

Kurita Water Industries Ltd. Results Presentation for the Fiscal Year Ended March 31, 2016

(Stock code: 6370)

I Consolidated Financial Results for the Fiscal Year Ended March 31, 2016

II Consolidated Business Plan for the Fiscal Year Ending March 31, 2017

III Direction of Management

Reference Material

I. Consolidated Financial Results for the Fiscal Year Ended March 31, 2016

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, 2016



1. Financial Highlights

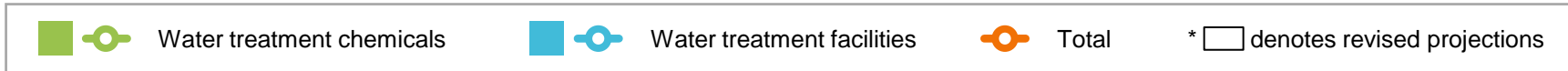
(Billions of Yen)

	Fiscal Year to March 2015	Fiscal Year to March 2016	Year-on-Year Change	Revised Projections	Initial Projections
Orders	181.3	221.3	+22.1%	215.0	217.0
Net Sales	189.4	214.4	+13.2%	214.0	216.0
Operating Income	19.4	19.8	+2.0%	19.5	19.5
Ordinary Income	18.9	20.4	+7.9%	20.0	20.0
Net income attributable to owners of parent	10.4	12.6	+20.5%	12.3	12.3

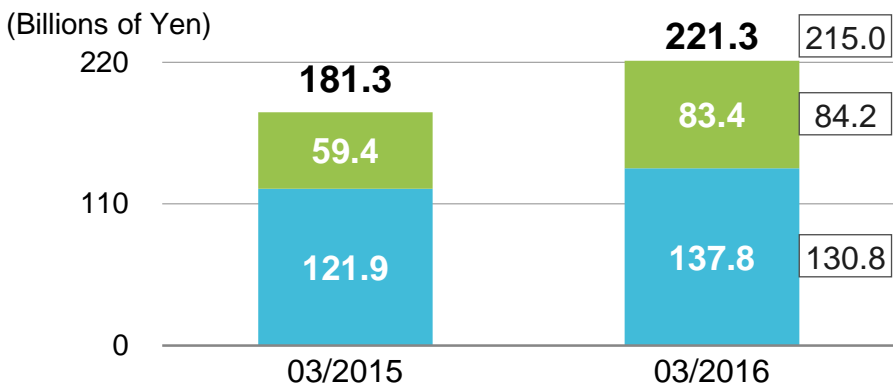
- Orders increased primarily due to the consolidation of KEAG and an increase in orders in the Water Treatment Facilities business.
- Net sales rose with the consolidation of KEAG.
- Operating income climbed, reflecting an improvement in the cost of sales ratio, which outweighed PPA associated with KEAG and an increase in retirement benefit obligations.
- Non-operating income improved as acquisition expenses declined significantly.

I. Consolidated Financial Results for the Fiscal Year Ended March 31, 2016

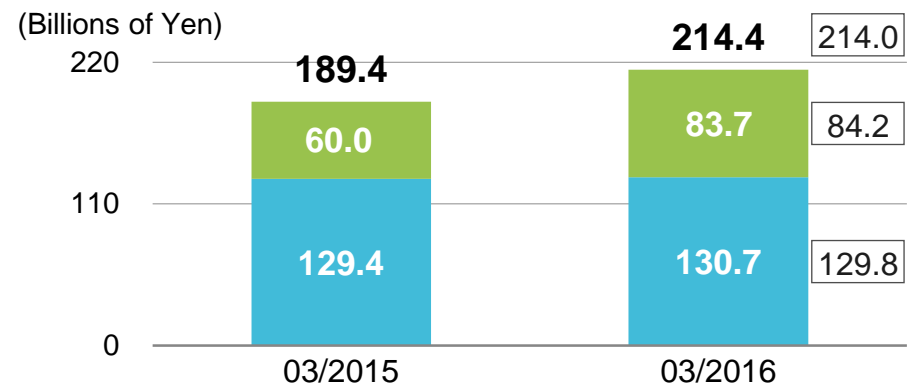
2. Orders, Sales, Operating Income, and Operating Income Margin



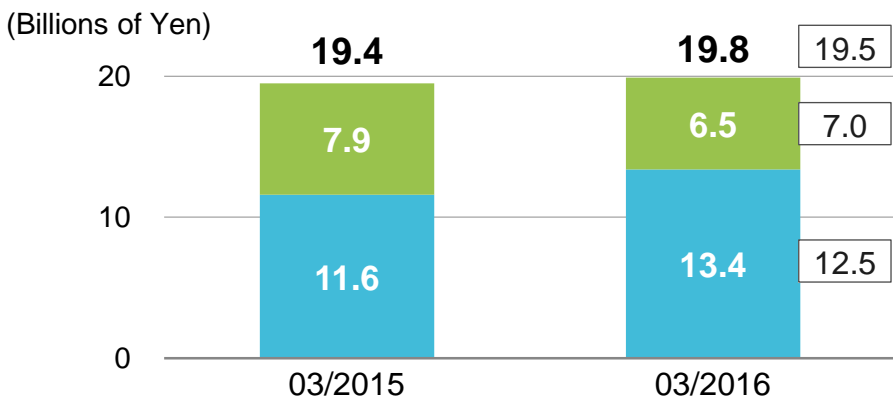
Orders



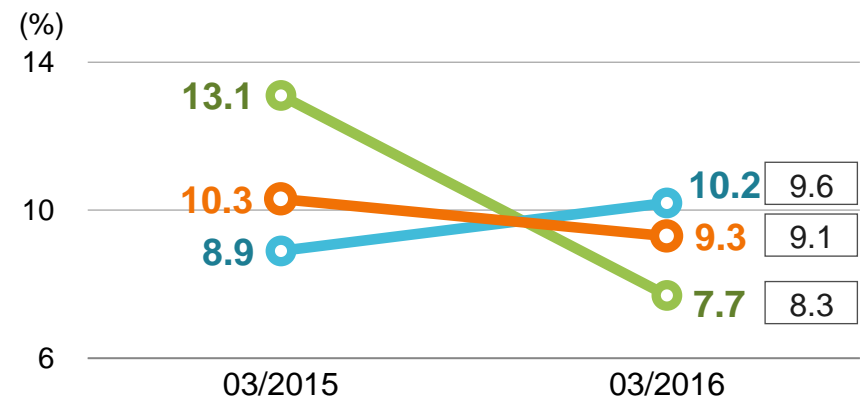
Sales



Operating Income



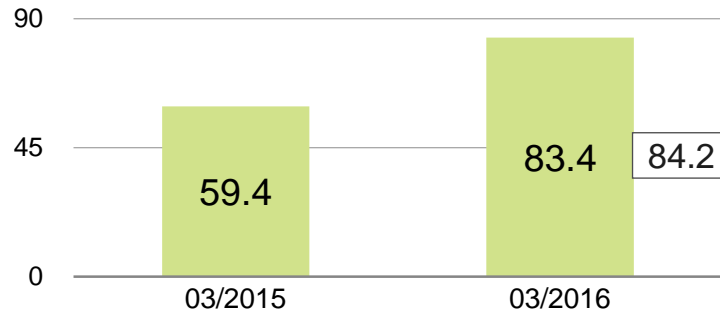
Operating Income Margin



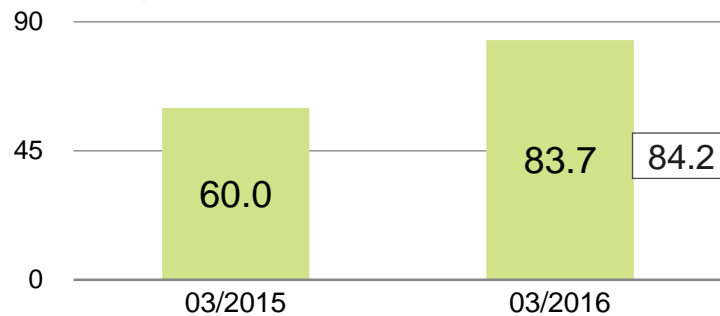
I. Consolidated Financial Results for the Fiscal Year Ended March 31, 2016

