

# **Kurita Water Industries Ltd.**

## **Results Presentation for the Year Ended March 31, 2013**

**( Stock code : 6370 )**

**May 2, 2013**

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## **Consolidated Financial Results for the Fiscal Year Ended March 31, 2013**

- 1 . Financial Highlights**
- 2 . Orders, Sales, Operating Income, and Operating Income Margin**
- 3 . Water Treatment Chemicals**
- 4 . Water Treatment Facilities (for the electronics industry)**
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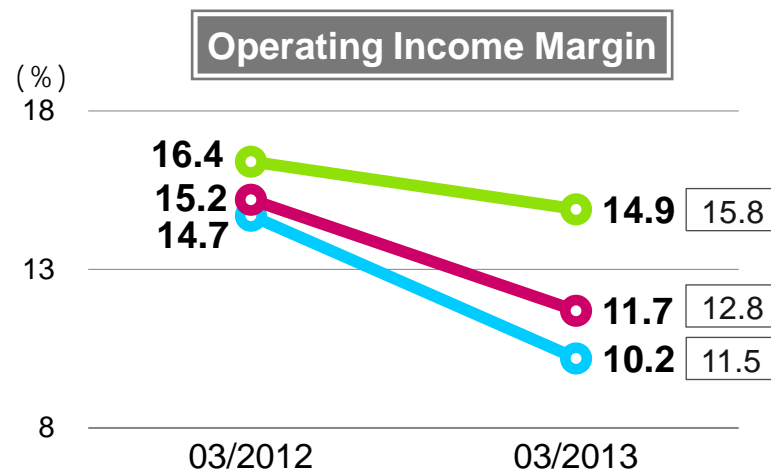
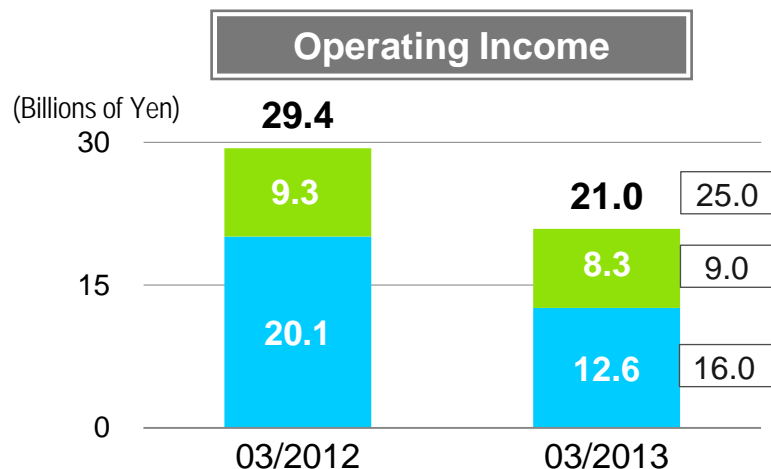
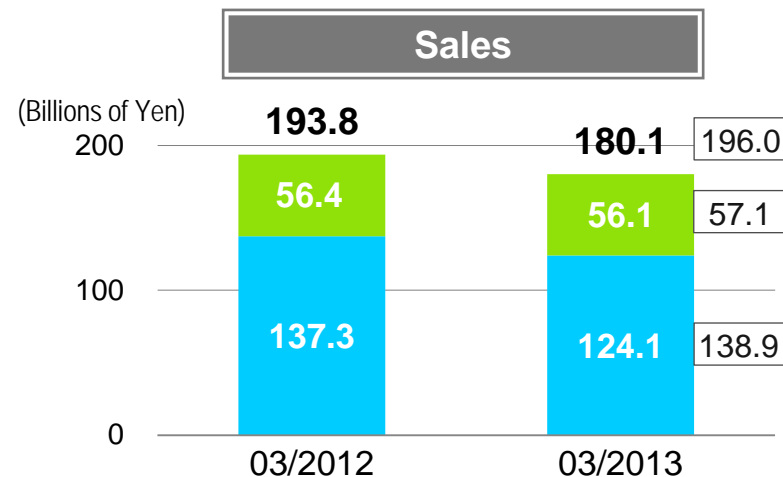
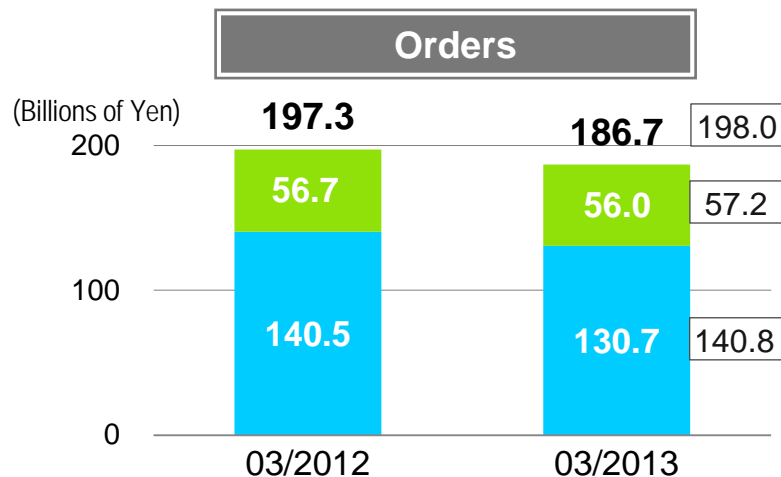
## 1. Financial Highlights

(Billions of Yen)

	Fiscal year to March 2012 Actual	Fiscal year to March 2013 Actual	Year-on-year change	Revised Projections	Initial Projections
Orders	197.3	186.7	- 5.3%	198.0	201.0
Net Sales	193.8	180.1	- 7.0%	196.0	200.0
Operating Income	29.4	21.0	- 28.6%	25.0	29.5
Ordinary Income	30.4	22.0	- 27.4%	25.7	30.0
Net Income	16.5	11.5	- 30.7%	13.6	17.5

## 2. Orders, Sales, Operating Income, and Operating Income Margin

Water treatment chemicals    
 Water treatment facilities    
 Total    
 \* □ denotes revised projections

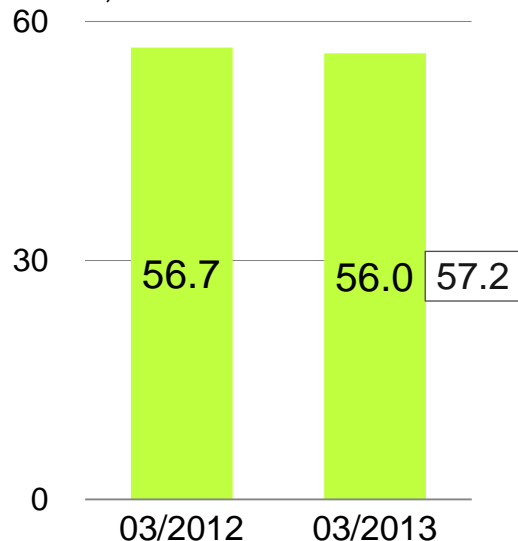


## 3. Water Treatment Chemicals

### Orders

\* □ denotes revised projections

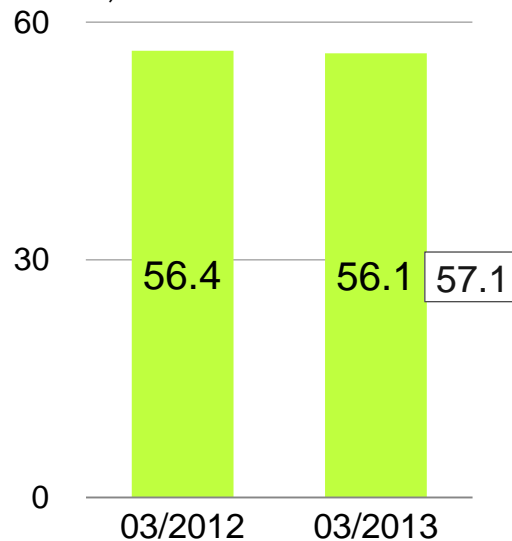
(Billions of Yen)



### Sales

\* □ denotes revised projections

(Billions of Yen)



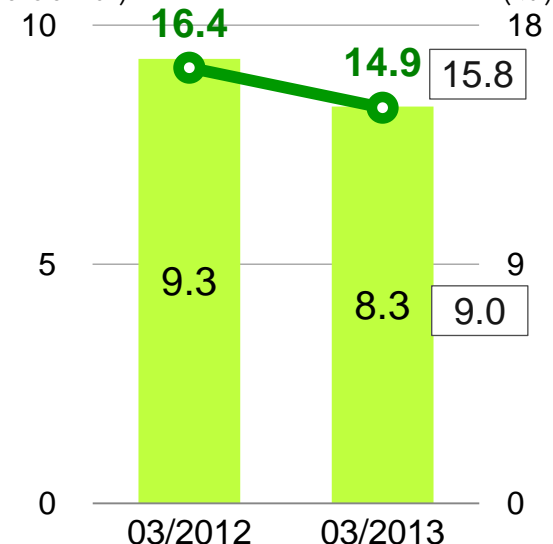
#### [Major areas of change in Orders / Sales]

- Japan : Decline primarily in core products (-)
- Overseas : Growth primarily in Asia (+)

### Operating Income and Operating Income Margin

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

(Billions of Yen)



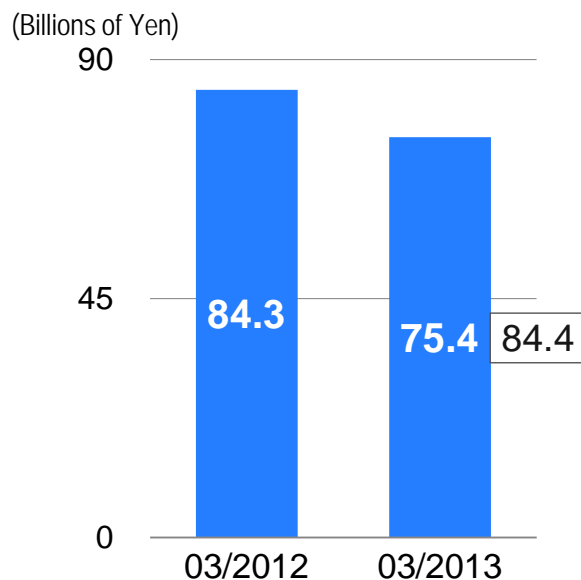
#### [Major determinants of change]

- Increase in SG&A expenses (-)
- Change in sales mix (-)

