

# **Kurita Water Industries Ltd.**

## **Results Presentation for the Year Ended March 31, 2012**

**( Stock code : 6370 )**

**May 2, 2012**

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## **Consolidated Financial Results for the Fiscal Year Ended March 31, 2012**

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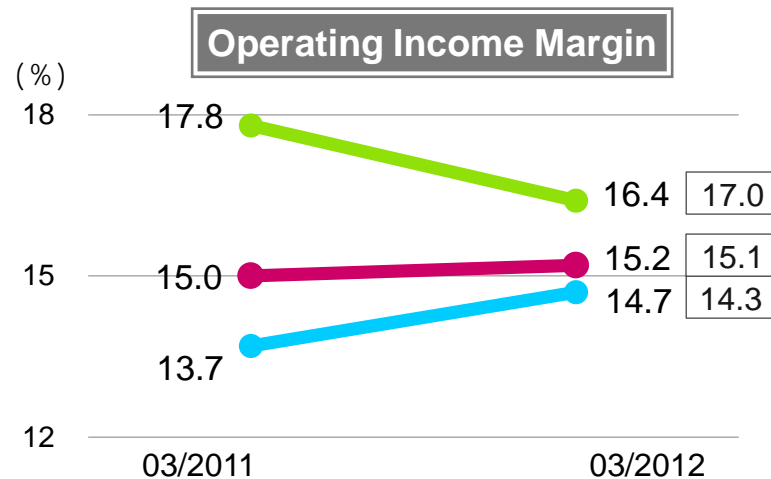
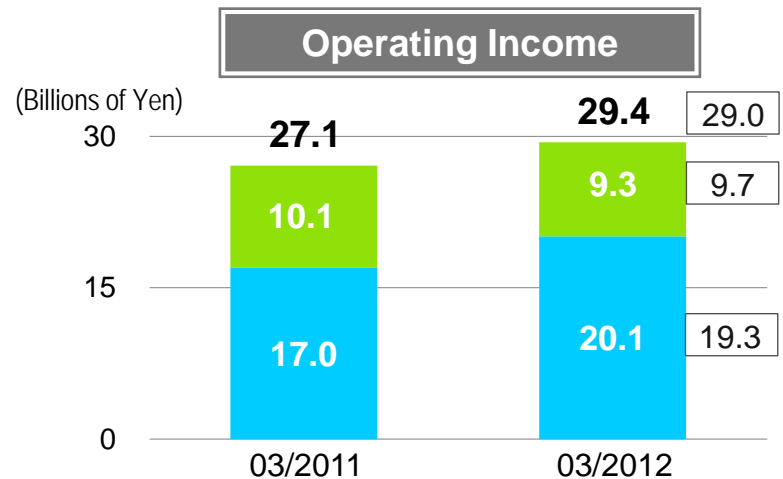
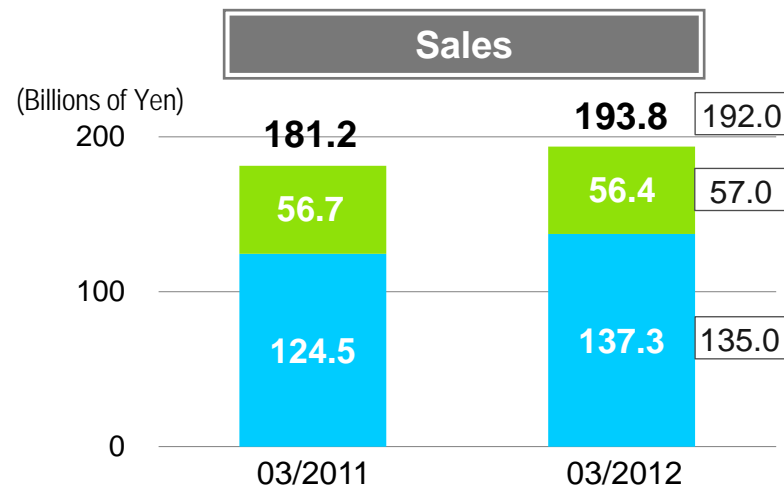
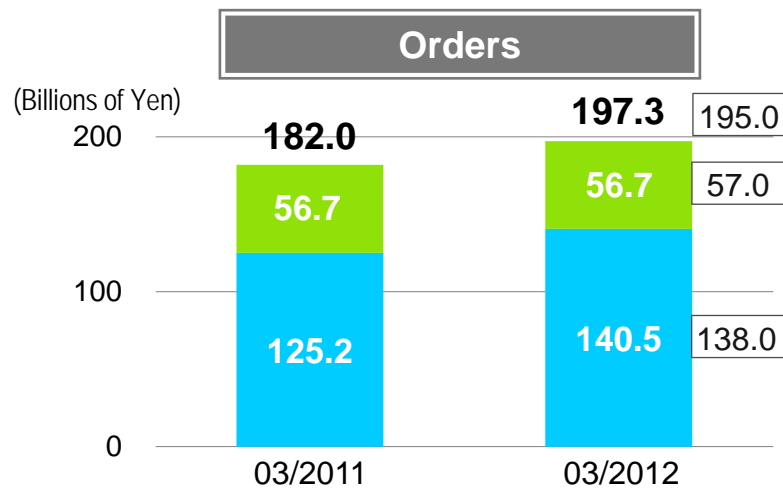
## 【1】 Financial Highlights

(Billions of Yen)

	Fiscal year to March 2011 Actual	Fiscal year to March 2012 Actual	Year-on-year change	Fiscal year to March 2012 Initial projection
Orders	<b>182.0</b>	<b>197.3</b>	<b>+ 8.4%</b>	<b>195.0</b>
Net Sales	<b>181.2</b>	<b>193.8</b>	<b>+ 6.9%</b>	<b>192.0</b>
Operating Income	<b>27.1</b>	<b>29.4</b>	<b>+ 8.3%</b>	<b>29.0</b>
Ordinary Income	<b>28.2</b>	<b>30.4</b>	<b>+ 7.9%</b>	<b>29.5</b>
Net Income	<b>17.1</b>	<b>16.5</b>	<b>- 3.4%</b>	<b>17.4</b>

## 【2】 Orders, Sales, Operating Income, and Operating Income Margin

 Water treatment chemicals 
  Water treatment facilities 
  Total 
 \*  denotes initial projection

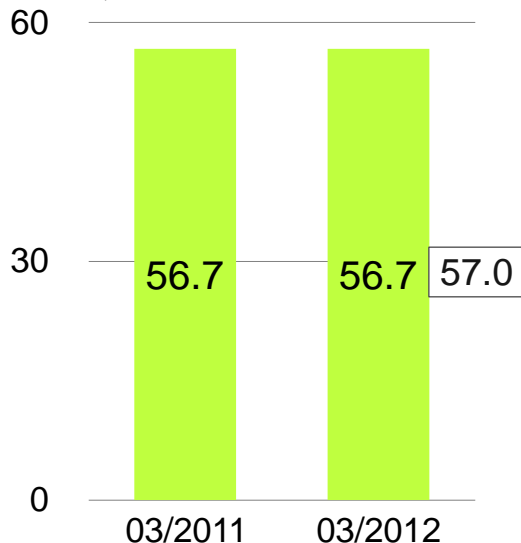


## 【3】 Water Treatment Chemicals

### Orders

\* □ denotes initial projection

(Billions of Yen)



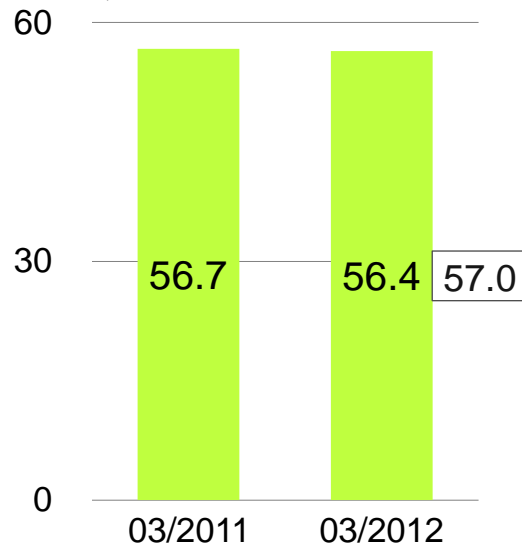
#### 【 Major areas of change in orders/sales 】

- Japan : Decrease in core products (-)
- Overseas : Increase in Asia and Europe (+)

### Sales

\* □ denotes initial projection

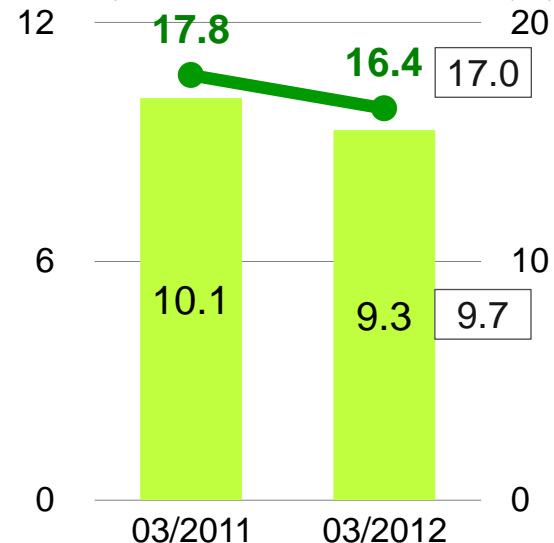
(Billions of Yen)



### Operating Income and Operating Income Margin

■ Operating income  
● Operating income margin  
\* □ denotes initial projection

(Billions of Yen)



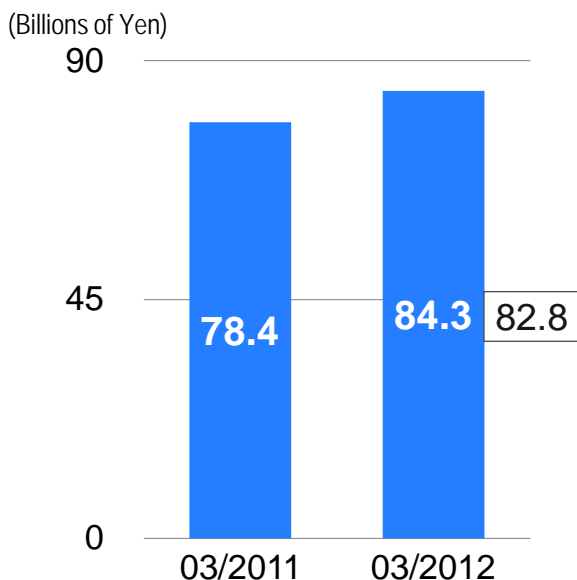
#### 【 Major determinants of change 】

- Increase of SG&A (-)
- Increase in raw materials prices (-)
- Impact of decline in revenue (-)

## 【4】 Water Treatment Facilities (for the electronics industry)

### Orders

\* □ denotes revised projection

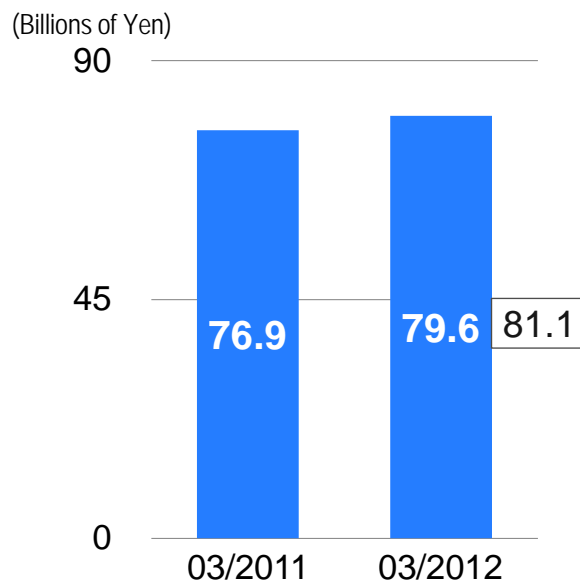


#### 【 Major areas of change 】

- Increase in hardware overseas (+)
- Increase in maintenance services in Japan (+)
- Decrease in hardware in Japan (-)

### Sales

\* □ denotes revised projection

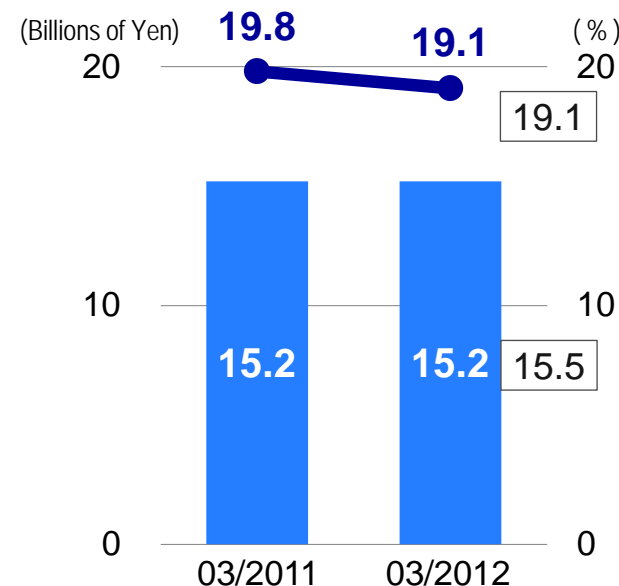


#### 【 Major areas of change 】

- Increase in hardware overseas (+)
- Increase in maintenance services in Japan (+)

### Operating Income and Operating Income Margin

■ Operating income  
●—● Operating income margin  
\* □ denotes revised projection



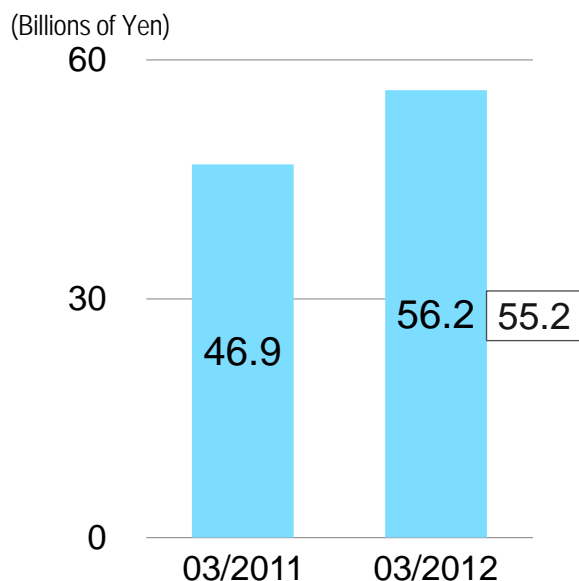
#### 【 Major determinants of change 】

- Impact of revenue growth (+)
- Change in sales composition (-)
- Increase of SG&A (-)