3. Water Treatment Chemicals

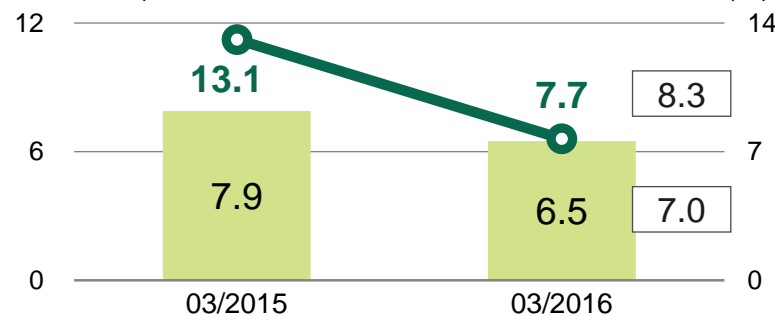
(Billions of Yen)



(Billions of Yen)



(Billions of Yen)



Operating income margin * □ denotes revised projections

Orders

- Overseas orders increased significantly, reflecting the consolidation of KEAG.
- Orders also increased in China and Southeast Asia.
- In Japan, orders for process treatment chemicals rose, orders for cooling water treatment chemicals increased slightly, and orders for boiler water treatment chemicals fell slightly.

Sales

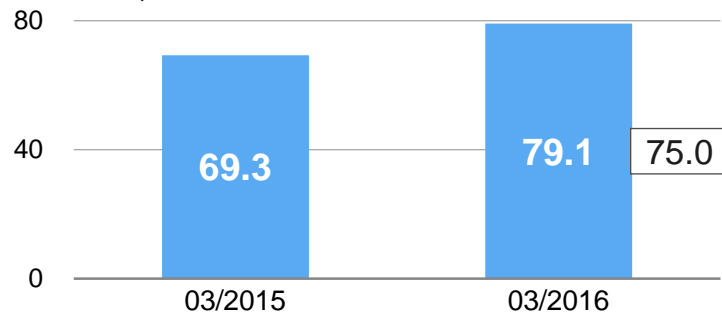
- Ditto

Operating Income

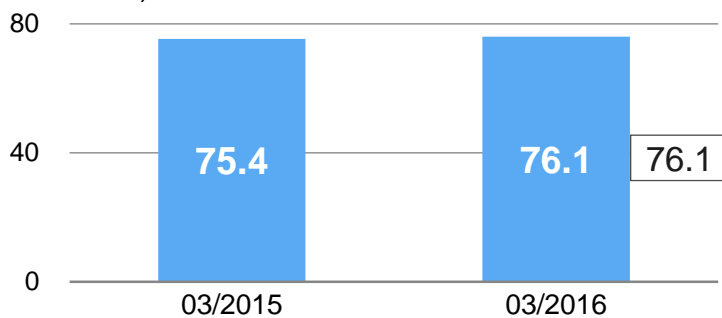
- Operating income declined due to the effects of PPA and the amortization of goodwill associated with the consolidation of KEAG.

4. Water Treatment Facilities (for the electronics industry)

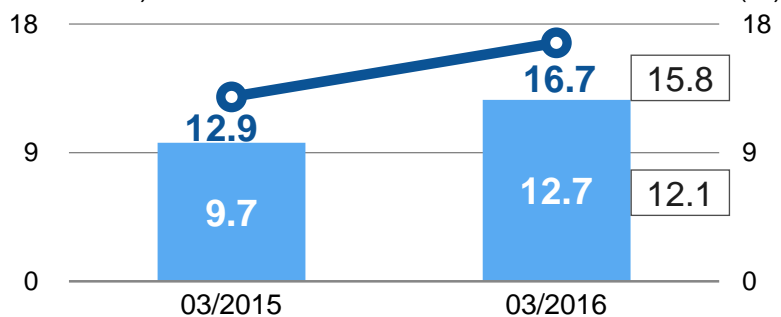
(Billions of Yen)



(Billions of Yen)



(Billions of Yen)



Operating income margin * □ denotes revised projections

Orders

- Orders increased, reflecting the acquisition of large LCD and semiconductor contracts in China, South Korea, and Taiwan.
- Orders for maintenance services increased steadily in Japan and overseas.
- Orders in the ultrapure water supply business declined slightly.

Sales

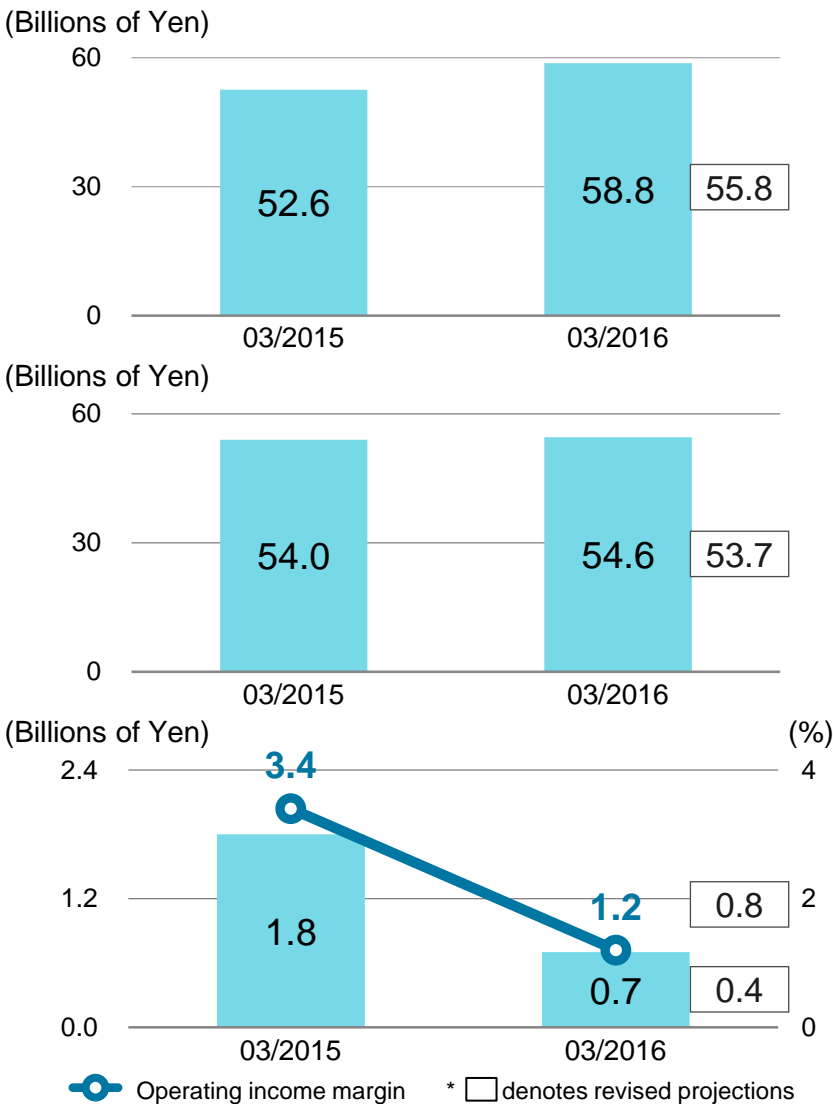
- In Japan, sales both of hardware and maintenance services increased.
- Sales of hardware overseas fell as the posting of sales was completed.
- Sales of maintenance overseas were steady.

