

Kurita Water Industries Ltd. Results Presentation for the Year Ended March 31, 2015

(Securities code: 6370)

April 30, 2015

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Consolidated Financial Results for the Fiscal Year Ended March 31, 2015

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Consolidated Business Plan for the Fiscal Year Ending March 31, 2016

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“TA-14 (Take Action 2014)”

IV

Outline of New Medium-Term Management Plan
“CK-17 (Competitive Kurita 2017)”

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I. Consolidated Financial Results for the Fiscal Year Ended March 31, 2015

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. Financial Condition

I. Consolidated Financial Results for the Fiscal Year Ended March 31, 2015

1. Financial Highlights

(Billions of Yen)

	Fiscal Year to March 2014 Actual	Fiscal Year to March 2015 Actual	Year-on-Year Change	Revised Projections	Initial Projections
Orders	173.5	181.3	+ 4.5%	186.0	189.0
Net Sales	178.1	189.4	+ 6.3%	188.0	185.0
Operating Income	14.9	19.4	+ 30.6%	18.0	17.0
Ordinary Income	16.1	18.9	+ 17.8%	17.8	17.8
Net Income	9.4	10.4	+ 11.6%	11.0	11.0

- Orders increased mainly for water treatment facilities.
- Net sales rose primarily due to progress with the construction of water treatment facilities.
- Operating income grew, reflecting the effect of higher sales and lower SG&A expenses.
- M&A related expenses were recorded under non-operating expenses.
- As a result of the lowering of the effective tax rate, deferred tax assets decreased, while tax expenses increased.

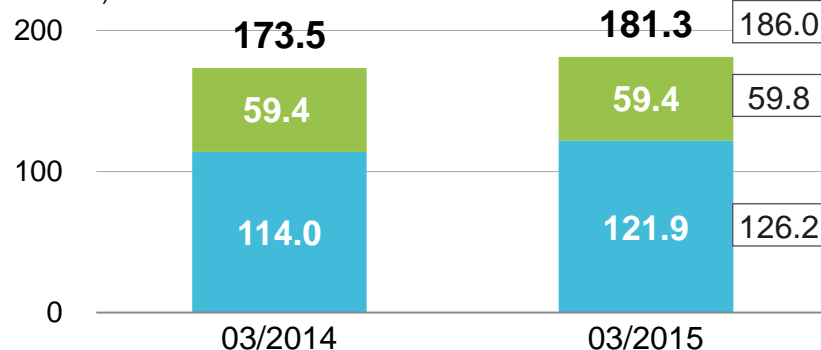
I. Consolidated Financial Results for the Fiscal Year Ended March 31, 2015

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

■ Water treatment chemicals ■ Water treatment facilities ● Total * denotes revised projections

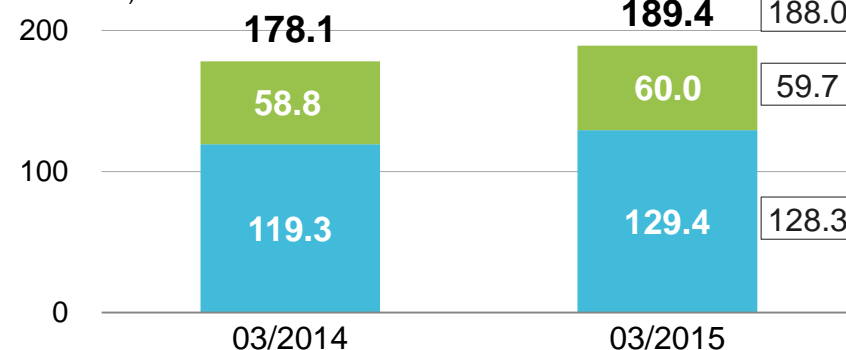
Orders

(Billions of Yen)



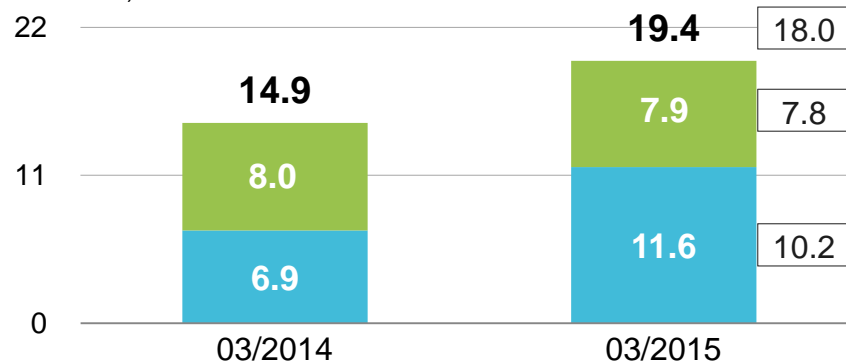
Sales

(Billions of Yen)



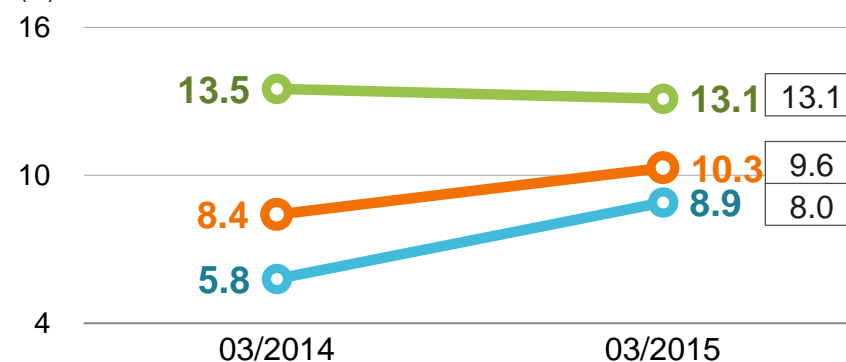
Operating Income

(Billions of Yen)



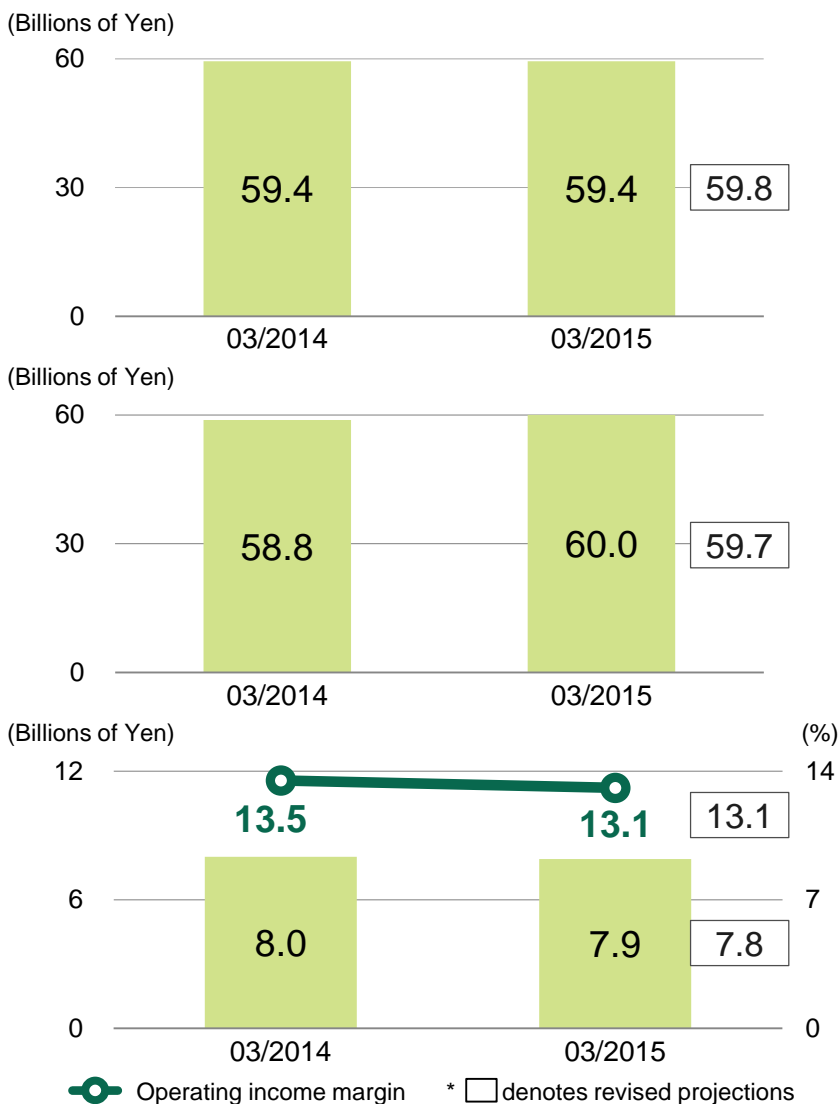
Operating Income Margin

(%)



I. Consolidated Financial Results for the Fiscal Year Ended March 31, 2015

3. Water Treatment Chemicals



Orders

- Domestic orders fell slightly, reflecting delayed recovery in customers' capacity utilization.
- Overseas orders expanded especially in China and Southeast Asia.

Sales

- Domestic sales fell slightly, reflecting delayed recovery in customers' capacity utilization.
- Overseas sales expanded especially in China and Southeast Asia.

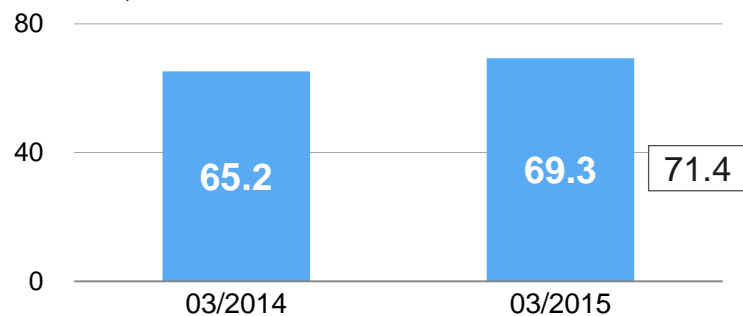
Operating Income

- Operating income declined due to deterioration in the cost of sales ratio caused by decline in core products, despite the impact of increased revenue.

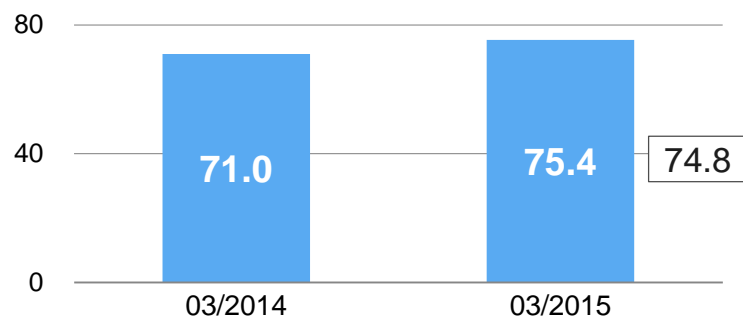
I. Consolidated Financial Results for the Fiscal Year Ended March 31, 2015

4. Water Treatment Facilities (for the electronics industry)

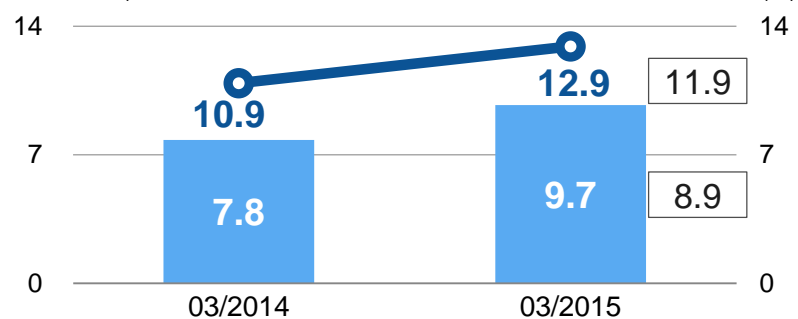
(Billions of Yen)



(Billions of Yen)



(Billions of Yen)



Operating income margin * □ denotes revised projections

Orders

- Orders for hardware overseas, which suffered cancellations the previous fiscal year, increased, reflecting the acquisition of large contracts.
- Orders for maintenance services in Japan grew due to recovery in demand.
- Orders for hardware in Japan declined, reflecting the effect of cancellations.
- Orders in the ultrapure water supply business increased.