## 【5】 Water Treatment Facilities (for general industries)

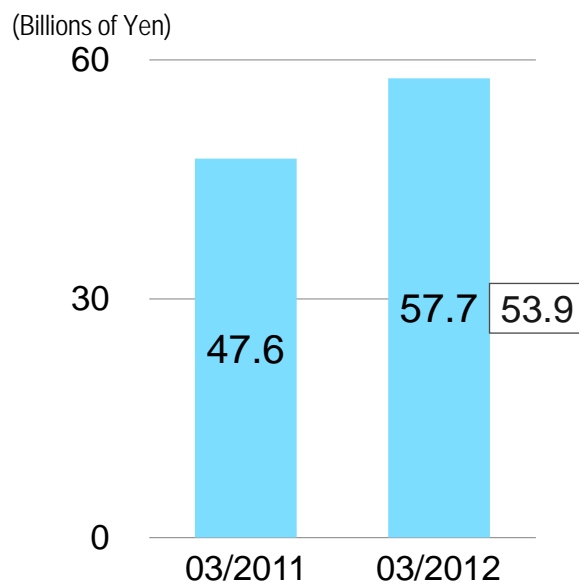
### Orders

\* □ denotes revised projection





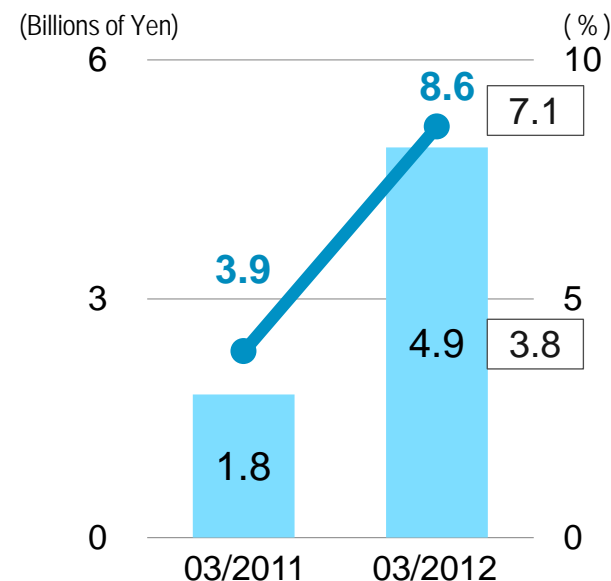
### Sales

\* □ denotes revised projection



### Operating Income and Operating Income Margin

 Operating income  
 Operating income margin  
 \* □ denotes revised projection



#### 【 Major areas of change 】

- Increase in orders from the electric power industry (+)
- Increase in maintenance services (+)

#### 【 Major areas of change 】

- Increase in sales from the electric power industry (+)
- Increase in maintenance services (+)

#### 【 Major determinants of change 】

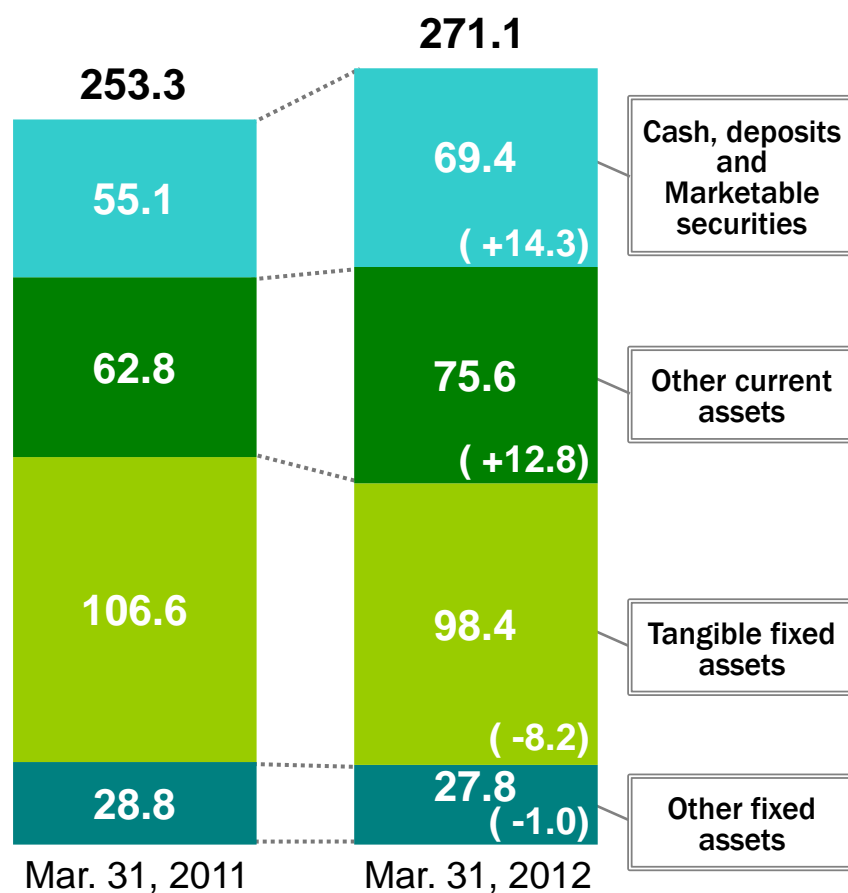
- Impact of revenue growth (+)



## 【6】 Financial Condition

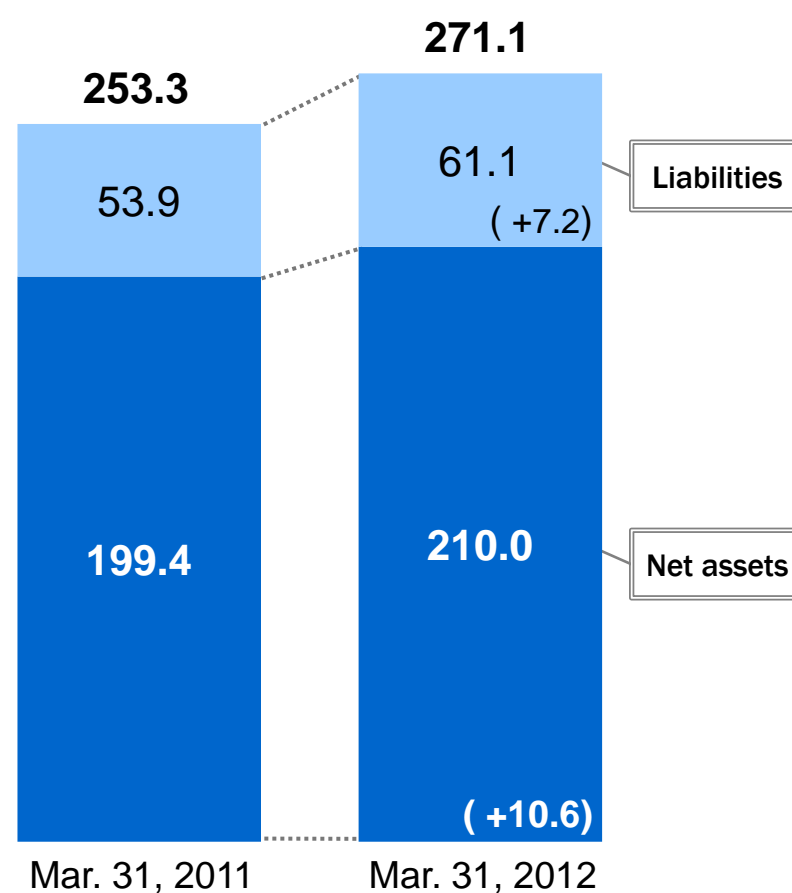
### Assets

(Billions of Yen)



### Liabilities and Net Assets

(Billions of Yen)



# **Consolidated Business Plan for the Fiscal Year Ending March 31, 2013**

- 【 1 】 Key Assumptions**
- 【 2 】 Overview**
- 【 3 】 Orders, Sales, Operating Income, and Operating Income Margin**
- 【 4 】 Water Treatment Chemicals**
- 【 5 】 Water Treatment Facilities (for the electronics industry)**
- 【 6 】 Water Treatment Facilities (for general industries)**
- 【 7 】 Service Business Revenue**
- 【 8 】 Overseas Businesses**
- 【 9 】 Ultrapure Water Supply Business**
- 【10】 Capital Expenditures, Depreciation, and R&D Expenses**
- 【11】 Dividend Policy**

### 【1】 Key Assumptions

#### Water Treatment Chemicals Segment



- Continued robust demand in Asia and emerging economies
- Customers' capacity utilization in Japan has recovered to around pre-earthquake levels but is unlikely to change much in future
- Concern over increase in raw materials prices

#### Water Treatment Facilities Segment



- Semiconductor and liquid crystal display (LCD) capital expenditure varies with the product and customer
- Capital expenditure in general industries is largely unchanged
- Demand from the domestic electric power industry turns full cycle through recovery efforts following the earthquake

## 【2】 Overview

			(Billions of Yen)
	Fiscal year to March 2012 Actual	Fiscal year to March 2013 Projection	Year-on-year change
Orders	<b>197.3</b>	<b>201.0</b>	<b>+ 1.9%</b>
Net Sales	<b>193.8</b>	<b>200.0</b>	<b>+ 3.2%</b>
Operating Income	<b>29.4</b>	<b>29.5</b>	<b>+ 0.4%</b>
Ordinary Income	<b>30.4</b>	<b>30.0</b>	<b>- 1.2%</b>
Net Income	<b>16.5</b>	<b>17.5</b>	<b>+ 5.8%</b>

## 【3】 Orders, Sales, Operating Income, and Operating Income Margin



Water treatment chemicals



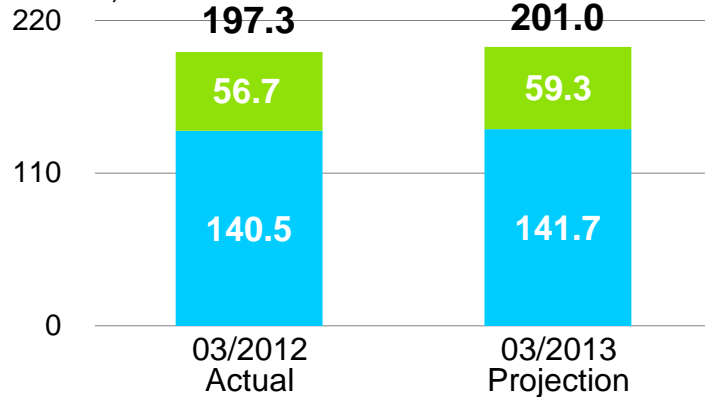
Water treatment facilities



Total

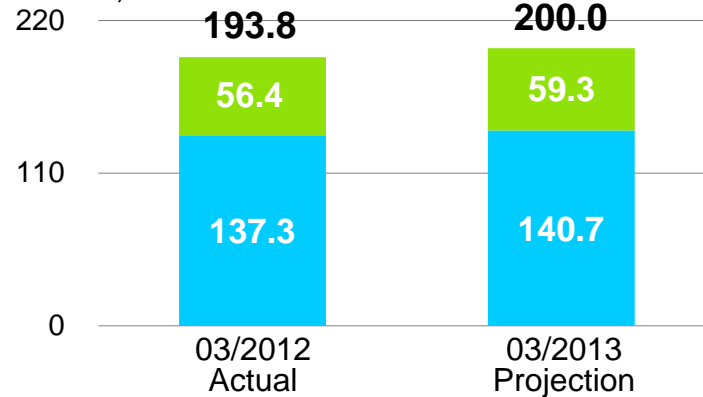
### Orders

(Billions of Yen)



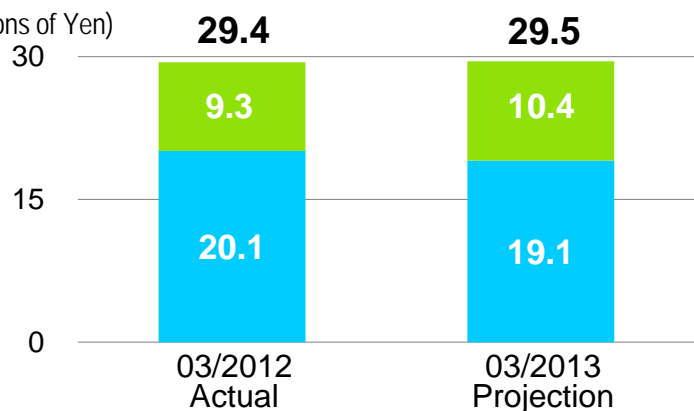
### Sales

(Billions of Yen)



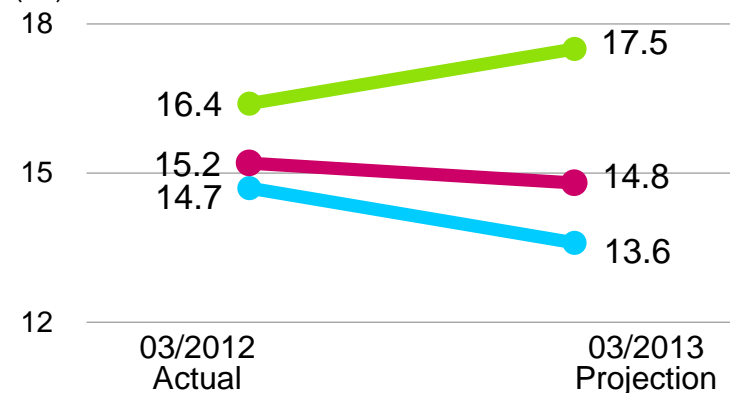
### Operating Income

(Billions of Yen)