## 4. Treatment Facilities (for the electronics industry)

### Orders

\* □ denotes revised projections

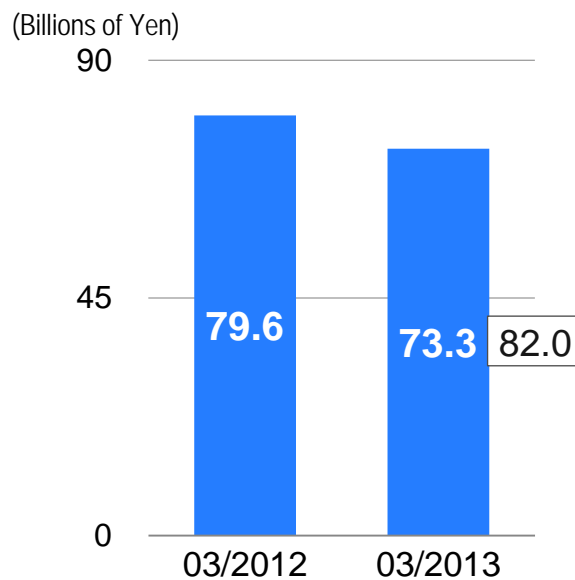


#### [Major areas of change]

- Decrease in hardware (-)
- Decrease in maintenance services (-)
- Decrease in ultrapure water supply business (-)

### Sales



\* □ denotes revised projections

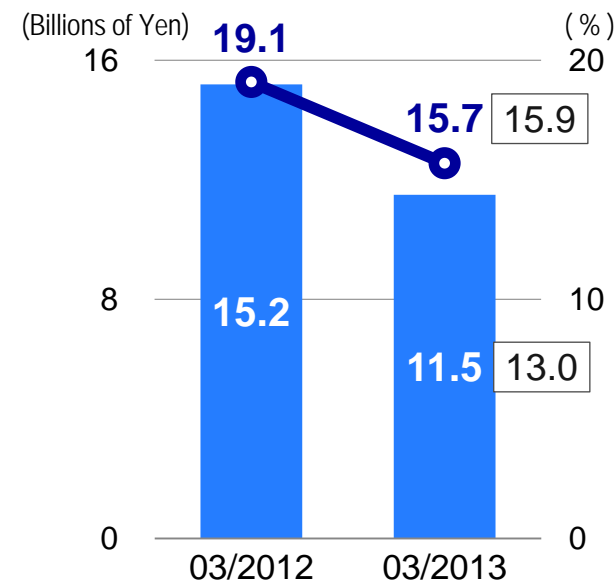


#### [Major areas of change]

- Decrease in maintenance services (-)
- Decrease in ultrapure water supply business (-)
- Decrease in hardware (-)

### Operating Income and Operating Income Margin

 Operating income  
 Operating income margin  
 \* □ denotes revised projections



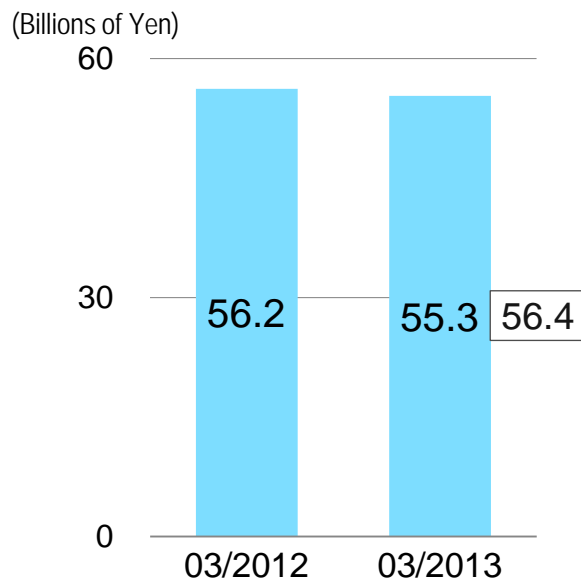
#### [Major determinants of change]

- Impact of decline in revenue (-)
- Change in sales mix (-)
- Increase in SG&A expenses (-)

## 5. Treatment Facilities (for general industries)

### Orders

\* □ denotes revised projections

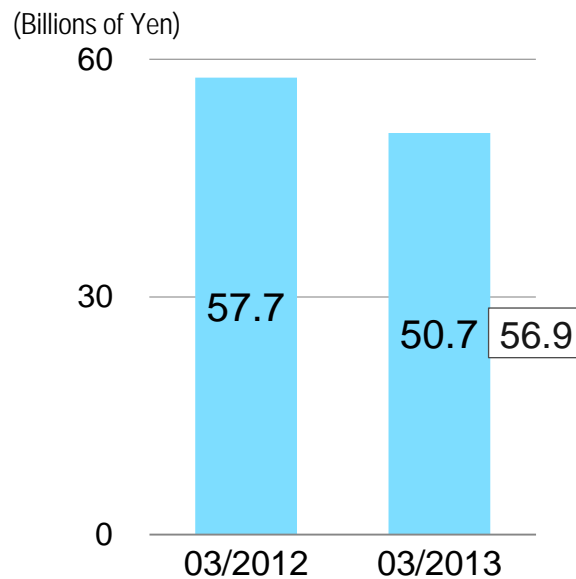


#### [Major areas of change in Orders / Sales]

- Increase in general industries hardware (+)
- Decrease in electric power industry (-)
- Decrease in maintenance services (-)

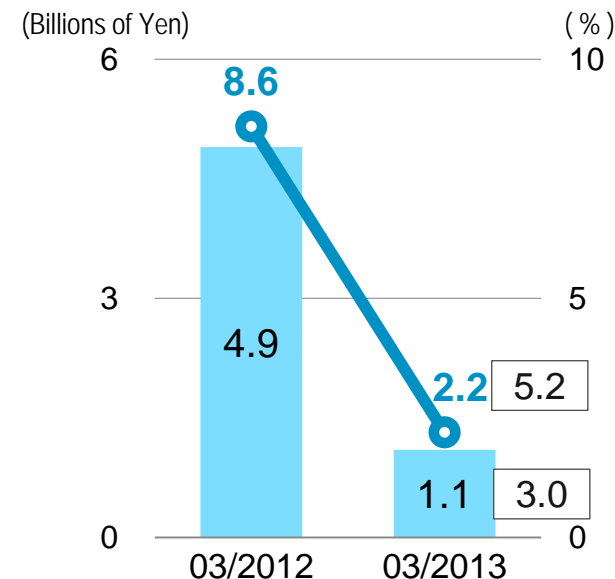
### Sales

\* □ denotes revised projections



### Operating Income and Operating Income Margin

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

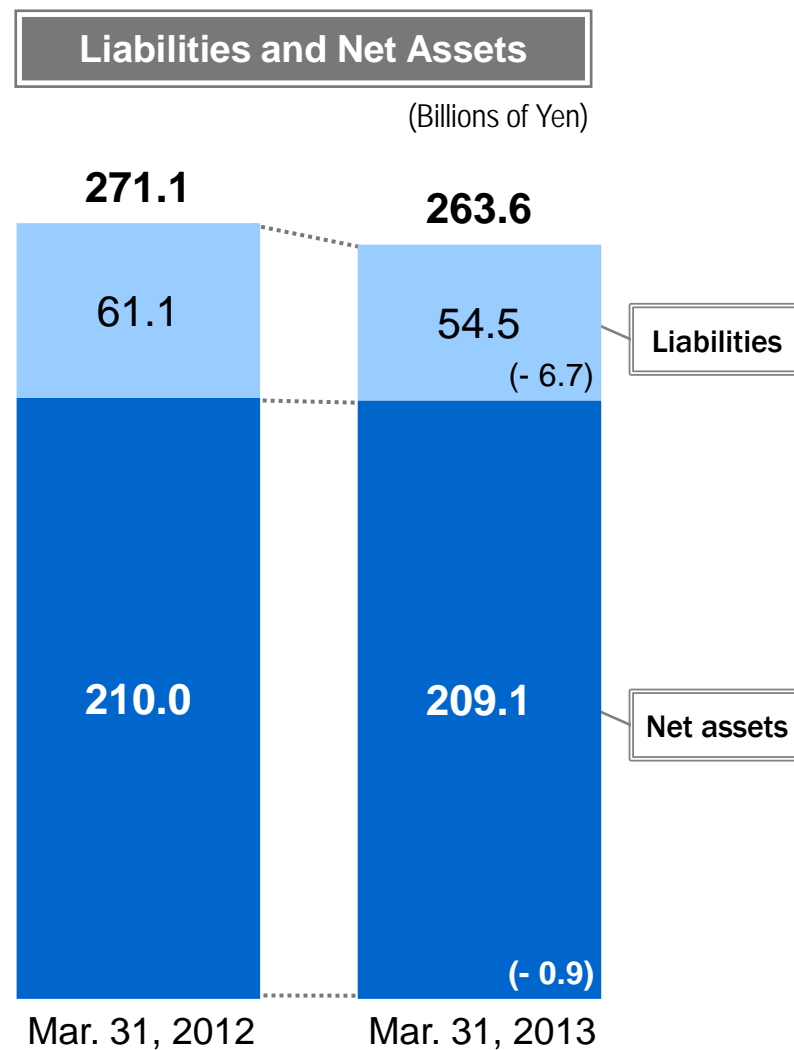
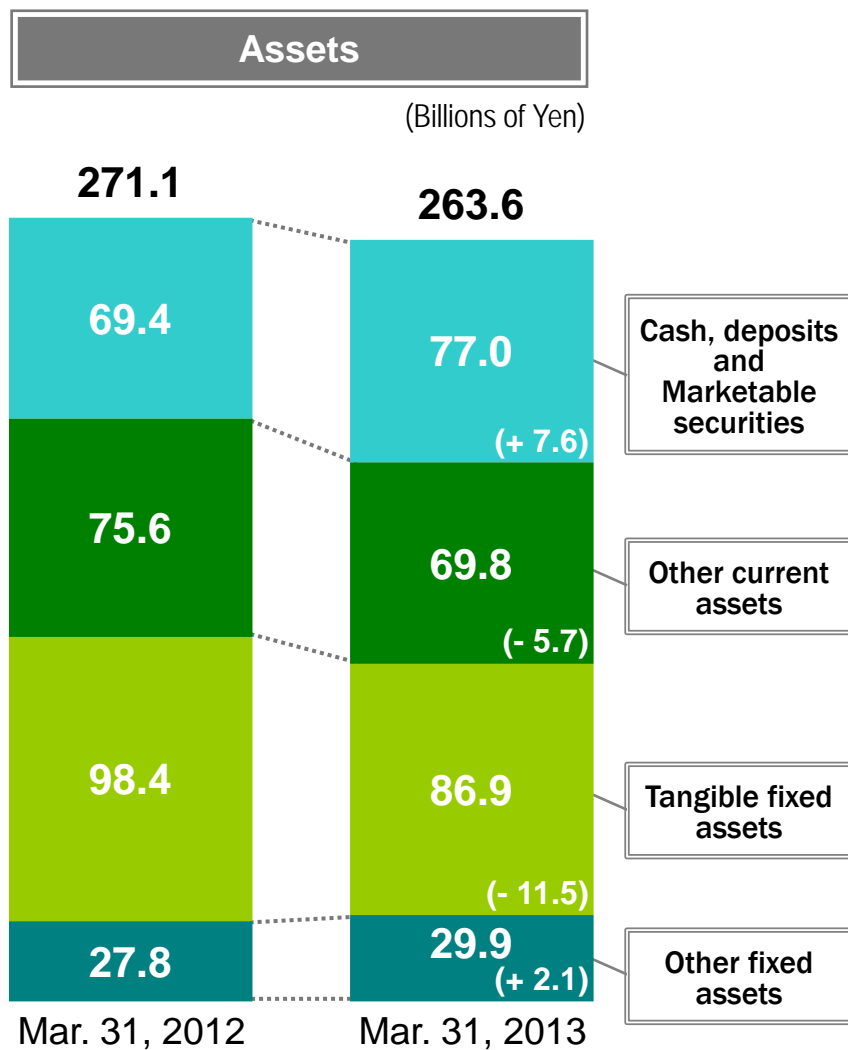


