

FOR IMMEDIATE RELEASE

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

Tokyo, Japan February 3, 2006—Kurita Water Industries Ltd. (TSE Security Code 6370) announced net sales of 103,675 million yen for the first nine months (April 1 – December 31, 2005) of the fiscal year ending March 31, 2006 and net income of 3,855 million yen, or 29.97 yen per share.

### **Results of Operations**

Total consolidated orders for the Kurita Group increased 9.6% from the same period a year earlier to 133,294 million yen, while net sales grew 2.4% year-on-year to 103,675 million yen. Operating income shrank 23.2% to 6,033 million yen and ordinary income declined 14.4% to 7,031 million yen, resulting in net income of 3,855 million yen or down 15.4% year-on-year. By segment, water treatment chemicals sales grew 8.7% year-on-year to 39,788 million yen, while water treatment facilities sales fell 1.2% to 63,886 million yen.

During the period, capital expenditures in the electronics industry varied widely in scale across companies in Taiwan and South Korea but remained strong in Japan. In other industrial sectors for water treatment, factory operating ratio improved and capital expenditures were robust mainly in the basic materials sector. On the other hand, the business climate for public expenditures related businesses remained difficult due to shrinking budgets for public works projects.

### **Segment Information**

#### **Water Treatment Chemicals**

Total Group orders for the segment increased 5.9% to 40,358 million yen, while sales grew 8.7% to 39,788 million yen.

During the period, the Group focused its efforts on securing stable order flow by pursuing closer relationships with its clients, emphasizing marketing of products accommodating clients' needs, and promoting packaged water treatment management contracts.

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

#### **Water Treatment Facilities**

Total Group orders for the segment increased 11.3% to 92,936 million yen, while sales declined 1.2% to 63,886 million yen.

During the period, to secure stable order flow, the Group continued to focus its efforts on expanding its Ultrapure Water Supply Business and strengthening marketing efforts to strategic clients.

In the private sector, orders for the Group's mainline ultra-pure water production systems for the electronics industry grew in overseas markets, and orders for Ultrapure Water Supply Business grew in Japan. In electronics industry related business, new orders increased for maintenance service as well as for tool cleaning service for semiconductor and FPD production equipment. In other water treatment areas, orders for water treatment facilities mainly for the basic materials sector surged and so did orders for related maintenance services. Orders for soil remediation also increased sharply on the back of a demand increase.

In public works projects, orders for sewage treatment facilities and orders for human waste treatment facilities both decreased compared with the previous year.

### **Financial Condition**

At the end of the period, total assets on a consolidated basis increased 6,347 million yen from the end of the previous fiscal year to 198,775 million yen. This mainly reflects a decrease of 16,519 million yen in accounts receivable (-trade) due to the progress in collection, which was offset by an increase in inventories by 11,156 million yen, largely reflecting progress in construction work in the water treatment facilities segment, and an increase in tangible fixed assets by 8,433 million yen as the Group acquired additional operating fixed assets. Total liabilities increased 3,205 million yen to 58,156 million yen, mainly reflecting an increase of 2,995 million yen in accounts payable (-trade). Total shareholders' equity increased 3,008 million yen to 139,374 million yen, mainly reflecting an increase in net unrealized gains on available-for-sale securities of 2,185 million yen. As a result, the Company's shareholders' equity ratio decreased from 70.9% at the end of the previous fiscal year to 70.1%.

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

The Group believes that it is on track to achieving its full-year earnings forecast for the fiscal year ending March 31, 2006 which was included in its consolidated first-half earnings report released October 31, 2005.

### **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 ratios at clients, public investment trends, and price movements in oil and other materials.

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 sales 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 ultrapure 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](http://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 ratios 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.

## Condensed Statements of Operations - Consolidated

(In million yen)

	Nine months ended December 31, 2005 (A)		Nine months ended December 31, 2004 (B)		(A) – (B)	(Reference) Year ended March 31, 2005	
	Amount	%	Amount	%	Amount	Amount	%
Net sales	103,675	100.0	101,240	100.0	2,435	160,896	100.0
Cost of sales	72,197	69.6	68,695	67.8	3,502	112,077	69.7
Gross profit	31,477	30.4	32,544	32.2	-1,067	48,819	30.3
Selling, general and administrative expenses	25,443	24.6	24,684	24.4	759	32,867	20.4
Operating income	6,033	5.8	7,860	7.8	-1,827	15,951	9.9
Non-operating income	1,167	1.1	679	0.6	488	1,068	0.7
Non-operating expense	169	0.2	326	0.3	-157	295	0.2
Ordinary income	7,031	6.7	8,212	8.1	-1,181	16,725	10.4
Extraordinary gains	-	-	-	-	-	128	0.1
Extraordinary losses	247	0.2	-	-	247	477	0.3
Net income before income taxes	6,783	6.5	8,212	8.1	-1,429	16,376	10.2
Income taxes	2,810	2.7	3,542	3.5	-732	6,838	4.3
Minority interests in earnings of consolidated subsidiaries	117	0.1	114	0.1	3	154	0.1
Net income	3,855	3.7	4,555	4.5	-700	9,383	5.8