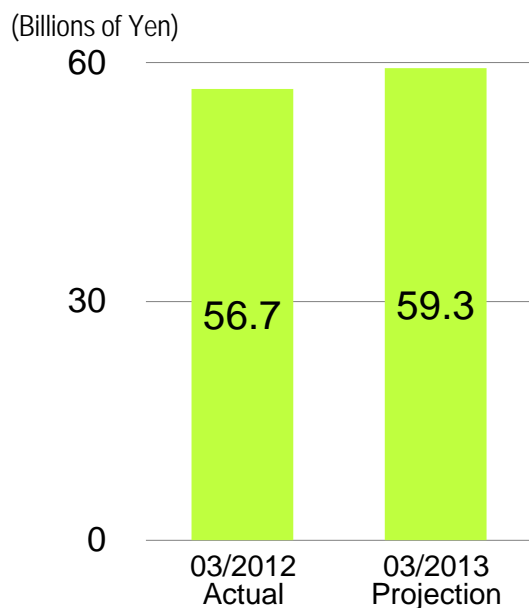
### Operating Income Margin

(%)



## 【4】 Water Treatment Chemicals

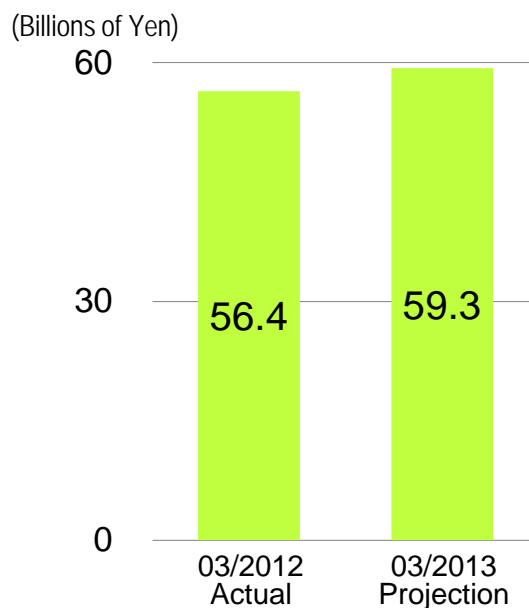
### Orders



#### 【 Major areas of growth/decline in orders/sales 】

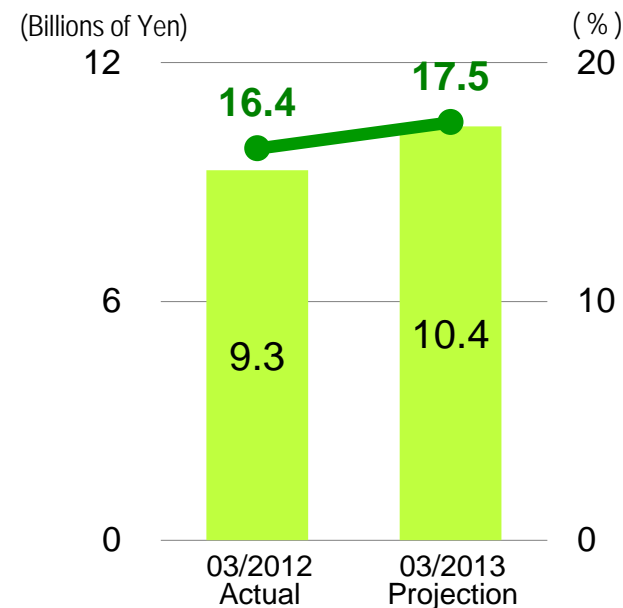
- Japan : Recovery in customers' capacity utilization (+)
- Overseas : Increase in demand overseas, particularly in Asia (+)

### Sales



### Operating Income and Operating Income Margin

- Operating income
- Operating income margin

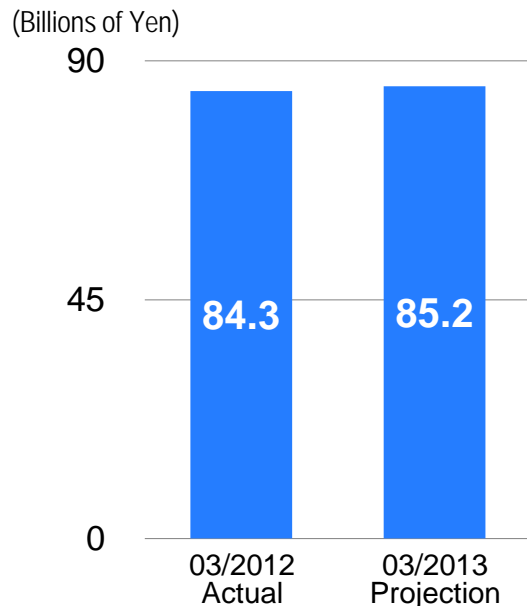


#### 【 Major determinants of change 】

- Impact of revenue growth (+)
- Increase of SG&A (-)
- Increase in raw materials prices (-)

## 【5】 Water Treatment Facilities (for the electronics industry)

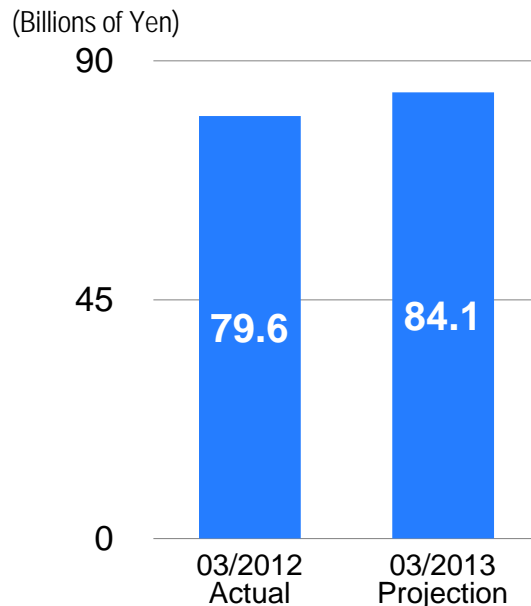
### Orders



#### 【 Major areas of change 】

- Increase in maintenance services in Japan (+)
- Decrease in the ultrapure water supply (-)

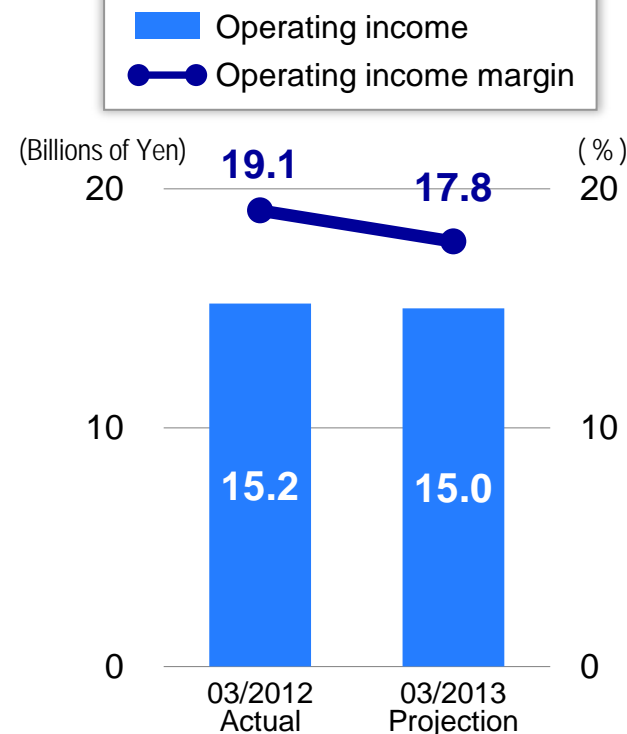
### Sales



#### 【 Major areas of change 】

- Increase in hardware overseas (+)
- Increase in maintenance services in Japan (+)
- Decrease in the ultrapure water supply (-)

### Operating Income and Operating Income Margin

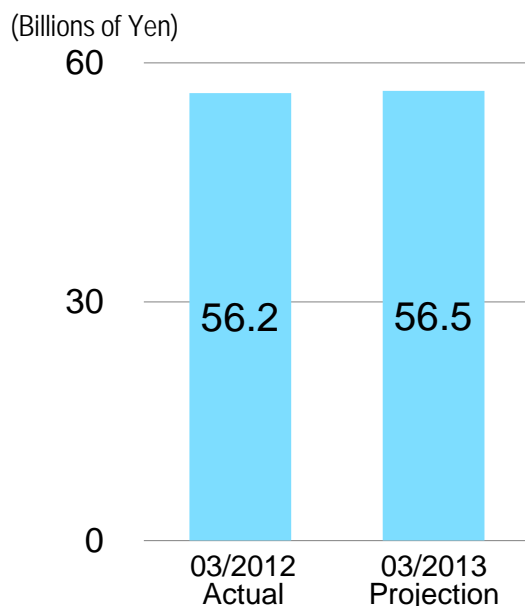


#### 【 Major determinants of change 】

- Impact of revenue growth (+)
- Change in sales composition (-)
- Increase of SG&A (-)

## 【6】 Water Treatment Facilities (for general industries)

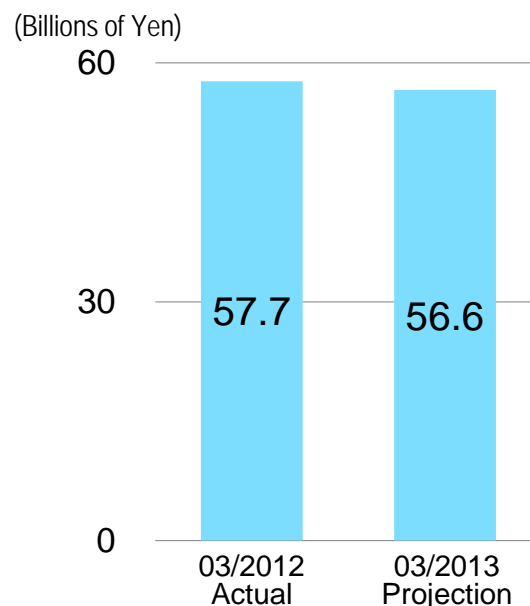
### Orders



#### 【 Major areas of change 】

- Increase in maintenance services (+)
- Decrease in orders from the electric power industry (-)

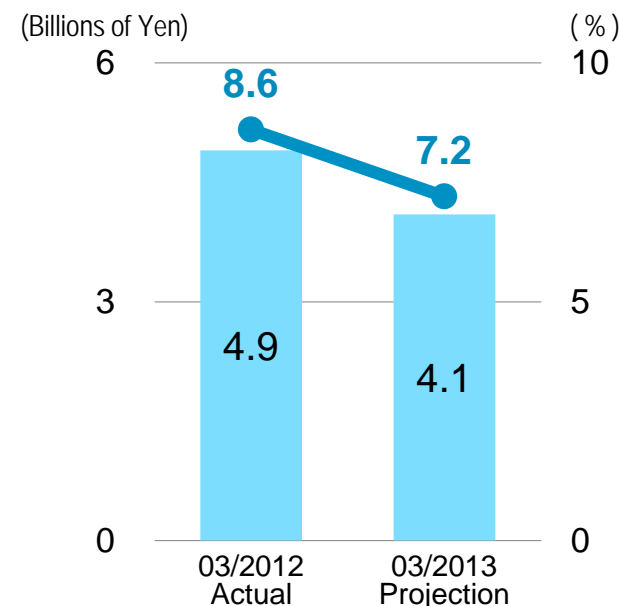
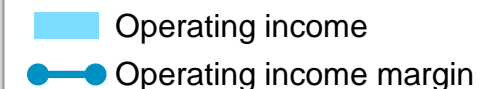
### Sales



#### 【 Major areas of change 】

- Increase in maintenance services (+)
- Decrease in sales from the electric power industry (-)

### Operating Income and Operating Income Margin



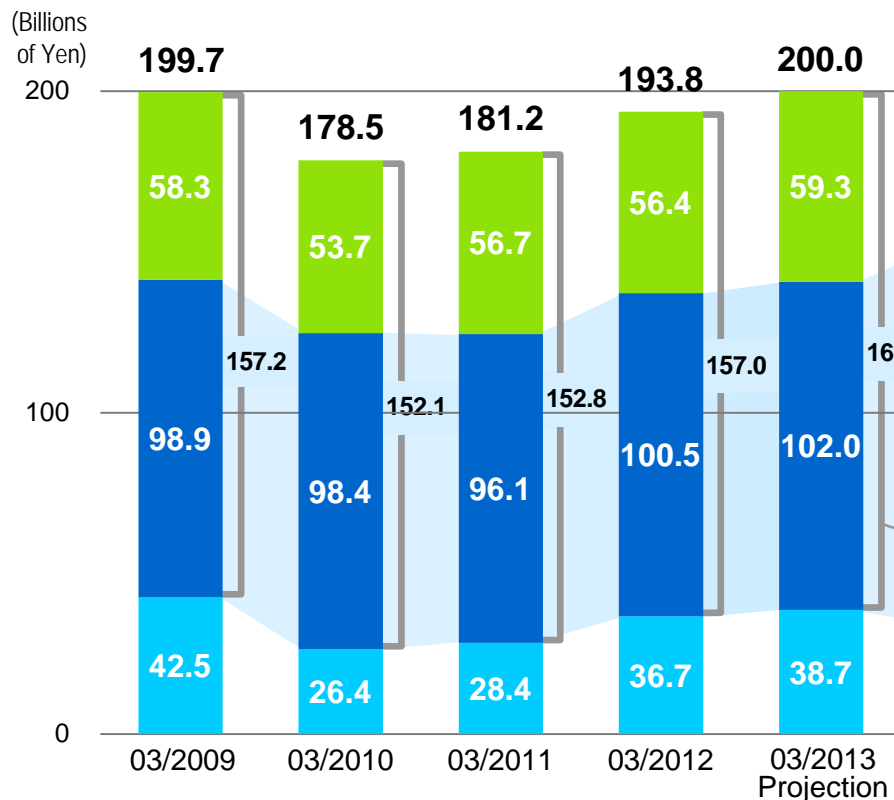
#### 【 Major determinants of change 】

- Impact of decline in revenue (-)
- Increase of SG&A (-)

