

FOR IMMEDIATE RELEASE

## **Kurita Water Industries Reports Earnings for the Six Months Ended September 30, 2014**

Tokyo, Japan, October 30, 2014—Kurita Water Industries Ltd. (TSE Securities Code 6370) announced net sales of 88,956 million yen and net income of 5,885 million yen, or 49.39 yen per share, for the six months ended September 30, 2014 (April 1, 2014 – September 30, 2014).

### **Results of Operations**

Total consolidated orders for the Kurita Group in the six months ended September 30, 2014 rose 8.1% from the level of the same period of the previous fiscal year, to 96,967 million yen, and net sales increased 7.5%, to 88,956 million yen. Operating income was 8,636 million yen, up 28.9% versus the same period of the previous fiscal year, and ordinary income was 9,191 million yen, up 28.4%. Net income amounted to 5,885 million yen, up 43.4%.

During the six months under review, the U.S. economy was solid, but the European economy saw a tardy recovery. Economies in Asia slowed but continued to expand. In Japan, there was weakness in part of the economy, including production in the manufacturing industry, due to the effect of a reaction to a spike in demand before the consumption tax hike, but capital expenditure rose on the back of an improvement in corporate earnings. The economy overall remained on a moderate recovery trend.

In this environment, the Kurita Group took steps to retain earnings strength and expand overseas operations, harnessing its combined strength in water treatment chemicals, water treatment facilities and maintenance services.

### **Segment Information**

#### **Water Treatment Chemicals**

Total Group orders for the Water Treatment Chemicals segment were 29,732 million yen, up 1.4% versus the same period of the fiscal year ended March 31, 2014, while sales rose 1.9% to 29,349 million yen. Operating income was down 7.5% to 4,100 million yen.

In Japan, although mainstay products—boiler water treatment chemicals, cooling water treatment chemicals, and wastewater 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, process treatment chemicals for the pulp and paper industries rose in orders and sales.

Overseas, orders for and sales of boiler water treatment chemicals, wastewater treatment chemicals, and process treatment chemicals for the petroleum refining and petrochemical industries, among other chemicals, increased due to the addition of new customers especially in Southeast Asia and China. In the overall segment, 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 67,235 million yen, up 11.3% versus the same period of the previous fiscal year, sales rose 10.5%, to 59,606 million yen, and operating income climbed 99.4%, to 4,539 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 the 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, South Korea, and Taiwan. Overall sales in the Water Treatment Facilities segment rose. Income in the segment increased significantly on increased sales and an improvement in the cost rate.

## **Financial Condition**

### **Assets, liabilities and net assets**

Current assets totaled 168,473 million yen at the end of the second quarter (September 30, 2014), an increase of 5,973 million yen versus the end of the previous fiscal year (March 31, 2014). This was mainly a result of increases of 2,593 million yen in cash and deposits, 3,000 million yen in marketable securities, and 1,848 million yen in work in process, which outweighed a decline of 1,494 million yen in trade accounts receivable.

The increase in cash and deposits and the decline in trade accounts receivable was the result of progress in collecting receivables. The 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 the water treatment facilities business.

Noncurrent assets totaled 110,494 million yen at the end of the first half (September 30, 2014), a decline of 1,931 million yen versus the end of the previous fiscal year. The decline was principally attributable to a 4,074 million yen decrease in property, plant and equipment, which was partly offset by a 2,184 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 36,669 million yen at the end of the period, a slight decline of 230 million yen versus the end of the previous fiscal year.

Noncurrent liabilities totaled 19,643 million yen at the end of the period, an increase of 771 million yen versus the end of the previous fiscal year. This was primarily attributable to a 980 million yen rise in net defined benefit liability associated with a change in the Accounting Standard for Retirement Benefits.

Net assets totaled 222,654 million yen at the end of the period, an increase of 3,501 million yen versus the end of the previous fiscal year. Shareholders' equity increased primarily due to an increase of 2,741 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 5,885 million yen exceeding a year-end dividend for the previous fiscal year of 2,621 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 1,629 million yen, chiefly reflecting an increase in unrealized gains on available-for-sale securities associated with a rise in unrealized gains from investment securities.

#### Cash flows

Consolidated net cash and cash equivalents at the end of the first half of the fiscal year (September 30, 2014) stood at 28,545 million yen, a decrease of 12,483 million yen from the end of the previous fiscal year (March 31, 2014). Cash flows in each category and their main factors are outlined below.

