

# Kurita Water Industries Ltd.

Results Presentation for Six Months Ended September 30, 2005

November 8, 2005

## Consolidated Financial Results for Six Months Ended September 30, 2005

Topics .....	1
Financial Highlights .....	2
Orders by Segment .....	3
Sales by Segment .....	4
Overseas Businesses .....	5
Operating Income .....	6
Capital Expenditures/Depreciation/R&D Expenses .....	7

## Consolidated Business Plan for Fiscal Year Ending March 31, 2006

Assumptions of the Business Plan .....	8
Overview of the Business Plan .....	9
Orders by Segment .....	10
Sales by Segment .....	11
Operating Income .....	12
Operating Income Margin by Segment .....	13
Comprehensive Solution Provision .....	14
Eco-Solution Group Services .....	15
Comprehensive Service Provision in China .....	16
Overseas Business .....	17
Ultrapure Water Supply Business Trends .....	18
Services in Facilities Segment Sales Trends .....	19
Capital Expenditures/Depreciation/R&D Expenses .....	20
Integration of R&D Operations .....	21
Dividend Policy .....	22

 **Consolidated Financial Results  
for Six Months Ended September 30, 2005**

## Sales

- Continuous efforts made to establish a network of sales agents

## Production

- Yamaguchi Plant converted to equipment manufacture (production begun in August)

## Development

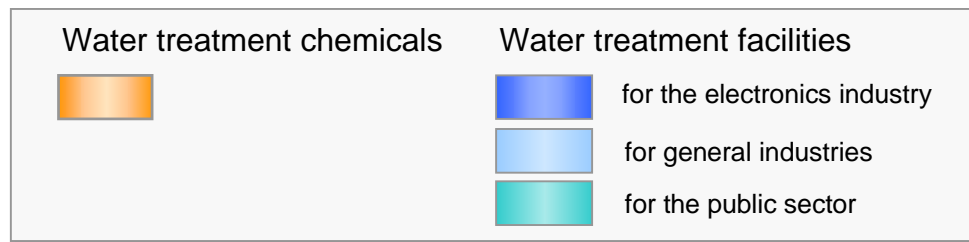
- Integration of research and development operations into Kurita Global Technology Center (the center was inaugurated on October 1)

( Six Months Ended September 30 )

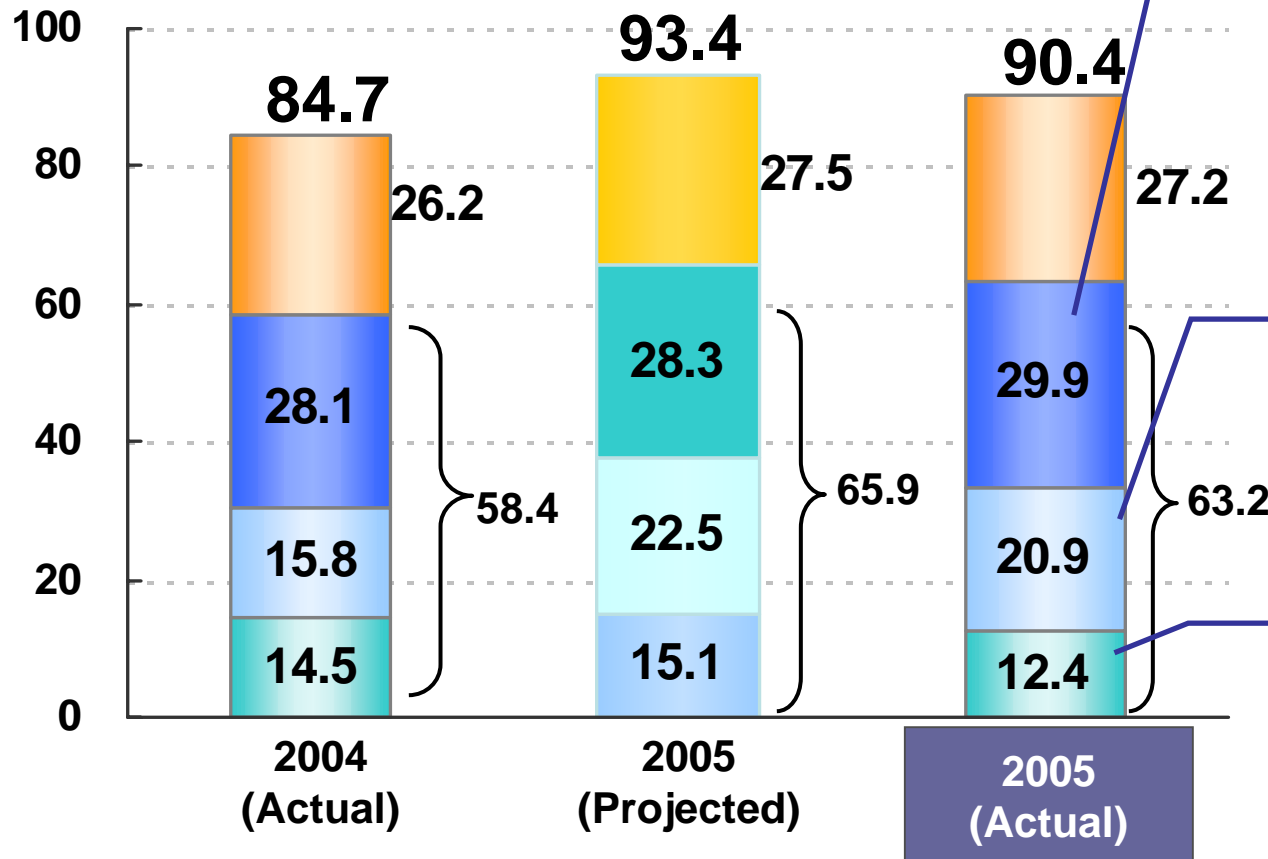
( Billions of yen )

	2004 (Actual)	2005 (Projected)	2005 (Actual)	Change versus projected		Year-on-year change	
				Amount	Percentage	Amount	Percentage
Orders	¥ 84.7	¥ 93.4	¥ 90.4	-3.0	-3.2%	+5.8	+6.8%
Net sales	71.2	73.0	72.5	-0.5	-0.7%	+1.3	+1.9%
Gross profit	23.1	23.8	22.0	-1.8	-7.4%	-1.1	-4.7%
SG&A expenses	16.7	17.6	17.2	-0.4	-2.1%	+0.5	+3.2%
Operating income	6.4	6.2	4.8	-1.4	-22.5%	-1.6	-25.3%
Non-operating income and expenses	0.3	0.3	0.7	+0.4	+120%	+0.3	+106%
Ordinary income	6.8	6.5	5.5	-1.0	-15.9%	-1.3	-19.1%
Extraordinary gains and losses	-	-	-0.2	-0.2	-	+0.2	-
Net income	3.8	3.7	2.9	-0.8	-22.8%	-0.1	-25.5%

( Six Months Ended September 30 )



(Billions of yen)



Factors behind increase in orders

- Liquid crystal display (LCD) components manufacturers

Factors behind decrease in orders

- Increase in demand for ultrapure water supply

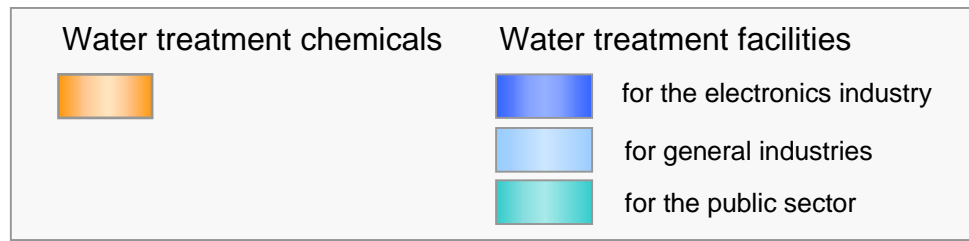
Factors behind increase in orders

- Bulk orders from steel industries
- Steady growth in the food industry
- Growth in the soil remediation business