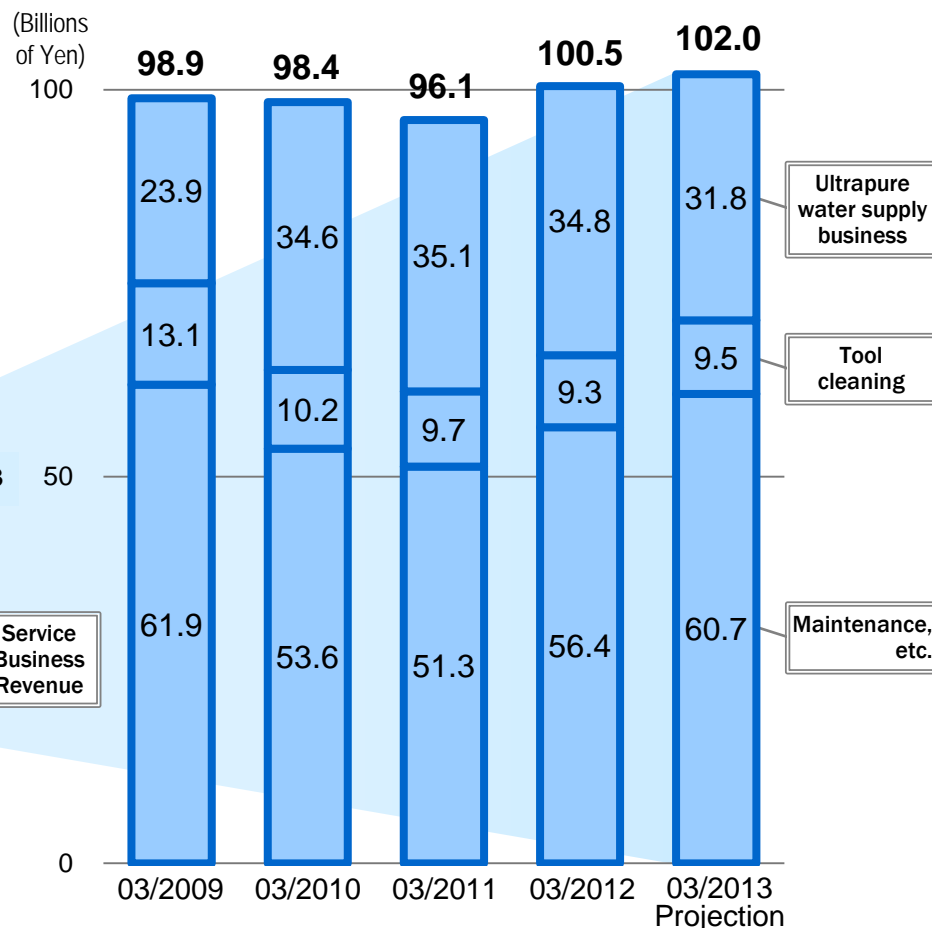


## 【7】 Service Business Revenue

- Water treatment chemicals
- Water treatment facilities (services)
- Water treatment facilities (hardware)



### Service Business Revenue in the Water Treatment Facilities Segment

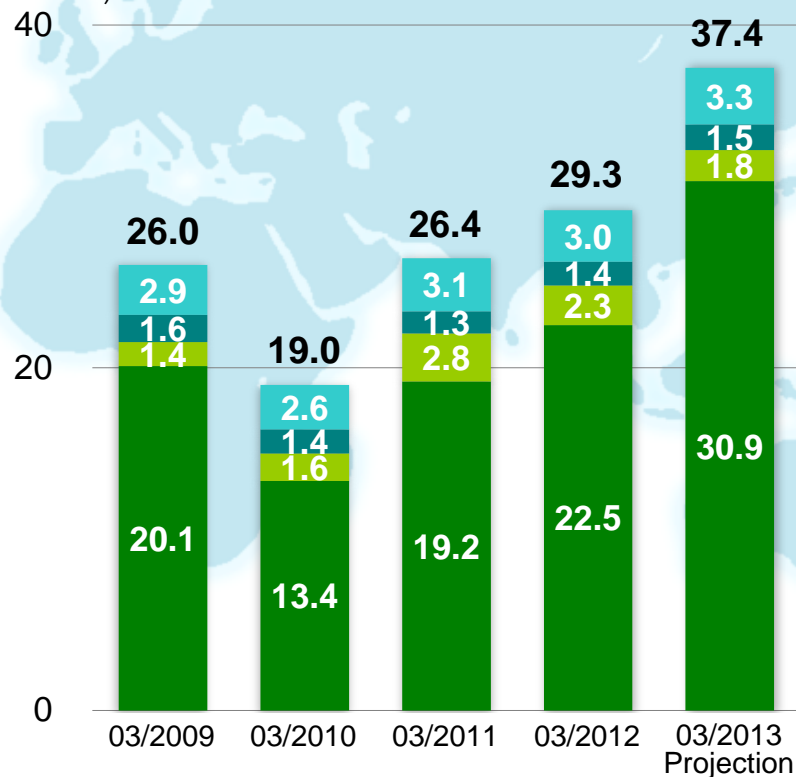


## 【8】 Overseas Businesses

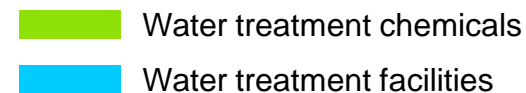
### Sales by Region



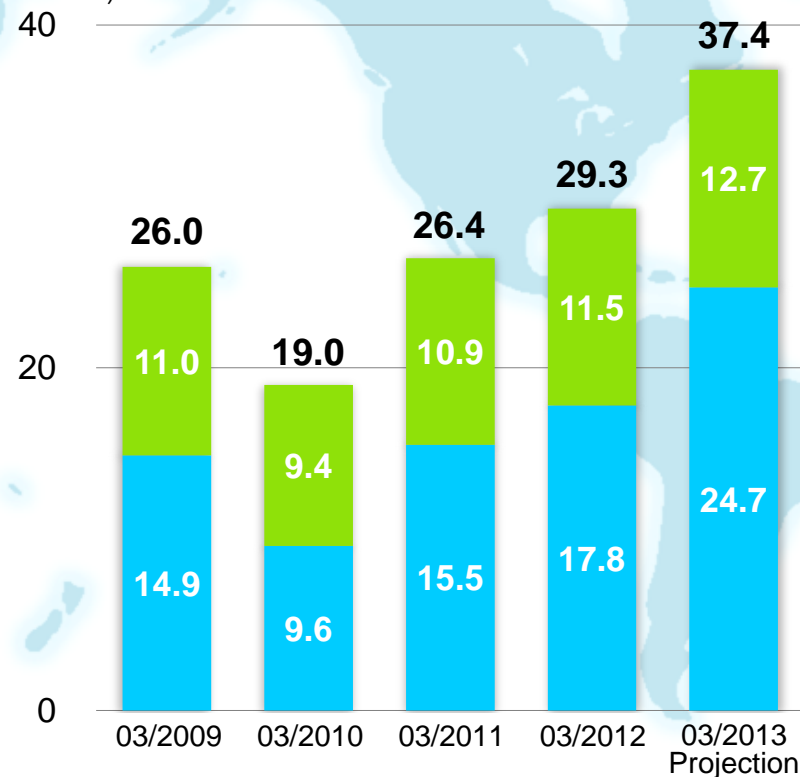
(Billions of Yen)



### Sales by Overseas Business Segment



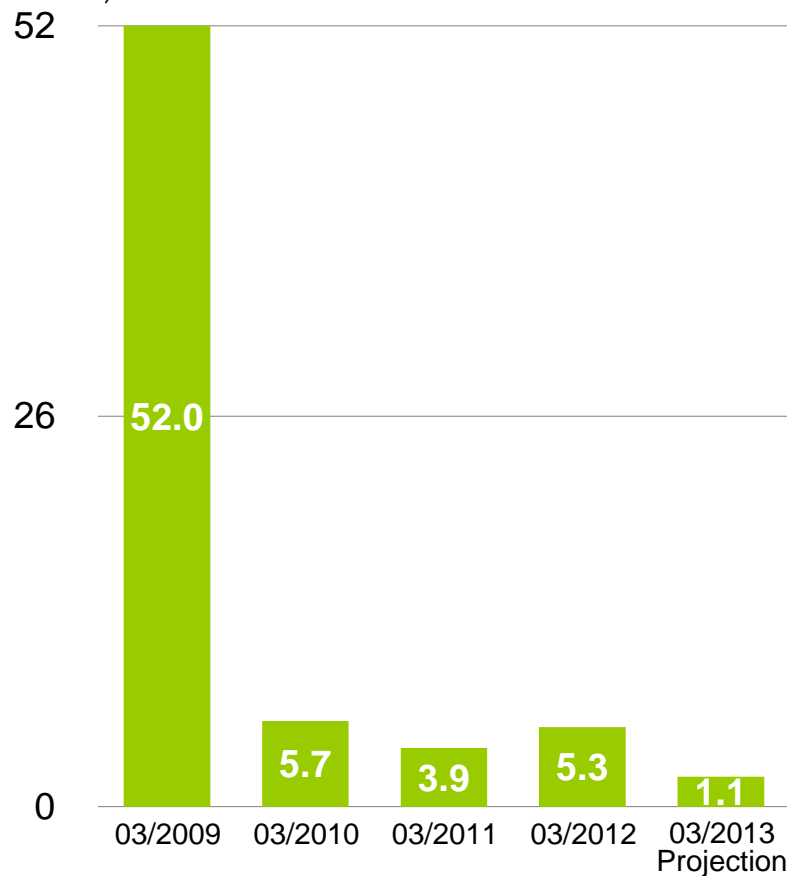
(Billions of Yen)



## 【9】 Ultrapure Water Supply Business

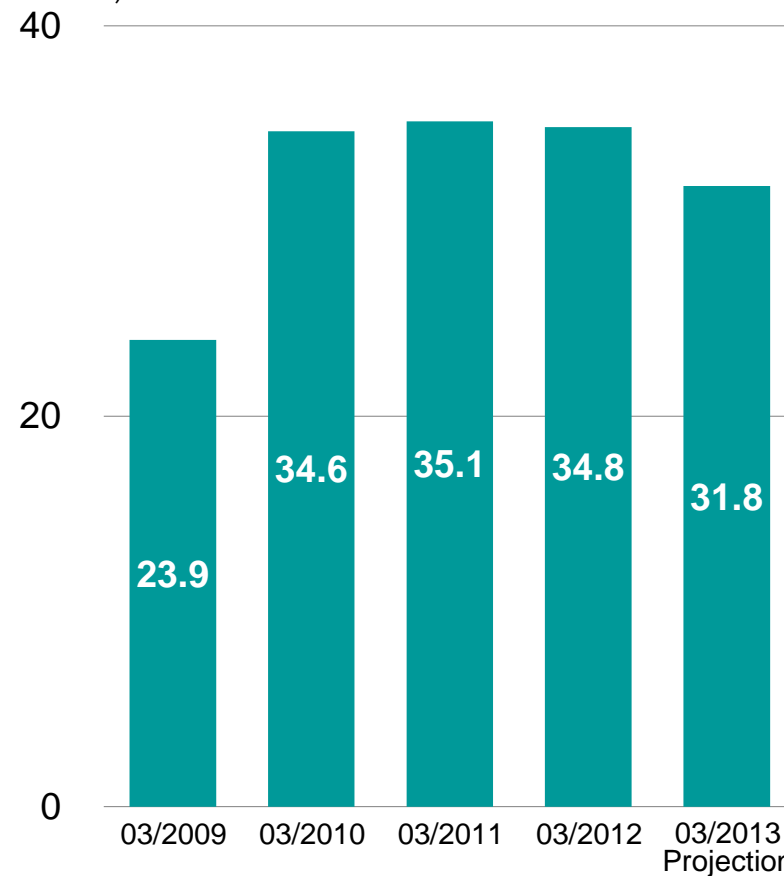
Capital Expenditures

(Billions of Yen)






Sales

(Billions of Yen)

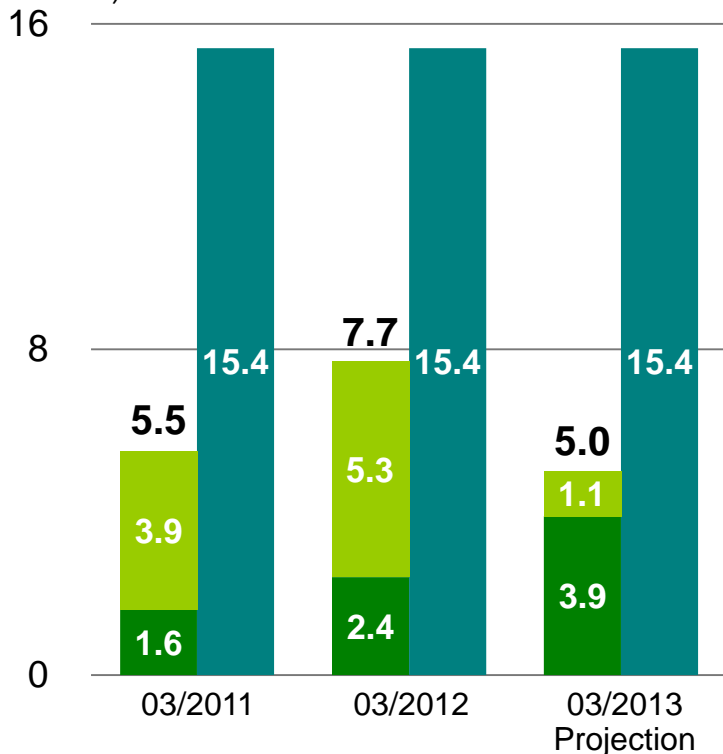


## 【10】 Capital Expenditures, Depreciation, and R&D Expenses

### Capital Expenditures and Depreciation

 Capital expenditures (ultrapure water supply business)  
 Capital expenditures (excl. ultrapure water supply business)  
 Depreciation

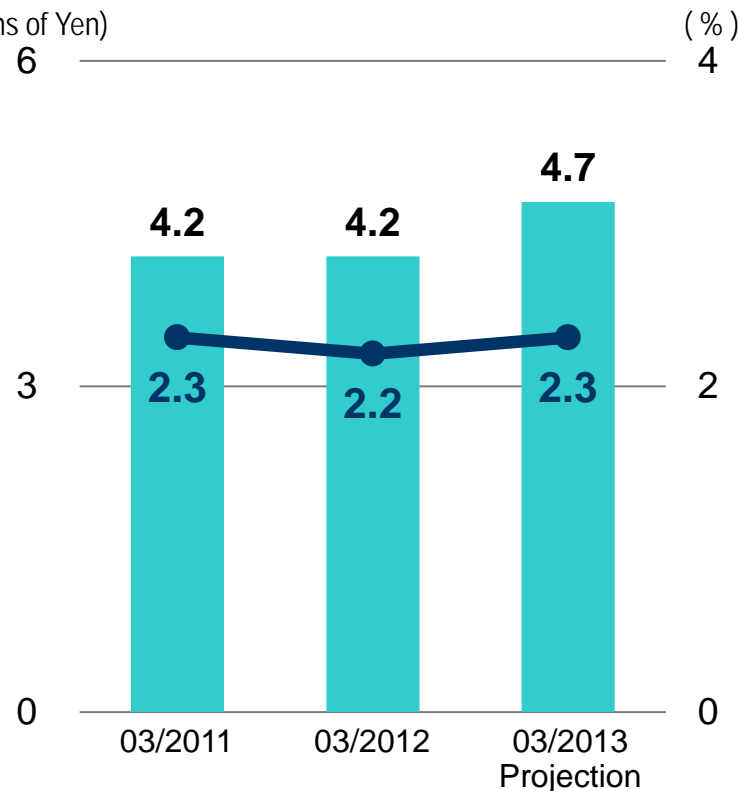
(Billions of Yen)