Operating Income

- Unprofitable projects were curbed overseas.
- An improvement in the cost of sales ratio outweighed an increase in SG&A expenses.

I. Consolidated Financial Results for the Fiscal Year Ended March 31, 2016

5. Water Treatment Facilities (for general industries)



Orders

- Orders for dry methane fermentation facilities were received.
- Orders for facilities for electric power and the food industry rose.

Sales

- Sales of hardware for general industries fell significantly.
- Sales of hardware for electric power, soil remediation services, and maintenance services increased.

Operating Income

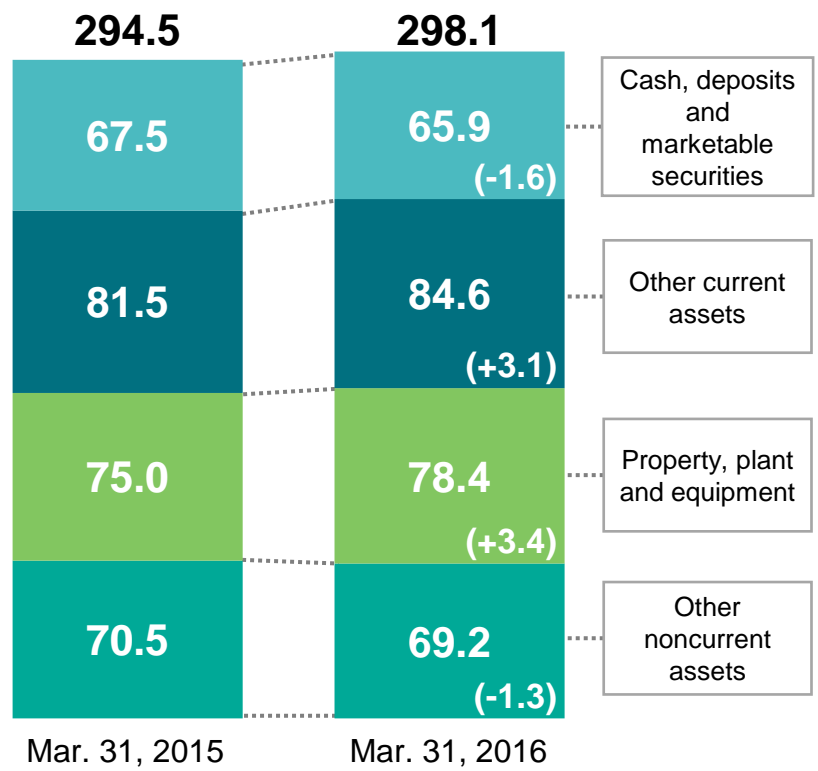
- The fixed charge ratio rose due to a fall in sales of hardware for general industries.
- SG&A expenses increased.

I. Consolidated Financial Results for the Fiscal Year Ended March 31, 2016

6. Financial Condition

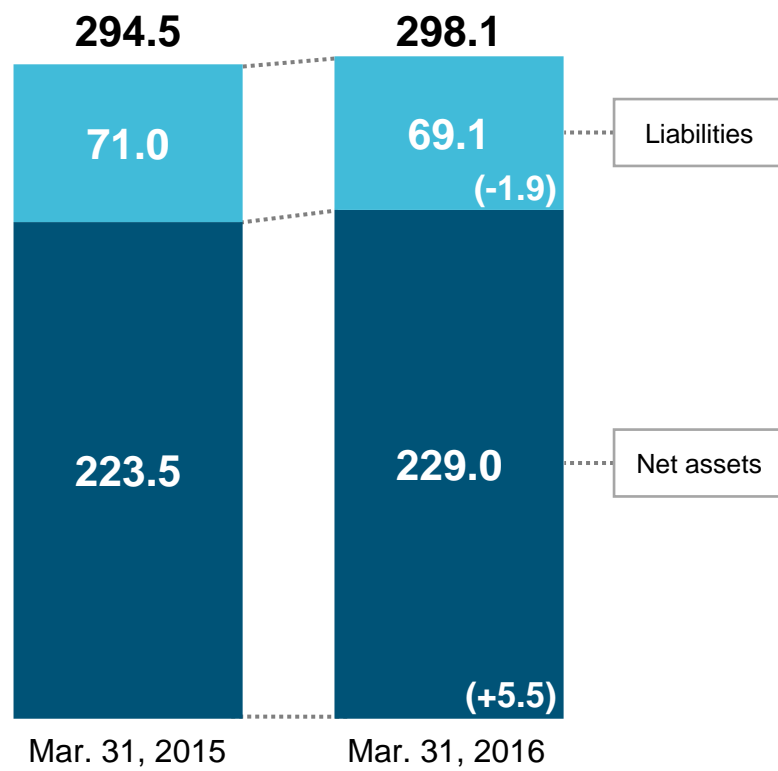
Assets

(Billions of Yen)



Liabilities and Net Assets

(Billions of Yen)



■ Property, plant and equipment rose due to an increase in facilities for the ultrapure water supply business.

II. Consolidated Business Plan for the Fiscal Year Ending March 31, 2017

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. Actual Sales and Sales Forecast in Ultrapure Water Supply Business
8. Service Business Revenue
9. Overseas Businesses (sales by region and business)
10. Capital Expenditures, Depreciation, and R&D Expenses
11. Dividend Policy

1. Key Assumptions



Water Treatment Chemicals

- Production activity in the domestic manufacturing industry will remain roughly flat.
- In the domestic market, there will be increasing downward pressure on prices.
- In Europe, demand will recover at a slow pace, and growth in Asia will slow.



Water Treatment Facilities

- Capacity utilization in the domestic electronics industry will decline.
- In Japan, no large-scale investment is expected, but steady investment in domestic demand-led industries and replace demand for industrial complexes are expected.
- Overseas, expectations are placed on investment associated with semiconductor in China, South Korea, and Taiwan.

II. Consolidated Business Plan for the Fiscal Year Ending March 31, 2017

2. Overview

(Billions of Yen)

	Fiscal Year to March 2016 Actual	Fiscal Year to March 2017 Projection	Year-on-Year Change
Orders	221.3	223.0	+0.8%
Net Sales	214.4	222.0	+3.6%
Operating Income	19.8	21.5	+8.4%
Ordinary Income	20.4	22.0	+7.6%
Net income attributable to owners of parent	12.6	14.0	+11.3%

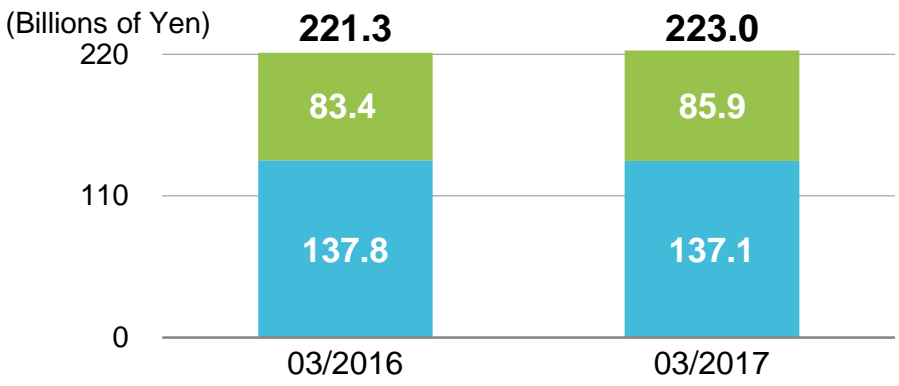
- Orders in the water treatment chemicals segment are expected to increase.
- Despite an increase in SG&A expenses, operating income is expected to rise due to an increase in sales.
- The tax burden rate is expected to be lower.

