





Kurita Water Industries Ltd.

Results Presentation for the First Half
of the Year Ending March 31, 2016

(Stock code: 6370)

-  Consolidated Financial Results for the First Half of the Year Ending March 31, 2016
-  Consolidated Business Plan for the Fiscal Year Ending March 31, 2016
-  Outlook for Businesses
-  Reference Material

I. Consolidated Financial Results for the First Half of the Year Ending March 31, 2015

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3. Water Treatment Chemicals
4. Water Treatment Facilities (for the electronics industry)
5. Water Treatment Facilities (for general industries)
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7. Overseas Business Sales
8. Capital Expenditures, Depreciation, and R&D Expenses
9. Financial Condition

I. Consolidated Financial Results for the First Half of the Year Ending March 31, 2016



1. Financial Highlights

(Billions of Yen)

	Fiscal Year to March 2015 First Half Actual	Fiscal Year to March 2016 First Half Initial Projections	Fiscal Year to March 2016 First Half Actual	Year-on-Year Change
Orders	97.0	111.2	110.0	+13.4%
Net Sales	89.0	101.4	97.9	+10.1%
Operating Income	8.6	8.7	9.1	+5.8%
Ordinary Income	9.2	8.9	9.5	+3.3%
Profit attributable to owners of parent	5.9	5.5	5.8	-2.1%

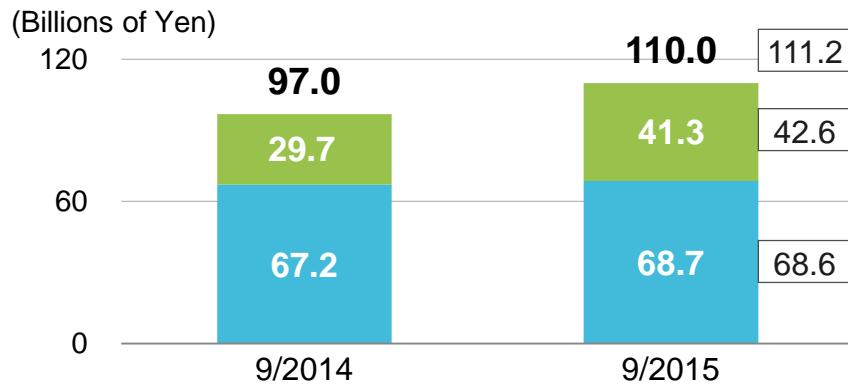
- Orders increased in the Water Treatment Chemicals business due to the acquisition effect, and also rose in the Water Treatment Facilities business, particularly overseas.
- Net sales declined in the Water Treatment Facilities business, but increased in the Water Treatment Chemicals business due to the acquisition effect.
- Operating income fell in the Water Treatment Chemicals business, but rose in the Water Treatment Facilities business. Overall, operating income for the entire Group increased.

I. Consolidated Financial Results for the First Half of the Year Ending March 31, 2016

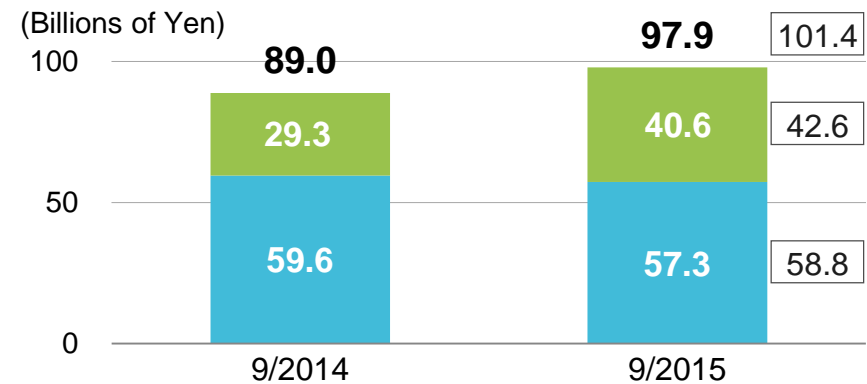
2. Orders, Sales, Operating Income, and Operating Income Margin

■ ○ Water treatment chemicals
 ■ ○ Water treatment facilities
 ○ Total
 * denotes initial projections

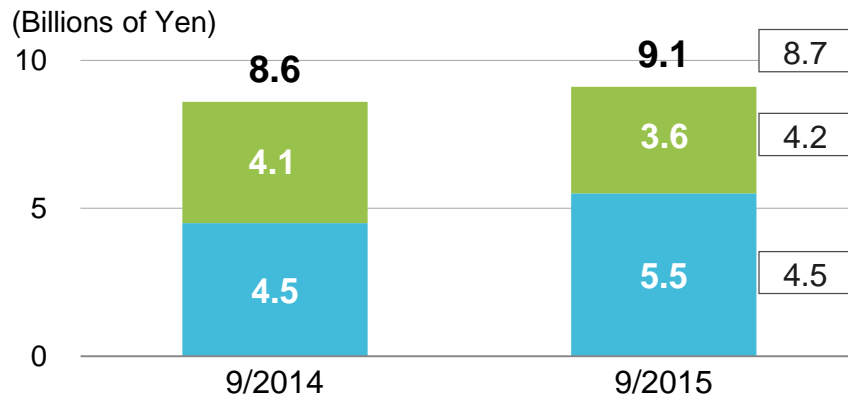
Orders



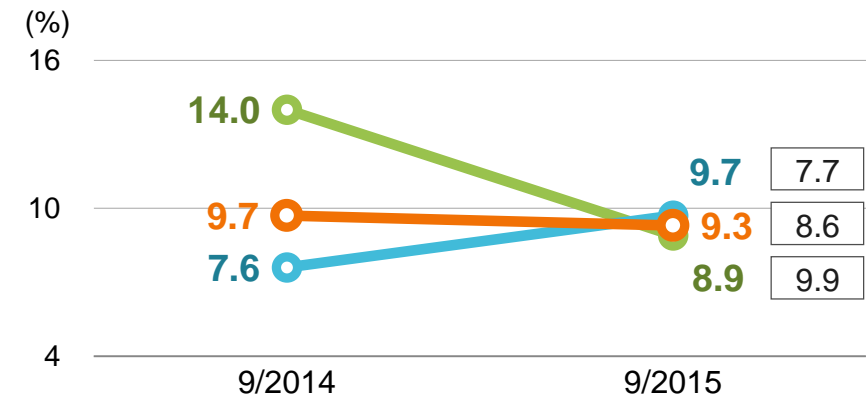
Sales



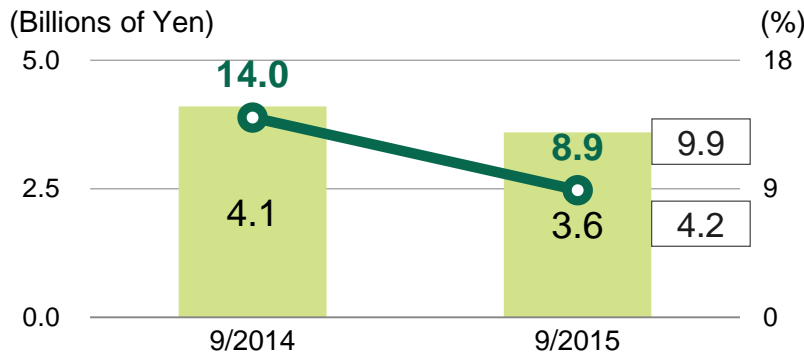
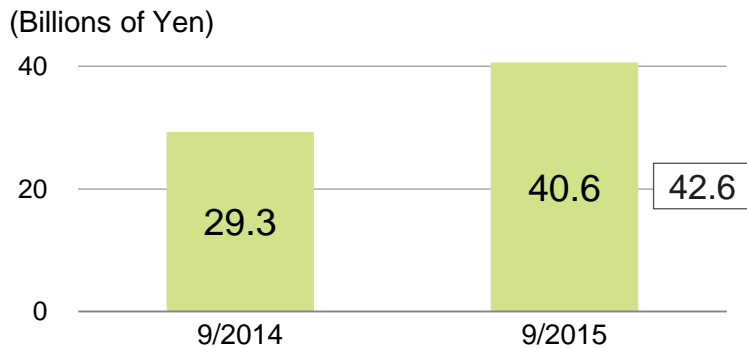
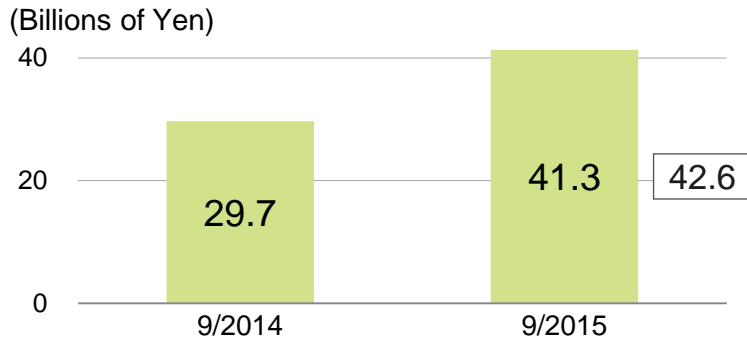
Operating Income



Operating Income Margin



3. Water Treatment Chemicals



● Operating income margin * □ denotes initial projections

Orders and Sales

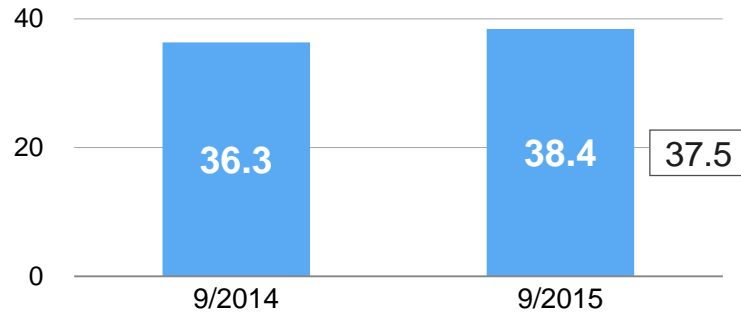
- Our main products saw sluggish growth in Japan due to a slow recovery in customers' capacity utilization.
- Domestic sales remained roughly flat from a year ago.
- Overseas orders and sales rose significantly due to the acquisition effect in Europe.
- Orders and sales expanded smoothly also in China and Southeast Asia.
- Orders and sales in January at KEAG (Kurita Europe APW GmbH), which has been acquired, have not been consolidated.

