

Kurita Water Industries Ltd.

**Results Presentation for
the First Half of the Year
Ending March 31, 2015**



(Stock code: 6370)

October 31, 2014

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Ending March 31, 2015
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Consolidated Financial Results for the First Half of the Year Ending March 31, 2015

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- 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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- 6. Service Business Revenue**
- 7. Overseas Businesses (sales by region and business)**
- 8. Capital Expenditures, Depreciation, and R&D Expenses**
- 9. Financial Condition**

1. Financial Highlights

(Billions of Yen)

	Fiscal Year to March 2014 First Half Actual	Fiscal Year to March 2015 First Half Initial Projections	Fiscal Year to March 2015 First Half Actual	Year-on-Year Change
Orders	89.7	92.0	97.0	+ 8.1%
Net Sales	82.8	87.0	89.0	+ 7.5%
Operating Income	6.7	7.9	8.6	+ 28.9%
Ordinary Income	7.2	8.3	9.2	+ 28.4%
Net Income	4.1	5.3	5.9	+ 43.4%

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



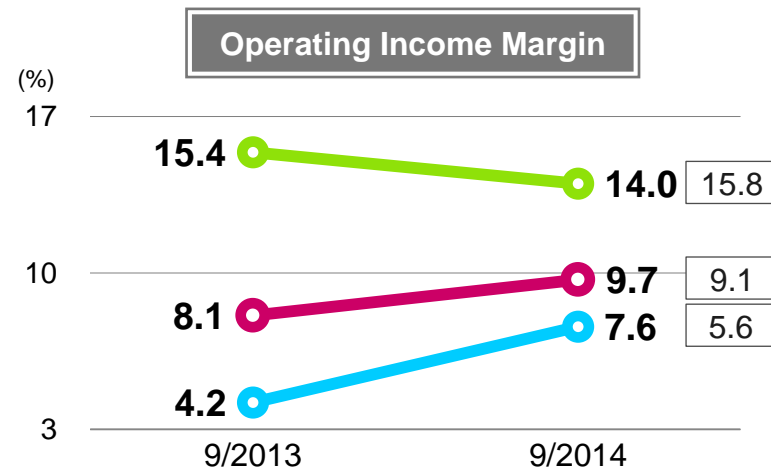
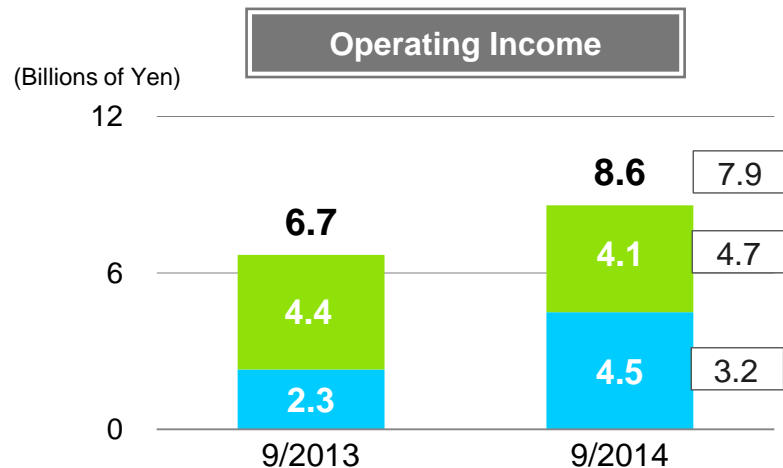
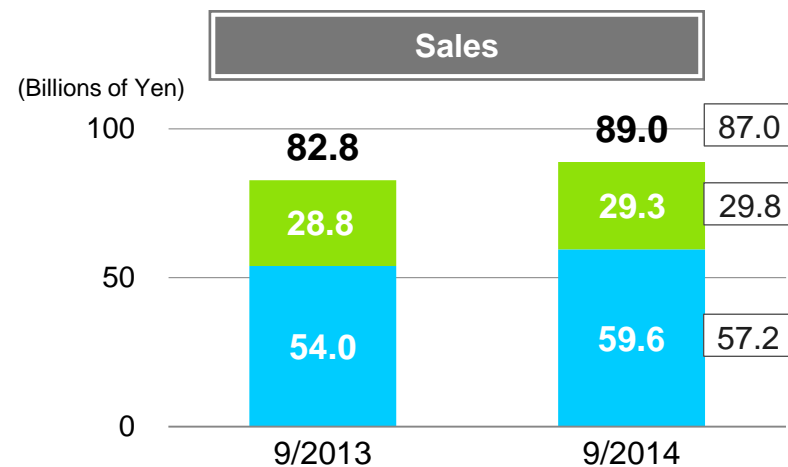
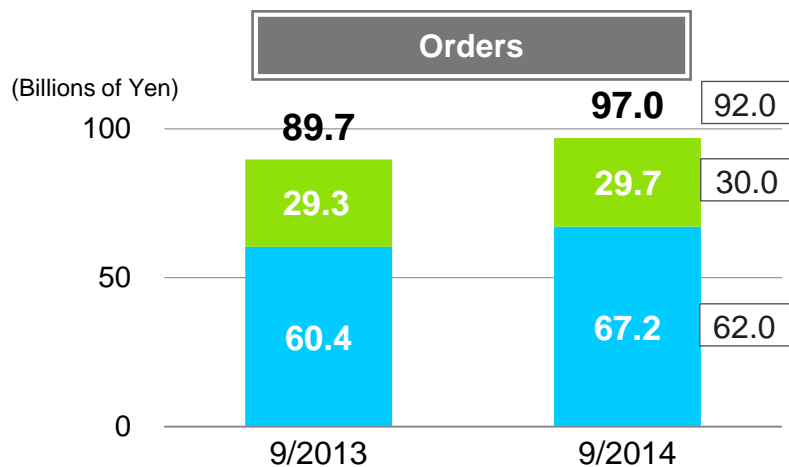
Water treatment chemicals



Water treatment facilities

Total

* denotes initial projections

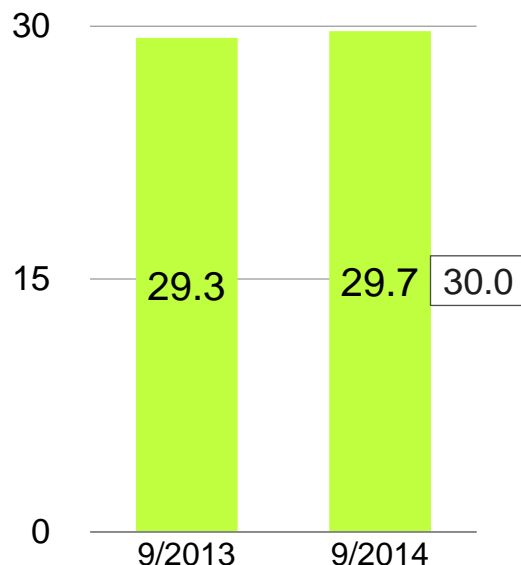


3. Water Treatment Chemicals

Orders

* denotes initial projections

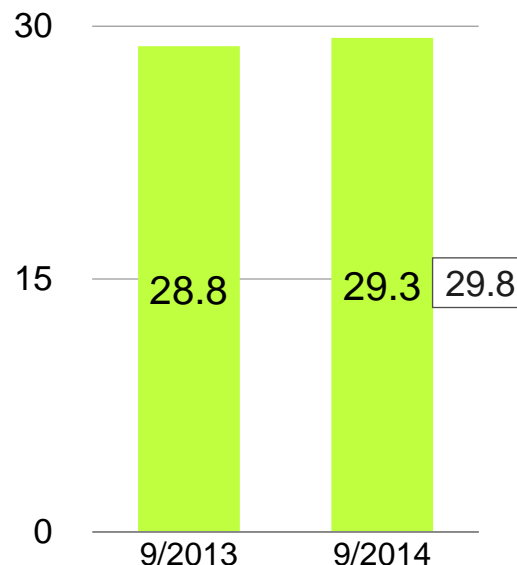
(Billions of Yen)



Sales

* denotes initial projections

(Billions of Yen)



[Major areas of change in Orders / Sales]

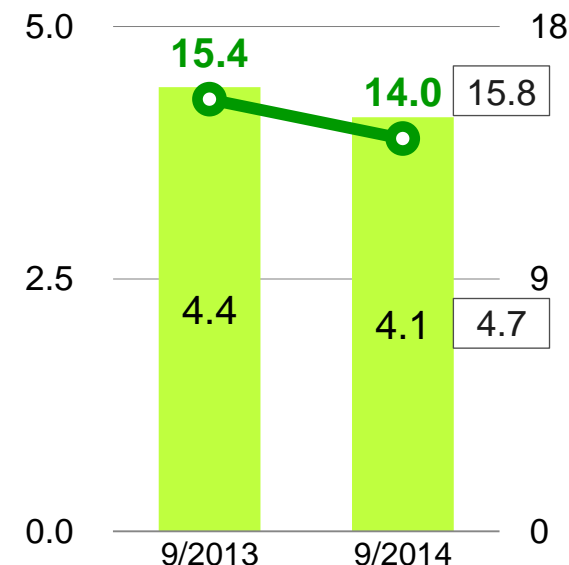
- Japan: Decline in core products (-)
- Overseas: Growth in China and Southeast Asia (+)

Operating Income and Operating Income Margin

Operating income
 Operating income margin
 * denotes initial projections

(Billions of Yen)

(%)



[Major determinants of change]

- Deterioration of cost of sales ratio (-)
- Increase in SG&A expenses (-)

4. Water Treatment Facilities (for the electronics industry)

Orders

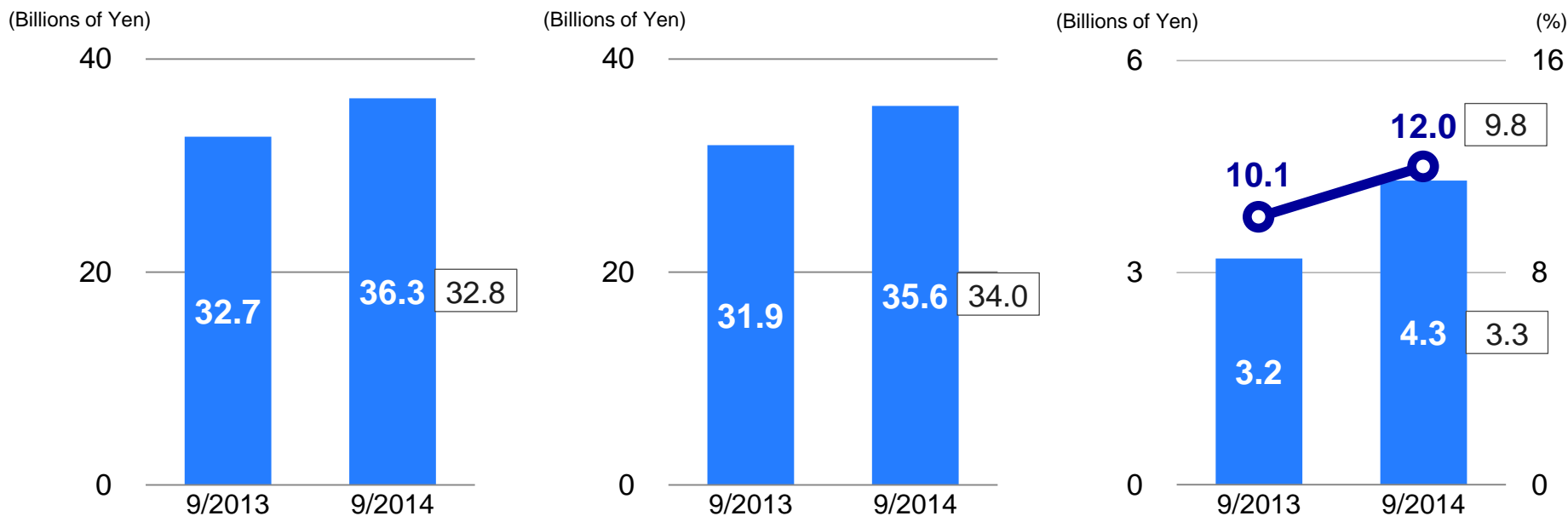
* denotes initial projections

Sales

* denotes initial projections

Operating Income and Operating Income Margin

Operating income
 Operating income margin
 * denotes initial projections



[Major areas of change in Orders / Sales]

