

Kurita Water Industries Reports Earnings for the Three Months Ended June 30, 2015

Tokyo, Japan, July 31, 2015—Kurita Water Industries Ltd. (TSE Securities Code 6370) announced net sales of 42,493 million yen and profit attributable to owners of the parent company of 2,636 million yen, or 22.69 yen per share, for the three months ended June 30, 2015 (April 1, 2015 – June 30, 2015).

Results of Operations

Total consolidated orders for the Kurita Group in the three months ended June 30, 2015 rose 17.2% from the level of the same period of the previous fiscal year, to 54,023 million yen, and net sales increased 9.4%, to 42,493 million yen. Operating income was 3,569 million yen, up 18.2% versus the same period of the previous fiscal year, and ordinary income was 3,964 million yen, up 22.5%. Profit attributable to owners of the parent company amounted to 2,636 million yen, up 23.5%. Because of the consolidation of the results of operations of acquired businesses, the consolidated orders and net sales of the Group and the Water Treatment Chemicals segment rose 3,771 million yen, but the impact of the consolidation on operating income and the other levels of income was minor.

Looking at the market environment surrounding the Kurita Group (Kurita Water Industries Ltd. and its consolidated subsidiaries and equity method affiliates), the recovery in production in the manufacturing industry slowed, but capital expenditure rose on the back of an improvement in corporate earnings in Japan. Overseas, the U.S. and European economies continued to recover, but growth in China and other emerging economies slowed. Overall, overseas economies grew modestly.

In this environment, the Kurita Group worked to propose solutions to customers' challenges by combining its three functions: water treatment chemicals, water treatment facilities and maintenance services. From the first quarter under review, the Group is consolidating the results of operations of the businesses that it has acquired from BK Giulini GmbH in Germany and its affiliates.

Segment Information

Water Treatment Chemicals

Total Group orders for the Water Treatment Chemicals segment were 19,348 million yen, up 31.2% versus the same period of the fiscal year ended March 31, 2015, while sales rose 32.7%, to 18,356 million yen. Selling, general and administrative expenses increased in association with the strengthening of the overseas business structure, but the increase was offset by a rise in revenue. Operating income was up 2.6% to 1,770 million yen.

In Japan, the Group worked to gain new customers by proposing solutions using new products and services. Meanwhile, there was no adverse effect of the spike in demand before the consumption tax hike. For those reasons, both orders and sales rose slightly. Overseas, both orders and sales increased significantly, reflecting strong performance in China and Southeast Asia and the consolidation of the results of acquired businesses.

Water Treatment Facilities

Total Group orders for the Water Treatment Facilities segment were 34,675 million yen, up 10.7% versus the same period of the previous fiscal year. Sales declined 3.5%, to 24,136 million yen. Operating income climbed 38.7%, to 1,796 million yen due to an improvement in the cost rate as a result of cost cutting.

In Japan, in the electronics industry, orders and sales in the water treatment facilities and the ultrapure water supply business remained flat. Meanwhile, orders and sales in maintenance services rose. In general industries, orders declined slightly, but sales rose, reflecting progress in construction in progress in water treatment facilities for electric power and in maintenance services.

Overseas, orders rose, chiefly reflecting large-scale projects in the electronics industry in China and Taiwan, but sales fell.

Financial Condition

Assets, liabilities and net assets

Current assets totaled 138,389 million yen at the end of the first quarter (June 30, 2015), a decrease of 9,901 million yen versus the end of the previous fiscal year (March 31, 2015). This was mainly a result of declines of 11,684 million yen in trade accounts receivable and 4,014 million yen in cash and deposits, which outweighed increases of 2,457 million yen in work in process, 2,000 million yen in marketable securities, and 1,123 million yen in trade notes receivable.

The decline in trade accounts receivable was the result of progress in collecting receivables and weaker sales in the first quarter under review than in the fourth quarter of the previous fiscal year. The decline in cash and deposits was mainly the result of increased investment in negotiable certificates, which are treated as marketable securities. The increase in work in process was the result of progress in construction in the water treatment facilities business. The rise in trade notes receivable was the result of an increase in notes in trade accounts receivable collected.

