

FOR IMMEDIATE RELEASE

### **Kurita Water Industries Reports First Quarter Earnings**

Tokyo, Japan July 29, 2004—Kurita Water Industries Ltd. (TSE Ticker 6370) announced revenue for the first quarter ended June, 2004 of 26.277 billion yen and earnings of 471 million yen, or 3.67 yen per share.

#### **Results of Operations**

Total consolidated orders for the Kurita Group declined by 8.8% for the quarter over the previous year to 38.430 billion yen, while net sales increased 5.3% year-on-year to 26.277 billion yen. Operating income increased by 68.9% year-on-year to 657 million yen and ordinary income grew by 50.0% year-on-year to 810 million yen, resulting in a net income increase of 89.2% year-on-year to 471 million yen. By segment, water treatment chemicals sales increased by 0.4% year-on-year to 11.319 billion yen, while water treatment facilities sales grew by 9.4% year-on-year to 14.958 billion.

During the quarter, Japan's economy was buoyed by exports, a steady recovery in private sector demand, and a recovery in corporate profits, which in turn supported an increase in corporate capital expenditures. The operating environment for the Kurita Group improved on stronger capital expenditures in the electronics industries of Japan, China, Taiwan and Korea, which were driven by expanding digital home appliance demand. However, there was no cause for optimism in the capital expenditure trend of other industries, as well as in the public segment, both of which remained weak.

The Kurita Group's first quarter and third quarter sales are lower than other quarters due to seasonal reasons, owing to the tendency for sales in the water treatment facilities business to be concentrated at the end of the first half and at the end of the fiscal year. Additionally, the Company's earnings are influenced by the efforts of its customers to reduce costs amid intensifying competition. Consequently, in addition to the seasonality of the water treatment facilities business, earnings are also affected by water treatment demand trends, cost cutting efforts on the part of Kurita's customers, competition with other firms in the industry and rises in basic material prices.

## **Segment Information**

### **Water Treatment Chemicals**

Total group orders for the division increased by 1.3% from the same period a year earlier to 12.988 billion yen and accounted for 33.8% of total orders versus 30.4% of total orders in the first quarter of the previous fiscal year. Sales increased by 0.4% year-on-year to 11.319 billion yen and were 43.1% of total sales versus 45.2% of sales in the first quarter of the previous year. The relatively higher weight of the division to total Group sales during the first quarter reflects the aforementioned seasonality of the water treatment facilities business.

Water treatment chemical orders for the quarter were supported by increases in the Company's mainstay cooling water chemicals and waste water treatment chemicals, while boiler water treatment chemical orders declined. In process chemicals, orders from the pulp and paper industry increased, while chemicals used in oil refining processes declined. In addition, there was an increase in orders for agents that solidify heavy metal contained in waste incineration fly ash.

### **Water Treatment Facilities**

Total group orders for the division declined by 13.2% from the same period a year earlier to 25.442 billion yen and accounted for 66.2% of total orders versus 69.6% of total orders in the first quarter of the previous fiscal year. Conversely, sales increased by 9.4% year-on-year to 14.958 billion yen and were 56.9% of total sales versus 54.8% of sales in the first quarter of the previous year.

The increase in private sector orders was driven by orders for the Company's mainstay ultrapure water production systems from the electronic industries in China, Taiwan and South Korea, and increases were also seen in orders from general industries for water treatment facilities, and for the maintenance services of these facilities. On the other hand, large declines were seen in public sector orders for human waste treatment facilities as the previous year saw a surge in public sector orders in the first quarter.

## **Financial Condition**

Total assets for the first quarter ended June 30, 2004 declined by 5.223 billion yen from the end of the previous fiscal year. In terms of current assets, cash and deposits increased by 5.984 billion yen, while inventories increased by 5.479 billion yen, reflecting an increase in work in progress in the water treatment facilities division. Progress in collecting accounts receivable that had accumulated at the end of the previous fiscal year resulted in a 15.617 billion yen decrease in accounts receivable. On the other hand, progress in payment for purchase liabilities that had accumulated at the end of the previous fiscal year resulted in a 4.156 billion yen decrease in accounts payable. In the capital account, payment of year-end dividends resulted in a 699 million yen decline in retained earnings. As a result, the Company's shareholder's equity ratio increased from 70.1% to 71.8% at the end of the previous fiscal year.

## **Outlook for the Full Fiscal Year**

Because of the favorable business performance for the first quarter, the Company believes it can achieve its forecasts for the March, 2005 full fiscal year and interim to September, 2004 that were announced on May 11, 2004 and contained in its March, 2004 summary of operating results.

## **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 ultrapure water production systems, waste water treatment facilities, and sewage 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](http://www.kurita.co.jp).

