

# Kurita Water Industries Ltd.

## Earnings for the Six Months Ended September 30, 2013

First Half of the Fiscal Year Ending March 31, 2014



( Stock code : 6370 )

November 1, 2013

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# **First-half Results for the Fiscal Year Ending March 31, 2014**

- 1 . Financial Highlights**
- 2 . Orders, Sales, Operating Income, and Operating Income Margin**
- 3 . Water Treatment Chemicals**
- 4 . Water Treatment Facilities (for the electronics industry)**
- 5 . Water Treatment Facilities (for general industries)**
- 6 . Service Business Revenue**
- 7 . Overseas Businesses (sales by region and business & map of Asian locations)**
- 8 . Capital Expenditures, Depreciation, and R&D Expenses**
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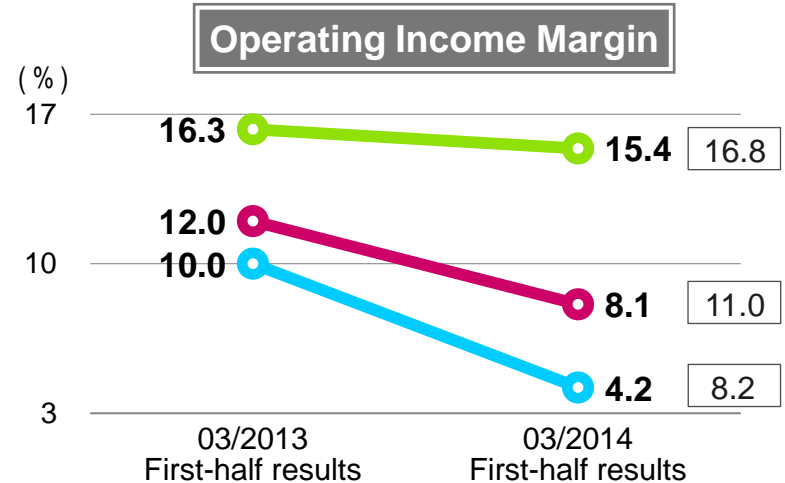
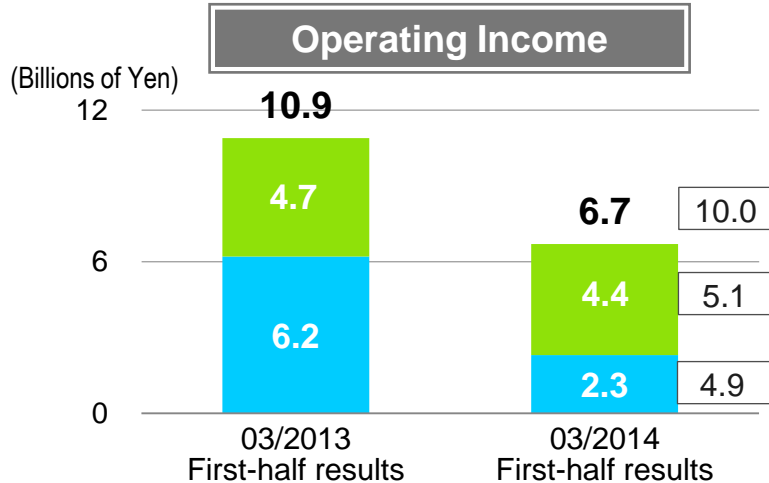
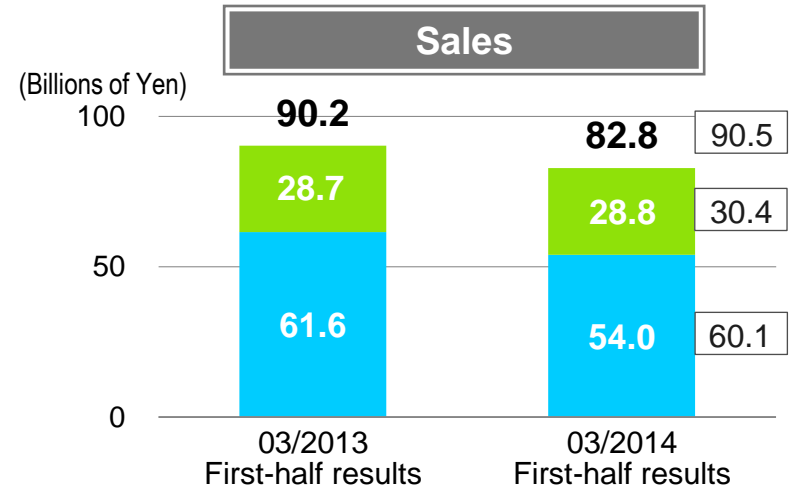
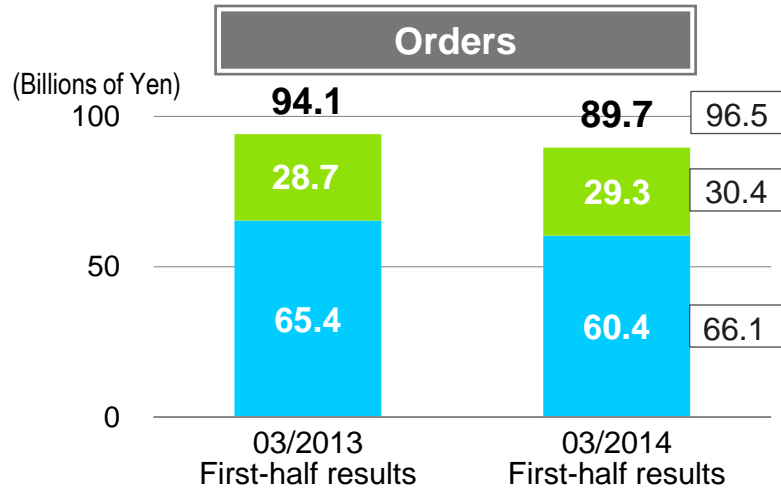
## 1. Financial Highlights

(Billions of Yen)

	Fiscal year to March 2013 First-half results	Fiscal year to March 2014 Initial first-half projection	Fiscal year to March 2014 First-half results	Year-on-year change
<b>Orders</b>	<b>94.1</b>	<b>96.5</b>	<b>89.7</b>	<b>- 4.6%</b>
<b>Net Sales</b>	<b>90.2</b>	<b>90.5</b>	<b>82.8</b>	<b>- 8.3%</b>
<b>Operating Income</b>	<b>10.9</b>	<b>10.0</b>	<b>6.7</b>	<b>- 38.3%</b>
<b>Ordinary Income</b>	<b>11.3</b>	<b>10.2</b>	<b>7.2</b>	<b>- 36.9%</b>
<b>Net Income</b>	<b>4.9</b>	<b>6.1</b>	<b>4.1</b>	<b>- 15.6%</b>

## 2. Orders, Sales, Operating Income, and Operating Income Margin

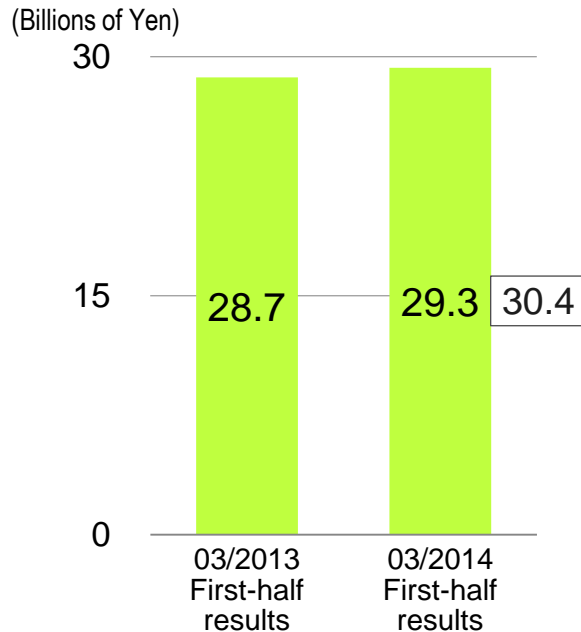
Water treatment chemicals    
 Water treatment facilities    
 Total    
 \* denotes initial projections



### 3. Water Treatment Chemicals

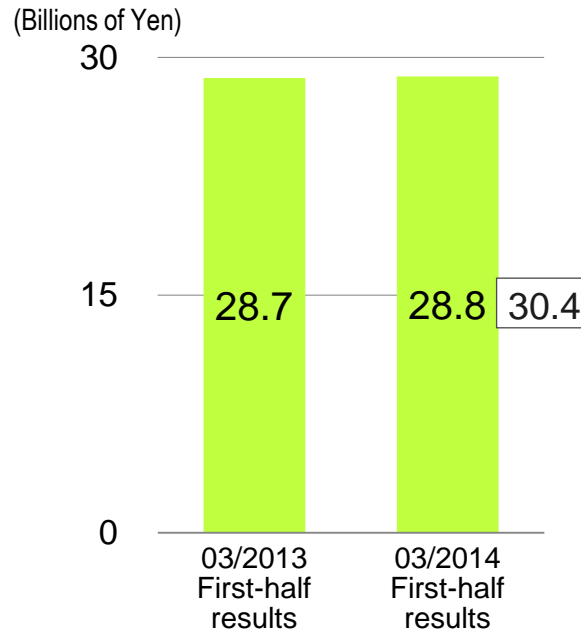
#### Orders

\* □ denotes initial projections



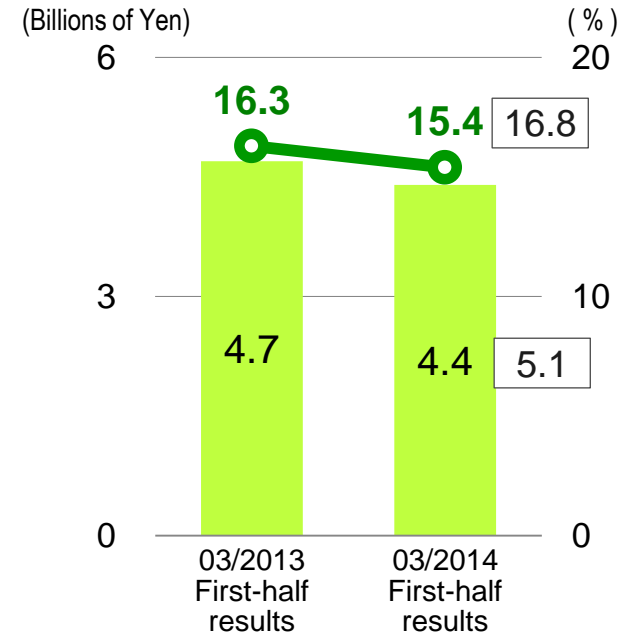
#### Sales

\* □ denotes initial projections



#### Operating Income and Operating Income Margin

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



**[Major areas of change in Orders / Sales]**

- Japan : Decline in core products (-)
- Overseas : Growth in China and Southeast Asia (+)
- Foreign currency translation gains (+)

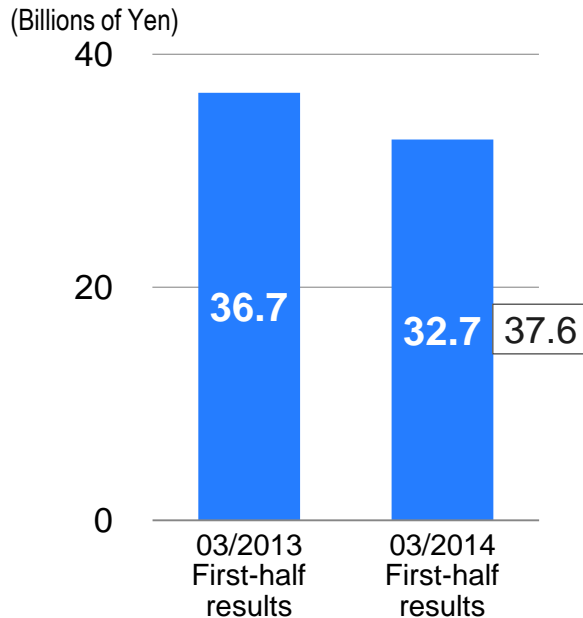
**[Major determinants of change]**

- Increase in SG&A expenses (-)