#### *Cash flows from operating activities*

Net cash provided by operating activities during the first half of the fiscal year ending March 31, 2015, totaled 12,524 million yen, a decrease of 1,908 million yen from a year ago. Inflows from income before income taxes and minority interests (9,191 million yen), depreciation and amortization (7,375 million yen), and a decrease in trade notes and accounts receivable (1,575 million yen) were partially offset by income taxes paid (2,550 million yen), an increase in inventories (2,003 million yen), and other outflows (1,101 million yen).

#### *Cash flows from investing activities*

Net cash used in investing activities stood at 21,492 million yen, an increase of 3,917 million yen from a year earlier, primarily reflecting net deposits into time deposit accounts of 16,068 million yen, net payments for the purchase of marketable securities (after the deduction of proceeds from sale and redemption of marketable securities) of 2,000 million yen, and payments for the purchase of property, plant and equipment, including capital expenditures for ultrapure water supply business, of 3,216 million yen.

#### *Cash flows from financing activities*

Net cash used in financing activities came to 3,368 million yen, an increase of 548 million yen from a year earlier, attributable mainly to cash dividends paid of 2,686 million yen and the purchase of shares of subsidiaries without change in the scope of consolidation of 815 million yen.

### **Outlook for the Fiscal Year Ending March 31, 2015**

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 of BKG and its affiliates. However, because it is difficult to reasonably estimate the effect of the acquisition on consolidated results now, the Company has not changed its full-year consolidated earnings forecast published on April 30, 2014. When the effect of the acquisition becomes clear, the Company will communicate it immediately.

This outlook is produced by the Company based on information available at the time of publication of this document. Actual results may differ significantly from the outlook due to change in a range of factors.

## Other Information

- (1) 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.

- (2) Changes in accounting principles and changes or restatement of accounting estimates

### Accounting standard for retirement benefits

From the three months ended June 30, 2014, the provisions set forth in the text of Paragraph 35 of the Accounting Standard for Retirement Benefits (ASBJ Statement No. 26 on May 17, 2012) and of Paragraph 67 of the Guideline on Accounting Standard for Retirement Benefits (ASBJ Guideline No. 25 on May 17, 2012) have been applied, and the method for calculating retirement benefit obligations and service costs has been changed. The method for determining discount rates has been changed from determining the duration of bonds, which is the basis of a discount rate, based on a number of years close to the employees' average remaining service years to using discount rates set for each estimated timing of benefit payments.

As the application of the Accounting Standard for Retirement Benefits follows the transitional treatment as provided for in Paragraph 37 of the Accounting Standard for Retirement Benefits, we have made an adjustment for the amount affected by the change in the method for calculating retirement benefit obligations and service costs to retained earnings at the beginning of the first half under review.

As a result, net defined benefit liability rose 779 million yen, and retained earnings fell 501 million yen at the beginning of the first half. The effect of the change in accounting policy is minor.

### Accounting standard for business combinations etc.

From the beginning of a fiscal year starting on or after April 1, 2014, the adoption of the Accounting Standard for Business Combinations (ASBJ Statement No. 21 on September 13, 2013), the Accounting Standard for Consolidated Financial Statements (ASBJ Statement No. 22 on September 13, 2013), and the Accounting Standard for Business Divestitures (ASBJ Statement No. 7 on September 13, 2013) is permitted and from the three months ended June 30, 2014, the Company is applying these accounting standards (except for the provisions set forth in Paragraph 39 of the Accounting Standard for Consolidated Financial Statements). Under these accounting standards, the Company has adopted the method of posting the results of changes in its equity in its subsidiaries that it controls in capital surplus and posting acquisition-related costs as expenses in the fiscal year when the acquisition occurs. For business combinations to be carried out on and after April 1, 2014, the Company has adopted the method of reflecting a revision to the allocation of the acquisition cost on the completion of provisional accounting treatment in consolidated financial statements for the consolidated quarter to which the date of the business combination belongs.

The application of the Accounting Standard for Business Combinations etc. follows the transitional treatment as provided for in Paragraph 58-2 (4) of the Accounting Standard for Business Combinations, Paragraph 44-5 (4) of the Accounting Standard for Consolidated Financial Statements, and Paragraph 57-4 (4) of the Accounting Standard for Business Divestitures, and the accounting standards are being applied from the

beginning of the first three months ended June 30, 2014.

The effect of the application of the accounting standards on earnings in the first half under review and capital surplus at the end of the first half is minor.

