

FOR IMMEDIATE RELEASE

Kurita Water Industries Reports Earnings for the Nine Months Ended December 31, 2014

Tokyo, Japan, January 30, 2015—Kurita Water Industries Ltd. (TSE Securities Code 6370) announced net sales of 133,180 million yen and net income of 7,711 million yen, or 64.72 yen per share, for the nine months ended December 31, 2014 (April 1, 2014 – December 31, 2014).

Results of Operations

Total consolidated orders for the Kurita Group in the nine months ended December 31, 2014 rose 6.3% from the level of the same period of the previous fiscal year, to 137,002 million yen, and net sales increased 7.6%, to 133,180 million yen. Operating income was 12,380 million yen, up 26.5% versus the same period of the previous fiscal year, and ordinary income was 12,696 million yen, up 18.9%. Net income amounted to 7,711 million yen, up 22.7%.

During the nine months under review, the Japanese economy saw a much tardier recovery in production and capital expenditure in the manufacturing industry than initially expected, reflecting a spike in demand before the consumption tax hike and a decline in reaction to it. The global economy overall recovered only moderately. The U.S. economy expanded steadily, and the European economy picked up. Meanwhile, China's economic growth rate slowed moderately.

In this environment, the Kurita Group focused on tapping into demand through proposals of solutions for customers in Japan and sought to gain new customers and control costs thoroughly overseas.

Segment Information

Water Treatment Chemicals

Total Group orders for the Water Treatment Chemicals segment were 43,920 million yen, down 0.4% versus the same period of the fiscal year ended March 31, 2014, while sales rose 2.9% to 44,415 million yen. Operating income was down 2.3% to 5,953 million yen.

In Japan, although mainstay products—boiler water treatment chemicals and cooling water treatment chemicals—saw decreased orders and sales from the same period of the previous fiscal year due mainly to a decline in capacity utilization at customers' plants, wastewater treatment chemicals and process treatment chemicals for the pulp and paper industries rose in orders and sales.

Overseas, orders and sales increased due to the addition of new customers especially in Southeast Asia and China. In the overall segment, orders fell, but sales rose. Income, however, declined, reflecting the worsening of the cost rate chiefly due to a decline in sales of the main products in Japan, and an increase in selling, general and administrative expenses to strengthen the overseas business structure.

Water Treatment Facilities

Total Group orders for the Water Treatment Facilities segment were 93,081 million yen, up 9.7% versus the same period of the previous fiscal year, sales rose 10.1%, to 88,765 million yen, and operating income climbed 73.9%, to 6,433 million yen.

In Japan, in the electronics industry, plant construction and expansion projects were limited, and orders for water treatment facilities declined from a year ago. Meanwhile, orders for and sales of maintenance services rose, backed by strong demand for electronic components and an improvement in customers' earnings. Results in the ultrapure water supply business remained roughly flat. In general industries, orders for and sales of water treatment facilities for electric power increased.

Overseas, orders and sales increased, chiefly reflecting large-scale projects in China and Taiwan. Overall both orders and sales in the Water Treatment Facilities segment rose. Income in the segment increased significantly due to increased sales and an improvement in the cost rate.

Financial Condition

Assets, liabilities and net assets

Current assets totaled 172,197 million yen at the end of the third quarter (December 31, 2014), an increase of 9,697 million yen versus the end of the previous fiscal year (March 31, 2014). This was mainly a result of increases of 11,943 million yen in cash and deposits, 1,393 million yen in notes receivable-trade, and 4,860 million yen in work in process, which overweighed declines of 1,873 million yen in accounts receivable-trade and 8,000 million yen in marketable securities.

The increase in cash and deposits was the result of progress in collecting accounts receivable-trade and digging into negotiable certificates, which are treated as marketable securities, to raise capital for the acquisition in Europe, which is planned towards the end of January. The increase in work in process was mainly the result of progress in the water treatment facilities business.

