

FOR IMMEDIATE RELEASE

Kurita Water Industries Reports Earnings for the Three Months Ended June 30, 2016

Tokyo, Japan, July 29, 2016—Kurita Water Industries Ltd. (TSE Securities Code 6370) announced net sales of 46,386 million yen and profit attributable to owners of parent of 2,645 million yen, or 22.77 yen per share, for the three months ended June 30, 2016 (April 1, 2016 – June 30, 2016).

Results of Operations

Total consolidated orders for the Kurita Group (Kurita Water Industries Ltd. and its consolidated subsidiaries and equity method affiliates) in the three months ended June 30, 2016 rose 4.3% from the level of the same period of the previous fiscal year, to 56,326 million yen, and net sales increased 9.2%, to 46,386 million yen. Operating income was 3,748 million yen, up 19.6% versus the same period of the previous fiscal year, and ordinary income was 3,804 million yen, up 7.6%. Profit attributable to owners of parent amounted to 2,645 million yen, up 12.6%. With the completion of the provisional accounting associated with the business combination concerned with the acquisition of the European business that took place in the first half of the previous consolidated fiscal year, the results in the first three months in the previous fiscal year have been corrected retroactively. The retroactive correction resulted in a decline of 435 million yen in the consolidated operating income of the Group and the Water Treatment Chemicals segment in the first three months in the previous fiscal year and a decrease of 429 million yen in the ordinary income and income before income taxes of the Group.

Looking at the market environment surrounding the Kurita Group, in Japan, production in the manufacturing industry remained flat due to sluggish growth in consumer spending and exports, and the recovery of capital expenditure was slowed by a decline in corporate earnings associated with the stronger yen. Overseas, uncertainty increased, reflecting the United Kingdom's decision to exit the EU and a slowdown in growth in China and other emerging economies, but the U.S. and European economies continued to recover. Overall, overseas economies recovered moderately.

In this environment, the Kurita Group worked to develop and market competitive products, technologies, and services. The Group also endeavored to propose solutions to customers' challenges, including the reduction of the environmental burden, energy saving, and the improvement of productivity, using IT and sensing technologies.

Segment Information

The Group consists of two reportable segments in its segment information: Water Treatment Chemicals and Water Treatment Facilities

Water Treatment Chemicals

Total Group orders for the Water Treatment Chemicals segment were 21,016 million yen, up 8.6% versus the same period of the fiscal year ended March 31, 2016, while sales rose 9.7%, to 20,137 million yen. Operating income was up 39.9% to 1,867 million yen, reflecting the increase in sales and the elimination of temporary expenses in association with a revision of the initial allocation of the cost of the acquisition of businesses in Europe in the previous fiscal year.

In Japan, the Group worked to gain new customers by proposing solutions using new

products and services, and both orders and sales rose slightly. Overseas, both orders and sales increased, reflecting strong performance in China and the consolidation of the operating results of the business in Europe, which have been consolidated from the previous consolidated fiscal year, for a month longer than in the previous fiscal year.

Water Treatment Facilities

Total Group orders for the Water Treatment Facilities segment were 35,309 million yen, up 1.8% versus the same period of the previous fiscal year. Sales rose 8.8%, to 26,249 million yen. Operating income climbed 4.9%, to 1,884 million yen due to the increase in sales.

In Japan, in the electronics industry, orders in the water treatment facilities business increased due to orders for large-scale projects, but orders in maintenance services declined. Sales in both water treatment facilities and maintenance services increased.

In general industries, orders in the water treatment facilities remained flat, but orders, primarily from public offices, in maintenance services rose. Sales climbed both in the water treatment facilities business and in maintenance services as sales from projects for which orders were received in the previous fiscal year were posted. Although orders and sales in water treatment facilities for electric power declined, orders for and sales of soil remediation services increased significantly, reflecting orders for large-scale projects and associated progress in construction in progress.

Overseas, orders fell, reflecting orders for large-scale projects in China and Taiwan in the same period of the previous fiscal year, but sales climbed due to progress in construction in progress in large-scale projects in China and South Korea.

Sales in the ultrapure water supply business remained flat, reflecting a decline due to the expiration of contracts and the posting of sales from new contracts.

Financial Condition

Current assets totaled 147,182 million yen at the end of the first quarter (June 30, 2016), a decrease of 3,364 million yen versus the end of the previous fiscal year (March 31, 2016). This was mainly a result of declines of 11,814 million yen in trade accounts receivable and 5,045 million yen in marketable securities, which outweighed increases of 9,605 million yen in cash and deposits and 2,577 million yen in work in process. The increase in cash and deposits was mainly the result of liquidating negotiable certificates of deposit, which are treated as marketable securities. The increase in work in process was chiefly the result of progress in construction in the water treatment facilities business. The decline in trade accounts receivable was primarily 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.

