

# Kurita Water Industries Ltd.

## Earnings for the Six Months Ended September 30, 2012

First Half of the Fiscal Year Ending March 31, 2013

( Stock code : 6370 )



November 1, 2012

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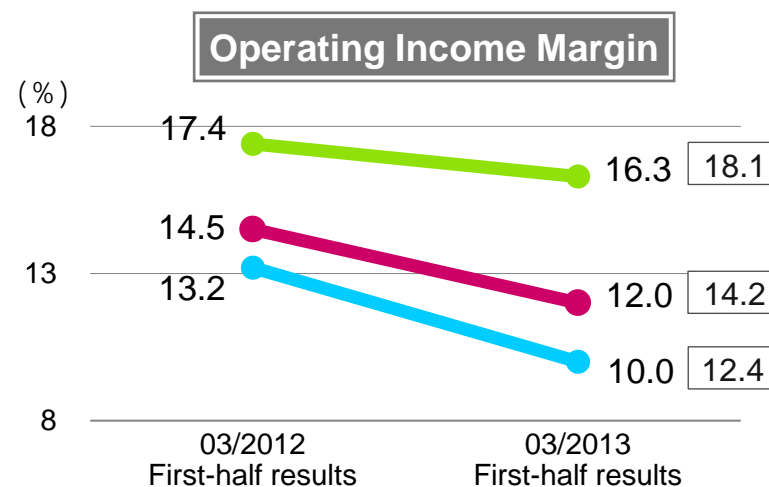
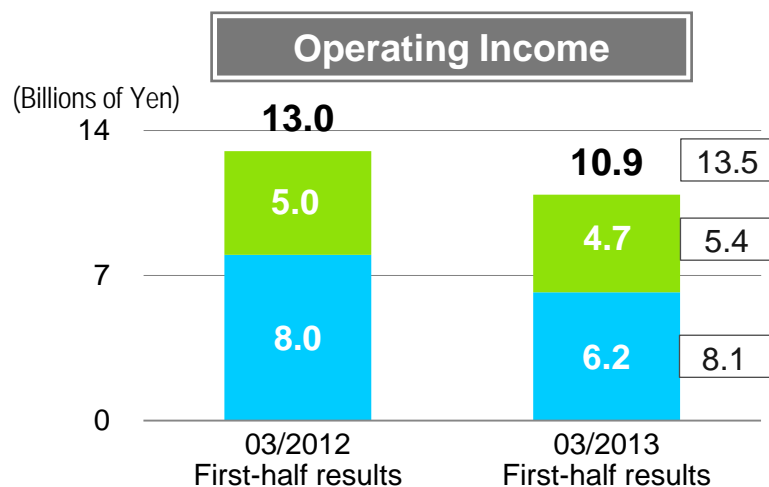
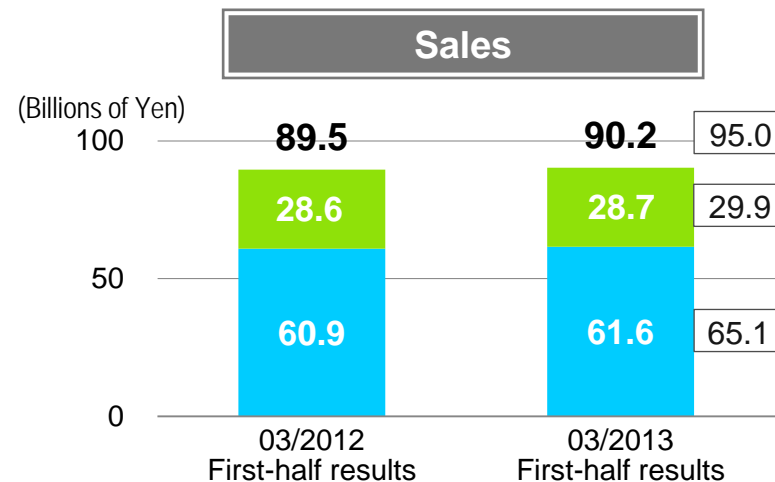
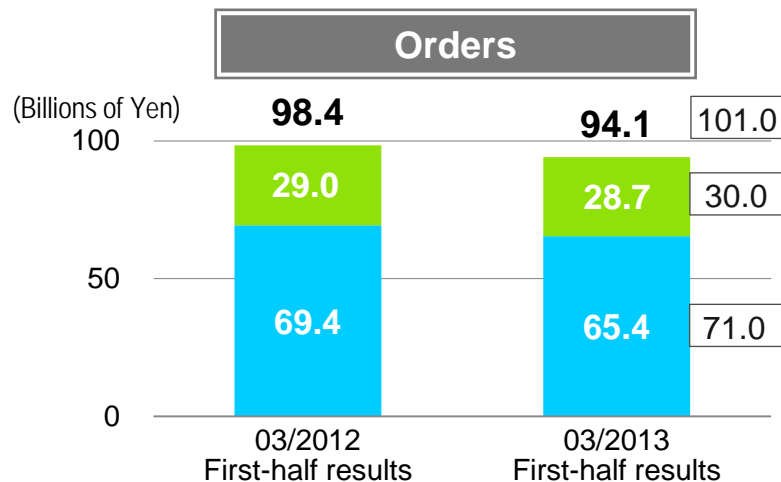
## 【1】 Financial Highlights

(Billions of Yen)

	Fiscal year to March 2012 First-half results	Fiscal year to March 2013 Initial first-half projection	Fiscal year to March 2013 First-half results	Year-on-year change
Orders	<b>98.4</b>	<b>101.0</b>	<b>94.1</b>	<b>- 4.4%</b>
Net Sales	<b>89.5</b>	<b>95.0</b>	<b>90.2</b>	<b>+ 0.8%</b>
Operating Income	<b>13.0</b>	<b>13.5</b>	<b>10.9</b>	<b>- 16.6%</b>
Ordinary Income	<b>13.4</b>	<b>13.7</b>	<b>11.3</b>	<b>- 15.3%</b>
Net Income	<b>7.9</b>	<b>7.5</b>	<b>4.9</b>	<b>- 38.3%</b>

## 【2】 Orders, Sales, Operating Income, and Operating Income Margin

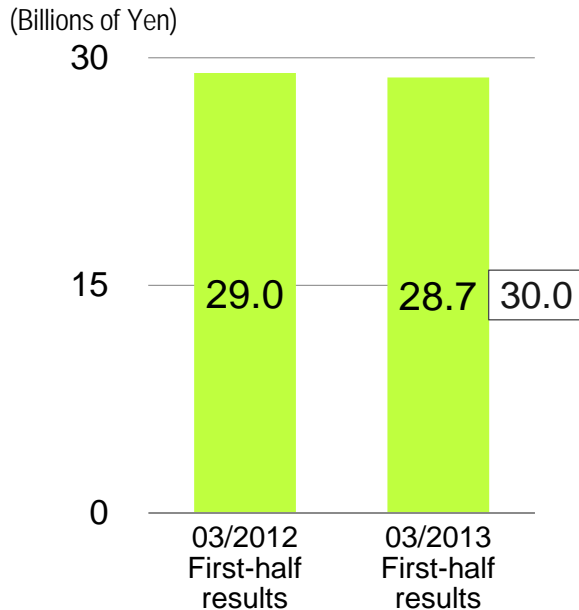
■ Water treatment chemicals   
 ■ Water treatment facilities   
 ● Total   
 \* □ denotes initial projections



### 【3】 Water Treatment Chemicals

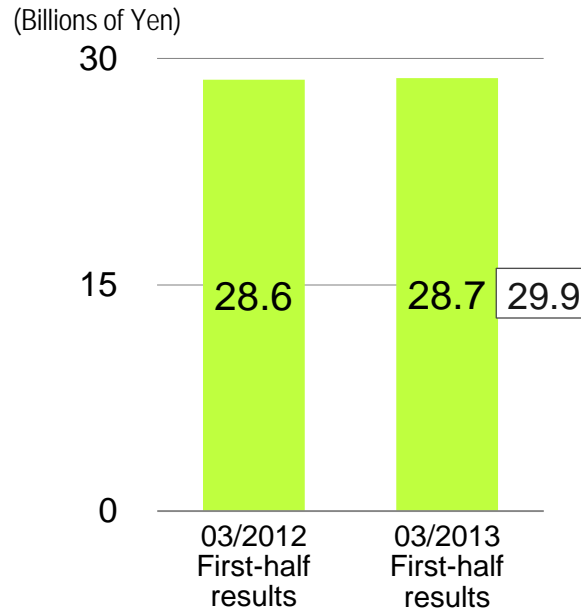
#### Orders

\* □ denotes initial projections



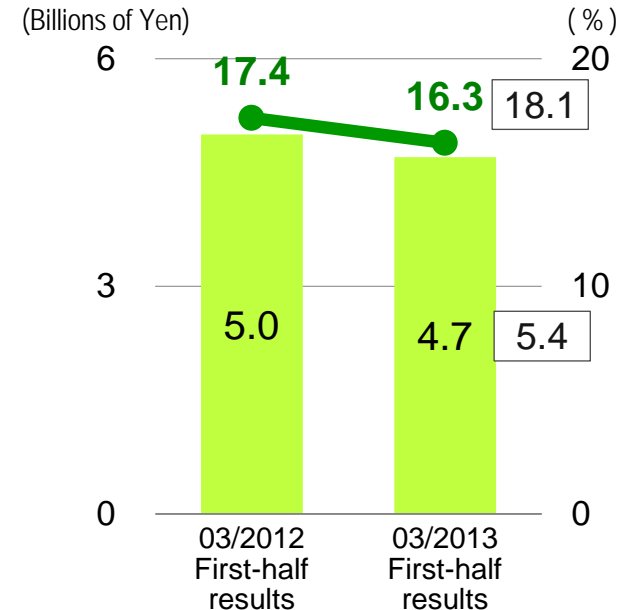
#### Sales

\* □ denotes initial projections



#### Operating Income and Operating Income Margin

■ Operating income  
●—● Operating income margin  
\* □ denotes initial projections



#### 【 Major areas of growth/decline in orders/sales 】

- J a p a n : ■ Increase in process treatment chemicals (+)
- Decrease in cooling water treatment chemicals (-)
- Overseas: ■ Growth in areas including China and Thailand (+)
- Impact of yen appreciation (-)

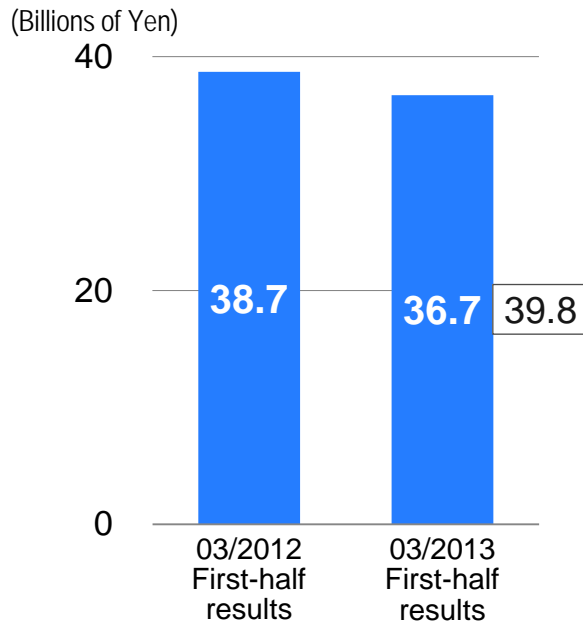
#### 【 Major determinants of change 】

- Increase in SG&A expenses (-)
- Changes in sales composition (-)