Sales

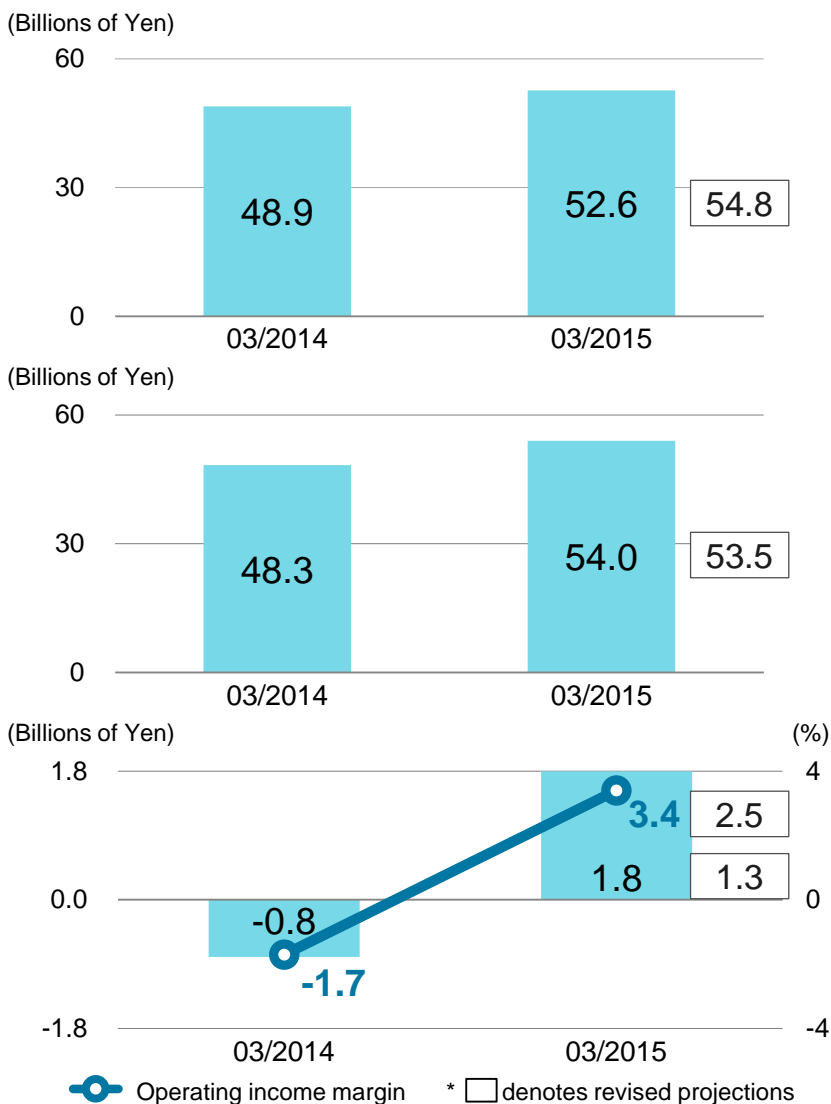
- Sales increased mainly due to progress in the construction of hardware overseas.

Operating Income

- Operating income rose due to the impact of increased revenue and lower SG&A expenses.

I. Consolidated Financial Results for the Fiscal Year Ended March 31, 2015

5. Water Treatment Facilities (for general industries)



Orders

- Orders for general industries hardware fell due to the cancellation of orders.
- Orders for maintenance services for general industries increased due to the success of proposal-based sales.

Sales

- Sales of electric power industries hardware and general industries hardware increased due to progress with construction.
- Sales of maintenance services for general industries rose as a result of growth in orders.

Operating Income

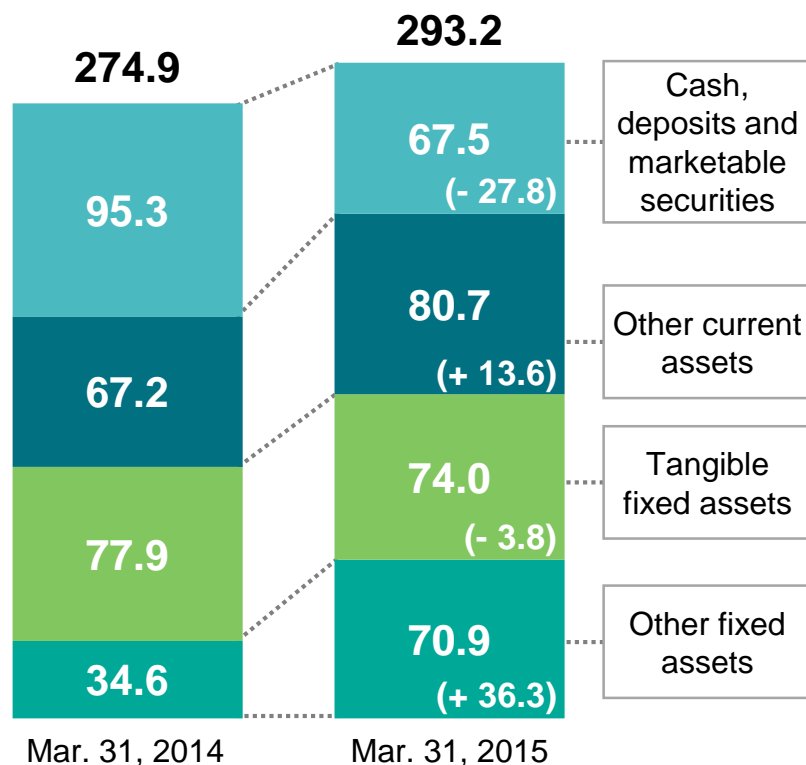
- Operating income turned positive as a result of substantial reduction in construction losses and the impact of increased revenue.

I. Consolidated Financial Results for the Fiscal Year Ended March 31, 2015

6. Financial Condition

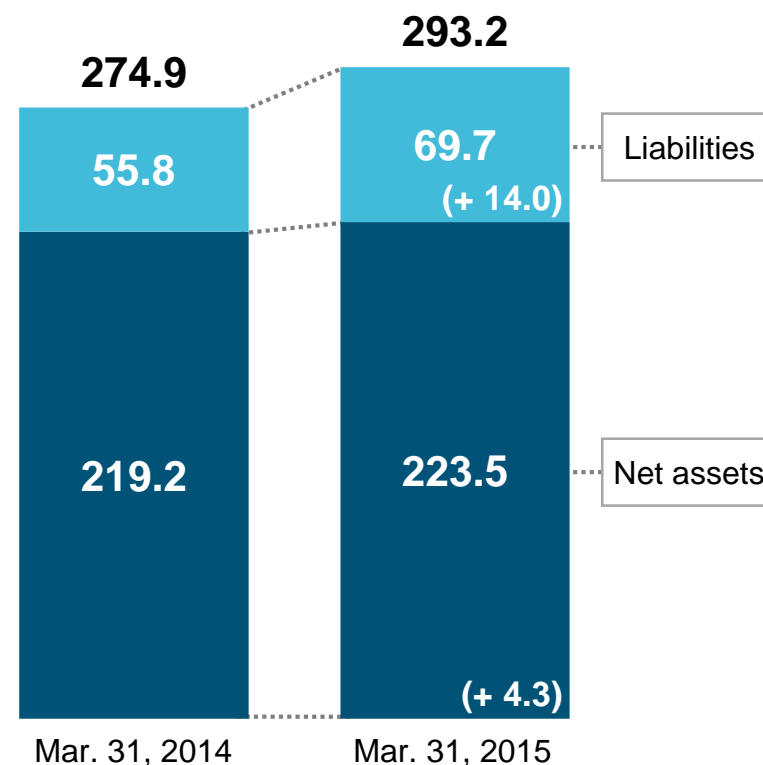
Assets

(Billions of Yen)



Liabilities and Net Assets

(Billions of Yen)



- Cash and deposits decreased due to business acquisition in Europe and the acquisition of treasury shares.
- Other fixed assets increased, reflecting the acquisition of technology-related assets as a result of business acquisition and the recording of goodwill.

II. Consolidated Business Plan for the Fiscal Year Ending March 31, 2016

1. Key Assumptions
2. Overview
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. Capital Expenditures, Depreciation, and R&D Expenses
10. Dividend Policy

1. Key Assumptions



Water Treatment Chemicals

- In the Japanese manufacturing industry, production activity will recover at a modest pace.
- In Europe, demand will recover at a slow pace, while Asia will continue to see robust growth.



Water Treatment Facilities

- In the Japanese manufacturing industry, capital expenditures will recover at a slow pace. However, investment to replace aging equipment is expected.
- Overseas, competitive companies will continue to make capital investments, and outsourcing demand is expected to emerge.

II. Consolidated Business Plan for the Fiscal Year Ending March 31, 2016

2. Overview

(Billions of Yen)

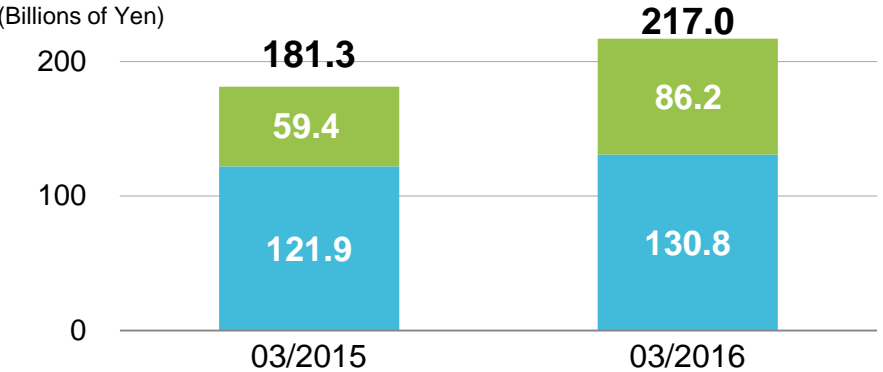
	Fiscal Year to March 2015 Actual	Fiscal Year to March 2016 Projection	Year-on-Year Change
Orders	181.3	217.0	+19.7%
Net Sales	189.4	216.0	+14.0%
Operating Income	19.4	19.5	+0.3%
Ordinary Income	18.9	20.0	+5.6%
Net Income	10.4	12.3	+17.9%

- Orders in the water treatment chemicals business will increase sharply as a result of business acquisition, and orders in the water treatment facilities business will also grow, especially overseas.
- Sales in the water treatment chemicals business will rise considerably due to business acquisition, while sales in the water treatment facilities business will remain at the same level.
- Operating income is expected to remain unchanged, with higher SG&A expenses offset by improvement in the cost of sales ratio and the impact of increased revenues.
- The tax burden rate is expected to be lower.

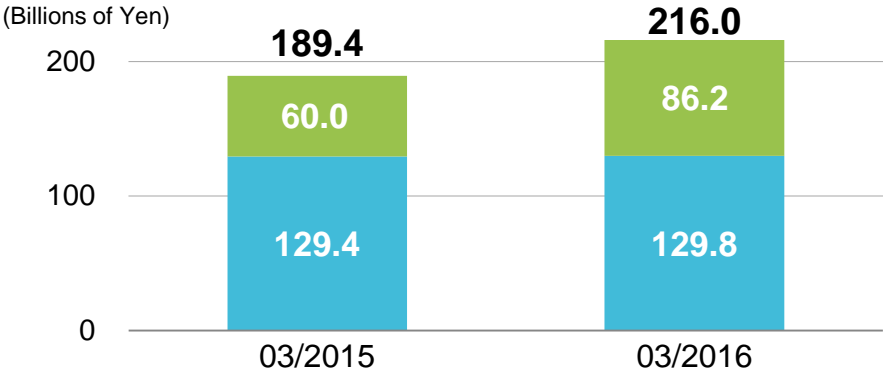
3. Orders, Sales, Operating Income, and Operating Income Margin