#### [Major determinants of change]

- Impact of sales decline (-)
- Change in sales mix (-)
- Increase in SG&A expenses (-)



## 6. Financial Condition



# **Consolidated Business Plan for the Fiscal Year Ending March 31, 2014**

- 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



- Domestic customers' capacity utilization will gradually recover from the summer months onward
- Firm overseas demand, particularly in emerging countries

#### Water Treatment Facilities Segment



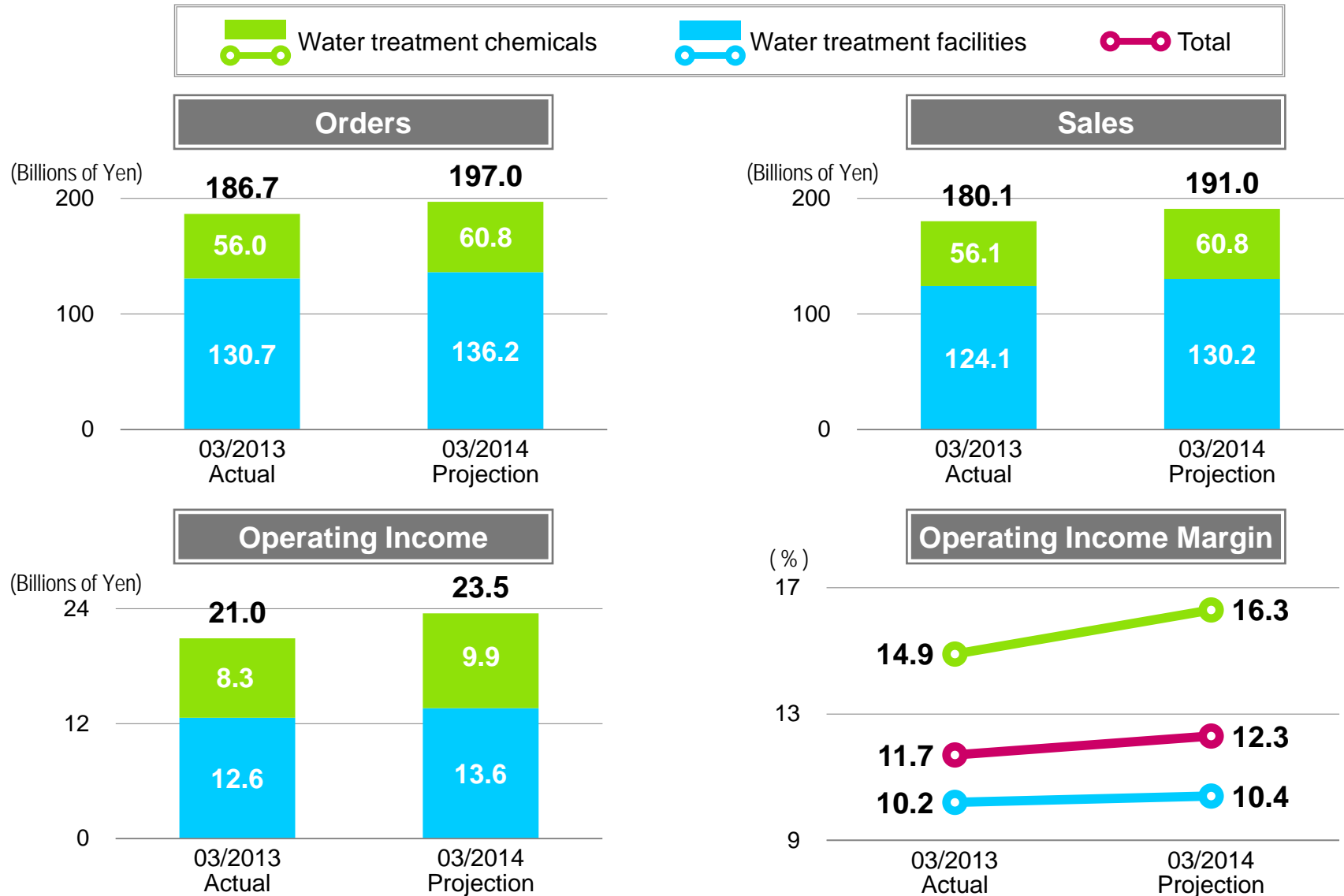
- Capital investment in semiconductors/LCD will vary according to product and customer
- Capital investment in general industries will be largely unchanged

## 2. Overview

(Billions of Yen)

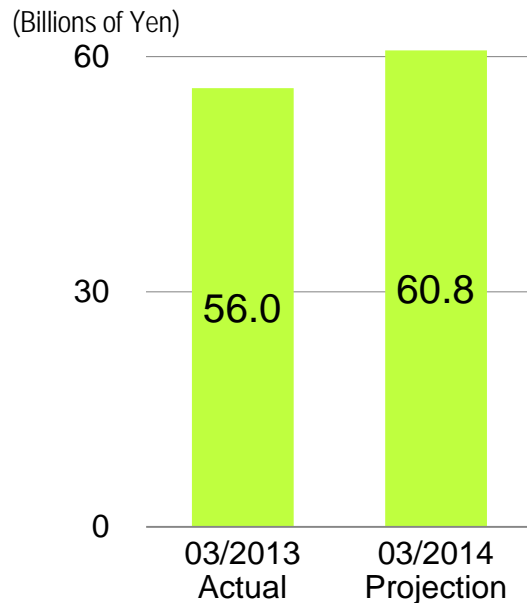
	Fiscal year to March 2013 Actual	Fiscal year to March 2014 Projection	Year-on-year change
<b>Orders</b>	<b>186.7</b>	<b>197.0</b>	<b>+ 5.5%</b>
<b>Net Sales</b>	<b>180.1</b>	<b>191.0</b>	<b>+ 6.0%</b>
<b>Operating Income</b>	<b>21.0</b>	<b>23.5</b>	<b>+ 12.0%</b>
<b>Ordinary Income</b>	<b>22.0</b>	<b>24.0</b>	<b>+ 8.9%</b>
<b>Net Income</b>	<b>11.5</b>	<b>14.0</b>	<b>+ 22.0%</b>

## 3. Orders, Sales, Operating Income, and Operating Income Margin

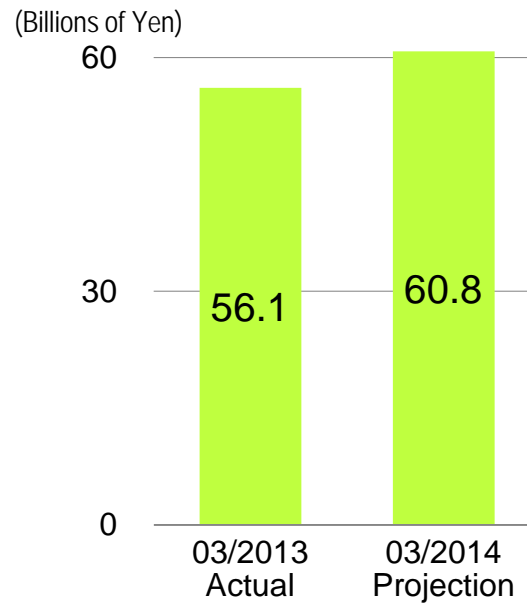


## 4. Water Treatment Chemicals

### Orders

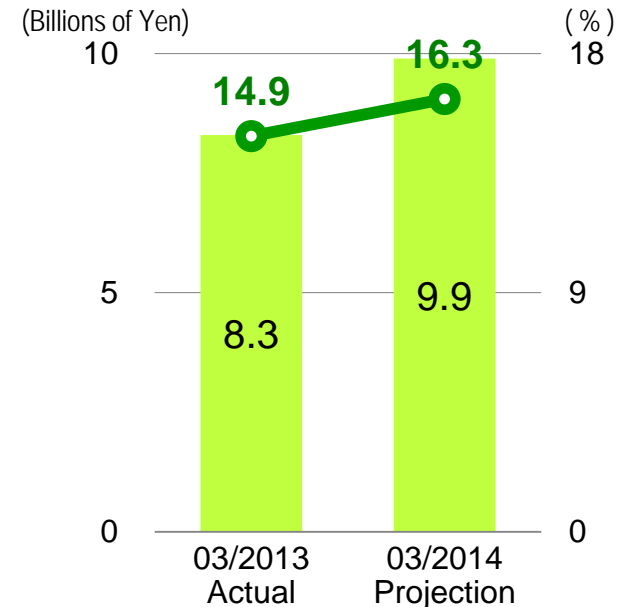


### Sales



### Operating Income and Operating Income Margin

Operating income  
 Operating income margin



#### [Major areas of change in Orders / Sales]

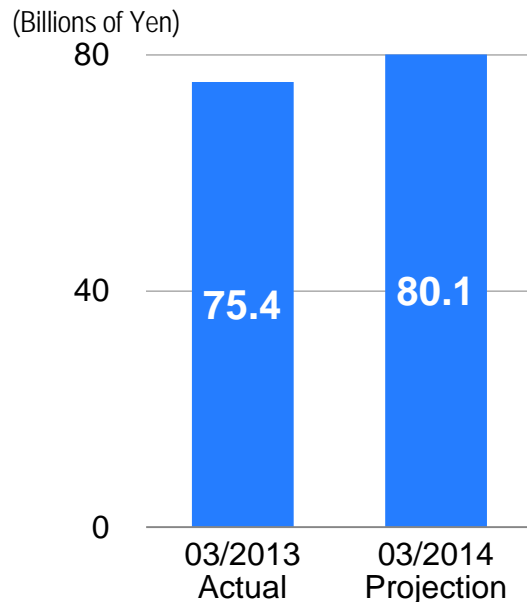
- Japan : Recovery from the summer months onward, primarily in core products (+)
- Overseas : Growth primarily in Asia (+)