Non-current assets totaled 143,657 million yen at the end of the three-month period (June 30, 2016), a decline of 3,904 million yen versus the end of the previous fiscal year. The decline was attributable to decreases of 2,155 million yen in property, plant and equipment, 1,120 million yen in intangible fixed assets, and 629 million yen in investments and other assets. The decrease in property, plant and equipment was chiefly due to depreciation mainly on facilities for the ultrapure water supply business in excess of capital expenditure. The decline in intangible fixed assets was mainly attributable to the amortization of goodwill and technology-related assets and a decrease in the value of assets in foreign currencies because of the stronger yen. The decrease in investments and other assets was primarily due to a decrease in unrealized gains on investment

securities due to falls in the market prices of the shares held by the Group.

Current liabilities totaled 39,632 million yen at the end of the period, a decline of 4,775 million yen versus the end of the previous fiscal year. This was mainly a result of declines of 3,756 million yen in trade accounts payable, 2,342 million yen in income taxes payable, and 1,054 million yen in provision.

Non-current liabilities totaled 24,085 million yen at the end of the period, a decrease of 650 million yen versus the end of the previous fiscal year.

Net assets totaled 227,121 million yen at the end of the period, a decrease of 1,843 million yen versus the end of the previous fiscal year primarily due to falls of 144 million yen in shareholders' equity and 1,679 million yen in accumulated other comprehensive income. The decrease in accumulated other comprehensive income resulted mainly from a decline of 1,493 million yen in foreign currency translation adjustments given the strengthening of the yen against foreign currencies.

Outlook for the Fiscal Year Ending March 31, 2017

The Group's current outlook for the six months ending September 30, 2016, and the full year ending March 31, 2017 is consistent with the targets disclosed in "Earnings Report for the Full Year Ended March 31, 2016," which was announced on April 28, 2016.

Financial Statements — Consolidated

Balance Sheet — Consolidated

	As of March 31, 2016	(Million yen) As of June 30, 2016
	Amount	Amount
Assets		
Current assets		
Cash and deposits	58,374	67,979
Notes receivable – trade	7,463	7,661
Accounts receivable – trade	63,552	51,738
Marketable securities	7,566	2,521
Finished products	3,130	3,235
Work in process	3,690	6,267
Raw materials and supplies	2,433	2,228
Other	4,518	5,711
Allowance for doubtful accounts	(185)	(162)
Total current assets	150,546	147,182
Non-current assets		
Property, plant and equipment		
Buildings (net)	15,093	14,904
Machinery and equipment (net)	32,304	36,670
Other (net)	30,990	24,658
Total property, plant and equipment	78,388	76,233
Intangible fixed assets		
Goodwill	15,114	14,352
Other	9,088	8,730
Total intangible fixed assets	24,202	23,082
Investments and other assets		
Investment securities	37,063	35,468
Other	8,111	9,065
Allowance for doubtful accounts	(204)	(193)
Total investments and other assets	44,970	44,341
Total noncurrent assets	147,561	143,657
Total assets	298,107	290,840

	As of March 31, 2016	(Million yen) As of June 30, 2016
	Amount	Amount
Liabilities		
Current liabilities		
Notes payable – trade	1,719	1,512
Accounts payable – trade	21,060	17,304
Income taxes payable	3,705	1,363
Provision	3,418	2,364
Other	14,503	17,087
Total current liabilities	44,407	39,632
Non-current liabilities		
Net defined benefit liability	15,467	15,611
Provision	57	25
Other	9,210	8,448
Total noncurrent liabilities	24,735	24,085
Total liabilities	69,142	63,718
Net assets		
Shareholders' equity		
Common stock	13,450	13,450
Capital surplus	10,993	10,993
Retained earnings	196,788	196,645
Treasury stock	(8,695)	(8,697)
Total shareholders' equity	212,536	212,392
Accumulated other comprehensive income		
Unrealized gains (losses) on available-for-sale securities	16,061	14,943
Deferred gains (losses) on hedges	398	1,311
Revaluation reserve for land	(380)	(380)
Foreign currency translation adjustments	(618)	(2,111)
Remeasurements of defined benefit plans	(101)	(80)
Total accumulated other comprehensive income	15,360	13,681
Non-controlling interests		
Total net assets	228,964	227,121
Total liabilities and net assets	298,107	290,840