## 4. Water Treatment Facilities (for the electronics industry)

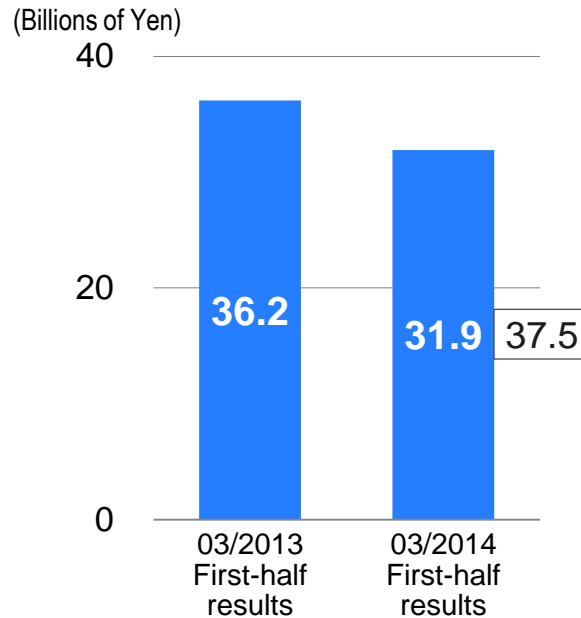
### Orders

\* □ denotes initial projections



### Sales

\* □ denotes initial projections

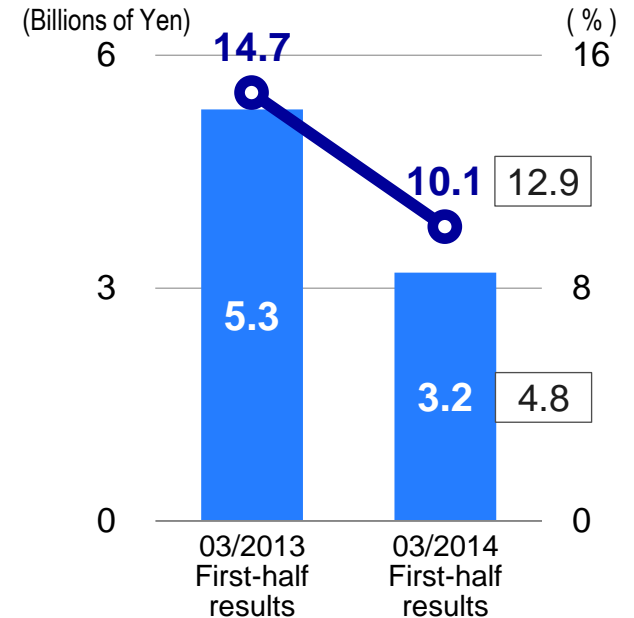


#### [Major areas of change in Orders / Sales]

- Decline in hardware (-)
- Decline in ultrapure water supply business (-)

### Operating Income and Operating Income Margin

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



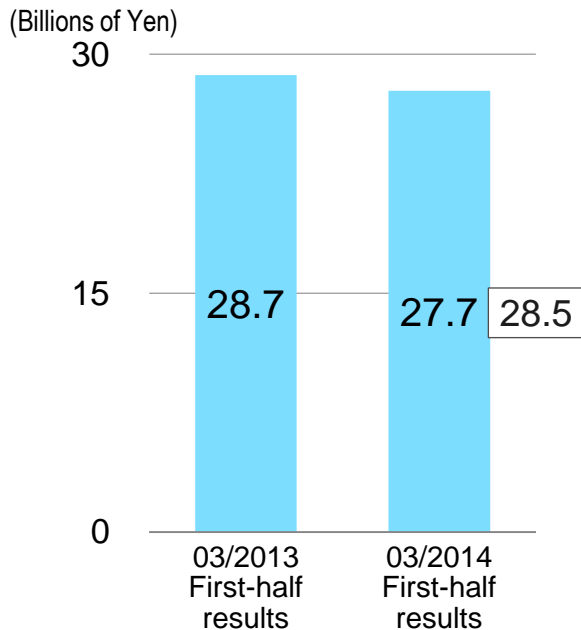
#### [Major determinants of change]

- Impact of decline in revenue (-)
- Deterioration of cost of sales ratio (-)
- Increase in SG&A expenses (-)

## 5. Water Treatment Facilities (for general industries)

### Orders

\* □ denotes initial projections

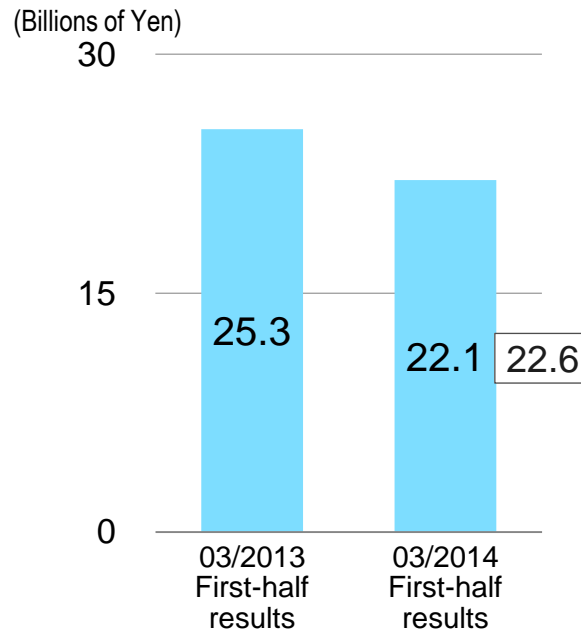


#### [Major areas of change in Orders]

- Decrease in hardware for general industries (-)
- Decrease in hardware for electric power industry (-)
- Decrease in maintenance services (-)

### Sales

\* □ denotes initial projections

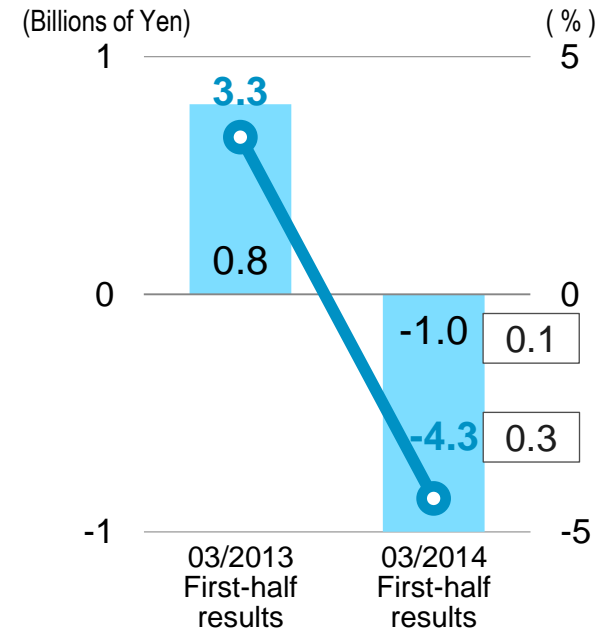


#### [Major areas of change in Sales]

- Decrease in hardware for electric power industry (-)
- Decrease in maintenance services (-)

### Operating Income and Operating Income Margin

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



#### [Major determinants of change]

- Impact of decline in revenue (-)
- Deterioration of cost of sales ratio (-)
- Increase in SG&A expenses (-)



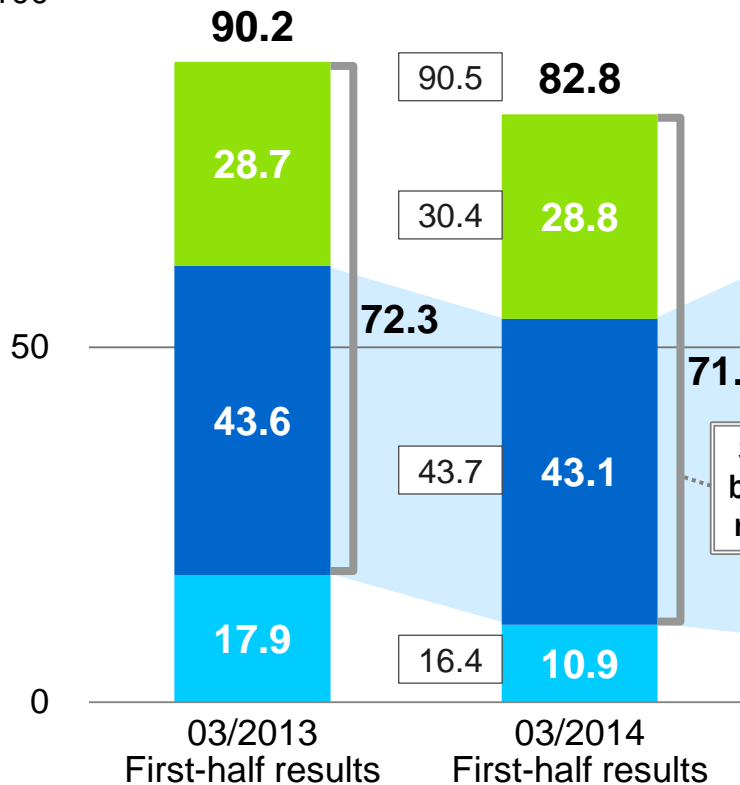
## 6. Service Business Revenue

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

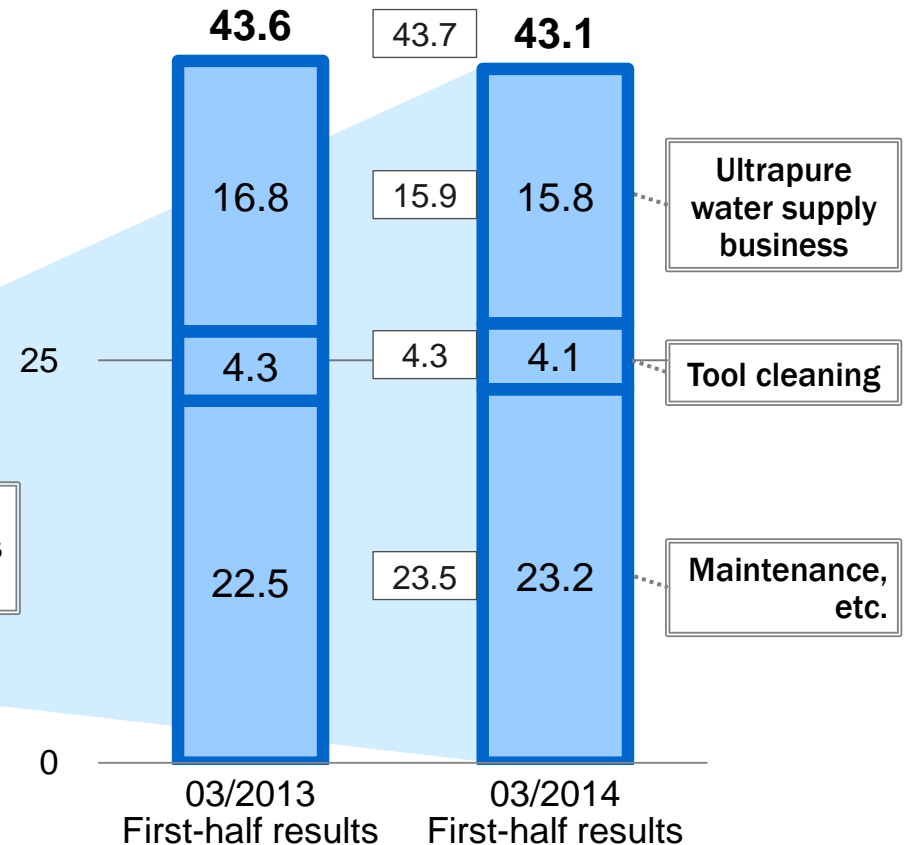
### Service Business Revenue in the Water Treatment Facilities Segment

\* □ denotes initial projection

(Billions of Yen)  
100



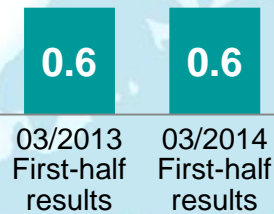
(Billions of Yen)  
50



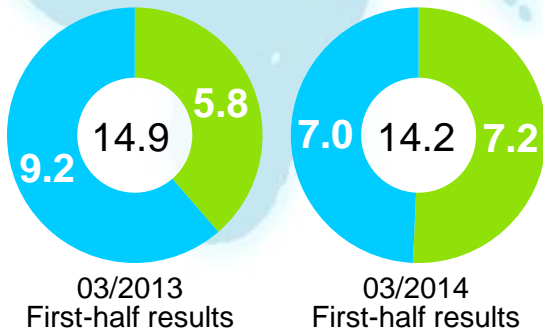
## 7. Overseas Businesses (sales by region and business & map of Asian locations)

(Billions of Yen)

