

## **Kurita Water Industries Reports Earnings for the Three Months Ended June 30, 2013**

Tokyo, Japan, July 30, 2013—Kurita Water Industries Ltd. (TSE Securities Code 6370) announced net sales of 36,558 million yen and net income of 1,803 million yen, or 15.14 yen per share, for the three months ended June 30, 2013 (April 1, 2013 – June 30, 2013).

### **Results of Operations**

Total consolidated orders for the Kurita Group in the three months ended June 30, 2013, decreased 5.4% versus the same period of the previous fiscal year, to 42,111 million yen. Net sales declined 9.2% year on year, to 36,558 million yen. In terms of income, operating income declined 40.9% year on year to 2,568 million yen, and ordinary income declined 37.5% to 2,870 million yen. Net income amounted to 1,803 million yen, down 48.6%.

Reviewing the markets in which the Kurita Group (Kurita Water Industries and its consolidated subsidiaries and equity method affiliates) operates, although profitability at manufacturers, especially export-oriented companies, improved in Japan thanks to a weaker yen, production quantities did not rise significantly overall, and nor did capacity utilization in the manufacturing industry increase. There appeared to be a continuing surplus of production capacity, and capital investment remained sluggish.

Outside Japan, the global economy recovered moderately, backed by the strong U.S. economy, but uncertainty over the European economy and emerging economies, especially the Chinese economy, remained strong.

In this challenging environment, the Kurita Group took steps to expand overseas operations and to strengthen its domestic operating base by selling competitive products and services in growing regions and industries. The Group, however, struggled in the first three months of the fiscal year.

### **Segment Information**

#### **Water Treatment Chemicals**

Total Group orders for the Water Treatment Chemicals segment in the three-month period totaled 14,564 million yen, up 0.7% versus the same period of the previous fiscal year. Sales increased 1.6%, to 13,681 million yen, while operating income declined 7.8%, to 1,855 million yen.

In Japan, there was a decrease in orders for and sales of core products, including boiler water treatment chemicals and cooling water treatment chemicals in almost all industries. Overseas, both orders and sales increased, with orders for and sales of cooling water treatment chemicals, reverse osmosis membrane treatment chemicals, and process treatment chemicals for the pulp and paper industries rising in China and Southeast Asia. Overall, both orders and sales rose slightly.

#### **Water Treatment Facilities**

Total Group orders for the Water Treatment Facilities segment in the three-month period amounted to 27,546 million yen, down 8.3% versus the same period of the previous fiscal year. Sales declined 14.7% to 22,876 million yen, and operating income dropped 69.2% to 715 million yen.

In Japan, orders for and sales of water treatment facilities in the electric power industry declined from the same period of the previous fiscal year due to the completion of demand related to reconstruction after the Great East Japan Earthquake. Orders for and sales of water treatment facilities and maintenance services decreased in the electronics industry, with no signs of capacity utilization rates rising or capital investment recovering. Orders and sales in the ultrapure water supply business fell with contracts expiring and changing in the previous fiscal year.

Overseas, although the Group sought to attract demand for small and medium-sized projects and maintenance services in East Asia and Southeast Asia, which the Group positions as priority markets, both orders and sales declined due to the postponement of capital investments for large projects in the electronics industry, among other factors.

### **Financial Condition**

Current assets totaled 145,877 million yen at the end of the first quarter (June 30, 2013), a decrease of 997 million yen versus the end of the previous fiscal year (March 31, 2013). This was mainly a result of declines of 11,253 million yen in trade accounts receivable and 4,295 million yen in cash and deposits, which outweighed increases of 10,000 million yen in marketable securities, 2,005 million yen in work in process, and 1,936 million yen in trade notes receivable.

The decline in trade accounts receivable was the result of progress in collecting receivables and weaker sales in the first quarter under review than in the fourth quarter of the previous fiscal year. The decline in cash and deposits and increase in marketable securities was mainly the result of increased investment in negotiable certificates, which are treated as marketable securities. The increase in work in process was mainly the result of progress in construction work in the water treatment facilities business. The rise in trade notes receivable is the result of an increase in notes in accounts receivable collected.

Noncurrent assets totaled 115,952 million yen at the end of the three-month period (June 30, 2013), a decline of 753 million yen versus the end of the previous fiscal year. The decline was principally attributable to a 2,442 million yen decrease in property, plant and equipment, which was partly offset by a 1,706 million yen rise in investments and other assets. The decline in property, plant and equipment was due to depreciation of ultrapure water supply business facilities exceeding capital expenditures. The increase in investments and other assets reflected a rise in unrealized gains on investment securities due to rises in the market prices of the shares held by the Group.