## 【4】 Water Treatment Facilities (for the electronics industry)

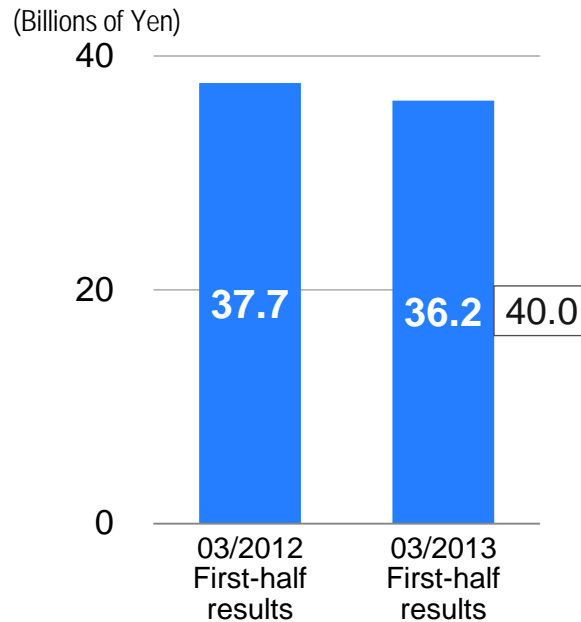
### Orders

\* □ denotes initial projections



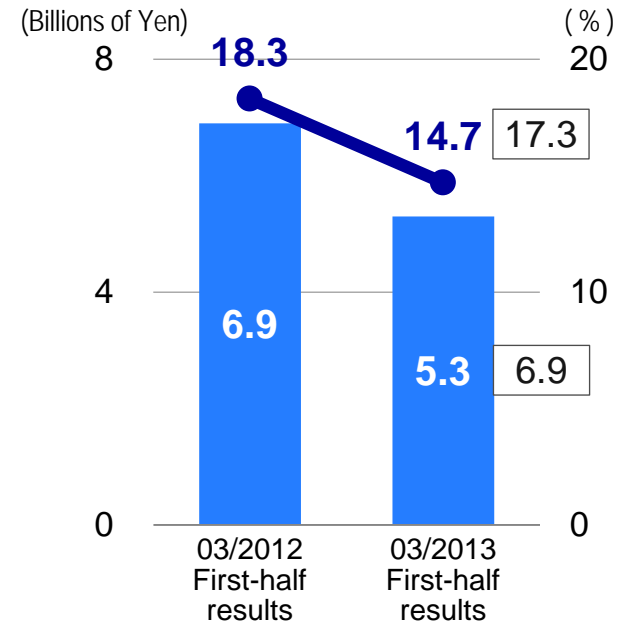
### Sales

\* □ denotes initial projections



### Operating Income and Operating Income Margin

■ Operating income  
●—● Operating income margin  
\* □ denotes initial projections



#### 【 Major areas of change 】

- Increase in hardware (+)
- Decrease in maintenance services (-)
- Decrease in the ultrapure water supply (-)

#### 【 Major areas of change 】

- Increase in hardware (+)
- Decrease in maintenance services (-)
- Decrease in the ultrapure water supply (-)

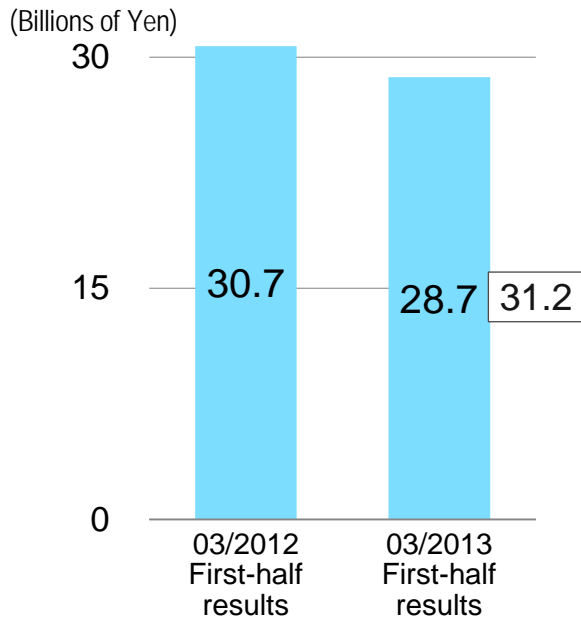
#### 【 Major determinants of change 】

- Impact of decline in revenue (-)
- Changes in sales composition (-)
- Increase in SG&A expenses (-)

## 【5】 Water Treatment Facilities (for general industries)

### Orders

\* □ denotes initial projections

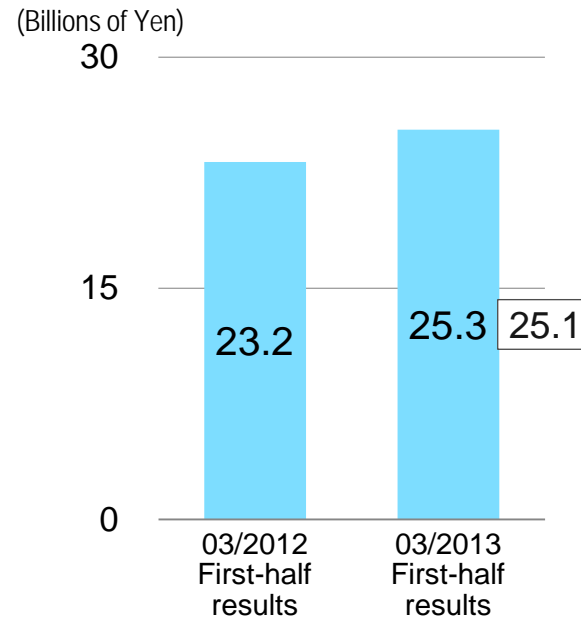


#### 【 Major areas of change 】

- Increase in hardware (+)
- Decrease in orders from the electric power industry (-)
- Decrease in maintenance services (-)

### Sales

\* □ denotes initial projections

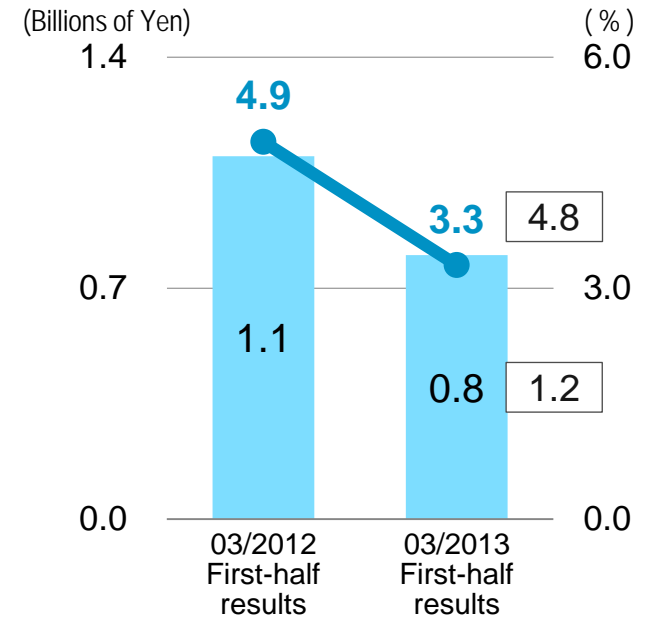


#### 【 Major areas of change 】

- Increase in electric power industry sales (+)
- Increase in hardware (+)
- Decrease in maintenance services (-)

### Operating Income and Operating Income Margin

■ Operating income  
● Operating income margin  
\* □ denotes initial projections



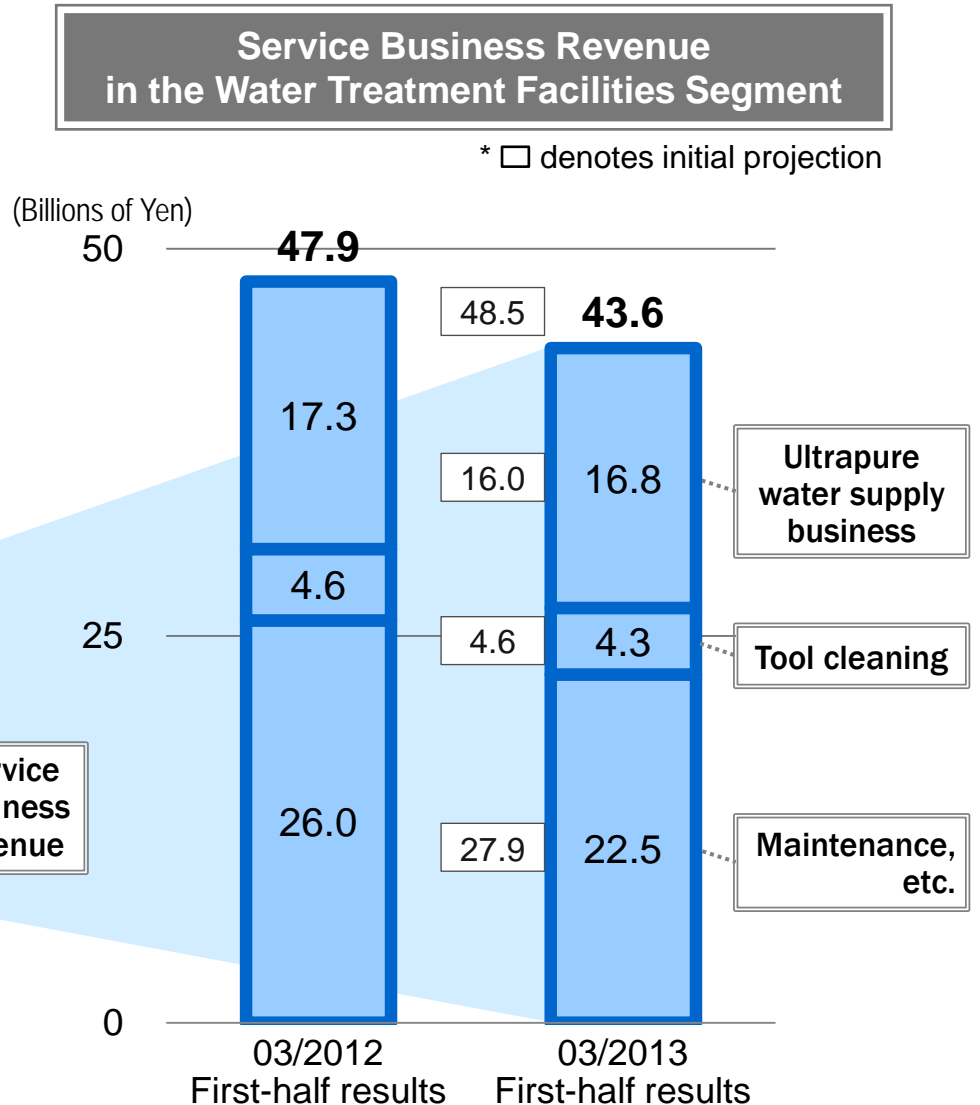
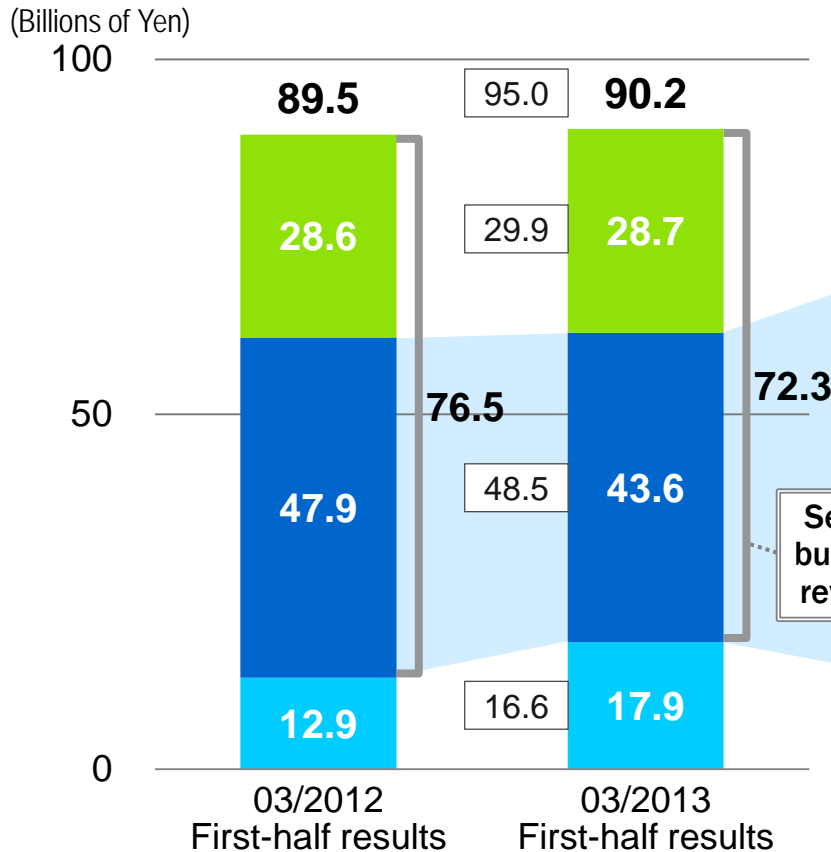
#### 【 Major determinants of change 】