Noncurrent assets totaled 143,602 million yen at the end of the three-month period (June 30, 2015), a decline of 1,311 million yen versus the end of the previous fiscal year. The decline was principally attributable to a 1,249 million yen decrease in intangible fixed assets, which was partly offset by a 610 million yen rise in property, plant and equipment. The increase in property, plant and equipment was mainly due to an increase in construction in progress in new ultrapure water supply projects. The decline in intangible fixed assets was chiefly due to the amortization of the goodwill and technology-related assets that were posted and acquired in association with the business acquisition in the previous fiscal year and a decrease in the value in yen of assets in foreign currencies.

Current liabilities totaled 39,095 million yen at the end of the period, a decline of 8,666 million yen versus the end of the previous fiscal year. This was mainly a result of declines of 2,547 million yen in trade accounts payable, 2,606 million yen in income taxes payable, 2,429 million yen in “other” current liabilities, and 1,015 million yen in provisions.

Noncurrent liabilities totaled 22,232 million yen at the end of the period, an increase of 268 million yen versus the end of the previous fiscal year.

Net assets totaled 220,665 million yen at the end of the period, a decrease of 2,813 million yen versus the end of the previous fiscal year primarily due to falls of 1,031 million yen in shareholders' equity and 1,784 million yen in accumulated other comprehensive income. The decline in shareholders' equity was attributable to the acquisition of 988 million yen's worth of treasury stock. The decrease in accumulated other comprehensive income resulted mainly from a decline of 1,715 million yen in foreign currency translation adjustments given the stronger yen against foreign currencies.

Outlook for the Fiscal Year Ending March 31, 2016

The Group's current outlook for the six months ending September 30, 2015, and the full year ending March 31, 2016 is consistent with the targets disclosed in "Earnings Report for the Full Year Ended March 31, 2015," which was announced on April 30, 2015.

Financial Statements — Consolidated

Balance Sheet — Consolidated

	As of March 31, 2015	(Million yen) As of June 30, 2015
	Amount	Amount
Assets		
Current assets		
Cash and deposits	52,497	48,483
Notes receivable – trade	7,513	8,636
Accounts receivable – trade	59,810	48,126
Marketable securities	14,999	16,999
Finished products	3,206	3,371
Work in process	3,078	5,535
Raw materials and supplies	2,569	2,330
Other	4,876	5,101
Allowance for doubtful accounts	(261)	(196)
Total current assets	148,290	138,389
Noncurrent assets		
Property, plant and equipment		
Buildings (net)	17,765	16,938
Machinery and equipment (net)	29,384	27,897
Other (net)	26,896	29,820
Total property, plant and equipment	74,046	74,656
Intangible fixed assets		
Goodwill	19,391	18,585
Other	7,940	7,497
Total intangible fixed assets	27,332	26,083
Investments and other assets		
Investment securities	36,070	35,920
Other	7,766	7,239
Allowance for doubtful accounts	(302)	(297)
Total investments and other assets	43,534	42,862
Total noncurrent assets	144,913	143,602
Total assets	293,204	281,992

	As of March 31, 2015	(Million yen) As of June 30, 2015
	Amount	Amount
Liabilities		
Current liabilities		
Notes payable – trade	1,650	1,581
Accounts payable – trade	19,169	16,622
Income taxes payable	4,595	1,989
Provision	4,076	3,061
Other	18,269	15,840
Total current liabilities	47,761	39,095
Noncurrent liabilities		
Net defined benefit liability	13,785	14,043
Provision	75	57
Other	8,104	8,130
Total noncurrent liabilities	21,964	22,232
Total liabilities	69,726	61,327
Net assets		
Shareholders' equity		
Common stock	13,450	13,450
Capital surplus	10,980	10,980
Retained earnings	189,693	189,650
Treasury stock	(7,705)	(8,693)
Total shareholders' equity	206,419	205,388
Accumulated other comprehensive income		
Unrealized gains (losses) on available-for-sale securities	14,768	15,034
Deferred gains (losses) on hedges	66	(265)
Revaluation reserve for land	(442)	(442)
Foreign currency translation adjustments	1,510	(205)
Remeasurements of defined benefit plans	8	6
Total accumulated other comprehensive income	15,911	14,127
Non-controlling interests		
	1,147	1,148
Total net assets	223,478	220,665
Total liabilities and net assets	293,204	281,992