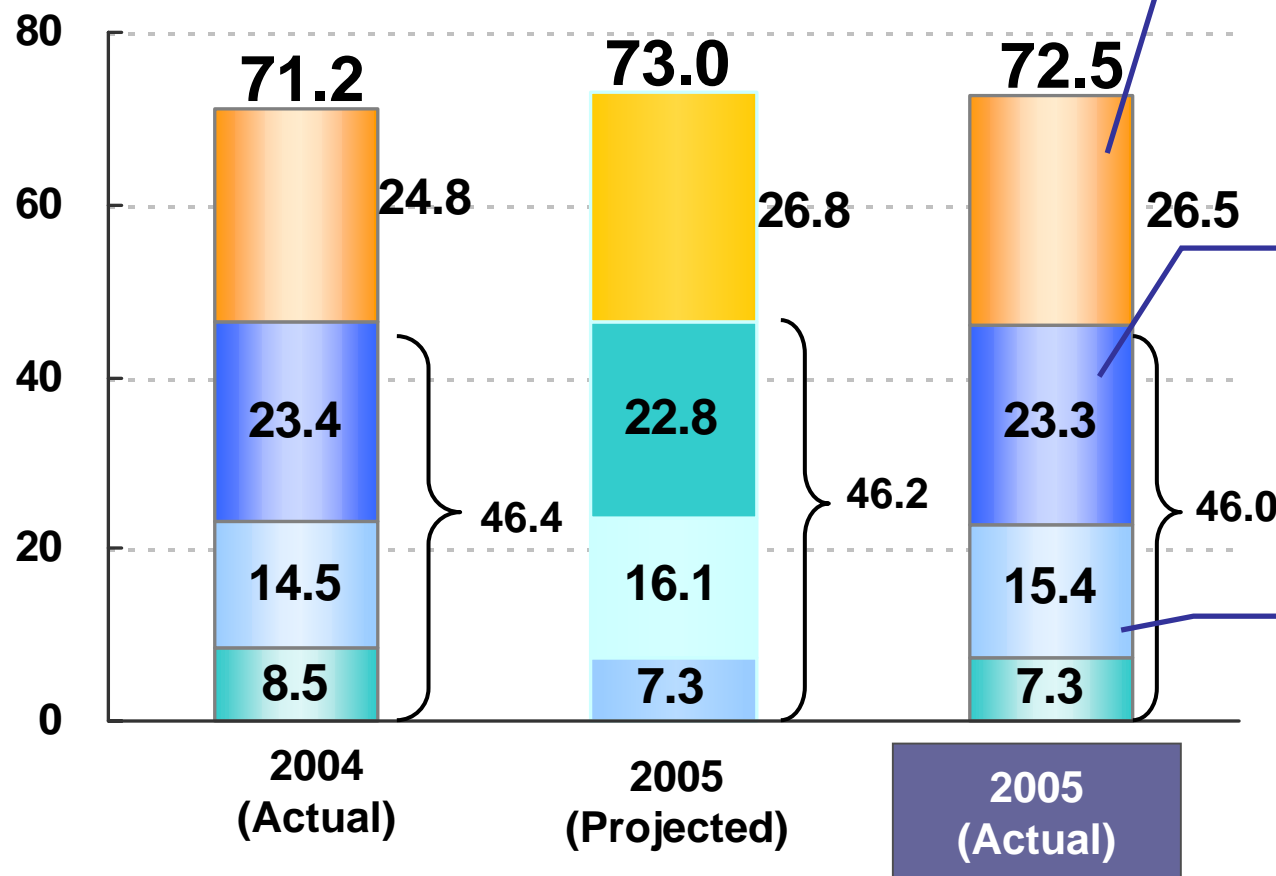
Factors behind decrease in orders

- Contraction of markets
- Severe competition

( Six Months Ended September 30 )



(Billions of yen)



Main areas with increasing sales

- Customized service
- Equipment
- Overseas subsidiaries

Main areas with increasing sales

- Ultrapure Water Supply Business
- Tool cleaning

Main areas with decreasing sales

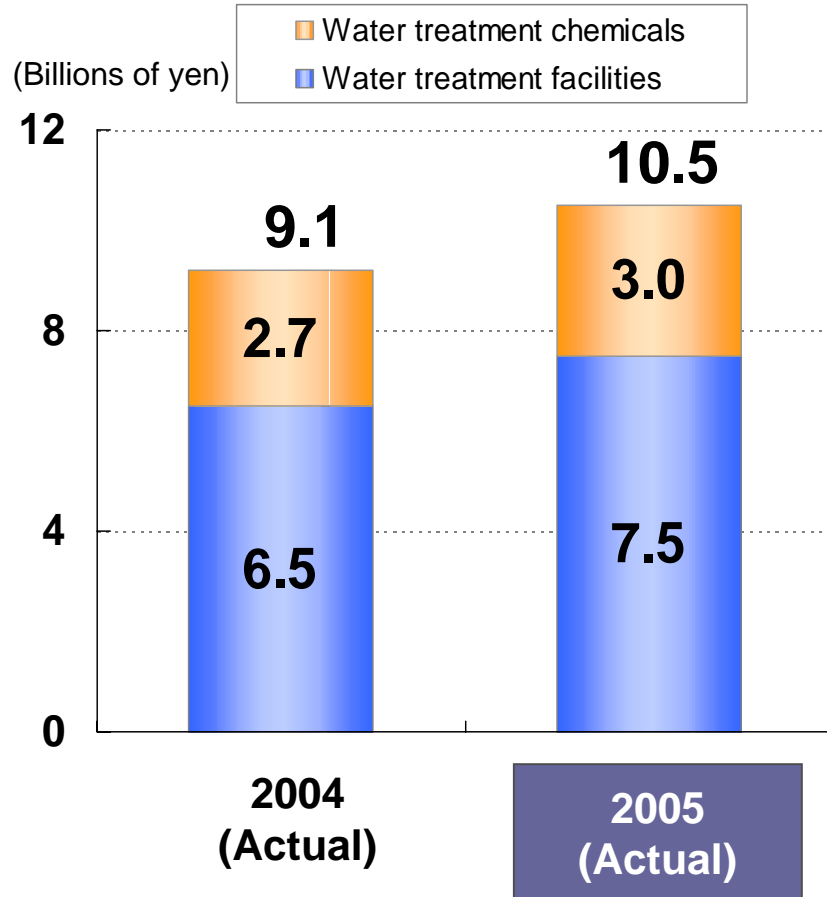
- Equipment for overseas

Main areas with increasing sales

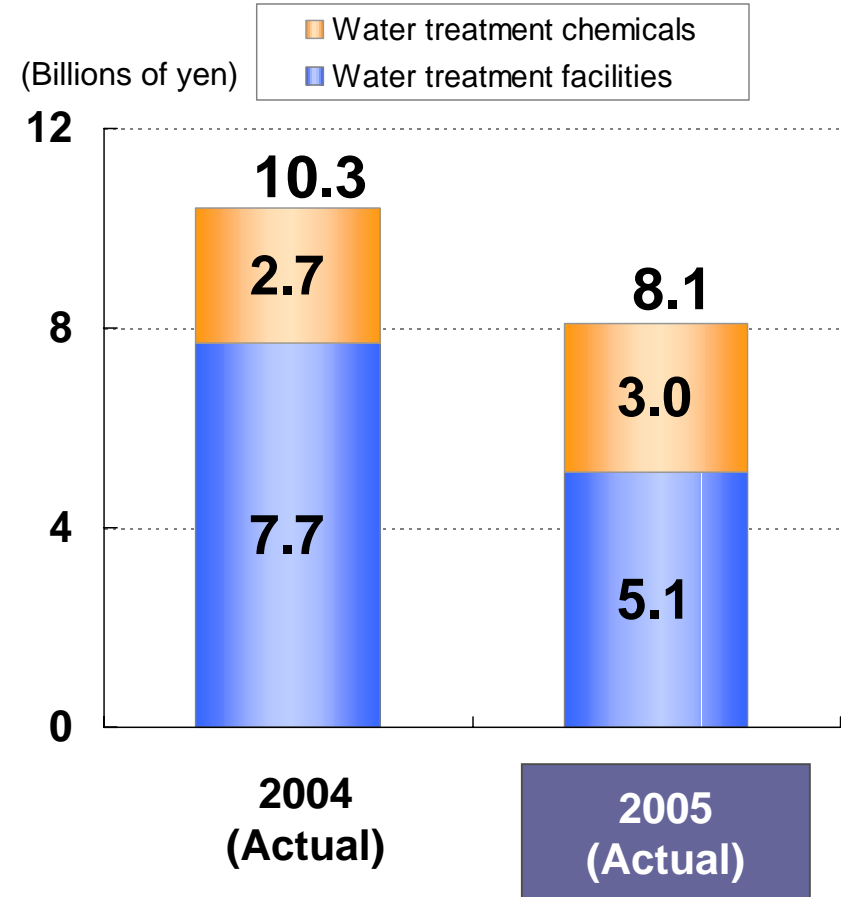
- Automobile
- Maintenance
- Soil remediation

( Six Months Ended September 30 )