- Impact of revenue growth (+)
- Changes in sales composition (-)
- Increase in SG&A expenses (-)



## 【6】 Service Business Revenue

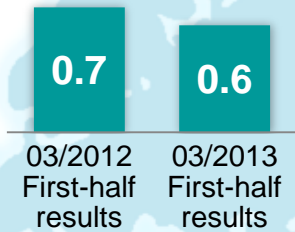
- Water treatment chemicals
- Water treatment facilities (services)
- Water treatment facilities (hardware)
- \* □ denotes initial projection



**【7】 Overseas Businesses (sales by region and business & map of Asian locations)**

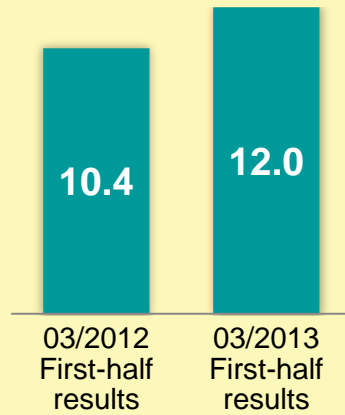
(Billions of Yen)

**Europe**

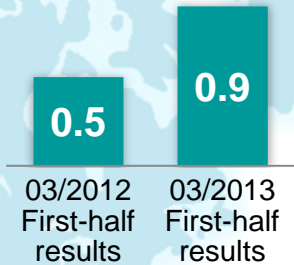


**Growth centering on Asia**

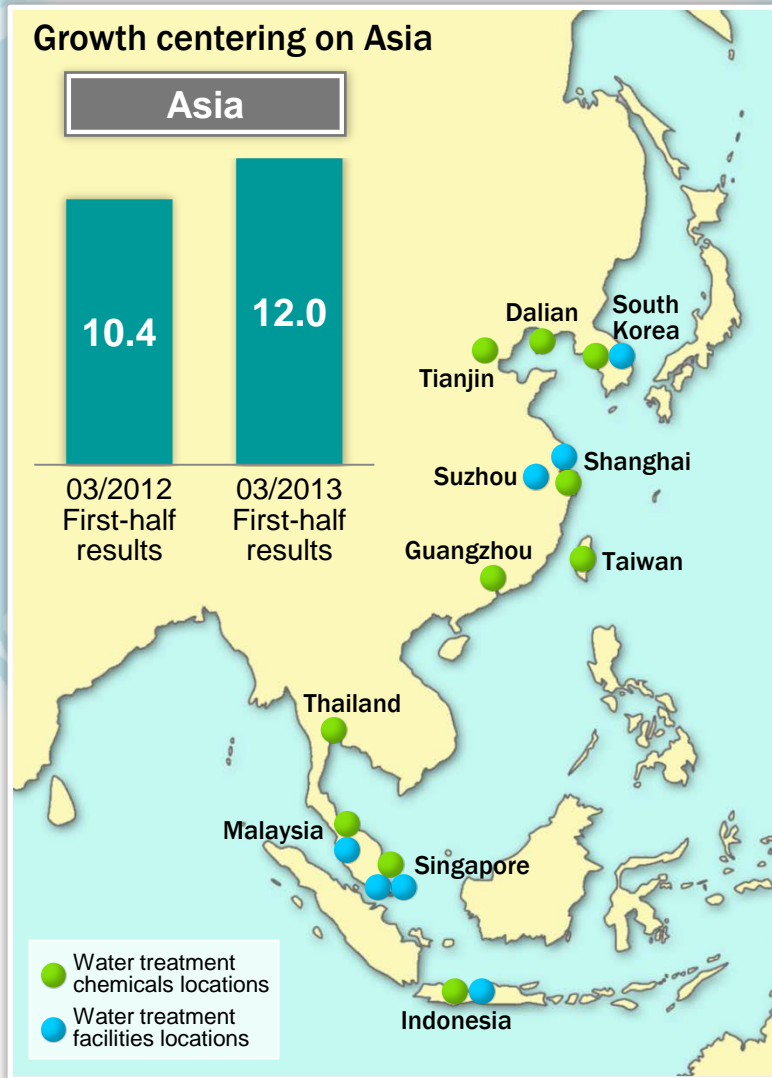
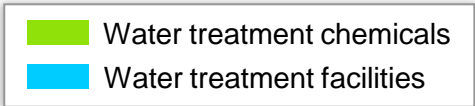
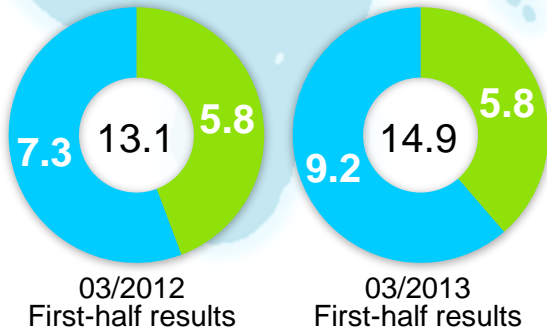
**Asia**



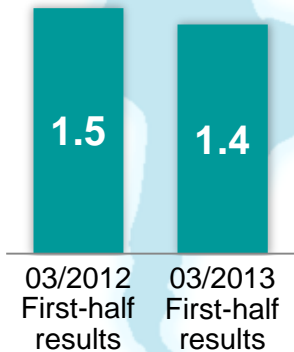
**N. America**



**Business Segment**

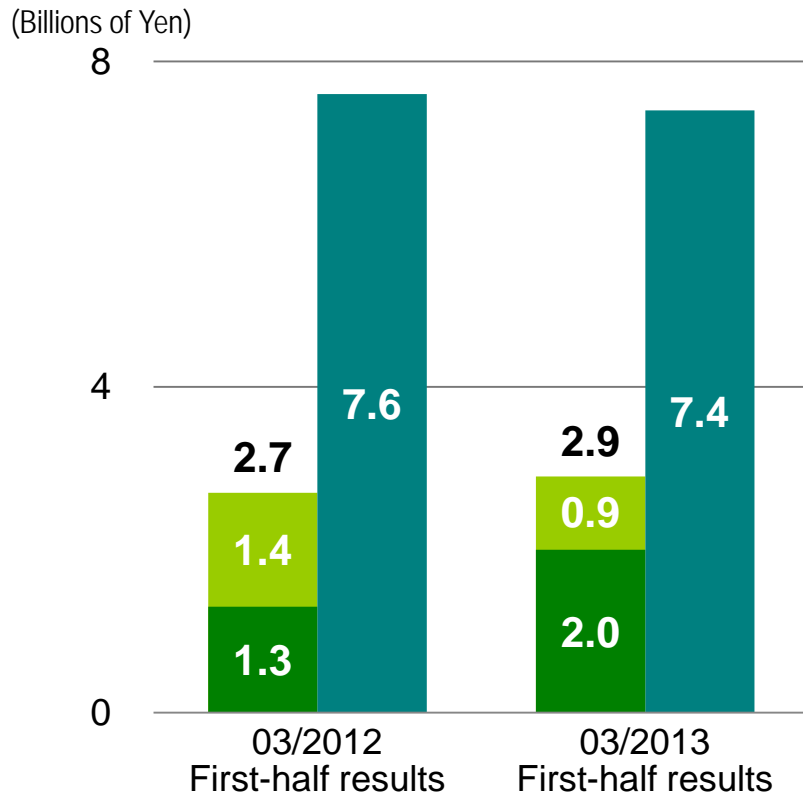
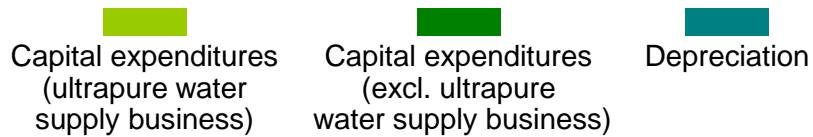


