



Kurita Water Industries Ltd.

Results Presentation for the First Quarter of the Fiscal Year Ending March 31, 2020

(Securities code: 6370)

Voluntary Application of IFRS

From the first quarter of the fiscal year ending March 31, 2020, our disclosures are based on IFRS. The figures for the same period of the previous fiscal year have been reclassified in compliance with these standards.

Business Profit

Business profit is calculated by deducting cost of sales and SG&A expenses from net sales. Although business profit is not an item required to be included in financial statements, we disclose it within voluntary disclosure materials, deeming it useful for comparisons with operating income under the Japanese GAAP of the past.

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1 Consolidated Financial Results for the First Quarter of the Fiscal Year Ending March 31, 2020

Overview of Results

(Billions of Yen)		1Q of FY ended 03/2019	1Q of FY ending 03/2020	YoY Change
Orders		70.5	72.7	+3.2%
Net Sales		62.3	64.3	+3.3%
Business Profit		4.5	5.6	+24.4%
Other Income and Expenses, Net		(2.9)	4.6	—
Operating Profit		1.6	10.2	+528.9%
Profit Before Tax		1.9	10.4	+447.5%
Profit Attributable to Owners of Parent		1.5	7.3	+396.7%
Earnings per Share (yen)		13.04	64.71	+396.2%
Foreign Exchange Rate	USD (yen)	109.07	109.90	
	EUR (yen)	130.06	123.49	
	CNY (yen)	17.13	16.07	

- The effects of new consolidation of U.S. Water Services, Inc. (“U.S. Water”), Avista Technologies, Inc. and Avista Technologies (UK) Ltd. (“Avista”) are included from the quarter under review.
- Other income and expenses includes a loss on the transfer of the aluminum compound business in Europe in the same period of the previous fiscal year and a gain on the sale of ultrapure water supply business assets in the quarter under review.

Results by Segment

(Billions of Yen)		1Q of FY ended 03/2019	1Q of FY ending 03/2020	YoY Change
Total	Orders	70.5	72.7	+2.2
	Net Sales	62.3	64.3	+2.0
	Business Profit	4.5	5.6	+1.1
	Business Profit Margin	7.3%	8.7%	
	Operating Profit	1.6	10.2	+8.6
Water Treatment Chemicals	Orders	26.9	28.9	+2.1
	Net Sales	25.4	28.0	+2.6
	Business Profit	2.5	2.6	+0.0
	Business Profit Margin	9.9%	9.1%	
	Operating Profit	(0.5)	2.4	+2.9
Water Treatment Facilities	Orders	43.6	43.8	+0.2
	Net Sales	36.8	36.3	(0.6)
	Business Profit	2.1	3.1	+1.0
	Business Profit Margin	5.7%	8.7%	
	Operating Profit	2.2	7.9	+5.7

- In the Water Treatment Chemicals business, orders and net sales increased as U.S. Water and Avista were newly consolidated, but business profit remained flat due to the increase in SG&A expenses.
- Operating profit in the Water Treatment Chemicals business improved substantially as a loss on transfer of the aluminum compound business in Europe was recorded in the same period of the previous fiscal year.
- Business profit was up in the Water Treatment Facilities business owing to an improvement in the cost of sales ratio resulting from decreased additional costs and depreciation.
- Operating profit in the Water Treatment Facilities business increased substantially as a result of recording a gain on sale of ultrapure water supply business assets.

Water Treatment Chemicals Business



(Billions of Yen)	1Q of FY ended 03/2019	1Q of FY ending 03/2020	YoY Change
Orders	26.9	28.9	+2.1
Domestic	12.1	12.3	+0.2
Overseas	14.8	16.7	+1.9
Net Sales	25.4	28.0	+2.6
Domestic	10.8	11.2	+0.4
Overseas	14.6	16.8	+2.2
Business Profit	2.5	2.6	+0.0
Business Profit Margin	9.9%	9.1%	
Operating Profit	(0.5)	2.4	+2.9

- Domestic orders and sales increased for process treatment chemicals for steel industry, boiler chemicals, and cooling water treatment chemicals.
- Overseas orders and sales increased as U.S. Water and Avista were newly consolidated, despite a decrease resulting from the sale of the aluminum compound business in Europe in the same period of the previous fiscal year.
- Excluding the effect of the new scope of consolidation, the business profit margin remained mostly flat.