Noncurrent assets totaled 110,863 million yen at the end of the third quarter (December 31, 2014), a decline of 1,562 million yen versus the end of the previous fiscal year. The decline was principally attributable to a 6,027 million yen decrease in property, plant and equipment, which was partly offset by a 4,439 million yen increase in investments and other assets. The decline in property, plant and equipment was mainly due to the depreciation of ultrapure water supply business facilities and other facilities exceeding capital expenditures. The increase in investments and other assets primarily 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 38,653 million yen at the end of the period, an increase of 1,754 million yen versus the end of the previous fiscal year. The increase was chiefly due to increases of 2,202 million yen in accounts payable-trade and 1,778 million yen in "Other" in current liabilities, which more than offset a decrease of 1,380 million yen in provision.

Noncurrent liabilities totaled 19,922 million yen at the end of the period, an increase of 1,050 million yen versus the end of the previous fiscal year. This was primarily attributable to an increase in net defined benefit liability associated with a change in the Accounting Standard for Retirement Benefits.

Net assets totaled 224,484 million yen at the end of the period, an increase of 5,331 million yen versus the end of the previous fiscal year mainly due to a 1,378 million yen increase in shareholders' equity and an increase of 4,303 million yen in accumulated other comprehensive income. Shareholders' equity increased primarily due to an increase of 1,826 million yen in retained earnings, which were partly offset by a fall of 446 million yen in capital surplus. The fall in capital surplus was attributable to additional acquisitions of equity in consolidated subsidiaries. The increase in retained earnings resulted from net income of 7,711 million yen exceeding year-end dividends for the previous fiscal year and interim dividends for the fiscal year under review of a total of 5,362 million yen and a reduction of 501 million yen at the beginning of this fiscal year in association with the change in the Accounting Standard for Retirement Benefits. Accumulated other comprehensive income rose 4,303 million yen, chiefly reflecting an increase in unrealized gains on available-for-sale securities associated with an increase in unrealized gains from investment securities.

Outlook for the Fiscal Year Ending March 31, 2015

Considering the results in comparison with the initial earnings forecast, the Company has revised its consolidated earnings forecast for the fiscal year ending March 31, 2015 as shown below. The Company has revised the earnings forecast based on information currently available. Actual results may differ materially from it due to a variety of factors.

	Net sales	Operating income	Ordinary income	Net income	Net income per share
	Million yen	Million yen	Million yen	Million yen	Yen
Previous forecast (A)	185,000	17,000	17,800	11,000	92.31
Revised forecast (B)	188,000	18,000	17,800	11,000	92.31
Change (B – A)	3,000	1,000	–	–	–
Percentage change	1.6	5.9	–	–	–
(For reference) Results in year ended March 2014	178,137	14,886	16,072	9,352	78.48

Other Information

Additional information

Material business acquisition

On October 27, 2014, the Company entered into an agreement with BK Giulini GmbH (“BKG”) and its ultimate parent company, Israel Chemicals Limited, to acquire, through a subsidiary, the Water Solutions, Paper Solutions and Alumina Compounds businesses (the “Business”) of BKG and its affiliates (the “Transaction”).

1. Name, address, and representative of the consolidated subsidiary

- (1) Name: Kurita Europe APW GmbH
- (2) Address: Giulinistraße 2, 67065 Ludwigshafen/Rhein, Germany
- (3) Representative: Yasuo Suzuki

2. Name, address, and representative of the company to be acquired

- (1) Name: BK Giulini GmbH and its affiliates
- (2) Address: Giulinistraße 2, 67065 Ludwigshafen/Rhein, Germany
- (3) Representative: Eli Glazer
- (4) Paid-in capital: EUR 16 million (as of December 31, 2013)
- (5) Business: Manufacturing, developing and marketing water treatment chemicals, paper chemicals, alumina compounds, intermediates for pharma and cosmetics and gypsum

3. Purpose of the Transaction

The Transaction will enable Kurita to strengthen its overseas business platform through combining the Business's broad customer base in Europe and other regions with Kurita's existing customer base, which is mainly in Japan and the Asia region. In addition, Kurita sees the technologies and products of the Business as highly complementary with those of Kurita, leading up to the development of more diverse product offering for its customers.

