

# Kurita Water Industries Ltd.

## Presentation on Financial Results for the Fiscal Year Ended March 31, 2004

May 14, 2004



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## Business Performance for the Year Ended March 31, 2004

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### Business Developments

#### Expanding the scope of Kurita's business through the development of a new business model

- Established the Eco-Solution Group to strengthen our solutions business
- Commenced the ultrapure water supply business in the Japanese market
- Established two new subsidiaries: Kurita Analysis Service Co. Ltd. and Kuritec Service Co. Ltd.

#### Overseas business expansion

- Acquired the petroleum processing chemicals business from PITCO of Belgium
- Established the China Project Team with the aim of expanding our water treatment chemicals business in China
- Established a water treatment facilities manufacturing plant in China and a sales office in Taiwan

#### Entry into new business

- Participation in Japan's government-mandated fuel cell project

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## Operating Performance Highlights

Fiscal years ended March 31

(Billions of yen)

	2003 (Actual)	2004 (Projected)	2004 (Actual)	Change versus projected		Change versus previous year	
				Amount	Percentage	Amount	Percentage
Orders	128.4	149.8	149.7	-0.1	-0.0%	+21.3	+16.6%
Net sales	141.6	147.5	146.8	-0.7	-0.5%	+5.2	+3.7%
Operating income	12.3	13.0	13.5	+0.5	+3.8%	+1.2	+9.6%
Ordinary income ( <i>keijo rieki</i> )	12.4	13.3	13.9	+0.6	+4.8%	+1.5	+12.4%
Net income	5.5	7.7	8.4	+0.7	+9.7%	+3.0	+54.2%

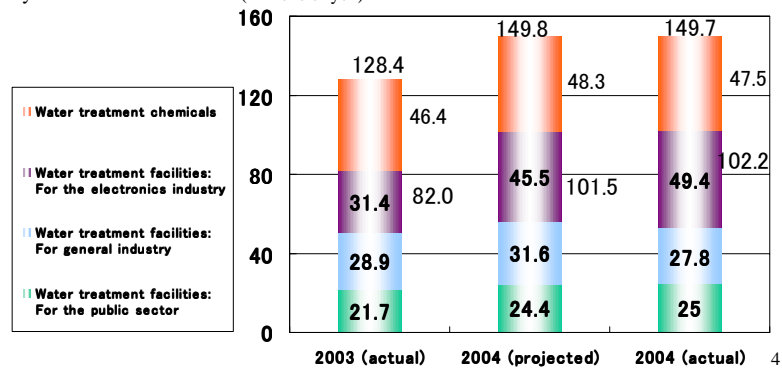
- Growth in water treatment facilities for the electronics industry helped to offset falls in other sectors, leading to orders and net sales on par with projected levels
- Gross profit margin exceeded projections and selling, general and administrative (SG&A) expenses fell, leading to higher operating income than projected
- A gain on sale of marketable securities led to higher net income than projected

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## Orders

- Orders of water treatment facilities for the electronics industry were ahead of projections, mainly owing to robust plant and equipment investment activity in Japan
- Orders of water treatment facilities for general industry were lower compared with the previous period, largely as a result of sluggish plant and equipment investment in Japan
- Within water treatment facilities for the public sector, orders of human waste treatment facilities were strong

Fiscal years ended March 31 (Billions of yen)

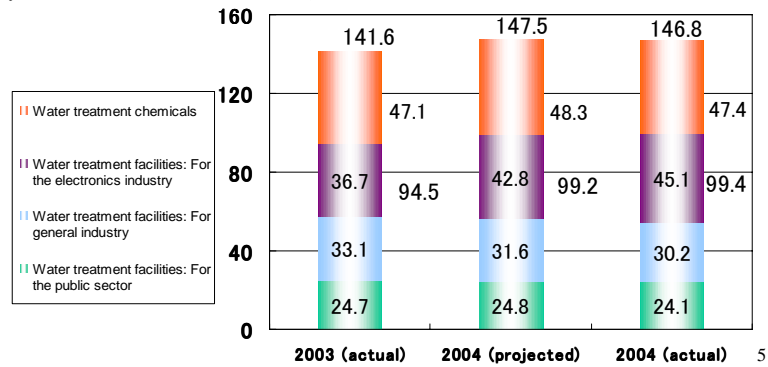


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## Net Sales

- In the water treatment chemicals business, management services related to water treatment and incinerator chemicals grew; however, the segment's overall results fell short of projections
- Water treatment facilities for the electronics industry grew strongly in the Japanese market, offsetting falls in other sectors