Operating Income

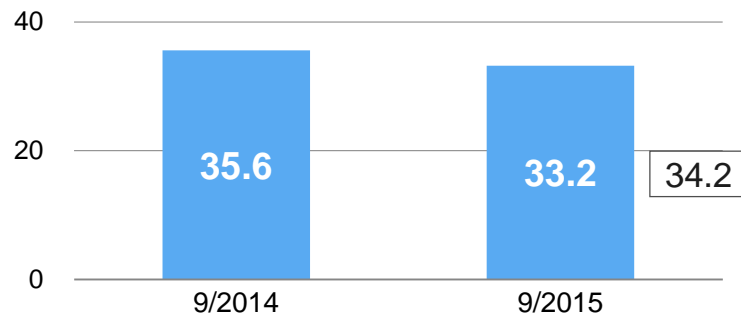
- Despite the effect of higher sales, operating income declined due to an increase in SG&A expenses and deterioration in the cost rate in association with the acquisition.
- Operating income except for KEAG rose slightly.
- The main reason why operating income fell short of the initial projection is the effect of PPA (Purchase Price Allocation).

4. Water Treatment Facilities (for the electronics industry)

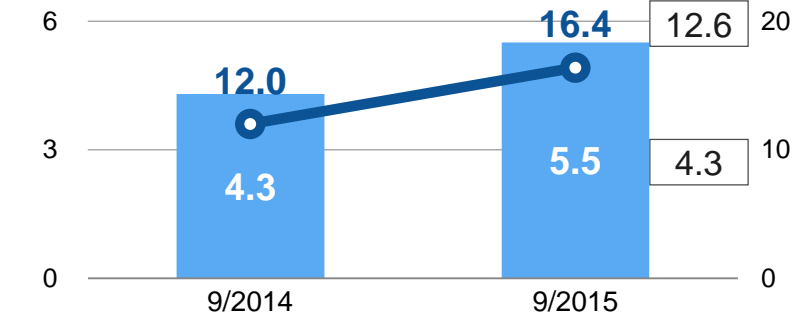
(Billions of Yen)



(Billions of Yen)



(Billions of Yen)



Operating income margin * □ denotes initial projections

Orders

- Orders for maintenance services in Japan grew due to a recovery in demand.
- Orders in the ultrapure water supply business rose.
- For hardware overseas, large contracts were won in China and Taiwan, but orders in Southeast Asia, which were at a high level a year ago, declined.

Sales

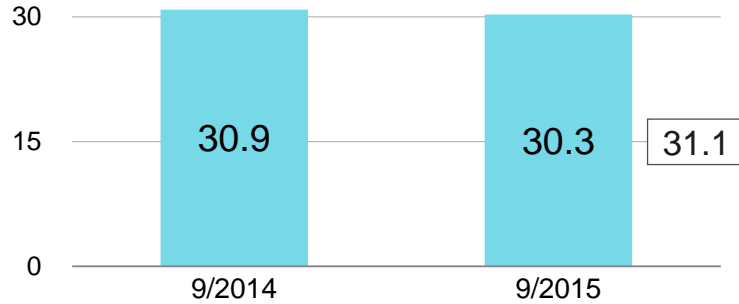
- Sales of hardware overseas fell as the posting of sales from large contracts was completed.
- Sales of tool cleaning declined due to a withdrawal from unprofitable businesses.
- Sales of maintenance services in Japan and in the ultrapure water supply business increased.

Operating Income

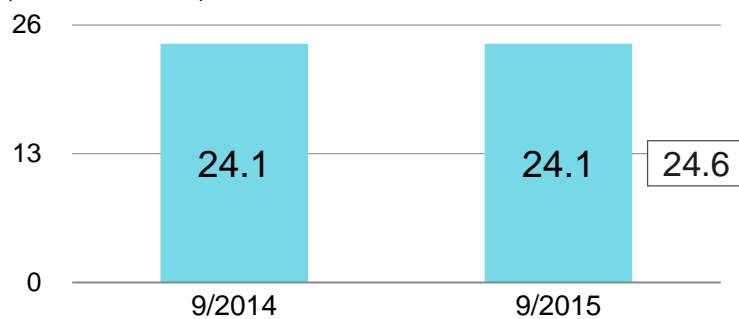
- Operating income increased with an improvement in the cost of sales ratio, despite the decline in sales and an increase in SG&A expenses.

5. Water Treatment Facilities (for general industries)

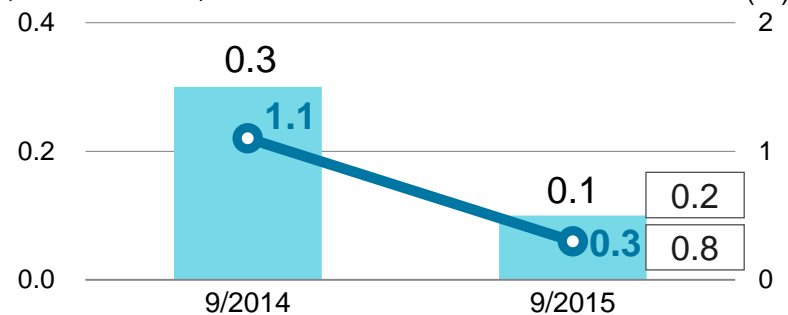
(Billions of Yen)



(Billions of Yen)



(Billions of Yen)



Operating income margin * □ denotes initial projections

Orders

- Orders for soil remediation, which were at a high level a year ago, declined.
- Orders for general industries hardware and electric power industries hardware remained roughly flat.

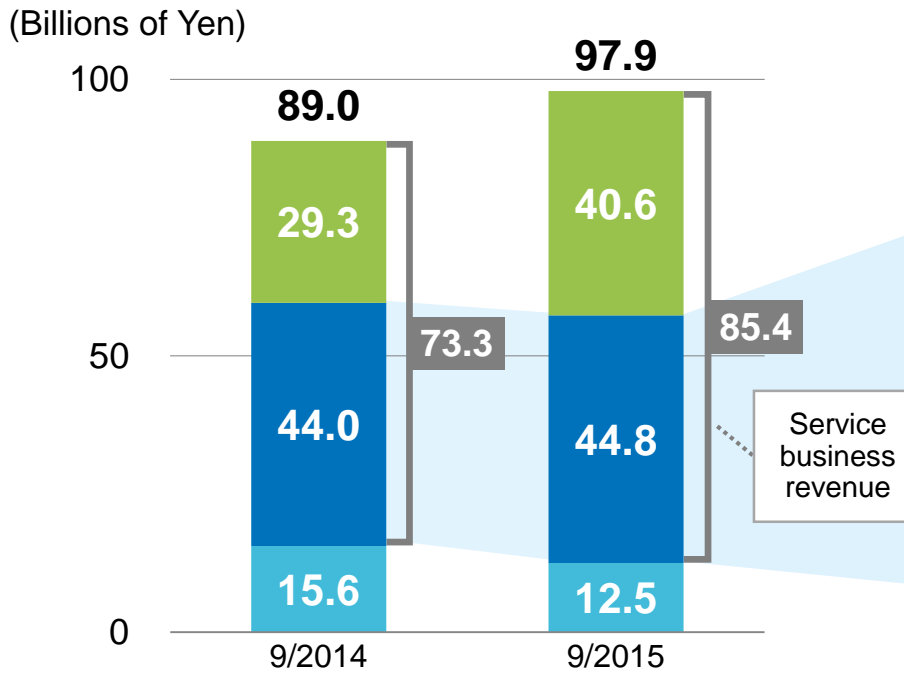
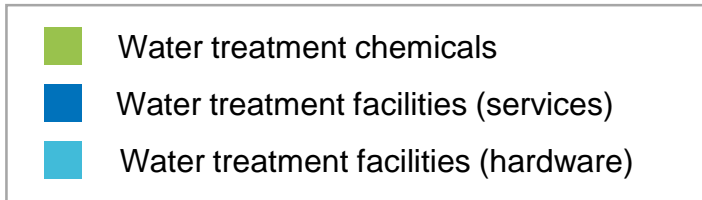
Sales

- Sales of general industries hardware declined due to delayed progress in construction.
- Sales of electric power industries hardware increased due to progress in construction.