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

[Major determinants of change]

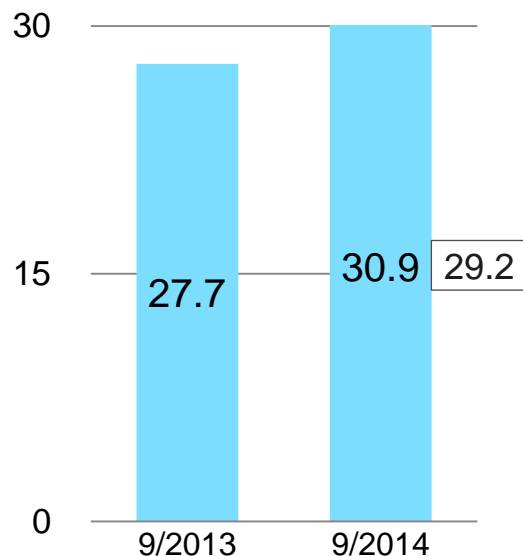
- Impact of increase in revenue (+)
- Decrease in SG&A expenses (+)

5. Water Treatment Facilities (for general industries)

Orders

* denotes initial projections

(Billions of Yen)



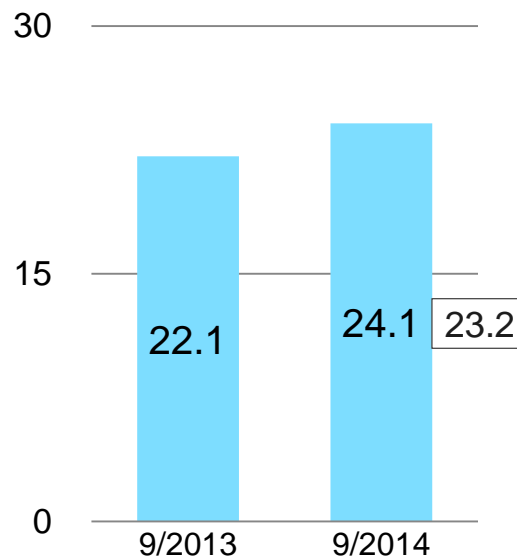
[Major areas of change]

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

Sales

* denotes initial projections

(Billions of Yen)



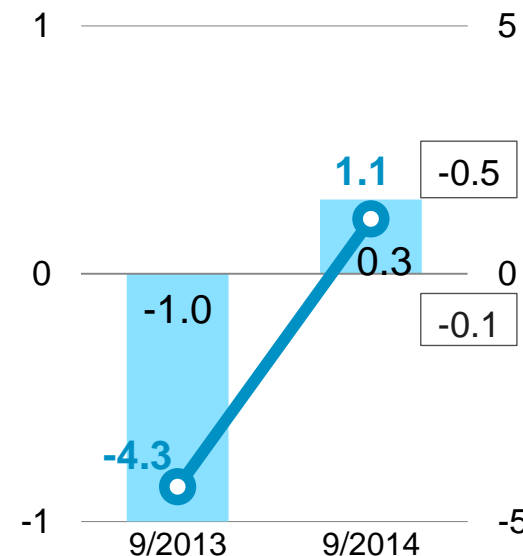
[Major areas of change]

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

Operating Income and Operating Income Margin

Operating income
 Operating income margin
 * denotes initial projections

(Billions of Yen)



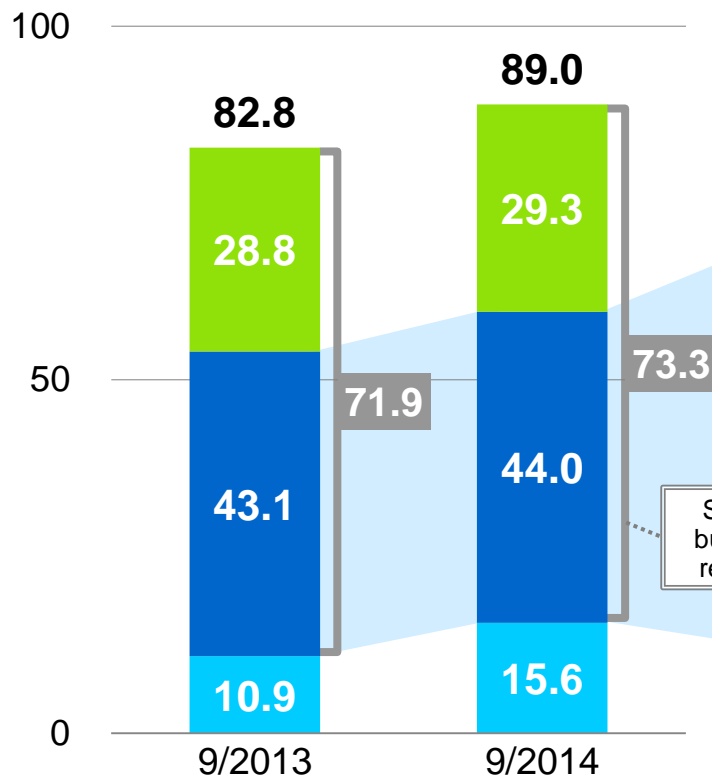
[Major determinants of change]

- Improvement in cost of sales ratio (+)
- Impact of increase in revenue (+)

6. Service Business Revenue

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

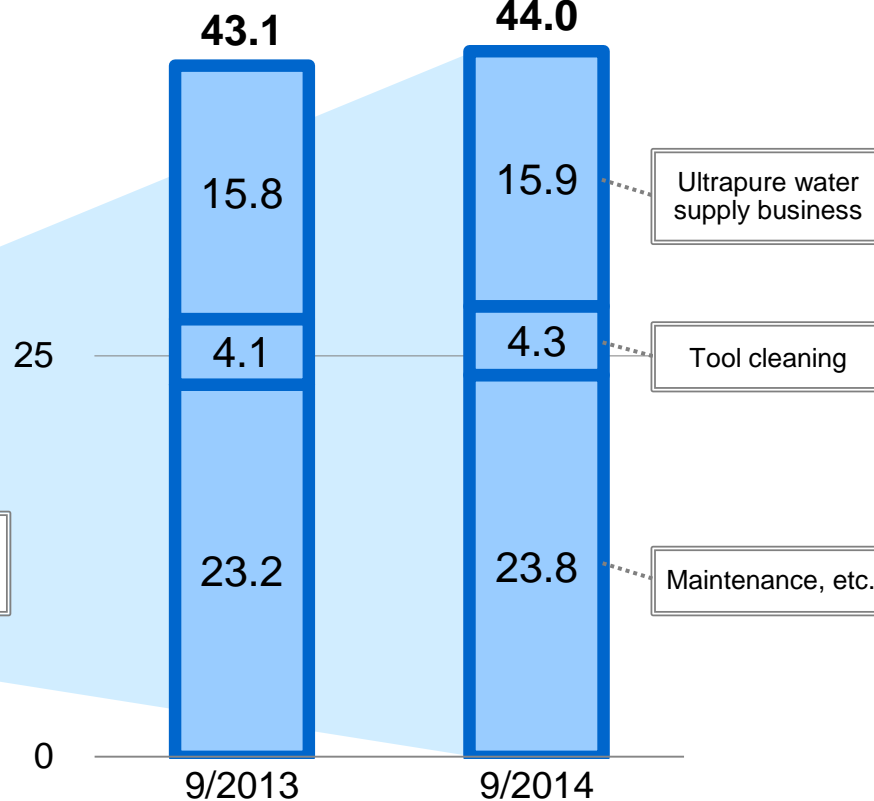
(Billions of Yen)



Service Business Revenue in the Water Treatment Facilities Segment

(Billions of Yen)

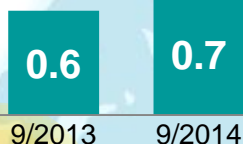
50



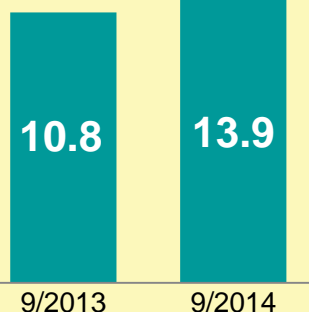
7. Overseas Businesses (sales by region and business)

(Unit: billions of yen)

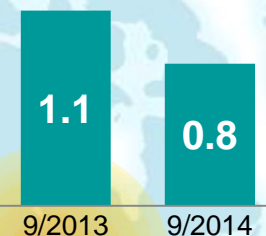
Europe



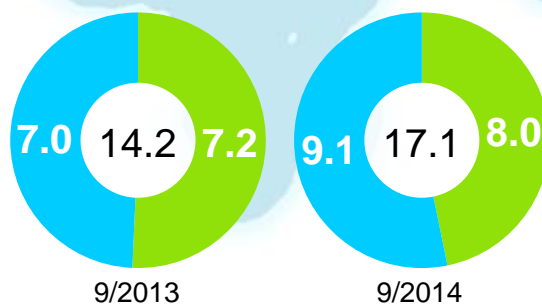
Asia



North America



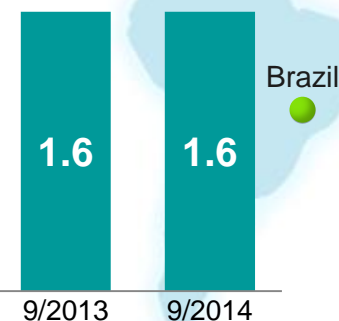
Sales by Business Segment



Water treatment chemicals
 Water treatment facilities

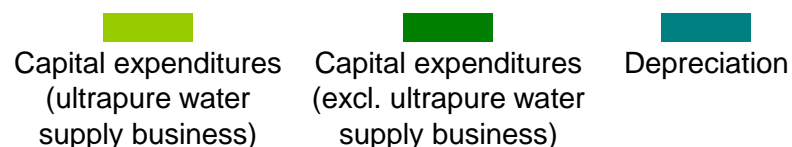


Other

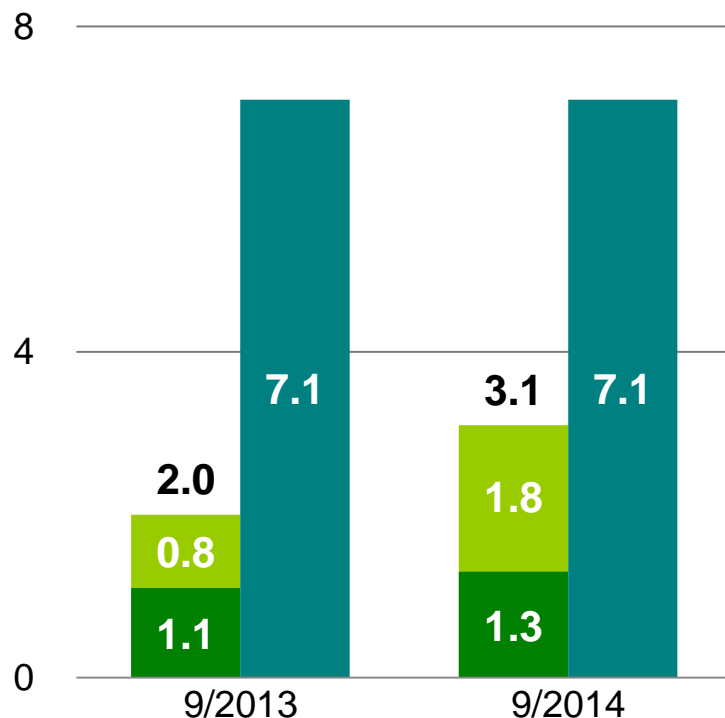


8. Capital Expenditures, Depreciation, and R&D Expenses

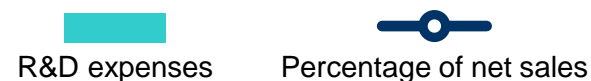
Capital Expenditures and Depreciation



(Billions of Yen)