## Overseas Orders

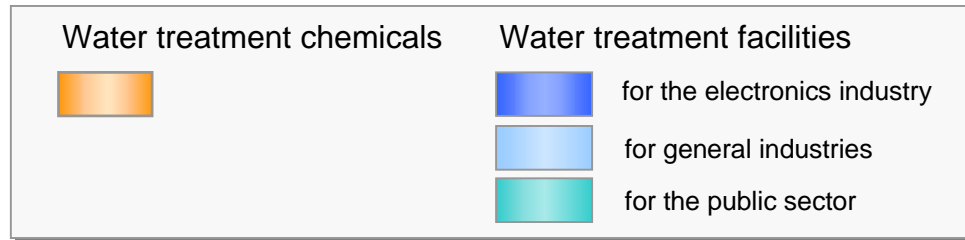


## Overseas Sales

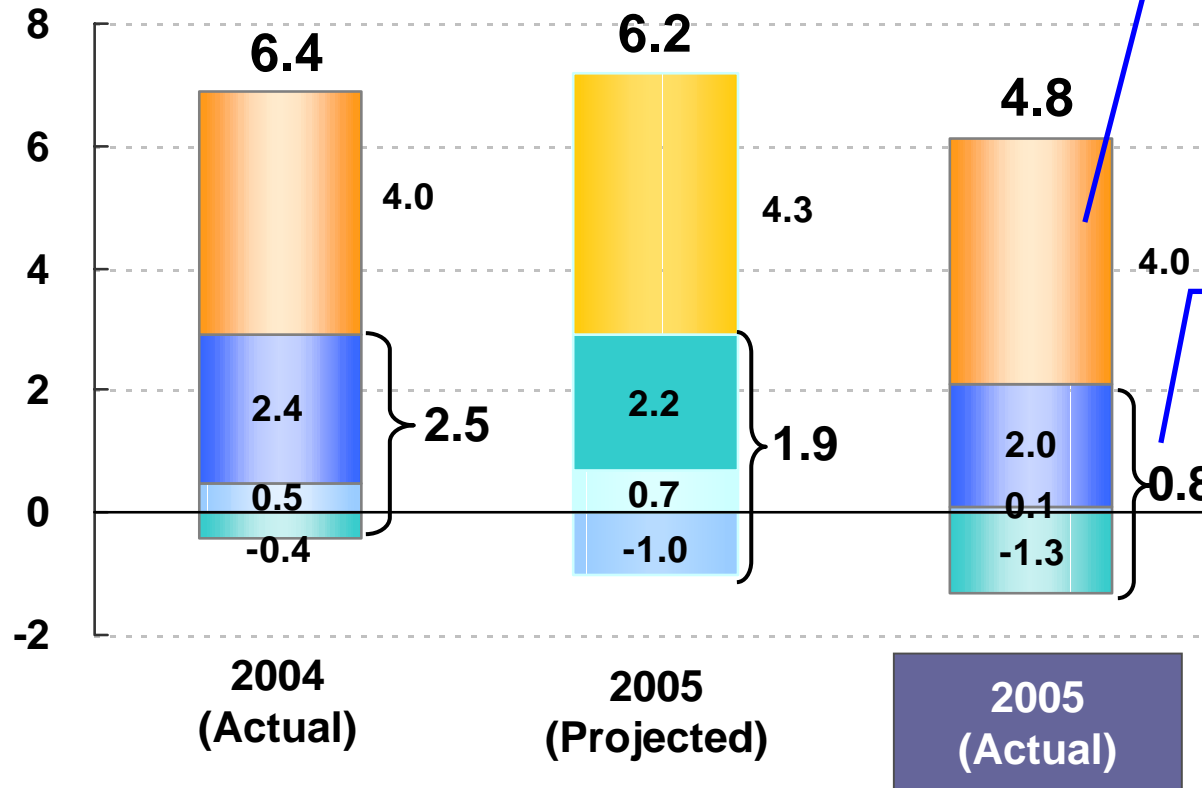




( Six Months Ended September 30 )



(Billions of yen)



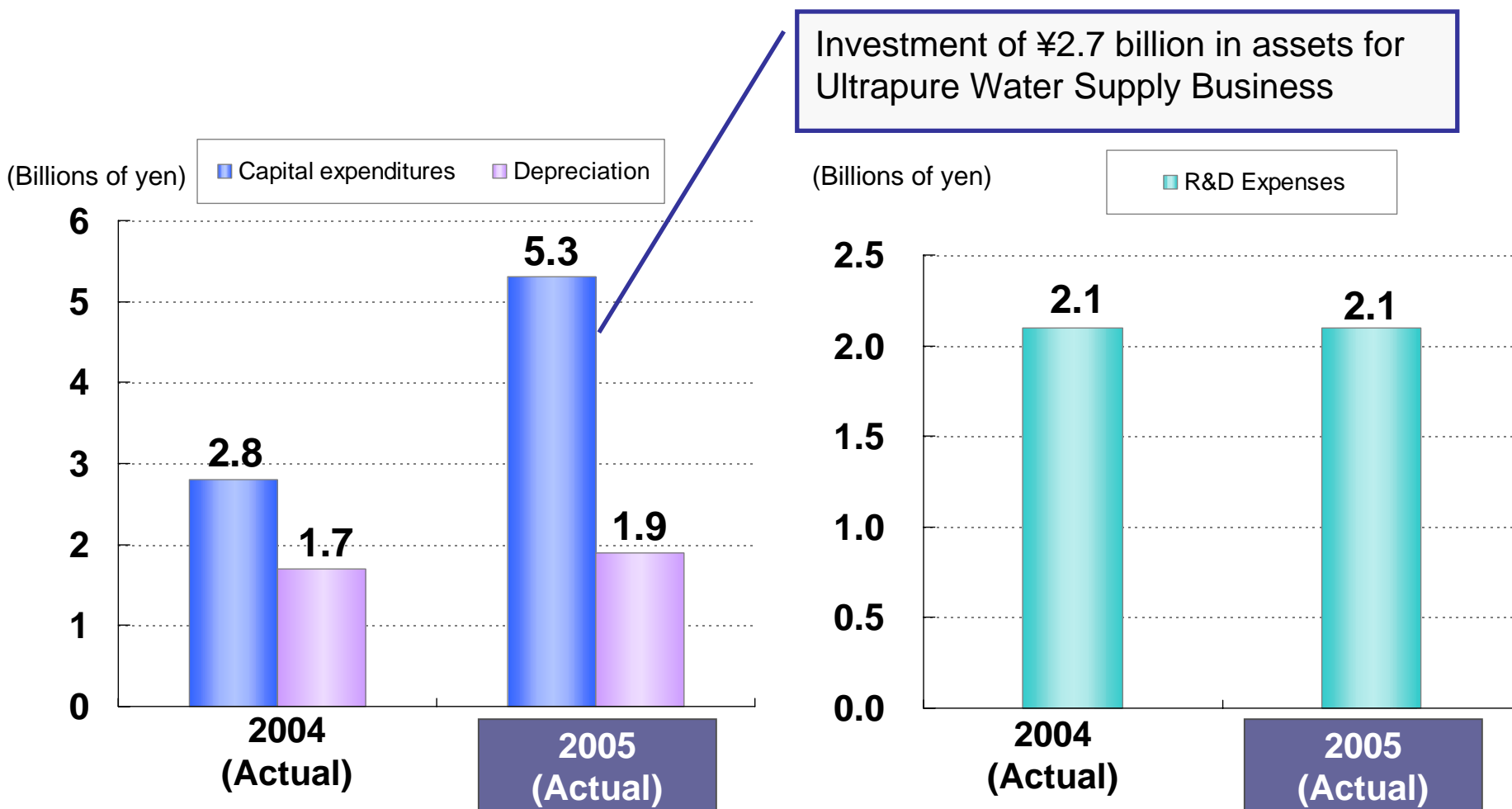
Factors behind plan shortfall

- Increase in cost of raw materials and distribution prices
- Non-performance of the sales plan

Factors behind plan shortfall

- Deterioration of profit margins due to severe competition
- Additional costs

( Six Months Ended September 30 )



Note: Capital expenditures and depreciation relate to tangible fixed assets.