### Europe

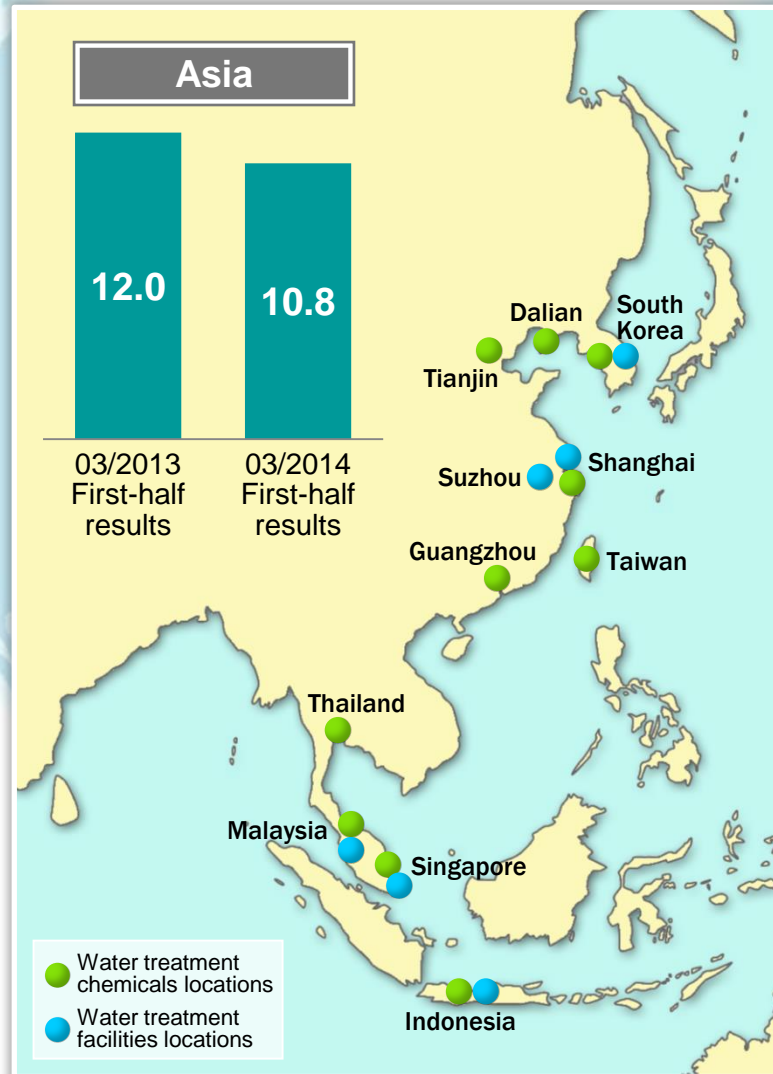
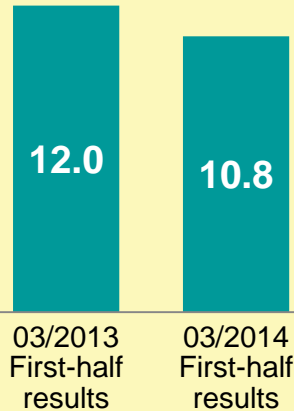


### Business Segment

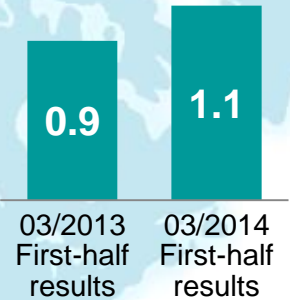


■ Water treatment chemicals  
■ Water treatment facilities

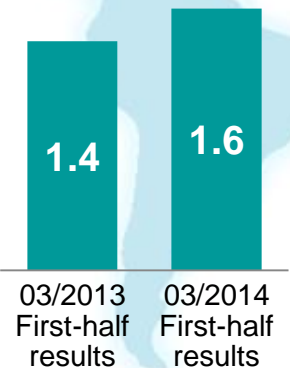
### Asia



### N. America

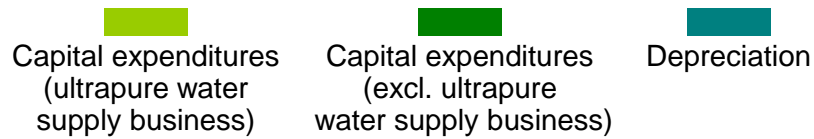


### Other

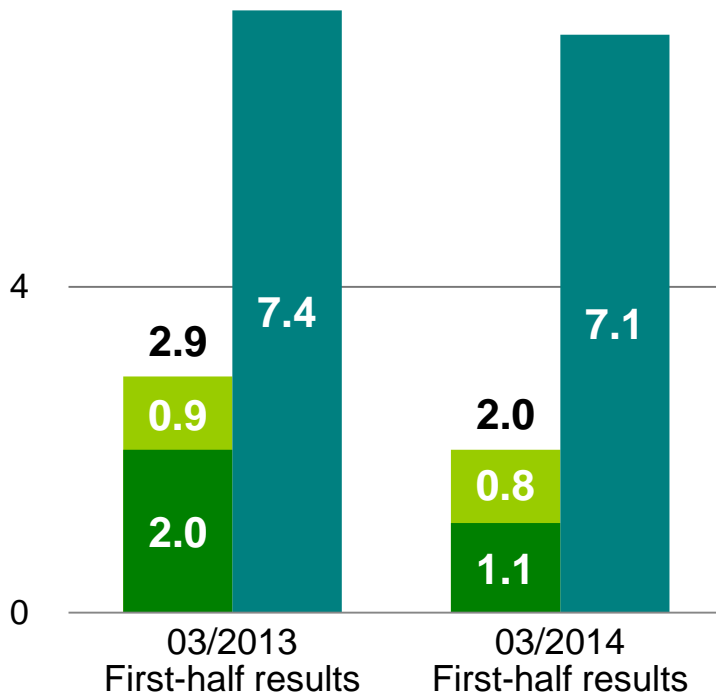


## 8. Capital Expenditures, Depreciation, and R&D Expenses

Capital Expenditures and Depreciation



(Billions of Yen)  
8

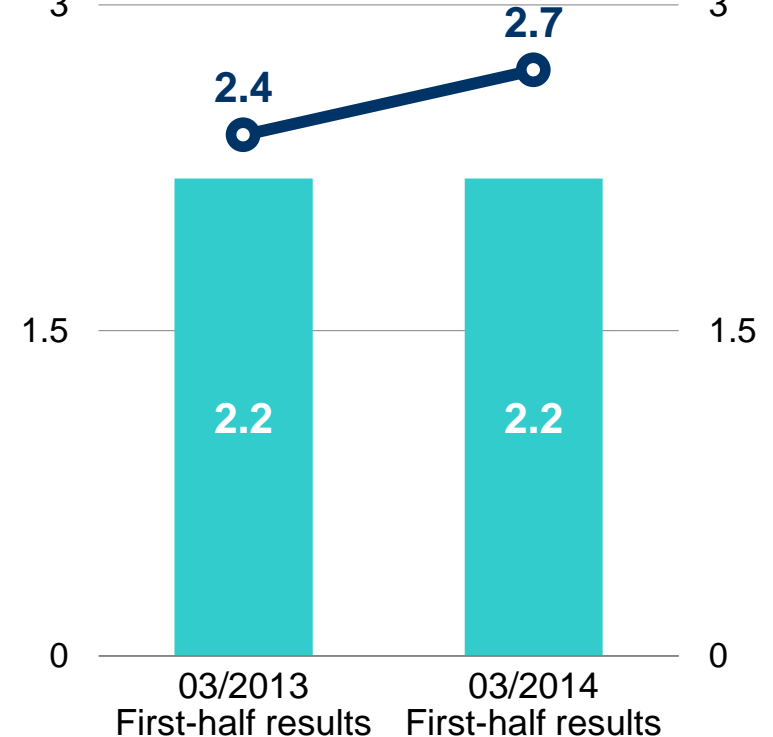


R&D Expenses



(Billions of Yen)  
3

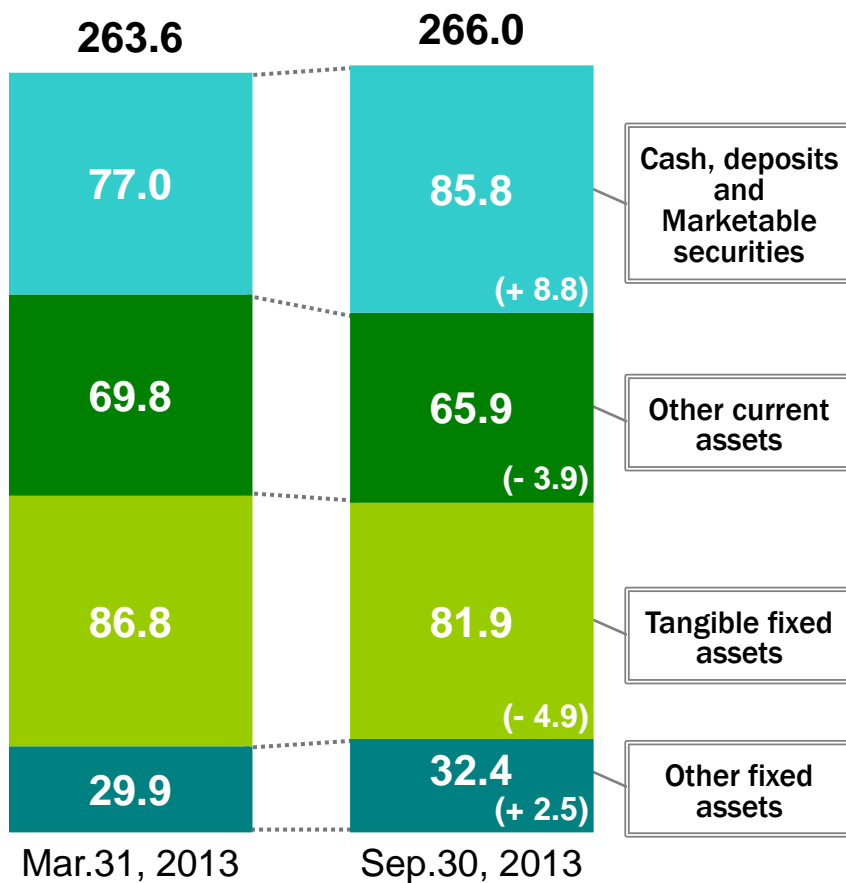
(%)  
3



## 9. Financial Condition

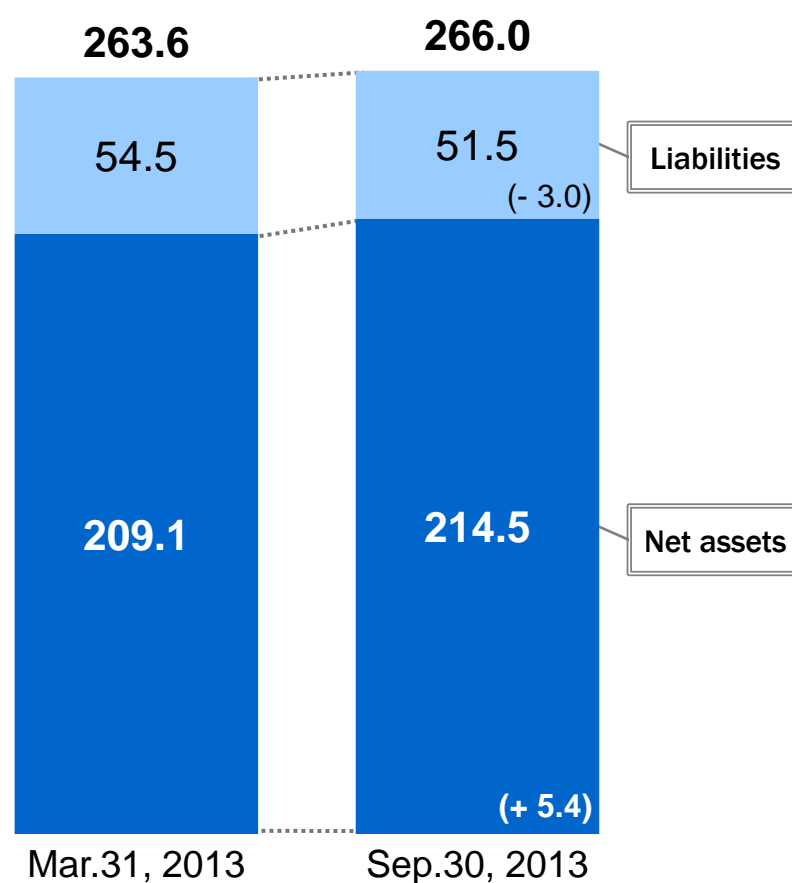
### Assets

(Billions of Yen)



### Liabilities and Net Assets

(Billions of Yen)



# **Full-year Business Plan for the Fiscal Year Ending March 31, 2014**

- 1 . Overview**
- 2 . Key Assumptions**
- 3 . Orders, Sales, Operating Income, and Operating Income Margin**
- 4 . Water Treatment Chemicals**
- 5 . Water Treatment Facilities (for the electronics industry)**
- 6 . Water Treatment Facilities (for general industries)**
- 7 . Service Business Revenue**
- 8 . Overseas Businesses (sales by region and business)**
- 9 . Ultrapure Water Supply Business**
- 10 . Capital Expenditures, Depreciation, and R&D Expenses**
- 11 . Dividend Policy**

## 1. Overview

(Billions of Yen)

	Fiscal year to March 2013 Actual	Fiscal year to March 2014 Initial projection	Fiscal year to March 2014 Revised projection	Year-on-year change
<b>Orders</b>	<b>186.7</b>	<b>197.0</b>	<b>181.0</b>	<b>- 3.1%</b>
<b>Net Sales</b>	<b>180.1</b>	<b>191.0</b>	<b>176.0</b>	<b>- 2.3%</b>
<b>Operating Income</b>	<b>21.0</b>	<b>23.5</b>	<b>15.0</b>	<b>- 28.5%</b>
<b>Ordinary Income</b>	<b>22.0</b>	<b>24.0</b>	<b>15.8</b>	<b>- 28.3%</b>
<b>Net Income</b>	<b>11.5</b>	<b>14.0</b>	<b>9.0</b>	<b>- 21.6%</b>

## 2. Key Assumptions

We believe that corporate earnings will recover on the back of the government's economic stimulus measures and the correction of the yen's appreciation, and that customers' capacity utilization and capital investment will gradually recover, but it will take time for this to translate into earnings for the Company.