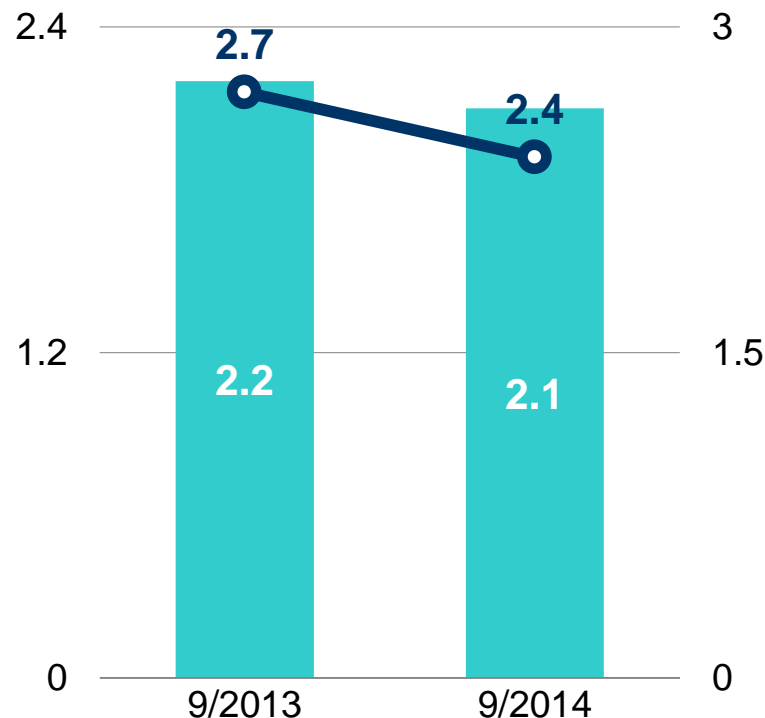


R&D Expenses

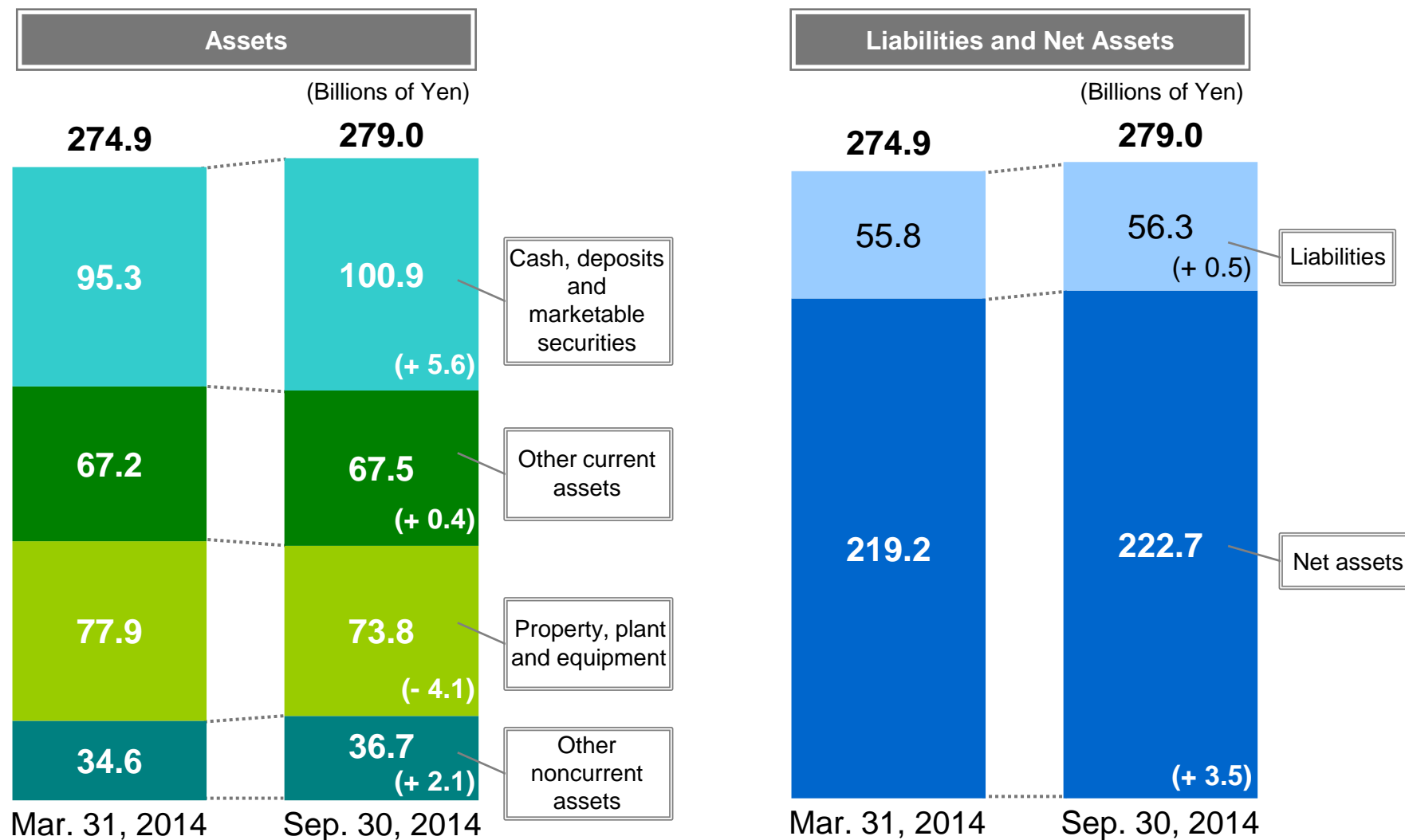


(Billions of Yen)

(%)



9. Financial Condition



Consolidated Business Plan for the Fiscal Year Ending March 31, 2015

- 1. Overview**
- 2. Key Assumptions**
- 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 (sales by region and business)**
- 9. Ultrapure Water Supply Business**
- 10. Capital Expenditures, Depreciation, and R&D Expenses**
- 11. Shareholder Return**

1. Overview

(Billions of Yen)

	Fiscal Year to March 2014 Actual	Fiscal Year to March 2015 Projection	Year-on-Year Change
Orders	173.5	189.0	+ 9.0%
Net Sales	178.1	185.0	+ 3.9%
Operating Income	14.9	17.0	+ 14.2%
Ordinary Income	16.1	17.8	+ 10.8%
Net Income	9.4	11.0	+ 17.6%

2. Key Assumptions



Water treatment chemicals





- Domestic customers' capacity utilization will not likely recover sharply.
- In emerging countries, given economic growth and rising populations, plant construction and Japanese companies' expansion of overseas production will continue to increase.

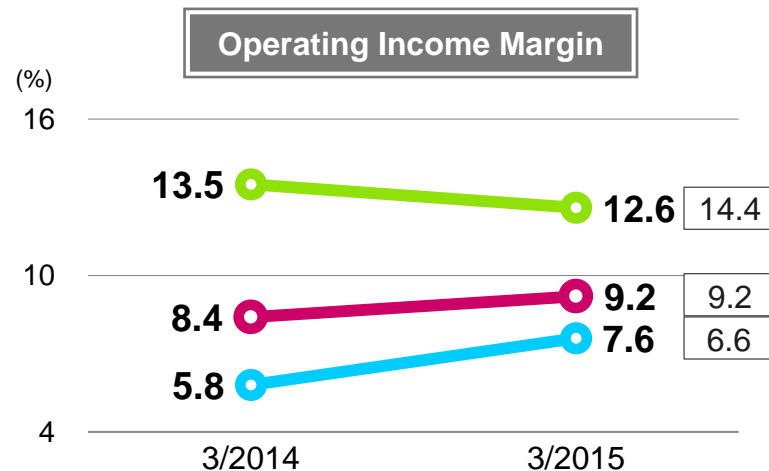
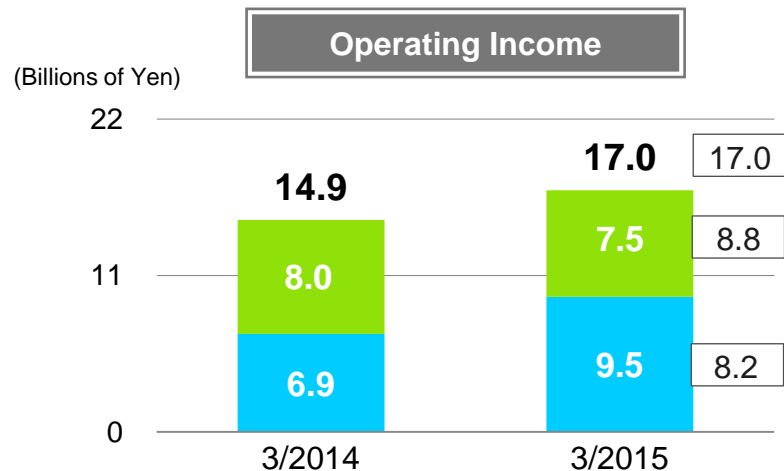
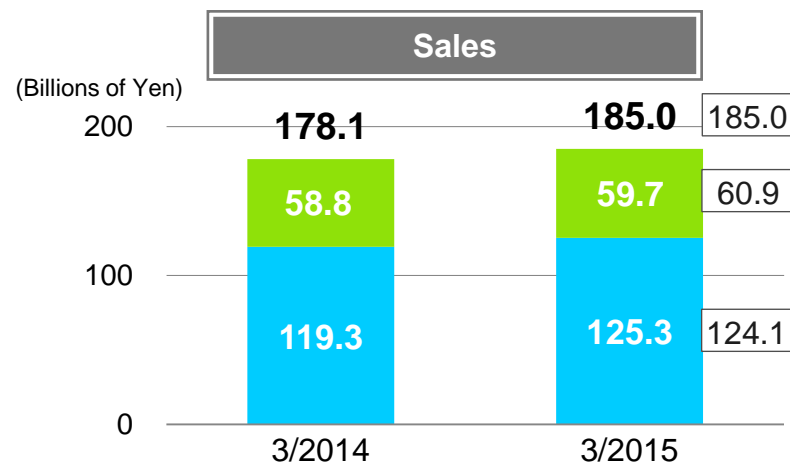
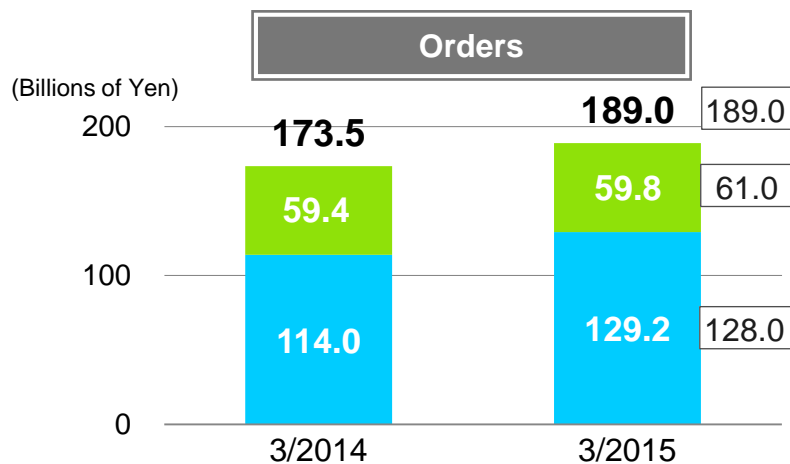


Water treatment facilities

- In Japan, although demand for capital investment in plant construction and expansion will likely be weak, demand for the replacement of old equipment is expected.
- In East Asia, capital investment in the semiconductor/LCD industries vary from product to product and from customer to customer.