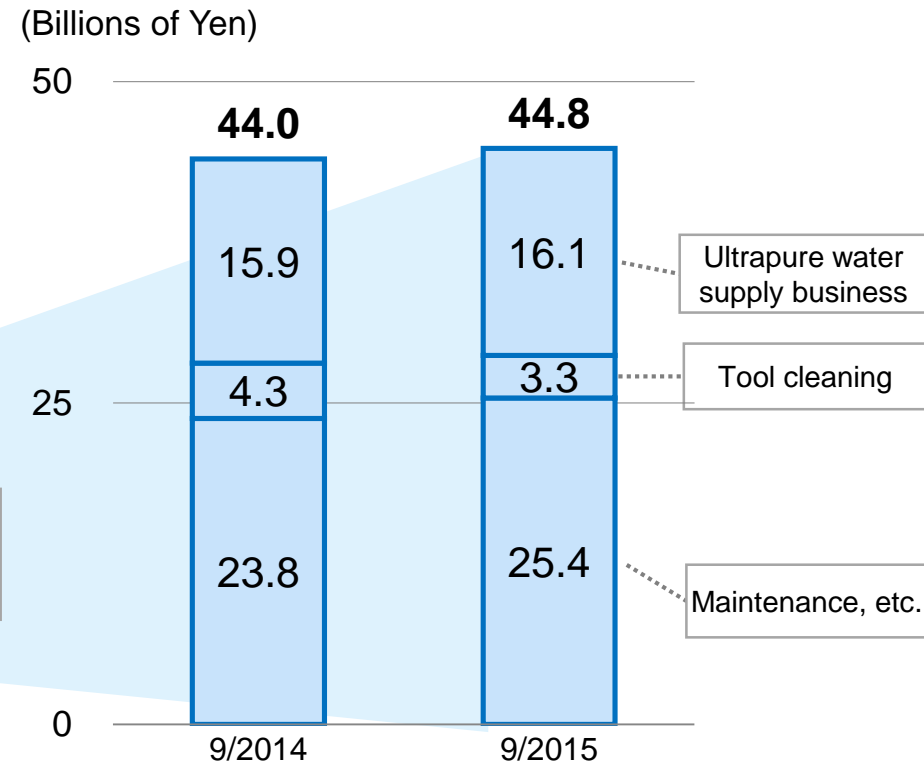
Operating Income

- Operating income declined due to a deterioration in the cost of sales ratio and an increase in SG&A expenses.

6. Service Business Revenue



Service Business Revenue in the Water Treatment Facilities Segment



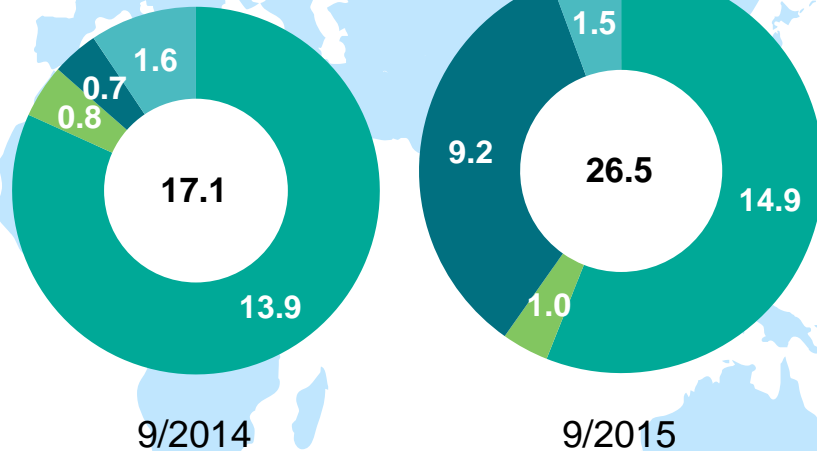
- Sales of water treatment chemicals increased significantly due to the acquisition effect.
- Revenue from tool cleaning declined, but revenues from maintenance and in the ultrapure water supply business increased.

7. Overseas Business Sales

Sales by Region

■ Asia
 ■ North America
 ■ Europe
 ■ Other

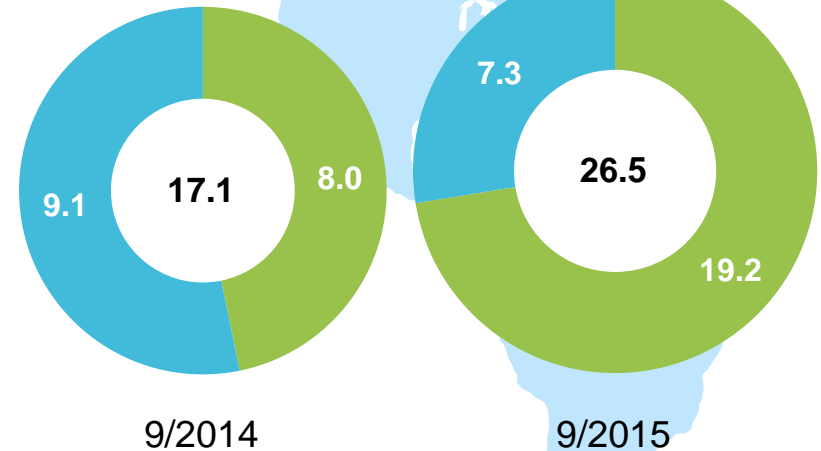
(Unit: billions of yen)



Sales by Overseas Business Segment

■ Water treatment chemicals
 ■ Water treatment facilities

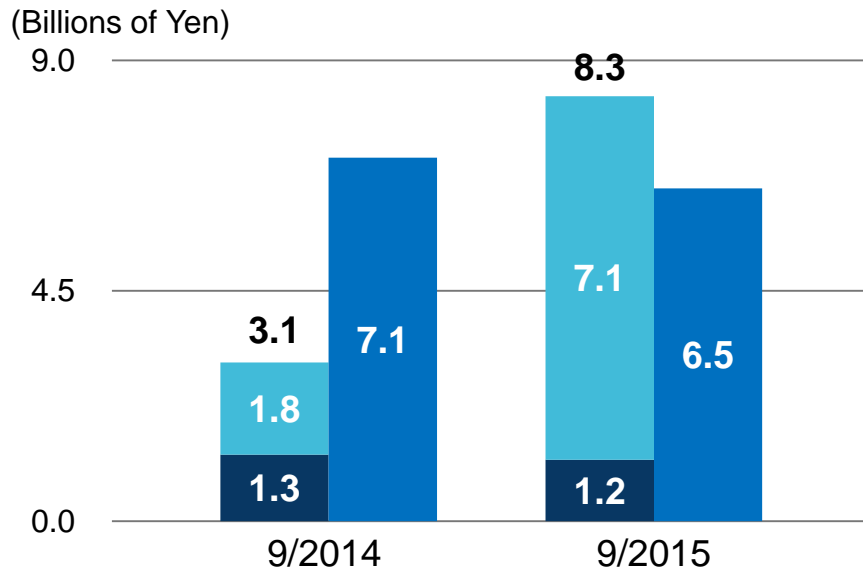
(Unit: billions of yen)



- Sales in the Water Treatment Chemicals business rose significantly in Europe due to the acquisition effect. Sales also increased in Asia.
- Sales in the Water Treatment Facilities business declined with the completion of the posting of sales from large contracts.

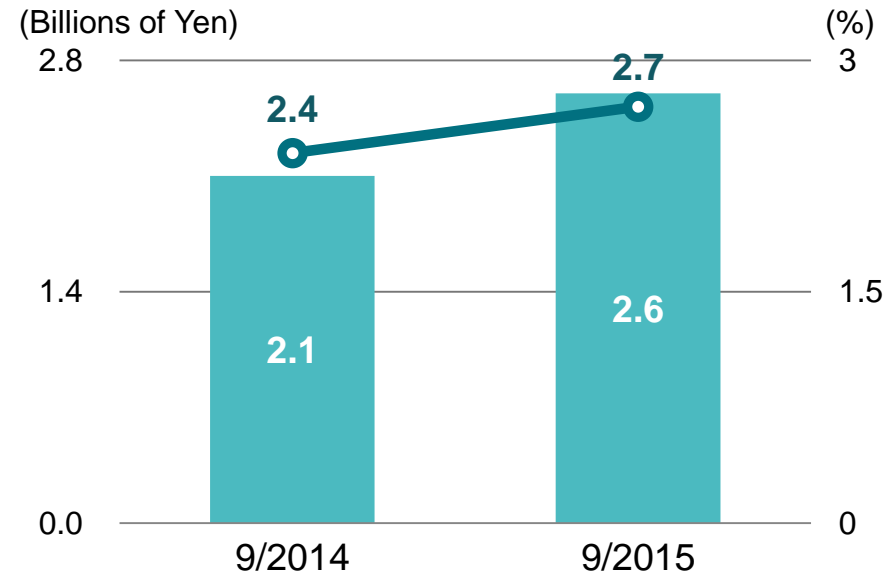
8. Capital Expenditures, Depreciation, and R&D Expenses

Capital Expenditures and Depreciation



■ Capital expenditures in the ultrapure water supply business rose significantly.