## Financial Statements — Consolidated

### Balance Sheet — Consolidated

	As of March 31, 2014 Amount	(Million yen) As of September 30, 2014 Amount
<b>Assets</b>		
<b>Current assets</b>		
Cash and deposits	47,336	49,929
Notes receivable - trade	7,287	6,863
Accounts receivable - trade	50,503	49,009
Marketable securities	47,999	50,999
Finished products	1,788	1,786
Work in process	2,568	4,416
Raw materials and supplies	1,455	1,547
Other	3,745	4,058
Allowance for doubtful accounts	(184)	(137)
Total current assets	162,500	168,473
<b>Noncurrent assets</b>		
Property, plant and equipment		
Buildings (net)	20,795	19,193
Machinery and equipment (net)	32,765	30,389
Other (net)	24,294	24,198
Total property, plant and equipment	77,855	73,781
Intangible fixed assets	1,578	1,538
Investments and other assets		
Other	33,401	35,568
Allowance for doubtful accounts	(409)	(393)
Total investments and other assets	32,991	35,175
Total noncurrent assets	112,425	110,494
Total assets	274,925	278,968
<b>Liabilities</b>		
<b>Current liabilities</b>		
Notes payable – trade	1,860	1,698
Accounts payable - trade	17,027	16,971
Income taxes payable	2,535	3,308
Provision for bonuses	2,246	2,629
Other provision	2,309	1,979
Other	10,920	10,083
Total current liabilities	36,899	36,669
<b>Noncurrent liabilities</b>		
Net defined benefit liability	11,363	12,343
Provision	98	71
Other	7,411	7,229
Total noncurrent liabilities	18,872	19,643
Total liabilities	55,772	56,313

	As of March 31, 2014 Amount	(Million yen) As of September 30, 2014 Amount
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Common stock	13,450	13,450
Capital surplus	11,426	10,980
Retained earnings	185,159	187,900
Treasury stock	(2)	(4)
Total shareholders' equity	210,034	212,327
<b>Accumulated other comprehensive income</b>		
Unrealized gains on available-for-sale securities	7,862	9,839
Unrealized gains (losses) on revaluation of land	(564)	(564)
Foreign currency translation adjustments	384	25
Remeasurements of defined benefit plans	(25)	(12)
Total accumulated other comprehensive income	7,657	9,286
<b>Minority interests</b>		
Total net assets	219,153	222,654
Total liabilities and net assets	274,925	278,968

## Statements of Income and Comprehensive Income — Consolidated

### Statement of Income

	(Million yen)	
	Six months ended September 30, 2013	Six months ended September 30, 2014
	Amount	Amount
Net sales	82,772	88,956
Cost of sales	56,025	60,511
Gross profit	26,747	28,444
Selling, general and administrative expenses		
Directors' and corporate auditors' compensations, salaries and allowances	7,101	7,223
Provision for bonuses	1,544	1,457
Research and development expenses	2,204	2,141
Other	9,193	8,985
Total Selling, general and administrative expenses	20,044	19,808
Operating income	6,702	8,636
Non-operating income		
Interest income	84	79
Dividend income	169	194
Equity in earnings of unconsolidated subsidiaries and affiliates	107	139
Other	164	260
Total non-operating income	526	674
Non-operating expenses		
Interest expense	31	33
Loss on disposal of noncurrent assets	9	29
Other	30	55
Total non-operating expenses	70	119
Ordinary income	7,158	9,191
Extraordinary losses		
Contribution	500	—
Total extraordinary losses	500	—
Income before income taxes and minority interests	6,658	9,191
Income taxes	2,536	3,312
Income before minority interests	4,121	5,879
Minority interests in earnings (losses) of consolidated subsidiaries	16	(5)
Net income	4,104	5,885

## Statement of Comprehensive Income

	(Million yen)	
	Six months ended September 30, 2013	Six months ended September 30, 2014
	Amount	Amount
Income before minority interests	4,121	5,879
Other comprehensive income		
Unrealized gains on available-for-sale securities	2,593	1,974
Foreign currency translation adjustments	1,132	(397)
Remeasurements of defined benefit plans	–	12
Share of other comprehensive income of associates accounted for using equity method	54	5
Total other comprehensive income	3,781	1,595
Comprehensive income	7,902	7,475
Components:		
Comprehensive income attributable to owners of the parent company	7,818	7,515
Comprehensive income attributable to minority interests	84	(40)