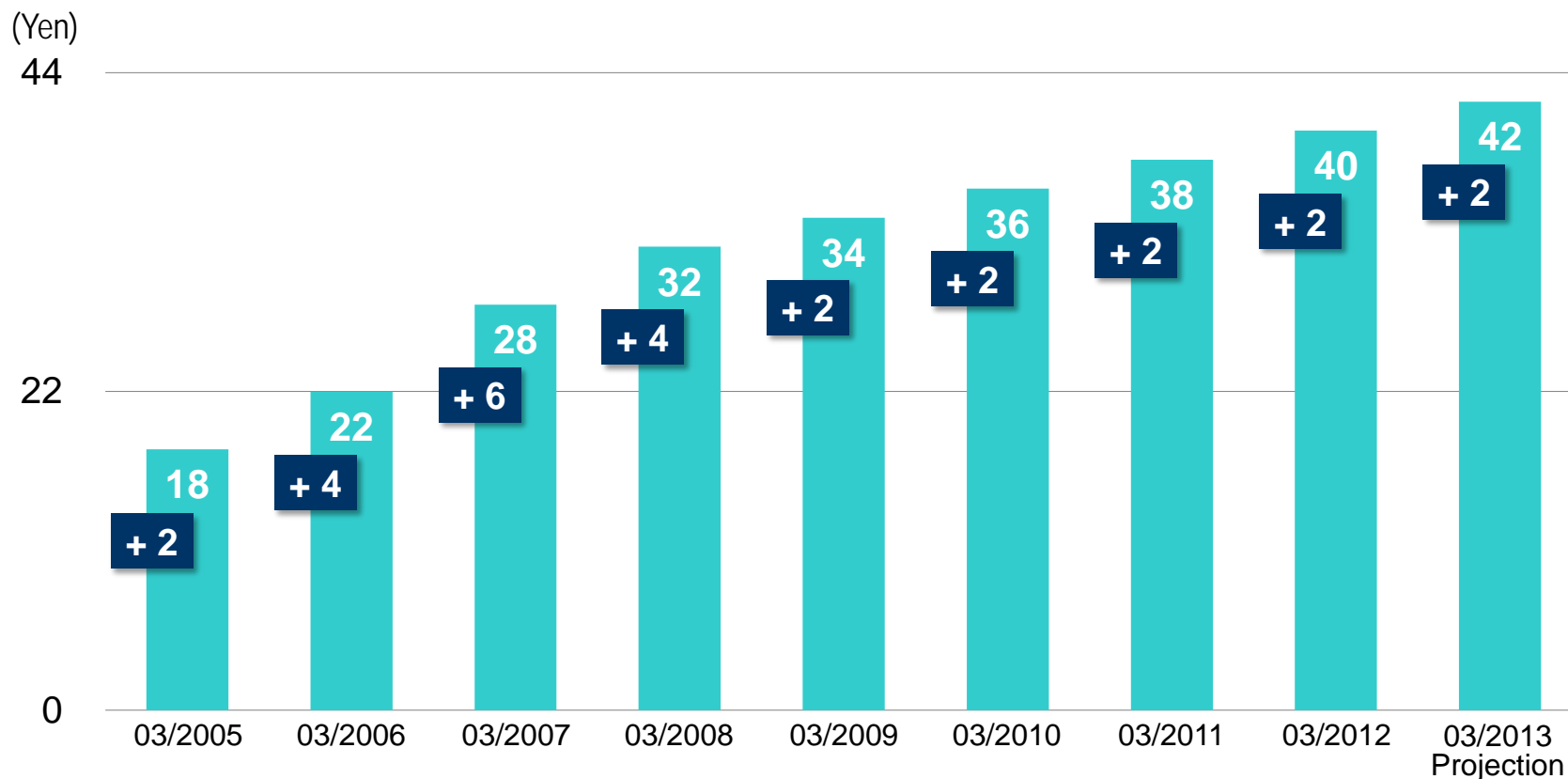
### R&D Expenses

 R&D Expenses  
 Percentage of net sales

(Billions of Yen)



## 【11】 Dividend Policy



### Basic Dividend Policy

Kurita's basic policy is to maintain stable dividends, and the company will work to increase dividends while giving due consideration to trends in results and investments in its businesses.

## **Review of Medium-Term Management Plan, Make Progress 2011 (MP-11)**

- 【 1 】 Operating Performance Targets and Results**
- 【 2 】 Segment Performance**
- 【 3 】 Achievements and Issues (1) : Service Business Expansion / Evolution**
- 【 4 】 Achievements and Issues (2) : Global Business Expansion**
- 【 5 】 Implemented Strategies : Global Business Expansion**
- 【 6 】 Achievement : New Business Area Creation / Expansion**

## 【1】 Operating Performance Targets and Results

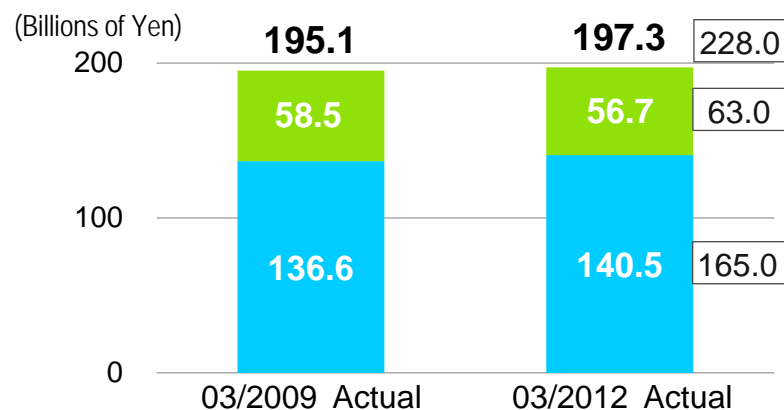
	MP11				(Billions of Yen)
	Fiscal year to March 2009 Actual	Fiscal year to March 2010 Actual	Fiscal year to March 2011 Actual	Fiscal year to March 2012 Actual	MP11 Fiscal year to March 2012 Initial Targets
Orders	195.1	175.2	182.0	197.3	228.0
Net Sales	199.7	178.5	181.2	193.8	224.0
Operating Income	27.9	26.4	27.1	29.4	36.0
Ordinary Income	28.9	27.1	28.2	30.4	36.3
Net Income	16.3	17.3	17.1	16.5	20.6
Net sales (overseas)	26.0	19.0	26.4	29.3	32.0
Overseas sales ratio	13.0%	10.6%	14.5%	15.1%	14.3%

- Unable to exceed the level prior to the '08 financial crisis. Issues remain concerning business scale expansion and sustainable growth.
- Targeted an increase in profits based on domestic service business but this was affected by business conditions.
- While overseas sales increased, the overseas sales ratio stayed at the level of 15%.

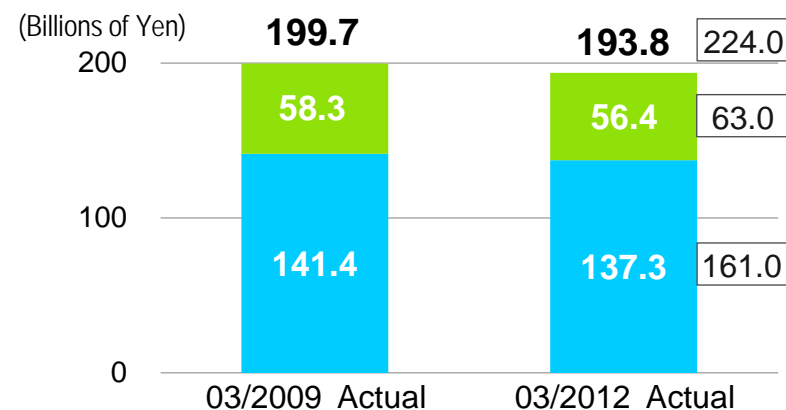
## 【2】 Segment Performance

Water treatment chemicals   
 Water treatment facilities   
 Total   
 \* denotes initial projection