II. Consolidated Business Plan for the Fiscal Year Ending March 31, 2017

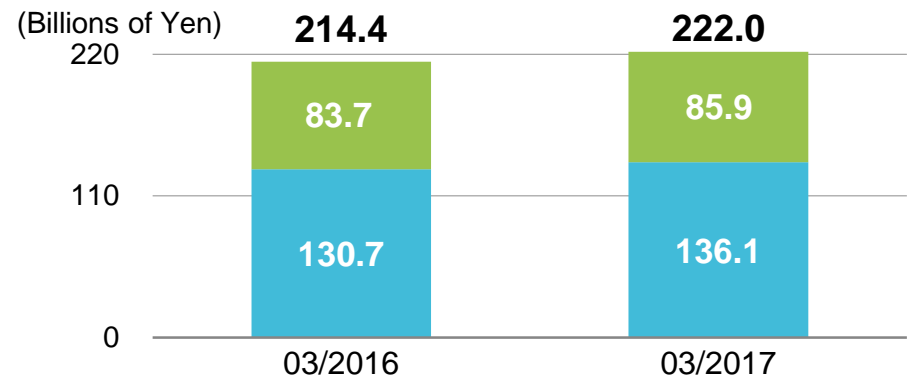
3. Orders, Sales, Operating Income, and Operating Income Margin



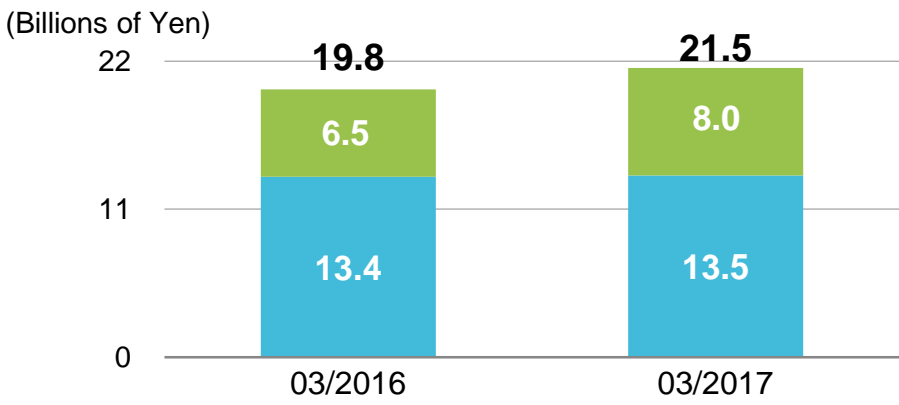
Orders



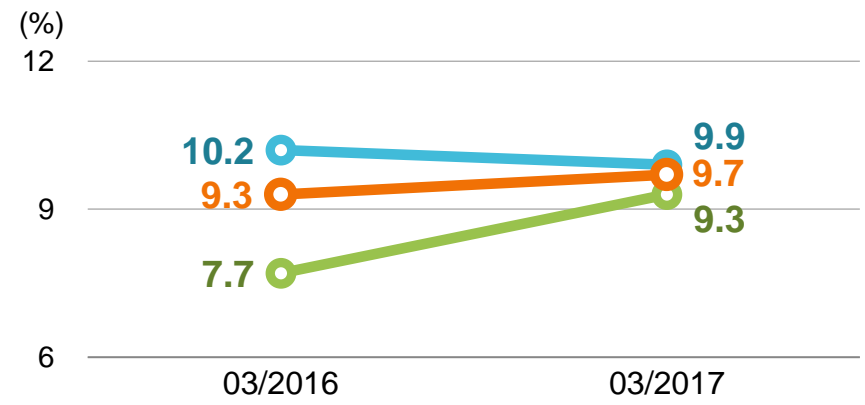
Sales



Operating Income



Operating Income Margin



4. Water Treatment Chemicals



Orders

- The Group will work to expand share in the domestic market by enhancing its ability to make proposals.
- Orders at KEAG are expected to grow overseas.
- Growth in orders, other than those at KEAG, in local currency terms will be offset by a stronger yen.

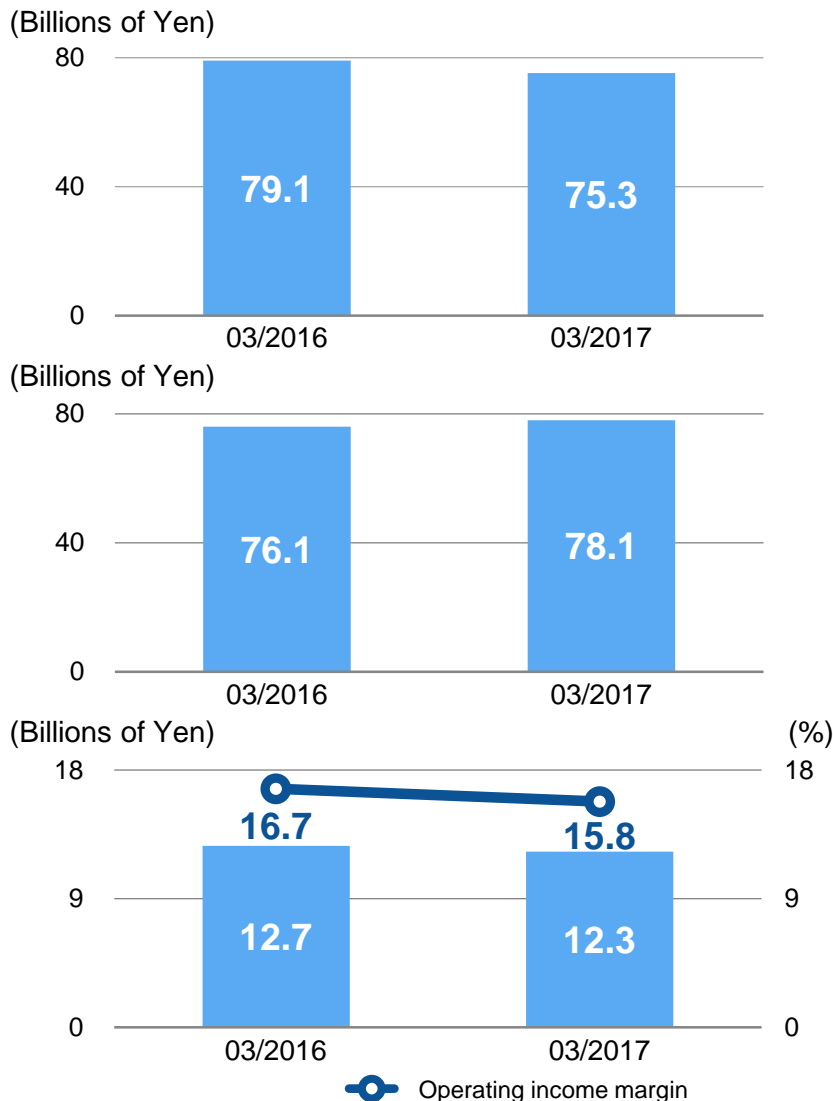
Sales

- Ditto

Operating Income

- Earnings at KEAG are expected to improve with no temporary expenses.
- Earnings excluding those at KEAG are expected to rise due to an increase in sales in Japan and improvement in the cost of sales ratio.