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

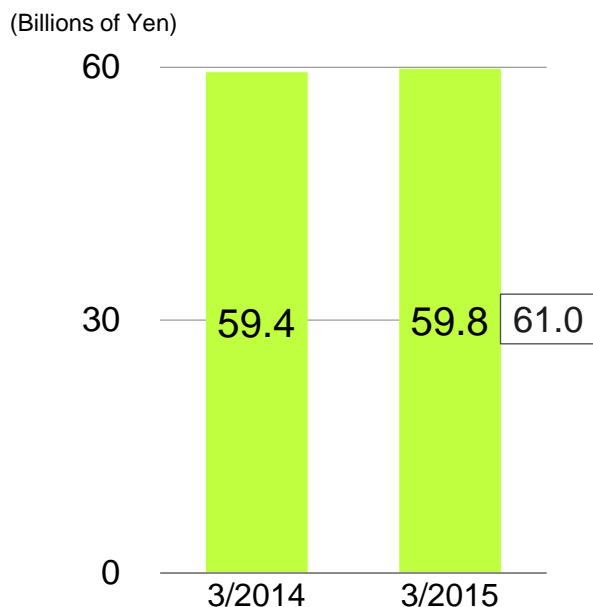
 Water treatment chemicals
  Water treatment facilities
  Total
 *  denotes initial projections



4. Water Treatment Chemicals

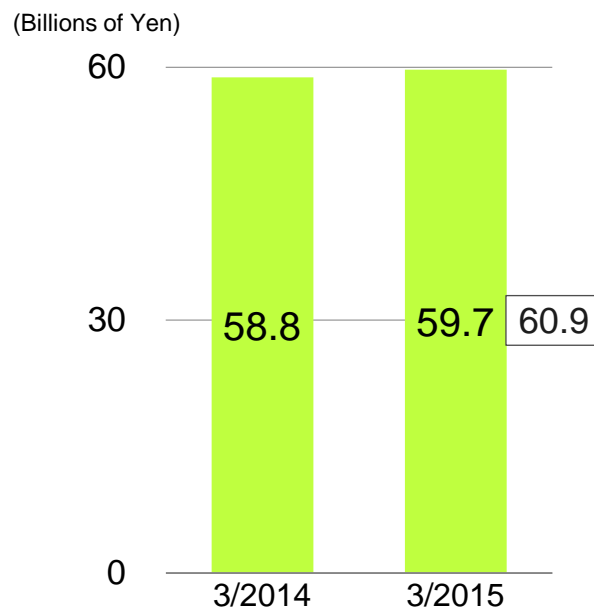
Orders

* denotes initial projections



Sales

* denotes initial projections

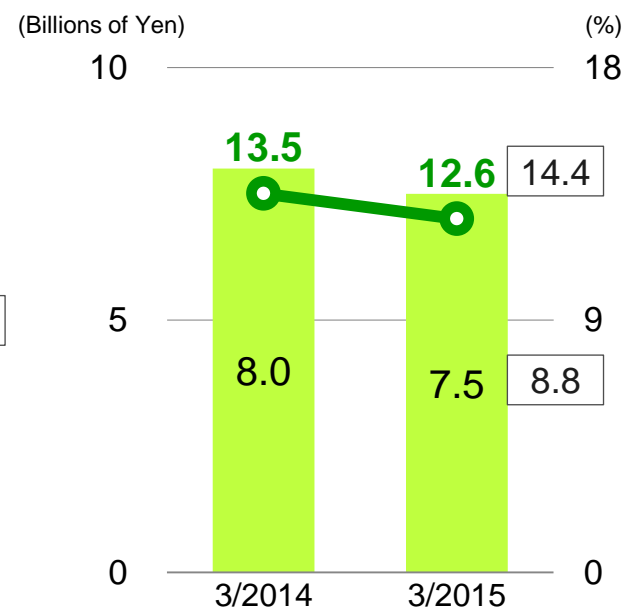


[Major areas of change in Orders / Sales]

- Japan: Delay in recovery in customers' capacity utilization (-)
- Overseas: Continued growth particularly in Asia (+)

Operating Income and Operating Income Margin

Operating income
 Operating income margin
 * denotes initial projections



[Major determinants of change]

- Deterioration of cost of sales ratio (-)
- Increase in SG&A expenses (-)
- Impact of increase in revenue (+)

5. Water Treatment Facilities (for the electronics industry)

Orders

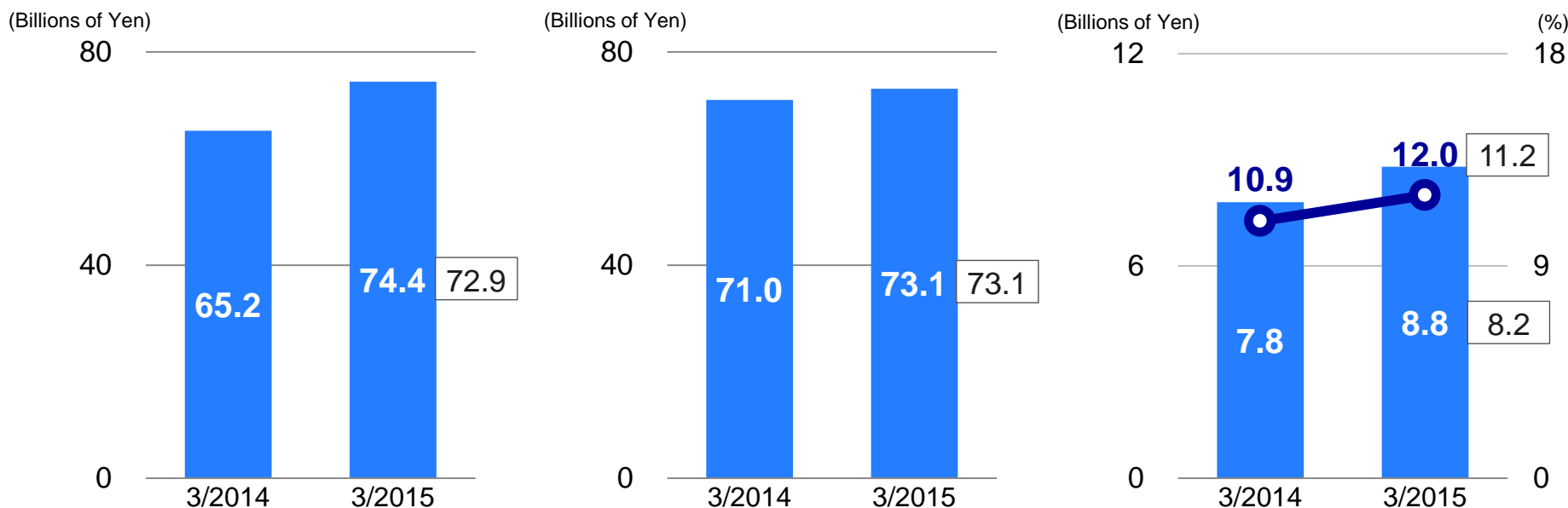
* ☐ denotes initial projections

Sales

* ☐ denotes initial projections

Operating Income and Operating Income Margin

Operating income
Operating income margin
* ☐ denotes initial projections



[Major areas of change in Orders / Sales]

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

[Major determinants of change]

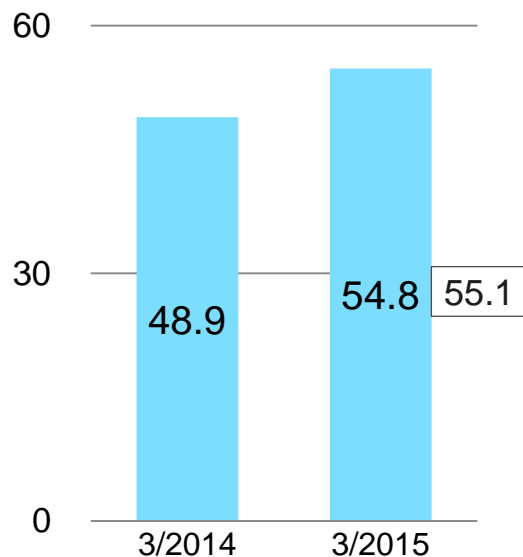
- Impact of increase in revenue (+)
- Improvement in cost of sales ratio (+)
- Decrease in SG&A expenses (+)

6. Water Treatment Facilities (for general industries)

Orders

* denotes initial projections

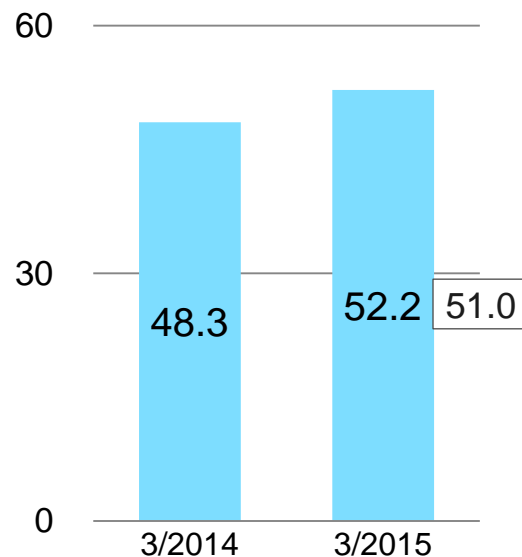
(Billions of Yen)



Sales

* denotes initial projections

(Billions of Yen)

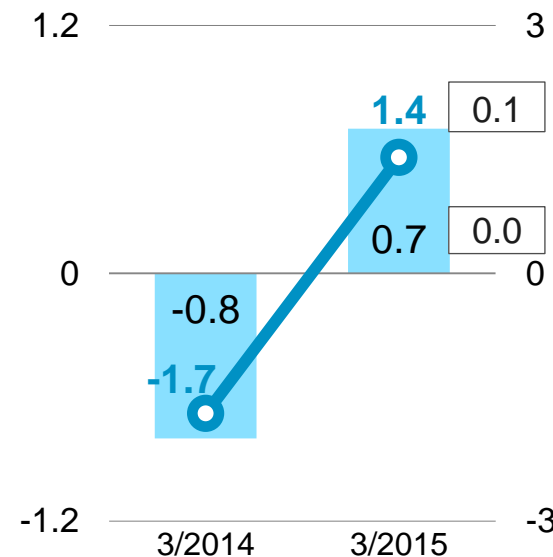


Operating Income and Operating Income Margin

Operating income
 Operating income margin
 * denotes initial projections

(Billions of Yen)

(%)



[Major areas of change]

- Increase in electric power industries hardware (+)
- Increase in general industries hardware (+)

[Major determinants of change]