### Water Treatment Chemicals Segment

- Domestic customers' capacity utilization will gradually recover
- Concern about a slowdown in economic growth in emerging countries

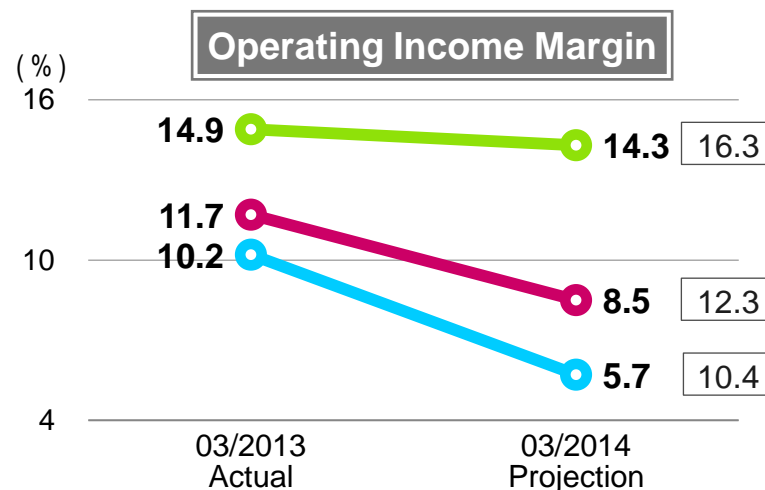
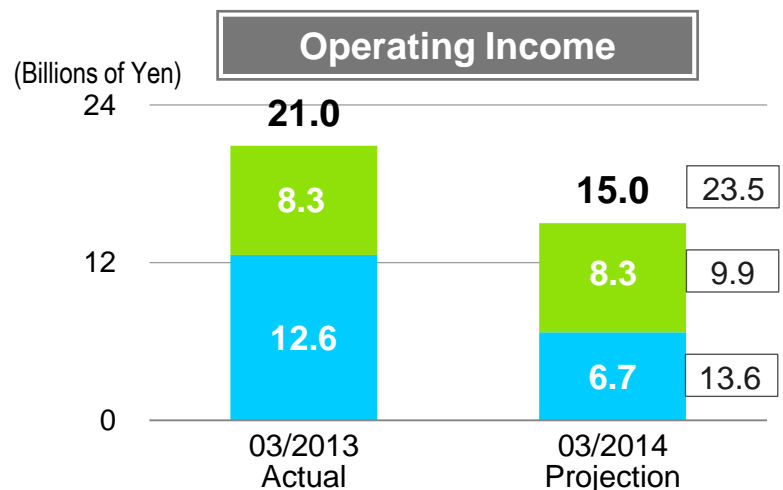
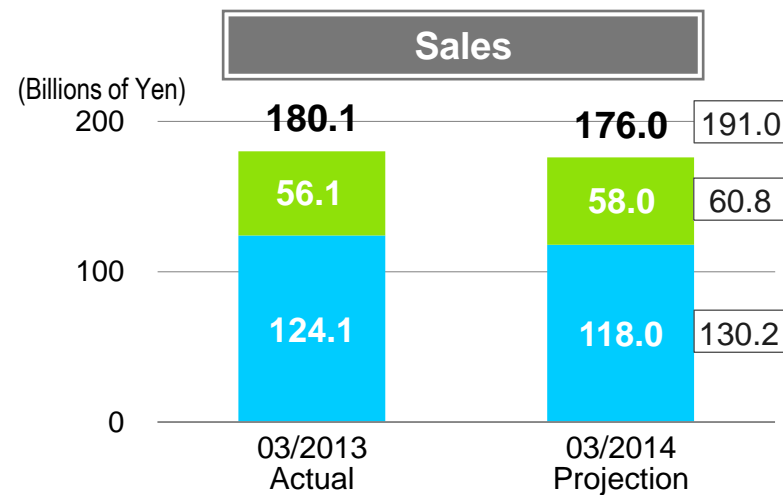
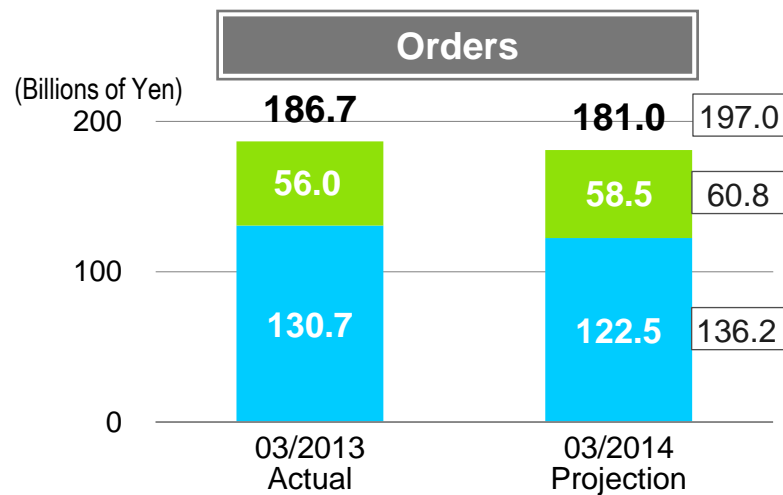


### Water Treatment Facilities Segment

- There is some capital investment activity in the semiconductor/LCD industries, but the overall level is low
- Capital investment in general industries will be sluggish for the time being

### 3. Orders, Sales, Operating Income, and Operating Income Margin

Water treatment chemicals    
 Water treatment facilities    
 Total    
 \* denotes initial projections

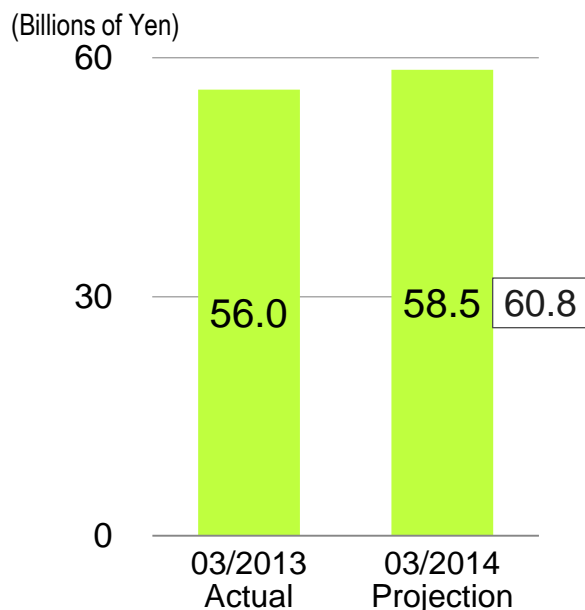




## 4. Water Treatment Chemicals

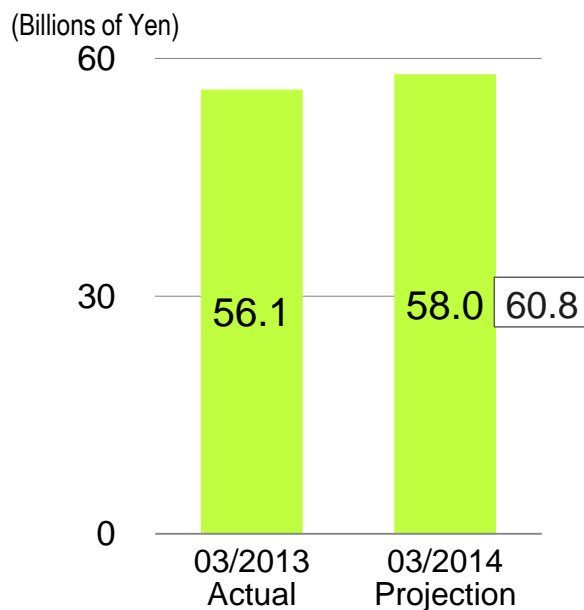
### Orders

\* □ denotes initial projections



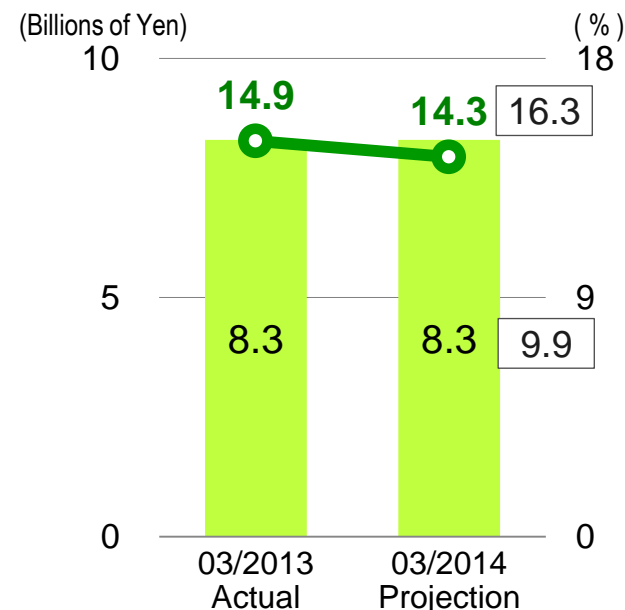
### Sales

\* □ denotes initial projections



### Operating Income and Operating Income Margin

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



#### [Major areas of change in Orders / Sales]

- Japan : Delay in recovery of customers' capacity utilization (-)
- Overseas : Continued growth particularly in Asia (+)

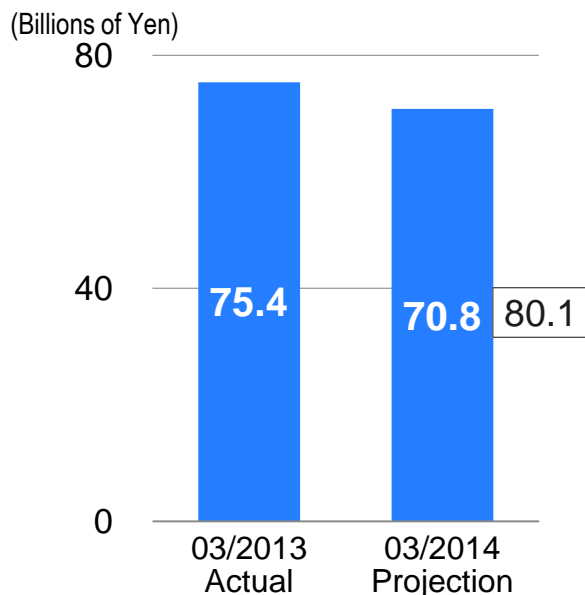
#### [Major determinants of change]

- Impact of increase in revenue (+)
- Improvement in cost of sales ratio (+)
- Increase in SG&A expenses (-)