5. Water Treatment Facilities (for the electronics industry)



Orders

- Orders for hardware are expected to decline both in Japan and overseas.
- Orders for maintenance services in Japan are expected to fall due to a decline in capacity utilization at customers' plants.
- Orders for maintenance services overseas are expected to continue rising.

Sales

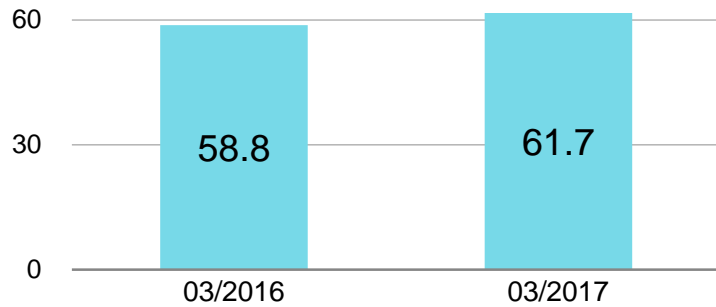
- Sales of hardware overseas are expected to increase, reflecting orders in the previous fiscal year.
- Sales of maintenance services are expected to decline in Japan but to increase overseas.
- Sales in ultrapure water supply business will rise slightly.

Operating Income

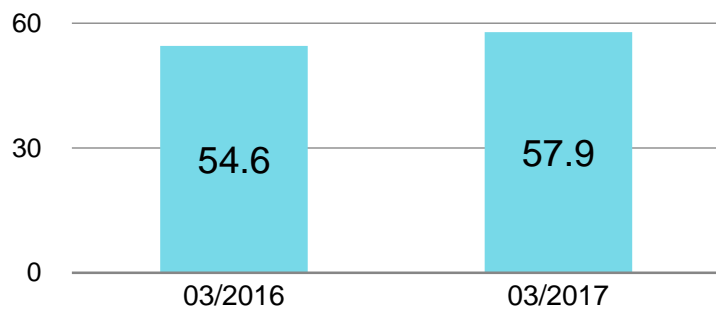
- The cost of sales ratio is expected to deteriorate due to an increase in maintenance cost in ultrapure water supply business.

6. Water Treatment Facilities (for general industries)

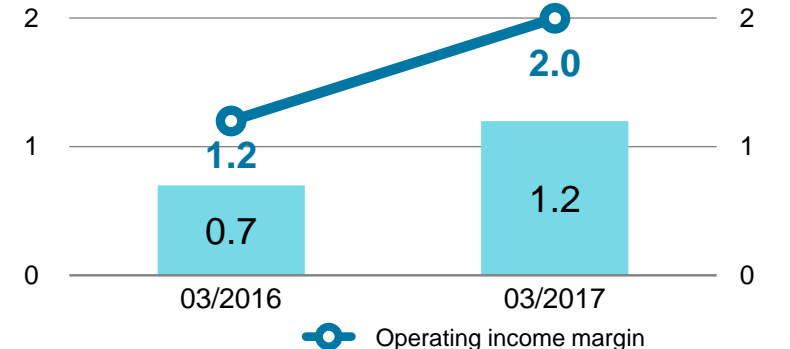
(Billions of Yen)



(Billions of Yen)



(Billions of Yen)



Orders

- Expectations are placed on emerging demand in electric power industries due to electric power deregulation.
- There are also expectations of replacement investment in hardware for general industries in Japan.
- Orders for maintenance services for general industries are expected to increase due to stronger proposal activities.

Sales

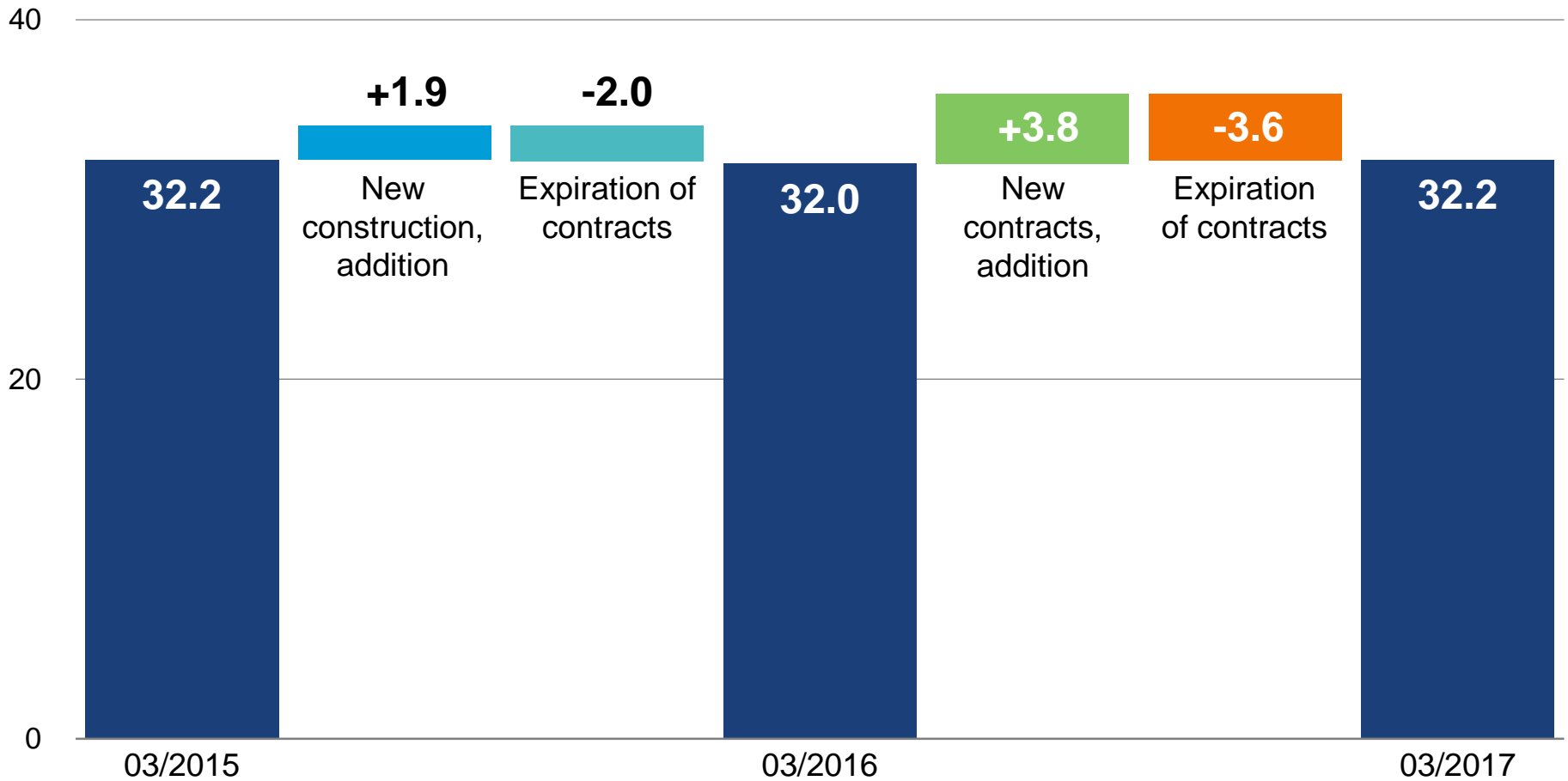
- Sales of general industries hardware are predicted to rise due to progress with construction.
- Sales of maintenance services for general industries are also predicted to rise on increased orders.