#### [Major determinants of change]

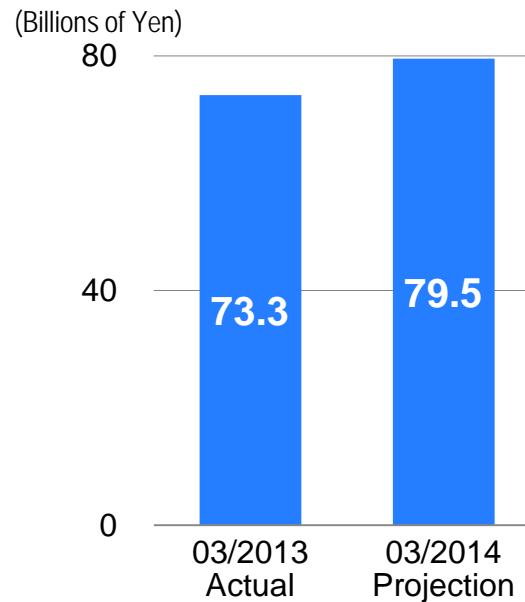
- Impact of increase in revenue (+)
- Improvement in sales mix (+)
- Increase in SG&A expenses (-)

## 5. Treatment Facilities (for the electronics industry)

### Orders

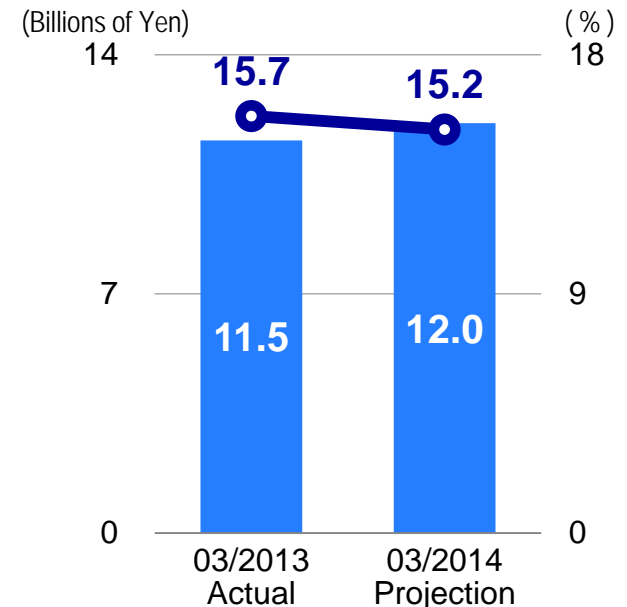


### Sales



### Operating Income and Operating Income Margin

■ Operating income  
●—● Operating income margin



#### [Major areas of change in Orders / Sales]

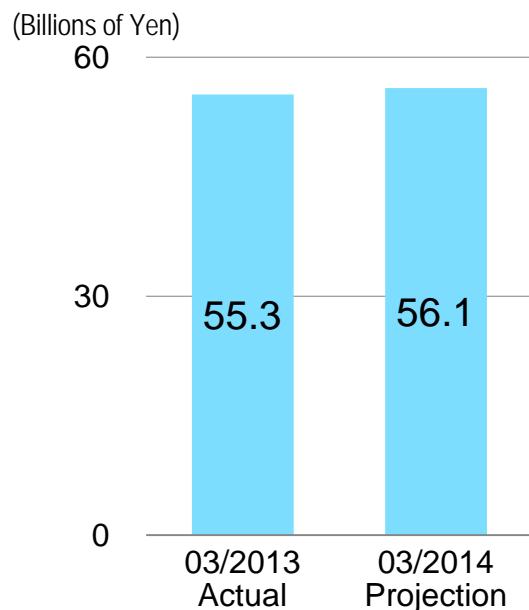
- Increase in hardware (+)
- Increase in maintenance services (+)
- Decrease in ultrapure water supply business (-)

#### [Major determinants of change]

- Impact of increase in revenue (+)
- Change in sales mix (-)

## 6. Treatment Facilities (for general industries)

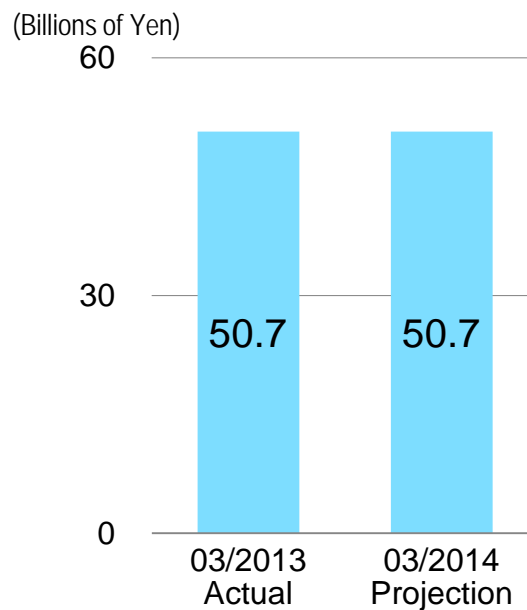
### Orders



#### [Major areas of change]

- Increase in maintenance services (+)
- Decrease in general industries hardware (-)

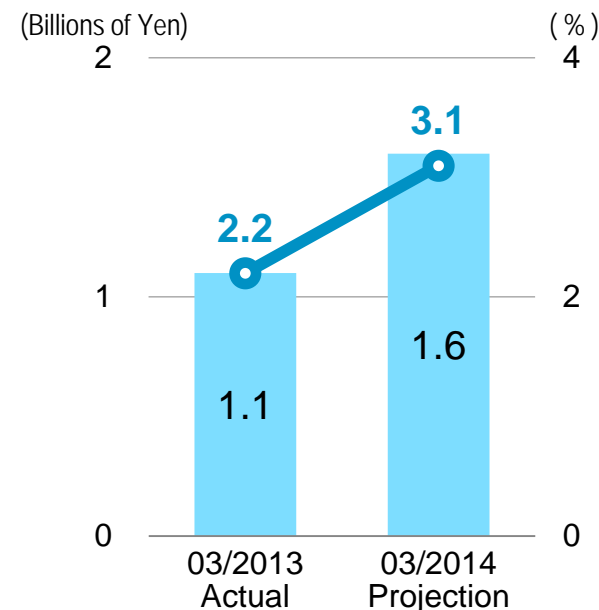
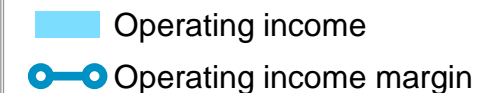
### Sales



#### [Major areas of change]

- Increase in general industries hardware (+)
- Increase in maintenance services (+)
- Decrease in electric power industry sales (-)

### Operating Income and Operating Income Margin



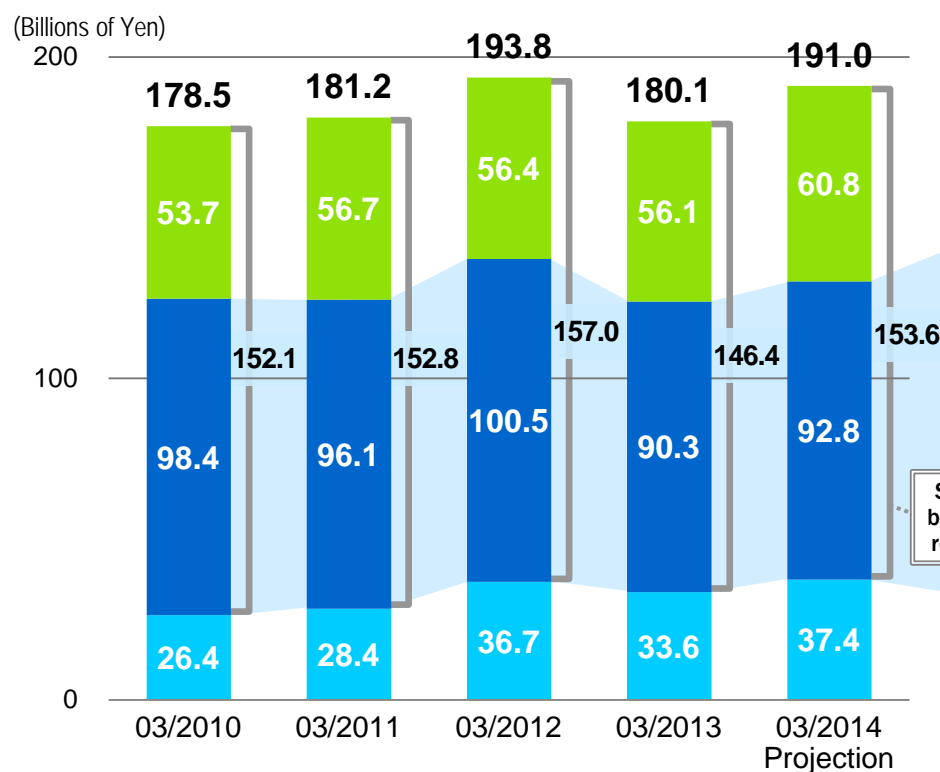
#### [Major determinants of change]

- Improvement in sales mix (+)
- Increase in SG&A (-)