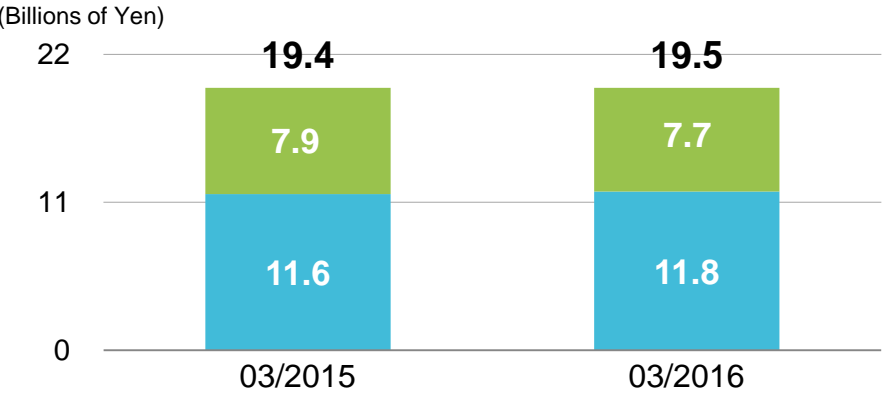
Orders



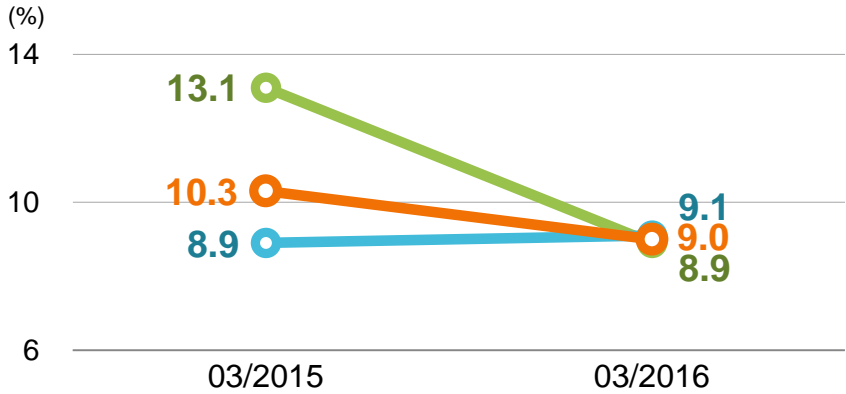
Sales



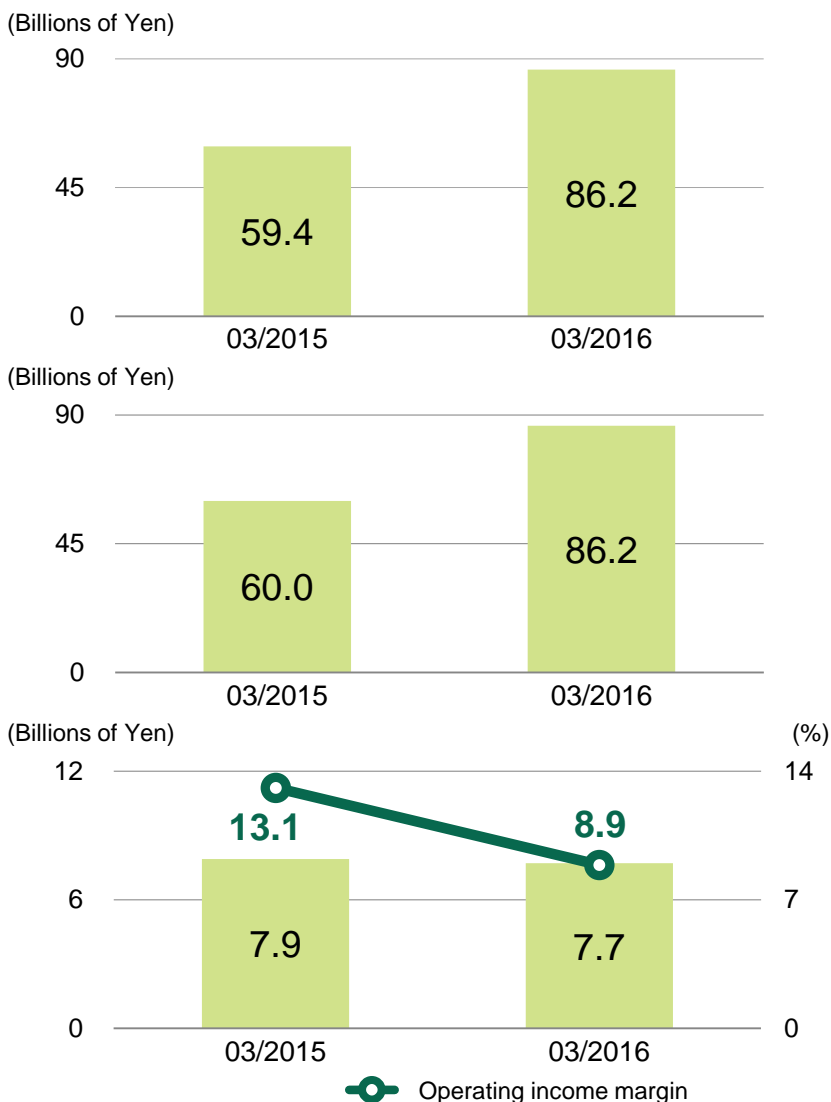
Operating Income



Operating Income Margin



4. Water Treatment Chemicals



Orders

- Domestic orders are expected to remain flat amid modest recovery in customer's capacity utilization.
- Overseas orders will likely increase due to business acquisition in Europe and continued expansion in Asia.

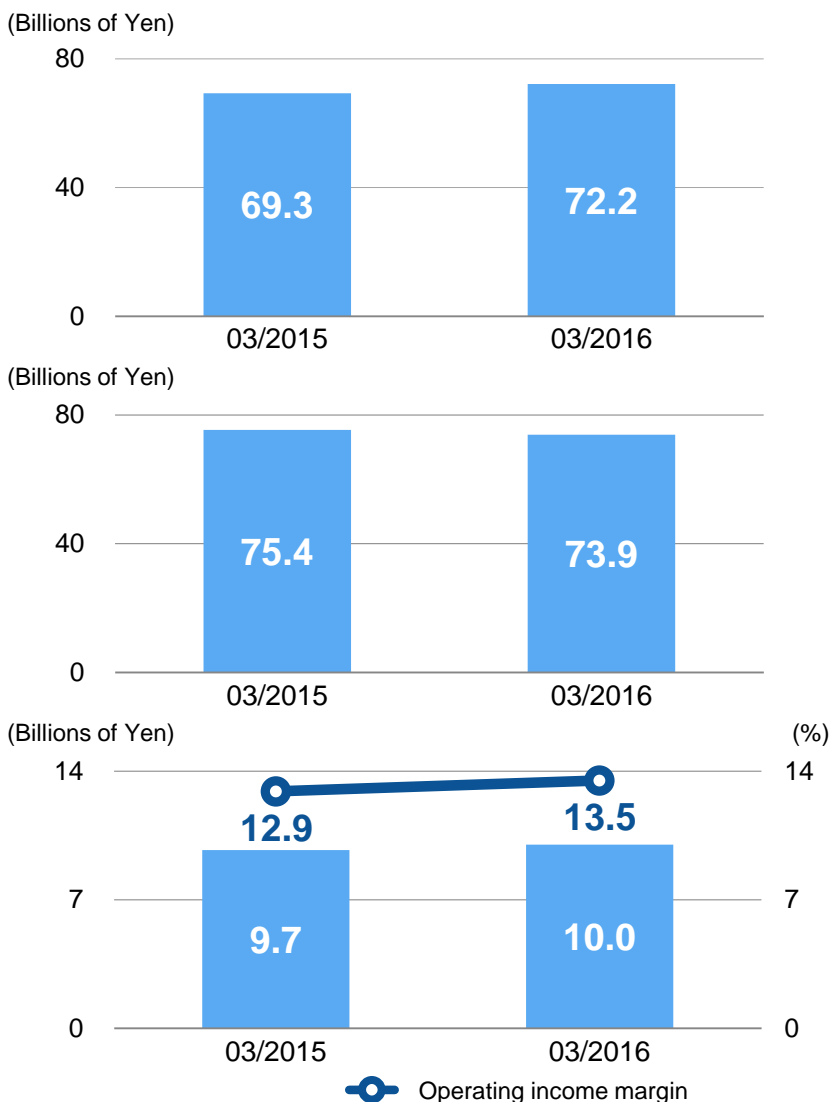
Sales

- Domestic sales are expected to remain flat amid modest recovery in customer's capacity utilization.
- Overseas orders will likely increase due to business acquisition in Europe and continued expansion in Asia.

Operating Income

- Excluding the effect of business acquisition, operating income is expected to increase slightly due to the impact of increased revenue and improvement in the cost of sales ratio.

5. Water Treatment Facilities (for the electronics industry)



Orders

- Overseas orders are expected to rise, especially in China and South Korea.
- Orders for hardware in Japan are expected to increase because there were cancellations the fiscal year before.

Sales

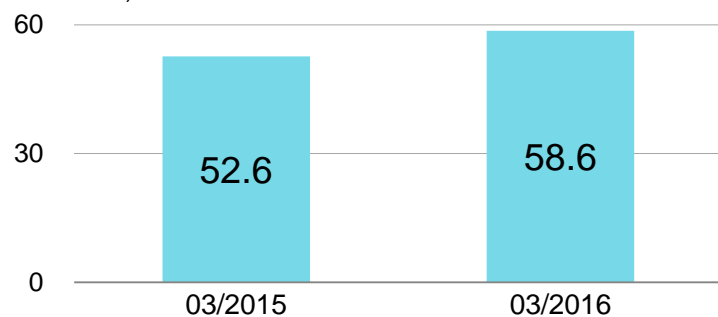
- Sales of hardware overseas are predicted to decline, as progress with construction comes to an end.
- Sales in ultrapure water supply business will remain almost flat.
- Sales in the precision cleaning business will drop due to withdrawal from unprofitable business.

Operating Income

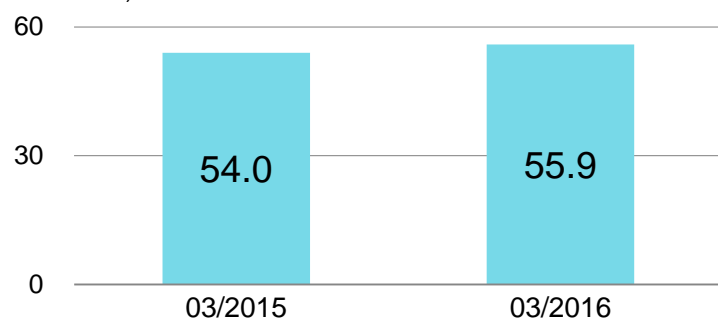
- Operating income is expected to increase due to improvement in the cost of sales ratio.

6. Water Treatment Facilities (for general industries)

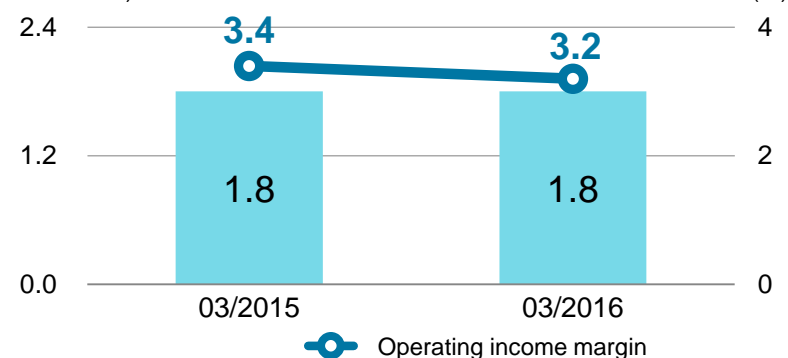
(Billions of Yen)



(Billions of Yen)



(Billions of Yen)



Orders

- Orders of general industries hardware will likely increase as investment to replace aging equipment is expected.
- Orders for maintenance services for general industries will also increase due to stronger proposal activities

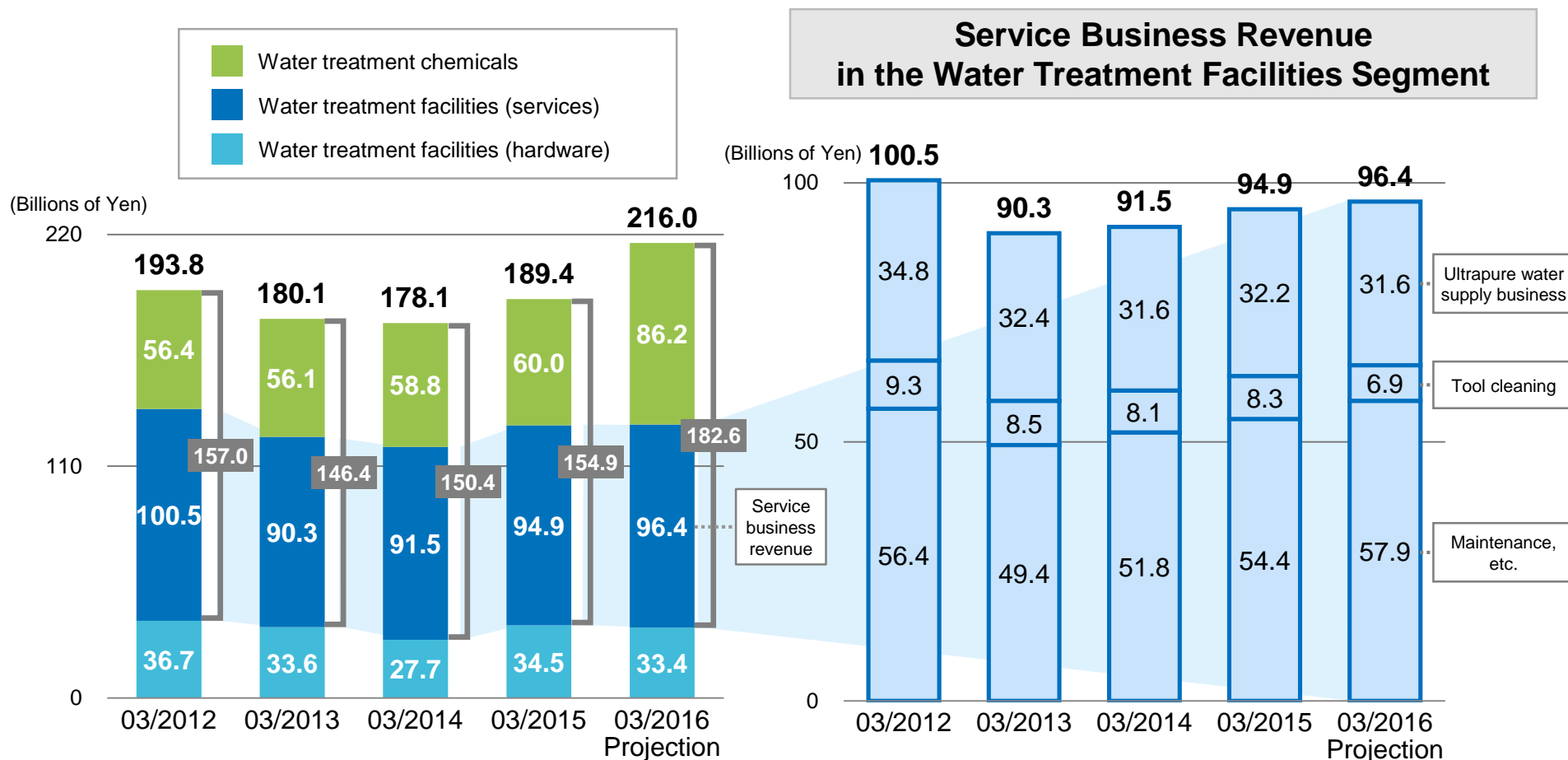
Sales

- Sales of general industries hardware are predicted to rise due to increased orders.
- Sales of maintenance services for general industries are also predicted to rise due to increased orders.

Operating Income

- Operating income is expected to remain flat, with higher SG&A expenses offsetting the impact of increased revenues.