## 5. Water Treatment Facilities (for the electronics industry)

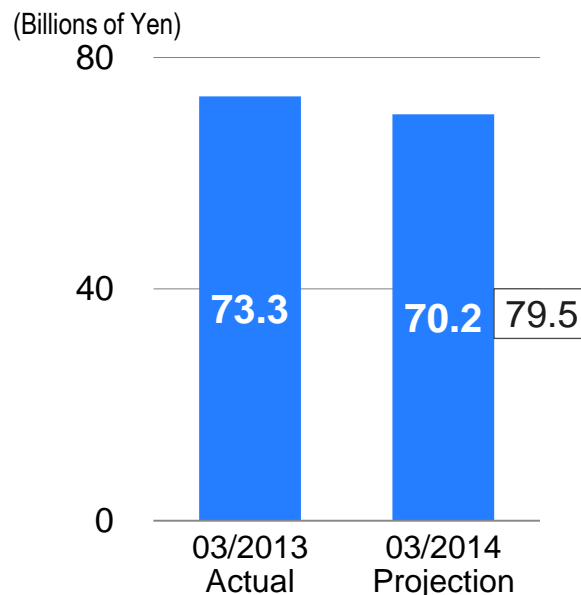
### Orders

\* □ denotes initial projections



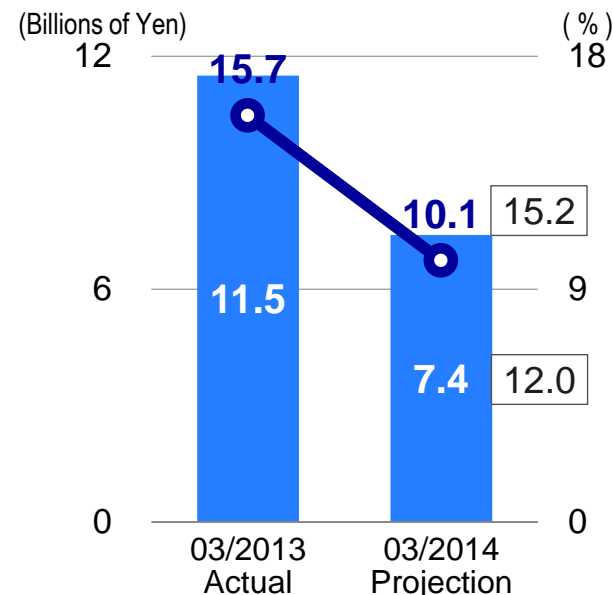
### Sales

\* □ denotes initial projections



### Operating Income and Operating Income Margin

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



#### [Major areas of change in Orders / Sales]

- Decrease in hardware (-)
- Decrease in maintenance services (-)
- Decrease in ultrapure water supply business (-)

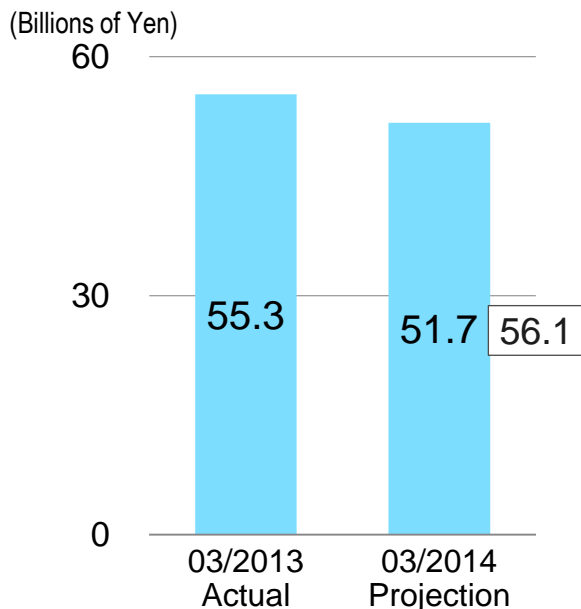
#### [Major determinants of change]

- Impact of decline in revenue (-)
- Deterioration of cost of sales ratio (-)
- Increase in SG&A expenses (-)

## 6. Water Treatment Facilities (for general industries)

### Orders

\* □ denotes initial projections

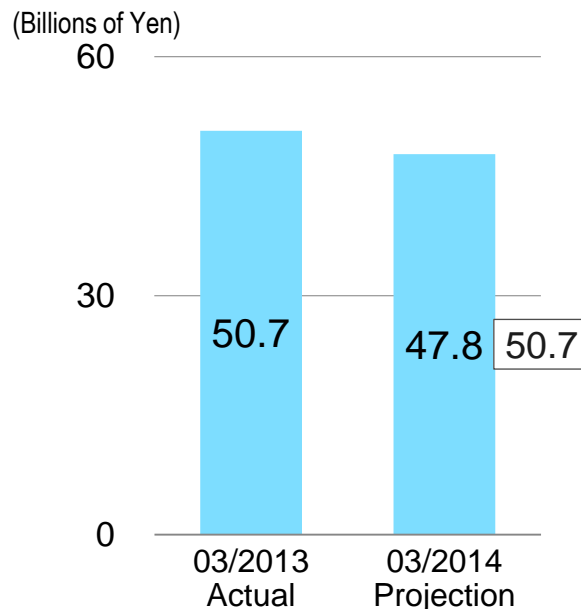


#### [Major areas of change in Orders]

- Decrease in hardware for general industries (-)
- Decrease in hardware for electric power industry (-)

### Sales

\* □ denotes initial projections

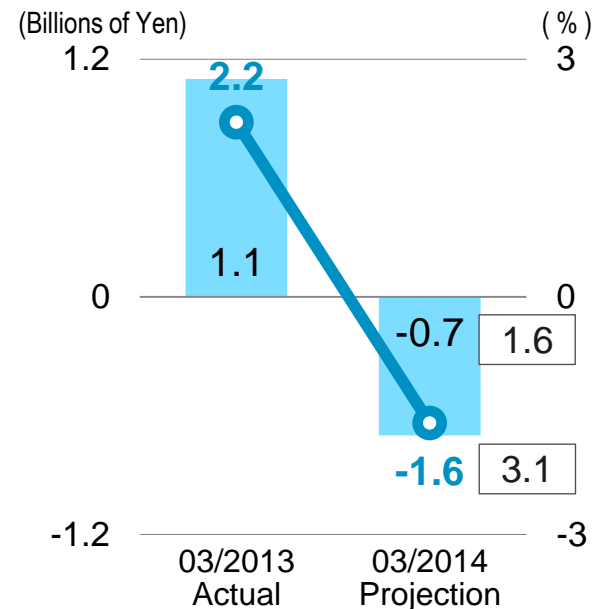


#### [Major areas of change in Sales]

- Decrease in hardware for electric power industry (-)
- Decrease in hardware for general industries (-)

### Operating Income and Operating Income Margin

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

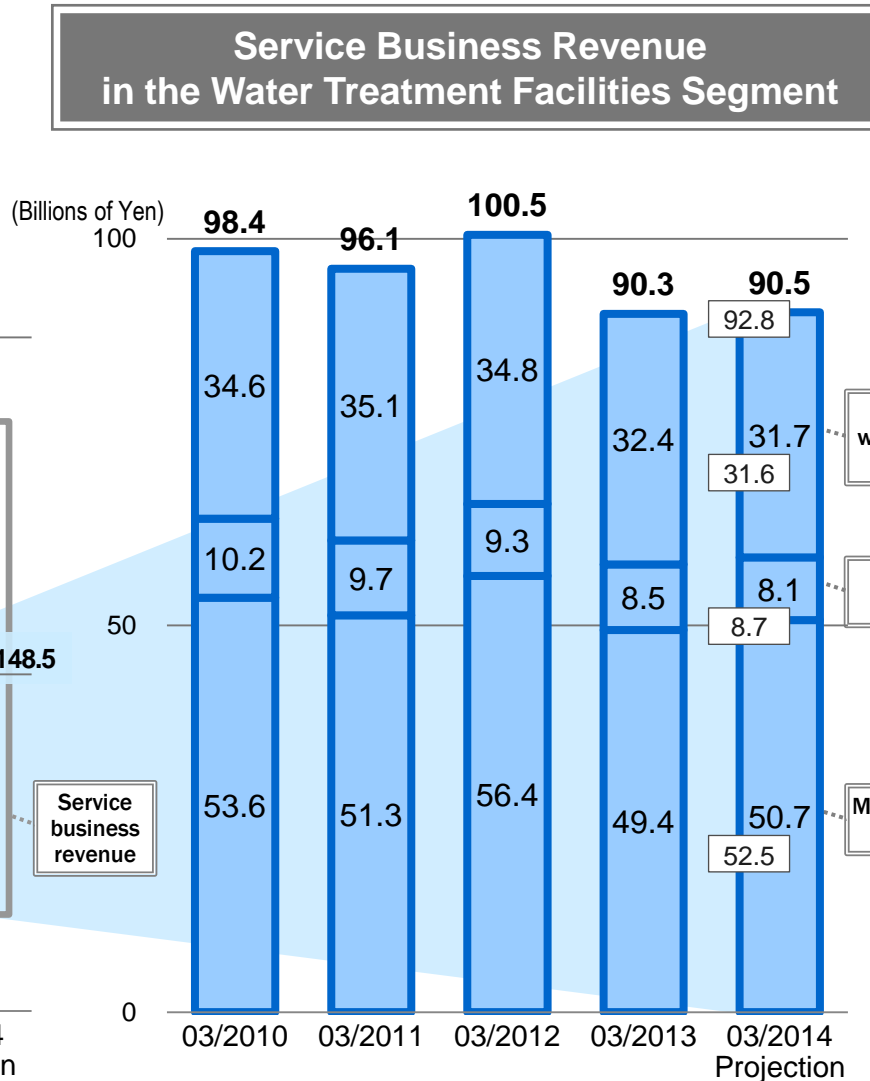
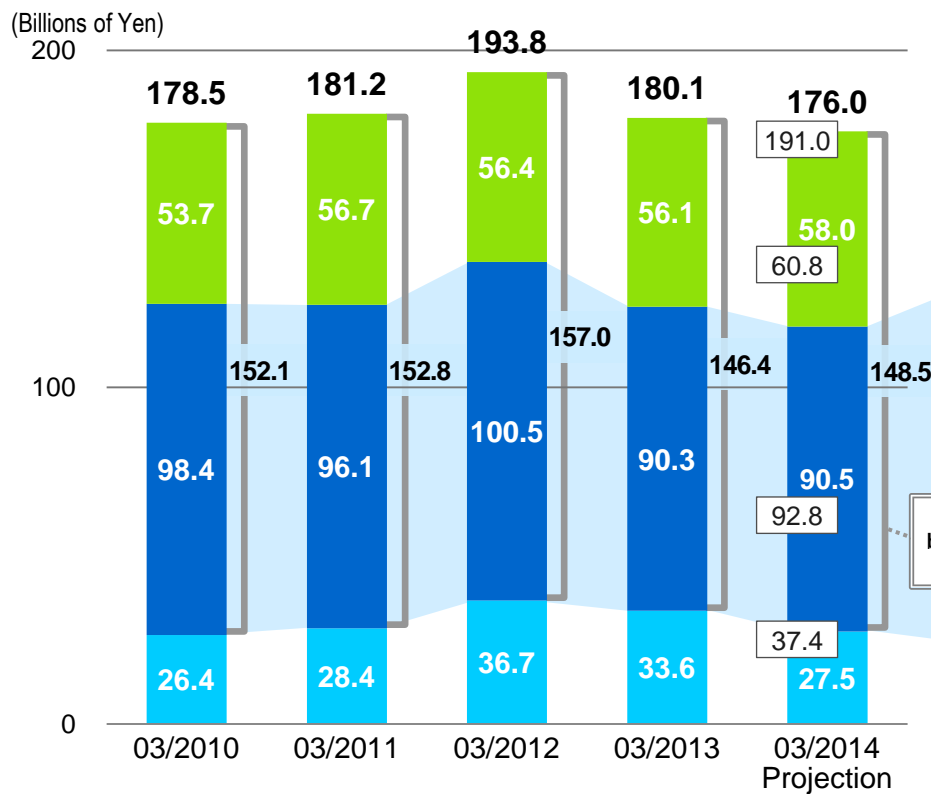


#### [Major determinants of change]

- Impact of decline in revenue (-)
- Deterioration of cost of sales ratio (-)
- Increase in SG&A expenses (-)