 **Consolidated Business Plan  
for the Fiscal Year Ending March 31, 2006**

## Market Outlook

### Water Treatment Chemicals

- Continuous high operating rates for domestic petroleum and petrochemical plants
- Strong demand from clients for improving productivity and decreasing costs

### Water Treatment Facilities

- Stable small- and medium-sized investments from the domestic semiconductor industry and continuous investment by flat-panel display (FPD) components manufacturers
- Increased demand from the domestic steel and petrochemical industries for enhancing and replacing water treatment facilities
- Actualization of large projects in the soil remediation market
- Trend towards decline in the human waste treatment facilities and sewerage treatment facilities markets

### Both Chemicals and Facilities

- Increase in costs for raw materials and distribution due to dramatic increases in crude oil prices

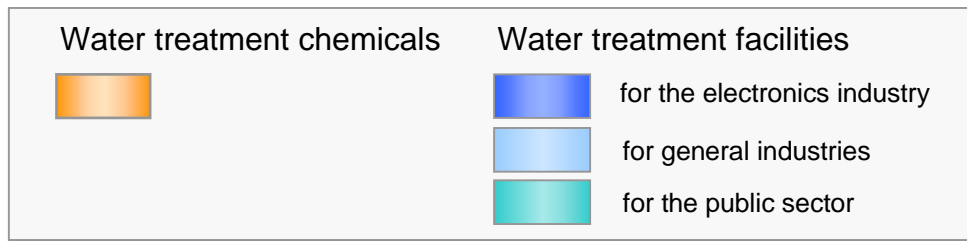
( Fiscal Years Ended or Ending March 31 )

(Billions of yen)

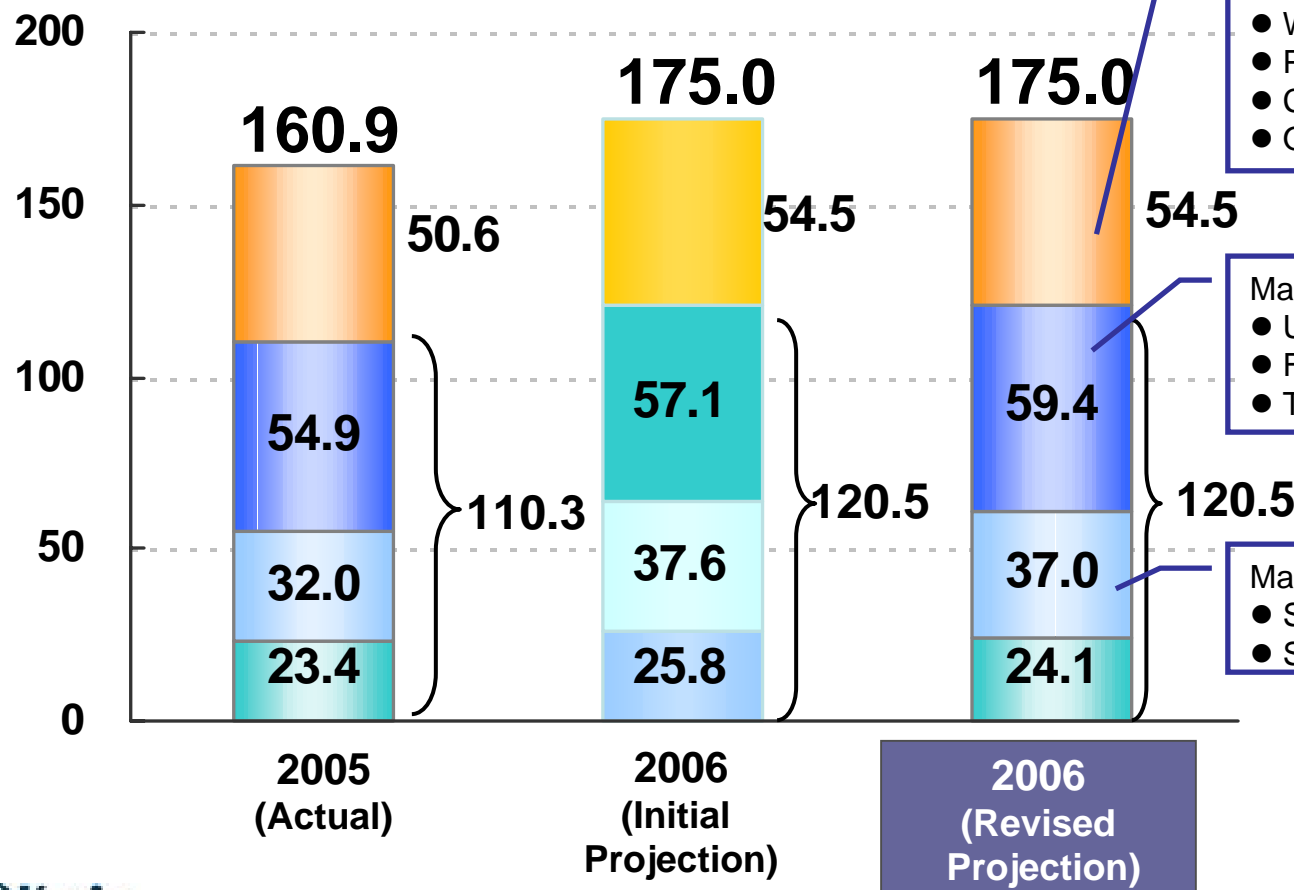
	2005 (Actual)	2006 (Initial Projection)	2006 (Revised Projection)	Change versus projected		Year-on-year change	
				Amount	Percentage	Amount	Percentage
Orders	¥ 171.3	¥ 185.0	¥ 186.5	+1.5	+0.8%	+15.2	+8.9%
Net sales	160.9	175.0	175.0	0	0.0%	+14.1	+8.8%
Gross profit	48.8	54.7	52.2	-2.5	-4.6%	+3.4	+6.9%
SG&A expenses	32.9	34.7	34.2	-0.5	-1.4%	+1.3	+4.1%
Operating income	16.0	20.0	18.0	-2.0	-10.0%	+2.0	+12.8%
Non-operating income and expenses	0.8	0.5	1.0	+0.5	+100%	+0.2	+29.4%
Ordinary income	16.7	20.5	19.0	-1.5	-7.3%	+2.3	+13.6%
Extraordinary gains and losses	-0.3	-	-0.2	-0.2	-	-0.1	-
Net income	9.4	11.5	10.8	-0.7	-6.1%	+1.4	+15.1%



( Fiscal Years Ended or Ending March 31 )



(Billions of yen)



Main areas for increasing sales

- Boiler water treatment
- Wastewater treatment
- Process treatment
- Customized services
- Overseas subsidiaries