4. Outline of the agreement on the acquisition

(1) Date of acquisition

The transaction is planned to be closed on January 31, 2015.

(2) Business to be acquired

Manufacturing, developing and marketing the water treatment chemicals, paper chemicals, and alumina compounds of BKG

(3) Assets to be acquired

Assets belonging to the Business

(4) Amount of assets and liabilities of the Business

The assets and liabilities have yet to be determined.

(5) Acquisition amount

We will make an adjustment for excess or deficiency in working capital and net interest-bearing debt at the time of closing to 250 million euros.

Financial Statements — Consolidated

Balance Sheet — Consolidated

	As of March 31, 2014 Amount	(Million yen) As of December 31, 2014 Amount
Assets		
Current assets		
Cash and deposits	47,336	59,279
Notes receivable – trade	7,287	8,680
Accounts receivable – trade	50,503	48,630
Marketable securities	47,999	39,999
Finished products	1,788	1,906
Work in process	2,568	7,428
Raw materials and supplies	1,455	1,875
Other	3,745	4,541
Allowance for doubtful accounts	(184)	(144)
Total current assets	162,500	172,197
Noncurrent assets		
Property, plant and equipment		
Buildings (net)	20,795	18,300
Machinery and equipment (net)	32,765	29,567
Other (net)	24,294	23,959
Total property, plant and equipment	77,855	71,828
Intangible fixed assets	1,578	1,604
Investments and other assets		
Investment securities	24,717	30,763
Other	8,683	6,986
Allowance for doubtful accounts	(409)	(319)
Total investments and other assets	32,991	37,430
Total noncurrent assets	112,425	110,863
Total assets	274,925	283,060
Liabilities		
Current liabilities		
Notes payable – trade	1,860	1,411
Accounts payable – trade	17,027	19,229
Income taxes payable	2,535	2,137
Provision	4,556	3,176
Other	10,920	12,698
Total current liabilities	36,899	38,653
Noncurrent liabilities		
Net defined benefit liability	11,363	12,560
Provision	98	73
Other	7,411	7,289
Total noncurrent liabilities	18,872	19,922
Total liabilities	55,772	58,576

	As of March 31, 2014 Amount	(Million yen) As of December 31, 2014 Amount
Net assets		
Shareholders' equity		
Common stock	13,450	13,450
Capital surplus	11,426	10,980
Retained earnings	185,159	186,985
Treasury stock	(2)	(4)
Total shareholders' equity	210,034	211,412
Accumulated other comprehensive income		
Unrealized gains on available-for-sale securities	7,862	11,912
Deferred gains on hedges	-	8
Unrealized gains (losses) on revaluation of land	(564)	(564)
Foreign currency translation adjustments	384	610
Remeasurements of defined benefit plans	(25)	(6)
Total accumulated other comprehensive income	7,657	11,960
Minority interests		
	1,461	1,111
Total net assets	219,153	224,484
Total liabilities and net assets	274,925	283,060

Statements of Income and Comprehensive Income

Consolidated Statement of Income

	(Million yen)	
	Nine months ended December 31, 2013	Nine months ended December 31, 2014
	Amount	Amount
Net sales	123,802	133,180
Cost of sales	84,291	91,541
Gross profit	39,510	41,638
Selling, general and administrative expenses	29,724	29,258
Operating income	9,785	12,380
Non-operating income		
Interest income	123	136
Dividend income	335	386
Equity in earnings of unconsolidated subsidiaries and affiliates	190	206
Other	424	381
Total non-operating income	1,074	1,110
Non-operating expenses		
Interest expense	46	49
Settlement	56	–
Acquisition-related costs	–	666
Other	81	78
Total non-operating expenses	184	794
Ordinary income	10,675	12,696
Extraordinary losses		
Loss on disposal of noncurrent assets	–	165
Provision for building demolition expenses	190	–
Contribution	500	–
Total extraordinary losses	690	165
Income before income taxes and minority interests	9,985	12,530
Income taxes	3,653	4,793
Income before minority interests	6,331	7,737
Minority interests in earnings of consolidated subsidiaries	48	25
Net income	6,283	7,711