Overseas Sales by Region

(Billions of Yen)	1Q of FY ended 03/2019	1Q of FY ending 03/2020	YoY Change
Asia	7.2	6.6	(0.6)
North America	1.2	4.8	+3.6
EMEA	5.5	4.8	(0.7)
Other	0.7	0.6	(0.0)
Total	14.6	16.8	+2.2

Water Treatment Facilities (for the domestic electronics industry)

(Billions of Yen)	1Q of FY ended 03/2019	1Q of FY ending 03/2020	YoY Change
Orders	17.6	14.1	(3.5)
Facilities	4.4	0.2	(4.2)
Maintenance	5.0	6.1	+1.0
Ultrapure Water Supply Business	6.4	6.2	(0.3)
Tool Cleaning	1.7	1.6	(0.1)
Net Sales	13.0	14.1	+1.0
Facilities	1.4	2.6	+1.2
Maintenance	3.5	3.6	+0.1
Ultrapure Water Supply Business	6.4	6.2	(0.3)
Tool Cleaning	1.7	1.6	(0.1)

- Orders for facilities decreased, reflecting the absence of orders for large projects placed in the same period of the previous year, but sales increased due to progress on construction for the orders received in the previous fiscal year.
- Orders and sales remained at a high level in maintenance as a result of expansion and repair demand at customer facilities.
- In the ultrapure water supply business, both orders and sales decreased due to the impact of certain contracts having expired in the second half of the previous fiscal year and being renewed.

Water Treatment Facilities (for domestic general industries)



(Billions of Yen)	1Q of FY ended 03/2019	1Q of FY ending 03/2020	YoY Change
Orders	19.4	21.4	+2.0
Energy and Infrastructure	16.3	16.5	+0.1
Soil Remediation	2.4	4.2	+1.8
Other	0.7	0.7	+0.0
Net Sales	11.7	12.5	+0.8
Energy and Infrastructure	8.9	10.1	+1.2
Soil Remediation	2.2	1.8	(0.4)
Other	0.7	0.7	+0.0

- Orders for energy and infrastructure were mostly flat overall as orders for facilities for the electric power industry increased despite a decrease in maintenance orders.
- Sales for energy and infrastructure increased as a result of progress with construction from the order backlog for facilities for the electric power industry and growth of the chemical cleaning services.
- Orders for soil remediation increased due to large project orders. Sales decreased in the absence of the large projects that were recorded in the same period of the previous fiscal year.

Water Treatment Facilities (Overseas)

(Billions of Yen)	1Q of FY ended 03/2019	1Q of FY ending 03/2020	YoY Change
Orders	6.6	8.3	+1.7
Facilities	3.3	5.4	+2.1
Maintenance	2.5	2.1	(0.4)
Ultrapure Water Supply Business	0.8	0.8	(0.0)
Net Sales	12.0	9.7	(2.4)
Facilities	9.9	7.0	(2.9)
Maintenance	1.4	1.9	+0.5
Ultrapure Water Supply Business	0.8	0.8	(0.0)

- Facilities orders increased due to the impact of the new consolidation of U.S. Water and increased orders for facilities in South Korea.
- Facilities sales decreased in the absence of large projects in China and South Korea that were recorded in the same period of the previous fiscal year, despite the impact of new consolidation of U.S. Water.

Sales by Region

(Billions of Yen)	1Q of FY ended 03/2019	1Q of FY ending 03/2020	YoY Change
Asia	11.8	7.8	(4.1)
North America and Other	0.2	1.9	+1.7
Total	12.0	9.7	(2.4)

Breakdown of Service Business Sales

(Billions of Yen)	1Q of FY ended 03/2019	1Q of FY ending 03/2020	YoY Change
Water Treatment Chemicals	25.4	28.0	+2.6
Water Treatment Facilities	24.2	24.7	+0.5
Ultrapure Water Supply Business	7.2	6.9	(0.3)
Tool Cleaning	1.7	1.6	(0.1)
Soil Remediation	2.2	1.8	(0.4)
Domestic Maintenance	11.2	11.9	+0.7
Overseas Maintenance	1.4	1.9	+0.5
Other	0.5	0.6	+0.0
Total	49.7	52.7	+3.1

- The service business composition ratio increased, due in part to newly consolidating U.S. Water and Avista within the Water Treatment Chemicals business.
- In domestic maintenance, chemical cleaning services and maintenance services for the public sector increased.