**Other**

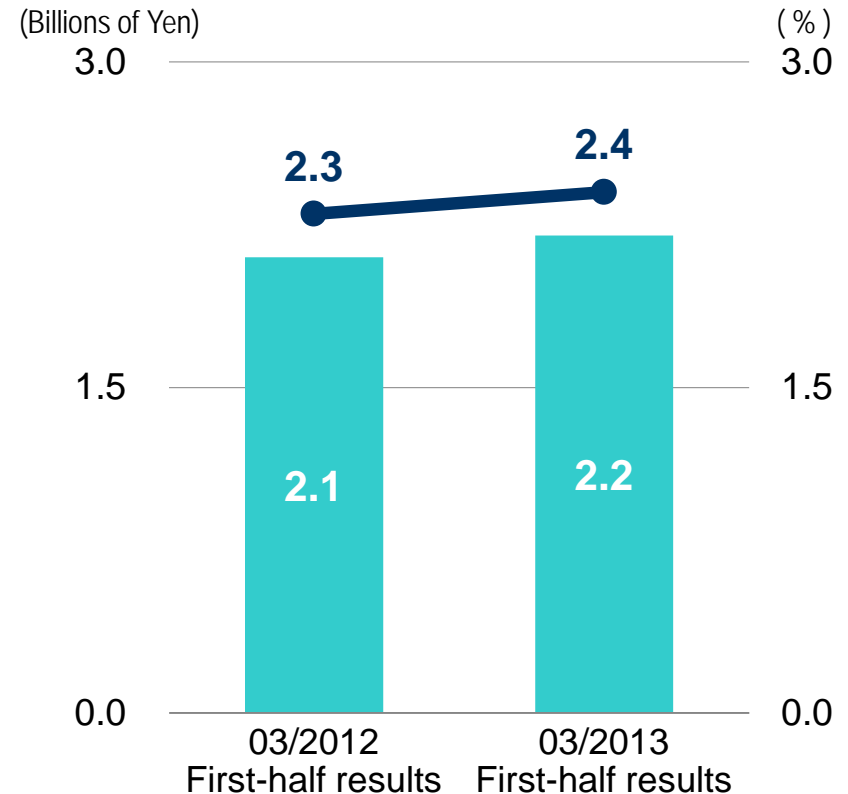


## 【8】 Capital Expenditures, Depreciation, and R&D Expenses

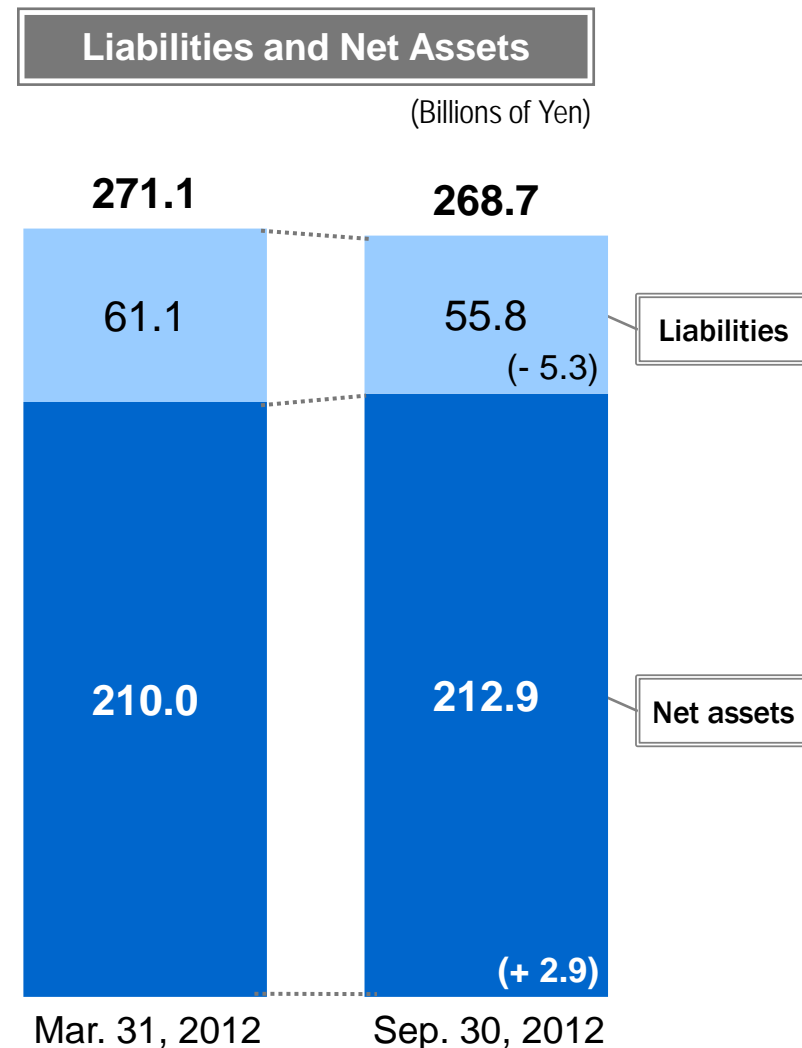
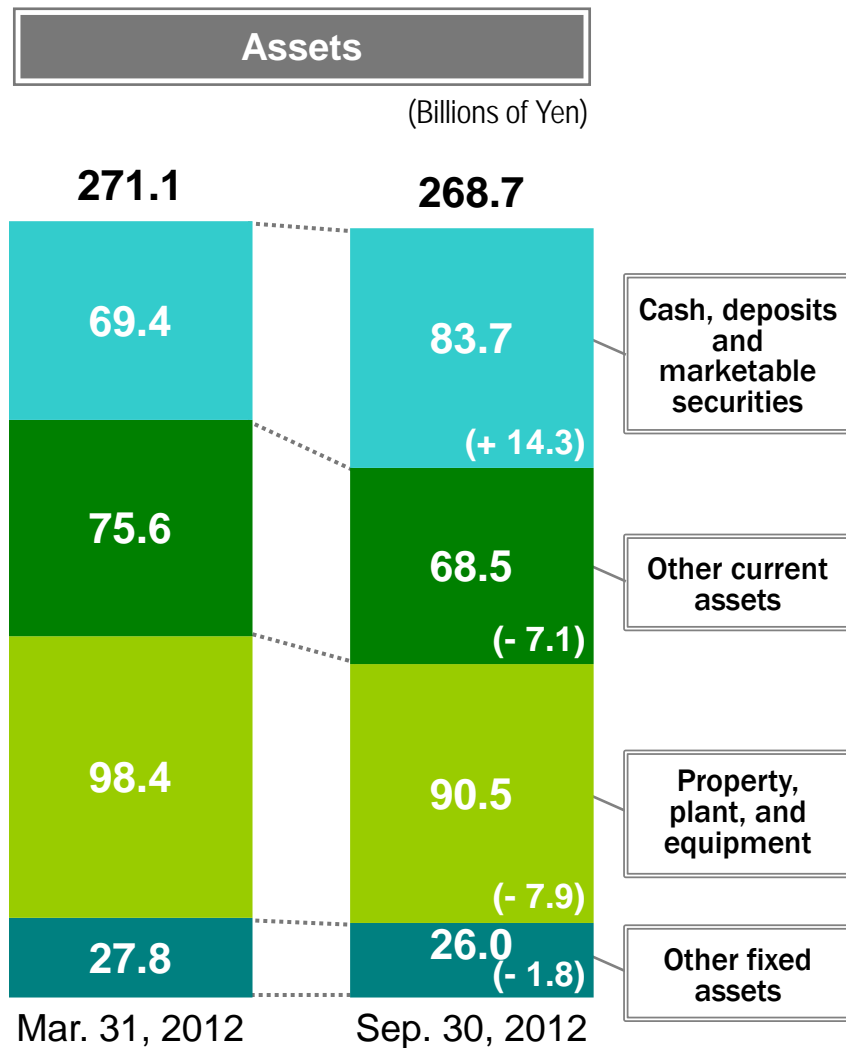
Capital Expenditures and Depreciation



R&D Expenses



**【9】 Financial Condition**



- 【 1 】 Overview**
  - 【 2 】 Key Assumptions**
  - 【 3 】 Orders, Sales, Operating Income, and Operating Income Margin**
  - 【 4 】 Water Treatment Chemicals**
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  - 【10】 Capital Expenditures, Depreciation, and R&D Expenses**
  - 【11】 Maintaining and Strengthening Profitability**
  - 【12】 Stable Dividend Increase**
  - 【13】 Acquisition and Tender Offer of Treasury Stock**
-

**【1】 Overview**

(Billions of Yen)

	Fiscal year to March 2012 Actual	Fiscal year to March 2013 Initial projection	Fiscal year to March 2013 Revised projection	Year-on-year change
Orders	<b>197.3</b>	<b>201.0</b>	<b>198.0</b>	<b>+ 0.4%</b>
Net Sales	<b>193.8</b>	<b>200.0</b>	<b>196.0</b>	<b>+ 1.1%</b>
Operating Income	<b>29.4</b>	<b>29.5</b>	<b>25.0</b>	<b>- 14.9%</b>
Ordinary Income	<b>30.4</b>	<b>30.0</b>	<b>25.7</b>	<b>- 15.4%</b>
Net Income	<b>16.5</b>	<b>17.5</b>	<b>13.6</b>	<b>- 17.8%</b>

## 【2】 Key Assumptions

### Water Treatment Chemicals Segment



- Global economic slowdown, particularly in Europe and China
- Consolidation of domestic customers' production sites and a drop in capacity utilization

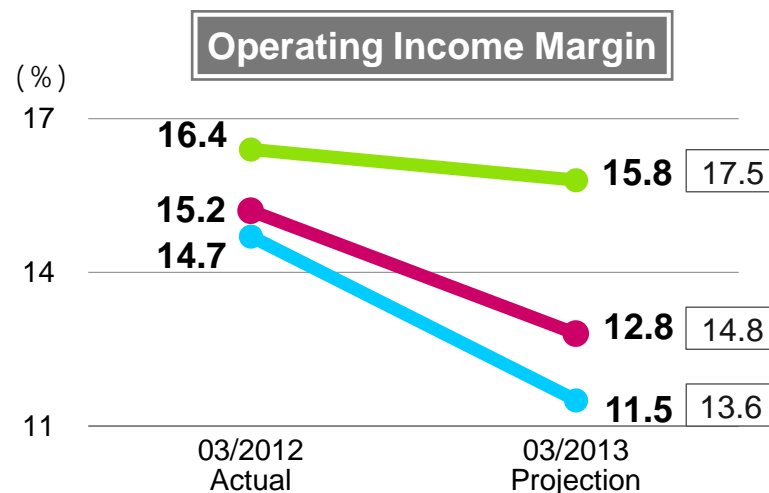
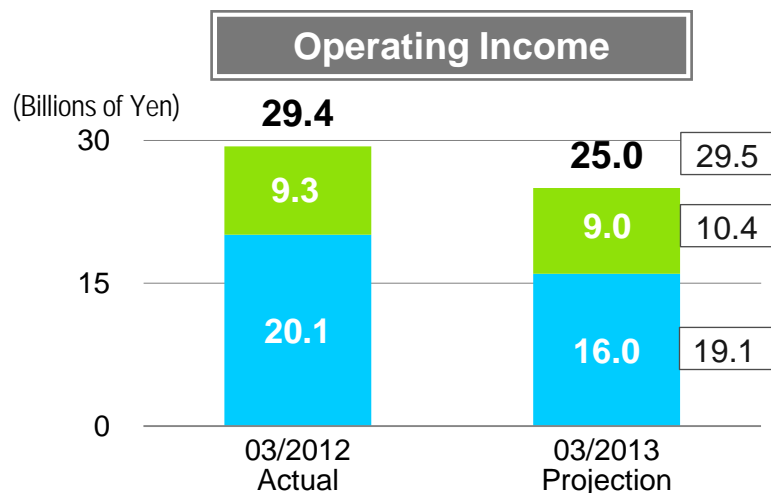
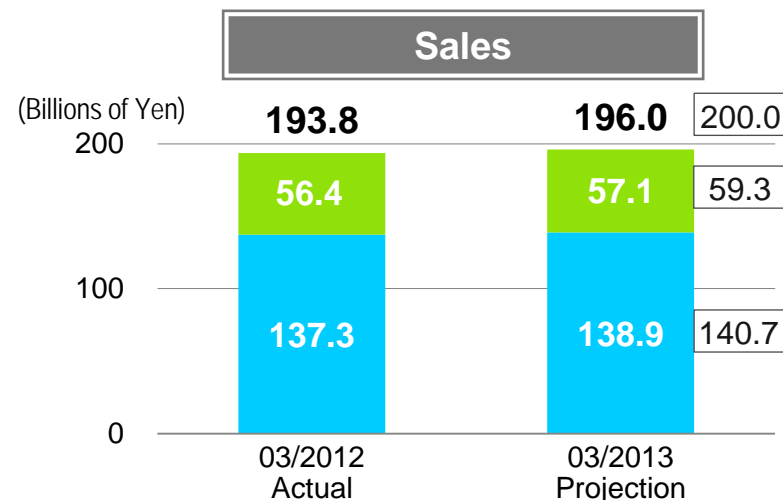
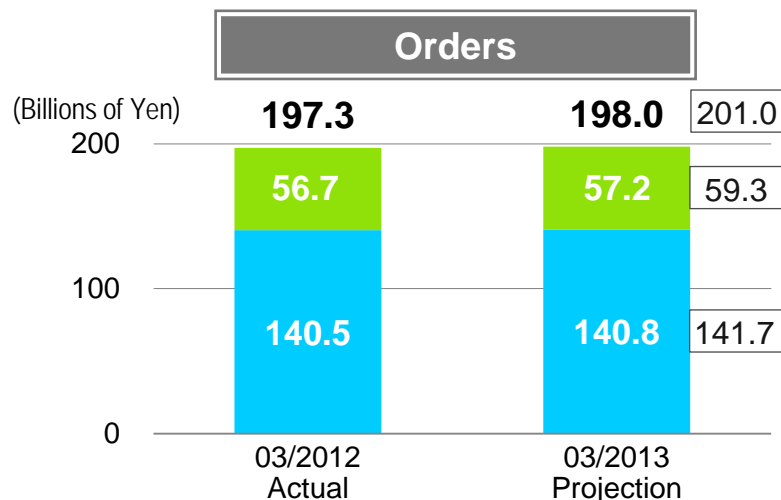
### Water Treatment Facilities Segment