Statement of Comprehensive Income

	(Million yen)	
	Nine months ended December 31, 2013	Nine months ended December 31, 2014
	Amount	Amount
Income before minority interests	6,331	7,737
Other comprehensive income		
Unrealized gains on available-for-sale securities	4,957	4,048
Deferred gains on hedges	–	8
Foreign currency translation adjustments	998	178
Remeasurements of defined benefit plans	–	19
Share of other comprehensive income of associates accounted for using equity method	105	52
Total other comprehensive income	6,061	4,308
Comprehensive income	12,393	12,045
Components:		
Comprehensive income attributable to owners of the parent company	12,270	12,015
Comprehensive income attributable to minority interests	123	30

Notes to Consolidated Financial Statements

(Notes on the Going-concern Assumption)

Nine months ended December 31, 2014 (April 1, 2014 – December 31, 2014)

Not applicable

(Notes on Significant Changes in Shareholders' Equity)

Nine months ended December 31, 2014 (April 1, 2014 – December 31, 2014)

Not applicable

(Segment Information)

1. Sales and income by reportable segment

Nine months ended December 31, 2013 (April 1, 2013 – December 31, 2013)

	Reportable Segments			Adjustments (note 1)	(Million yen)
	Water Treatment Chemicals	Water Treatment Facilities	Total		Amounts reported on the quarterly statements of income (note 2)
Sales					
Sales to outside customers	43,165	80,637	123,802	–	123,802
Inter-segment sales or transfers	208	158	366	(366)	–
Total	43,373	80,795	124,168	(366)	123,802
Segment income	6,095	3,699	9,795	(9)	9,785

Nine months ended December 31, 2014 (April 1, 2014 – December 31, 2014)

	Reportable Segment			Adjustments (note 1)	(Million yen)
	Water Treatment Chemicals	Water Treatment Facilities	Total		Amounts reported on the quarterly statements of income (note 2)
Sales					
Sales to outside customers	44,415	88,765	133,180	–	133,180
Inter-segment sales or transfers	247	136	384	(384)	–
Total	44,663	88,902	133,565	(384)	133,180
Segment income	5,953	6,433	12,386	(6)	12,380

Notes:

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

Supplementary Information — Consolidated

(1) Order Intake

(Million yen)

Business segment	Nine months ended December 31,			
	2013		2014	
	Amount	%	Amount	%
Water Treatment Chemicals	44,100	34.2	43,920	32.1
Water Treatment Facilities	84,832	65.8	93,081	67.9
Total	128,933	100.0	137,002	100.0

(2) Net Sales

(Million yen)

Business segment	Nine months ended December 31,			
	2013		2014	
	Amount	%	Amount	%
Water Treatment Chemicals	43,165	34.9	44,415	33.3
Water Treatment Facilities	80,637	65.1	88,765	66.7
Total	123,802	100.0	133,180	100.0

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

(Million yen)

Business segment	Nine months ended December 31,			
	2013		2014	
	Amount	%	Amount	%
Water Treatment Chemicals	1,192	36.6	904	19.0
Water Treatment Facilities	2,063	63.4	3,858	81.0
Total	3,255	100.0	4,762	100.0

(4) Depreciation (Property, Plant and Equipment)

(Million yen)

Business segment	Nine months ended December 31,			
	2013		2014	
	Amount	%	Amount	%
Water Treatment Chemicals	849	8.0	881	8.2
Water Treatment Facilities	9,809	92.0	9,880	91.8
Total	10,659	100.0	10,761	100.0