Operating Income

- The impact of increased revenues from general industries hardware is expected.
- SG&A expenses are expected to increase.

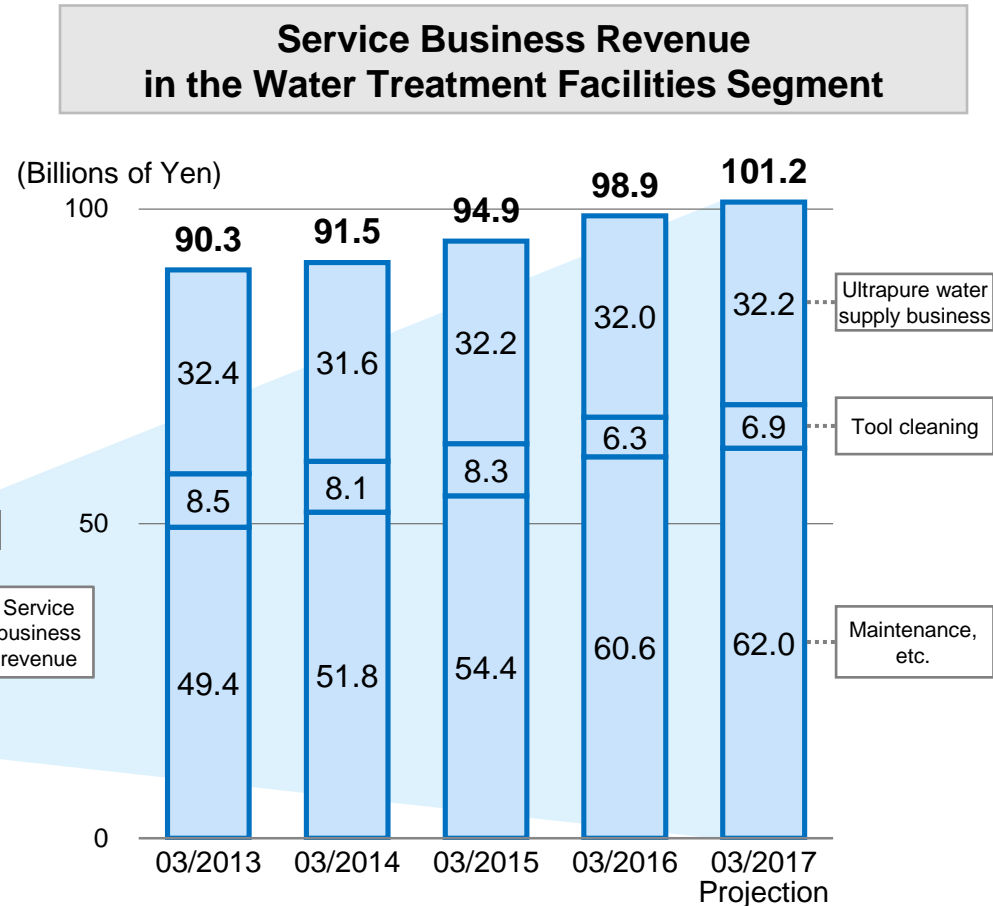
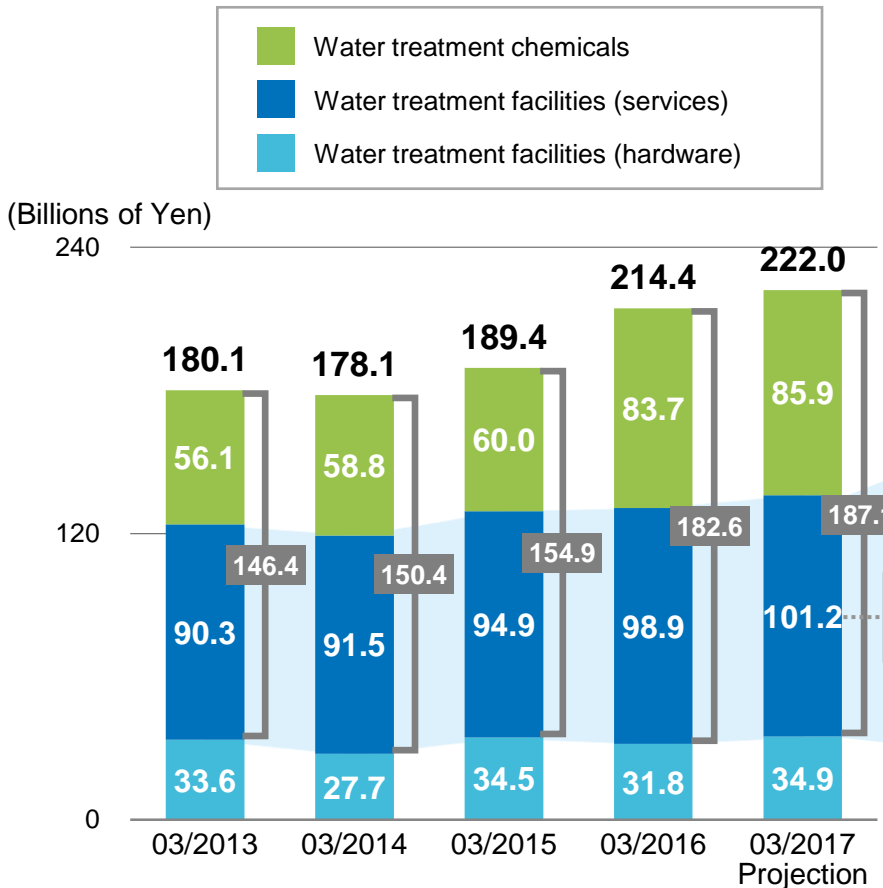
7. Actual Sales and Sales Forecast in Ultrapure Water Supply Business

(Billions of Yen)