Statements of Income and Comprehensive Income — Consolidated

Statement of Income

	(Million yen)	
	Three months ended June 30, 2015	Three months ended June 30, 2016
	Amount	Amount
Net sales	42,493	46,386
Cost of sales	27,574	30,296
Gross profit	14,918	16,090
Selling, general and administrative expenses	11,784	12,342
Operating income	3,134	3,748
Non-operating income		
Interest income	48	55
Dividend income	238	244
Foreign exchange gains	130	–
Equity in earnings of unconsolidated subsidiaries and affiliates	41	44
Other	61	81
Total non-operating income	521	425
Non-operating expenses		
Interest expense	57	49
Foreign exchange losses	–	218
Other	62	100
Total non-operating expenses	119	369
Ordinary income	3,535	3,804
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	3,530	3,804
Income taxes	1,154	1,135
Net income	2,376	2,669
Profit attributable to non-controlling interests	27	24
Profit attributable to owners of parent	2,348	2,645

Statement of Comprehensive Income

	(Million yen)	
	Three months ended June 30, 2015	Three months ended June 30, 2016
	Amount	Amount
Net income	2,376	2,669
Other comprehensive income		
Unrealized gains (losses) on available-for-sale securities	266	(1,119)
Deferred gains (losses) on hedges	(331)	912
Foreign currency translation adjustments	(1,721)	(1,455)
Remeasurements of defined benefit plans, net of tax	(2)	20
Share of other comprehensive income of associates accounted for using equity method	(14)	(63)
Total other comprehensive income	(1,803)	(1,705)
Comprehensive income	572	964
Components:		
Comprehensive income attributable to owners of parent	558	968
Comprehensive income attributable to non-controlling interests	13	(3)

Notes to Consolidated Financial Statements

(Notes on the Going-concern Assumption)

Three months ended June 30, 2016 (April 1, 2016 – June 30, 2016)

Not applicable

(Notes on Significant Changes in Shareholders' Equity)

Three months ended June 30, 2016 (April 1, 2016 – June 30, 2016)

Not applicable

(Segment Information)

1. Sales and income by reportable segment

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

	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	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	1,335	1,796	3,131	2	3,134

Three months ended June 30, 2016 (April 1, 2016 – June 30, 2016)

	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	20,137	26,249	46,386	–	46,386
Inter-segment sales or transfers	47	49	97	(97)	–
Total	20,185	26,298	46,484	(97)	46,386
Segment income	1,867	1,884	3,751	(3)	3,748

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.

(Business Combination)

An important review of the initial allocation of acquisition cost in comparative information

The Company applied provisional accounting to the business combinations on January 31, 2015 with Kurita Europe APW GmbH, Kurita Water Industries (Jiangyin) Co., Ltd., and seven other companies in the fiscal year before last, and the provisional accounting was completed in the second quarter of the previous fiscal year.

With the completion of the provisional accounting, an important review of the initial allocation of the acquisition cost was reflected in the comparative information included in the quarterly consolidated financial statements for the first quarter under review.

In the consolidated statement of income for the consolidated first quarter of the previous fiscal year, cost of sales, selling, general and administrative expenses, and equity in earnings of unconsolidated subsidiaries and affiliates rose 414 million yen, 21 million yen, and 6 million yen, respectively. As a result, operating income declined 435 million yen, and ordinary income and income before income taxes fell 429 million yen.

Supplementary Information — Consolidated

(1) Order Intake

(Million yen)

Business segment	Three months ended June 30,			
	2015		2016	
	Amount	%	Amount	%
Water Treatment Chemicals	19,348	35.8	21,016	37.3
Water Treatment Facilities	34,675	64.2	35,309	62.7
Total	54,023	100.0	56,326	100.0

(2) Net Sales

(Million yen)

Business segment	Three months ended June 30,			
	2015		2016	
	Amount	%	Amount	%
Water Treatment Chemicals	18,356	43.2	20,137	43.4
Water Treatment Facilities	24,136	56.8	26,249	56.6
Total	42,493	100.0	46,386	100.0

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

(Million yen)

Business segment	Three months ended June 30,			
	2015		2016	
	Amount	%	Amount	%
Water Treatment Chemicals	686	13.0	347	22.1
Water Treatment Facilities	4,581	87.0	1,224	77.9
Total	5,267	100.0	1,571	100.0

(4) Depreciation (Property, Plant and Equipment)

(Million yen)

Business segment	Three months ended June 30,			
	2015		2016	
	Amount	%	Amount	%
Water Treatment Chemicals	338	10.3	387	11.5
Water Treatment Facilities	2,955	89.7	2,987	88.5
Total	3,293	100.0	3,374	100.0