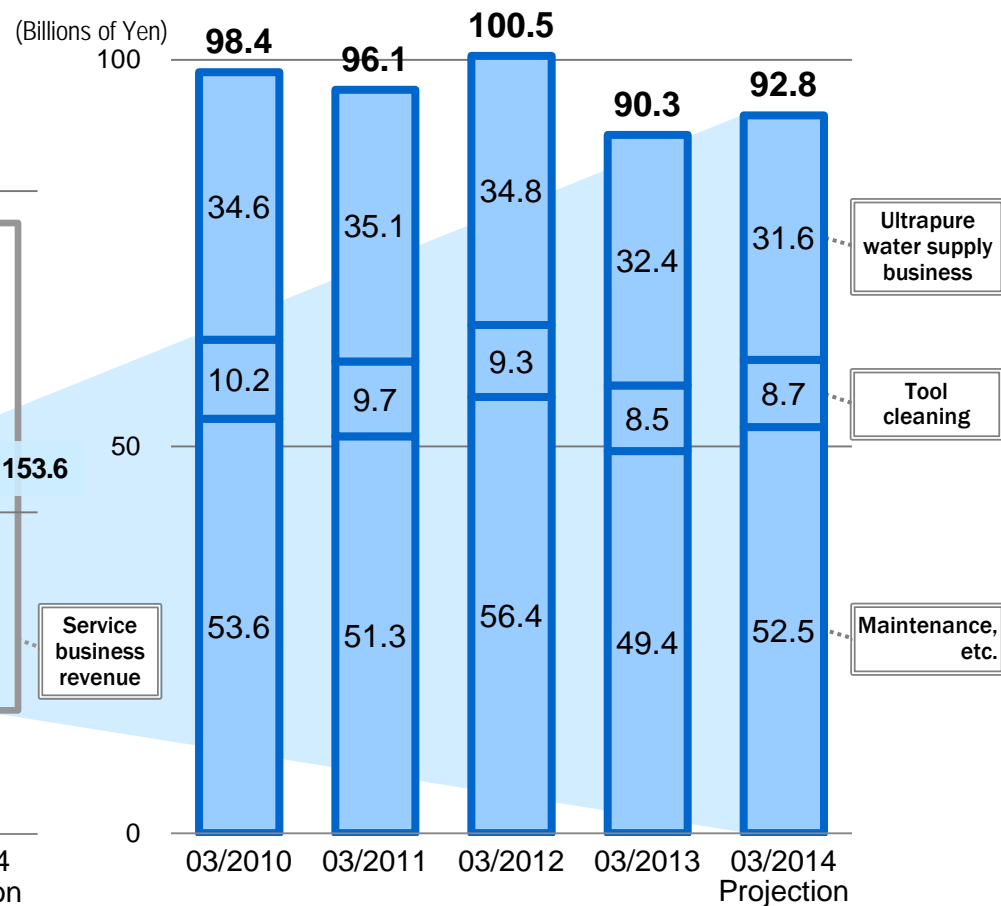


## 7. Service Business Revenue

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

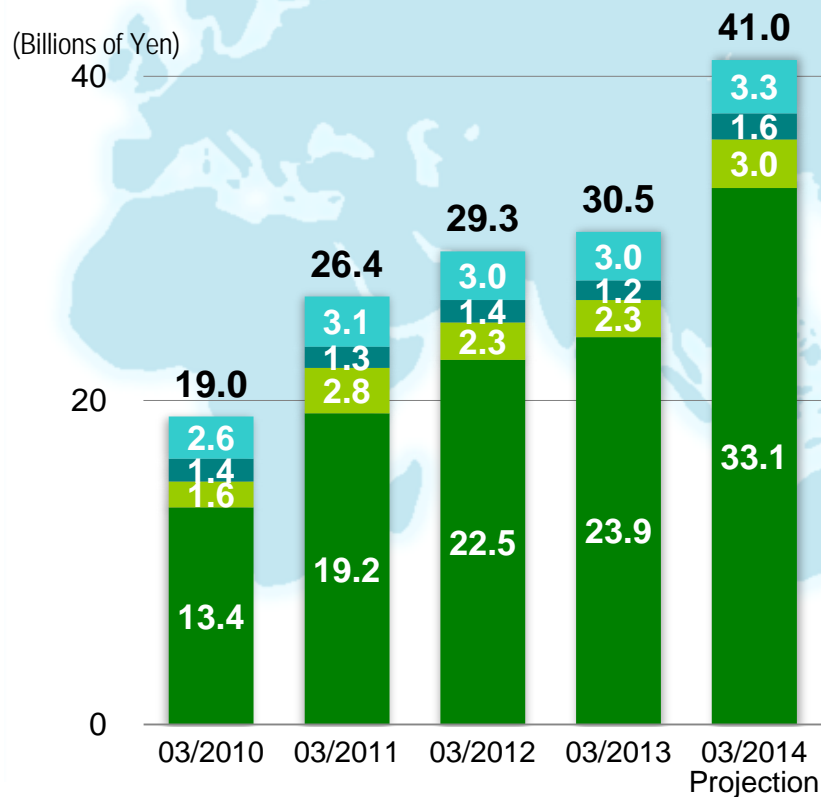


### Service Business Revenue in the Water Treatment Facilities Segment

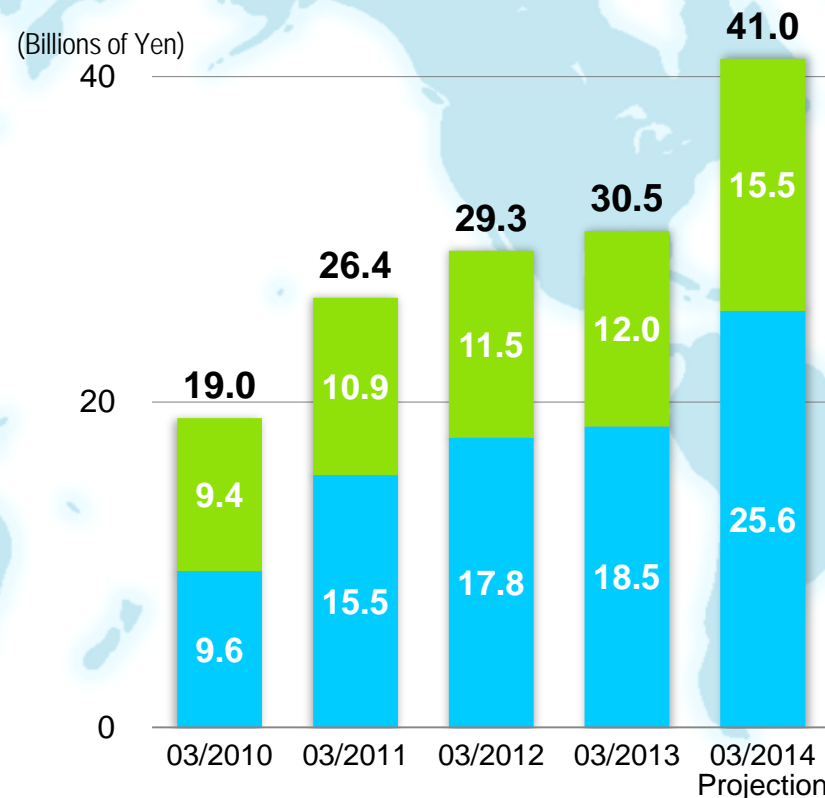
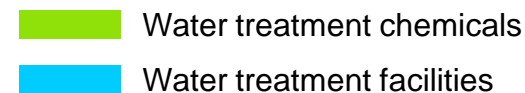


## 8. Overseas Businesses

Sales by Region



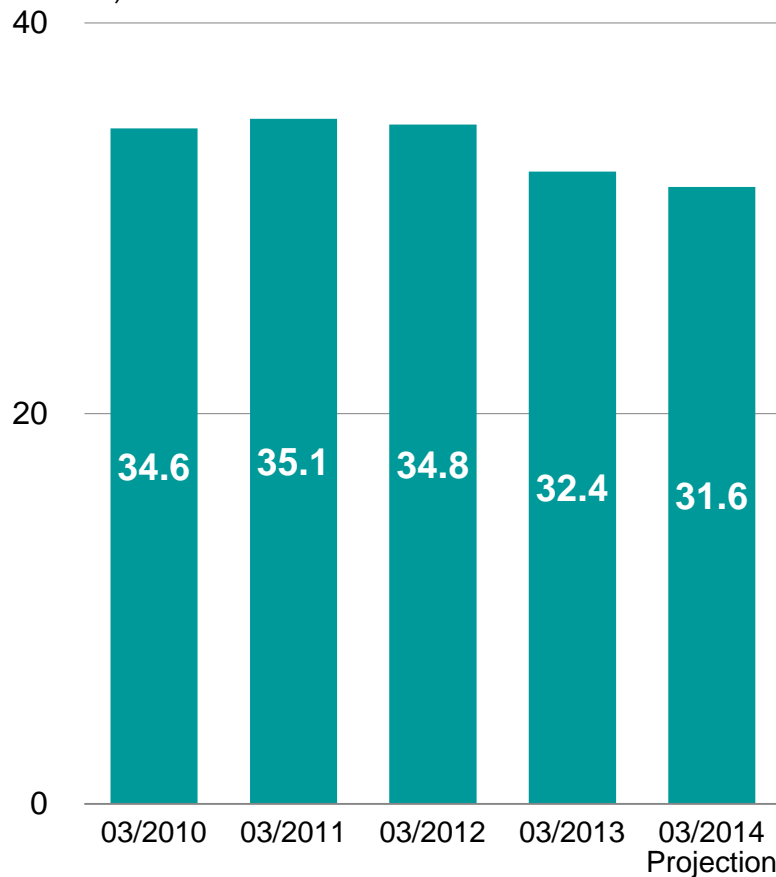
Sales by Overseas Business Segment



## 9. Ultrapure Water Supply Business

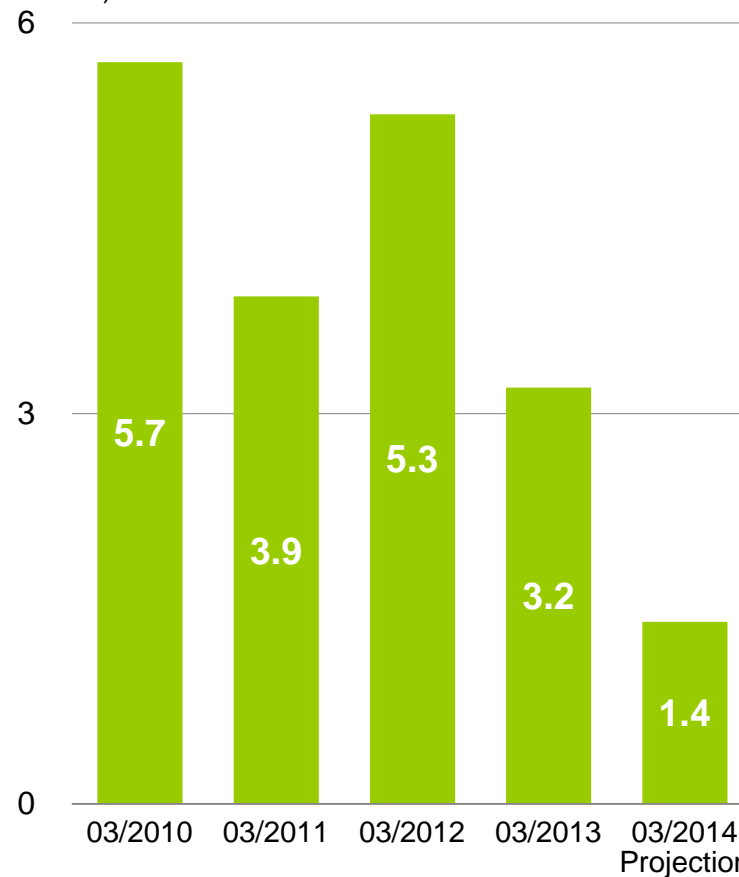
Sales

(Billions of Yen)






Capital Expenditures

(Billions of Yen)