## 7. Service Business Revenue

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

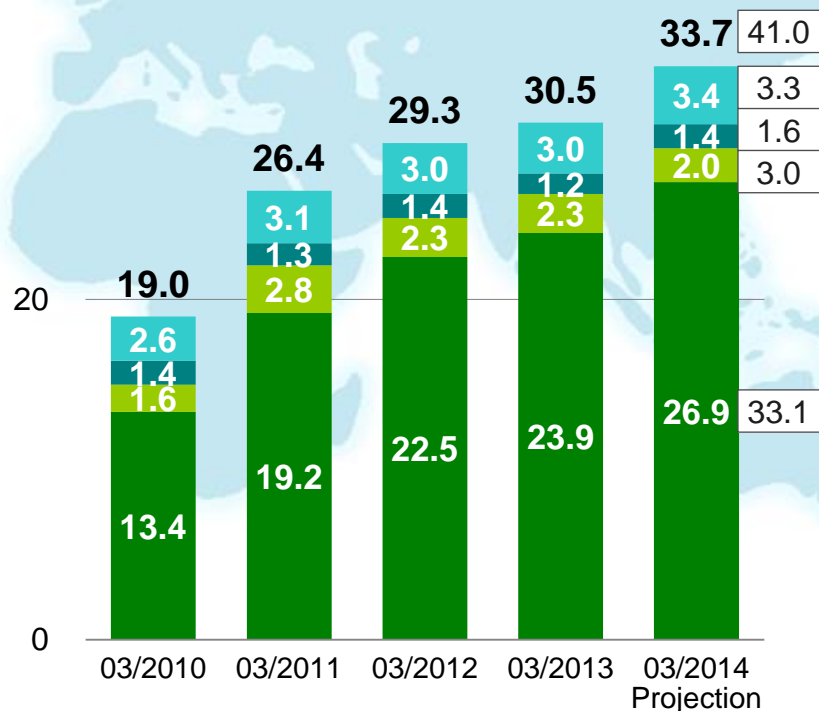


## 8. Overseas Businesses (sales by region and business)

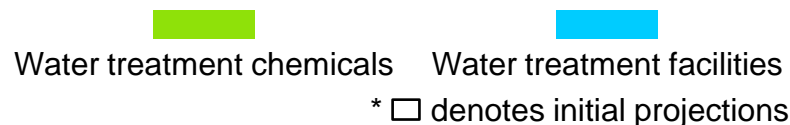
Sales by Region



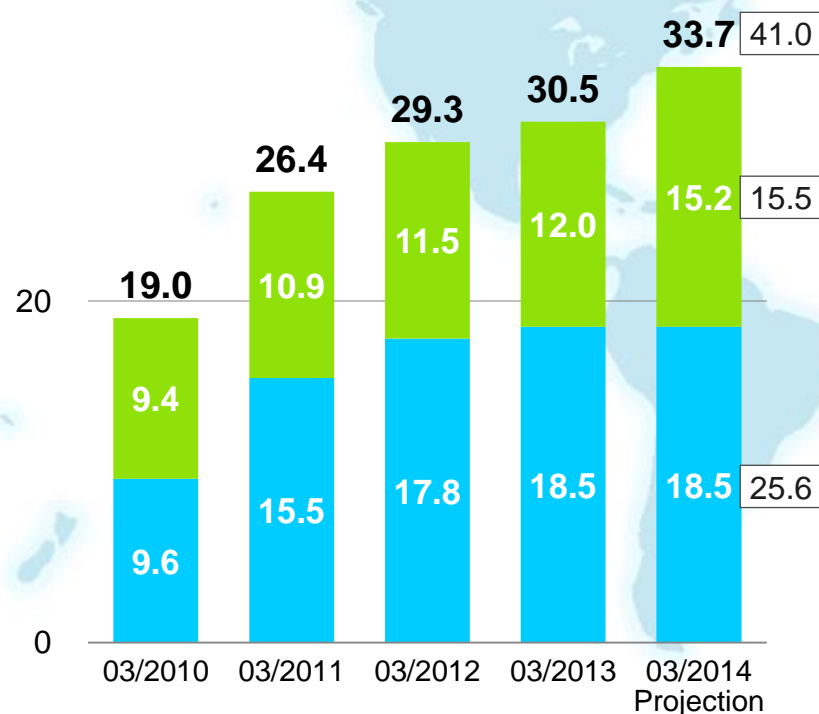
(Billions of Yen)  
40



Sales by Overseas Business Segment



(Billions of Yen)  
40

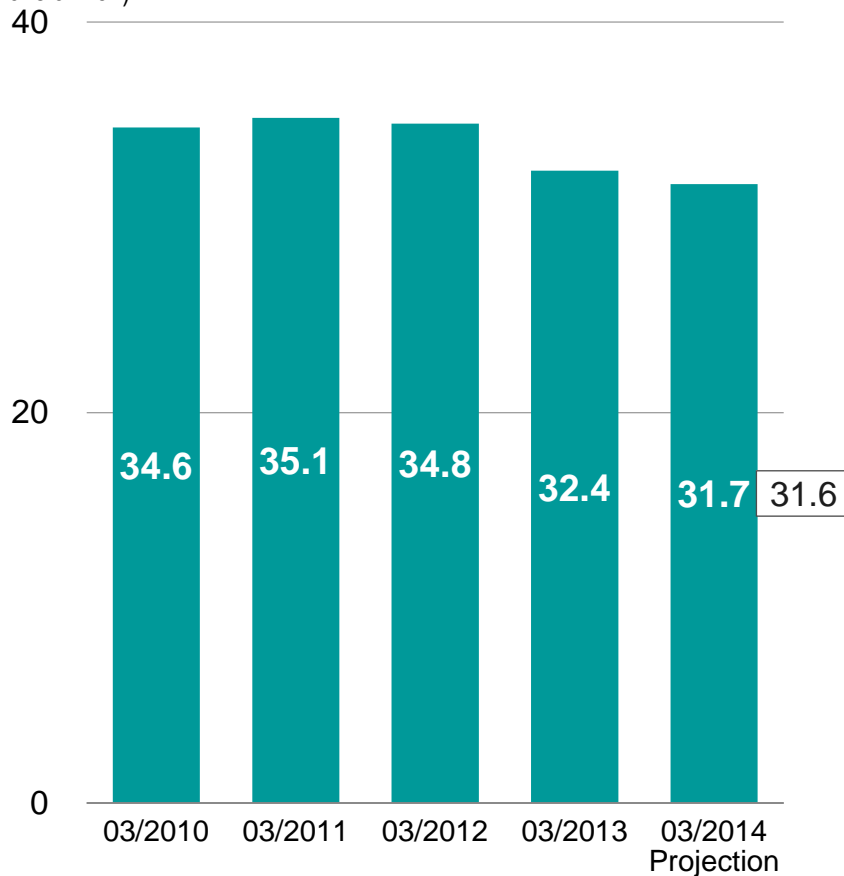


## 9. Ultrapure Water Supply Business

### Sales

\* □ denotes initial projections

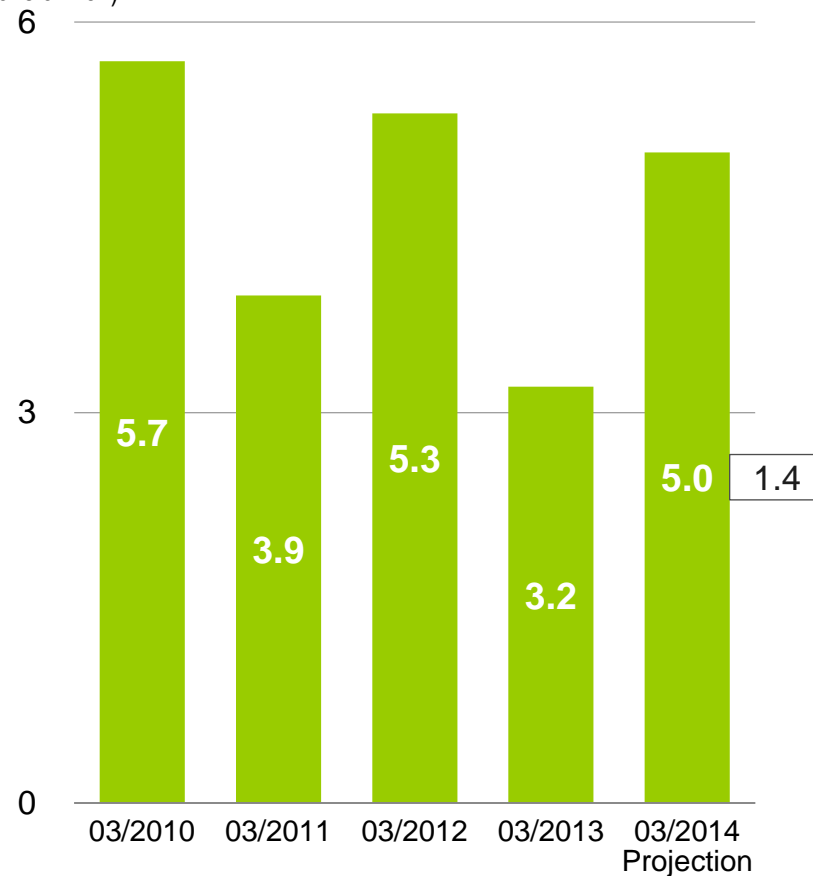
(Billions of Yen)



### Capital Expenditures

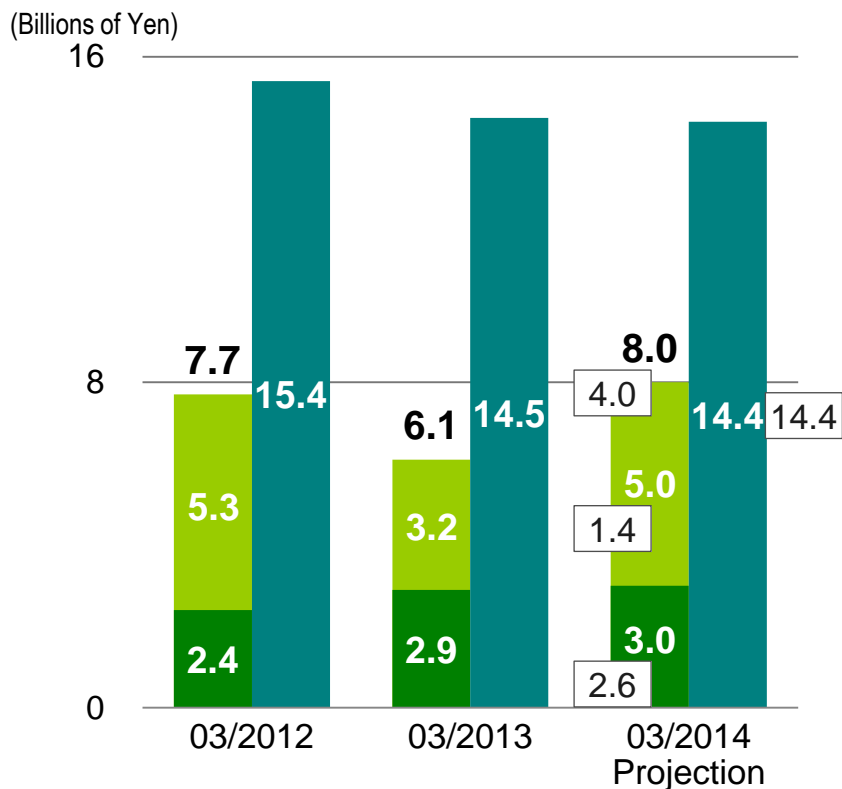
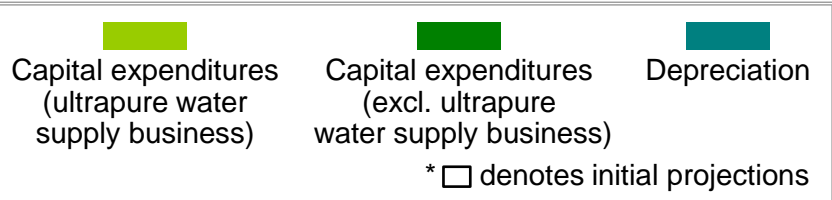
\* □ denotes initial projections

(Billions of Yen)

