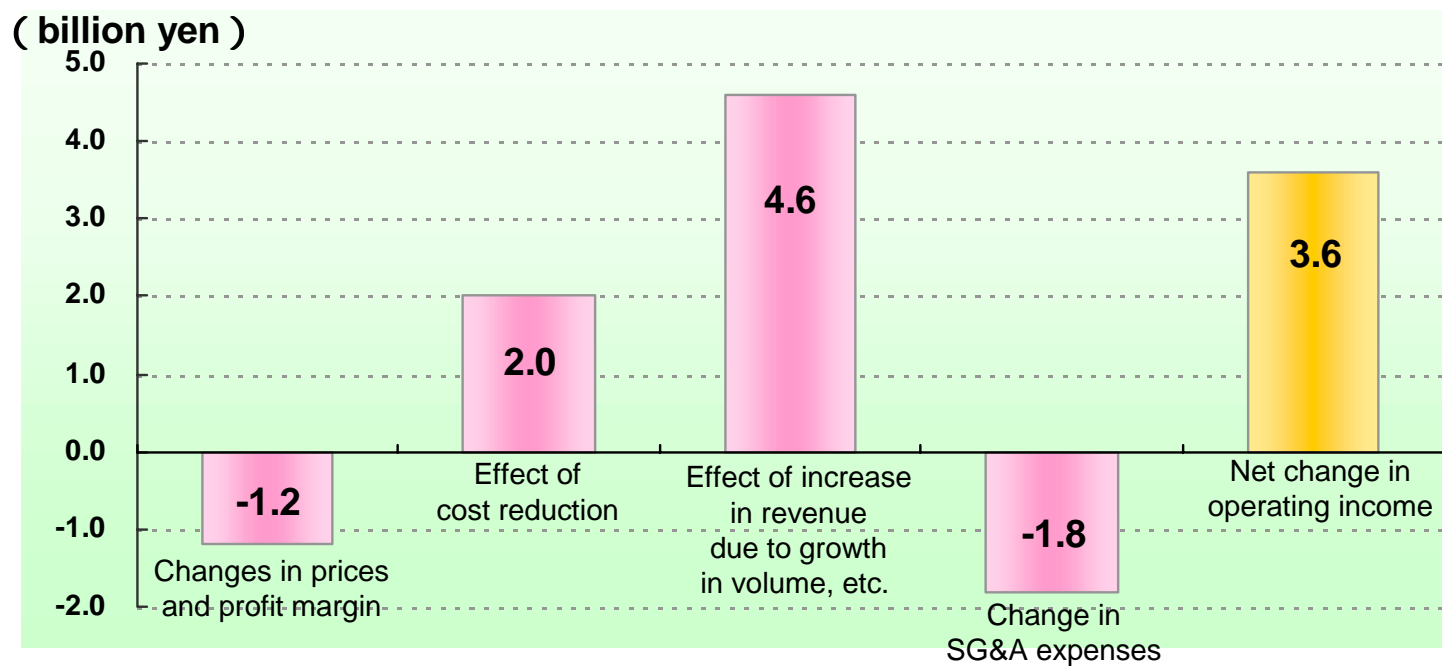
【Overseas Business Expansion】

- Establishment of comprehensive solution framework for chemicals, facilities, and maintenance in the Chinese market
- Business expansion of Kurita Europe GmbH through PITCO's oil processing chemicals business