Capital Expenditures, Depreciation and R&D Expenses



(Billions of Yen)	1Q of FY ended 03/2019	1Q of FY ending 03/2020
Capital Expenditures (Property, Plant and Equipment)	6.1	9.8
Ultrapure Water Supply Business	4.5	6.7
Other than the above	1.6	3.2
Depreciation (Property, Plant and Equipment)	3.7	3.3
Water Treatment Chemicals	0.5	0.9
Water Treatment Facilities	3.2	2.4
R&D Expenses	1.3	1.3
Water Treatment Chemicals	0.4	0.5
Water Treatment Facilities	0.8	0.8

- Capital expenditures increased substantially due to investment in large projects in the ultrapure water supply business and increased investment in the tool cleaning business.
- Depreciation decreased, primarily in the ultrapure water supply business.

2 | Partial Revision to Forecast for the Fiscal Year Ending March 31, 2020

Overview of Business Forecast



(Billions of Yen)		1H			Full Year		
		FY ending 03/2020 Initial Forecast	FY ending 03/2020 Current Forecast	Change	FY ending 03/2020 Initial Forecast	FY ending 03/2020 Current Forecast	Change
Orders		137.9	138.7	+0.8	270.0	272.0	+2.0
Net Sales		133.8	134.6	+0.8	278.0	280.0	+2.0
Business Profit		12.3	12.3	—	26.5	26.5	—
Other Income and Expenses, Net		3.2	4.0	+0.8	2.5	3.5	+1.0
Operating Profit		15.5	16.3	+0.8	29.0	30.0	+1.0
Profit Before Tax		15.6	16.4	+0.8	29.2	30.2	+1.0
Profit Attributable to Owners of Parent		11.0	11.6	+0.6	20.6	21.3	+0.7
Earnings per Share (yen)		97.97	103.31	+5.34	183.47	189.71	+6.24
Foreign Exchange Rate	USD (yen)	110.0	110.0		110.0	110.0	
	EUR (yen)	125.0	125.0		125.0	125.0	
	CNY (yen)	16.6	16.6		16.6	16.6	

- The impact of the new consolidation of Avista (U.S. and U.K.), which was acquired in May, has been reflected in orders and sales.
- The forecast for other income and expenses has been revised to reflect the actual gain on the sale of ultrapure water supply business assets and to adjust acquisition-related costs in the Water Treatment Chemicals business in the second half.

Forecasts by Segment

(Billions of Yen)		1H			Full Year		
		FY ending 03/2020 Initial Forecast	FY ending 03/2020 Current Forecast	Change	FY ending 03/2020 Initial Forecast	FY ending 03/2020 Current Forecast	Change
Total	Orders	137.9	138.7	+0.8	270.0	272.0	+2.0
	Net Sales	133.8	134.6	+0.8	278.0	280.0	+2.0
	Business Profit	12.3	12.3	—	26.5	26.5	—
	Business Profit Margin	9.2%	9.1%		9.5%	9.5%	
	Operating Profit	15.5	16.3	+0.8	29.0	30.0	+1.0
Water Treatment Chemicals	Orders	59.7	60.5	+0.8	118.4	120.4	+2.0
	Net Sales	59.2	60.0	+0.8	118.1	120.1	+2.0
	Business Profit	5.7	5.7	—	11.0	11.0	—
	Business Profit Margin	9.5%	9.4%		9.3%	9.2%	
	Operating Profit	4.9	4.9	—	9.5	9.7	+0.2
Water Treatment Facilities	Orders	78.2	78.2	—	151.6	151.6	—
	Net Sales	74.6	74.6	—	159.9	159.9	—
	Business Profit	6.7	6.7	—	15.5	15.5	—
	Business Profit Margin	8.9%	8.9%		9.7%	9.7%	
	Operating Profit	10.7	11.5	+0.8	19.5	20.3	+0.8

Water Treatment Chemicals Business (Sales by Region)



(Billions of Yen)	1H			Full Year		
	FY ending 03/2020 Initial Forecast	FY ending 03/2020 Current Forecast	Change	FY ending 03/2020 Initial Forecast	FY ending 03/2020 Current Forecast	Change
Domestic	23.6	23.6	—	47.0	47.0	—
Overseas	35.6	36.4	+0.8	71.1	73.1	+2.0
Asia	14.4	14.4	—	28.7	28.7	—
North America	9.6	10.3	+0.7	18.8	20.5	+1.7
EMEA	10.1	10.2	+0.1	20.6	20.9	+0.3
Other	1.5	1.5	—	3.0	3.0	—
Total	59.2	60.0	+0.8	118.1	120.1	+2.0



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.