## Condensed Financial Statements - Consolidated

### Condensed Balance Sheets - Consolidated

(In million yen)

	As of December 31, 2005 (A)	As of December 31, 2004 (B)	(Reference) As of March 31, 2005 (C)	(A) – (B)	(A) – (C)
<b>[Assets]</b>					
<b>Current assets</b>	112,309	112,781	116,400	-472	-4,091
Cash and deposits	29,331	36,052	30,679	-6,721	-1,348
Notes receivable - trade	10,461	10,592	9,958	-131	503
Accounts receivable - trade	44,639	41,563	61,158	3,076	-16,519
Marketable securities	4,402	4,100	2,794	302	1,608
Inventories	19,231	16,898	8,075	2,333	11,156
Other	4,365	3,705	3,891	660	474
Allowance for doubtful accounts	-122	-131	-156	9	34
<b>Fixed assets</b>	86,466	68,965	76,028	17,501	10,438
Tangible fixed assets	52,288	43,469	43,855	8,819	8,433
Intangible fixed assets	2,965	3,265	3,180	-300	-215
Investments and other assets	31,211	22,230	28,993	8,981	2,218
<b>Total assets</b>	<b>198,775</b>	<b>181,746</b>	<b>192,428</b>	<b>17,029</b>	<b>6,347</b>
<b>[Liabilities]</b>					
<b>Current liabilities</b>	48,022	38,071	44,465	9,951	3,557
Notes payable - trade	1,761	1,908	1,521	-147	240
Accounts payable - trade	29,637	23,978	26,642	5,659	2,995
Accounts payable - other/Accrued expenses	6,494	5,124	7,413	1,370	-919
Accrued employees' bonuses	1,294	1,058	2,060	236	-766
Other	8,834	6,000	6,828	2,834	2,006
<b>Fixed liabilities</b>	10,134	11,035	10,485	-901	-351
Accrued employees' retirement benefits	8,717	9,099	8,689	-382	28
Other	1,416	1,935	1,795	-519	-379
<b>Total liabilities</b>	<b>58,156</b>	<b>49,107</b>	<b>54,951</b>	<b>9,049</b>	<b>3,205</b>
<b>[Minority interests]</b>					
Minority interests	1,245	1,115	1,110	130	135
<b>[Shareholders' equity]</b>					
<b>Common stock</b>	13,450	13,450	13,450	-	-
<b>Additional paid-in capital</b>	11,426	11,409	11,409	17	17
<b>Retained earnings</b>	115,784	110,496	115,318	5,288	466
<b>Net unrealized gains on available-for-sale securities</b>	3,994	1,695	1,809	2,299	2,185
<b>Foreign currency translation adjustments</b>	-492	-701	-790	209	298
<b>Treasury stock</b>	-4,789	-4,827	-4,830	38	41
<b>Total shareholders' equity</b>	<b>139,374</b>	<b>131,523</b>	<b>136,366</b>	<b>7,851</b>	<b>3,008</b>
<b>Total liabilities, minority interests and shareholders' equity</b>	<b>198,775</b>	<b>181,746</b>	<b>192,428</b>	<b>17,029</b>	<b>6,347</b>

## Order Intake

(In million yen)

Business Segment	Nine months ended December 31, 2005 (A)		Nine months ended December 31, 2004 (B)		(A) – (B)	(Reference) Year ended March 31, 2005	
	Amount	%	Amount	%	Amount	Amount	%
Water Treatment Chemicals	40,358	30.3	38,101	31.3	2,257	52,120	30.4
Water Treatment Facilities	92,936	69.7	83,494	68.7	9,442	119,213	69.6
Total	133,294	100.0	121,595	100.0	11,699	171,334	100.0

## Sales

(In million yen)

Business Segment	Nine months ended December 31, 2005 (A)		Nine months ended December 31, 2004 (B)		(A) – (B)	(Reference) Year ended March 31, 2005	
	Amount	%	Amount	%	Amount	Amount	%
Water Treatment Chemicals	39,788	38.4	36,603	36.2	3,185	50,637	31.5
Water Treatment Facilities	63,886	61.6	64,636	63.8	-750	110,259	68.5
Total	103,675	100.0	101,240	100.0	2,435	160,896	100.0