R&D Expenses

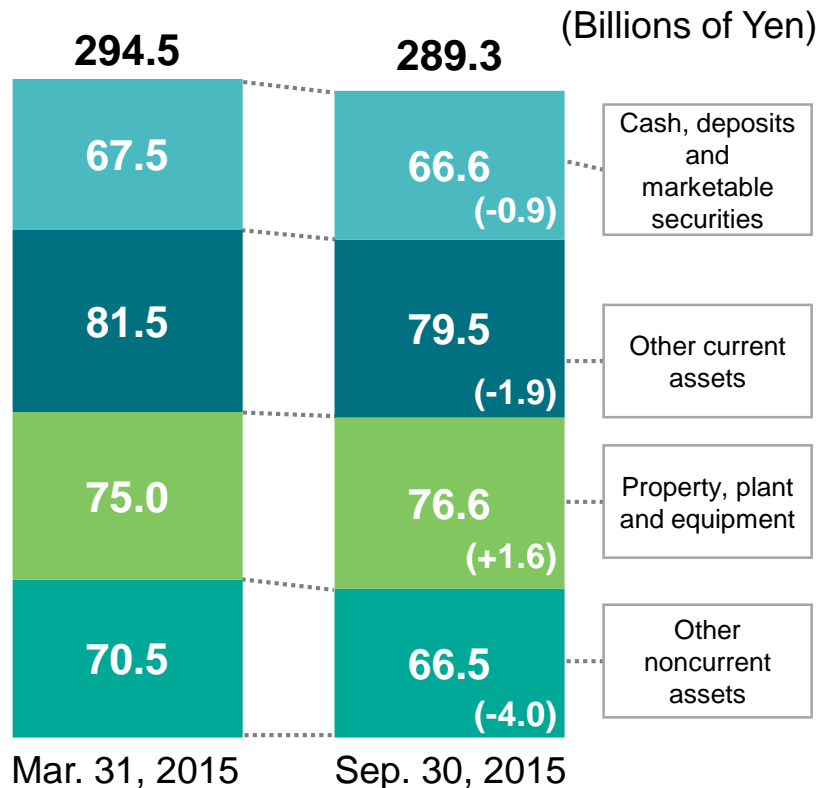


■ R&D expenses increased, driven by the development of competitive products and technologies.

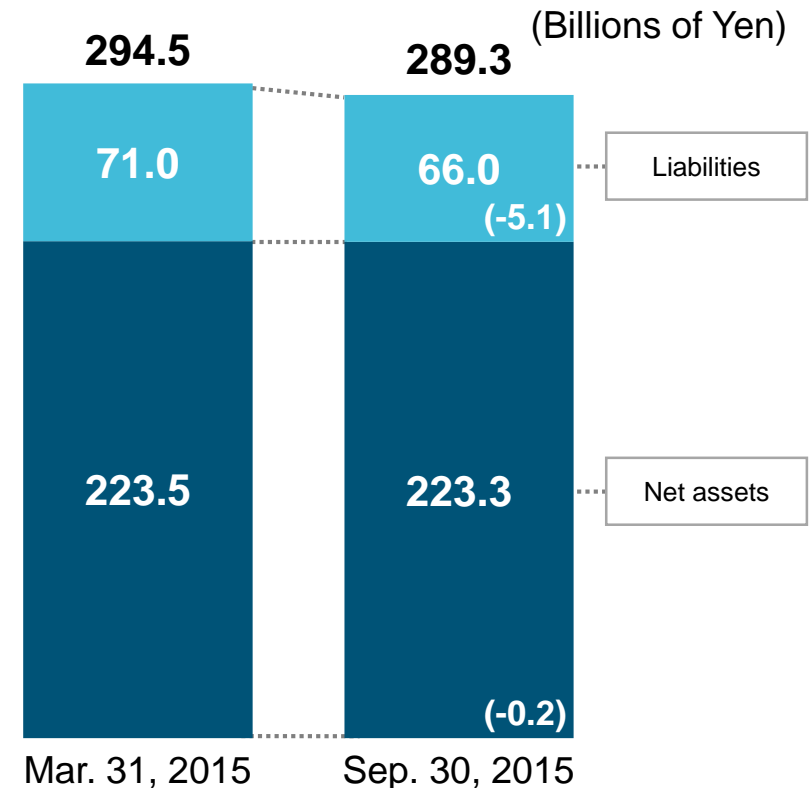
I. Consolidated Financial Results for the First Half of the Year Ending March 31, 2016

9. Financial Condition

Assets



Liabilities and Net Assets



- In other current assets, trade accounts receivable declined.
- In property, plant and equipment, construction in progress in new ultrapure water supply projects rose.
- In other noncurrent assets, investments and other assets fell due to a decrease in unrealized gains on investment securities.

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 Business Sales
9. Capital Expenditures, Depreciation, and R&D Expenses
10. Dividend Policy

1. Key Assumptions



Water treatment chemicals

- Domestic customers' capacity utilization will not likely recover sharply.
- There is concern about the effect of a slowdown in the Chinese economy.



Water treatment facilities

- Capital investment in water treatment facilities in the domestic manufacturing industry will remain weak.
- Internationally competitive companies, both domestic and overseas, will continue to make capital investment.

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

2. Overview

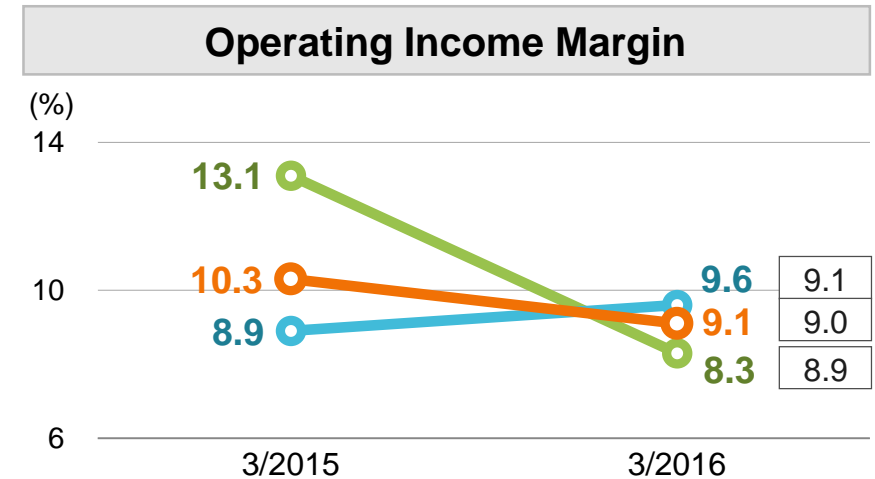
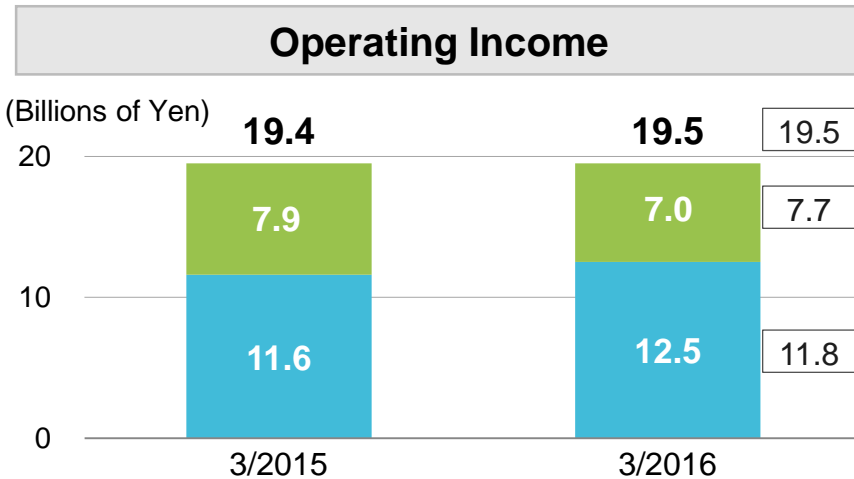
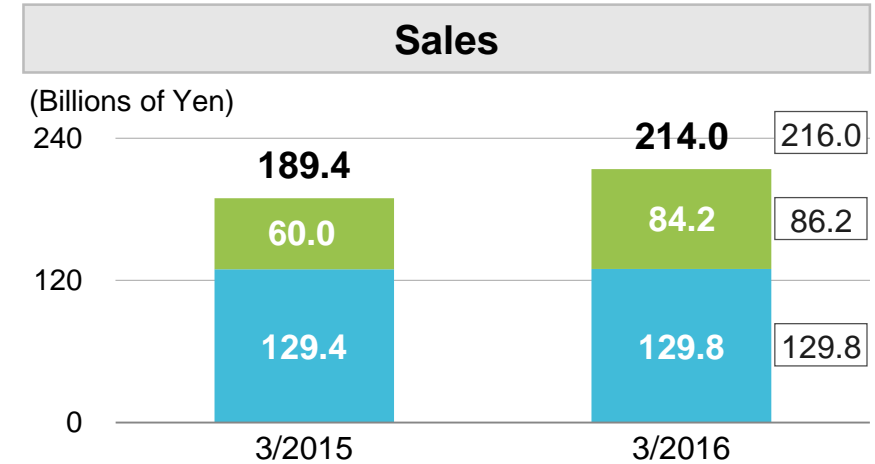
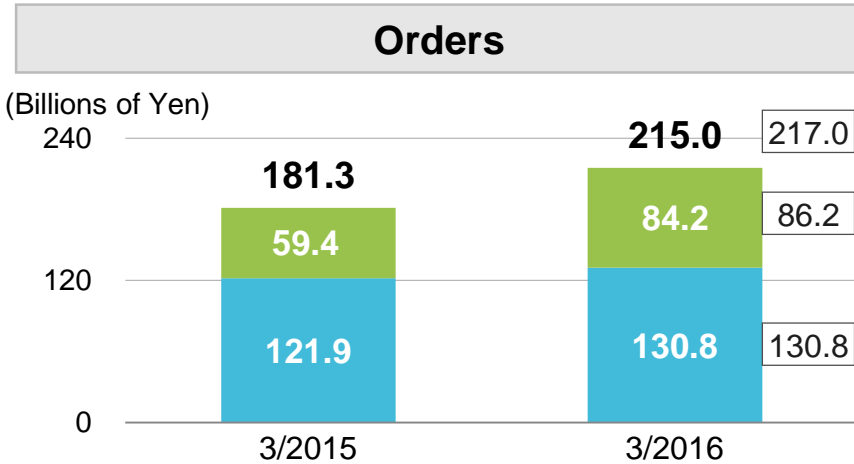
(Billions of Yen)

	Fiscal Year to March 2015 Actual	Fiscal Year to March 2016 Initial Projection	Fiscal Year to March 2016 Projection	Year-on-Year Change
Orders	181.3	217.0	215.0	+18.6%
Net Sales	189.4	216.0	214.0	+13.0%
Operating Income	19.4	19.5	19.5	+0.3%
Ordinary Income	18.9	20.0	20.0	+5.6%
Profit attributable to owners of parent	10.4	12.3	12.3	+17.9%

- Orders for water treatment chemicals will rise significantly due to the acquisition effect, and orders for water treatment facilities will also increase, especially overseas. The initial projection has been revised downward.
- Net sales will rise from a year ago, but the initial projection has been revised downward.
- Despite an increase in SG&A expenses, operating income is expected to remain flat due to an improvement in the cost of sales ratio and the increase in sales.