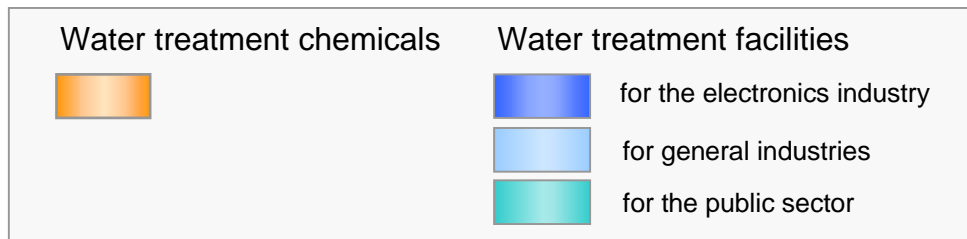
Main areas for increasing sales

- Ultrapure Water Supply Business
- FPD components
- Tool cleaning

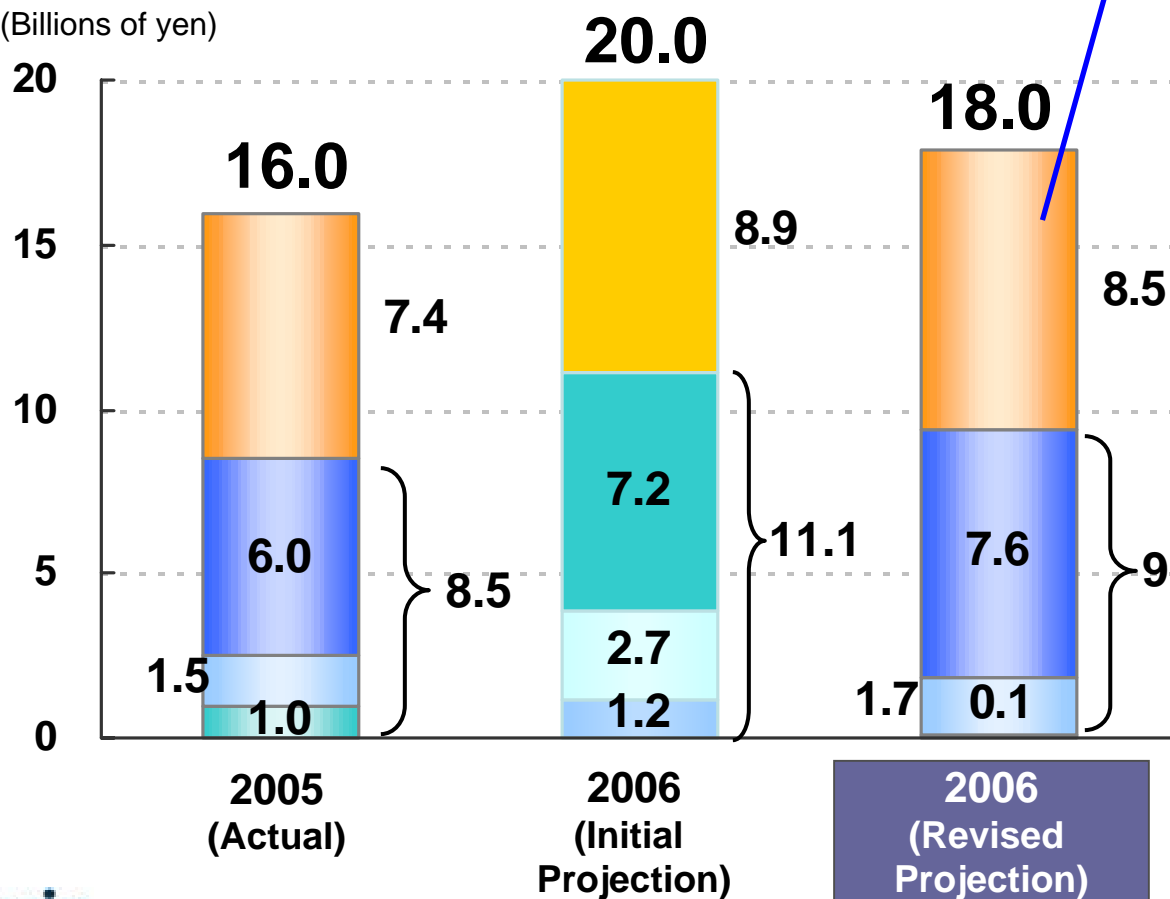
Main areas for increasing sales

- Steel
- Soil remediation

( Fiscal Years Ended or Ending March 31 )



(Billions of yen)



Factors behind plan revision

- Increase in costs for raw materials and distribution
- Non-performance during first half of the business plan

Factors behind plan revision

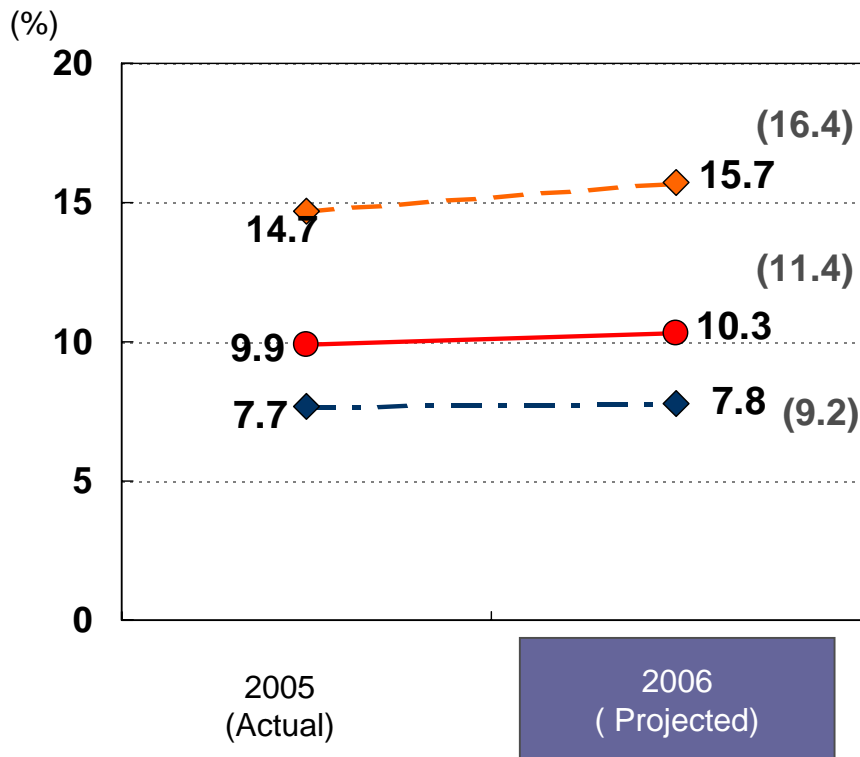
- Severe pressure for decreased prices
- Additional costs in the first half of the fiscal year
- Deterioration of profit margin in public sector



( Fiscal Years Ended or Ending March 31 )

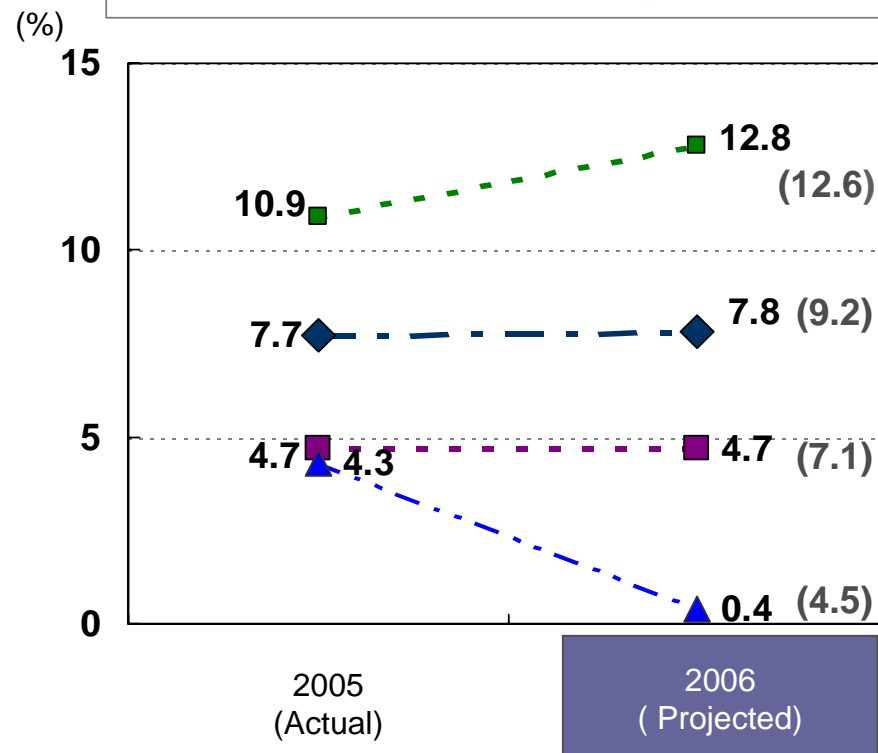
## Operating Income Margin by Segment

- ◇— Operating income margin for water treatment chemicals
- Operating income margin
- ◆— Operating income margin for water treatment facilities