- Scaling back of semiconductor and liquid crystal display (LCD) capital expenditure
- Capital expenditure in general industries is largely unchanged in Japan
- Saturation of post-earthquake recovery demand from the domestic electric power industry

## 【3】 Orders, Sales, Operating Income, and Operating Income Margin

■ Water treatment chemicals   
 ■ Water treatment facilities   
 ● Total   
 \* □ denotes initial projections

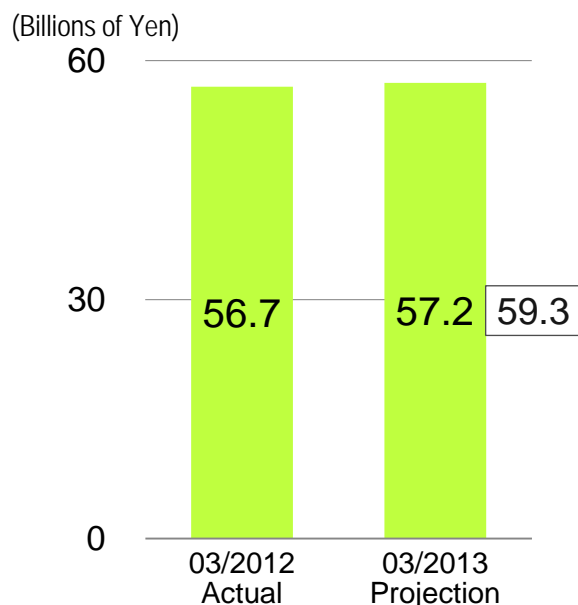




## 【4】 Water Treatment Chemicals

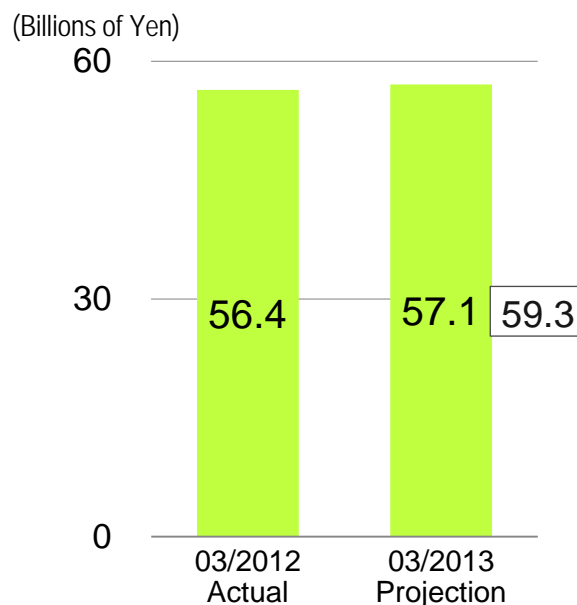
### Orders

\* □ denotes initial projections



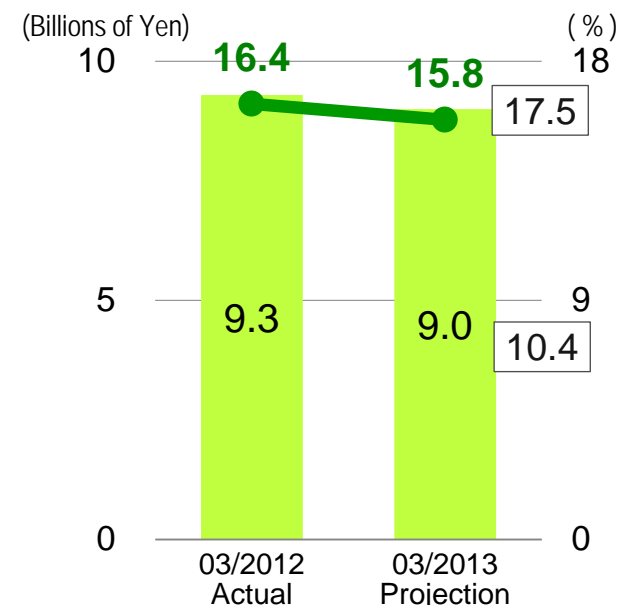
### Sales

\* □ denotes initial projections



### Operating Income and Operating Income Margin

■ Operating income  
●—● Operating income margin  
\* □ denotes initial projections



#### 【 Major areas of growth/decline in orders/sales 】

- Japan : Sales largely unchanged
- Overseas : Expansion in sales centering on Asia (+)

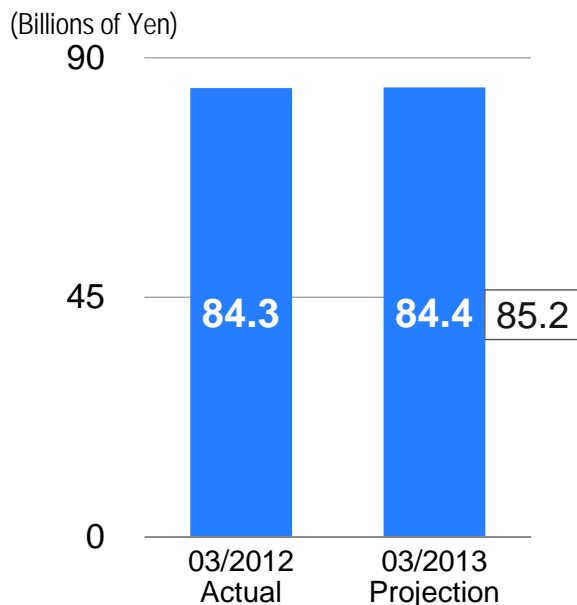
#### 【 Major determinants of change 】

- Impact of revenue growth (+)
- Change in sales composition (-)
- Increase in SG&A expenses (-)

## 【5】 Water Treatment Facilities (for the electronics industry)

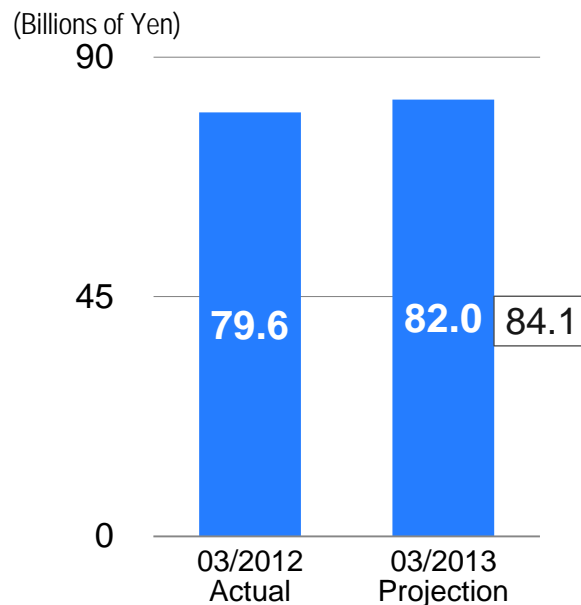
### Orders

\* □ denotes initial projections



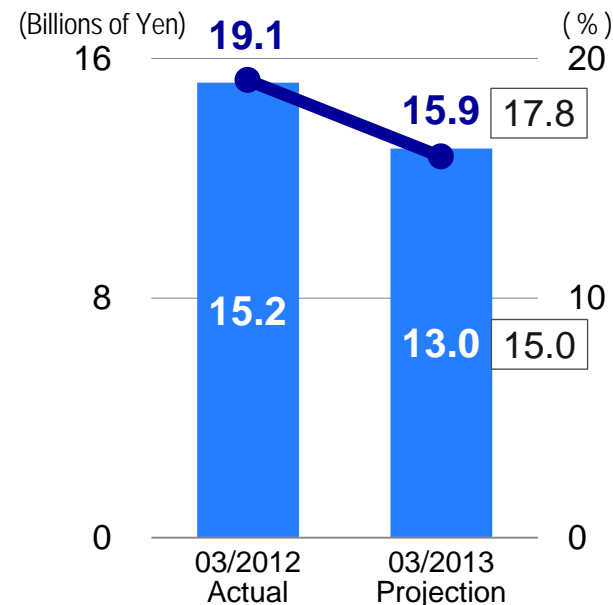
### Sales

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### Operating Income and Operating Income Margin

■ Operating income  
●—● Operating income margin  
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#### 【 Major areas of change 】

- Increase in hardware (+)
- Decrease in maintenance services (-)
- Decrease in the ultrapure water supply (-)

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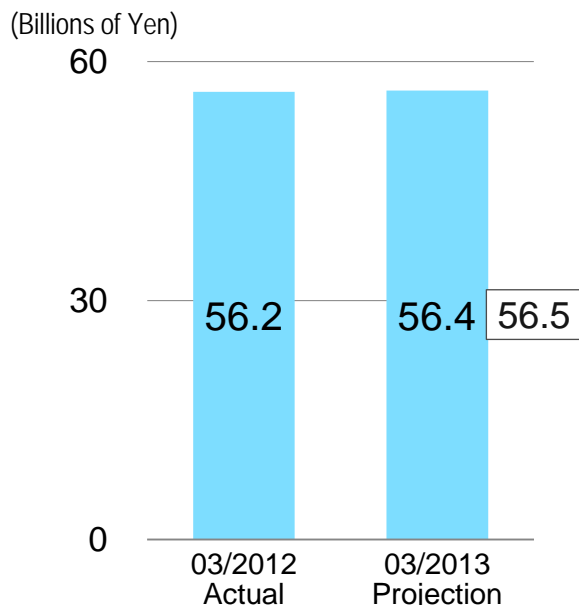
#### 【 Major determinants of change 】