Fiscal years ended March 31 (Billions of yen)



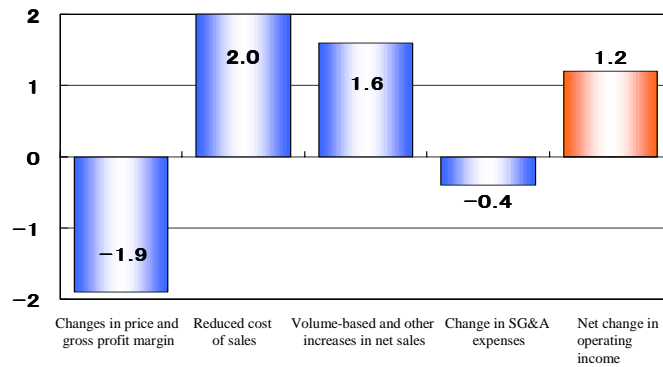
## Analysis of Change in Operating Income

Fiscal years ended March 31

(Billions of yen)

	2003 (Actual)	2004 (Actual)	Amount change	Percentage change
Operating income	12.3	13.5	+1.2	+9.6%

(Billions of yen)



## Analysis of Change in Ordinary and Net Income

Fiscal years ended March 31 (Billions of yen)

	2003 (Actual)	2004 (Actual)	Amount change	Percentage change
Ordinary income ( <i>keijo rieki</i> )	12.4	13.9	+1.5	+12.4%

Main items included in ¥450 million in non-operating income:

- Interest and dividend income of ¥400 million and equity in earnings of unconsolidated subsidiaries and affiliates of ¥200 million
- Foreign exchange losses of ¥150 million

(Billions of yen)

	2003 (Actual)	2004 (Actual)	Amount change	Percentage change
Net income	5.5	8.4	+3.0	+54.2%

Main items included in ¥1.0 billion in special income, net:

- Gain on sale of investment in securities of ¥1.5 billion
- Loss on write-down of fixed assets of ¥0.5 billion

Note: In the fiscal year ended March 31, 2003, special loss principally comprised amortization of unrecognized effect of change in accounting for employees' retirement benefit of ¥1.2 billion and loss on write-down of investment in securities of ¥800 million

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## Financial Position

As of March 31 (Billions of yen)

	2003	2004	Amount change
Total current assets	107.2	118.9	+11.7
Total fixed assets	66.5	64.7	-1.8
Total assets	173.7	183.6	+9.9
Total liabilities	51.8	53.9	+2.1
Total shareholders' equity	121.0	128.7	+7.7

- The increase in total current assets was mainly attributable to a ¥7.0 billion rise in trade receivables, owing to robust sales toward the end of the period and the redemption of marketable securities
- Investments and long-term receivables fell as a result of the shift of ¥6.7 billion in investment in securities to marketable securities, which is part of current assets
- Assets related to the ultrapure water supply business increased despite a decline in total fixed assets

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## Cash Flow

Fiscal years ended March 31

(Billions of yen)

	2003	2004	Amount change
Net cash provided by operating activities	10.4	5.6	-4.8
Net cash used in investing activities	-7.0	-0.1	+6.9
Net cash used in financing activities	-6.3	-1.7	+4.6
Change in cash and cash equivalents	-2.9	3.6	+6.5
Cash and cash equivalents at beginning of year	33.0	31.5	-1.5
Cash and cash equivalents at end of year	31.5	35.1	+3.6

- Net income rose, but this was offset by an increase in trade receivables and an increase in income tax paid, leading to lower net cash provided by operations
- Despite higher payments for property, plant and equipment related to the ultrapure water supply business, net proceeds from sales of marketable securities and investment in securities led to significantly reduced net cash used in investing activities
- Net cash used in financing activities fell, mainly owing to the absence of payments for purchase of treasury stock, net, which had been present in the previous period

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## Summary of Business Performance

- The water treatment chemicals business only achieved modest growth in a challenging business environment. Results were bolstered, however, by a shift to high-margin products and growth in incinerator chemicals. We also strengthened our solutions business
- In the area of water treatment facilities for the electronics industry, growth was underpinned by brisk plant and equipment investment activity and high capacity utilization among our customers. Facilities, maintenance services and tool cleaning services all grew
- In the area of water treatment facilities for general industry, sluggish domestic plant and equipment investment activity constrained our performance, but our new Eco-Solution Group actively promoted solutions-based businesses
- In the area of water treatment facilities for the public sector, orders were steady
- The development of overseas business is expected to contribute to results from the next period

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A blue-themed background with a gradient from light to dark blue. In the lower center, there are two clear glass spheres resting on a reflective surface, with their reflections visible below them. The text "Business Plan for the Year Ending March 31, 2005" is centered in the upper half of the image.