7. Service Business Revenue



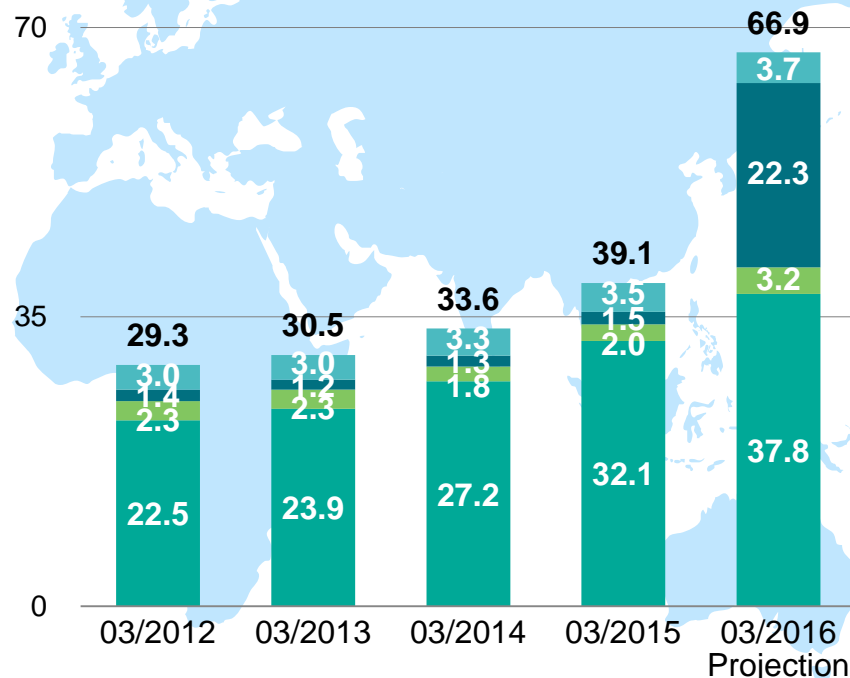
- In the fiscal year ended March 31, 2015, service business revenue increased due to growth in maintenance services.
- In the fiscal year ending March 31, 2016, growth in water treatment chemicals and maintenance services is expected, and service business revenue is expected to account for 85% of total sales.

8. Overseas Businesses (sales by region and business)

Sales by Region

Asia N. America Europe Other

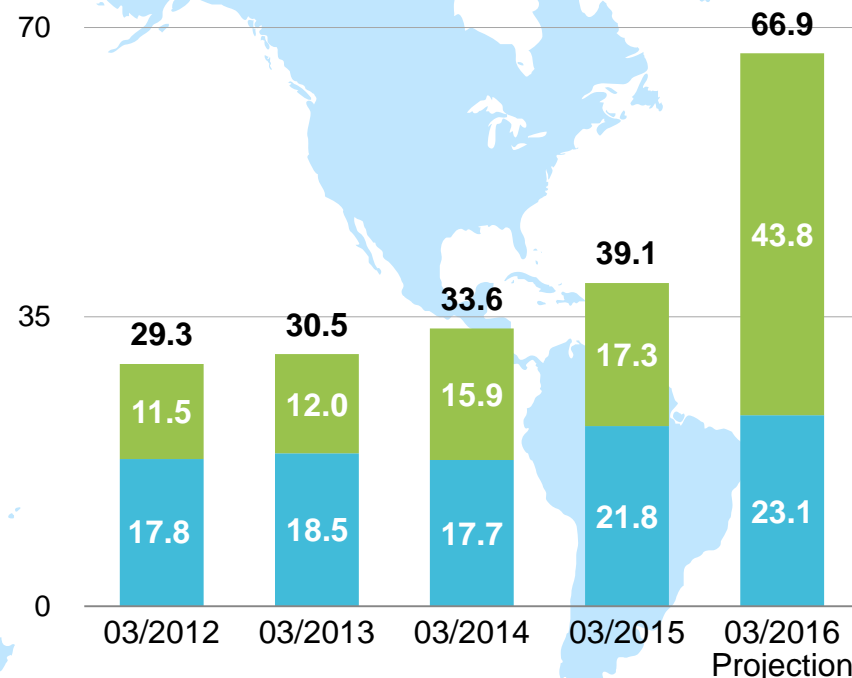
(Billions of Yen)



Sales by Overseas Business Segment

Water treatment chemicals Water treatment facilities

(Billions of Yen)



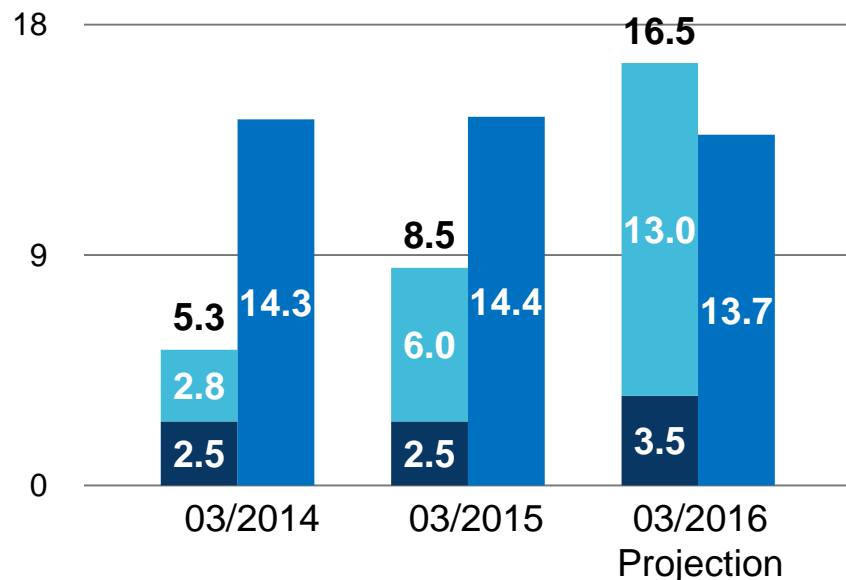
- In the fiscal year ended March 31, 2015, overseas business sales increased, especially in Asia.
- In the fiscal year ending March 31, 2016, European sales and water treatment chemicals sales are expected to increase considerably due to the contribution of business acquisitions.
- The overseas sales ratio will climb to 31%.

9. Capital Expenditures, Depreciation, and R&D Expenses

Capital Expenditures and Depreciation



(Billions of Yen)



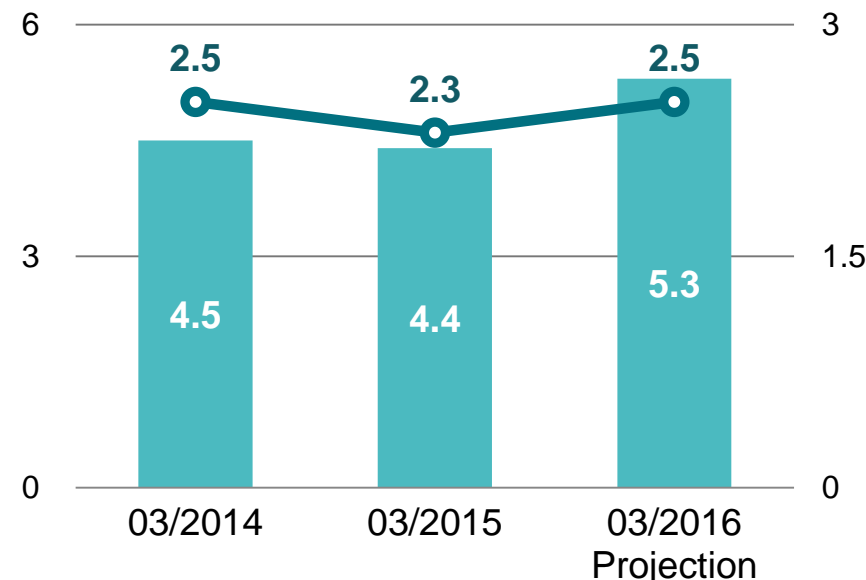
- In the fiscal year ended March 31, 2015, capital expenditures of the ultrapure water supply business increased.
- In the fiscal year ending March 31, 2016, capital expenditures of the ultrapure water supply business are expected to continue increasing sharply.

R&D Expenses



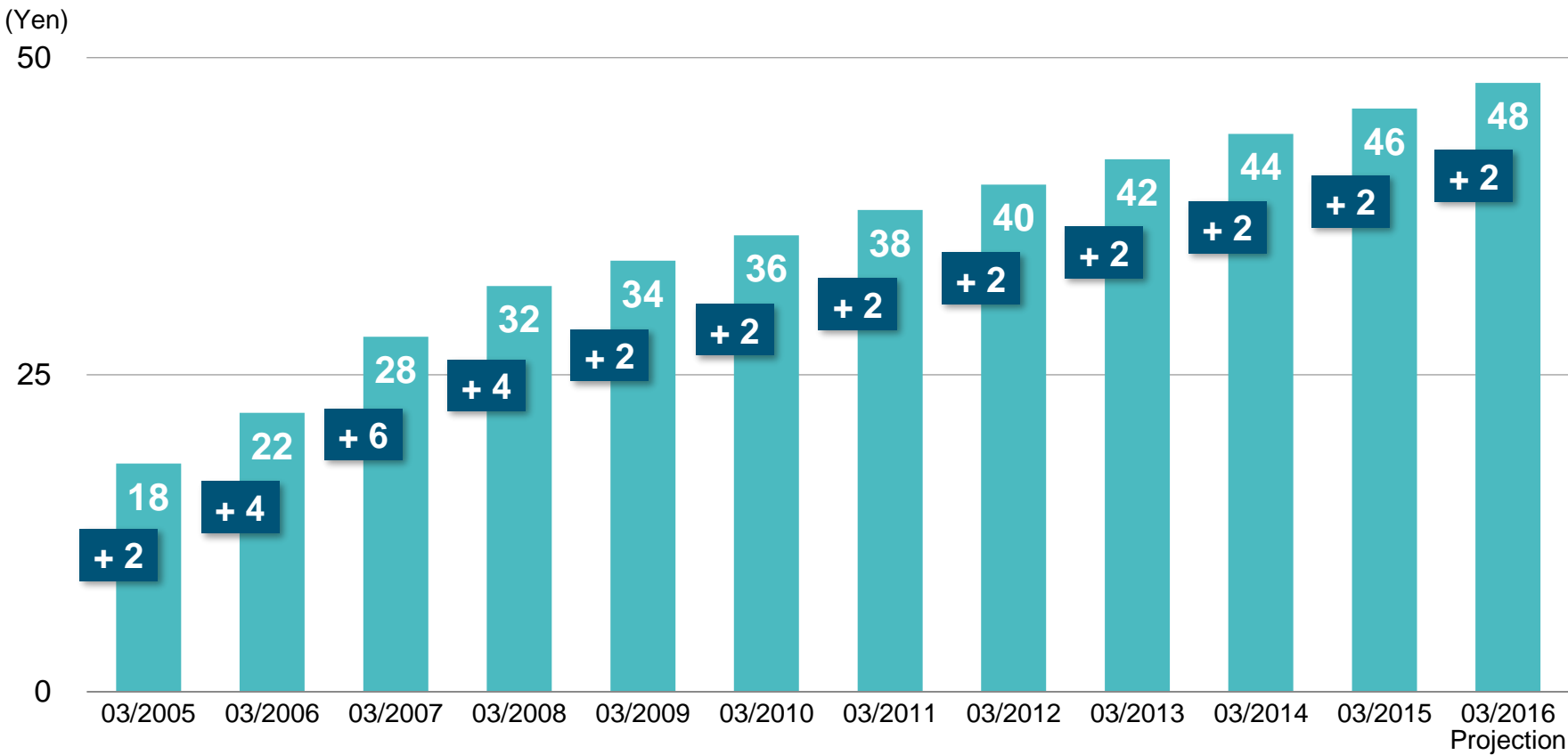
(Billions of Yen)

(%)



- In the fiscal year ending March 31, 2016, R&D expenses will rise sharply, reflecting the concentration of efforts on the development of differentiated products and technologies.

10. Dividend Policy



Basic Dividend Policy

Kurita Water Industries' basic policy is to provide shareholders with stable dividends. Setting a payout ratio of 30 to 50% as our target, we will continuously work to increase dividends, making decisions based on the payout ratios for the most recent five years.

III. Review of Previous Medium-Term Management Plan “TA-14 (Take Action 2014)”

1. Operating Performance Targets and Operating Performance Trends
2. Segment Results
3. Expansion of Global Business “Overseas Sales”
4. Expansion of Global Business “Measures and Results”
5. Service Business Revenue
6. Creation of New Products and New Services
7. Improvement of Capital Efficiency
8. Issues to be Addressed

III. Review of Previous Medium-Term Management Plan “TA-14 (Take Action 2014)”

1. Operating Performance Targets and Operating Performance Trends

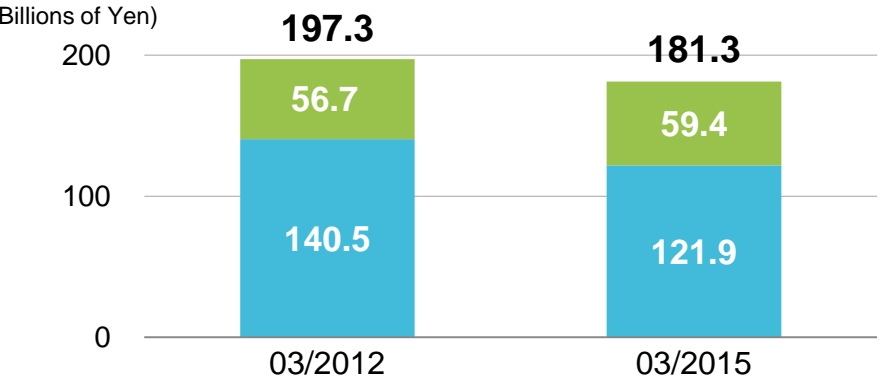
		TA14				(Billions of Yen)
	Fiscal Year to March 2012 Actual	Fiscal Year to March 2013 Actual	Fiscal Year to March 2014 Actual	Fiscal Year to March 2015 Actual	TA14 Fiscal Year to March 2015 Revised Targets	
Orders	197.3	186.7	173.5	181.3	210.0	
Net Sales	193.8	180.1	178.1	189.4	205.0	
Operating Income	29.4	21.0	14.9	19.4	30.0	
Ordinary Income	30.4	22.0	16.1	18.9	30.5	
Net Income	16.5	11.5	9.4	10.4	18.5	
Overseas Sales	29.3	30.5	33.6	39.1	55.0	
Overseas Sales Ratio	15.1%	16.9%	18.9%	20.6%	26.8%	

- Following declines in sales and income for two consecutive years in the fiscal year to March 2013 and the fiscal year to March 2014, both sales and income increased and operating performance targets were achieved in the fiscal year to March 2015. However, improvement of profitability still remained a challenge.
- In overseas business, a start was made on creating a base in Europe in preparation for dramatic overseas business expansion through business acquisition.