- Impact of revenue growth (+)
- Change in sales composition (-)
- Increase in SG&A expenses (-)

## 【6】 Water Treatment Facilities (for general industries)

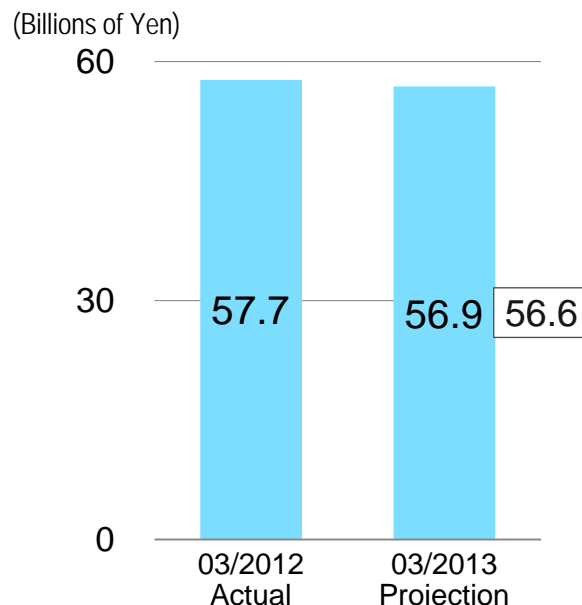
### Orders

\* □ denotes initial projections



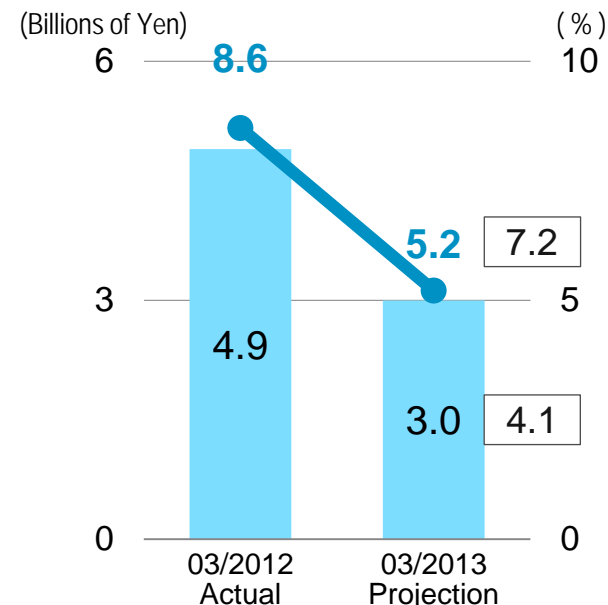
### Sales

\* □ denotes initial projections



### Operating Income and Operating Income Margin

■ Operating income  
●—● Operating income margin  
\* □ denotes initial projections



#### 【 Major areas of change 】

- Increase in hardware (+)
- Decrease in orders from the electric power industry (-)
- Decrease in maintenance services (-)

#### 【 Major areas of change 】

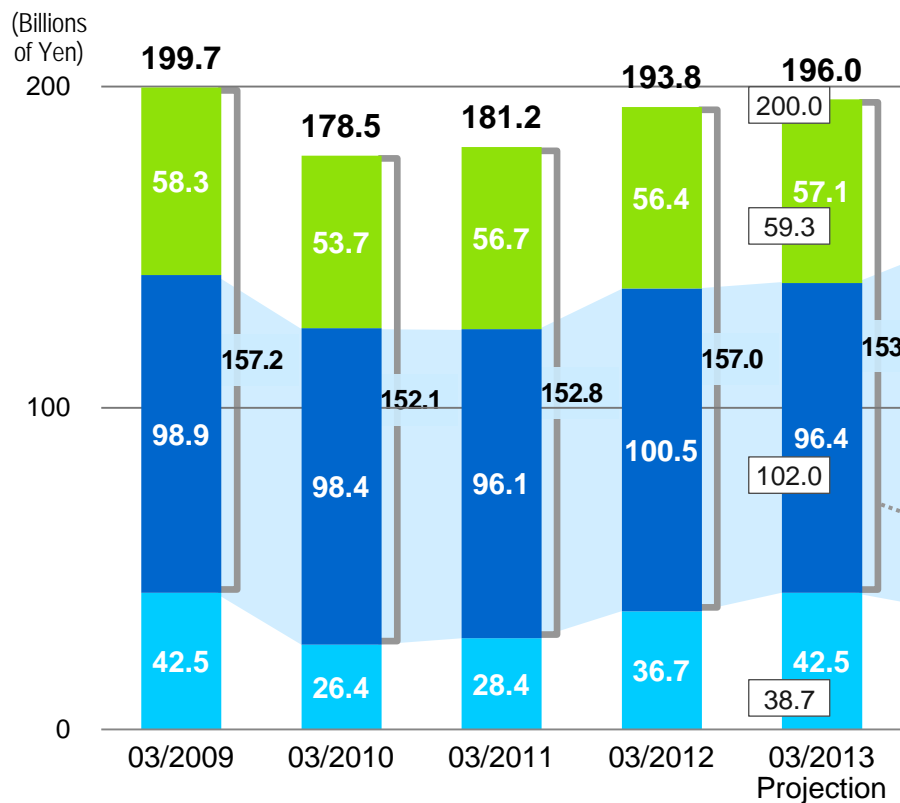
- Increase in hardware (+)
- Increase in maintenance services (+)
- Decrease in electric power industry sales (-)

#### 【 Major determinants of change 】

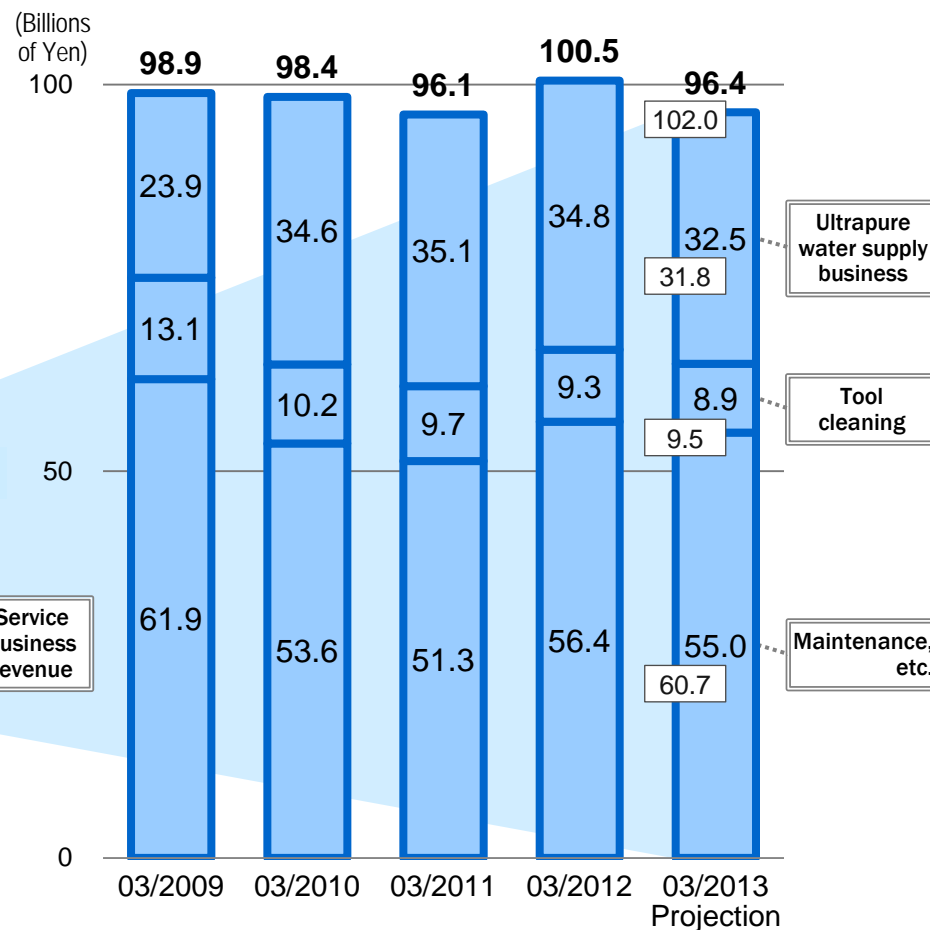
- Impact of decline in revenue (-)
- Change in sales composition (-)
- Increase in SG&A expenses (-)

## 【7】 Service Business Revenue

- Water treatment chemicals
- Water treatment facilities (services)
- Water treatment facilities (hardware)
- \* □ denotes initial projections