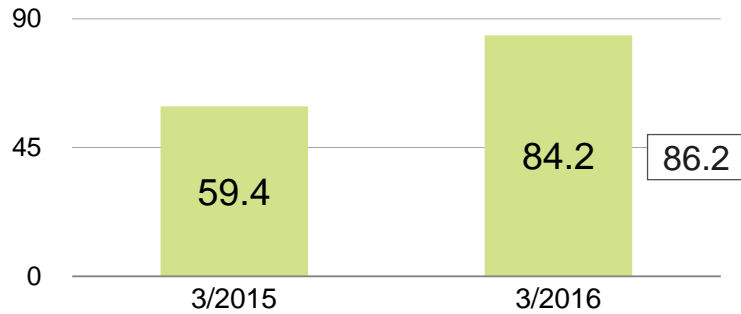
II. Consolidated Business Plan for the Fiscal Year Ending March 31, 2016

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

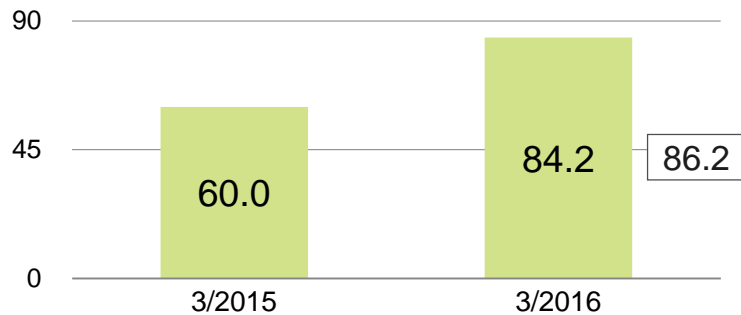


4. Water Treatment Chemicals

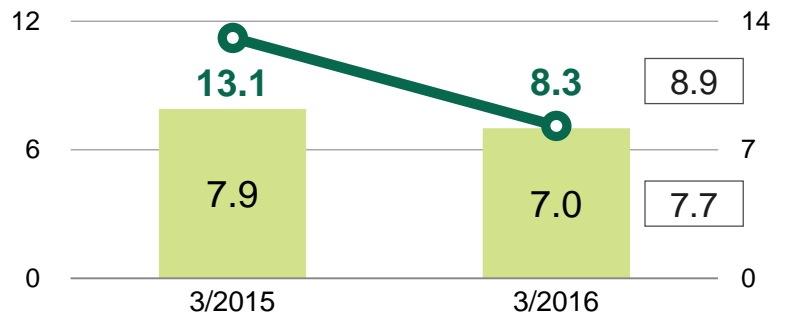
(Billions of Yen)



(Billions of Yen)



(Billions of Yen)



○ Operating income margin * □ denotes initial projections

Orders and Sales

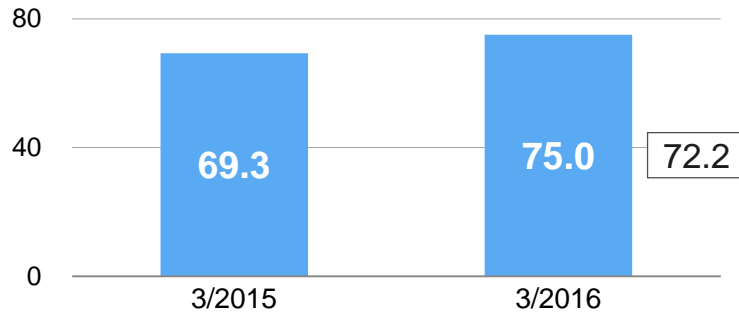
- Orders and sales will remain flat from a year ago in Japan as customers' capacity utilization is not likely to recover.
- Orders and sales will rise significantly in Europe due to the acquisition effect.
- Sales will continue to expand in China and Southeast Asia as well.
- Orders and sales in January at KEAG have not been consolidated, and this was a main reason for the downward revision of orders and sales.

Operating Income

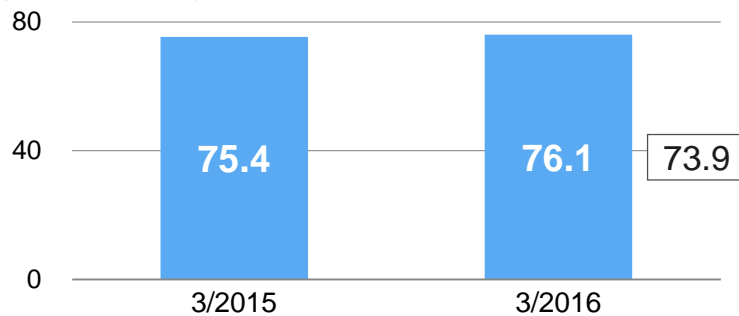
- Despite a rise in revenue, operating income is expected to decline due to an increase in SG&A expenses and deterioration in the cost of sales ratio.
- Operating income excluding that at KEAG is expected to remain roughly flat.
- The main reason for the downward revision in the initial projection is the effect of PPA.

5. Water Treatment Facilities (for the electronics industry)

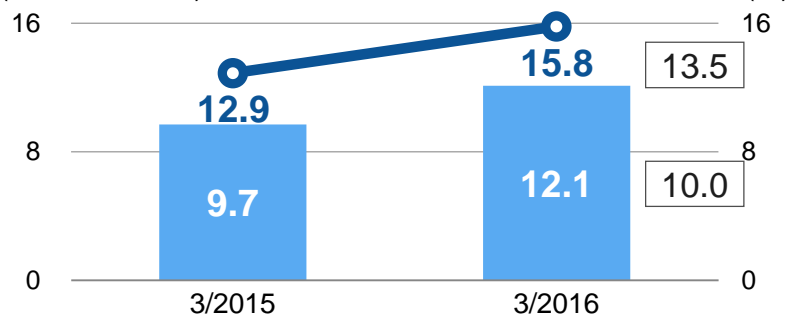
(Billions of Yen)



(Billions of Yen)



(Billions of Yen)



● Operating income

*□ denotes initial projections

Orders

- Orders for hardware overseas will increase, primarily in China and South Korea.
- Of domestic orders for hardware, orders for facilities from customers in the ultrapure water supply business will increase.
- Orders for maintenance in Japan will rise due to recovery in demand.

Sales

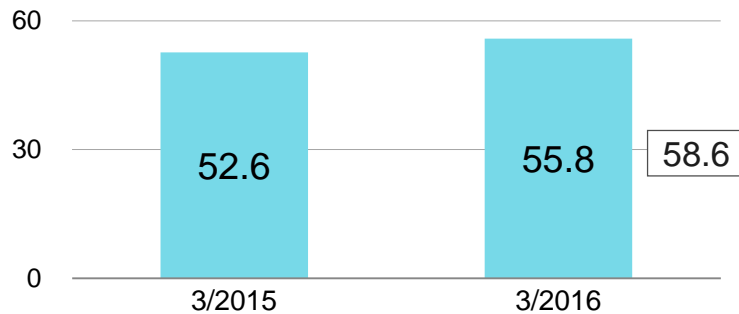
- Sales from maintenance will rise both in Japan and overseas.
- Sales in the ultrapure water supply business will fall slightly as the terms of one project will expire in the second half.
- Sales in the tool cleaning business will decline due to a withdrawal from unprofitable businesses.

Operating Income

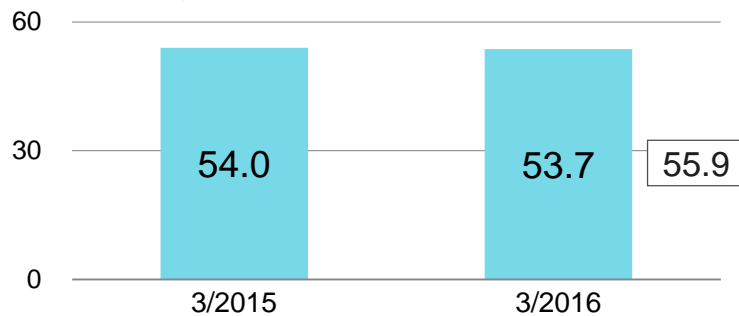
- Operating income is expected to rise due to an improvement in the cost of sales ratio.