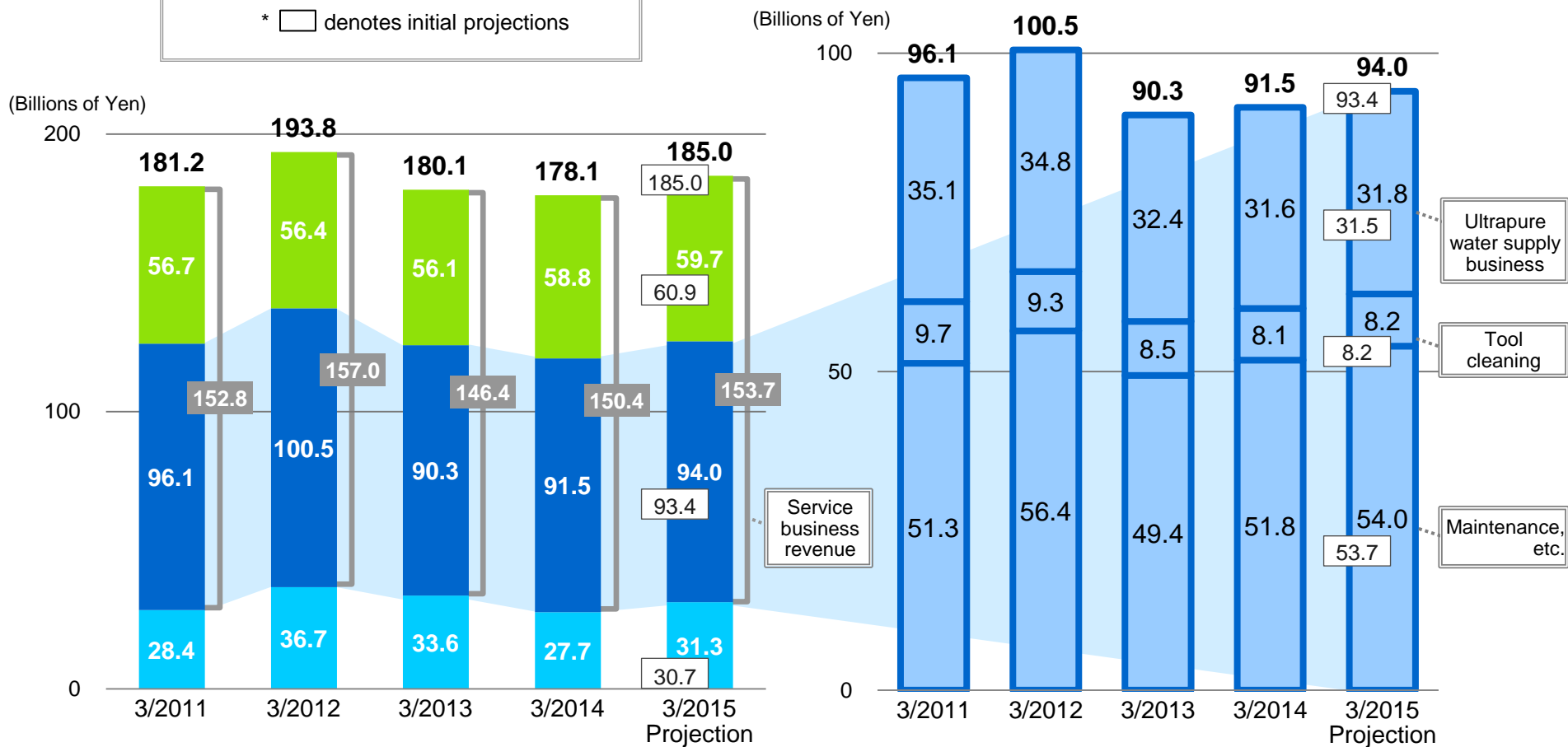
- Impact of increase in revenue (+)
- Improvement in cost of sales ratio (+)

7. Service Business Revenue

- Water treatment chemicals
- Water treatment facilities (services)
- Water treatment facilities (hardware)
- * denotes initial projections

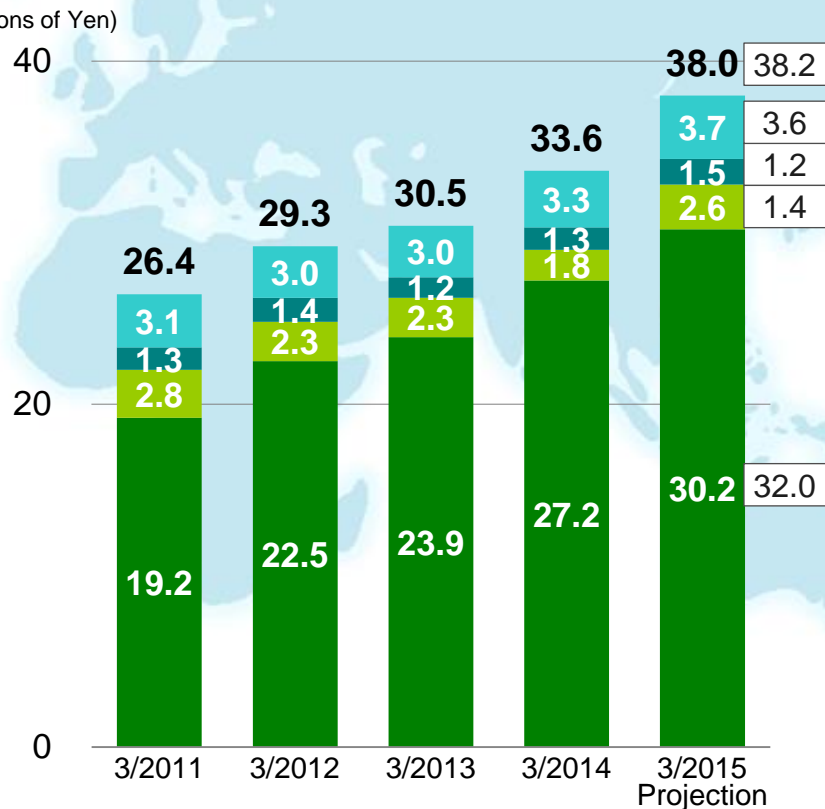
Service Business Revenue in the Water Treatment Facilities Segment

* denotes initial projections

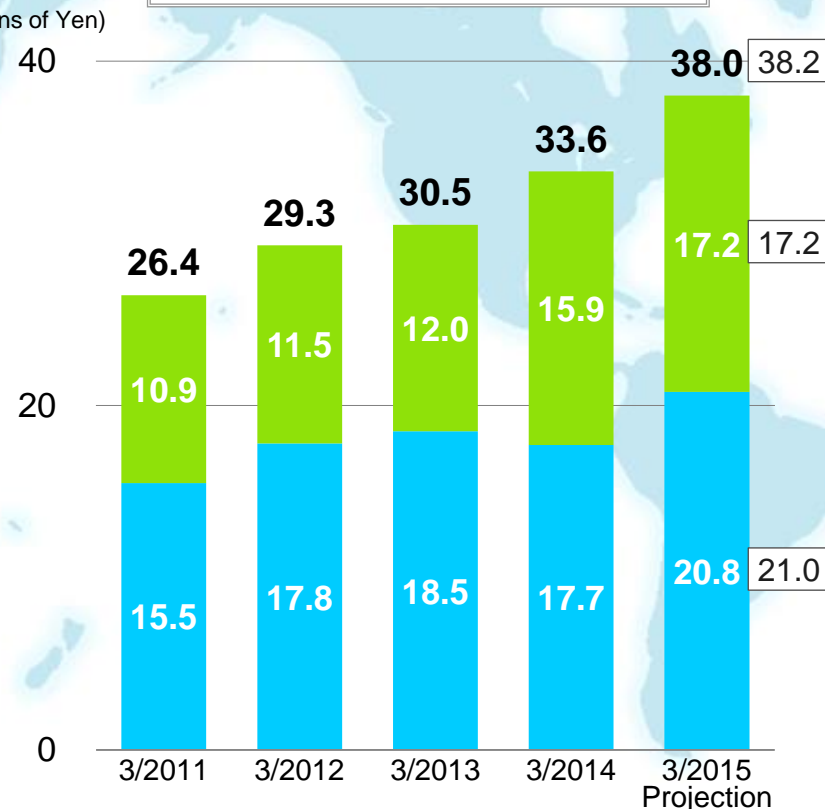
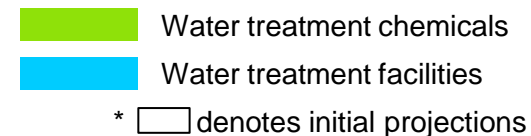


8. Overseas Businesses (sales by region and business)

Sales by Region




Sales by Overseas Business Segment



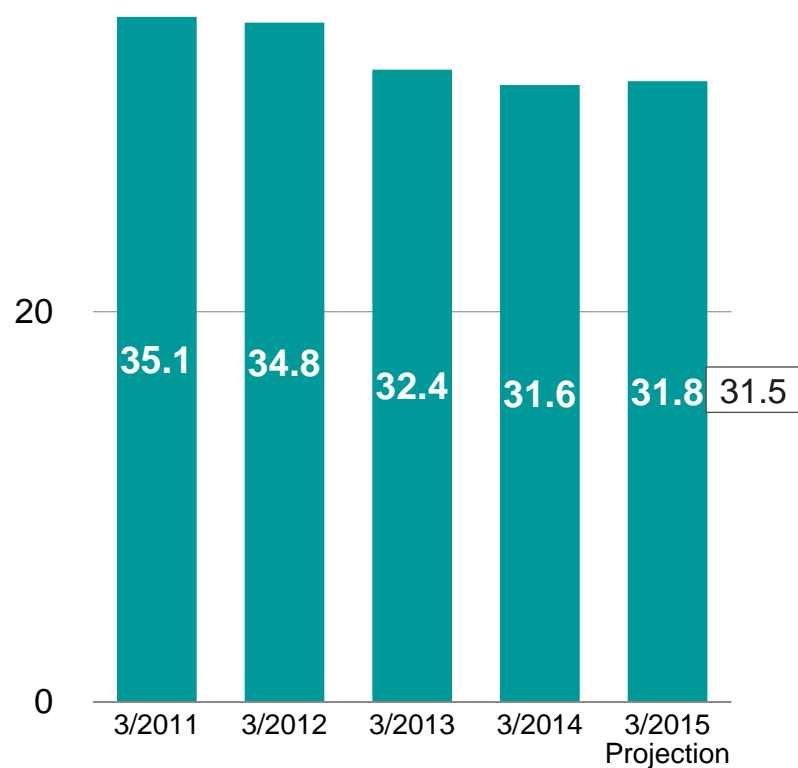
9. Ultrapure Water Supply Business

Sales


*  denotes initial projections

(Billions of Yen)