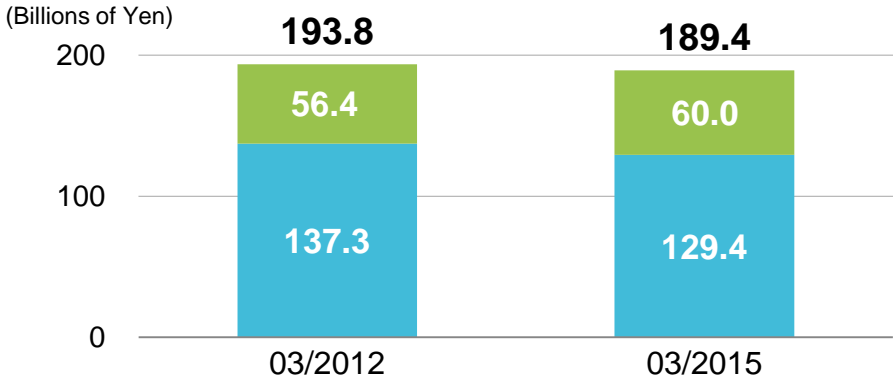
2. Segment Results



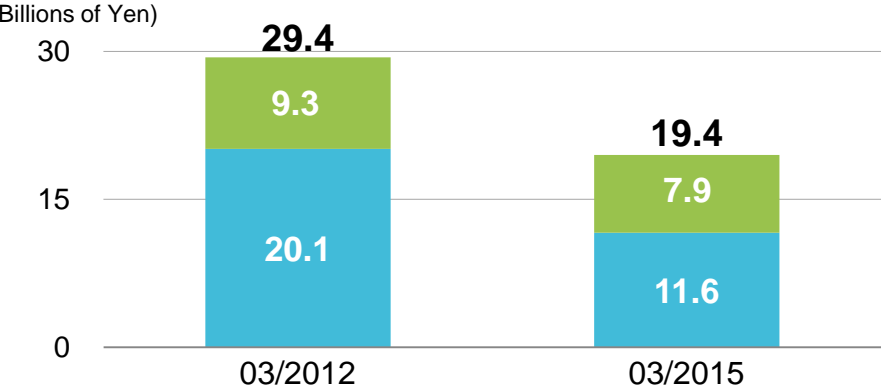
Orders



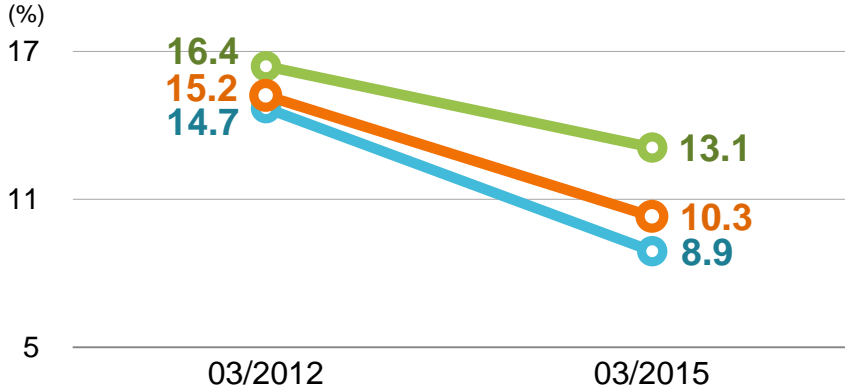
Sales



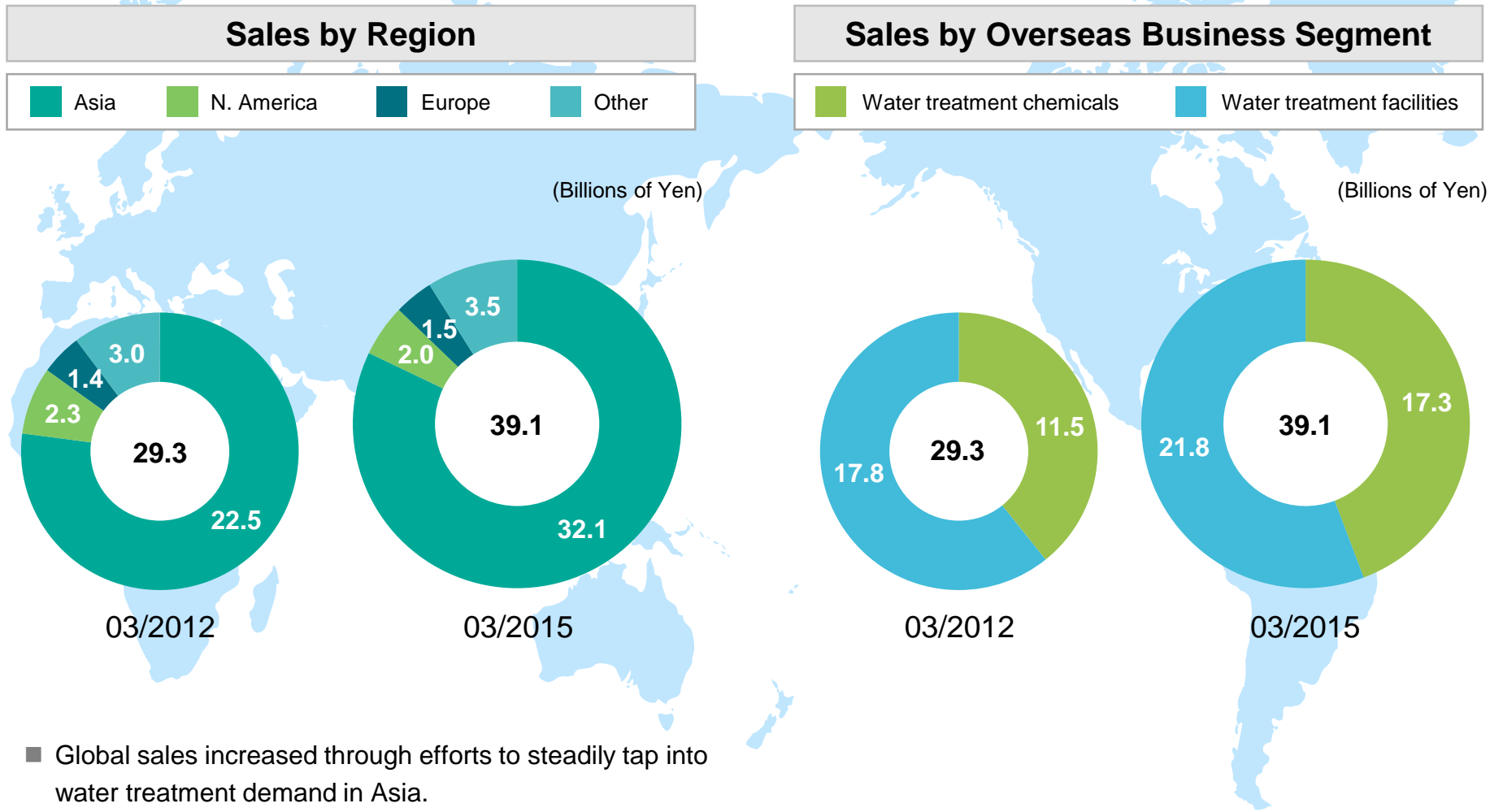
Operating Income



Operating Income Margin



3. Expansion of Global Business “Overseas Sales”



- Global sales increased through efforts to steadily tap into water treatment demand in Asia.
- The overseas sales ratio climbed to 20.6%.

4. Expansion of Global Business “Measures and Results”

Acquisition of water treatment business in Europe

Overview of acquired business

Core products	Water solutions, paper solutions (sizing and wet strength additives), alumina compounds (The key products are water treatment, civil additives, additives for paper process chemicals)
Sales	173 million Euro (24.3 billion yen*) Note: * FY2014 results * FX rate: 1 Euro = 140.4 yen
Employees	Approximately 590

Acquisition of platform in Europe

Receipt of order for ultrapure water supply business in South Korea

Overview of ultrapure water supply business

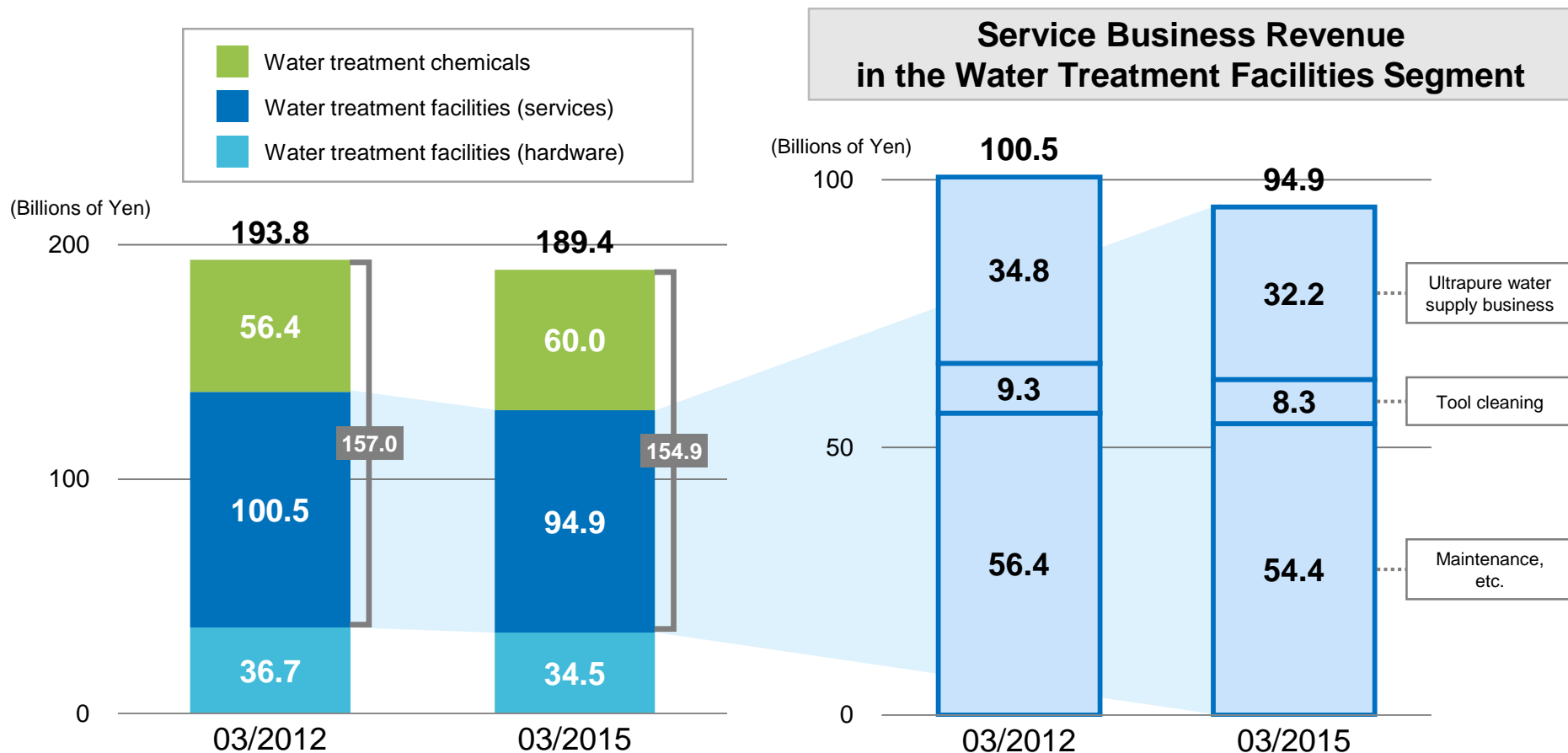
Customer	New semiconductor plant to be constructed in South Korea by SK Hynix Inc. (South Korean)
Timing of commencement of water supply	June 2015 (planned)
Business operating entity	Hansu Technical Service Ltd. (Kurita Water Industries' wholly owned subsidiary in South Korea)

First time to provide ultrapure water supply service on a large scale to a local company overseas