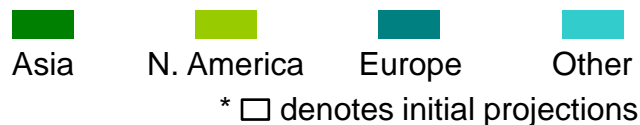


### Service Business Revenue in the Water Treatment Facilities Segment

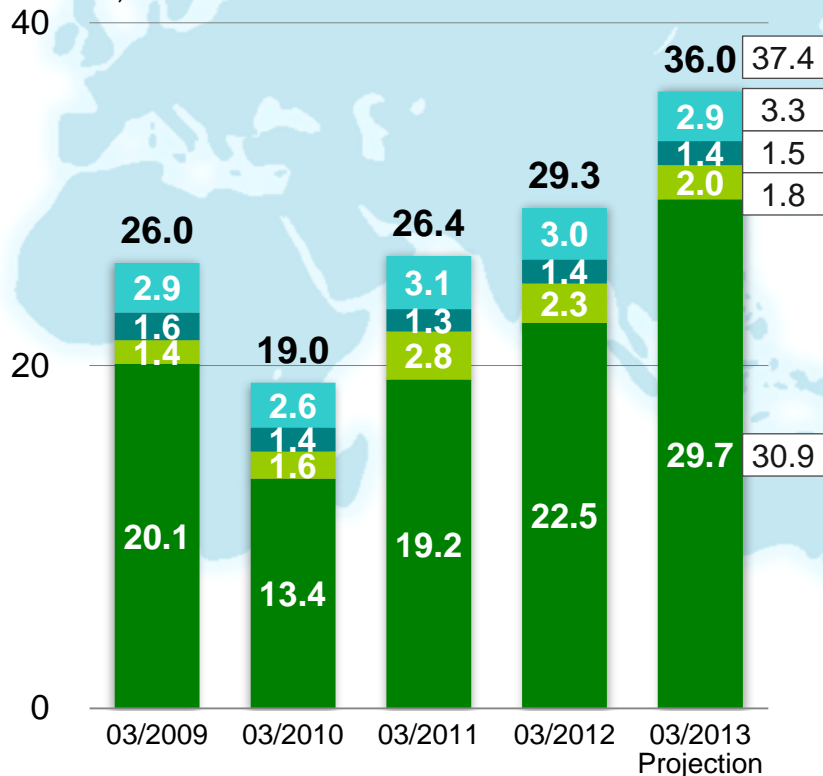


## 【8】 Overseas Businesses (sales by region and business)

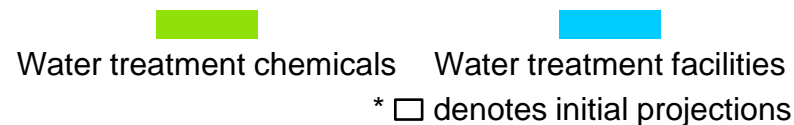
### Sales by Region



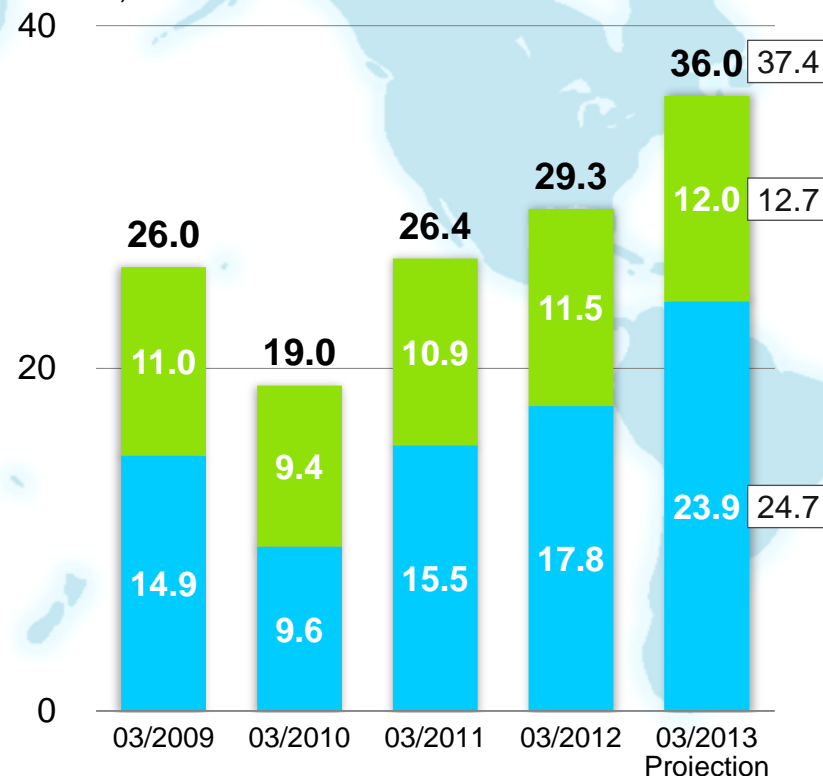
(Billions of Yen)



### Sales by Overseas Business Segment



(Billions of Yen)

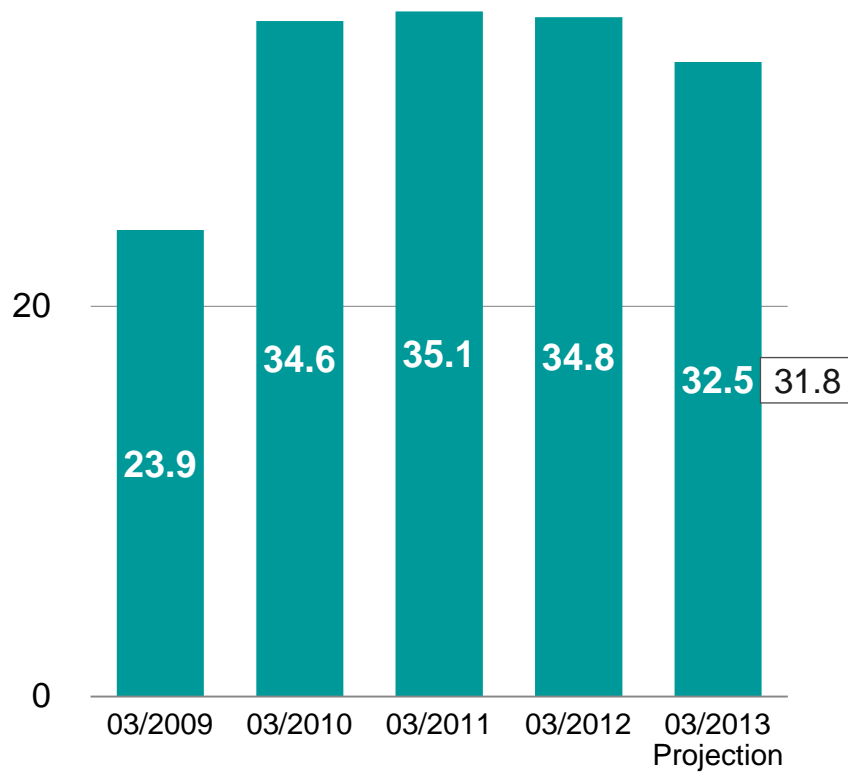


## 【9】 Outlook for the Ultrapure Water Supply Business

### Sales

\* □ denotes initial projections

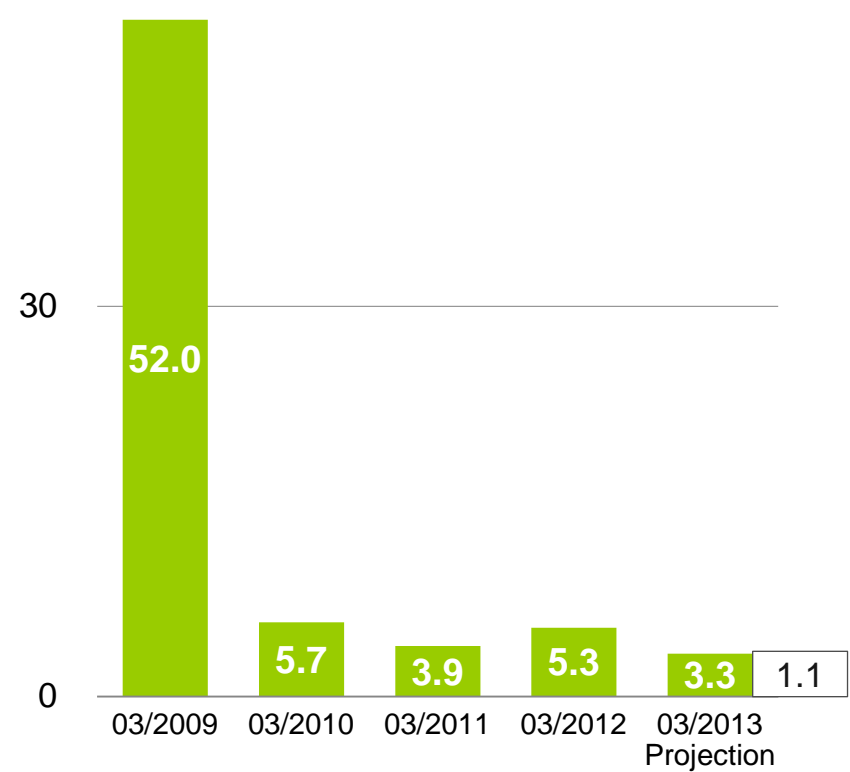
(Billions of Yen)  
40



### Capital Expenditures

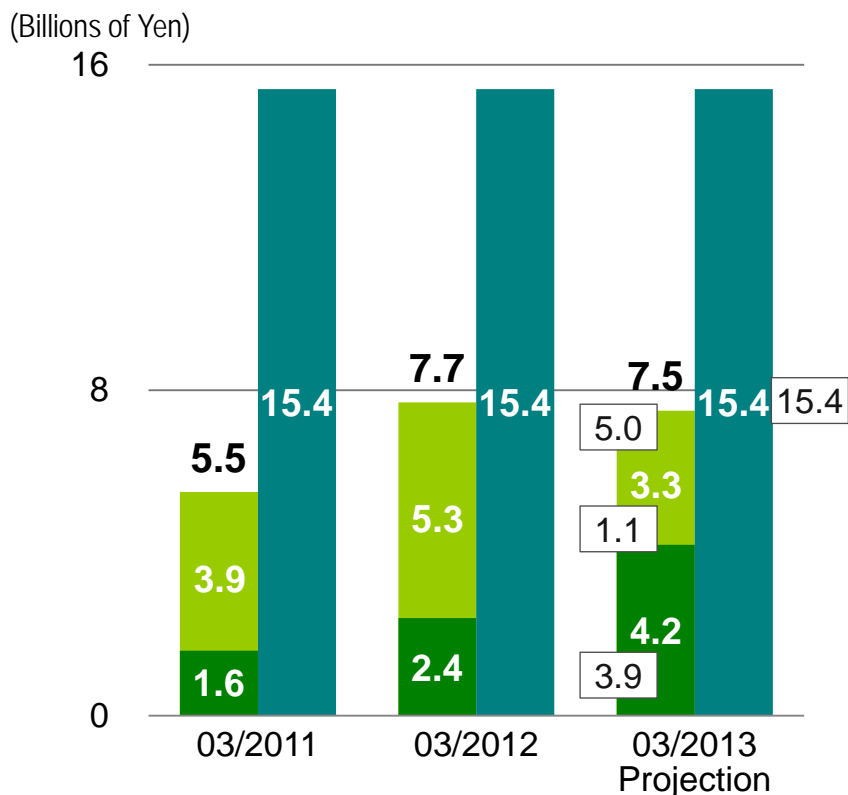
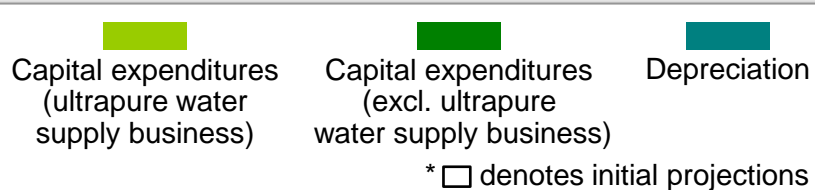
\* □ denotes initial projections

(Billions of Yen)  
60

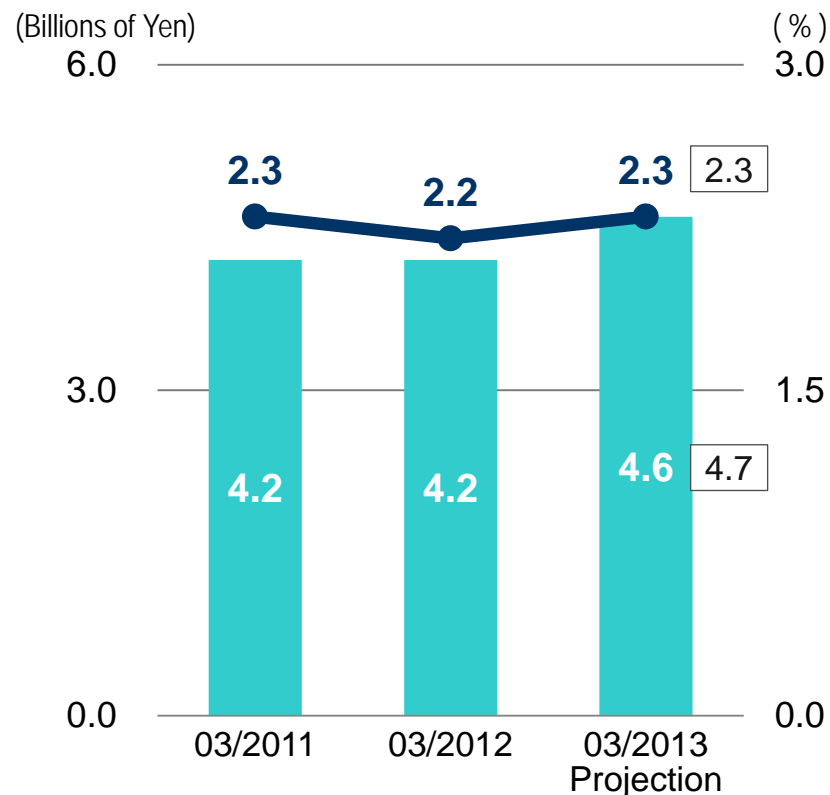
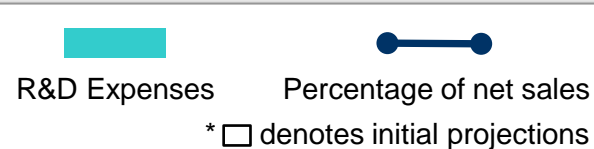