II. Consolidated Business Plan for the Fiscal Year Ending March 31, 2017

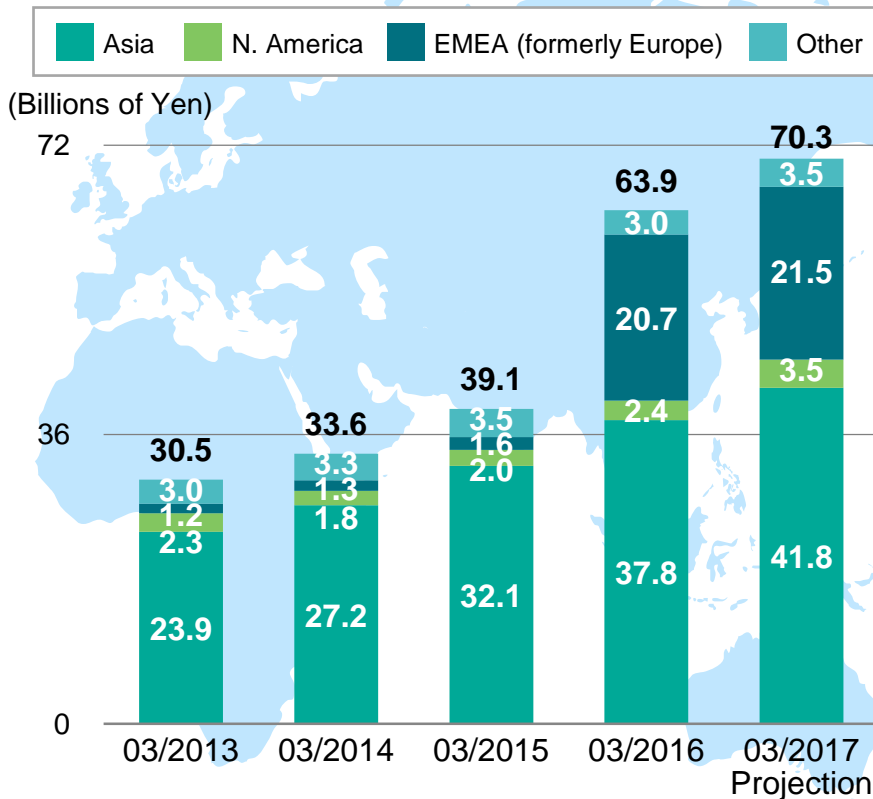
8. Service Business Revenue



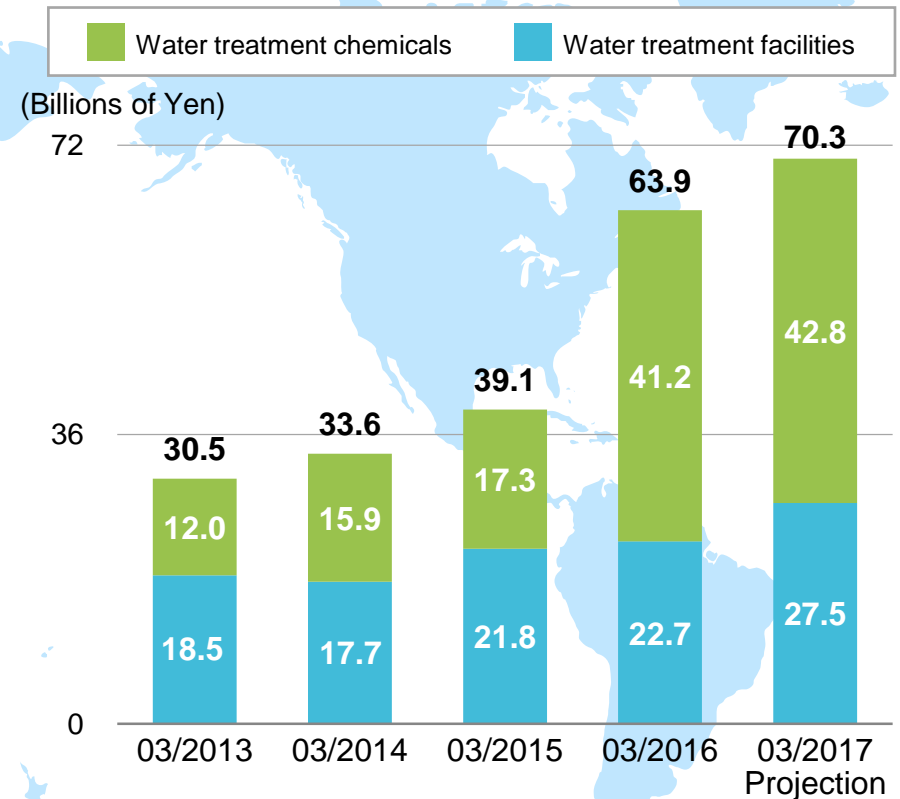
- In the fiscal year ended March 31, 2016, revenue from maintenance in Japan and overseas and soil remediation rose, while revenue from tool cleaning fell.
- In the fiscal year ending March 31, 2017, revenue from maintenance in Japan and overseas is expected to be strong, and revenue from tool cleaning is expected to rise. Revenue from soil remediation is expected to remain flat.

9. Overseas Businesses (sales by region and business)

Sales by Region



Sales by Overseas Business Segment

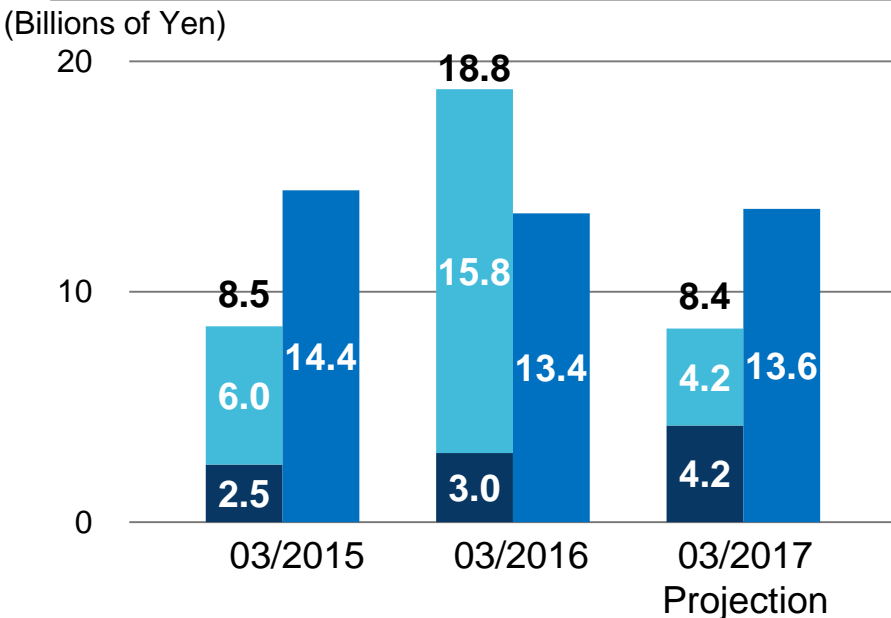


- In the fiscal year ended March 31, 2016, sales rose, reflecting the consolidation of KEAG in the water treatment chemicals business and growth in China and Southeast Asia.
- In the fiscal year ending March 31, 2017, sales are expected to rise given the extra month in the period for KEAG and an increase in sales of facilities for the electronics industry overseas.

* New geographical segments have been applied from the fiscal year ended March 31, 2016, and they are applied to the fiscal year ended March 31, 2015 retroactively.

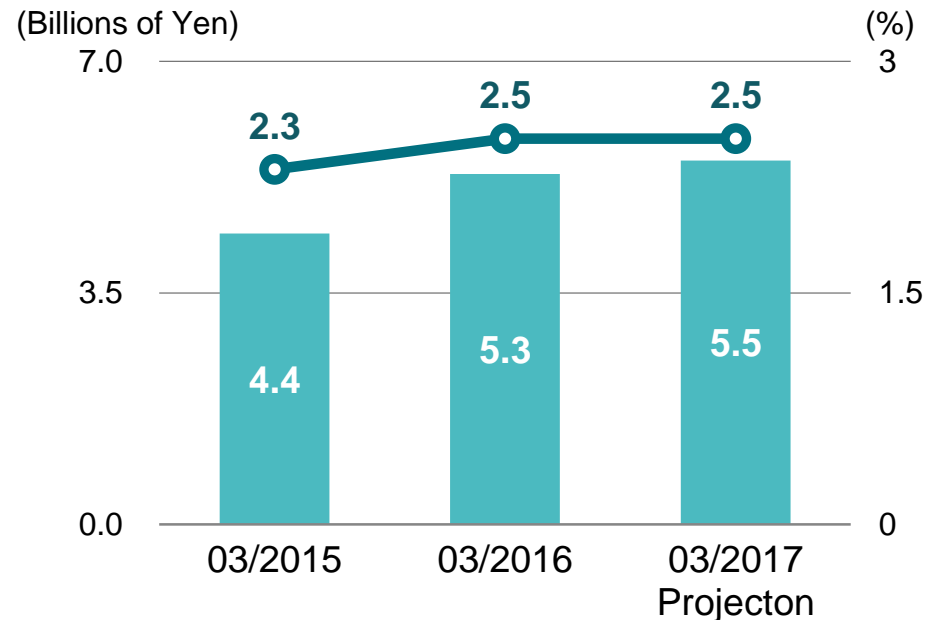
10. Capital Expenditures, Depreciation, and R&D Expenses

Capital Expenditures and Depreciation



- In the fiscal year ended March 31, 2016, capital expenditures of the ultrapure water supply business increased.
- In the fiscal year ending March 31, 2017, capital expenditures of the ultrapure water supply business are expected to decline.

