

## Interview with the President



For detailed information on **market environment**, refer to Review of Operations and Strategies by Segment on **P.16–19**.



For detailed information on the **medium-term management plan CK-17**, refer to [Kurita Water Industries website](#) ▶ [Investor Relations](#) ▶ [Management Policy](#) ▶ [Medium-Term Management Plan](#).



For information on **results of the fiscal year ended March 31, 2017**, refer to **P.14**.



### Q Please describe the Company's consolidated financial performance in the fiscal year ended March 31, 2017.

In terms of **market environment** in the fiscal year ended March 31, 2017, we saw signs of recovery in production activity and capital expenditures in domestic manufacturing. In East and Southeast Asia, we continued to see rising demand for water treatment. Amidst this, the Kurita Group's revenues in yen terms were depressed by the impact of a higher yen on overseas sales, and contract revisions with an ultrapure water supply customer. However, disciplined cost controls in the domestic and overseas Water Treatment Facilities business supported profitability. In the absence of the one-off expenses of the previous fiscal year related to the business acquisition in Europe and retirement benefits, we were able to effectively match the level of operating income on a year-on-year basis. Net income attributable to owners of parent rose year-on-year on the decline in corporate tax rates, which led to a lower tax burden.

### Q What measures were taken in the second year of your medium-term management plan, Competitive Kurita 2017 (CK-17), and what were the main results?

In the fiscal year ended March 31, 2017, **the Kurita Group worked to expand its overseas business, improve profitability, and create competitive products and services.**

As part of our efforts to expand overseas business, the Company acquired Fremont Industries, LLC, which operates a water treatment chemicals business in the American Midwest, in order to gain a foothold in the United States. To raise operational efficiency in the Europe, Middle East, and Africa region, we merged Kurita Europe GmbH with Kurita Europe APW GmbH, combined the technologies and know-how of both companies, and reorganized their sales and manufacturing organizations. Furthermore, we established subsidiaries in the United Arab Emirates (UAE) and

Vietnam to sell water treatment chemicals, which have been in short supply in those markets, which allows us to set up organizations that can offer more meticulous solutions. In South Korea, our ultrapure water supply business is winning the trust of a customer by helping its plant operate stably. This business is laying a solid foundation for business growth after being launched in the second half of the previous fiscal year to provide services to a large semiconductor manufacturer.

To improve profitability, we worked to add more value to the products and services offered to customers by **combining sensing technologies with our water treatment data analysis expertise**. In the Water Treatment Facilities business, we overhauled production processes and had project managers improve manufacturing operations and cost management. Those efforts greatly increased the profitability of water treatment facilities both in and outside Japan.

Among our initiatives for creating competitive products and services, we invested in **APANA Inc.**, an American venture firm, with the goal of acquiring leading-edge technologies. APANA specializes in big data analysis using IoT, and has many accomplishments in the United States as a provider of services that help commercial facilities conserve water. In addition, through the acquisition of a company in Europe, we improved our products for the Japanese market, specifically water treatment chemicals for boilers. We also launched a **standardized wastewater reclamation system**, which meets the needs for low-cost water reclamation and recycling.

### Q What important measures will be taken in the final year of CK-17?

With a view toward raising corporate value, we aim to **"improve customer intimacy by providing the best customer solutions"** in the fiscal year ending March 31, 2018. By improving customer intimacy, I believe that Kurita will become even more beneficial for customers as an essential partner. For that purpose, we are working to respond to customers even quicker and are enhancing our solutions capabilities so that we can help them overcome challenges. To realize this, we plan to launch competitive products and services to the market that utilize Information Technology (IT) and sensing technologies and will reform business processes to increase operational efficiency.



For information on **combining sensing technologies with our water treatment data analysis expertise**, refer to **S.sensing™**: Next-generation water treatment management service that support productivity improvements on **P.17**.



For information on **APANA Inc.'s services**, refer to **P.14**.



For information on the **standardized wastewater reclamation system**, refer to **P.14**, **P.19**.



For information on **issues and important measures in the final year of CK-17**, refer to **P.15**.



For information on the R&D center in Singapore, refer to P.20.

Meanwhile, we also aim to expand businesses that we have positioned for growth: overseas business and the service business. We intend to speed up overseas business expansion by having our global business network work in unison to offer the Kurita Group's specialized technologies, solutions, and business model. In the United States, which is home to the top global companies in the water treatment chemicals industry, our aim is to become a major water treatment chemicals company by conducting a series of mergers and acquisitions (M&As) in the future to expand our coverage area across the entire country. In addition, we **established an R&D center in Singapore** in April 2017 with the goal of bolstering the Group's global R&D network. The center will work to acquire advanced technologies by collaborating with universities and research institutions in Singapore.

To expand our service businesses, in addition to ongoing efforts to grow the ultrapure water supply business in South Korea, we plan to make use of APANA's IoT wireless transmission technology to develop water conservation services in Japan, and to extend our service business model to the Chinese market, supplying pure water, wastewater reclamation, and other services.

### Q What will the Kurita Group need in the future to provide a means for creating value?

I think stronger initiatives for meeting environmental, social, and governance (ESG) criteria will be essential for ensuring the sustainable growth of the Kurita Group.

With respect to **corporate governance**, in order to improve the effectiveness of deliberations by the Board of Directors, we held discussions during the fiscal year ended March 31, 2017 about the appropriateness of matters subject to decisions by the Board along with related organizational design and systems, and changed the compensation plan for directors and members of the Audit & Supervisory Board. Furthermore, with a view to increasing management efficiency, we verified the Company's shareholdings in other listed companies and sold off a portion of such shares. Turning to **compliance**, now that Kurita is expanding its overseas business, we have established the Kurita Group Code of Conduct, which stipulates basic standards of behavior to be followed by all officers and employees of the Group.



For information on corporate governance, refer to P.22-25.



For information on compliance, refer to P.28.

Today, companies are expected to play a more positive role in society because social issues and environmental problems are becoming increasingly serious. Accordingly, it will be necessary for the Kurita Group to give greater weight to social concerns in its business activities going forward. In the fiscal year ending March 31, 2018, we are reforming working conditions for employees while continuing to enhance corporate governance. As we make progress in meeting such ESG criteria, we plan to increase the transparency of management by promoting dialogue with a wide range of stakeholders.

### Q Please explain the Company's policy for paying dividends and improving capital efficiency.

The Company's dividend policy is to continuously increase dividends to the maximum extent possible while aiming for a payout ratio between 30% to 50%, calculated on a five-year basis. For the fiscal year under review, the Company paid an annual dividend of ¥50 per share, comprised of an interim and a year-end dividend of ¥25. That amount was an increase of ¥2 per share over the previous fiscal year, and **marked the 13th consecutive year of increased dividend payments**.

Furthermore, we are striving to raise capital efficiency while, at a minimum, keeping the return on equity (ROE) above the cost of shareholders' equity. When drawing from internal reserves entrusted by shareholders, we give the highest priority to investing in promising businesses, such as the ultrapure water supply business and M&As. In accordance with our policy of keeping the growth of shareholders' equity in check, the Company acquired 3,586,300 of its own shares over the period from March 2 to May 25, 2017. In order to erase any concerns about the dilution of share value among shareholders, on April 6, 2017, the Company cancelled 2,963,900 shares of treasury stock that existed before the acquisition. We hope that our shareholders find these equity-related measures to be agreeable.

**Dividends per Share**

Thirteen consecutive years of increased dividends per share since the fiscal year ended March 31, 2005