6. Water Treatment Facilities (for general industries)

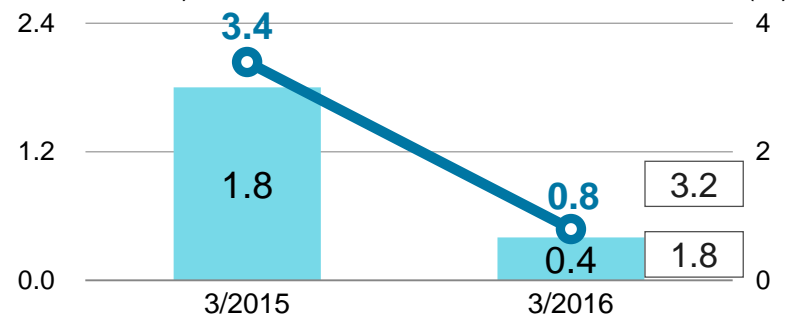
(Billions of Yen)



(Billions of Yen)



(Billions of Yen)



Operating income

* □ denotes initial projections

Orders

- Orders for general industries hardware will rise from a year ago, when there were cancellations.
- Orders for general industries maintenance will increase due to the promotion of proposals.

Sales

- Sales of general industries hardware will decline due to a delay in progress in construction.
- Sales from general industries maintenance are expected to rise due to an increase in orders.
- Sales from soil remediation will increase, reflecting progress in construction.

Operating Income

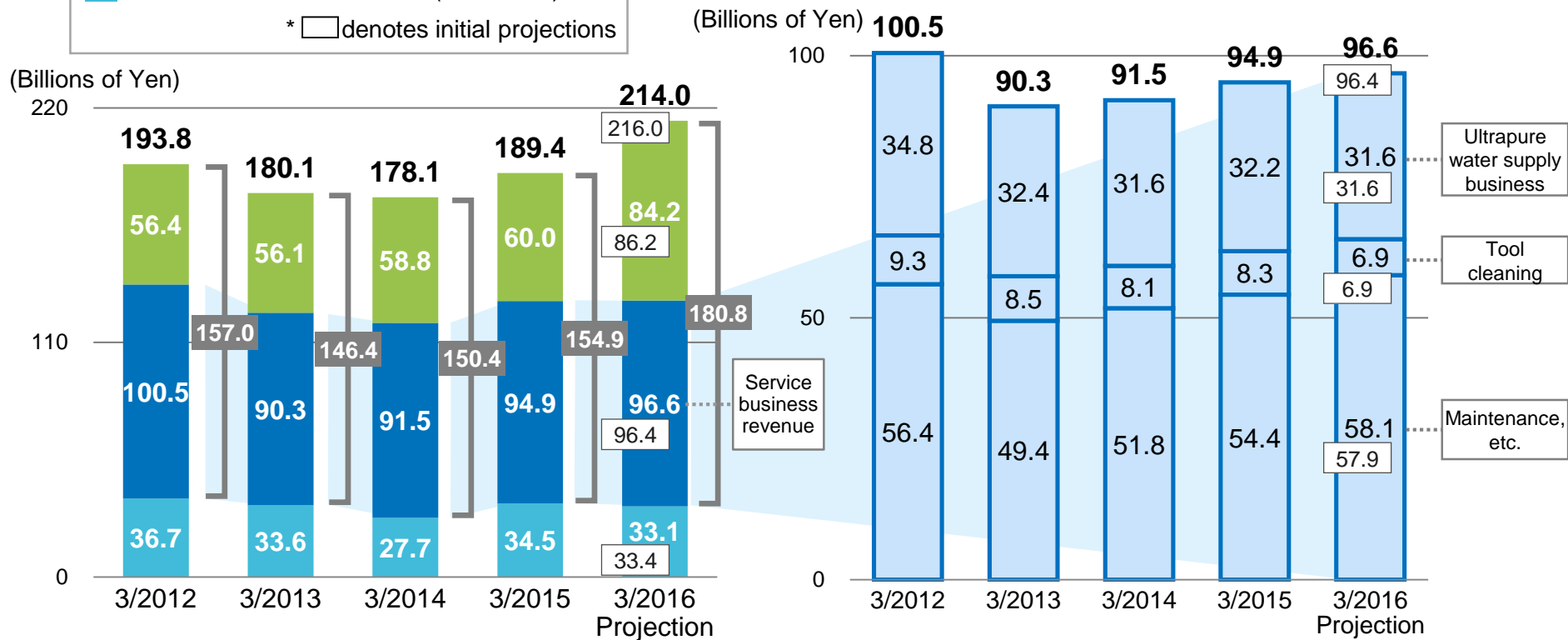
- Operating income is expected to decline due to a deterioration in the cost of sales ratio and an increase in SG&A expenses.

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

7. Service Business Revenue

Service Business Revenue in the Water Treatment Facilities Segment

- Water treatment chemicals
 - Water treatment facilities (services)
 - Water treatment facilities (hardware)
- * denotes initial projections



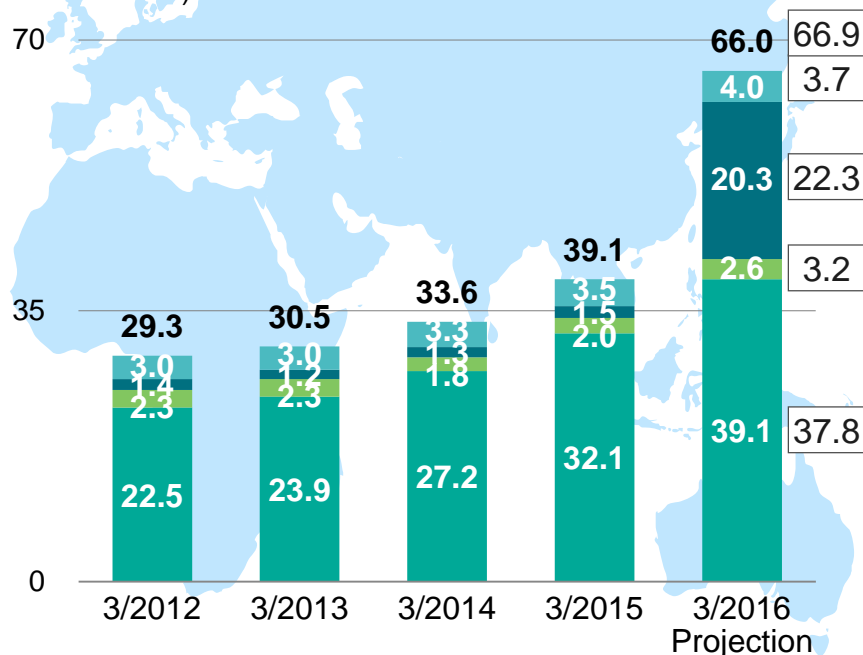
■ In the fiscal year ending March 31, 2016, service business revenue is expected to account for 84.5% of total sales, reflecting increases in revenue in water treatment chemicals and maintenance.

8. Overseas Business Sales

Sales by Region



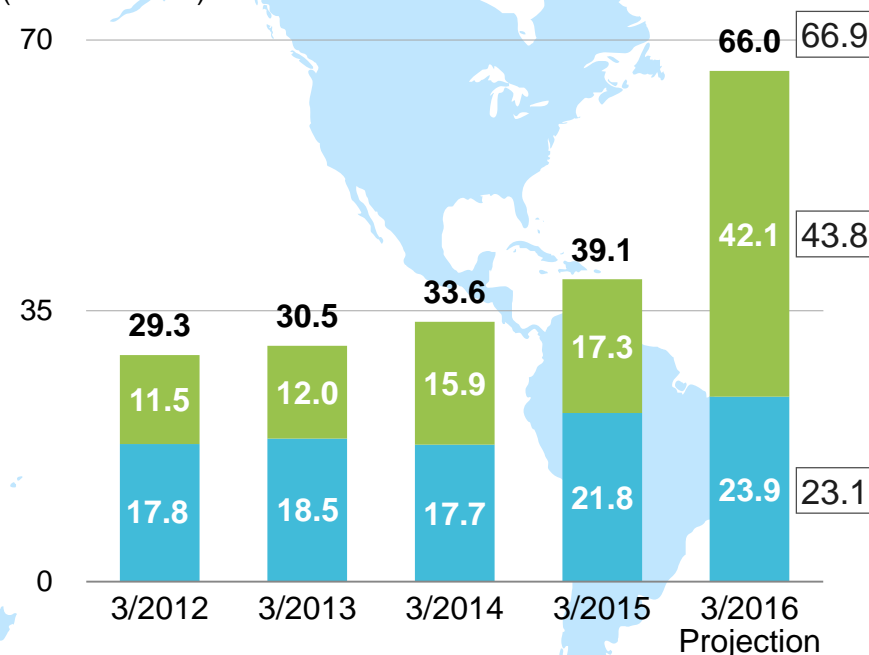
(Billions of Yen)



Sales by Overseas Business Segment



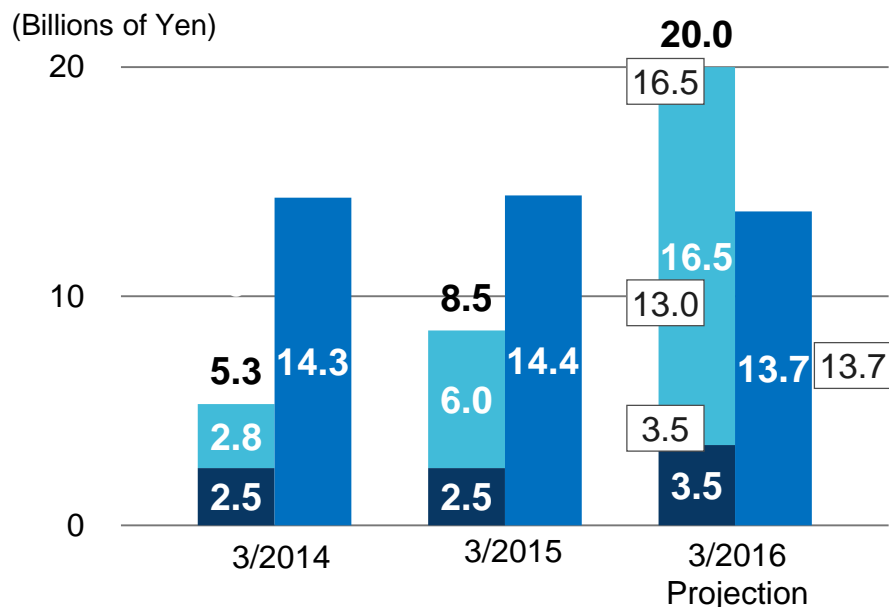
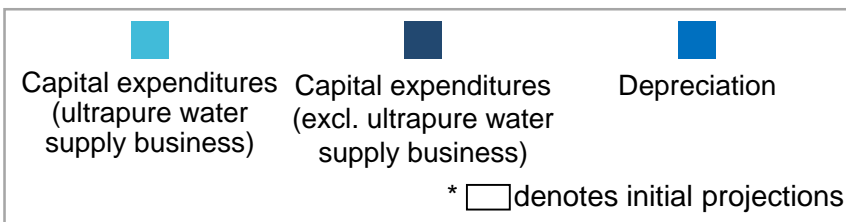
(Billions of Yen)



- 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%.