Current liabilities totaled 31,807 million yen at the end of the period, a decline of 3,608 million yen versus the end of the previous fiscal year. This was mainly a result of declines of 2,173 million yen in trade accounts payable and 1,344 million yen in income taxes payable.

Noncurrent liabilities totaled 19,010 million yen at the end of the period, a slight decrease of 36 million yen versus the end of the previous fiscal year.

Net assets totaled 211,012 million yen at the end of the period, an increase of 1,894 million yen versus the end of the previous fiscal year primarily due to a 2,575 million yen increase in accumulated other comprehensive income, which more than offset a 698 million yen decrease in retained earnings. The decline in retained earnings resulted from year-end dividends of 2,502 million yen for the previous fiscal year, exceeding net income of 1,803 million yen for the first quarter. The increase in accumulated other comprehensive income is a result of a 1,718 million yen rise in unrealized gains on available-for-sale securities due to the increase in unrealized gains on investment securities and a 857 million yen increase in foreign currency translation adjustments associated with a weaker yen.

## **Outlook for the Fiscal Year Ending March 31, 2014**

The Group's current outlook for the six months ending September 30, 2013, and the full year ending March 31, 2014 is consistent with the targets disclosed in "Earnings Report for the Full Year Ended March 31, 2013," which was announced on April 30, 2013.

## **Other Information**

### **(1) Changes in significant subsidiaries during the three months ended June 30, 2013**

There were no changes in specified subsidiaries that would have changed the scope of consolidation.

Starting the first quarter under review, the equity method is applied to a newly established company and a company whose significance has increased.

### **(2) Accounting treatment specific to the preparation of quarterly consolidated financial statements**

#### **Tax expense**

The Company calculates tax expense by producing a reasonable estimate of the effective tax rate after applying tax-effect accounting to income before income taxes and minority interests for the fiscal year and then multiplying quarterly income before income taxes and minority interests by this estimated effective tax rate.

## Financial Statements — Consolidated

### Balance Sheet — Consolidated

	As of March 31, 2013 Amount	(Million yen) As of June 30, 2013 Amount
<b>Assets</b>		
<b>Current assets</b>		
Cash and deposits	43,039	38,744
Notes receivable - trade	6,108	8,044
Accounts receivable - trade	55,279	44,026
Marketable securities	34,000	44,000
Finished products	1,445	1,557
Work in process	2,238	4,243
Raw materials and supplies	1,191	1,517
Other	3,676	3,832
Allowance for doubtful accounts	(104)	(87)
Total current assets	146,874	145,877
<b>Noncurrent assets</b>		
Property, plant and equipment		
Buildings (net)	23,693	22,896
Machinery and equipment (net)	36,173	37,109
Other (net)	26,954	24,372
Total property, plant and equipment	86,820	84,378
Intangible fixed assets	1,619	1,603
Investments and other assets		
Other	28,506	30,343
Allowance for doubtful accounts	(241)	(372)
Total investments and other assets	28,265	29,971
Total noncurrent assets	116,705	115,952
Total assets	263,580	261,830
<b>Liabilities</b>		
<b>Current liabilities</b>		
Notes payable – trade	1,451	1,425
Accounts payable - trade	16,522	14,349
Income taxes payable	2,509	1,165
Allowances	3,550	2,562
Other	11,382	12,304
Total current liabilities	35,415	31,807
<b>Noncurrent liabilities</b>		
Accrued employees' retirement benefits	10,835	10,996
Other allowances	165	91
Other	8,045	7,922
Total noncurrent liabilities	19,046	19,010
Total liabilities	54,462	50,817
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Common stock	13,450	13,450
Capital surplus	11,426	11,426
Retained earnings	202,807	202,109
Treasury stock	(21,859)	(21,859)
Total shareholders' equity	205,826	205,127
<b>Accumulated other comprehensive income</b>		
Unrealized gains on available-for-sale securities	4,079	5,797
Unrealized gains (losses) on revaluation of land	(564)	(564)
Foreign currency translation adjustments	(1,469)	(612)
Total accumulated other comprehensive income	2,045	4,620
<b>Minority interests</b>	1,246	1,264
Total net assets	209,118	211,012
Total liabilities and net assets	263,580	261,830