Foothold to become global company

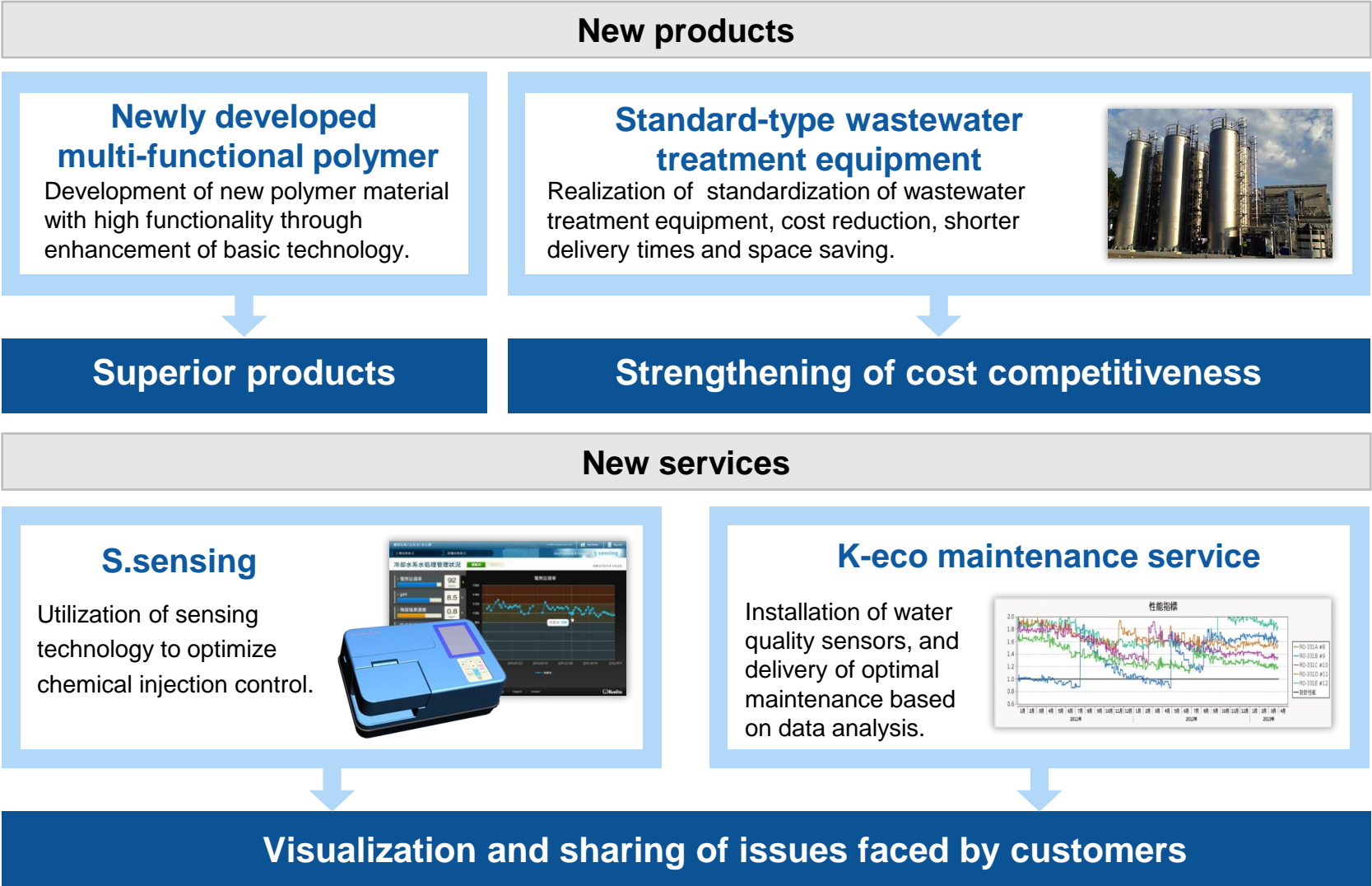
III. Review of Previous Medium-Term Management Plan “TA-14 (Take Action 2014)”

5. Service Business Revenue

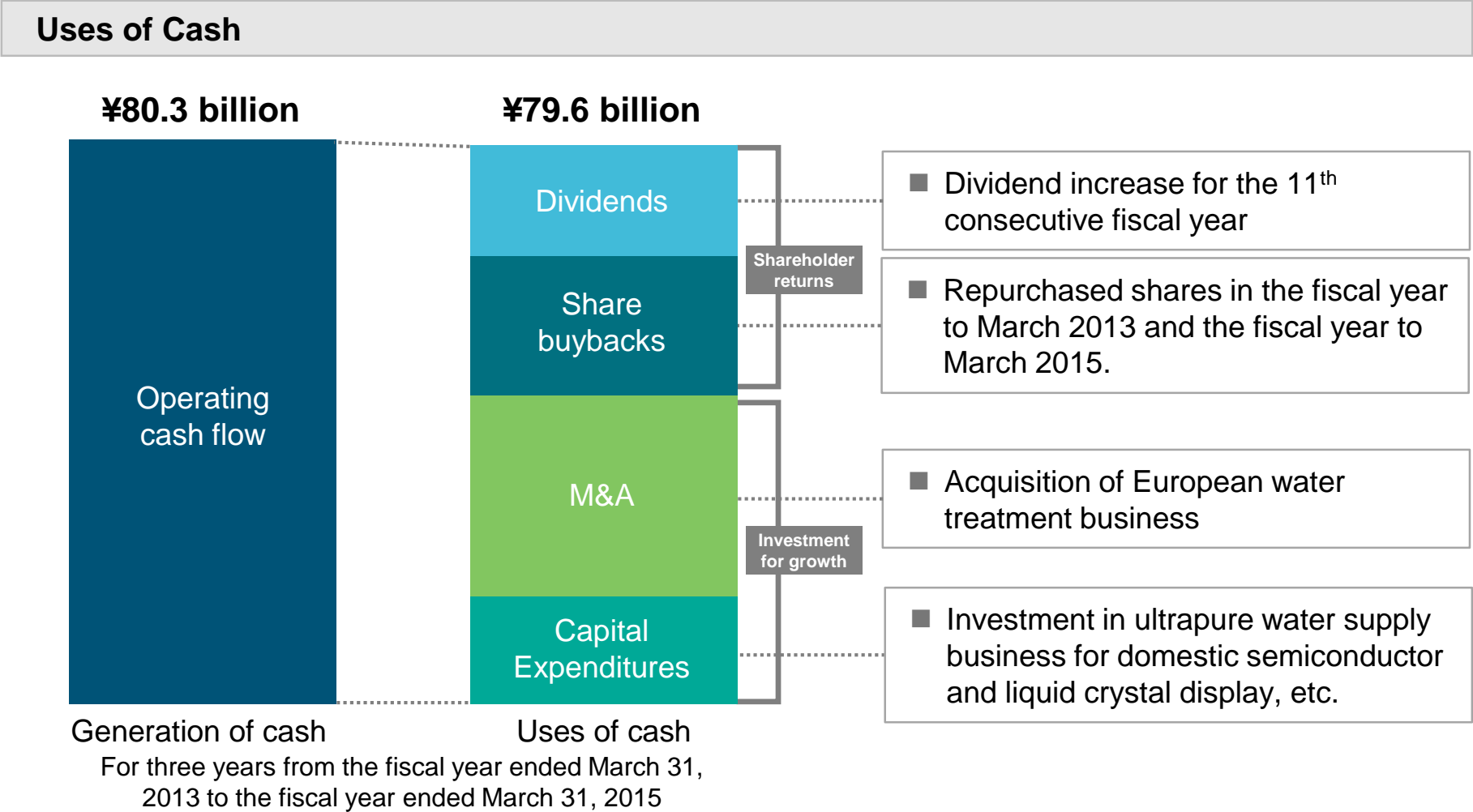


- Revenues of water treatment chemicals increased, but revenues of maintenance services, ultrapure water supply business and tool cleaning decreased.
- The service business ratio was 81.8%.

6. Creation of New Products and New Services



7. Improvement of Capital Efficiency



8. Issues to be Addressed

Improvement of profitability

- Strengthening of engineering, procurement and construction management functions by overseas operating companies in water treatment facilities business
- Expansion of line-up of standard-type equipment
- Strengthening of competitiveness of core boiler and cooling water treatment chemicals

Promotion of integration of acquired business and business expansion overseas

- Business integration and early demonstration of synergies

Expansion of domestic business through demonstration of Group’s comprehensive capabilities

- Creation of competitive products and services (business model)

IV. Outline of New Medium-Term Management Plan “CK-17 (Competitive Kurita 2017)”

1. Basic Theme, Basic Policy and Priority Measures
2. Operating Performance Targets
3. Segment Projections
4. Cultivation of New Markets
5. Optimization of Production System and Utilization of Group Network
6. Creation of Competitive Products and Services
7. Improvement of Capital Efficiency

1. Basic Theme, Basic Policy and Priority Measures

Basic Theme

**Competitive human resources,
competitive structures, and competitive products**

Basic Policy

We will conduct a radical review of every operation to provide high added-value
for our customers

Priority Measures

1

**Cultivate new
markets**

2

**Optimize production
system and utilize
global network**

3

**Create competitive
products and
services**

4

**Improve capital
efficiency**

IV. Outline of New Medium-Term Management Plan “CK-17 (Competitive Kurita 2017)”

2. Operating Performance Targets

(Billions of Yen)

	Fiscal Year to March 2015 Actual	Fiscal Year to March 2018 Projection	Average growth rate over the 3 years
Net Sales	189.4	235.0	+7.5%
Operating Income	19.4	24.5	+8.0%
Operating Income Margin	10.3%	10.4%	—
Overseas Sales	39.1	81.3	+27.6%
Overseas Sales Ratio	20.6%	34.6%	—

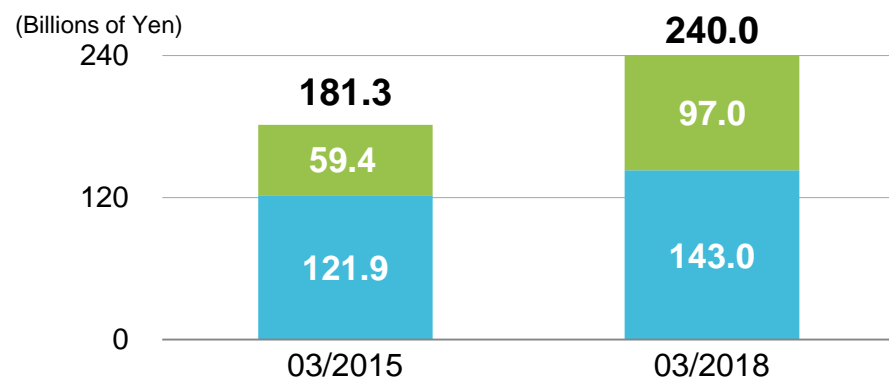
- Sales will increase sharply due to business acquisition.
- A double-digit operating income margin will be maintained.