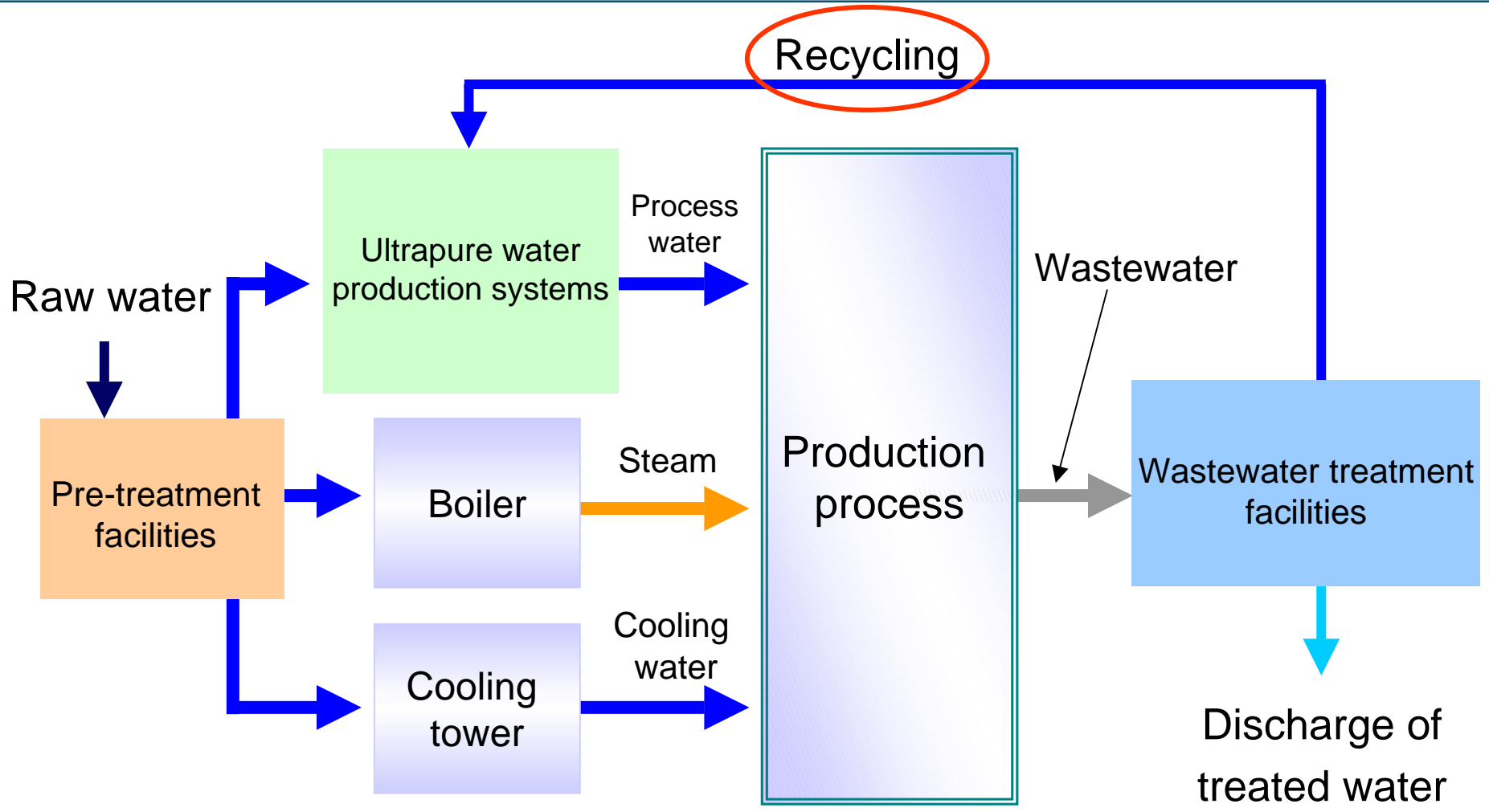


## Operating Income Margin of Water Treatment Facilities Segment

- Water treatment facilities for the electronics industry
- ◆- Water treatment facilities
- Water treatment facilities for general industry
- ▲- Water treatment facilities for the public sector

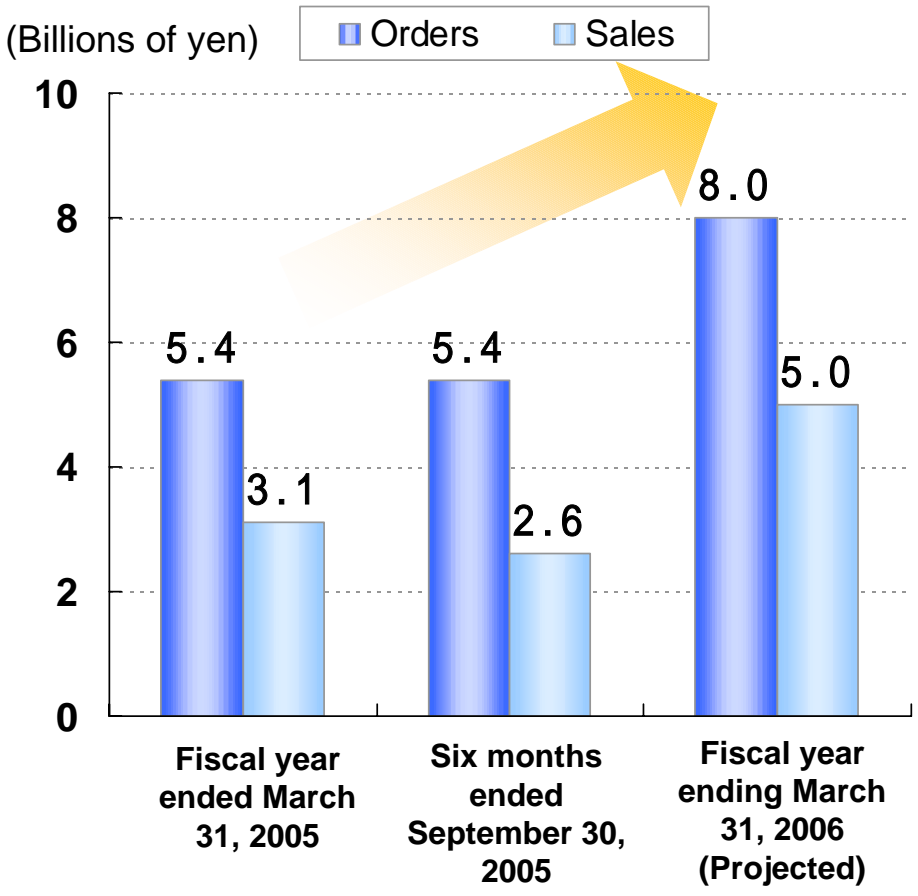


Note: Figures in parentheses are for the initial plan before revision.



We are involved in comprehensive solutions to water usage in our clients' plants and provide a variety of advantages, such as the reduction of costs and environmental impact.

## Orders and Sales for the Eco-Solution Group



## Services provided by the Eco-Solution Group

*Productivity improvement*  
*Environmental impact reduction*

- Highly efficient wastewater treatment
- Reduction of running costs for water treatment chemicals
- Reduction of sludge
- Recycling of wastewater



Wastewater treatment facility

Provision of total solutions related to water treatment in the Chinese market using our comprehensive capabilities, including chemicals, facilities and maintenance