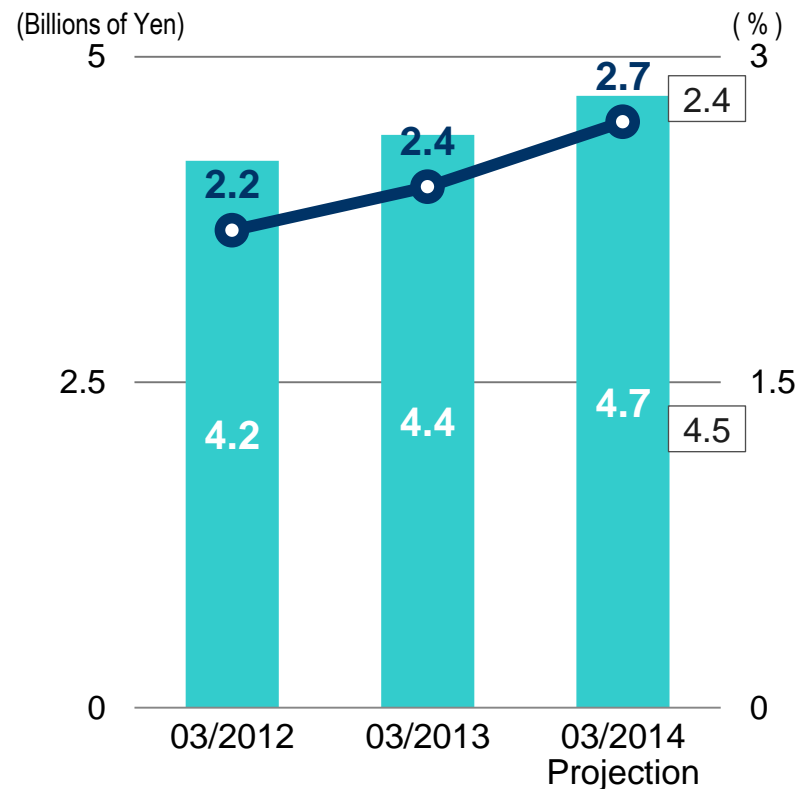
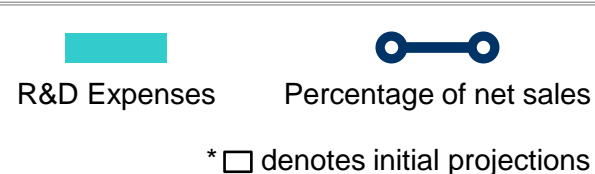


## 10. Capital Expenditures, Depreciation, and R&D Expenses

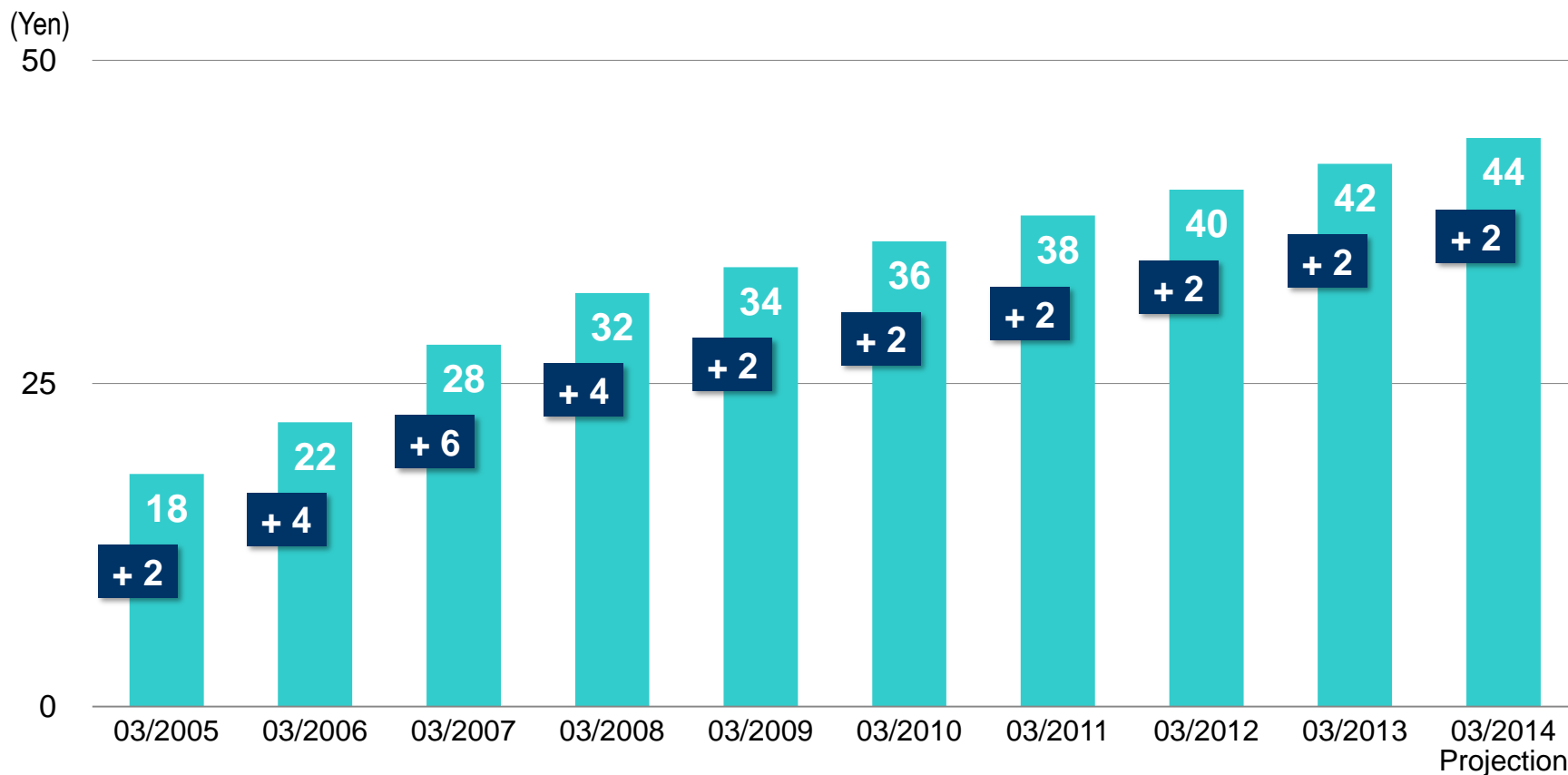
### Capital Expenditures and Depreciation



### R&D Expenses



## 11. Dividend Policy



### 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.

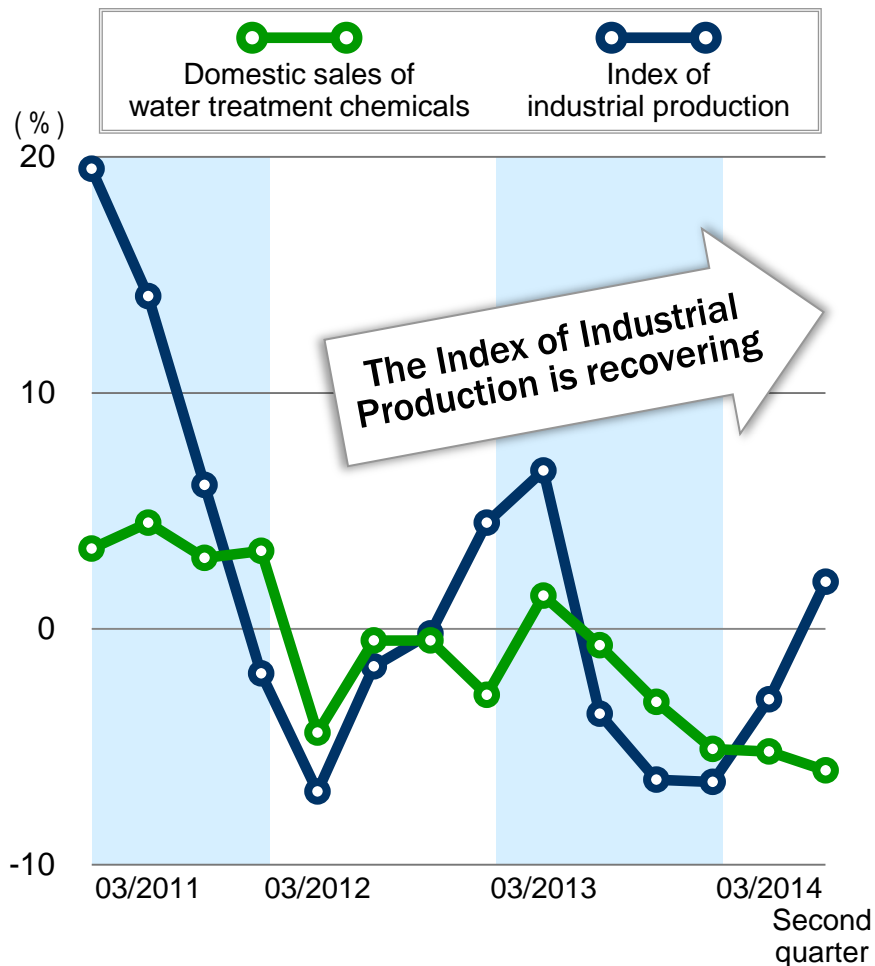


## **Future Outlook and Initiatives**

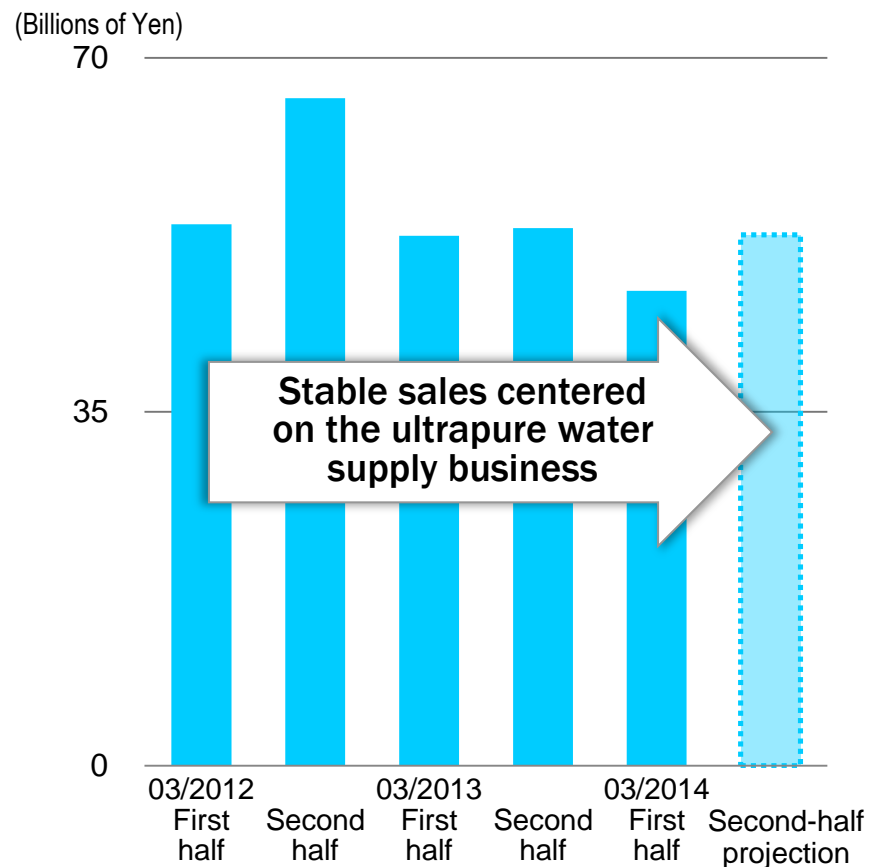
- 1 . Domestic Demand Outlook**
- 2 . Overseas Demand Outlook**
- 3 . Operating Income Margin**
- 4 . Profitability Enhancement**
- 5 . Initiatives by Overseas Region**

## 1. Domestic Demand Outlook

**Domestic Sales of Water Treatment Chemicals and Index of Industrial Production (Year-on-year change)**



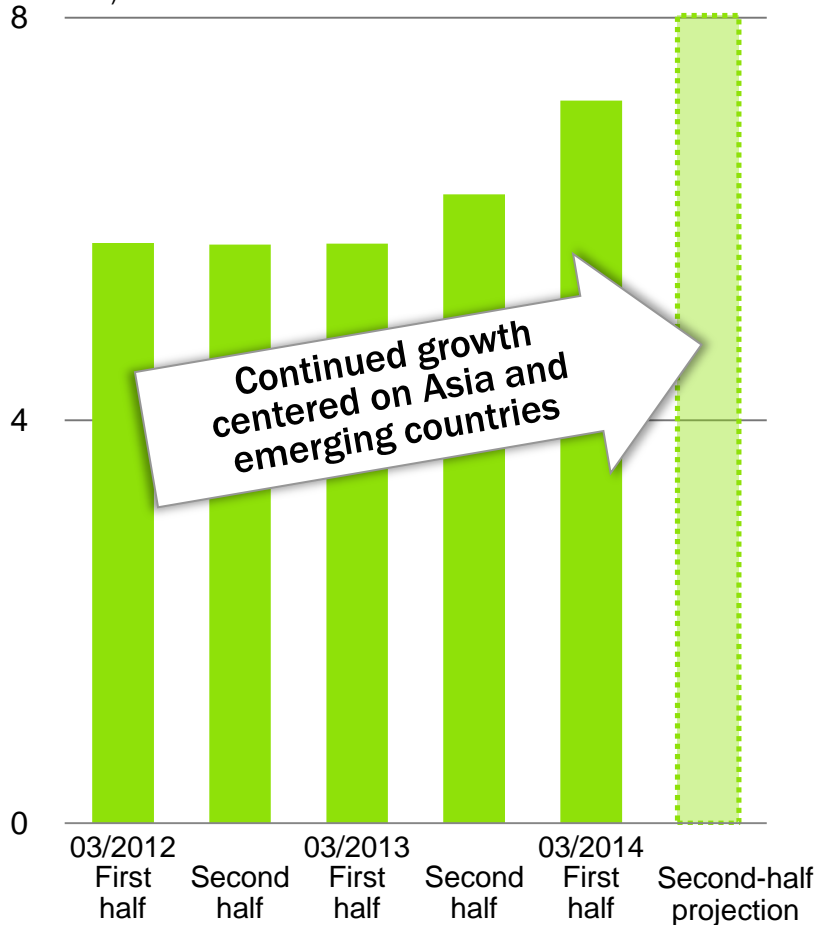
**Domestic Sales of Water Treatment Facilities**