IV. Outline of New Medium-Term Management Plan “CK-17 (Competitive Kurita 2017)”

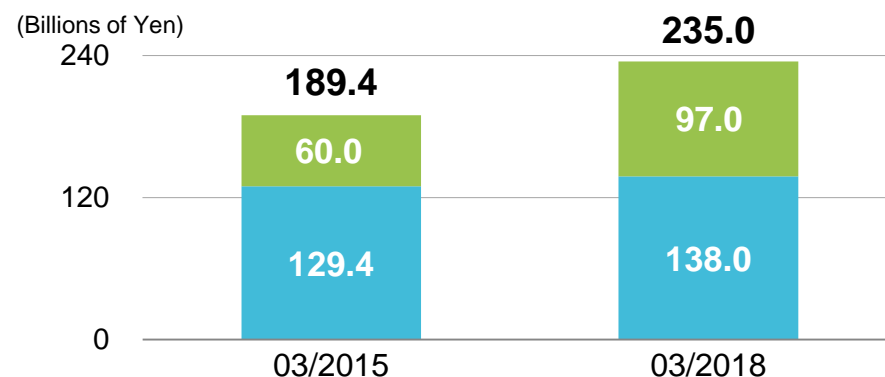
3. Segment Projections



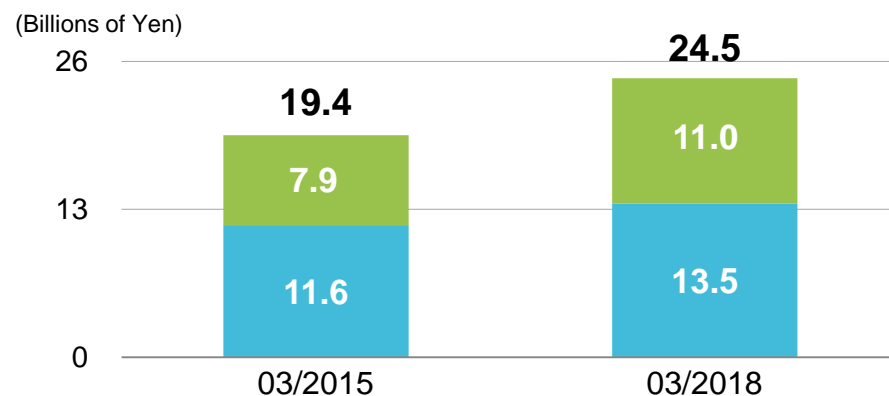
Orders



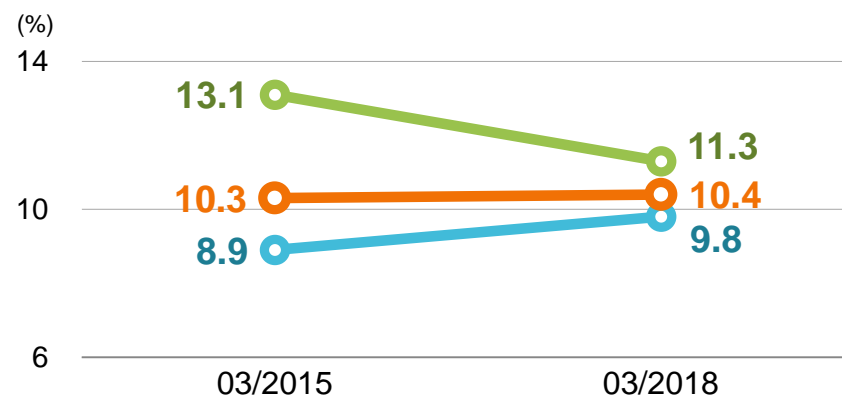
Sales



Operating Income

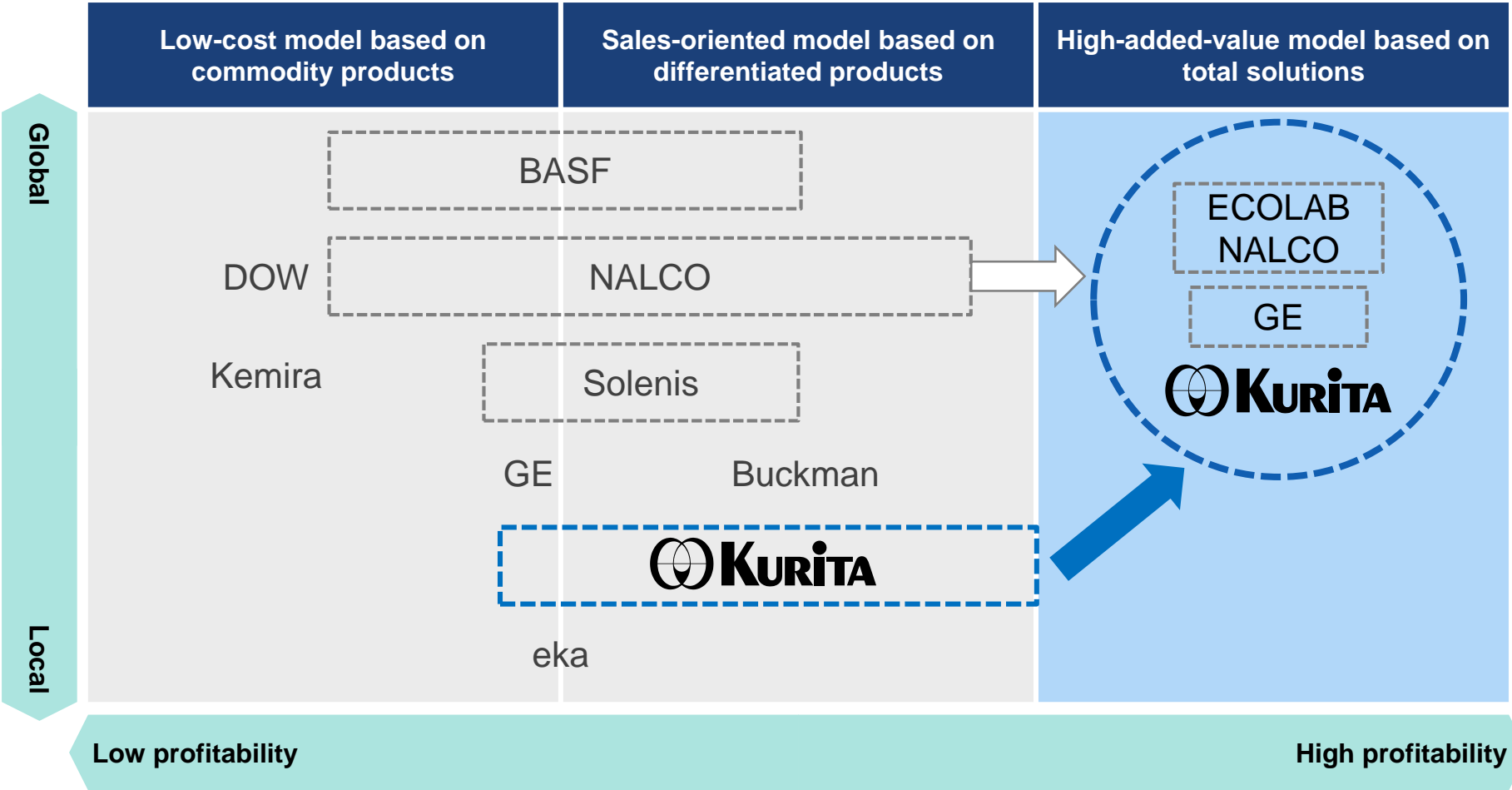


Operating Income Margin



4. Cultivation of New Markets

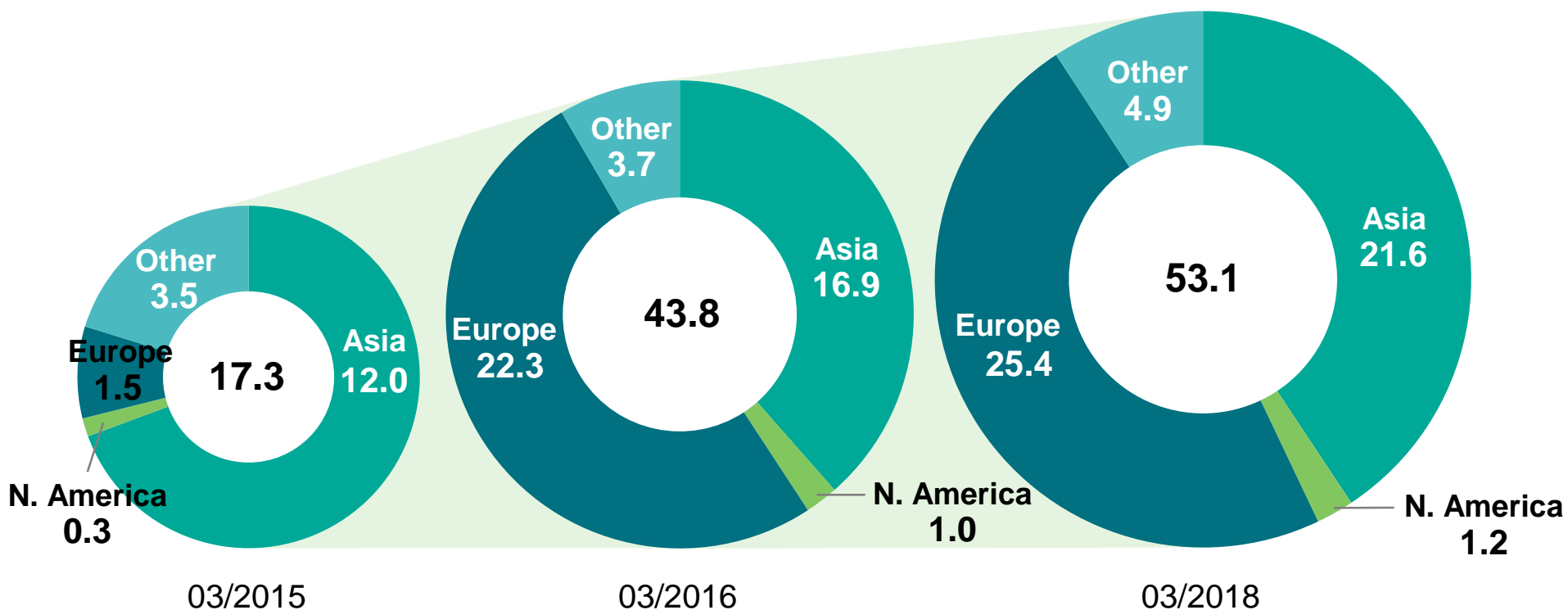
1 To become a world-class water treatment chemicals company



4. Cultivation of New Markets

② Sales of water treatment chemicals business by overseas region

(Billions of Yen)

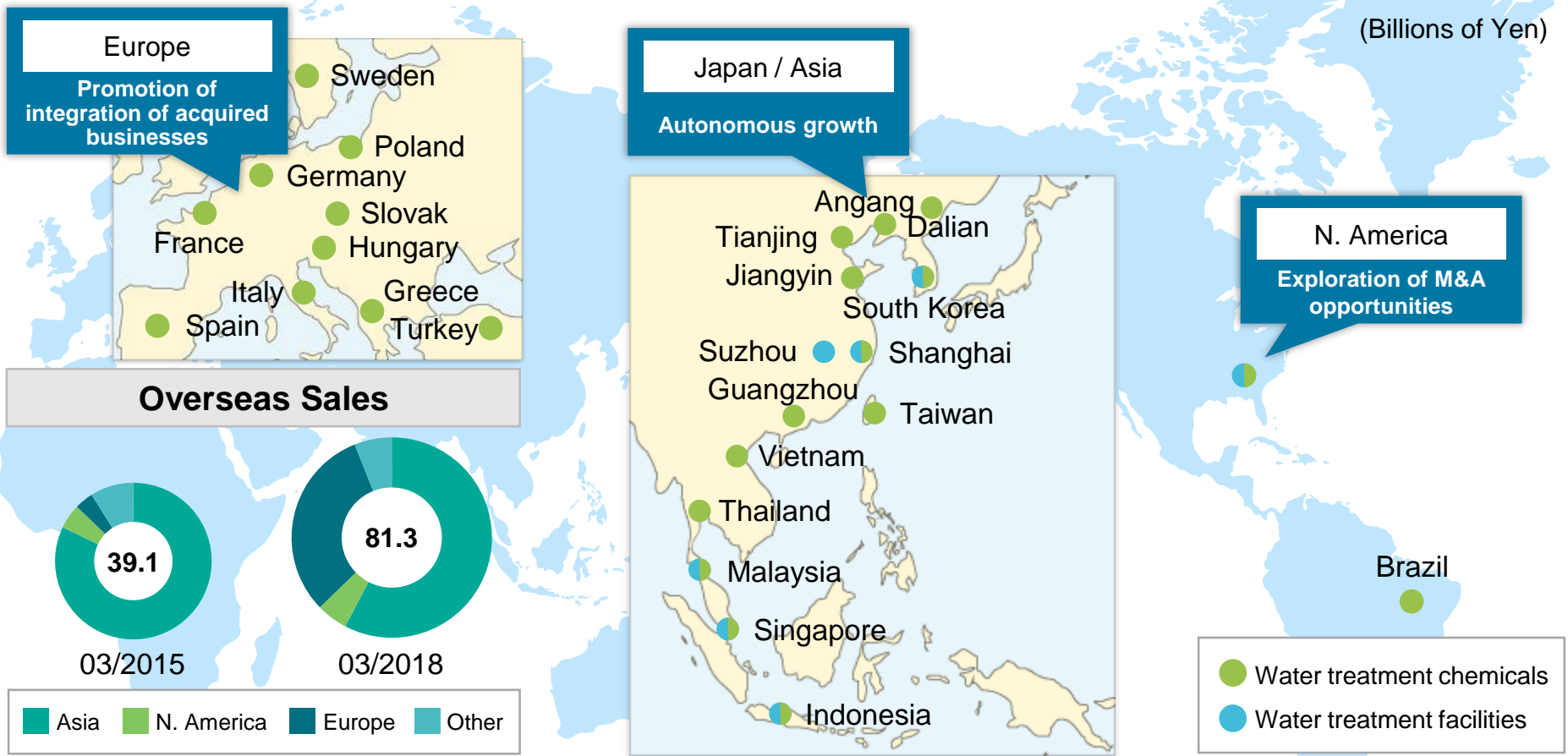


- We acquired water treatment chemicals businesses in Europe and will also aim for further business expansion in North America.

IV. Outline of New Medium-Term Management Plan “CK-17 (Competitive Kurita 2017)”

5. Optimization of Production System and Utilization of Group Network

● Development of global system with four “poles” including Japan



- Optimize functions and roles of production bases and strengthen engineering, procurement and construction management functions.
- Expand sales of products and services utilizing Group network.