## Business Plan for the Year Ending March 31, 2005

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### Assumptions of the Business Plan

#### Market Outlook

##### Water treatment chemicals

- Continuing strong demand for incinerator chemicals
- Japanese firms' investments in China are expected to continue
- Downward pressure on prices from domestic customers and intense competition are expected to continue

##### Water treatment facilities

- In the domestic electronics industry, we expect plant and equipment investment to remain robust overall, particularly in such areas as semiconductors and flat panel displays
- Continuing liquid crystal display (LCD)-related investment in South Korea and Taiwan, and increased semiconductor and electronic component-related investment in China
- In domestic general industry, needs are expected to grow in such areas as augmentation of capacity, reduction of running costs and reduction of environmental impact
- In soil remediation, needs are expected to increase in such areas as *in situ* remediation at plants in current operation
- Shrinking budgets in the public sector

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## Summary of the Business Plan

Fiscal years ended/ending March 31

(Billions of yen)

	2004 (Actual)	2005 (Projected)	Amount change	Percentage change
Orders	149.7	168.0	+18.3	+12.2%
Net sales	146.8	161.8	+15.0	+10.2%
Operating income	13.5	17.1	+3.6	+26.8%
Ordinary income ( <i>keijo rieki</i> )	13.9	17.4	+3.5	+24.8%
Net income	8.4	10.0	+1.6	+18.9%

Main strategies:

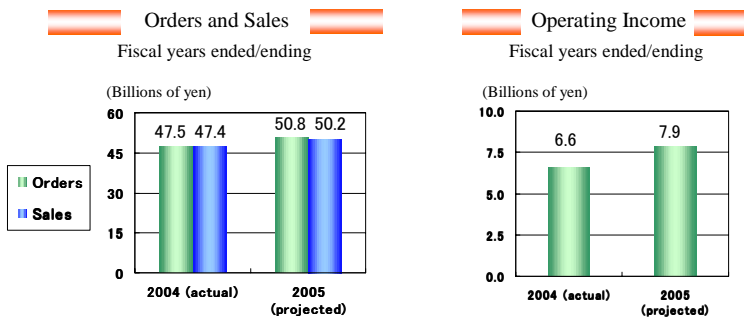
- Accelerate the pace of development of solutions-based businesses and other high-value-added businesses
- Raise the profitability of the new business model and bolster new product development and the launch of new businesses
- Enhance profitability through cost reductions

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## Main Points of the Business Plan (1)

Water treatment chemicals

- Expansion of contract-based services and growth in incinerator chemicals and paper pulp process chemicals
- Bolster the Kurita Group marketing network
- Growth in the Chinese and European markets
- Enhance profitability by shifting to high-margin products



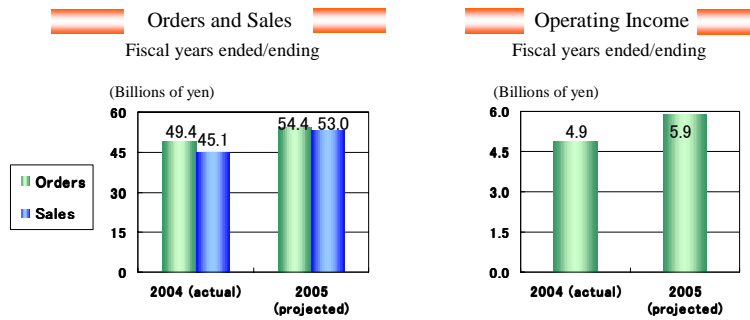
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## Main Points of the Business Plan (2)