## 2. Overseas Demand Outlook

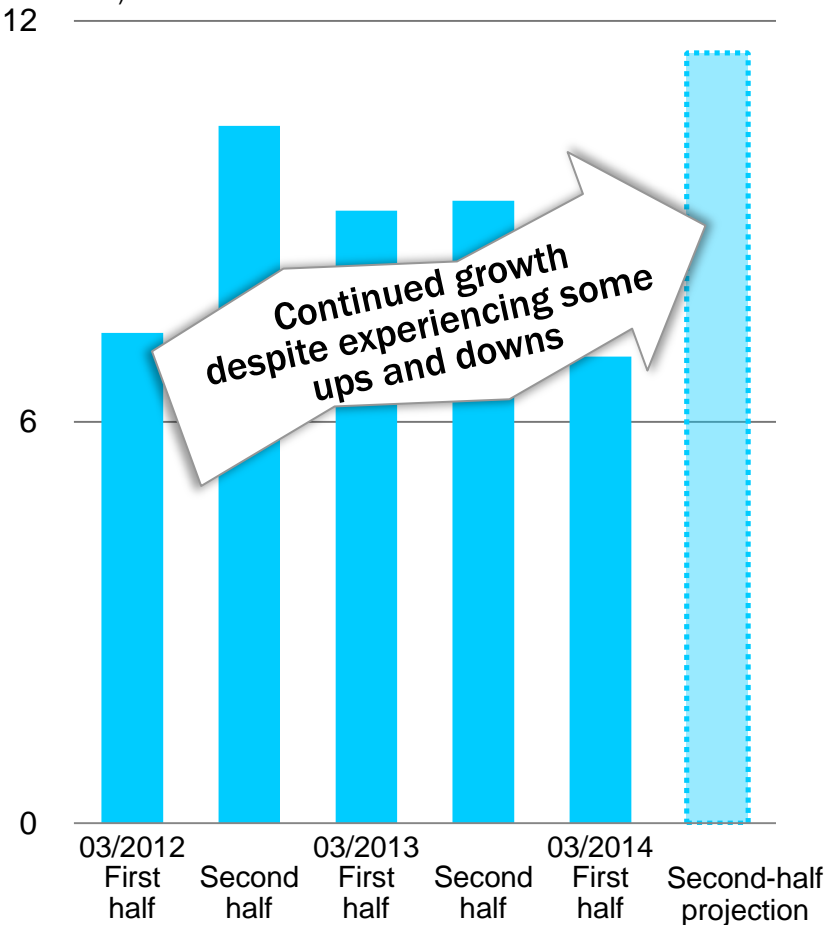
Overseas Sales of Water Treatment Chemicals

(Billions of Yen)

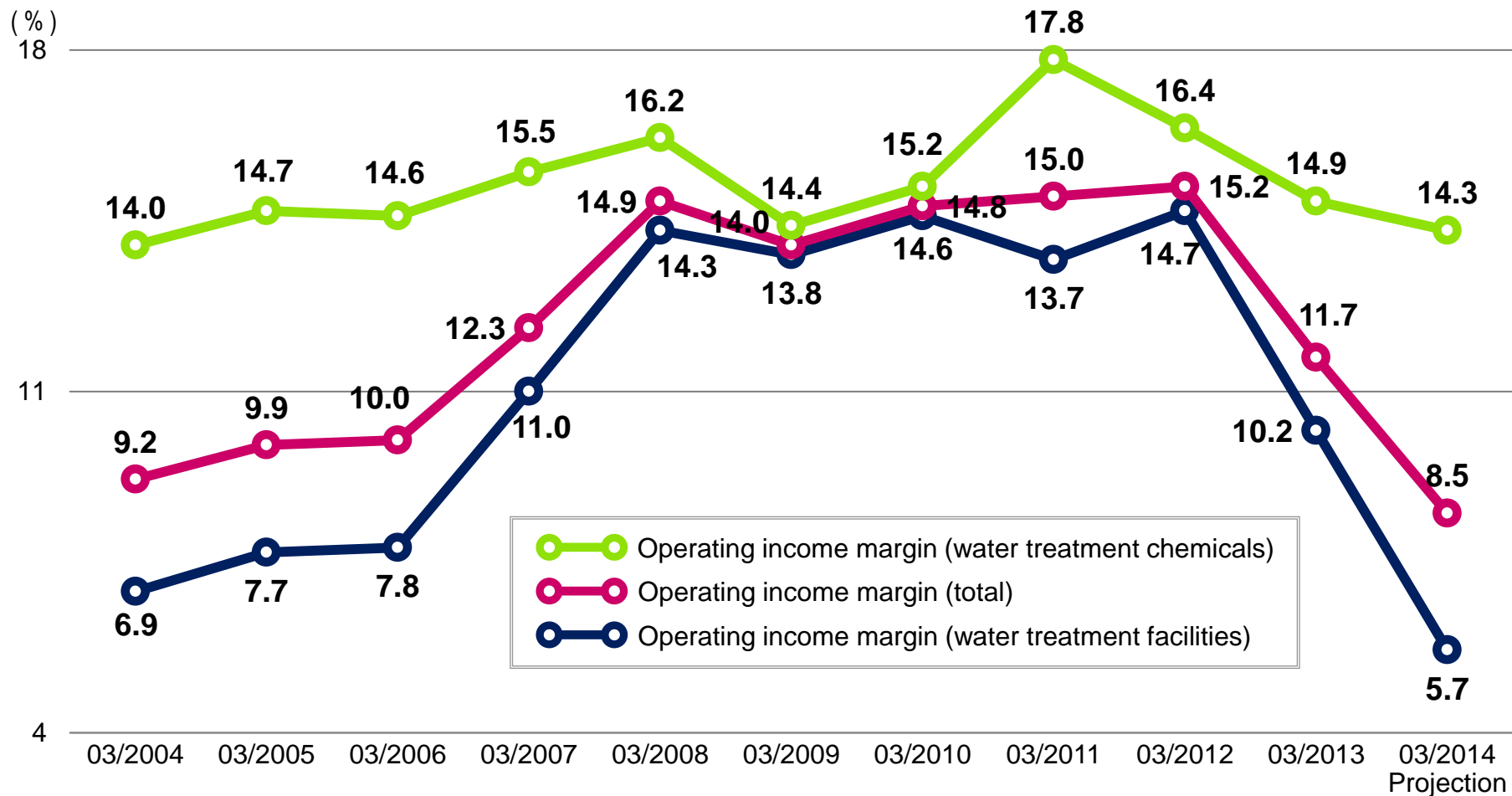


Overseas Sales of Water Treatment Facilities

(Billions of Yen)



### 3. Operating Income Margin



## 4. Profitability Enhancement

### Current Issues and Challenges

- Lower order prices due to fierce competition
- Lower profitability due to projects becoming smaller
- Additional costs

### Initiatives

- Leverage the Group's comprehensive capabilities to provide high-value-added solutions, including new products and new services, based on the Group's technical capabilities
- Promote teamwork among sales, design and production units to improve cost of sales through normalization and standardization
- Localize design, procurement and installation management

## 5. Initiatives by Overseas Region

### Initiatives to Enhance Profits by Region

#### China / South Korea

- Bolster collaboration with Kurita Water Industries (Suzhou) Ltd., Kuritec (Shanghai) Co., Ltd., and Hansu Technical Service Ltd.

➔ Expansion of the maintenance service business, such as consumables, standardized systems, and renovation work

#### Taiwan

- Launch joint project by sales division and production division aimed at reducing costs of facilities

➔ Quickly standardize, localize, and bolster purchasing power to become more competitive than other companies

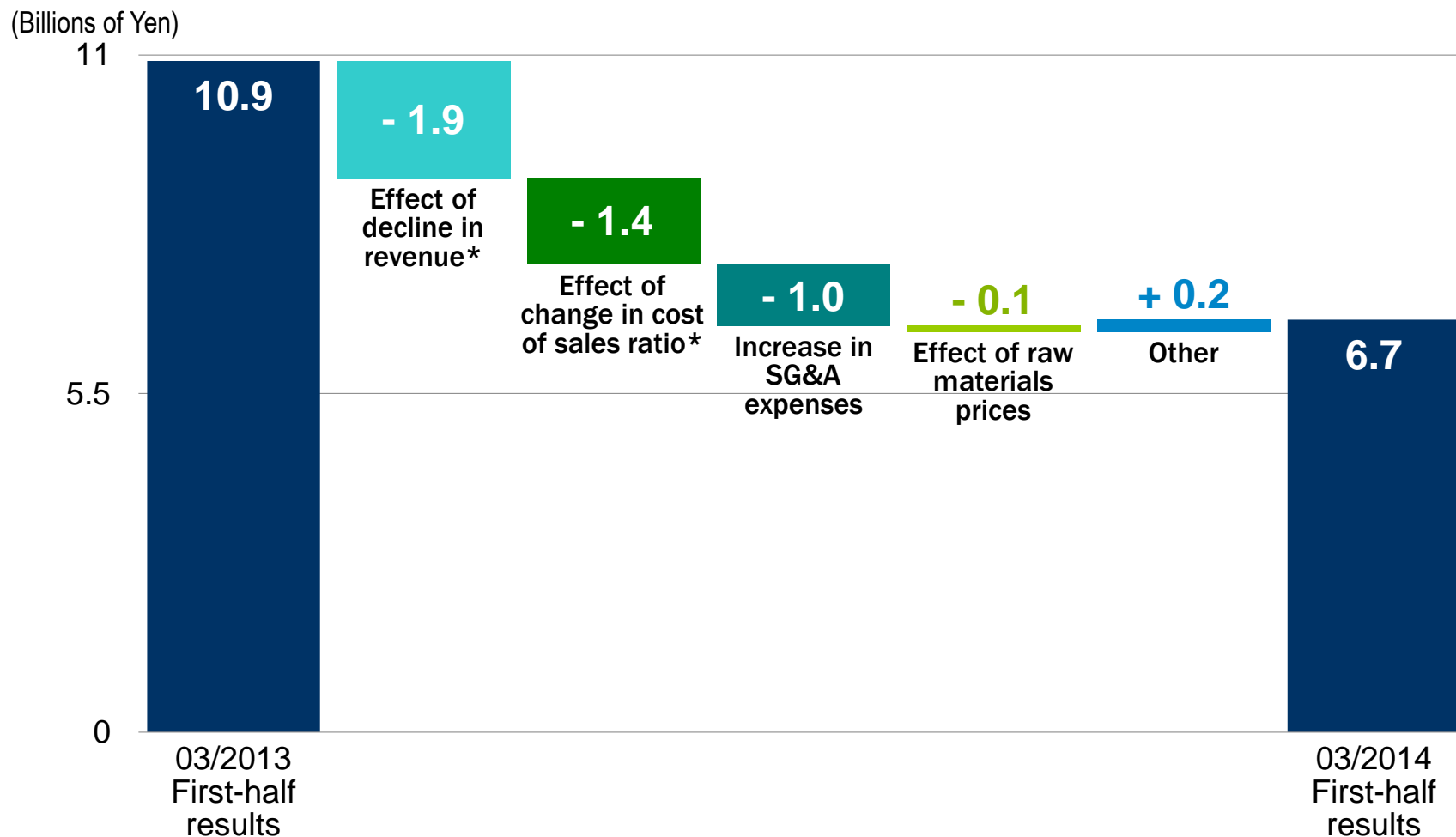
#### Southeast Asia

- Place an oversight executive officer in Singapore, strengthen teamwork among business locations and leverage synergies among chemicals, facilities, and maintenance services

- Enhance and improve the frameworks of business locations in the region

- Concentrate production of each business location's successful products, purchase raw materials in bulk, and utilize employees assigned from Japan and local staff within the region

## Analysis of Changes in First-half Operating Income for the Fiscal Year Ending March 31, 2014



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

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## 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.