## Statements of Income and Comprehensive Income — Consolidated

### Statement of Income

	(Million yen)	
	Three months ended June 30, 2012	Three months ended June 30, 2013
	Amount	Amount
Net sales	40,273	36,558
Cost of sales	26,578	24,021
Gross profit	13,695	12,536
Selling, general and administrative expenses	9,349	9,968
Operating income	4,345	2,568
Non-operating income		
Interest income	43	47
Dividend income	182	164
Equity in earnings of unconsolidated subsidiaries and affiliates	75	23
Other	40	95
Total non-operating income	342	332
Non-operating expenses		
Interest expense	22	14
Valuation loss on investment securities	53	—
Other	19	15
Total non-operating expenses	95	30
Ordinary income	4,592	2,870
Extraordinary gains		
Gain on sales of noncurrent assets	1,040	—
Gain on discontinuation of approved retirement annuity system (closed-type)	137	—
Total extraordinary gains	1,177	—
Income before income taxes and minority interests	5,770	2,870
Income taxes	2,200	1,094
Income before minority interests	3,570	1,775
Minority interests in earnings of consolidated subsidiaries	59	(27)
Net income	3,510	1,803

## Statement of Comprehensive Income

	(Million yen)	
	Three months ended June 30, 2012	Three months ended June 30, 2013
	Amount	Amount
Income before minority interests	3,570	1,775
Other comprehensive income		
Unrealized gains on available-for-sale securities	(816)	1,712
Foreign currency translation adjustments	632	873
Share of other comprehensive income of associates accounted for using equity method	42	40
Total other comprehensive income	(142)	2,627
Comprehensive income	3,428	4,403
Components:		
Comprehensive income attributable to owners of the parent company	3,322	4,379
Comprehensive income attributable to minority interests	105	24

## Notes to Consolidated Financial Statements

(Notes on the Going-concern Assumption)

Three months ended June 30, 2013 (April 1, 2013 – June 30, 2013)

Not applicable

(Notes on Significant Changes in Shareholders' Equity)

Three months ended June 30, 2013 (April 1, 2013 – June 30, 2013)

Not applicable

(Segment Information)

1. Sales and income by reportable segment

Three months ended June 30, 2012 (April 1, 2012 – June 30, 2012)

	Reportable Segments			Adjustments (note 1)	(Million yen) Amounts reported on the quarterly statements of income (note 2)
	Water Treatment Chemicals	Water Treatment Facilities	Total		
Sales					
Sales to outside customers	13,465	26,807	40,273	–	40,273
Inter-segment sales or transfers	55	51	107	(107)	–
Total	13,521	26,859	40,381	(107)	40,273
Segment income	2,013	2,318	4,332	13	4,345

Three months ended June 30, 2013 (April 1, 2013 – June 30, 2013)

	Reportable Segment			Adjustments (note 1)	(Million yen) Amounts reported on the quarterly statements of income (note 2)
	Water Treatment Chemicals	Water Treatment Facilities	Total		
Sales					
Sales to outside customers	13,681	22,876	36,558	–	36,558
Inter-segment sales or transfers	44	47	92	(92)	–
Total	13,726	22,923	36,650	(92)	36,558
Segment income	1,855	715	2,571	(2)	2,568

Notes:

1. Adjustments related to sales represent elimination of inter-segment sales. Resultant adjustment of segment income is reflected in segment income Adjustments.
2. Segment income is shown at the operating income level.

## Supplementary Information — Consolidated

### (1) Order Intake

(Million yen)

Business segment	Three months ended June 30,			
	2012		2013	
	Amount	%	Amount	%
Water Treatment Chemicals	14,462	32.5	14,564	34.6
Water Treatment Facilities	30,053	67.5	27,546	65.4
Total	44,516	100.0	42,111	100.0

### (2) Net Sales

(Million yen)

Business segment	Three months ended June 30,			
	2012		2013	
	Amount	%	Amount	%
Water Treatment Chemicals	13,465	33.4	13,681	37.4
Water Treatment Facilities	26,807	66.6	22,876	62.6
Total	40,273	100.0	36,558	100.0

### (3) Capital Expenditures (Property, Plant and Equipment)

(Million yen)

Business segment	Three months ended June 30,			
	2012		2013	
	Amount	%	Amount	%
Water Treatment Chemicals	199	18.8	211	23.5
Water Treatment Facilities	862	81.2	689	76.5
Total	1,061	100.0	901	100.0

### (4) Depreciation (Property, Plant and Equipment)

(Million yen)

Business segment	Three months ended June 30,			
	2012		2013	
	Amount	%	Amount	%
Water Treatment Chemicals	254	6.9	265	7.6
Water Treatment Facilities	3,438	93.1	3,253	92.4
Total	3,693	100.0	3,519	100.0