Water treatment facilities for the electronics industry

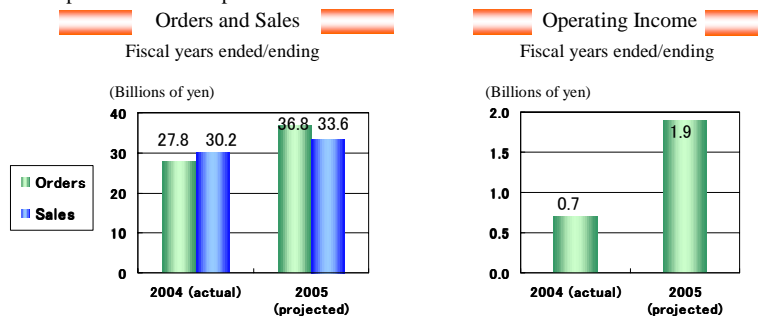
- Continued steady domestic demand focusing on flat panel display makers
- Steady demand in Asia from LCD makers
- More stable profitability through growth in the ultrapure water supply business
- Growth in the tool cleaning business



## Main Points of the Business Plan (3)

Water treatment facilities for general industry

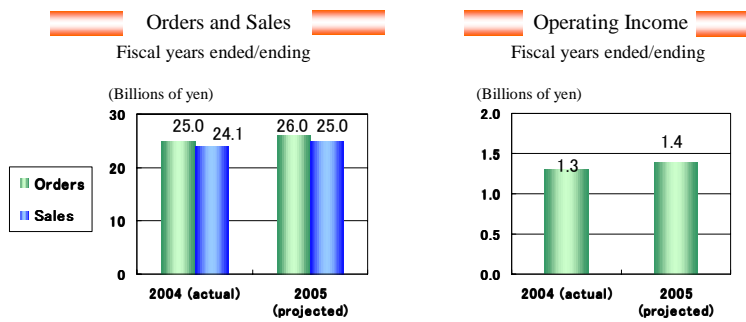
- Eco-Solution Group to contribute to business results by providing solutions in such areas as cost and environmental impact reduction for customers
- Orders from electric power plants to recover and orders from the food processing and pharmaceutical industries to increase
- Soil remediation orders to expand, thanks to an increase in demand for *in situ* remediation at plants in current operation



## Main Points of the Business Plan (4)

Water treatment facilities for the public sector

- Win projects for upgrading and renewal of human waste treatment facilities
- Gain orders for sludge reduction systems using ozone treatment
- Win orders for advanced water treatment systems using membrane filtration

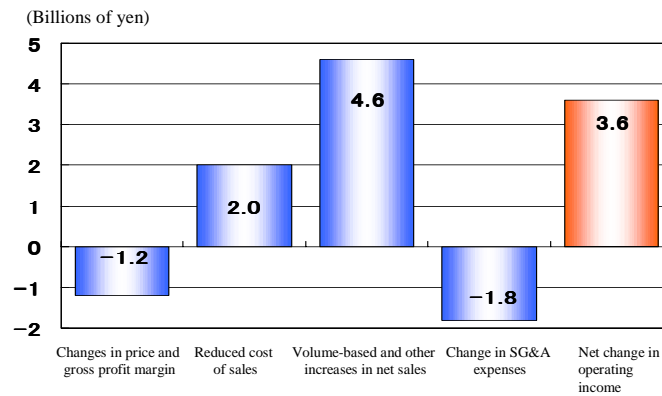


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## Analysis of Change in Operating Income Projected in the Business Plan

Fiscal years ended/ending March 31 (Billions of yen)

	2004 (Actual)	2005 (Projected)	Amount change	Percentage change
<b>Operating income</b>	13.5	17.1	+3.6	+26.8%



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## Capital Expenditures and R&D Expenses

Fiscal years ended/ending March 31 (Billions of yen)

	2004 (Actual)	2005 (Projected)	Amount change
Capital expenditures	8.3	4.2	-4.1
Depreciation	3.3	3.6	+0.3
Research and development (R&D) expenses	4.3	4.4	+0.1

- Investment in the ultrapure water supply business, which is included in capital expenditures, reached a cumulative total of approximately ¥10.0 billion in the fiscal year ended March 31, 2004
- Depreciation is increasing in tandem with rising capital expenditures
- We are striving for greater efficiency in our research and development expenses