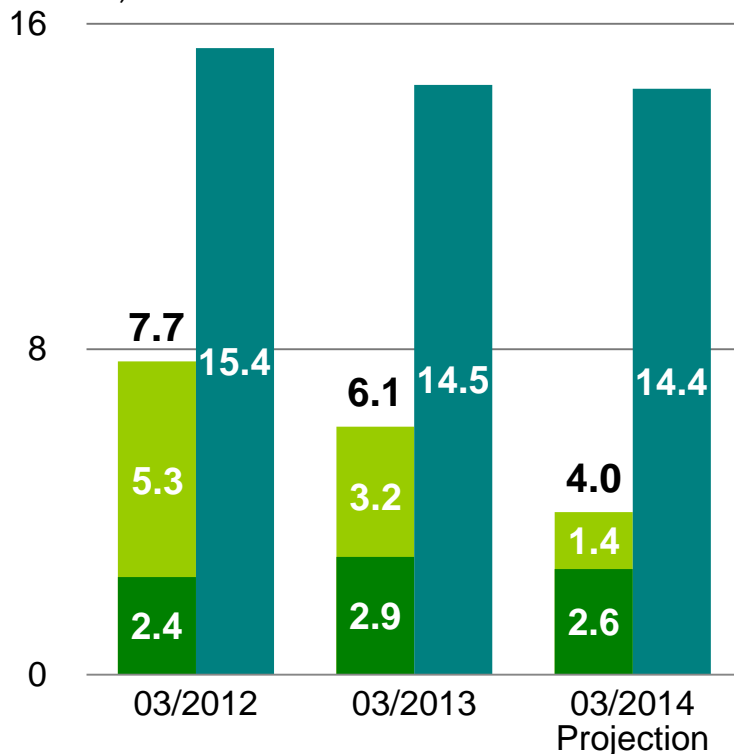


## 10. Capital Expenditures, Depreciation, and R&D Expenses

### Capital Expenditures and Depreciation

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

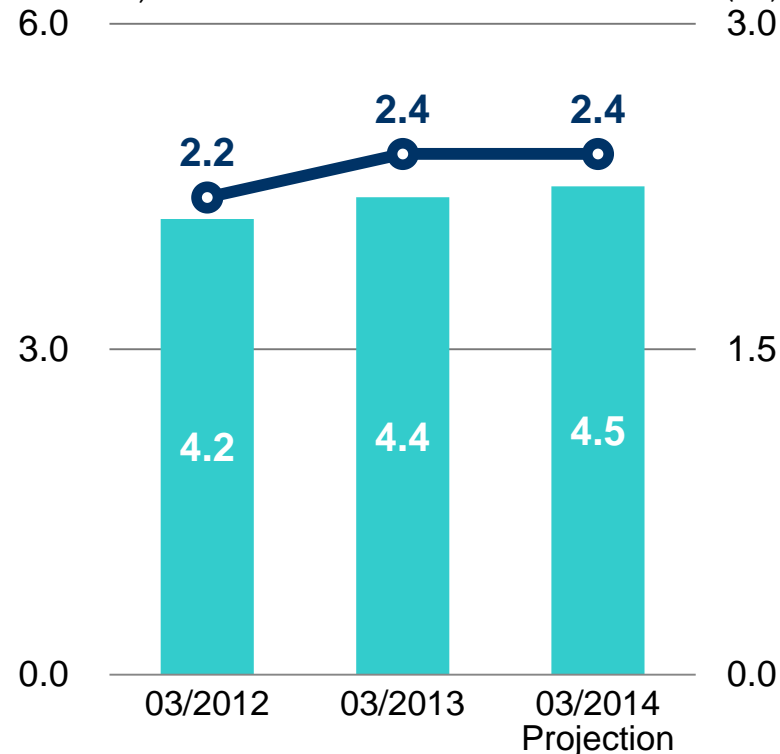
(Billions of Yen)



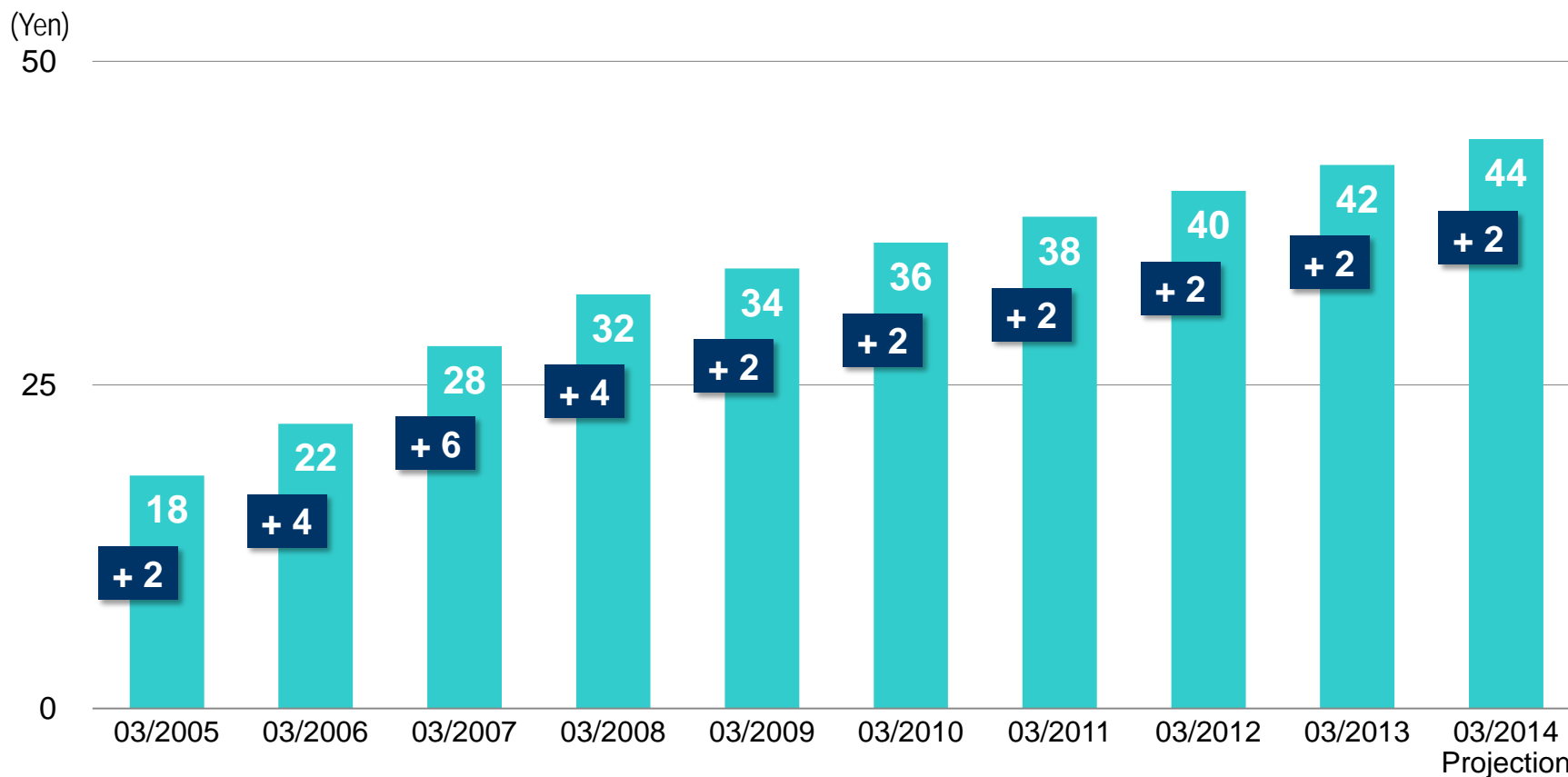
### R&D Expenses

 R&D Expenses  
 Percentage of net sales

(Billions of Yen)



## 11. Dividend Policy



### Basic Dividend Policy

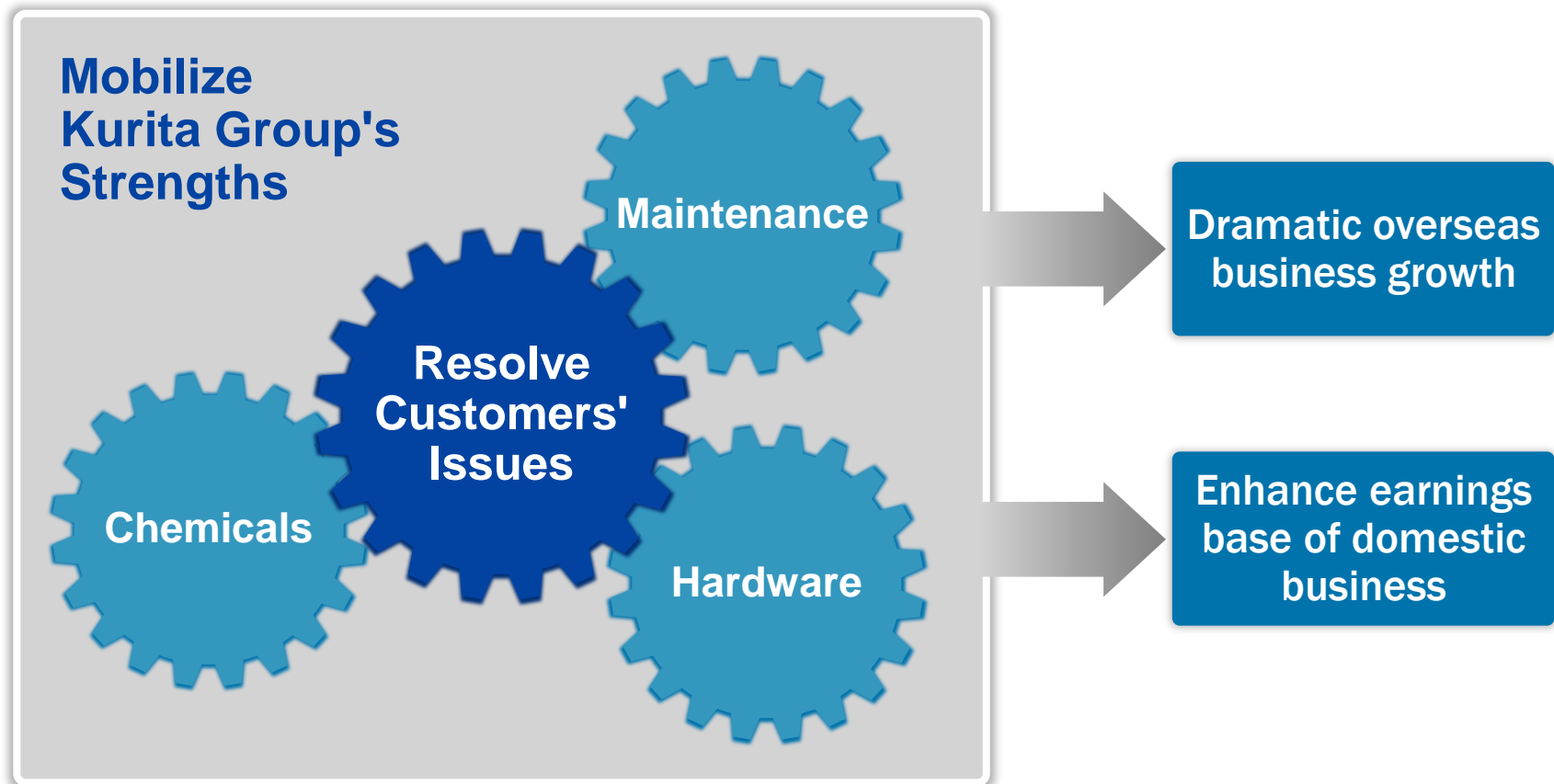
Kurita's basic policy is to maintain stable dividends, and the company will work to increase dividends while giving due consideration to trends in results and investments in its businesses.