Statements of Income and Comprehensive Income — Consolidated

Statement of Income

	(Million yen)	
	Three months ended June 30, 2014	Three months ended June 30, 2015
	Amount	Amount
Net sales	38,851	42,493
Cost of sales	25,919	27,160
Gross profit	12,931	15,333
Selling, general and administrative expenses	9,910	11,763
Operating income	3,020	3,569
Non-operating income		
Interest income	42	48
Dividend income	190	238
Foreign exchange gains	-	130
Equity in earnings of unconsolidated subsidiaries and affiliates	54	35
Other	32	61
Total non-operating income	321	514
Non-operating expenses		
Interest expense	14	57
Foreign exchange losses	59	-
Other	30	62
Total non-operating expenses	104	119
Ordinary income	3,237	3,964
Extraordinary income		
Gain on sales of non-current assets	-	135
Total extraordinary income	-	135
Extraordinary losses		
Loss on liquidation of business	-	140
Total extraordinary losses	-	140
Income before income taxes	3,237	3,959
Income taxes	1,145	1,294
Net income	2,091	2,664
Profit (loss) attributable to non-controlling interests	(43)	27
Profit attributable to owners of parent	2,135	2,636

Statement of Comprehensive Income

	(Million yen)	
	Three months ended June 30, 2014	Three months ended June 30, 2015
	Amount	Amount
Net income	2,091	2,664
Other comprehensive income		
Unrealized gains (losses) on available-for-sale securities	715	266
Deferred gains (losses) on hedges	-	(331)
Foreign currency translation adjustments	(231)	(1,721)
Remeasurements of defined benefit plans, net of tax	6	(2)
Share of other comprehensive income of associates accounted for using equity method	(36)	(14)
Total other comprehensive income	452	(1,803)
Comprehensive income	2,544	860
Components:		
Comprehensive income attributable to owners of the parent company	2,611	846
Comprehensive income attributable to minority interests	(67)	13

Notes to Consolidated Financial Statements

(Notes on the Going-concern Assumption)

Three months ended June 30, 2015 (April 1, 2015 – June 30, 2015)

Not applicable

(Notes on Significant Changes in Shareholders' Equity)

Three months ended June 30, 2015 (April 1, 2015 – June 30, 2015)

Not applicable

(Segment Information)

1. Sales and income by reportable segment

Three months ended June 30, 2014 (April 1, 2014 – June 30, 2014)

	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	13,836	25,014	38,851	–	38,851
Inter-segment sales or transfers	48	42	90	(90)	–
Total	13,884	25,056	38,941	(90)	38,851
Segment income	1,725	1,295	3,021	(0)	3,020

Three months ended June 30, 2015 (April 1, 2015 – June 30, 2015)

	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	18,356	24,136	42,493	–	42,493
Inter-segment sales or transfers	69	37	106	(106)	–
Total	18,425	24,174	42,600	(106)	42,493
Segment income	1,770	1,796	3,566	2	3,569

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.

Supplementary Information — Consolidated

(1) Order Intake

(Million yen)

Business segment	Three months ended June 30,			
	2014		2015	
	Amount	%	Amount	%
Water Treatment Chemicals	14,750	32.0	19,348	35.8
Water Treatment Facilities	31,332	68.0	34,675	64.2
Total	46,082	100.0	54,023	100.0

(2) Net Sales

(Million yen)

Business segment	Three months ended June 30,			
	2014		2015	
	Amount	%	Amount	%
Water Treatment Chemicals	13,836	35.6	18,356	43.2
Water Treatment Facilities	25,014	64.4	24,136	56.8
Total	38,851	100.0	42,493	100.0

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

(Million yen)

Business segment	Three months ended June 30,			
	2014		2015	
	Amount	%	Amount	%
Water Treatment Chemicals	257	13.1	686	13.0
Water Treatment Facilities	1,707	86.9	4,581	87.0
Total	1,965	100.0	5,267	100.0

(4) Depreciation (Property, Plant and Equipment)

(Million yen)

Business segment	Three months ended June 30,			
	2014		2015	
	Amount	%	Amount	%
Water Treatment Chemicals	279	7.9	327	10.0
Water Treatment Facilities	3,246	92.1	2,955	90.0
Total	3,526	100.0	3,282	100.0