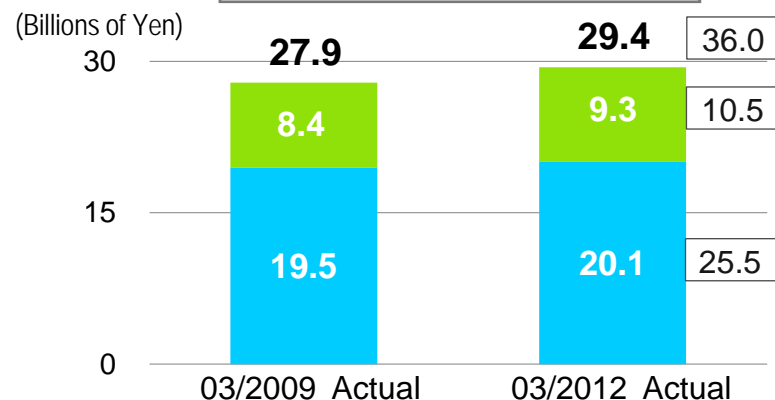
### Orders



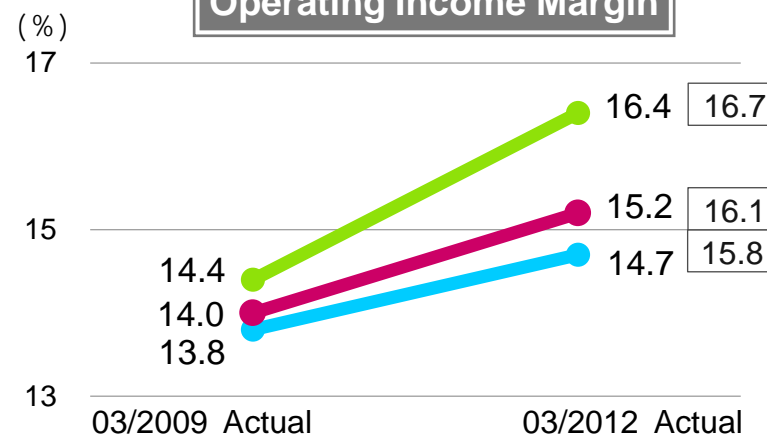
### Sales



### Operating Income

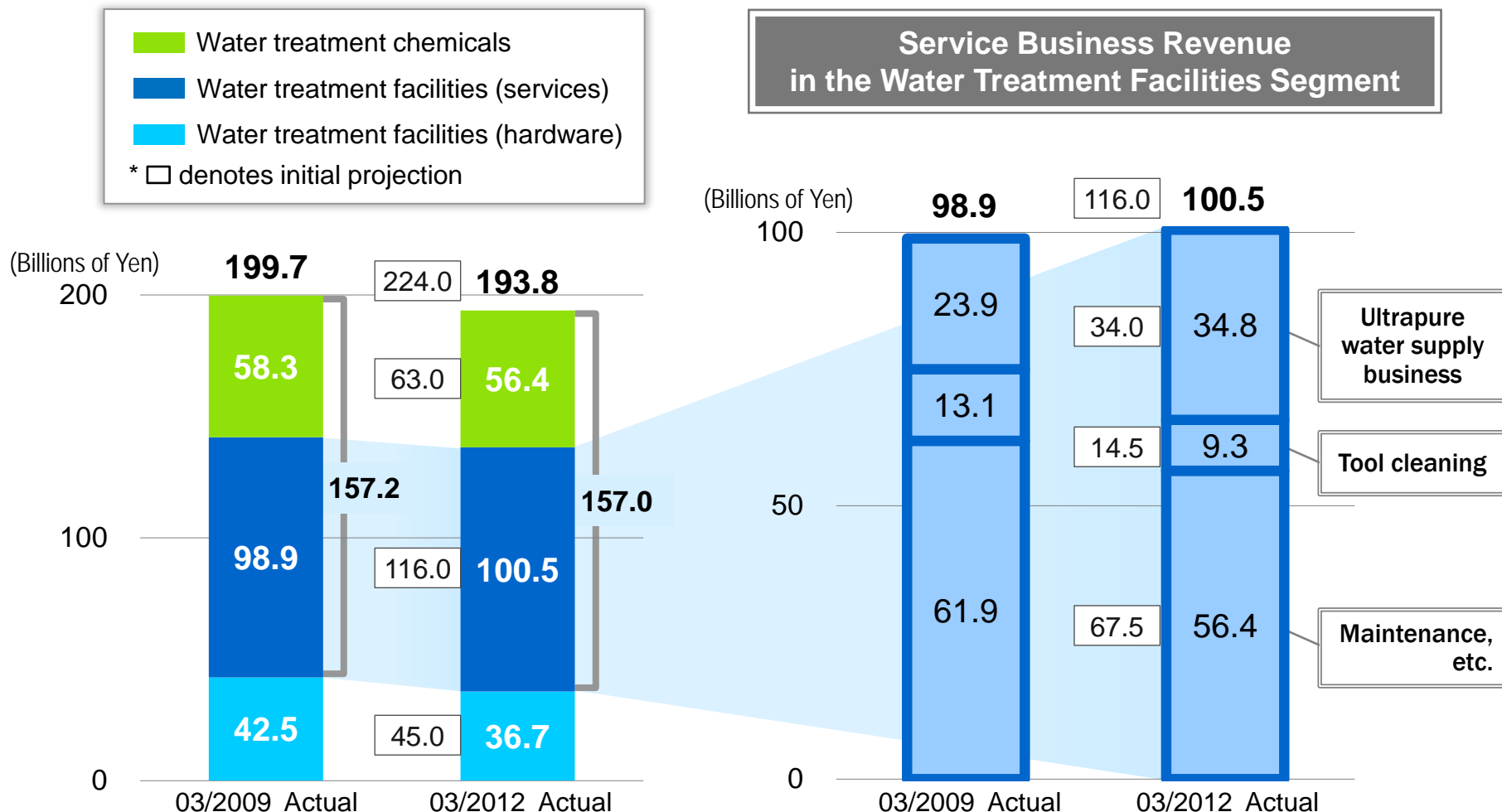


### Operating Income Margin





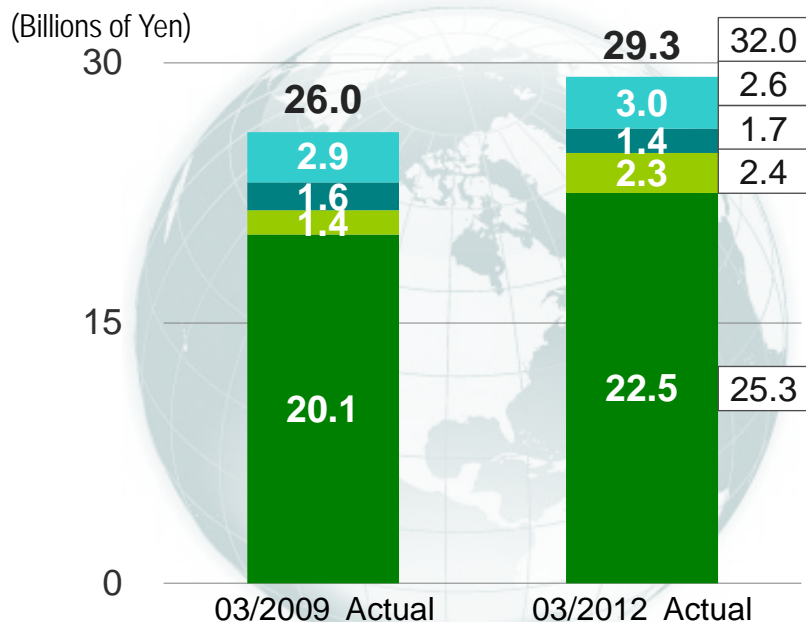
## 【3】 Achievements and Issues (1) : Service Business Expansion / Evolution



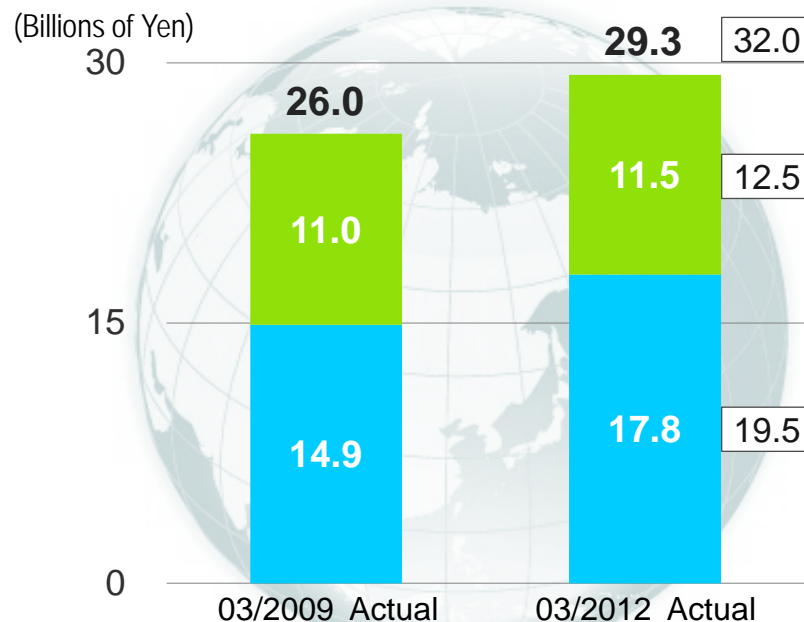
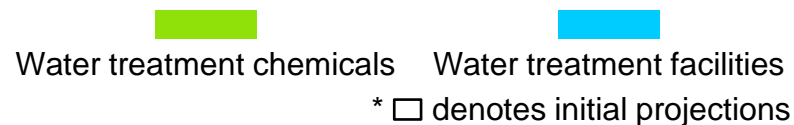
Customer business solution proposals for increasing productivity and environmental impact mitigation have been taken up and contributed to maintaining stable profits.

## 【4】 Achievements and Issues (2) : Global Business Expansion

### Sales by Region



### Sales by Overseas Business Segment

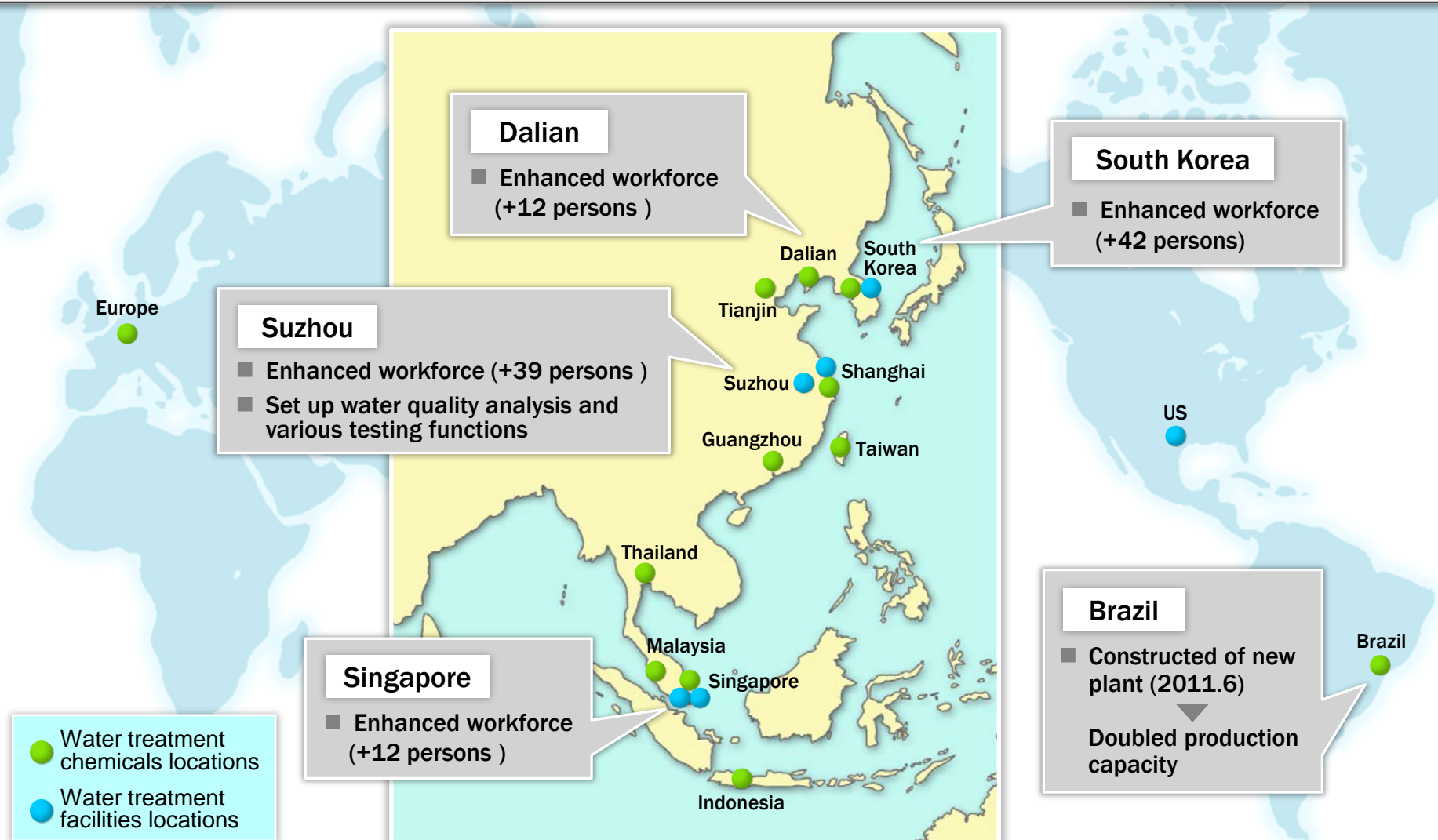


On the whole, business expansion overseas, particularly in Asia, progressed well, but the following issues remain :

**Chemicals** : Expanded in all regions, but unable to grow at a rate exceeding the economic growth in those countries.

**Facilities** : Large electronics projects obtained in China and South Korea will necessitate maintenance services.

## 【5】 Implemented Strategies : Global Business Expansion



Enhanced the workforce at bases in China and South Korea, and built new plant in Brazil  
(increased of around 100 overseas business staff over the past 3 years)

## 【6】 Achievement : New Business Area Creation / Expansion

### Electrolyzed Sulfuric Acid Generator



Green Sulfaced KD™

#### ■ Customer issues

Aim to increase productivity and mitigate environmental impact in semiconductor manufacturing processes while lowering costs

#### ■ Solution

Electrolyzed sulfuric acid generator using diamond electrode for resist removal



#### ■ Results

1. No aqueous hydrogen peroxide is used
2. Consumption of sulfuric acid can be reduced to about one-tenth of the conventional level by recycling sulfuric acid
3. Ensure stable resist removal effect

Obtain large orders from Korean semiconductor manufacturers by using the opening created by electrolyzed sulfuric acid generators to engage in their manufacturing processes

## **Overview of New Medium-Term Management Plan, Take Action 2014 (TA-14)**

- 【 1 】 Basic Theme and Vision in 3 Years**
- 【 2 】 Operating Performance Targets**
- 【 3 】 Segment Performance**
- 【 4 】 Key Strategies (1) : Overseas Business Growth [Enhance Business Drive]**
- 【 5 】 Key Strategies (1) : Overseas Business Growth [Bolster Foundation]**
- 【 6 】 Key Strategies (1) : Overseas Business Growth [Business Planning by Region]**
- 【 7 】 Key Strategies (1) : Overseas Business Growth [China Business Plan]**
- 【 8 】 Key Strategies (2) : Dominant reliability and domestic market growth**
- 【 9 】 Key Strategies (3) : Quick Creation of New Products and New Businesses**
- 【10】 Key Strategies (4) : Increase Management Efficiency and Capital Efficiency**

## 【1】 Basic Theme and Vision in 3 Years

Basic Theme :  
Execution and Evolution

Dramatic growth  
of overseas  
business

Dominant  
reliability and  
market share  
growth in  
domestic business

New products and  
businesses that  
help resolve water,  
energy and food  
problems

Products, technologies and services capable of winning against international competition

Improvement of management efficiency and capital efficiency

Enhance risk management and other Group management/administrative functions

## 【2】 Operating Performance Targets

(Billions of Yen)

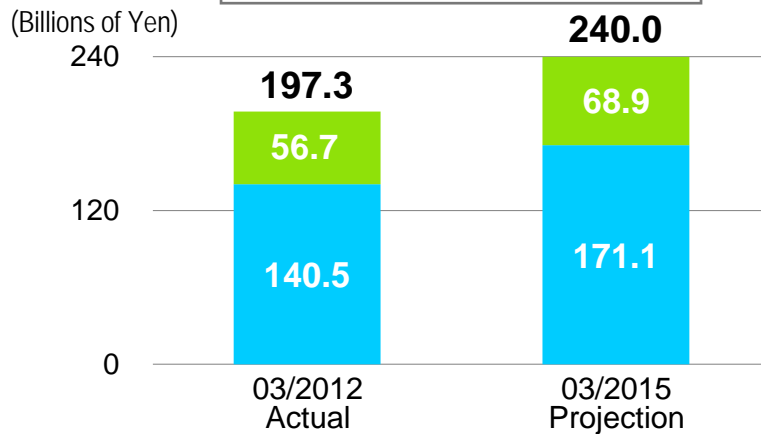
	Fiscal year to March 2012 Actual	Fiscal year to March 2015 Projection	3 Year Average Growth Rate
Orders	<b>197.3</b>	<b>240.0</b>	<b>+ 6.7%</b>
Net Sales	<b>193.8</b>	<b>235.0</b>	<b>+ 6.6%</b>
Operating Income	<b>29.4</b>	<b>36.0</b>	<b>+ 7.0%</b>
Ordinary Income	<b>30.4</b>	<b>36.5</b>	<b>+ 6.3%</b>
Net Income	<b>16.5</b>	<b>22.0</b>	<b>+ 10.0%</b>
Net sales (overseas)	<b>29.3</b>	<b>64.4</b>	<b>+ 30.2%</b>
Overseas sales ratio	<b>15.1%</b>	<b>27.4%</b>	<b>-</b>

- Quantitative increase planned by expanding sales overseas.
- Maintain profitability while investing in overseas business foundations.