## **Initiatives of Medium-term Management Plan —“Take Action 2014 (TA-14)”**

- 1 . Basic Theme and Medium-term Vision**
- 2 . Operating Performance Targets**
- 3 . Segment Projections**
- 4 . Overseas Business Growth [Bolster Foundation]**
- 5 . Unparalleled reliability and Market Share Growth in Domestic Business**
- 6 . Creation of New Products and New Businesses [Key Themes]**
- 7 . Creation of New Products and New Businesses [Strategic Products]**
- 8 . Improve Capital Efficiency**
- 9 . Enhance Corporate Governance**

## 1. Basic Theme and Medium-term Vision

**Basic Theme :  
Execution and Evolution**



## 2. Operating Performance Targets

(Billions of Yen)

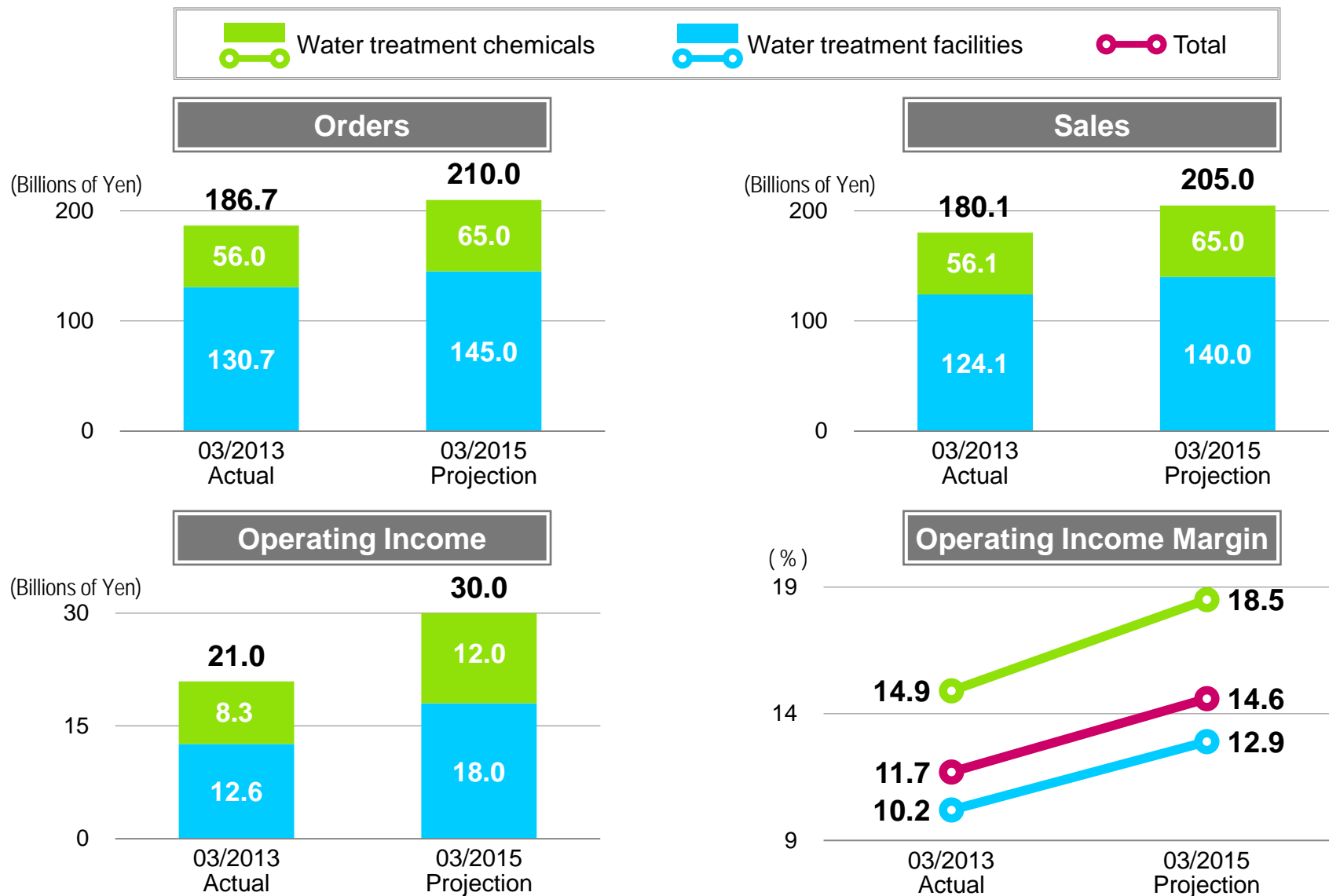
	Fiscal year to March 2013 Actual	Fiscal year to March 2015 Revised Projections	Fiscal year to March 2015 Initial Projections
<b>Orders</b>	<b>186.7</b>	<b>210.0</b>	<b>240.0</b>
<b>Net Sales</b>	<b>180.1</b>	<b>205.0</b>	<b>235.0</b>
<b>Operating Income</b>	<b>21.0</b>	<b>30.0</b>	<b>36.0</b>
<b>Ordinary Income</b>	<b>22.0</b>	<b>30.5</b>	<b>36.5</b>
<b>Net Income</b>	<b>11.5</b>	<b>18.5</b>	<b>22.0</b>
<b>Net Sales (overseas)</b>	<b>30.5</b>	<b>55.0</b>	<b>64.4</b>
<b>Overseas Sales Ratio</b>	<b>16.9%</b>	<b>26.8%</b>	<b>27.4%</b>

■ Recovery of Profitability (Maintain operating income margin around the target of 15%)

■ Maintain Overseas Sales Growth (Keep overseas sales ratio around the target of 27%)



## 3. Segment Projections



## 4. Overseas Business Growth [Bolster Foundation]

### Increase No.'s of Local Employees / Business Bases

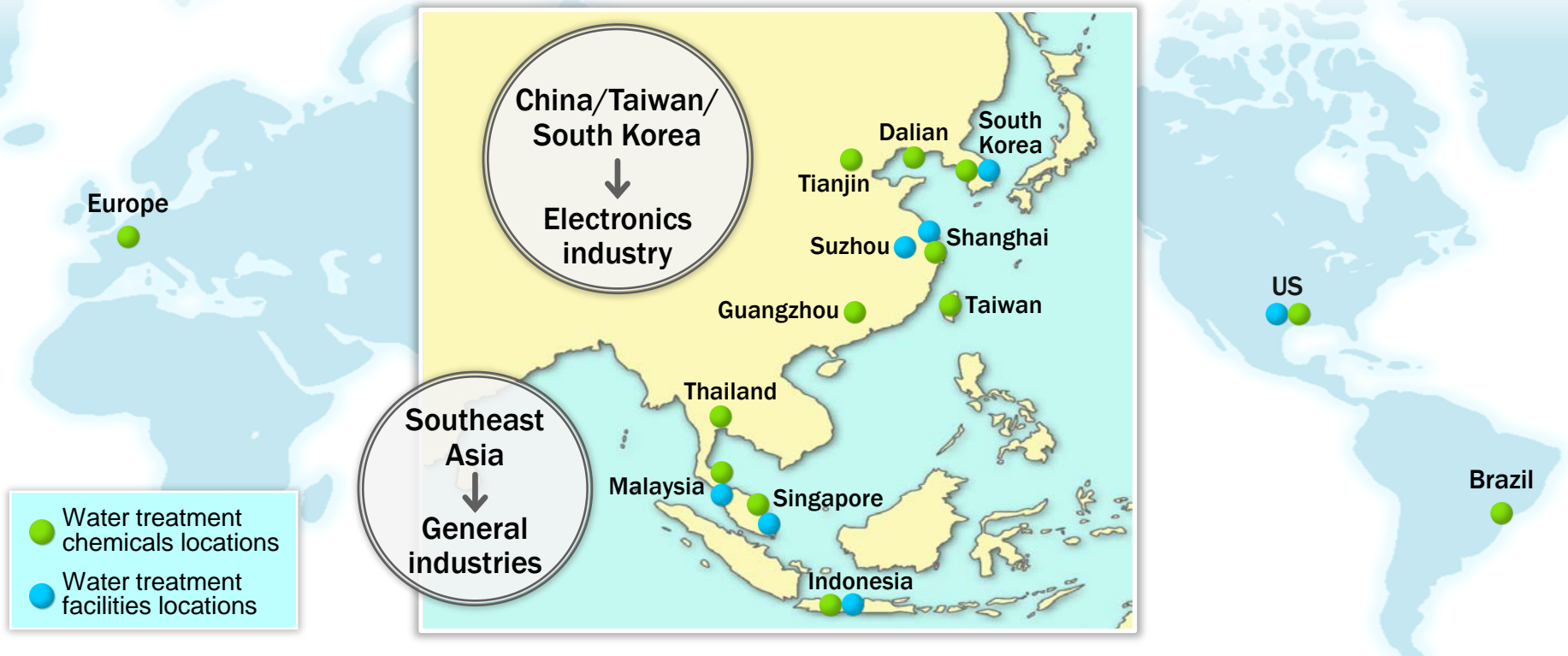
- Overseas staff  
Added approximately 80 staff in the fiscal year ended March 31, 2013
- Opened sales office in Malaysia
- Enhanced business framework in Singapore