## Kurita Water Industries (Dalian) Co., Ltd.



Manufacture and sales of water treatment chemicals

## Kuritec (Shanghai) Co., Ltd.



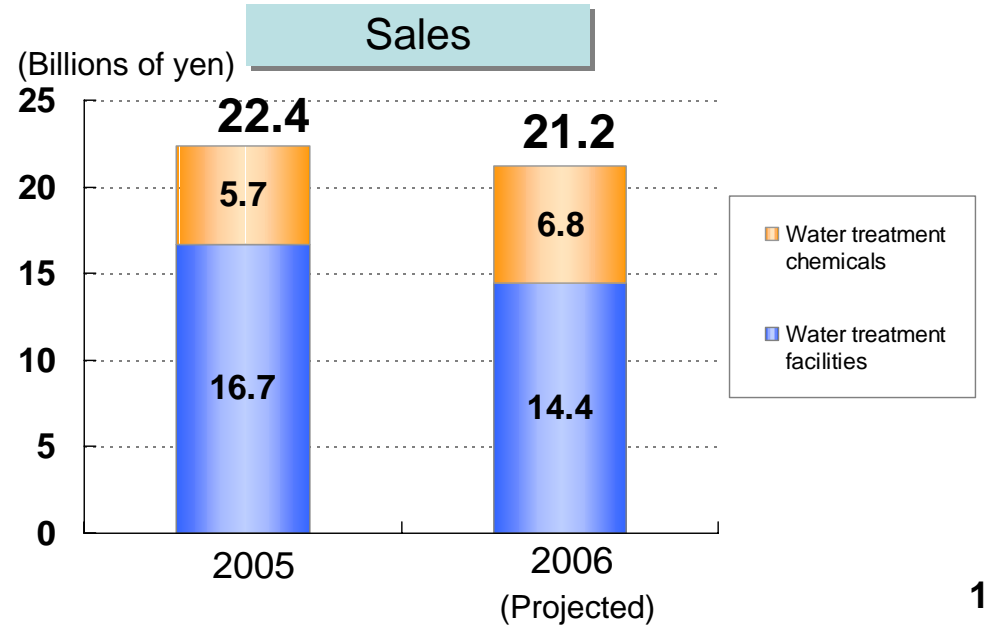
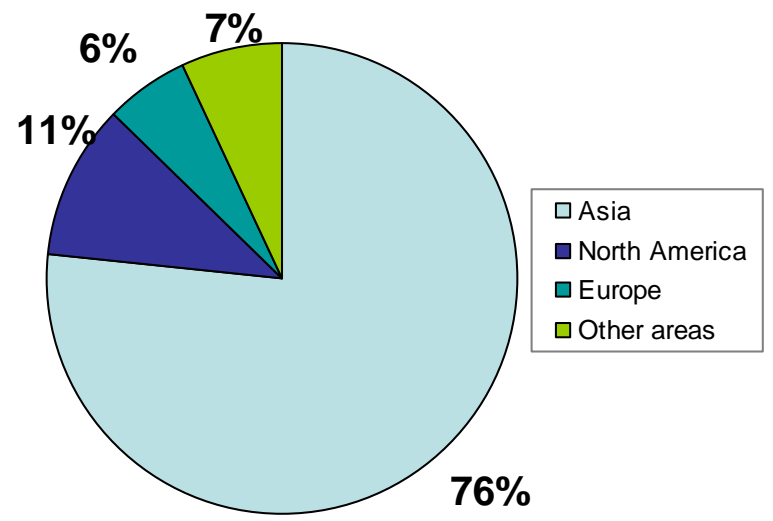
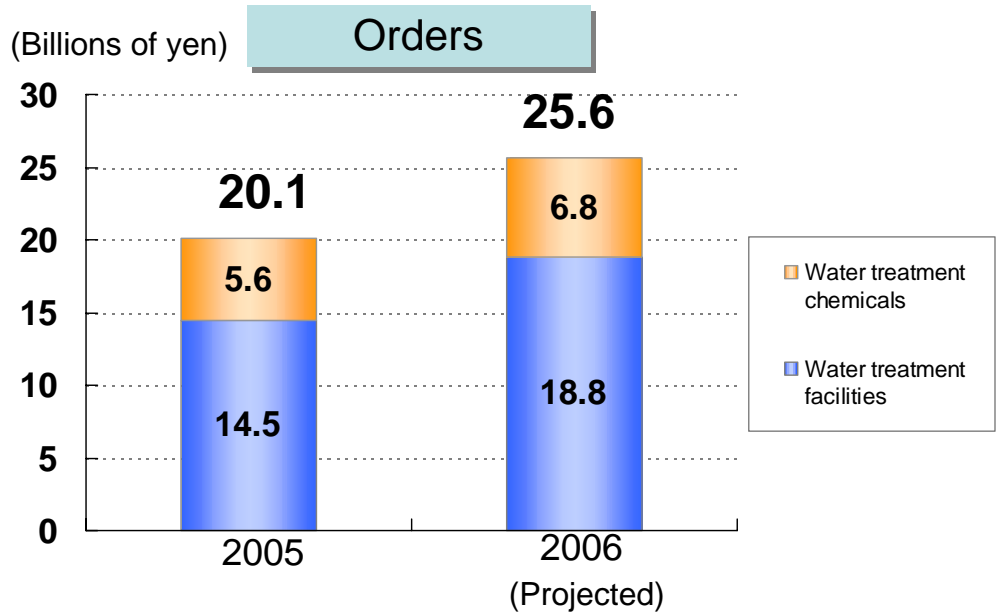
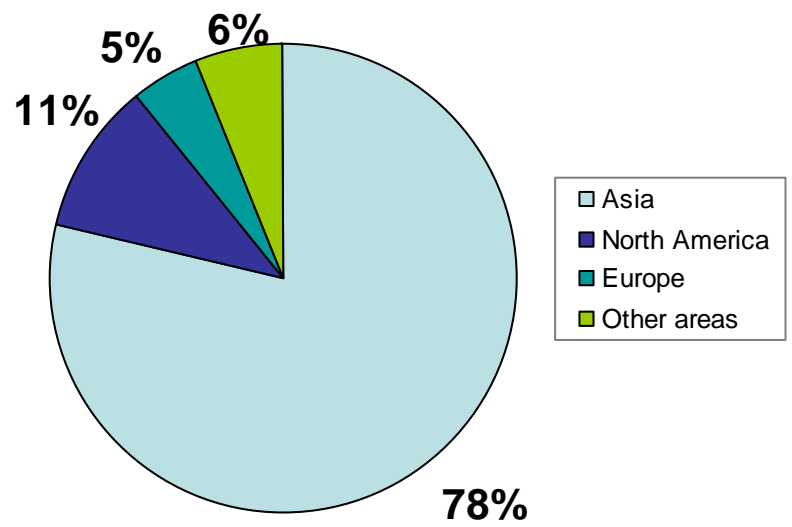
Sales and maintenance of water treatment facilities

## Kurita Water Industries (Suzhou) Ltd.

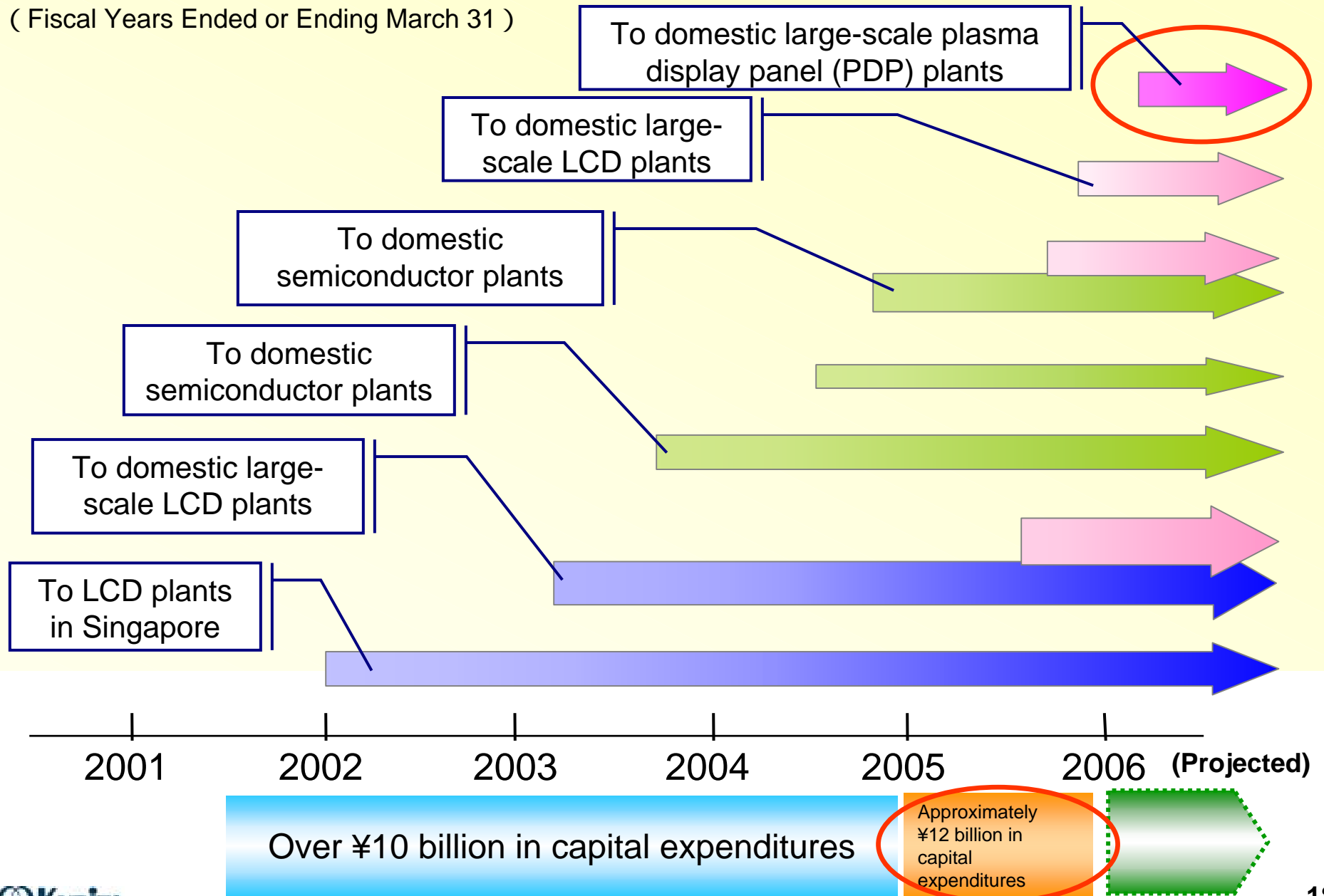


Manufacture and sales of water treatment facilities

( Fiscal Years Ended or Ending March 31 )