Overseas Sales



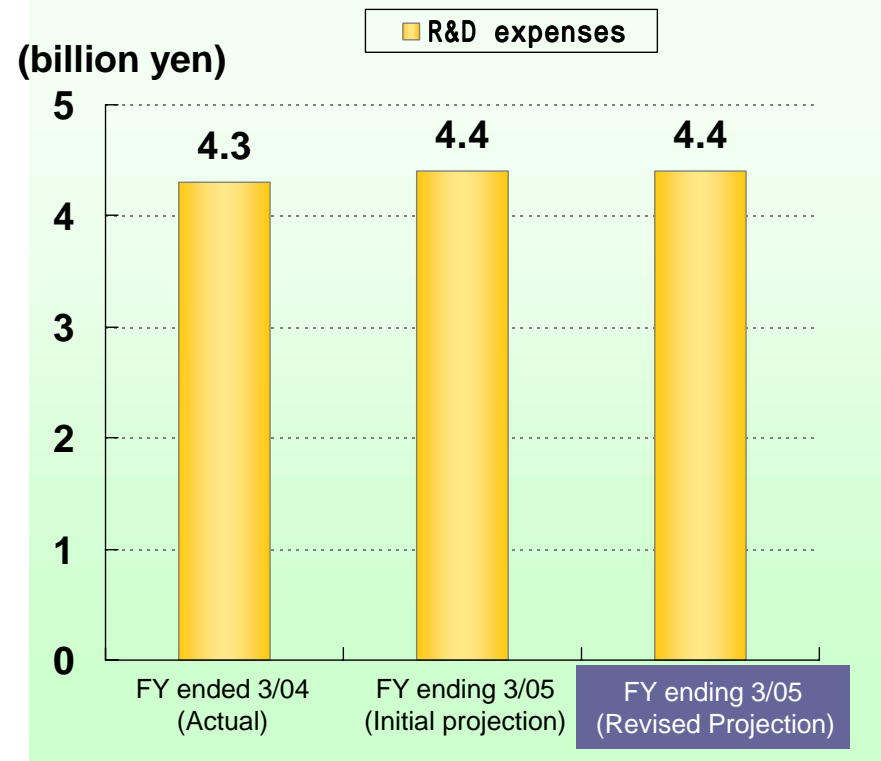
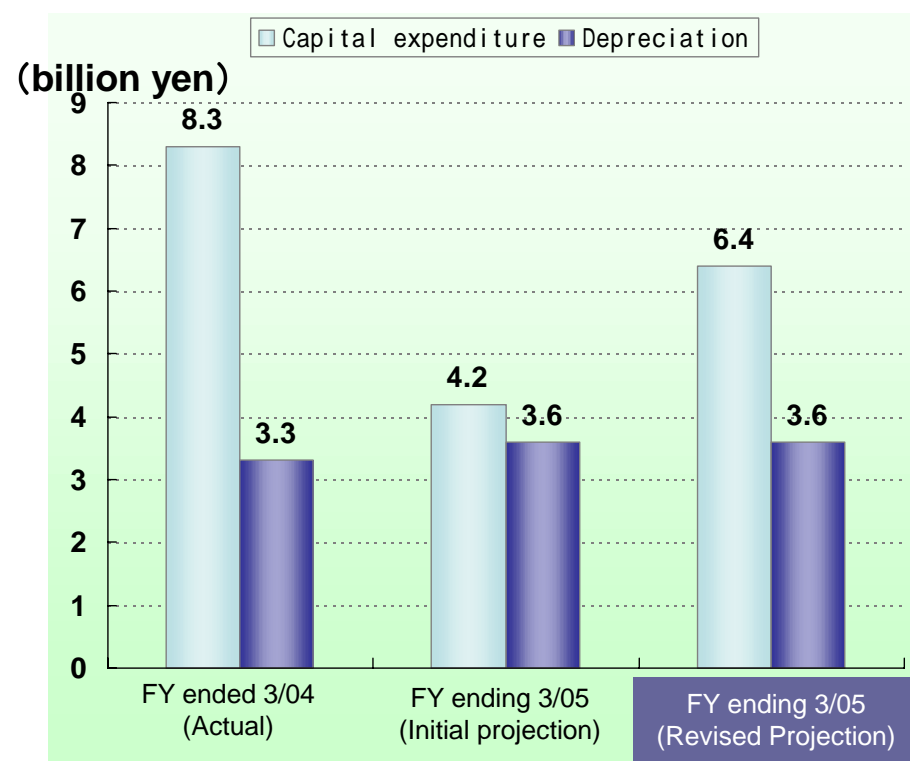
- Projected amount of cost reduction to remain in line with initial projection
- Significant contribution from revenue growth in chemicals segment and water treatment facilities segment
- Projected SG&A expenses remain the same as initial projection



(billion yen)

	FY ended 3/04 (Actual)	FY ending 3/05 (Projected)	change	% change
Operating Income	13.5	17.1	+3.6	+26.8%

- Projected capital expenditure was revised upwards to reflect a growth in the ultrapure water supply business
- Projected depreciation maintained at same levels as initial projection
- Projected R&D expenses to remain at levels similar to previous year



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Forward-looking Statements

This presentation material contains forward-looking statements, business plan projections and judgments based on information available to management at the time of writing. Due to the existence of a variety of risk factors and uncertainties, these statements and projections may differ from actual results.