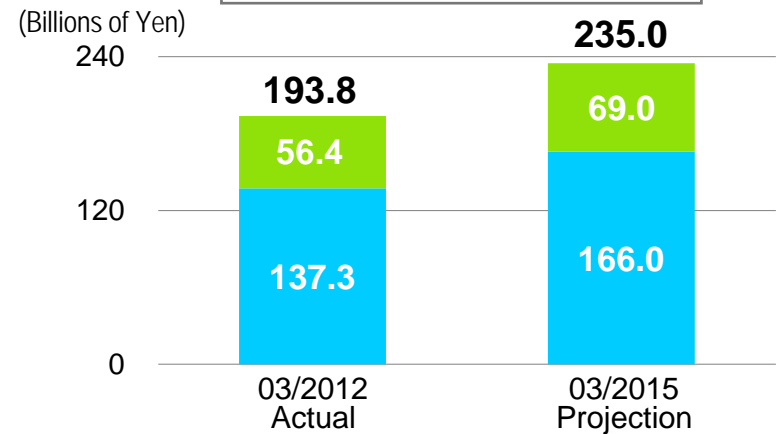
## 【3】 Segment Performance

 Water treatment chemicals
  Water treatment facilities
  Total

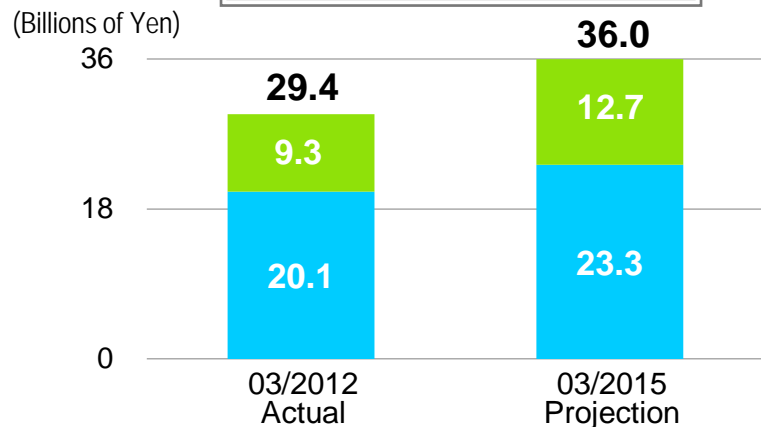
Orders



Sales



Operating Income



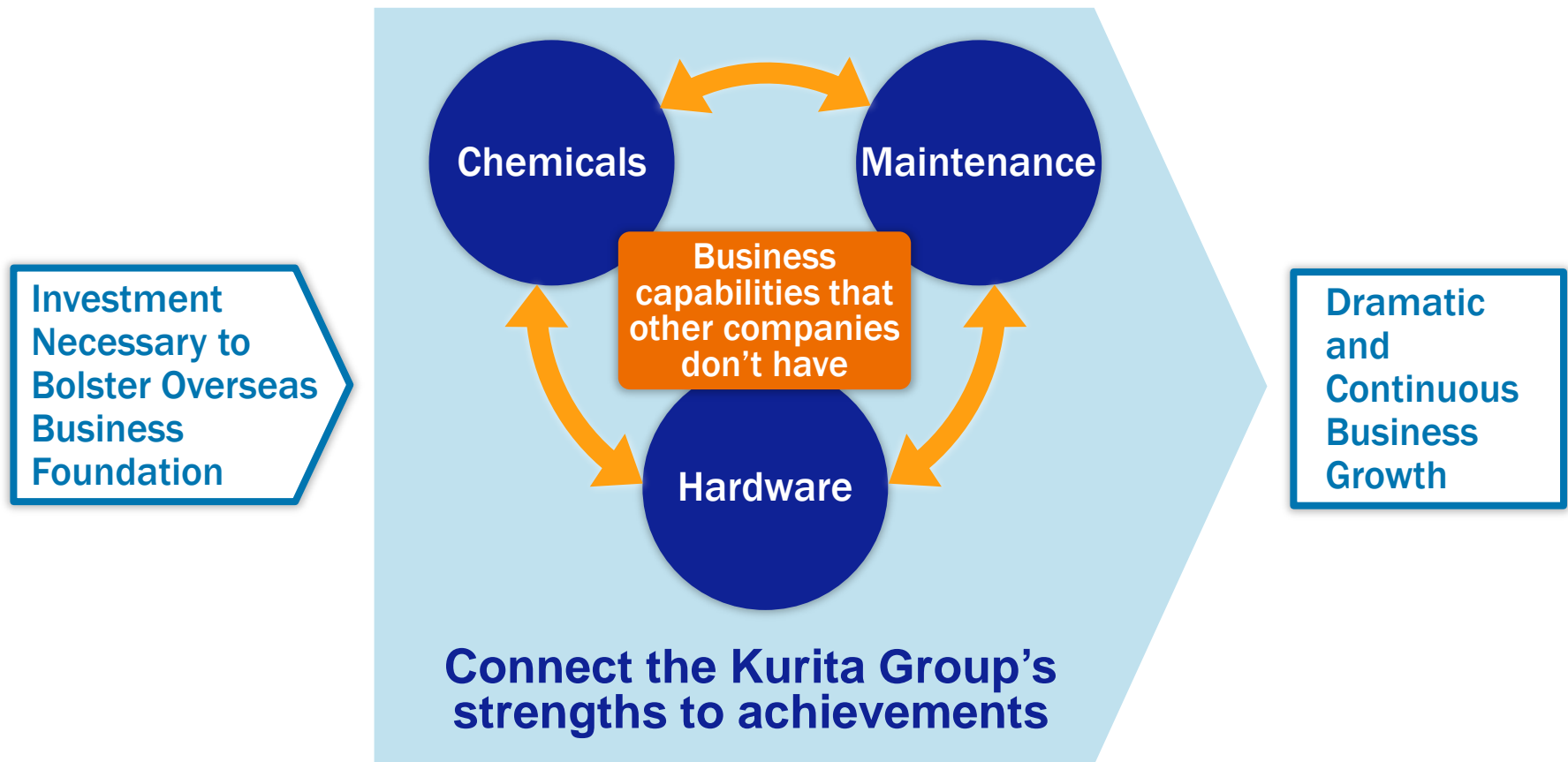
Operating Income Margin





**【4】 Key Strategies (1) : Overseas Business Growth [Enhance Business Drive]**

**Dramatic Growth of Overseas Business / Sustainable Profits**



## 【5】 Key Strategies (1) : Overseas Business Growth [Bolster Foundation]

**Localize investment and feasibility tests to maintain supply structure for resins and membranes and advanced analytical equipment**

Development of products that can win against overseas competition and which meet the needs in overseas markets, service framework upgrade

**Add Local Employees / Enhance Human Resources**

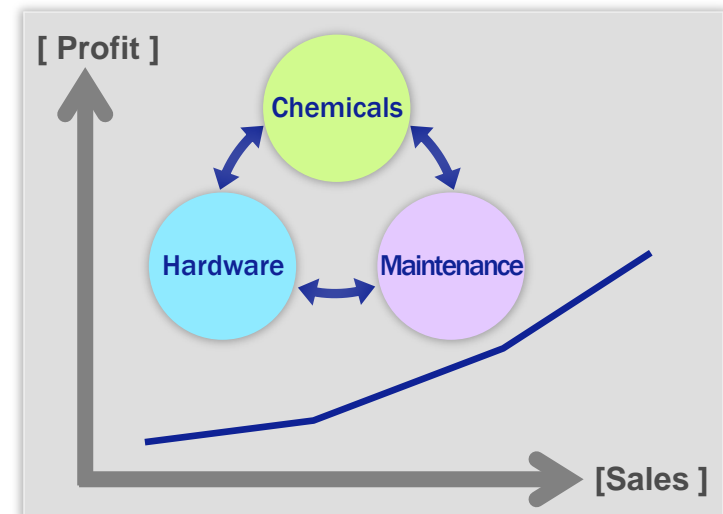
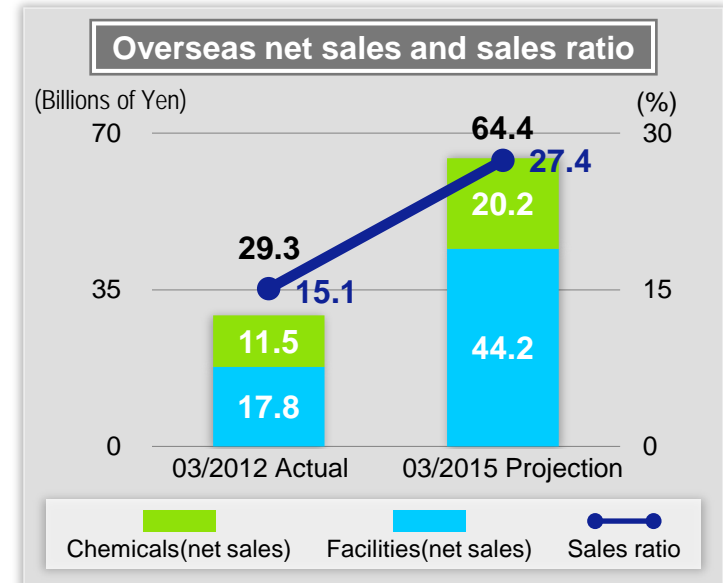
Secure and train personnel capable of responding to local customers' needs and proposing solutions to issues they face (increase of around 380 overseas business staff planned over the next 3 years)

**Bolster Tie-ups with Local Partners, Implement alliances and M&As**

Chemicals : Acquire sales network and technologies  
Facilities : Increase design, installation and engineering capabilities



Overseas, we will expand our scope with hardware, and bridge this with the increase in demand for maintenance and chemicals (from plant entrance to exit) and thereby continuously grow earnings



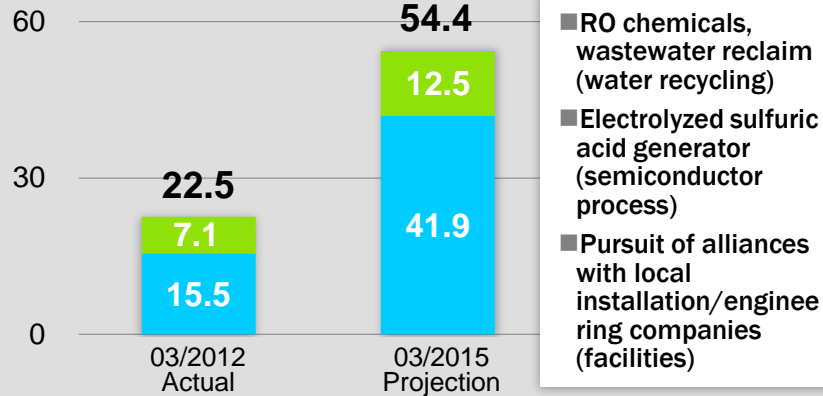
## 【6】 Key Strategies (1) : Overseas Business Growth [Business Planning by Region]

 Water treatment chemicals

 Water treatment facilities

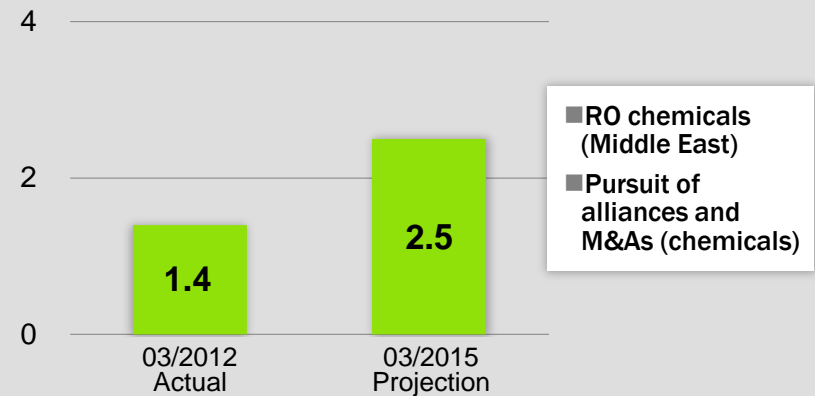
### Asia (including China)

(Billions of Yen)



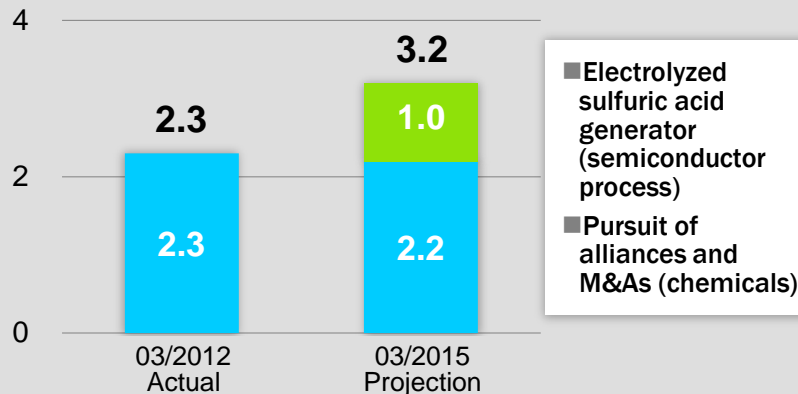
### Europe

(Billions of Yen)



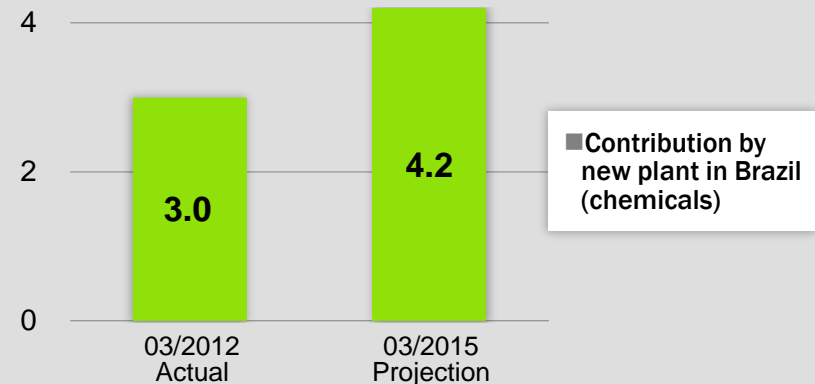
### North America

(Billions of Yen)



### Other (Brazil, etc.)

(Billions of Yen)



## 【7】 Key Strategies (1) : Overseas Business Growth [China Business Plan]

### Assignment of Executive Officer Overseeing China

Bolster integrated business activities by Kurita Water Industries (Dalian) (chemicals), Kurita Water Industries (Suzhou) (facilities) and Kuritec Shanghai (maintenance)

### Increase investment in Kurita Water Industries (Suzhou) Ltd

400 million yen increase planned for June 2012

### Chemicals

**Key Markets :** Petroleum, petrochemicals, general industries, Seawater desalination (including urban waste)  
**Key Products :** Cooling water treatment chemicals, RO chemicals, chemicals for fly ash

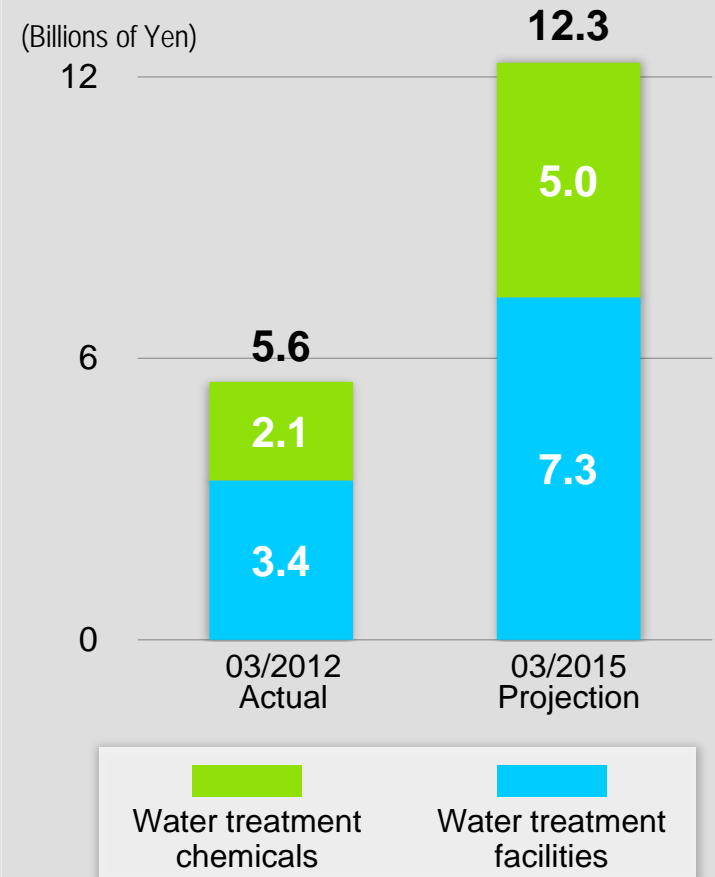
### Facilities

**Key Markets :** Electronics (semiconductors, LCDs, etc.), recycled water market (including recycling sewage)  
**Key Products :** ultrapure water systems, wastewater reclamation systems, etc.