# 【10】 Capital Expenditures, Depreciation, and R&D Expenses

Capital Expenditures and Depreciation



R&D Expenses



## **【11】 Maintaining and Strengthening Profitability**

### **1) Making thorough total cost reductions**

#### **【 Improving cost of sales ratio 】**

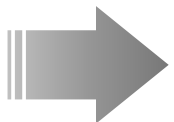
- Water treatment facilities business : Improving cost of sales ratio upon order receipt, expanding local procurement, and increasing standard-compliant equipment
- Water treatment chemicals business : Payment for services which were previously free of charge

#### **【 Keeping SG&A expenses down 】**

- Elimination of unnecessary expenses and thorough streamlining

### **2) Stabilizing the overseas earnings base**

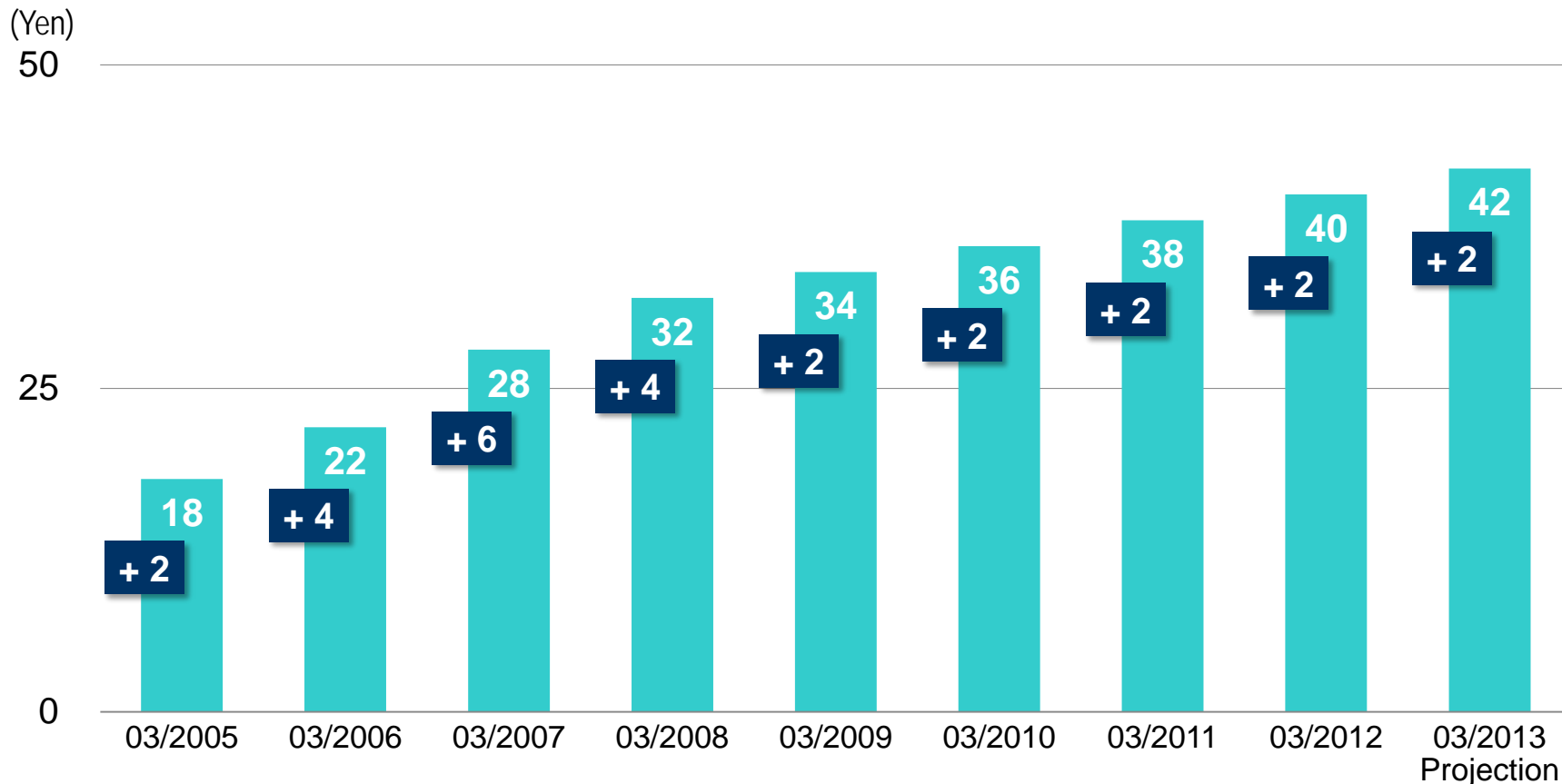
- Focusing on food, beverage, and automobiles in Southeast Asia, in addition to semiconductors and LCDs in South Korea and China
- Reinforcing manufacturing and procurement systems at business locations in Indonesia and Malaysia
- Strengthening service businesses, including chemicals and maintenance services, overseas



**Working to maintain and enhance the Group's strong profitability**



**【12】 Stable Dividend Increase**



**Basic Dividend Policy**

Kurita's basic policy is to maintain stable dividends, and the company will work to increase dividends while giving due consideration to trends in results and investments in its businesses.

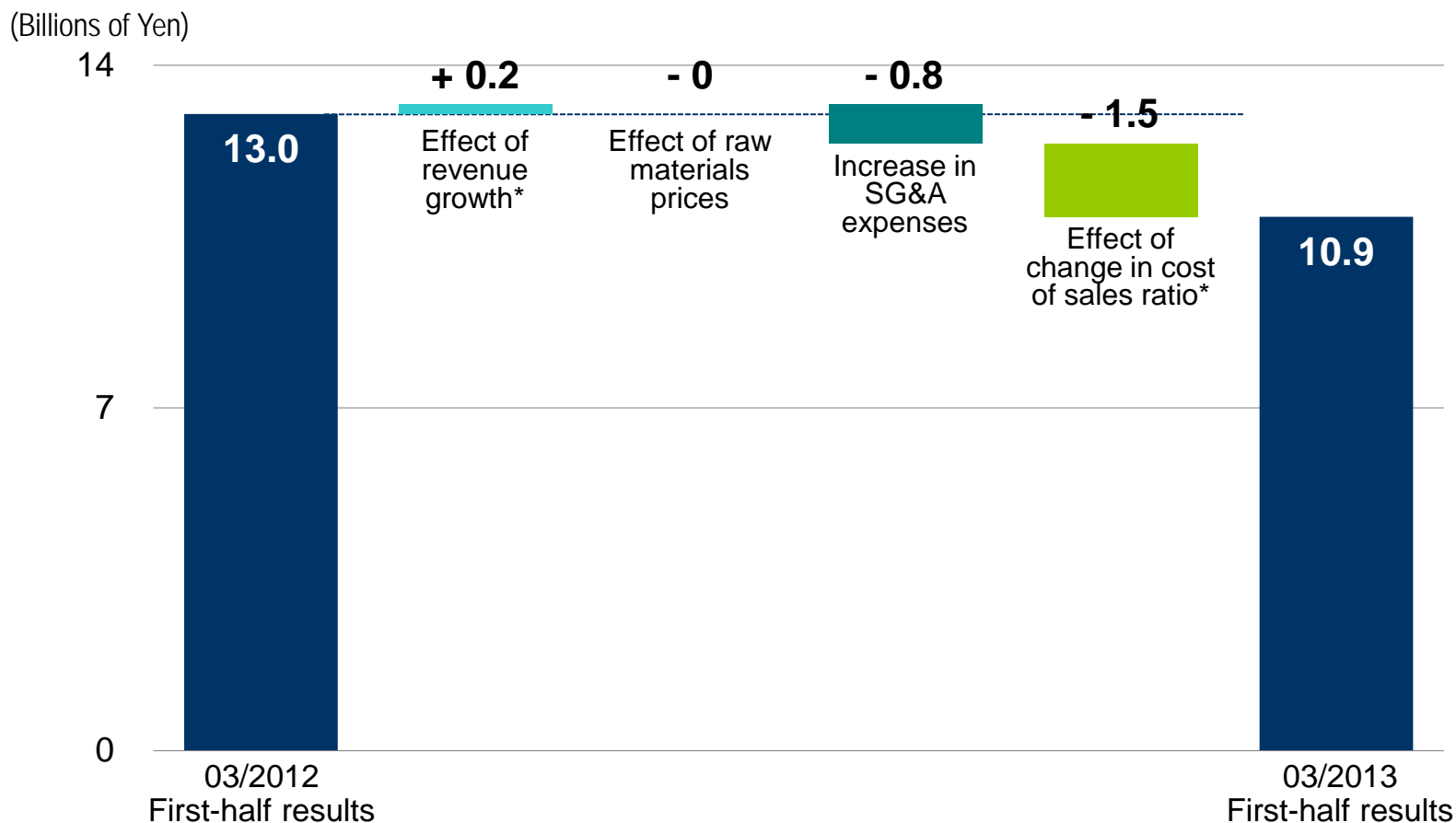
**【13】 Acquisition and Tender Offer of Treasury Stock**

**【 Description of public tender offer 】**

<b>Purchase price</b>	<b>1,630 yen per share</b>
<b>Number of shares to be purchased</b>	<b>7.5 million shares (Ratio of total number of shares issued : 5.65%)</b>
<b>Purchase period</b>	<b>November 1, 2012 to November 29, 2012</b>

This treasury stock acquisition is being conducted in an effort to improve capital efficiency and deliver even more returns to shareholders, as the Group executes a flexible capital policy in consideration of factors including investment opportunities, its financial position, and stock price levels.

## Analysis of Changes in First-half Operating Income for the Fiscal Year Ending March 31, 2013



\*The effects of revenue growth and change in the cost of sales ratio are calculated using the gross profit margin.

# Kurita Water Industries Ltd.

■ U R L ■ <http://ir.kurita.co.jp/>

■ M A I L ■ [ir@kurita.co.jp](mailto:ir@kurita.co.jp)

## Forward-looking Statements

This presentation 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 risk factors and uncertainties, actual results may differ from those specified or implied by these forward-looking statements and projections.