40

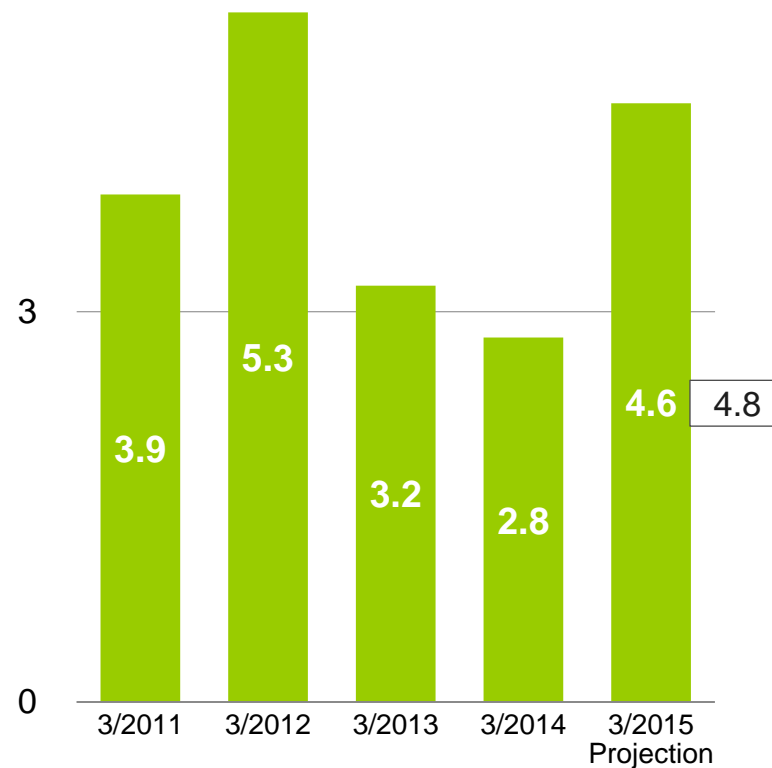


Capital Expenditures

*  denotes initial projections

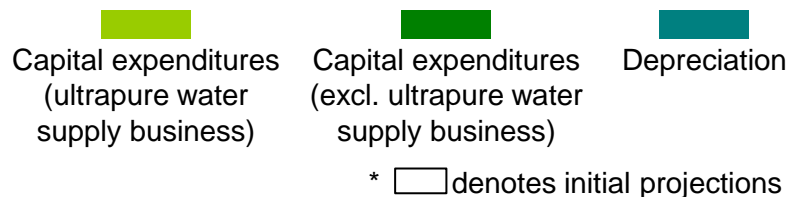
(Billions of Yen)

6

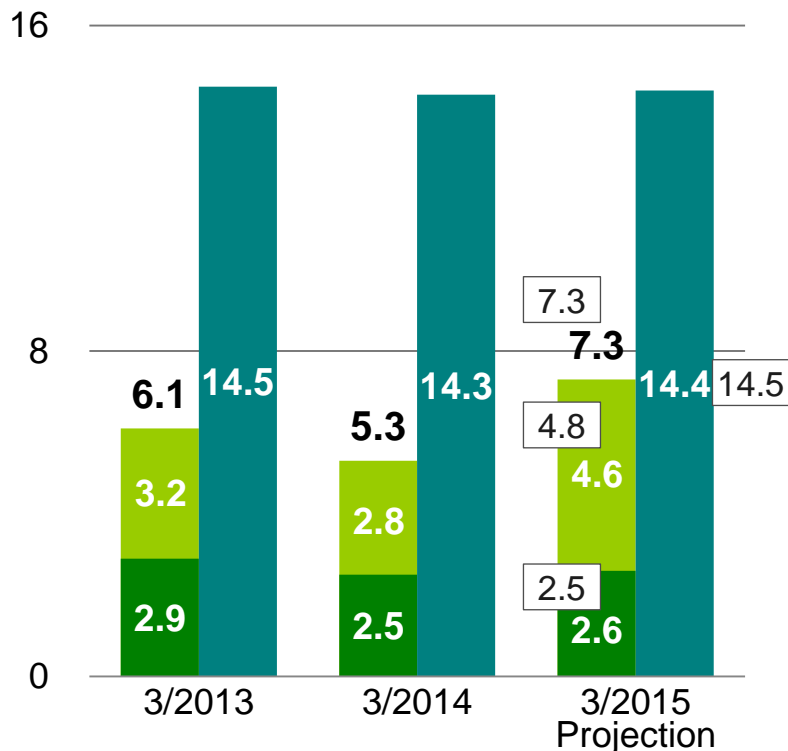


10. Capital Expenditures, Depreciation, and R&D Expenses

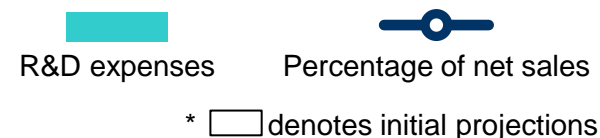
Capital Expenditures and Depreciation



(Billions of Yen)

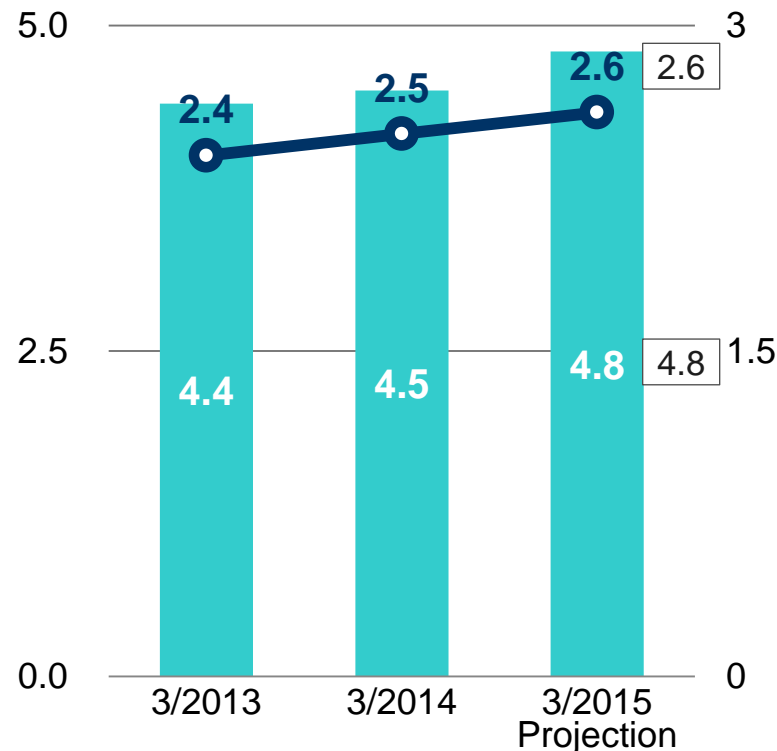


R&D Expenses

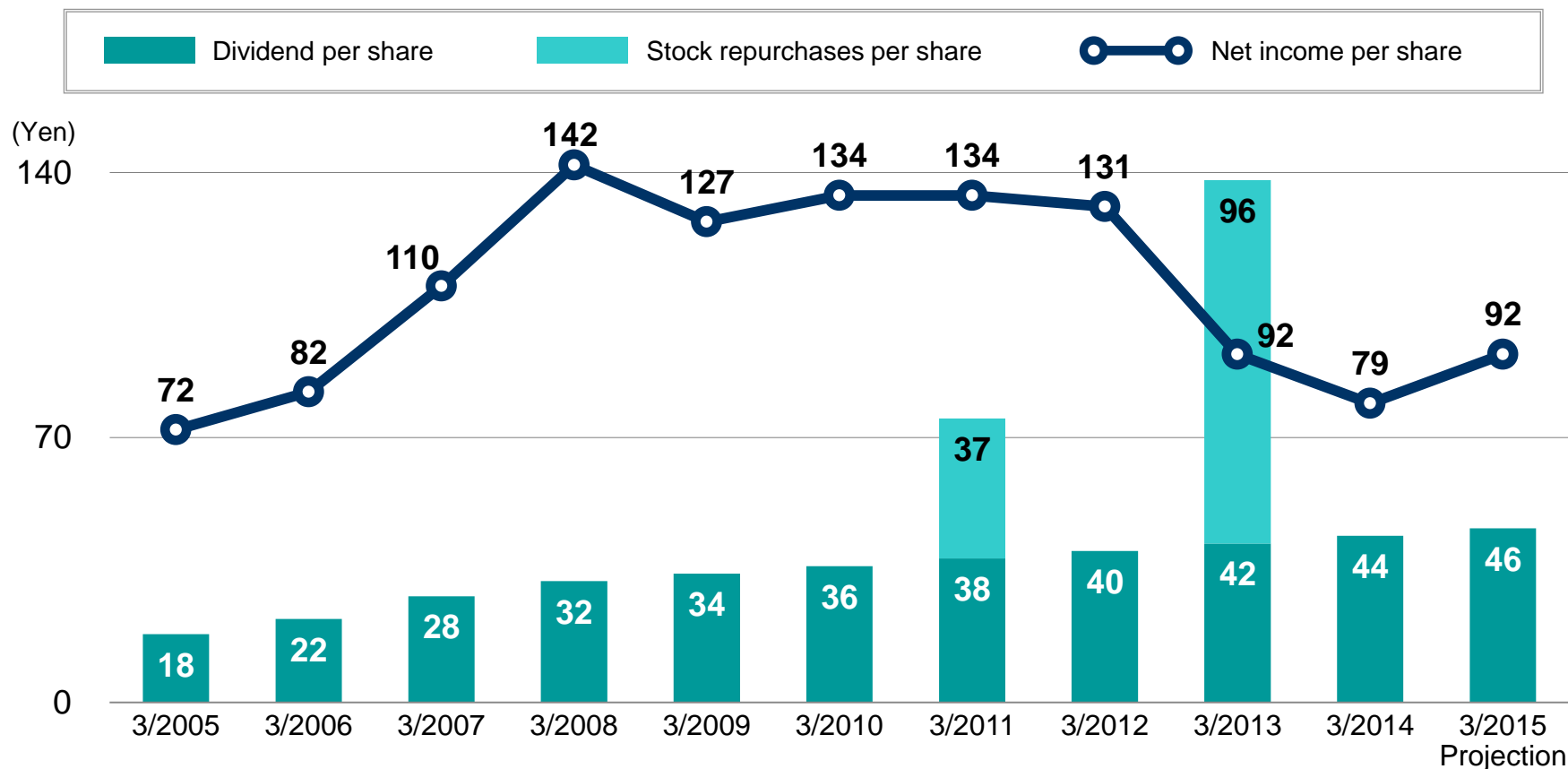


(Billions of Yen)

(%)



11. Shareholder Return



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.

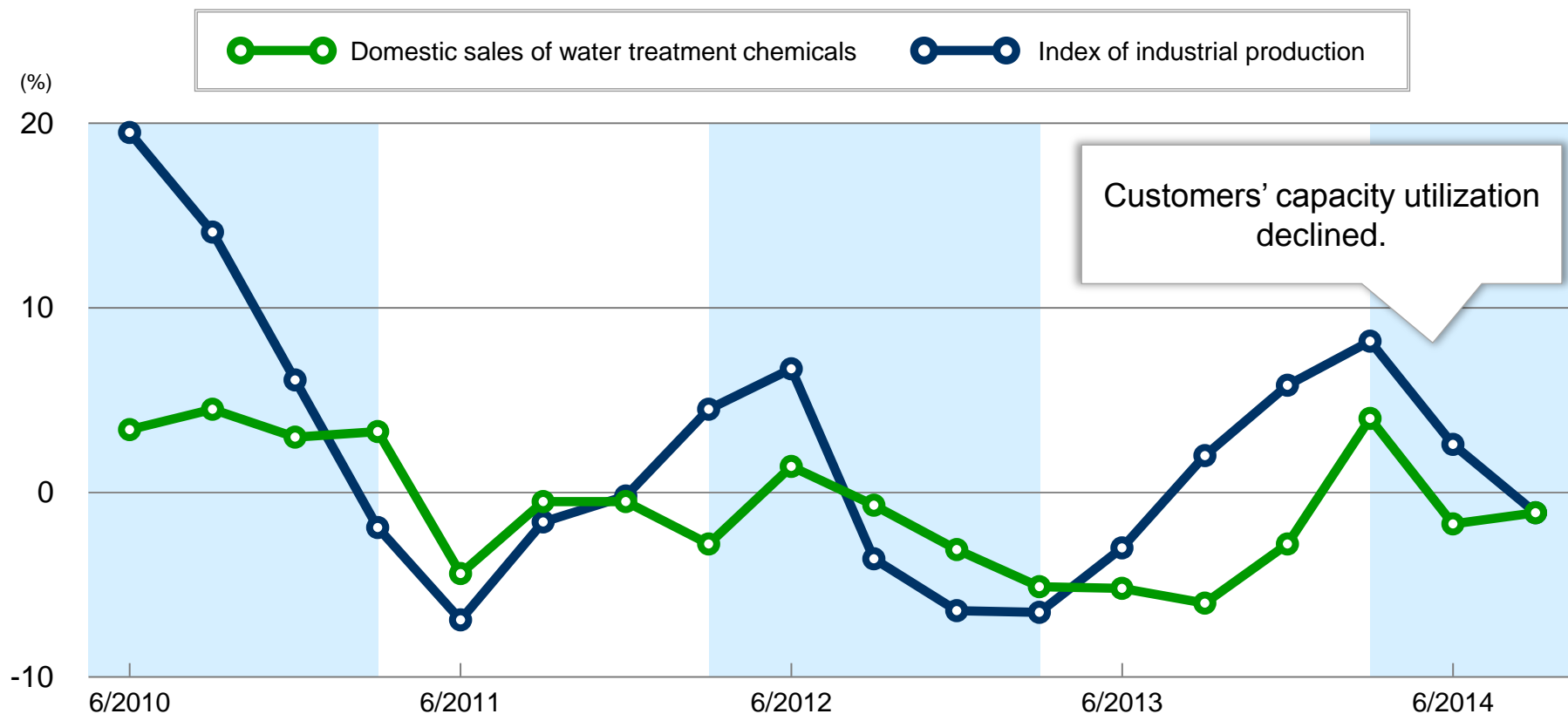
Meanwhile, Kurita will make decisions about stock repurchases flexibly and with agility.