## Statement of Cash Flows — Consolidated

	(Million yen)	
	Six months ended September 30, 2013	Six months ended September 30, 2014
	Amount	Amount
<b>Cash flows from operating activities</b>		
Income before income taxes and minority interests	6,658	9,191
Depreciation and amortization	7,364	7,375
Increase (decrease) in provision	1,215	(21)
(Increase) decrease in notes and accounts receivable - trade	7,699	1,575
(Increase) decrease in inventories	(2,395)	(2,003)
Increase (decrease) in notes and accounts payable - trade	(2,474)	(171)
Increase (decrease) in net defined benefit liability	-	230
Income taxes paid	(2,735)	(2,550)
Other	(898)	(1,101)
<b>Net cash provided by (used in) operating activities</b>	<b>14,432</b>	<b>12,524</b>
<b>Cash flows from investing activities</b>		
Deposits into time deposit accounts	(10,606)	(26,587)
Withdrawals from time deposits	6,348	10,519
Payments for purchases of marketable securities	(52,000)	(44,000)
Proceeds from sale and redemption of marketable securities	42,000	42,000
Payments for purchases of property, plant and equipment	(3,152)	(3,216)
Proceeds from sale of property, plant and equipment	5	23
Payments for purchases of investment securities	(6)	(5)
Other payments	(333)	(345)
Other proceeds	169	118
<b>Net cash provided by (used in) investing activities</b>	<b>(17,575)</b>	<b>(21,492)</b>
<b>Cash flows from financing activities</b>		
Net increase (decrease) in short-term borrowings	(2)	330
Proceeds from long-term loans payable	-	48
Repayment of finance lease obligations	(301)	(295)
Purchase of treasury stock	(0)	(1)
Proceeds from share issuance to minority shareholders	-	51
Cash dividends paid	(2,500)	(2,623)
Cash dividends paid to minority shareholders	(13)	(63)
Purchase of shares of subsidiaries without change in scope of consolidation	-	(815)
<b>Net cash provided by (used in) financing activities</b>	<b>(2,820)</b>	<b>(3,368)</b>
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<b>435</b>	<b>(147)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(5,528)</b>	<b>(12,483)</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>33,313</b>	<b>41,028</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>27,784</b>	<b>28,545</b>

## Notes to Consolidated Financial Statements

(Notes on the Going-concern Assumption)

Six months ended September 30, 2014 (April 1, 2014 – September 30, 2014)

Not applicable

(Notes on Significant Changes in Shareholders' Equity)

Six months ended September 30, 2014 (April 1, 2014 – September 30, 2014)

Not applicable

(Segment Information)

1. Sales and income by reportable segment

Six months ended September 30, 2013 (April 1, 2013 – September 30, 2013)

	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	28,806	53,965	82,772	–	82,772
Inter-segment sales or transfers	122	114	237	(237)	–
Total	28,929	54,080	83,009	(237)	82,772
Segment income	4,433	2,276	6,710	(7)	6,702

Six months ended September 30, 2014 (April 1, 2014 – September 30, 2014)

	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	29,349	59,606	88,956	–	88,956
Inter-segment sales or transfers	134	105	239	(239)	–
Total	29,483	59,712	89,195	(239)	88,956
Segment income	4,100	4,539	8,640	(3)	8,636

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.

## **Material subsequent event**

### 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  
(Currently Blitz F14-246 GmbH; the consolidated subsidiary has applied for registration of a change in its business name to the above)
- (2) Address: Industriering 43, 41751 Viersen, Germany
- (3) Representative: Koichi Iioka

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

- (1) Name: BK Giulini GmbH
- (2) Address: Giulinistraße 2, 67065 Ludwigshafen/Rhein, Germany
- (3) Representative: Eli Glazer
- (4) Paid-in capital: EUR 16 million euros (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 expected to be closed by the end of 2014 through the official approvals of the authorities, including antitrust reviews.
- (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.

## Supplementary Information — Consolidated

### (1) Order Intake

(Million yen)

Business segment	Six months ended September 30,			
	2013		2014	
	Amount	%	Amount	%
Water Treatment Chemicals	29,327	32.7	29,732	30.7
Water Treatment Facilities	60,411	67.3	67,235	69.3
Total	89,739	100.0	96,967	100.0

### (2) Net Sales

(Million yen)

Business segment	Six months ended September 30,			
	2013		2014	
	Amount	%	Amount	%
Water Treatment Chemicals	28,806	34.8	29,349	33.0
Water Treatment Facilities	53,965	65.2	59,606	67.0
Total	82,772	100.0	88,956	100.0

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

(Million yen)

Business segment	Six months ended September 30,			
	2013		2014	
	Amount	%	Amount	%
Water Treatment Chemicals	816	41.2	690	21.9
Water Treatment Facilities	1,166	58.8	2,456	78.1
Total	1,982	100.0	3,146	100.0

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

(Million yen)

Business segment	Six months ended September 30,			
	2013		2014	
	Amount	%	Amount	%
Water Treatment Chemicals	549	7.8	580	8.1
Water Treatment Facilities	6,534	92.2	6,549	91.9
Total	7,083	100.0	7,129	100.0