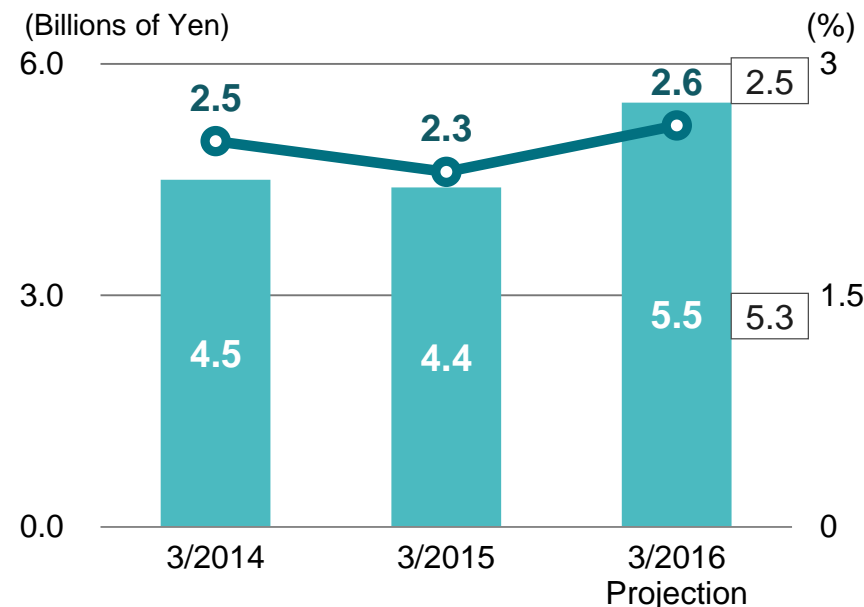
9. Capital Expenditures, Depreciation, and R&D Expenses

Capital Expenditures and Depreciation



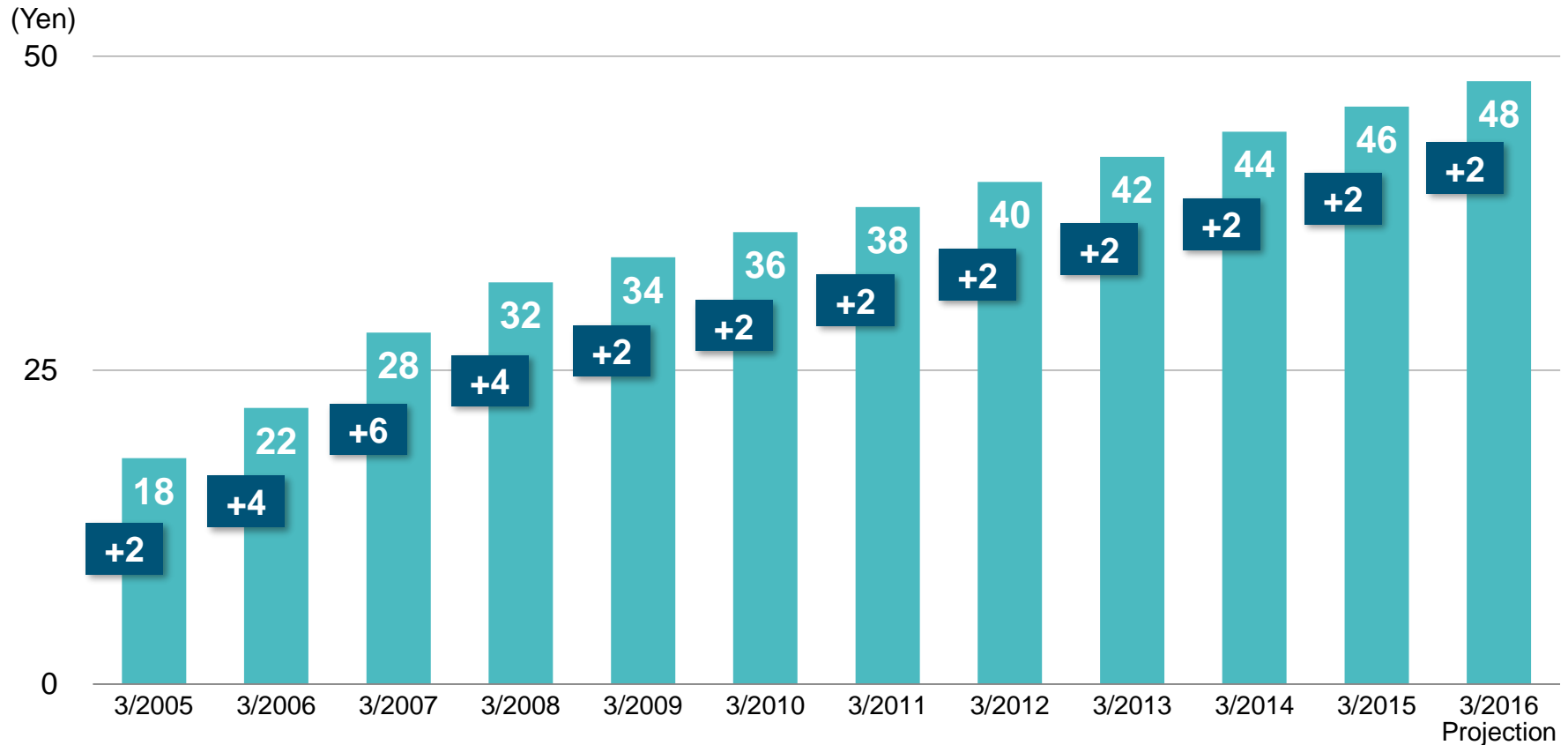
■ In the fiscal year ending March 31, 2016, capital expenditures will exceed depreciation due to a significant increase in capital expenditure in the ultrapure water supply business.

R&D Expenses



■ In the fiscal year ending March 31, 2016, expenses will be made to generate technological synergy with KEAG and to enhance the Group's overall strength.

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. Outlook for Businesses

1. Performance at KEAG (Kurita Europe APW GmbH) (FY2015)
2. Major Investments in the Ultrapure Water Supply Business
3. Sales Projection in Ultrapure Water Supply Business (Fiscal Year Ending March 31, 2016)
4. New Project

1. Performance at KEAG (Kurita Europe APW GmbH) (FY2015)

(Unit: billions of yen)

	Results in first half (Feb. through June)		Full-year projection (Feb. through Dec.)	
	Before PPA*	After PPA	Before PPA	After PPA
Net Sales	9.9	9.9	22.4	22.4
Operating Income (Before amortization of goodwill and technology-related assets)	0.8	0.1	1.4	0.6
Operating Income (After amortization of goodwill and technology-related assets)	0.1	-0.5	-0.1	-0.8

* PPA stands for Purchase Price Allocation. It means the fair valuation of the assets and liabilities of the company acquired and the inclusion of them in the consolidated financial statements.

■ Focusing on generating synergy

- Cross-selling started in the second half of FY2015
- The autonomy and integration of infrastructure, including IT, and the enhancement of the internal control system being promoted