### R&D

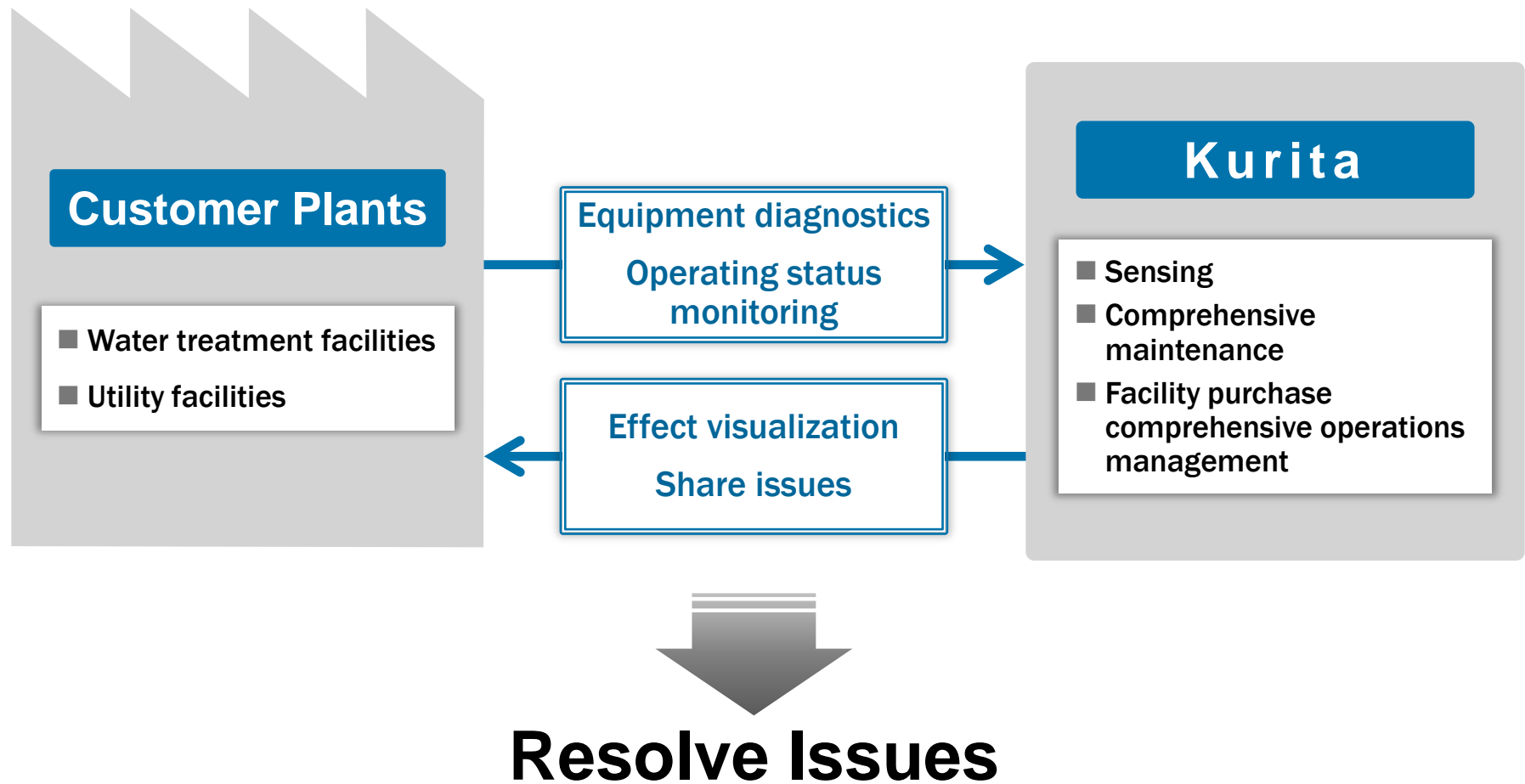
Localize advanced analytics and applications testing

### Alliances / M&As

- Set target for selection of local resin and membrane manufacturers
- Targeted Europe and North America



## 5. Unparalleled reliability and Market Share Growth in Domestic Business



## 6. Creation of New Products and New Businesses [Key Themes]

### Expand Products for Overseas Markets



Match the specific  
needs of overseas  
markets



Quick development of  
new products and new  
technologies

### Cultivate New Markets



Food water

Energy water

Space water

### Bolster Core Technologies

Membranes

Polymers

Ion exchange

Advanced analysis /  
sensing

Slime control

Electronic device cleaning /  
surface treatment

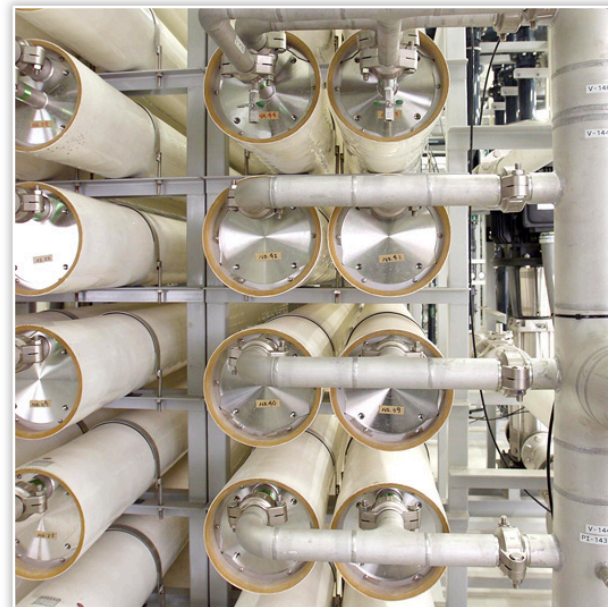
## 7. Creation of New Products and New Businesses [Strategic Products]

**Electrolyzed Sulfuric Acid Generator**



Semiconductor  
manufacturing process

**Reverse Osmosis Membrane  
Treatment Chemicals**



Wastewater reclaim facilities  
Seawater desalination facilities

## 8. Improve Capital Efficiency

### 1. Invest in Growth Fields

- Capital investment in promising fields
- R&D
- Overseas alliances / M&As

(Billions of Yen)

	<b>MP-11</b> April 1, 2009 to March 31, 2012 (accumulated)	<b>TA-14</b> April 1, 2012 to March 31, 2015 (accumulated)
Capital Investment	<b>20.7</b>	<b>15.5 *</b>
Depreciation	<b>45.6</b>	<b>44.9</b>
R&D Expense	<b>12.4</b>	<b>13.6</b>

\* Only includes capital investment which has already been decided as of March 31, 2013.

### 2. Enhance Shareholder Returns

- Strive for continuous dividend increases  
(Plan to increase dividend for the 10th consecutive year in fiscal year ending March 31, 2014)
- Flexible share buybacks  
(Acquired company shares via tender offer)

Share Buybacks in fiscal year ended Mar. 31, 2013	
Acquisition Period	<b>November 1, 2012 to November 29, 2012</b>
Acquisition Price	<b>1,630 yen per share</b>
Number of Shares Acquired	<b>7,493,665 shares (Ratio of total number of shares issued: 5.64%)</b>
Total Acquisition Cost	<b>12,214,673,950 yen</b>

## 9. Enhance Corporate Governance

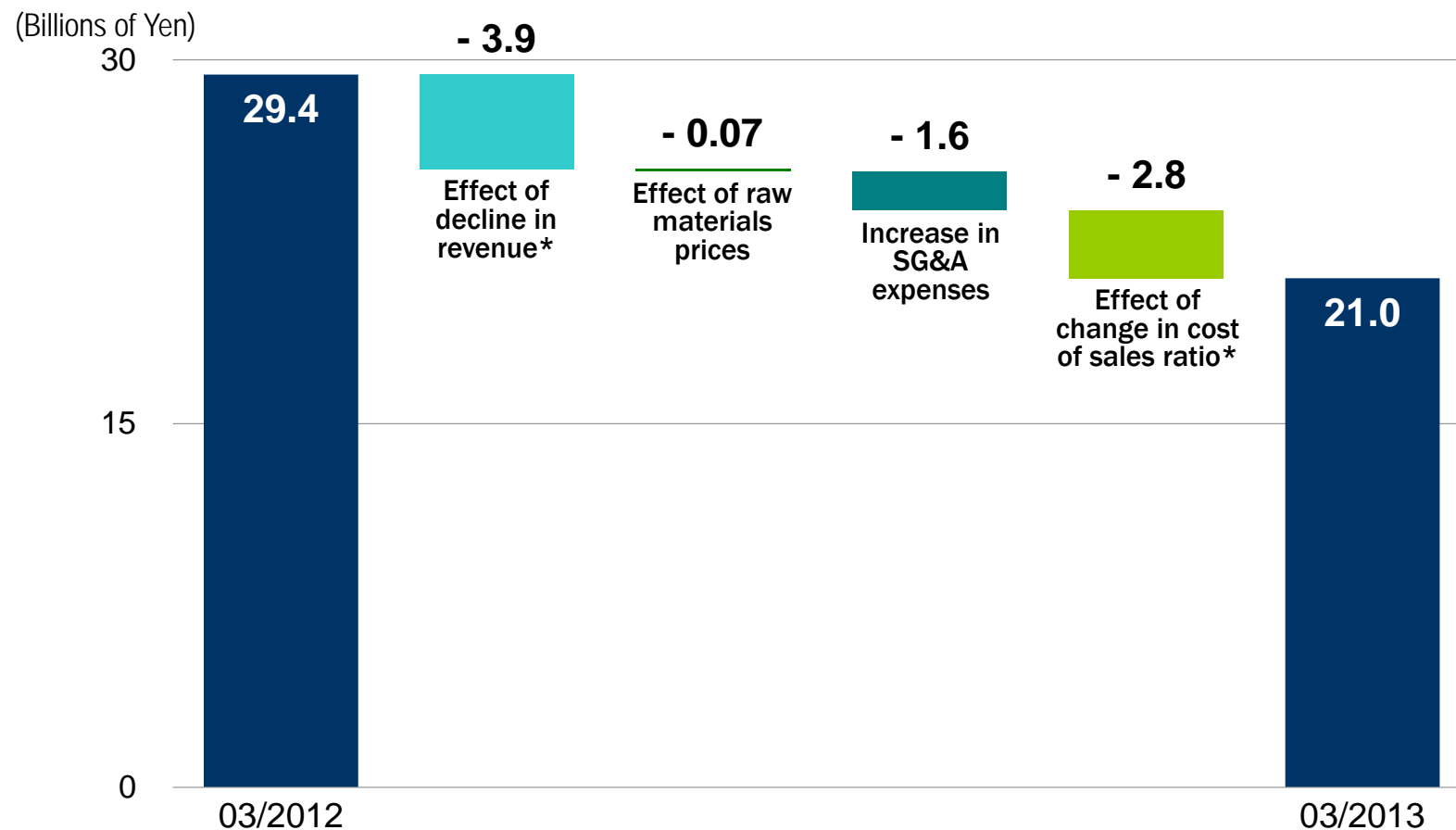
### **Selection of New External Director Candidate**

Aim to appoint an external director with a greater emphasis on independence, with a view to respecting shareholder value and enhancing management transparency

### **Shorten the Term of Office for Directors to 1 Year**

Target an optimal management structure that is reviewed in an agile and flexible manner to respond to significant changes in the market environment.

## Analysis of Changes in Operating Income for the Fiscal Year Ended March 31, 2013



\*The effects of decline in revenue 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.