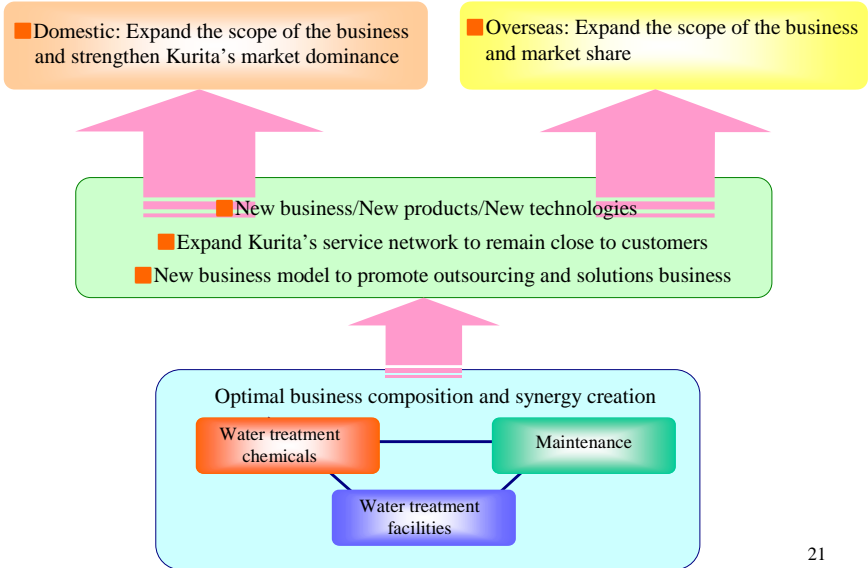
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## Progress of the Medium-Term Management Plan Powerful Advance 2005 (PA-5)



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## Strategy for Achieving the Goals of PA-5

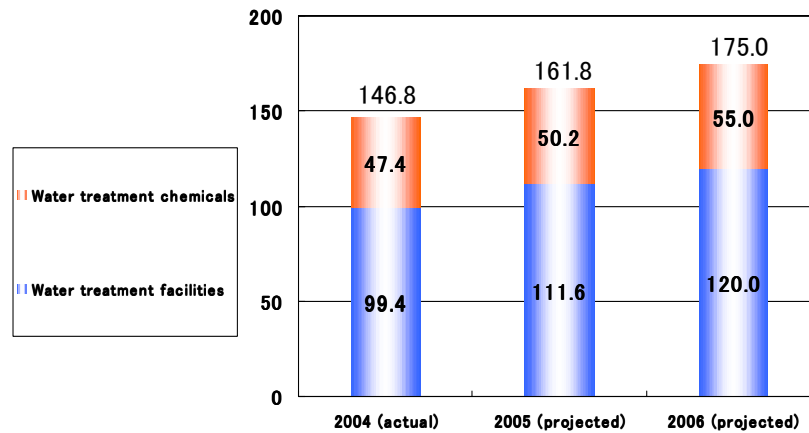


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## Sales by Segment

Fiscal years ended/ending March 31

(Billions of yen)



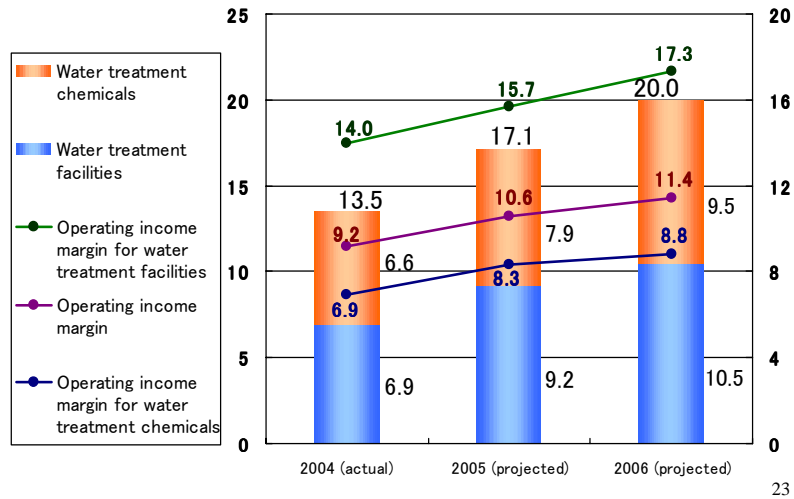
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## Operating Income by Segment

Fiscal years ended/ending March 31

(Billions of yen)

(%)



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#### **Forward-Looking Statements**

This presentation material contains forward-looking statements and business plan projections based on information available to management at the time of writing and judgments based on that information. Due to the existence of a variety of risk factors and uncertainties, these statements and projections may differ from actual results.