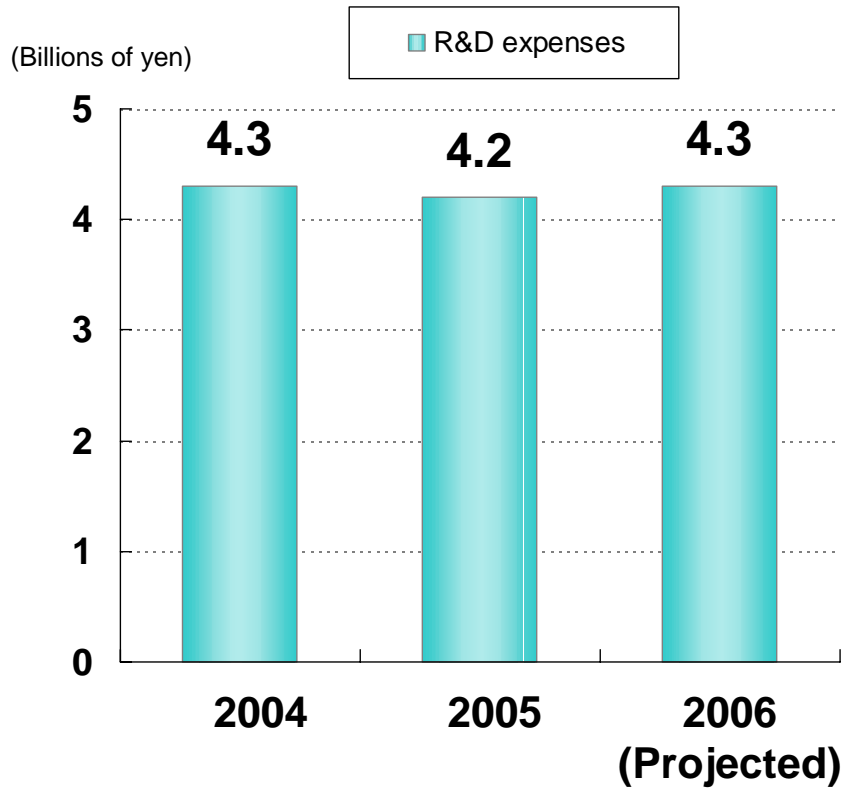
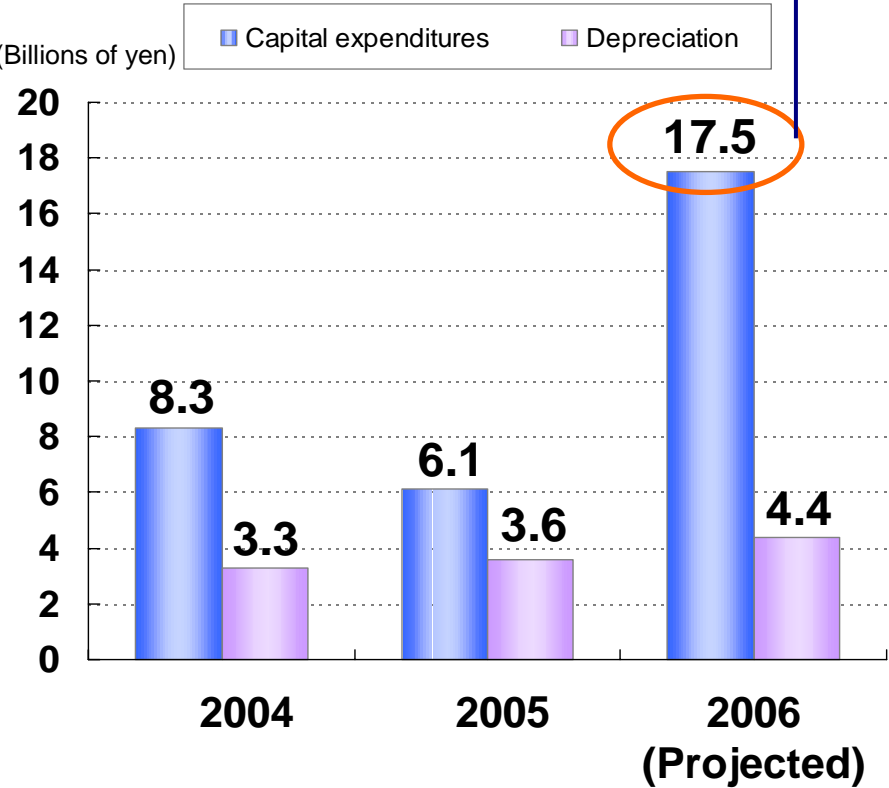
( Fiscal Years Ended or Ending March 31 )





( Fiscal Years Ended or Ending March 31 )

Investment of ¥12 billion in assets for  
Ultrapure Water Supply Business



Note: Capital expenditures and depreciation relate to tangible fixed assets.



## Purposes

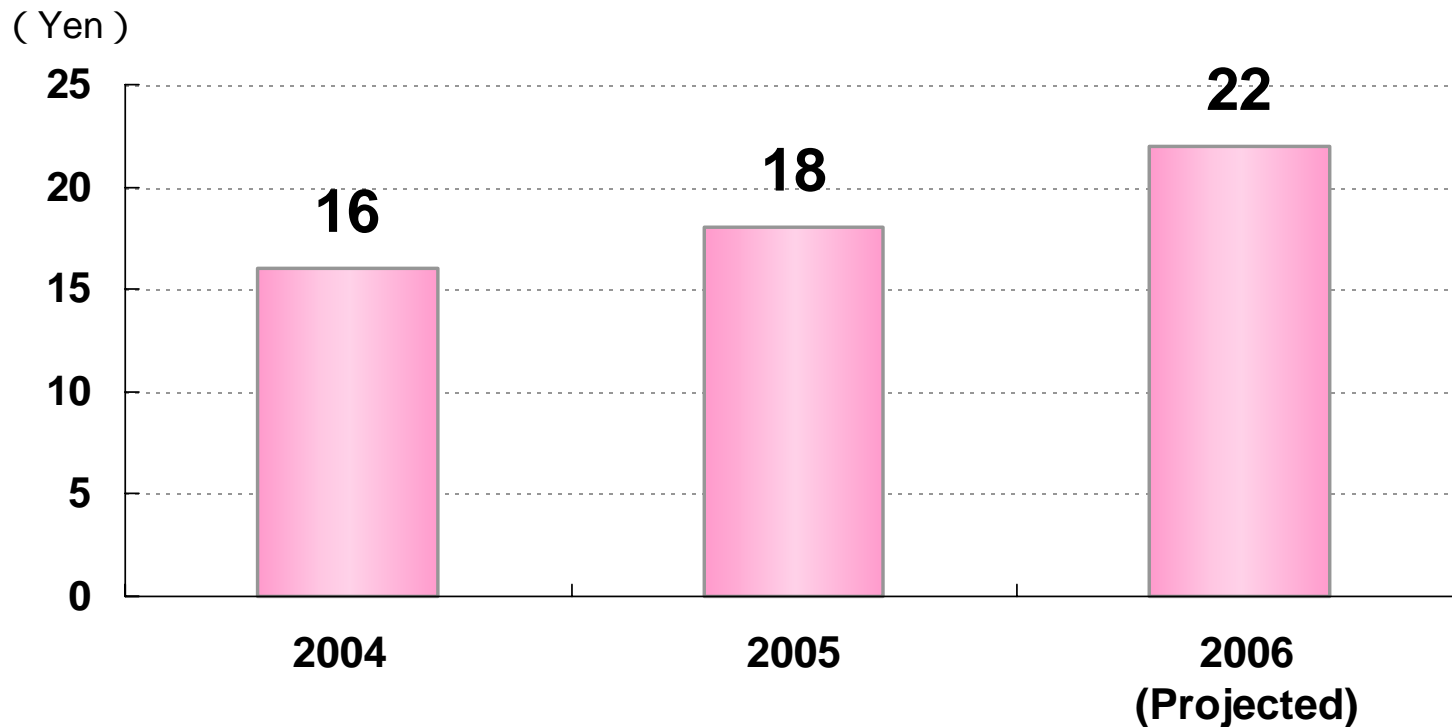
- Quick development of new products and new businesses
- Avoidance of duplicated investments
- Reduction of operating costs

### Kurita Global Technology Center



- Corporate Research and Development Center in Atsugi in Kanagawa Prefecture closed, and research and development operations integrated in Nogi-machi in Tochigi Prefecture.
- Approximately 260 employees including fulltime and part-time employees.

( Fiscal Years Ended or Ending March 31 )



### Basic Dividend Policy:

In line with our basic policy of the continued stable payment of dividends, we aim to increase dividends in consideration of trends in business results and effective use of internal reserves.

# Kurita Water Industries Ltd.

Web site: <http://kurita.co.jp/english/index.html>

E-mail: [ir@kurita.co.jp](mailto:ir@kurita.co.jp)

## Forward-looking Statement

This presentation material 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 risks and uncertainties, these statements and projections may differ from actual results.