2. Major Investments in the Ultrapure Water Supply Business

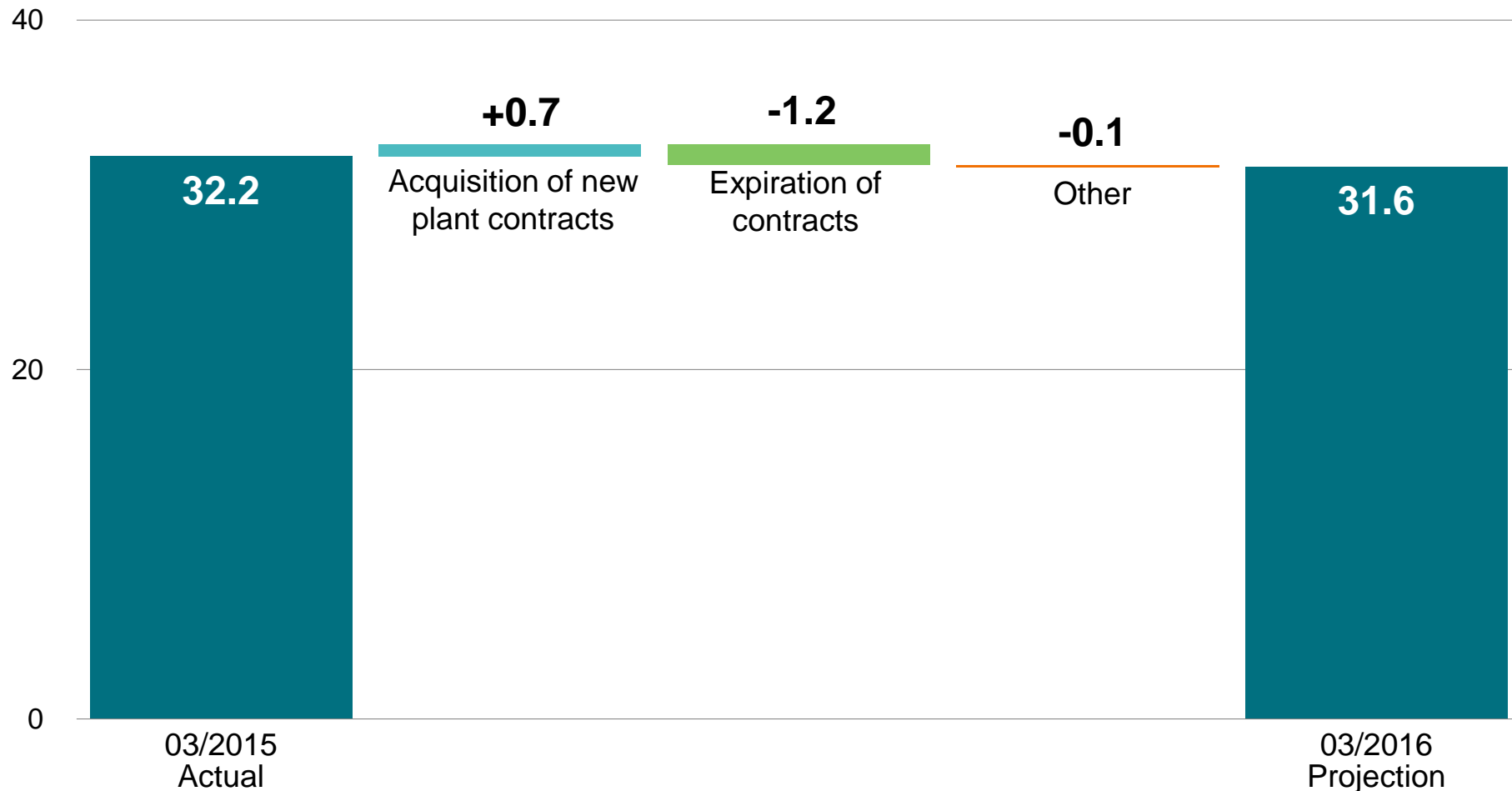
	Investment amount (billions of yen)	Commencement of water supply
LCD/Semiconductor in Japan	12.5	2nd half of fiscal year ending March 31, 2016 to 2nd half of fiscal year ending March 31, 2017
LCD/Semiconductor overseas	5.0	
Total	17.5	

- The company will actively make investment in new customers' projects overseas, assessing risks involved.

II. Outlook for Businesses

3. Sales Projection in Ultrapure Water Supply Business (Fiscal Year Ending March 31, 2016)

(Billions of Yen)



II. Outlook for Businesses

4. New Business

An order for a next-generation water recycling demonstration system for Kibo, the Japanese Experiment Module of the International Space Station, received from JAXA

■ Background

Since 2011, Kurita has conducted research jointly with JAXA* on a water recycling system that will collect liquid generated in the ISS** (urine) and generate usable water from it. The company has received an order for the production of a flight model. (Processing capacity: 1 liter per day)

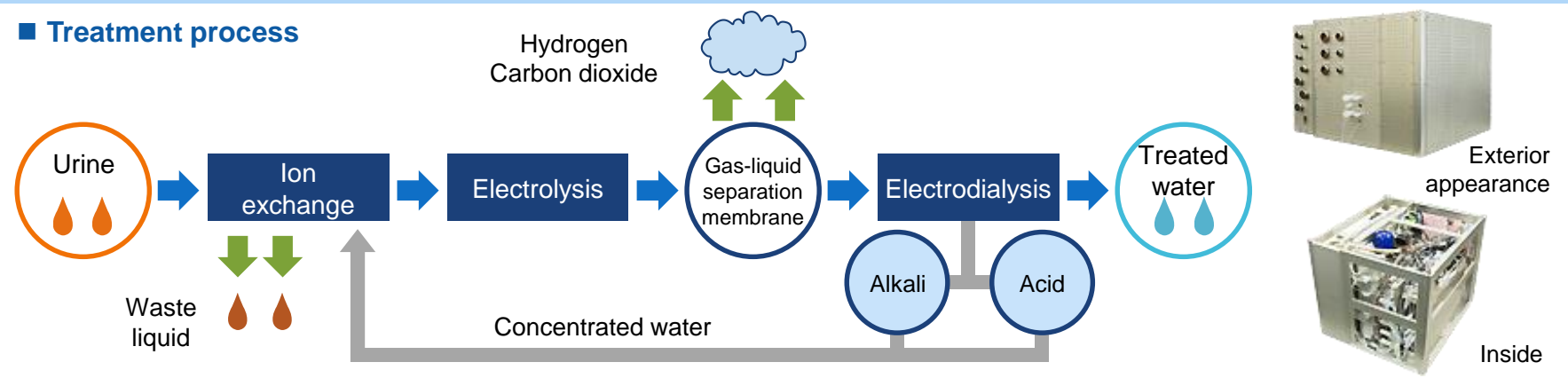
■ Features

- A water recycling rate of 85% or more
- Small, light (a quarter of the size of the water recycling system being used in the ISS**)
- Low power consumption (half of the power consumption of the existing system)
- Maintenance free (resin replacement is not needed)

■ Schedule

A demonstration system will be sent to the ISS** around FY2016, and demonstration experiments will be conducted by JAXA* in Kibo, the Japanese Experiment Module.

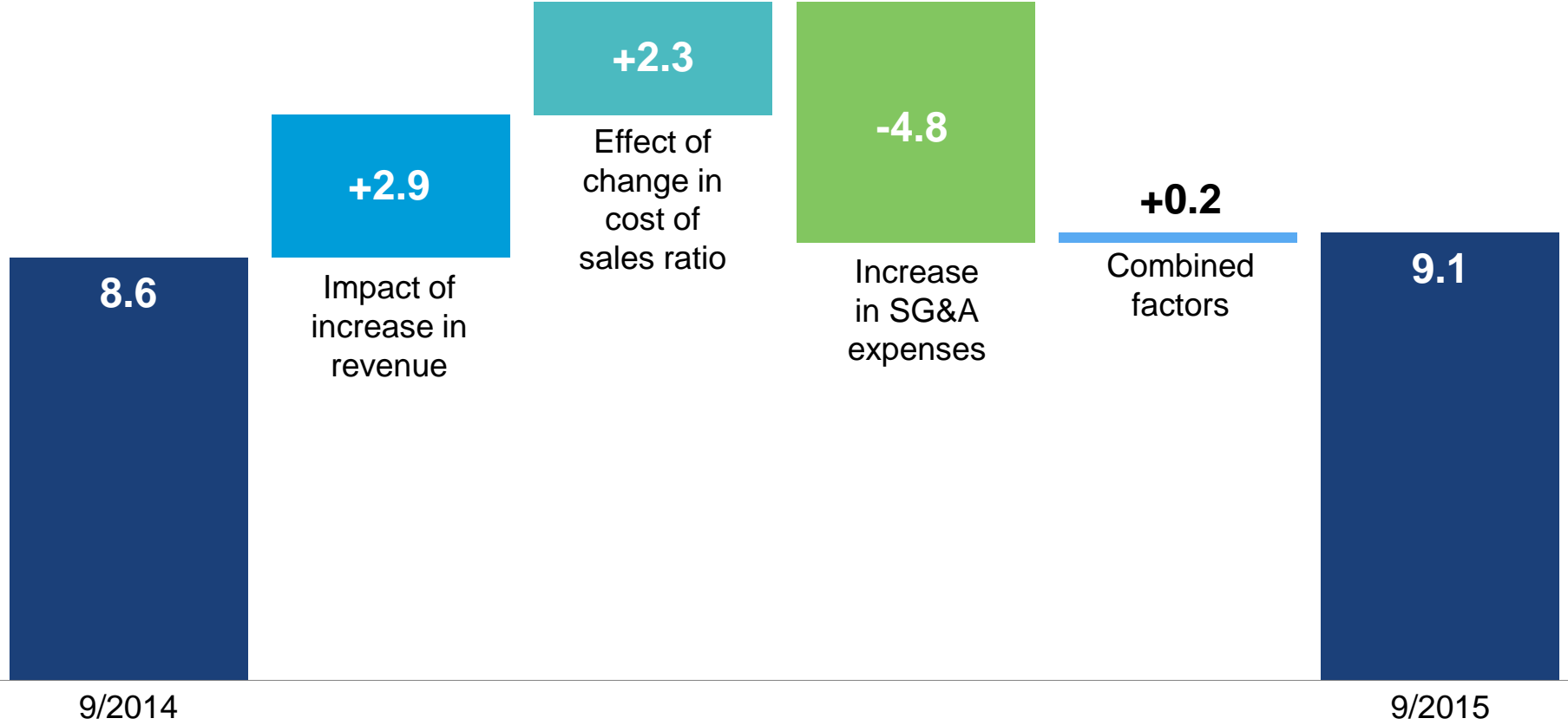
■ Treatment process



* The Japan Aerospace Exploration Agency, a National Research and Development Agency
 ** The International Space Station

Analysis of Changes in Operating Income for the First Half of the Fiscal Year Ending March 31, 2016

(Unit: 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.