Business Environment and Outlook

- 1. Water Treatment Chemicals (Japan)**
- 2. Water Treatment Chemicals (Overseas)**
- 3. Water Treatment Facilities (Profitability)**
- 4. Water Treatment Facilities (Ultrapure Water Supply Business)**
- 5. New Products and Services (1)**
- 6. New Products and Services (2)**

1. Water Treatment Chemicals (Japan)

Domestic Sales of Water Treatment Chemicals and Index of Industrial Production (Year-on-year Change)

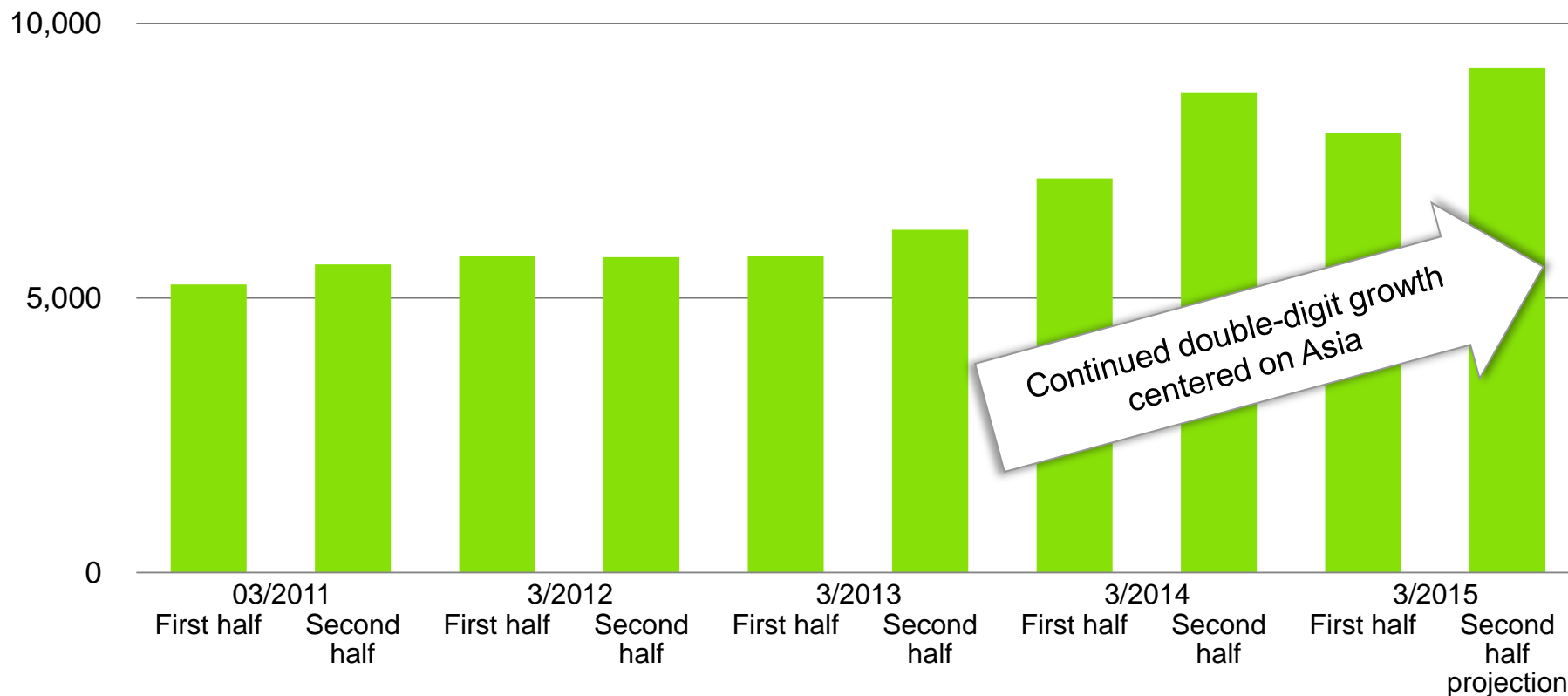


Domestic demand for water treatment chemicals is linked to customers' capacity utilization.

2. Water Treatment Chemicals (Overseas)

Overseas Sales of Water Treatment Chemicals

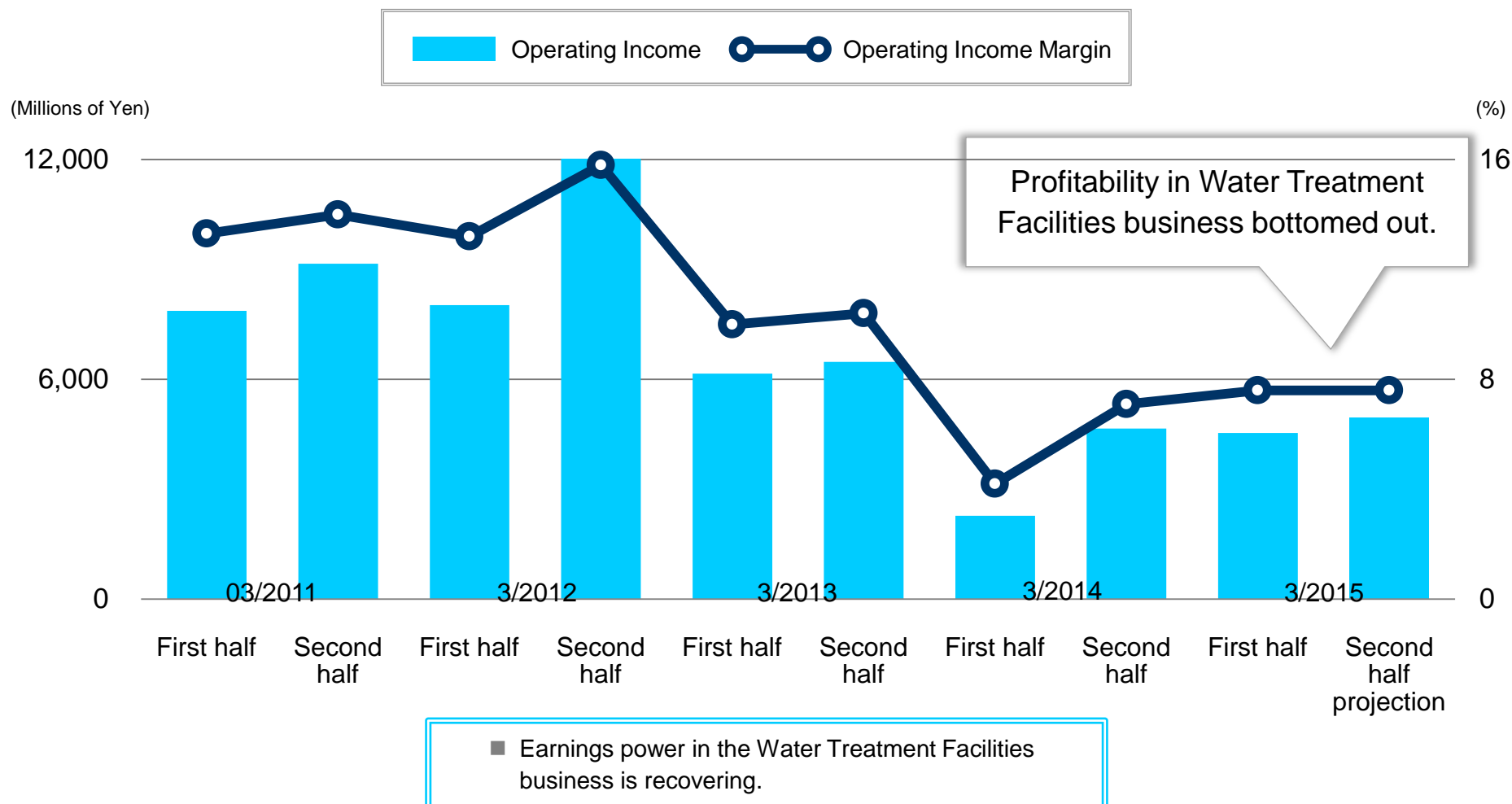
(Millions of Yen)



■ The overseas Water Treatment Chemicals business continues to grow.

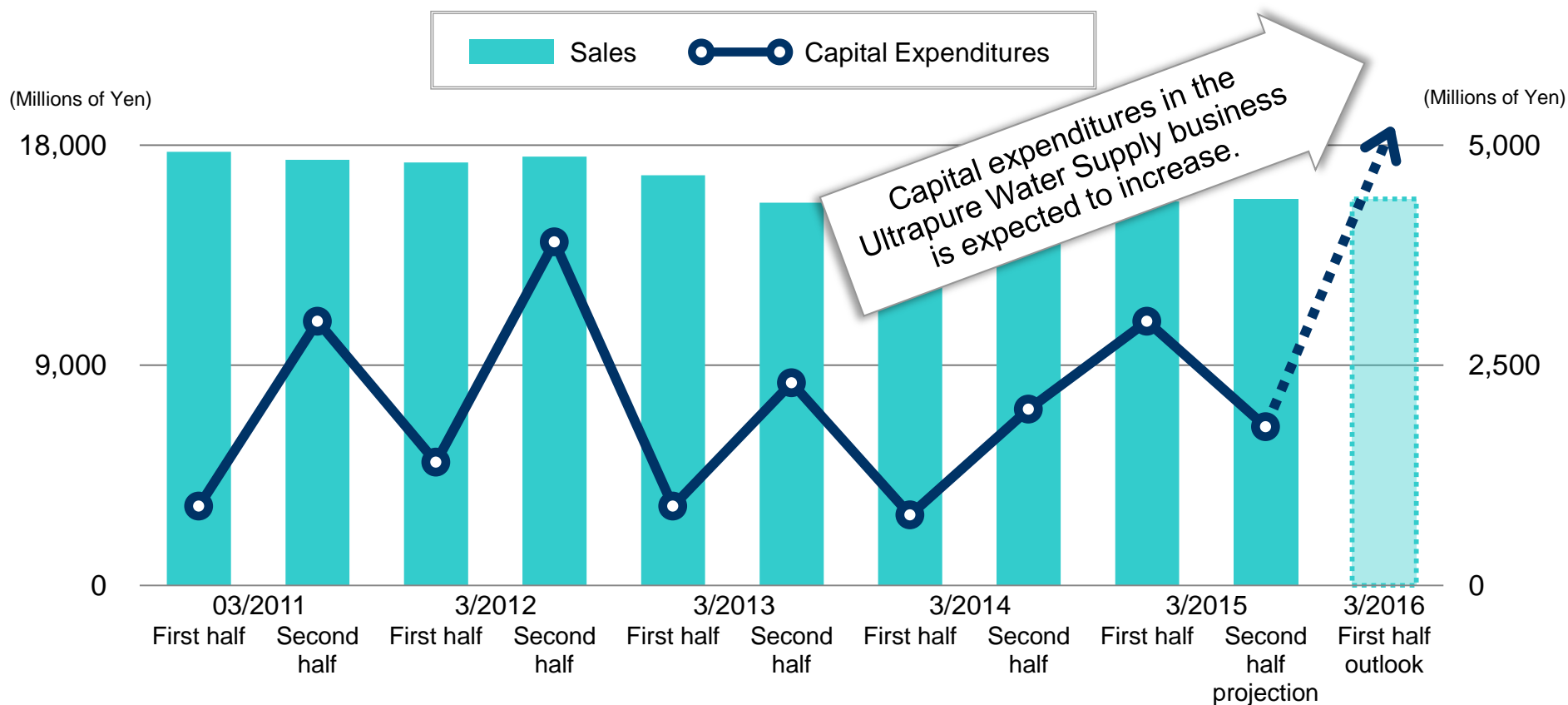
3. Water Treatment Facilities (Profitability)