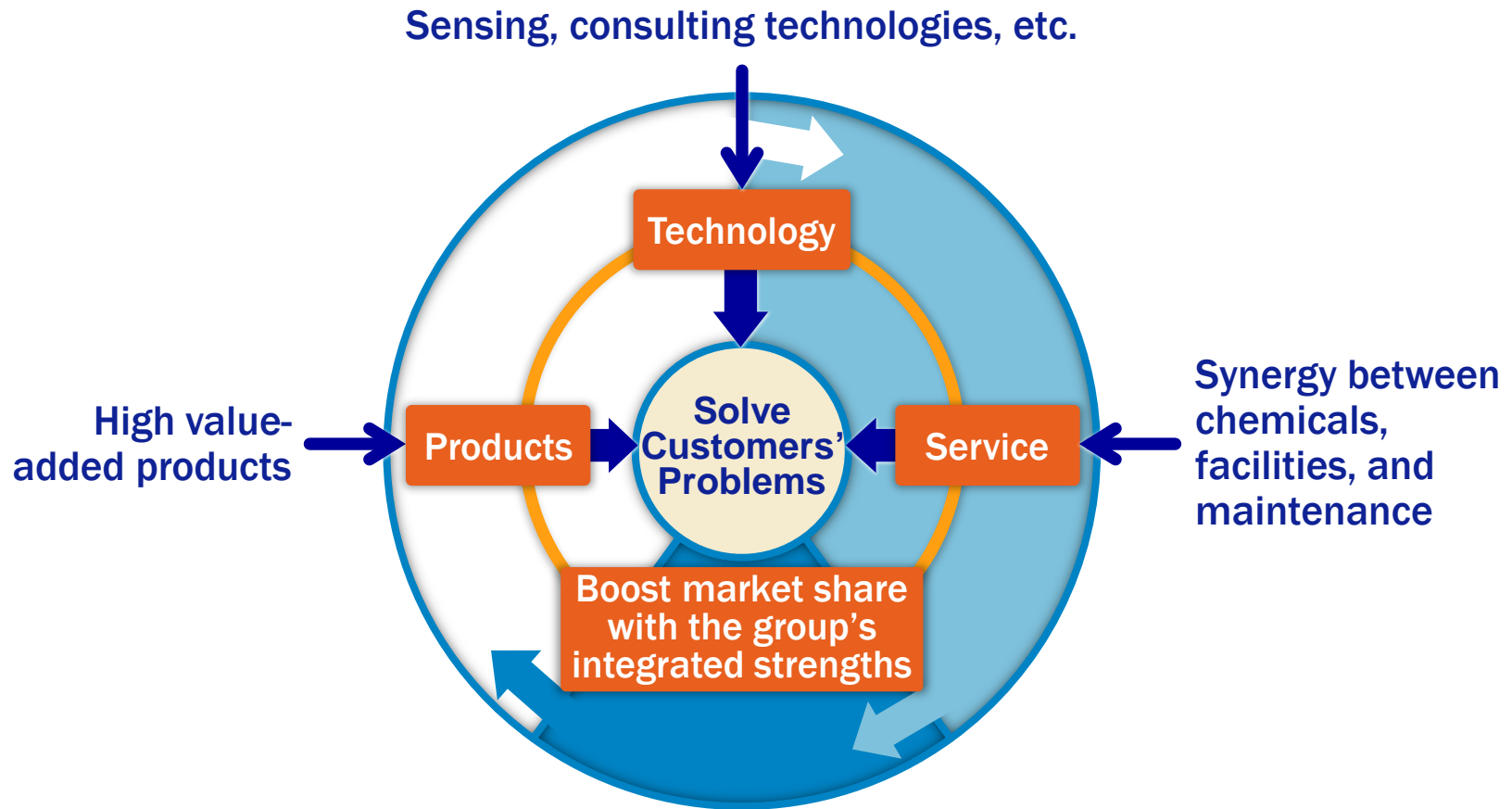
Use wastewater reclamation to cultivate new market by China's water shortage and regulation tightening

### China Revenue

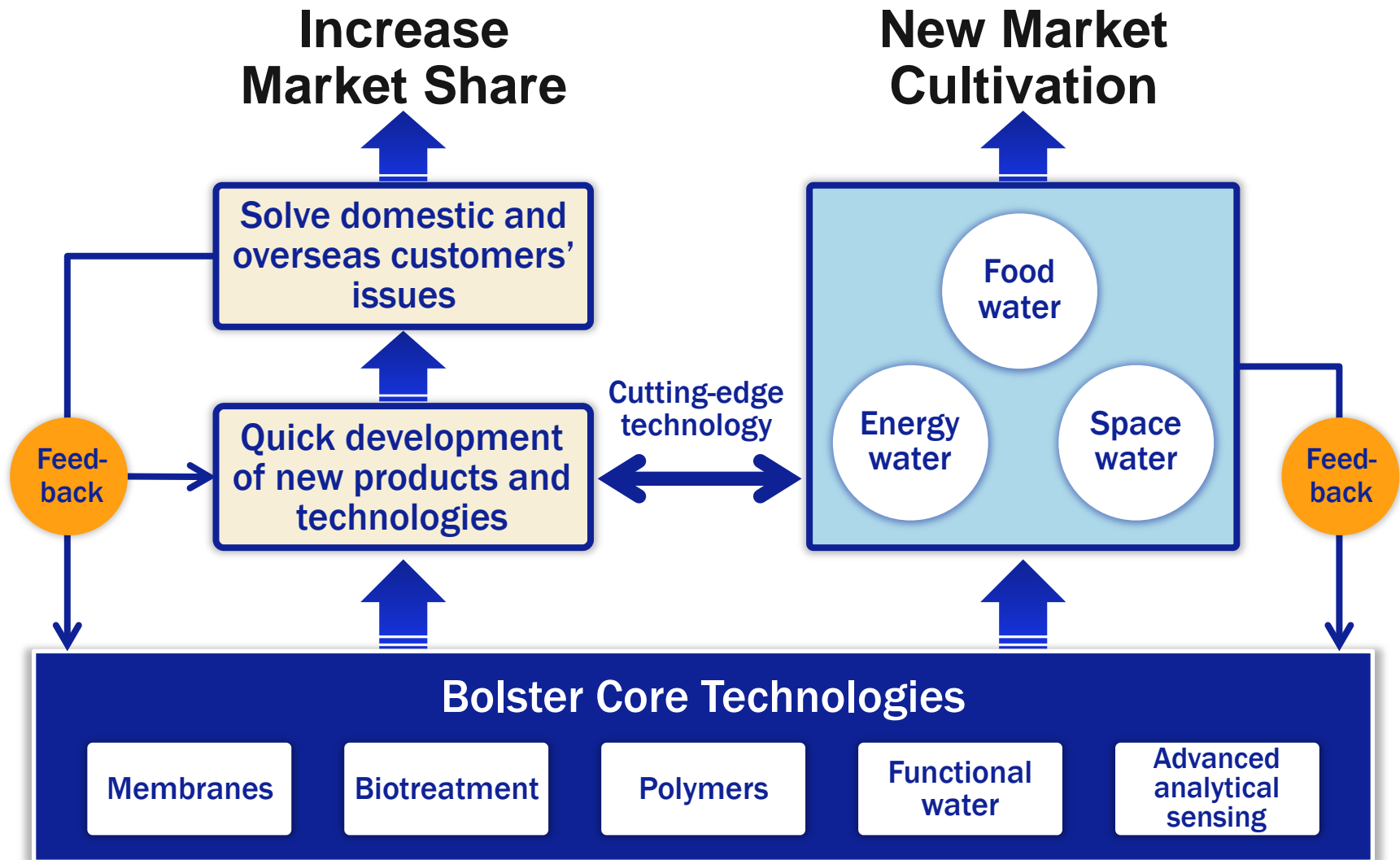


**【8】 Key Strategies (2) : Dominant reliability and domestic market growth**

**Bolster Earnings Base by Increasing Market Share in Japan**



**【9】 Key Strategies (3) : Quick Creation of New Products and New Businesses**



## 【10】 Key Strategies (4) : Increase Management Efficiency and Capital Efficiency

### Increase Management Efficiency and Capital Efficiency

Increase rate of return on invested capital

### Use of cash

#### 1. Investment in Growth Fields

Capital investment, R&D, stronger partnerships, M&A, alliances to bolster the business foundation overseas

#### 2. Enhance Shareholder Returns

Consecutive dividends : Targeting payout ratio of 30%

Share buybacks : Flexible and expeditious judgment based on business environment, opportunities for investment and stock price level

(Billions of Yen)

	MP11 results FYE Mar.31,2010 to Mar.31,2012 (accumulated)	TA14 forecast FYE Mar.31,2013 to Mar.31,2015 (accumulated)
Capital expenditure	20.7	13.0 *
Depreciation & amortization	45.6	48.5
R&D expenses	12.4	14.0
SG&A	107.0	117.6

\*Capital expenditure which has already been decided as of March 31, 2012.

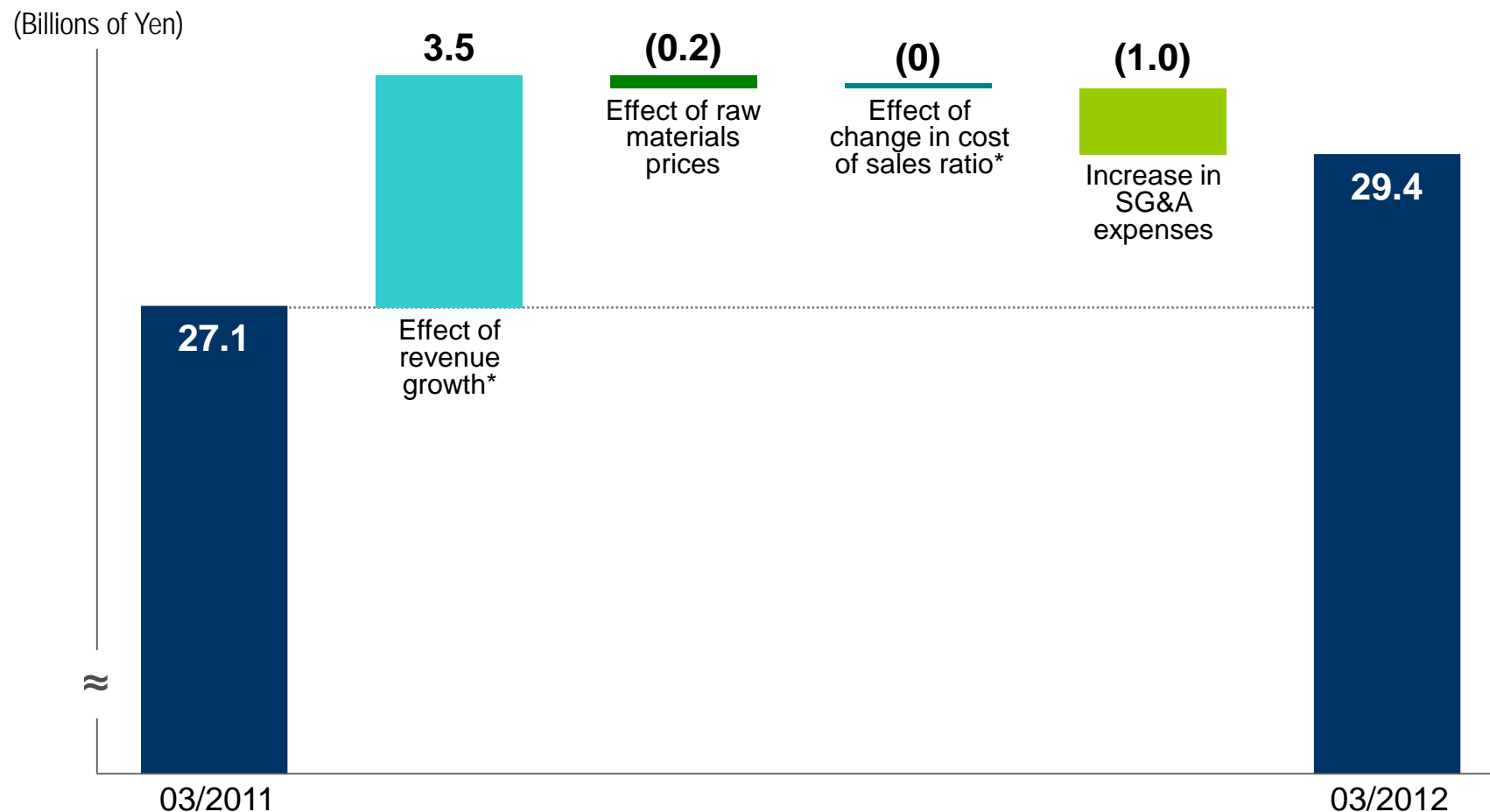


# Reference Material





## Analysis of Changes in Operating Income for the Fiscal Year Ended March 31, 2012



\*The effects of revenue growth and change in the cost of sales ratio are calculated using the gross profit margin.

# Kurita Water Industries Ltd.

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## Forward-looking Statements

This presentation 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, actual results may differ from those specified or implied by these forward-looking statements and projections.