Except for the historical information contained herein, matters discussed in this news release may contain forward-looking statements that involve risks and uncertainties, including but not limited to factory operating ratios at major clients in the steel, petroleum and paper and 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)

	1Q ended June 30,2004 (April 1, 2004 to June 30, 2004)		1Q ended June 30,2003 (April 1, 2003 to June 30, 2003)		Increase/ (Decrease)  Amount	Previous Fiscal Year (April 1, 2003 to March 31, 2004)	
	Amount	% of Net Sales	Amount	% of Net Sales		Amount	% of Net Sales
Net Sales	26,277	100.0	24,952	100.0	1,325	146,819	100.0
Cost of Sales	17,420	66.3	16,603	66.5	817	101,433	69.1
Gross Profit	8,856	33.7	8,348	33.5	508	45,386	30.9
Selling, General and Administrative Expenses	8,199	31.2	7,958	31.9	241	31,895	21.7
Operating Income	657	2.5	389	1.6	268	13,490	9.2
Non-operating Income	240	0.9	295	1.2	(55)	1,034	0.7
Non-operating Expense	87	0.3	144	0.6	(57)	586	0.4
Ordinary Income	810	3.1	540	2.2	270	13,938	9.5
Special Gains	-	-	-	-	-	1,479	1.0
Special Losses	-	-	-	-	-	499	0.3
Income before Income Taxes	810	3.1	540	2.2	270	14,918	10.2
Income Taxes	326	1.3	232	0.9	94	6,347	4.3
Minority Interests in Earnings of Consolidated Subsidiaries	12	0.0	57	0.3	(45)	126	0.1
Net Income	471	1.8	249	1.0	222	8,444	5.8

**CONDENSED CONSOLIDATED BALANCE SHEET**

(in million yen)

	As of June 30, 2004	As of June 30, 2003	As of March 31, 2004	Increase/decrease over	
				June 30, 2003	March 31, 2004
<b>[Assets]</b>					
<u>Current Assets</u>					
Cash and Deposits	41,496	35,588	35,512	5,908	5,984
Notes Receivable - Trade	10,547	10,783	10,607	(236)	(60)
Accounts Receivable - Trade	40,457	36,230	56,074	4,227	(15,617)
Marketable Securities	6,119	7,537	6,720	(1,418)	(601)
Inventories	12,192	9,467	6,713	2,725	5,479
Other	3,373	2,857	3,435	516	(62)
Allowance for Doubtful Accounts	(133)	(106)	(140)	(27)	7
<b>Total Current Assets</b>	<b>114,053</b>	<b>102,357</b>	<b>118,923</b>	<b>11,696</b>	<b>(4,870)</b>
<u>Fixed Assets</u>					
Tangible Fixed Assets	41,750	40,980	41,671	770	79
Intangible Fixed Assets	3,409	2,846	3,347	563	62
Investments and Other Assets	19,184	23,451	19,678	(4,267)	(494)
<b>Total Fixed Assets</b>	<b>64,344</b>	<b>67,278</b>	<b>64,697</b>	<b>(2,934)</b>	<b>(353)</b>
<b>Total Assets</b>	<b>178,397</b>	<b>169,636</b>	<b>183,620</b>	<b>8,761</b>	<b>(5,223)</b>
<b>[Liabilities]</b>					
<u>Current Liabilities</u>					
Notes Payable - Trade	1,746	1,599	1,371	147	375
Accounts Payable - Trade	21,361	20,961	25,517	400	(4,156)
Outstanding Payments/Expenses	6,696	7,269	7,128	(573)	(432)
Income Taxes Payable	471	690	3,593	(219)	(3,122)
Accrued Employees' Bonuses	1,301	1,370	2,173	(69)	(872)
Other	6,696	3,872	3,169	2,824	3,527
<b>Total Current Liabilities</b>	<b>38,273</b>	<b>35,762</b>	<b>42,954</b>	<b>2,511</b>	<b>(4,681)</b>
<u>Fixed Liabilities</u>					
Accrued Employees' Retirement Benefits	9,776	11,616	9,808	(1,840)	(32)
Other	1,175	820	1,149	355	26
<b>Total Fixed Liabilities</b>	<b>10,951</b>	<b>12,437</b>	<b>10,958</b>	<b>(1,486)</b>	<b>(7)</b>

<b>Total Liabilities</b>	<b>49,224</b>	<b>48,199</b>	<b>53,912</b>	<b>1,025</b>	<b>(4,688)</b>
<b>[Minority Interests]</b>					
<b>Minority Interests</b>	<b>1,000</b>	<b>1,020</b>	<b>1,031</b>	<b>(20)</b>	<b>(31)</b>
<b>[Shareholders' Equity]</b>					
<b>Common Stock</b>	<b>13,450</b>	<b>13,450</b>	<b>13,450</b>	<b>-</b>	<b>-</b>
<b>Additional Paid-in Capital</b>	<b>11,398</b>	<b>11,398</b>	<b>11,398</b>	<b>-</b>	<b>-</b>
<b>Retained Earnings</b>	<b>107,481</b>	<b>100,684</b>	<b>108,180</b>	<b>6,797</b>	<b>(699)</b>
<b>Revaluation Surplus of Other Securities</b>	<b>1,482</b>	<b>394</b>	<b>1,367</b>	<b>1,088</b>	<b>115</b>
<b>Foreign Currency Translation Adjustments</b>	<b>(748)</b>	<b>(625)</b>	<b>(829)</b>	<b>(123)</b>	<b>81</b>
<b>Treasury Stock</b>	<b>(4,892)</b>	<b>(4,886)</b>	<b>(4,890)</b>	<b>(6)</b>	<b>(2)</b>
<b>Total Shareholders' Equity</b>	<b>128,171</b>	<b>120,415</b>	<b>128,676</b>	<b>7,756</b>	<b>(505)</b>
<b>Total Liabilities, Minority Interests and Shareholders' equity</b>	<b>178,397</b>	<b>169,636</b>	<b>183,620</b>	<b>8,761</b>	<b>(5,223)</b>

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**SOURCE: Kurita Water Industries, Ltd.**

**CONTACT: Kurita Water Industries, Ltd.**

**Corporate Communications Section-**

**ir@kurita.co.jp**

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