Operating Income in Water Treatment Facilities



4. Water Treatment Facilities (Ultrapure Water Supply Business)

Ultrapure Water Supply Business (Sales / Capital Expenditures)



■ The Ultrapure Water Supply business remains a stable revenue source.

5. New Products and Services (1)

K-eco Maintenance Service

- Installing water quality sensors in water treatment facilities delivered to customers
- Analyzing real-time online data and the results of regular water quality analyses
- Visualizing the operation condition, sharing information with customers, and proposing proper maintenance

Main agreement
Annual maintenance agreement



Special agreement on the visualization of
operation condition

Special agreement on assistance
to cost reduction

→ Contributing to the optimization of operations in the entire plant, including utility facilities

6. New Products and Services (2)

Entering the Lithium-ion Battery Field: ABSORBENT KC-504P

- Kurita has developed new materials to improve the safety of lithium ion batteries by applying clathrate compound technology* that it has cultivated in water treatment.
- Clathrate compound technology inhibits increases in internal pressure and temperature in batteries.
- ABSORBENT KC-504P removes the need for a process of eliminating carbon dioxide generated in the production of batteries, thereby shortening manufacturing time and reducing cost.
- ABSORBENT KC-504P can be used in a wide range of batteries, from small batteries for mobile equipment to large batteries for electric vehicles.
- Kurita plans to supply ABSORBENT KC-504P to lithium ion battery manufacturers in Japan and overseas. (Kurita has received orders from a major battery manufacturer in Asia.)



* Clathrate compound technology

Clathrate compound technology is a technique used to integrate certain “guest” molecules into a group of regular or porous “host” molecules at a certain composition ratio, thus creating a clathrate compound with a specific crystalline structure.

Certain combinations of host molecules enable the stabilization of dangerous materials and help sustain the effects of substances for a long time.

Acquisition of the Businesses of BK Giulini

- 1. Summary of Acquisition**
- 2. Overview of BKG and the Business**
- 3. Strategic Rationale**

1. Summary of Acquisition

Acquired Business

- Acquisition of Water Solutions, Paper Solutions and Alumina Compounds (the "Business") of BK Giulini GmbH ("BKG") (the "Transaction")

Acquisition Scheme

- Acquisition of assets/liabilities of the Business and shares of related companies through a wholly-owned subsidiary in Germany

Acquisition Amount

- 250 million Euro (approximately 34.2 billion Yen*¹) subject to working capital and net debt adjustments

Closing Date

- By the end of 2014, subject to applicable anti-trust clearance and customary closing conditions

Payment

- Cash on hand

Note:

*¹ FX rate: 1Euro = 136.65 Yen

2. Overview of BKG and the Business

Overview of BKG

- Headquarter: Ludwigshafen, Germany
- Foundation: 1823
- Shareholders: Israel Chemicals Limited (owns 100% indirectly)
- Business: Manufacturing, developing and marketing water treatment chemicals, paper chemicals, alumina compounds, intermediates for pharma and cosmetics and gypsum

Investment Highlight

- Excellent sales force with more than 10 years of experience on average
- Long-term relationships with blue chip customers in Europe
- Strong track-record in developing solutions which meet customer needs
- Highly experienced and strong management team

Overview of the Business

Business

Water Solutions:

A leading provider of chemical treatment, technical services and tailor-made equipment for key water applications. The innovative product offering includes scale & corrosion inhibitors, dispersants, biocides, removal of scale products, defoamers, coagulants and flocculants

Paper Solutions:

One of the leading producers of high quality functional chemicals (sizing and wet strength additives) as well as solutions and services used in paper production

Alumina Compounds:

Alumina Compounds is a leading producer of a wide range of alumina salts and specialties (neutral, alkaline, acidic). The key products are water treatment, civil additives, additives for paper process chemicals

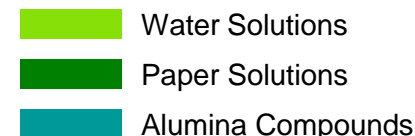
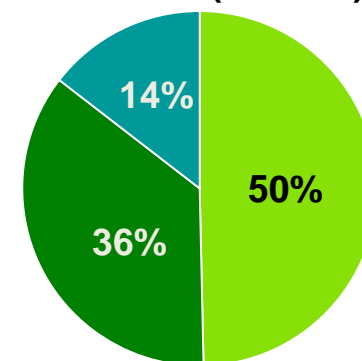
Sales

177 million Euro (Approximately 24.2 billion Yen*1) (FY2013)

Employees

Approximately 464

Revenue Breakdown by Business (FY2013)



Note:

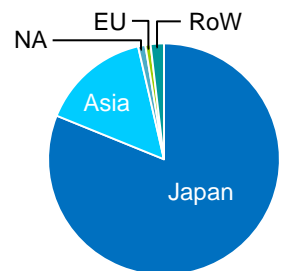
*1 FX rate: 1Euro = 136.65 Yen

3. Strategic Rationale

Significant complementarity between Kurita and the Business both geographically and technically

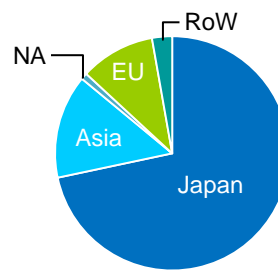
- By adding customer base and production sites in Europe and other regions of the Business to our strong operation in Asia especially Japan, Kurita will accelerate its overseas expansion

Revenue break-down in 2013



Total: 178.1 billion Yen

Pro-forma



Total: Approx. 201.8 billion Yen^{*1,2}

To grow as global player

- Top line growth by cross-selling
 - Kurita: Reverse osmosis membrane treatment chemicals
 - the Business: Paper process chemicals, Alumina Compounds
- Product development by technology sharing
 - Kurita: Sensing technology
 - the Business: Polymer production technology

To deepen total solution capability

Geographic Complementarity

Technical and Products Complementarity

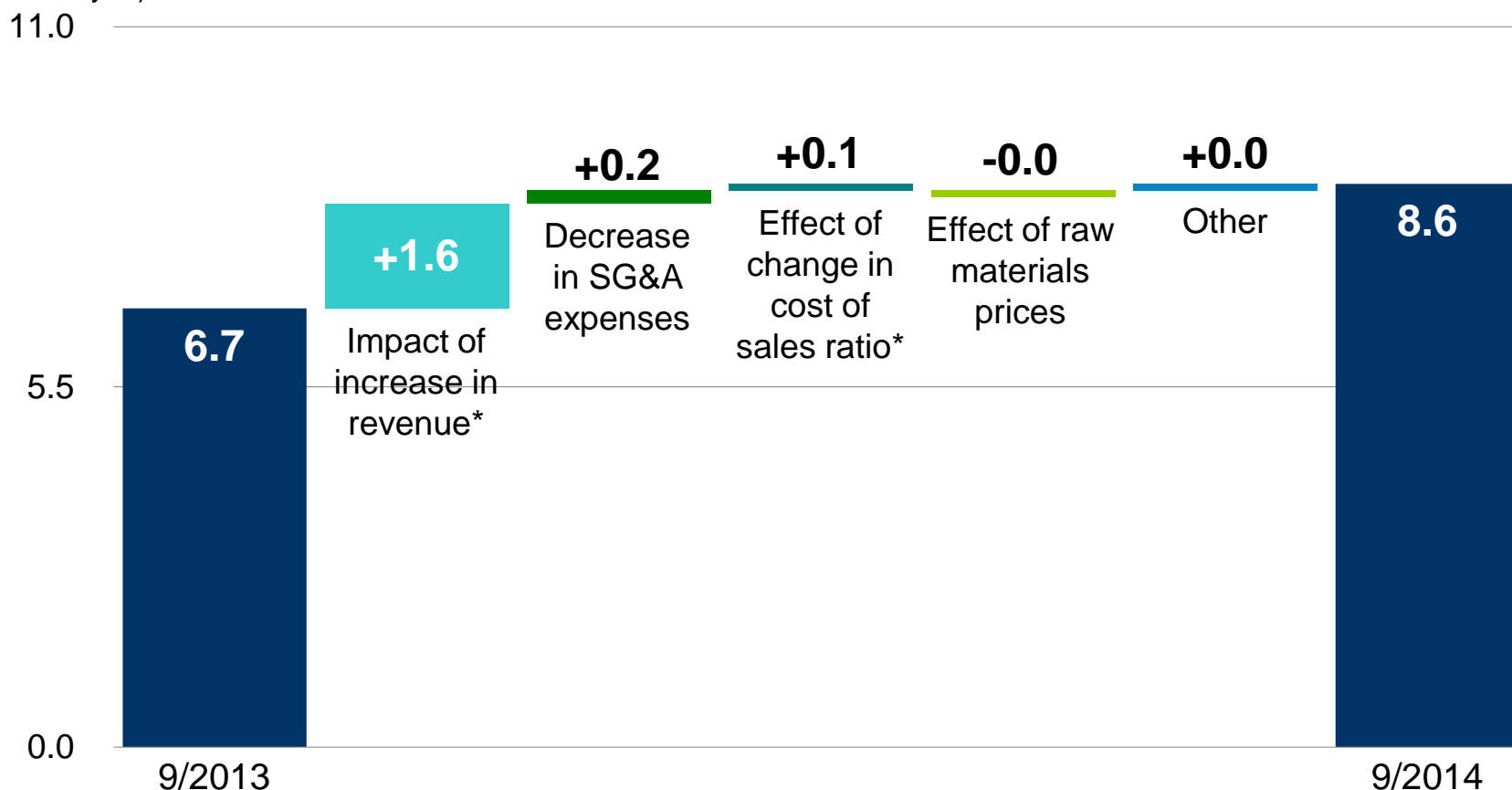
Note:

^{*1} FX rate: 1Euro = 136.65 Yen

^{*2} Revenue from part of China business and internal elimination (c. 3 million EUR) are not included as there is no geographical breakdown

Analysis of Changes in Operating Income for the First Half of the Fiscal Year Ending March 31, 2015

(Billions of yen)



* The impact of increase in revenue and the effect of change in the cost of sales ratio are calculated using the gross profit margin.

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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.