6. Creation of Competitive Products and Services

① Provide original services by demonstrating comprehensive strength

Proposal activities using IT

- K-eco maintenance service
- S.sensing

Comprehensive proposal-type business

- Reduce total plant costs of existing customers, including equipment of other manufacturers
- Expand ultrapure water supply business to new markets (new domestic electronics manufacturers and overseas electronics manufacturers)

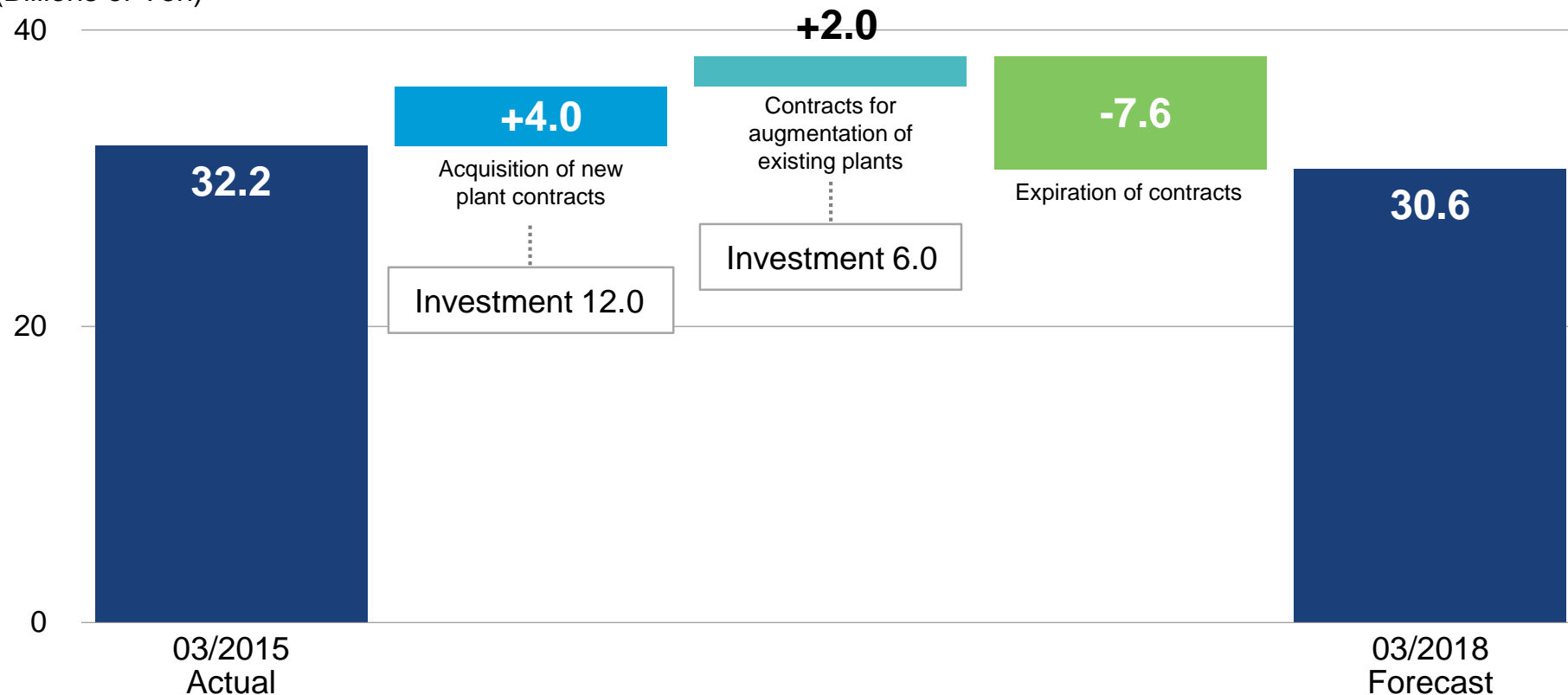
Strengthening of cost competitiveness

- Develop compact standardized water treatment equipment and expand applications.

6. Creation of Competitive Products and Services

② Ultrapure water supply business sales forecast

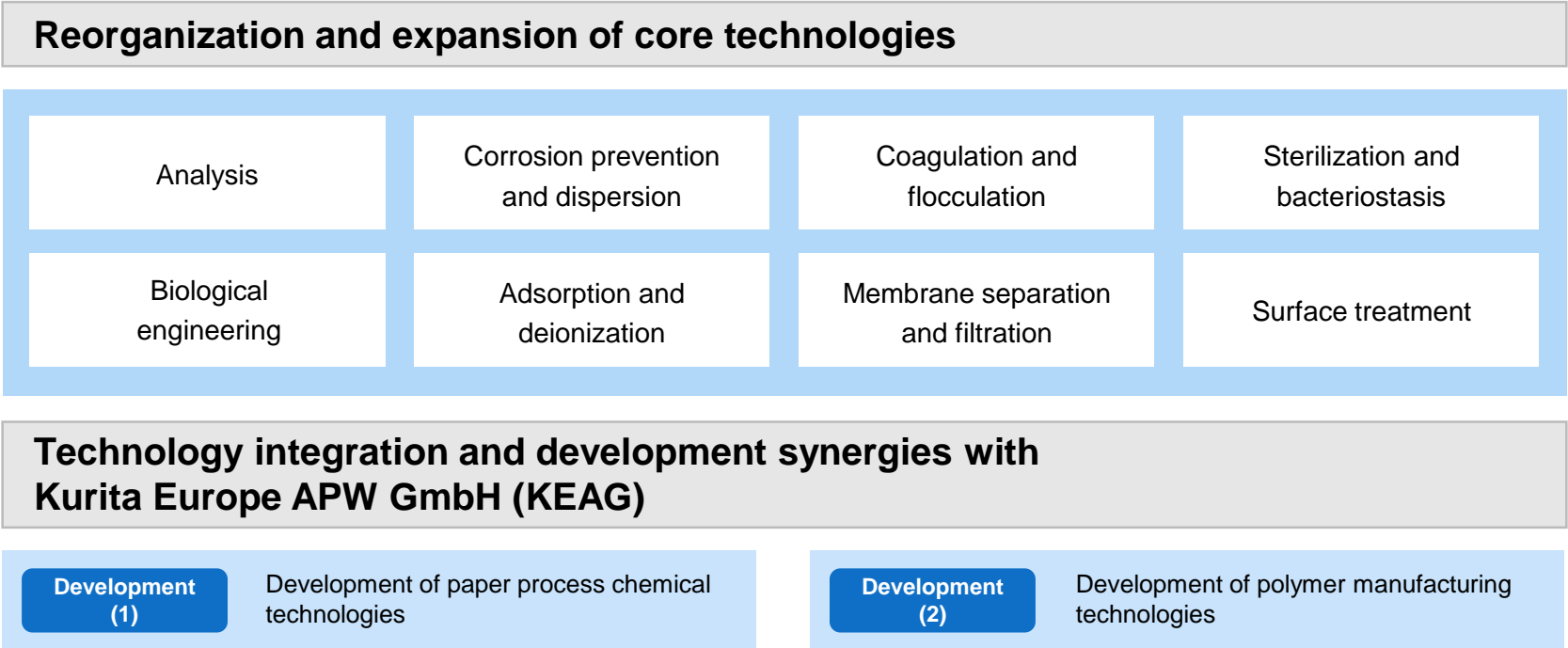
(Billions of Yen)



Note: * Forecasts involve an element of uncertainty.

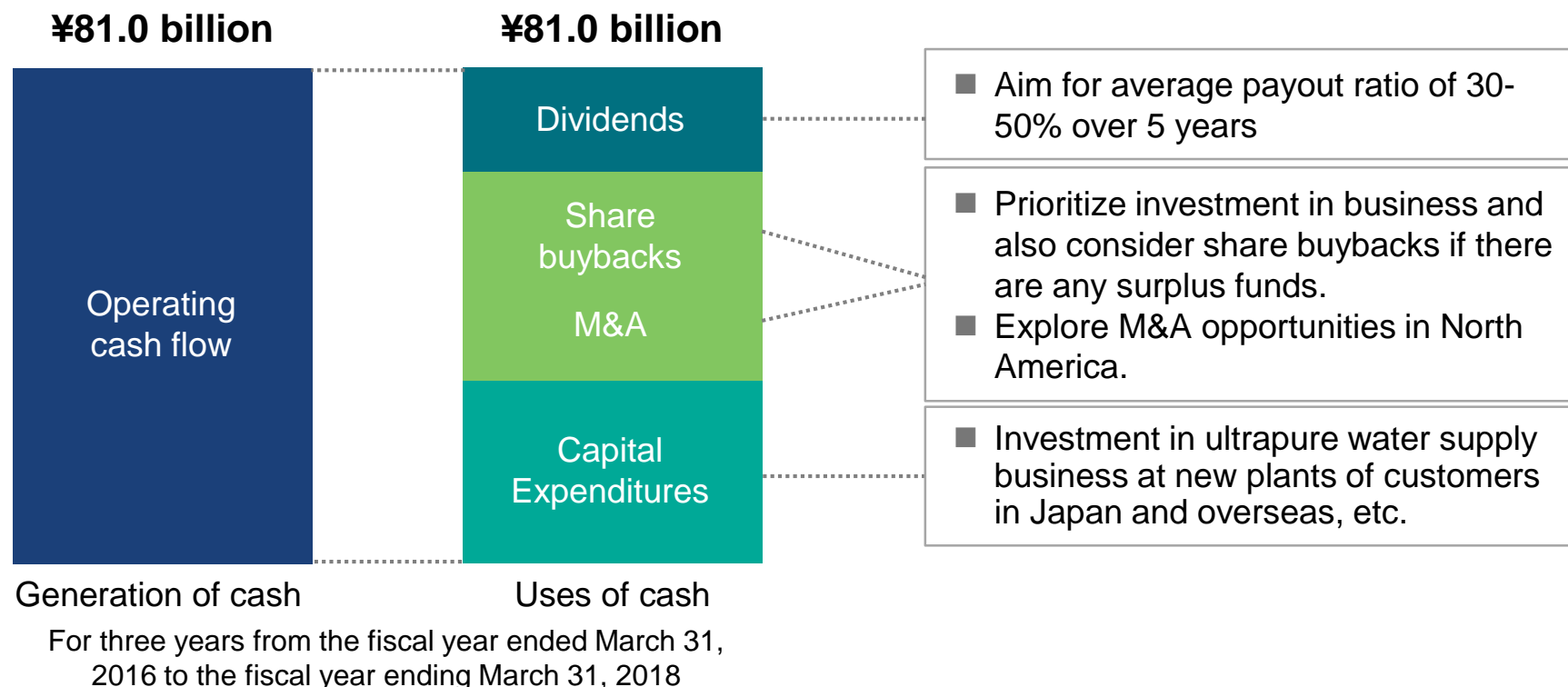
6. Creation of Competitive Products and Services

③ Strengthening of R&D capability



7. Improvement of Capital Efficiency

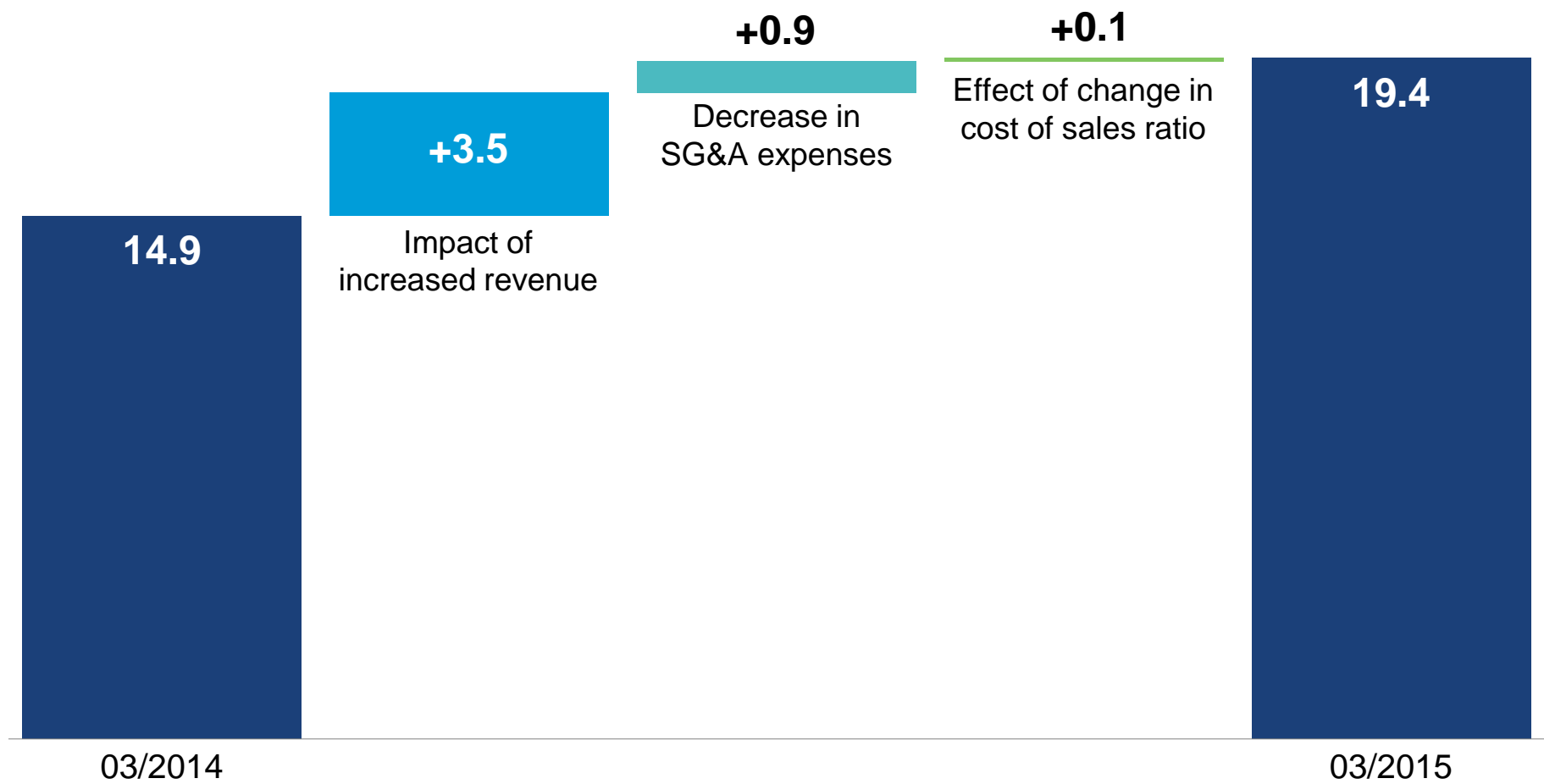
Uses of Cash (Projections)



- Regarding the level of cash, we will endeavor to curb surplus funds upon securing operating funds and contingency funds.
- We will aim to maintain ROE at a level that exceeds cost of shareholders' equity.

Analysis of Changes in Operating Income for the Fiscal Year ended March 31, 2015

(Billions of yen)



Note: The effect of change in the cost of sales ratio is 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.