R&D Expenses

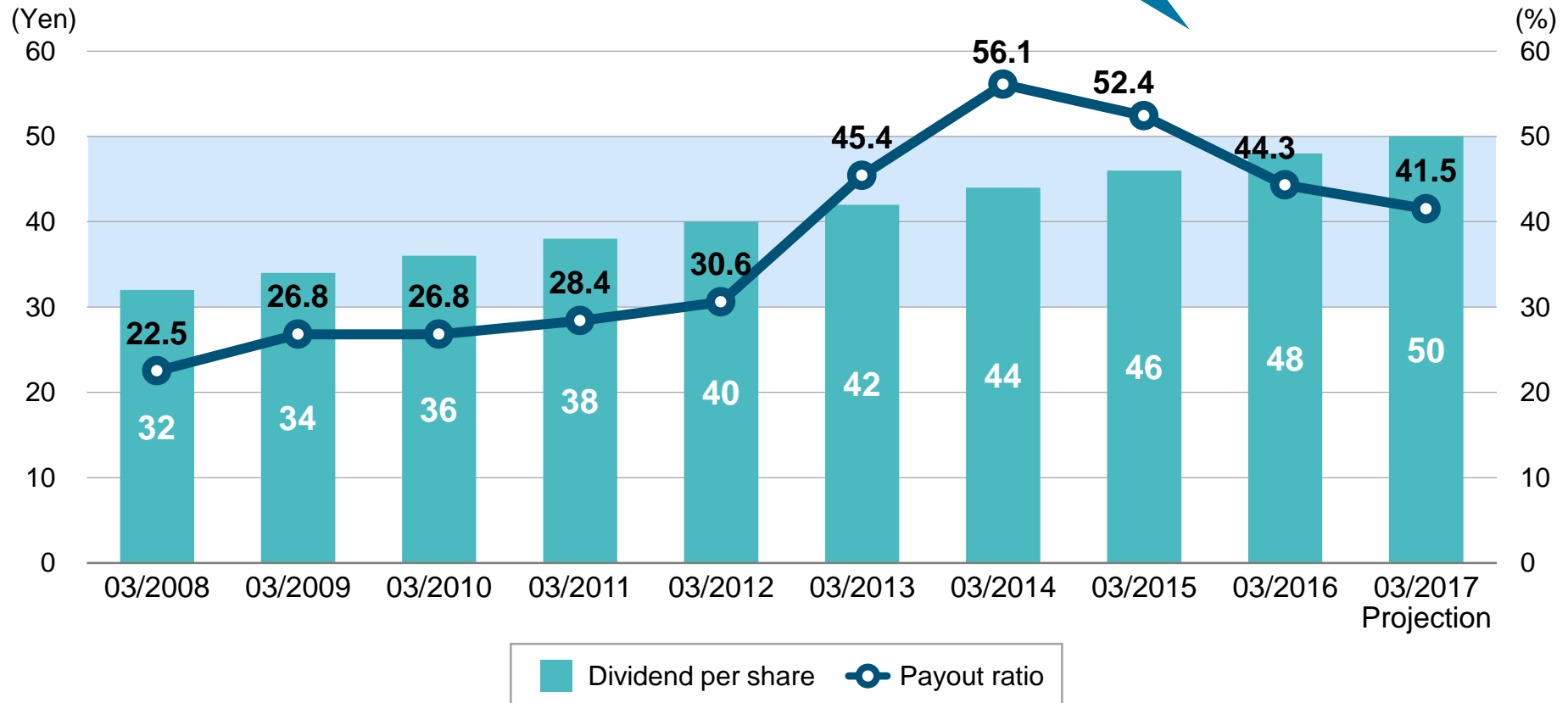


- In the fiscal year ending March 31, 2017, the Group will focus on enhancing product appeal and expanding synergies with KEAG.

11. 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.



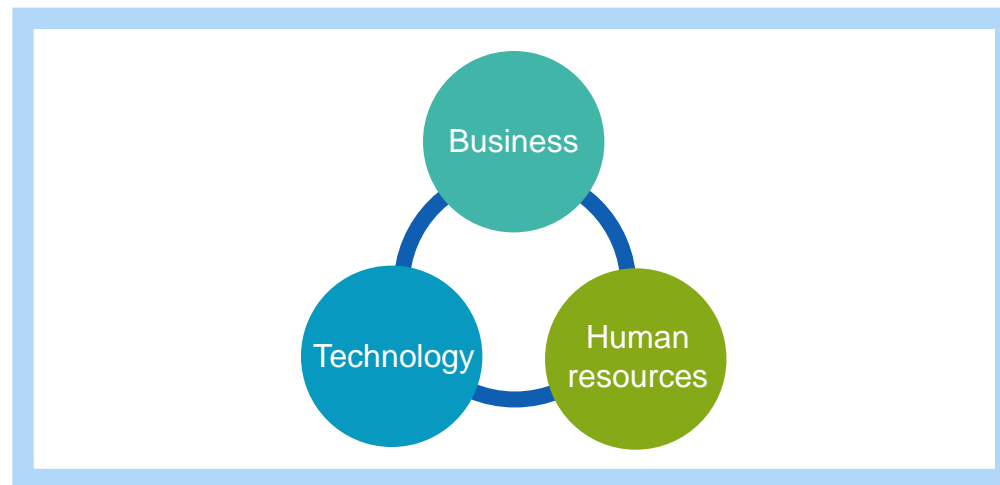
III. Direction of Management

1. Achievement of Corporate Philosophy
2. To Achieve CK-17 (Competitive Kurita 2017) Plan
3. Continued Corporate Governance Reform
4. Improvement of Capital Efficiency

III. Direction of Management

1. Achievement of Corporate Philosophy

Corporate Philosophy: Study the properties of water, master them, and we will create an environment in which nature and man are in harmony



Resolving water and environmental challenges



Helping to achieve a sustainable society

III. Direction of Management

2. To Achieve CK-17 (Competitive Kurita 2017) Plan

① Achievements in the first year (fiscal year ended March 31, 2016)

Priority measures	Achievements in the first year
1 Create competitive products and services	<ul style="list-style-type: none"> ● Enhanced the functions of chemicals (Newly Developed Multi-Functional Polymer) ● Used KCR Center (Kurita Customer Relationship Center) in the domestic chemicals market ● Development of KWSS (Kurita Water Supply Service) contracts
2 Cultivate new markets	<ul style="list-style-type: none"> ● Tapped into new markets in Europe and China through the acquisition of BKG's water treatment businesses ● Started ultrapure water supply business in South Korea
3 Optimize production systems and utilize the Group's network	<ul style="list-style-type: none"> ● Started cross-selling among KEAG and other Group companies in Japan and overseas

III. Direction of Management

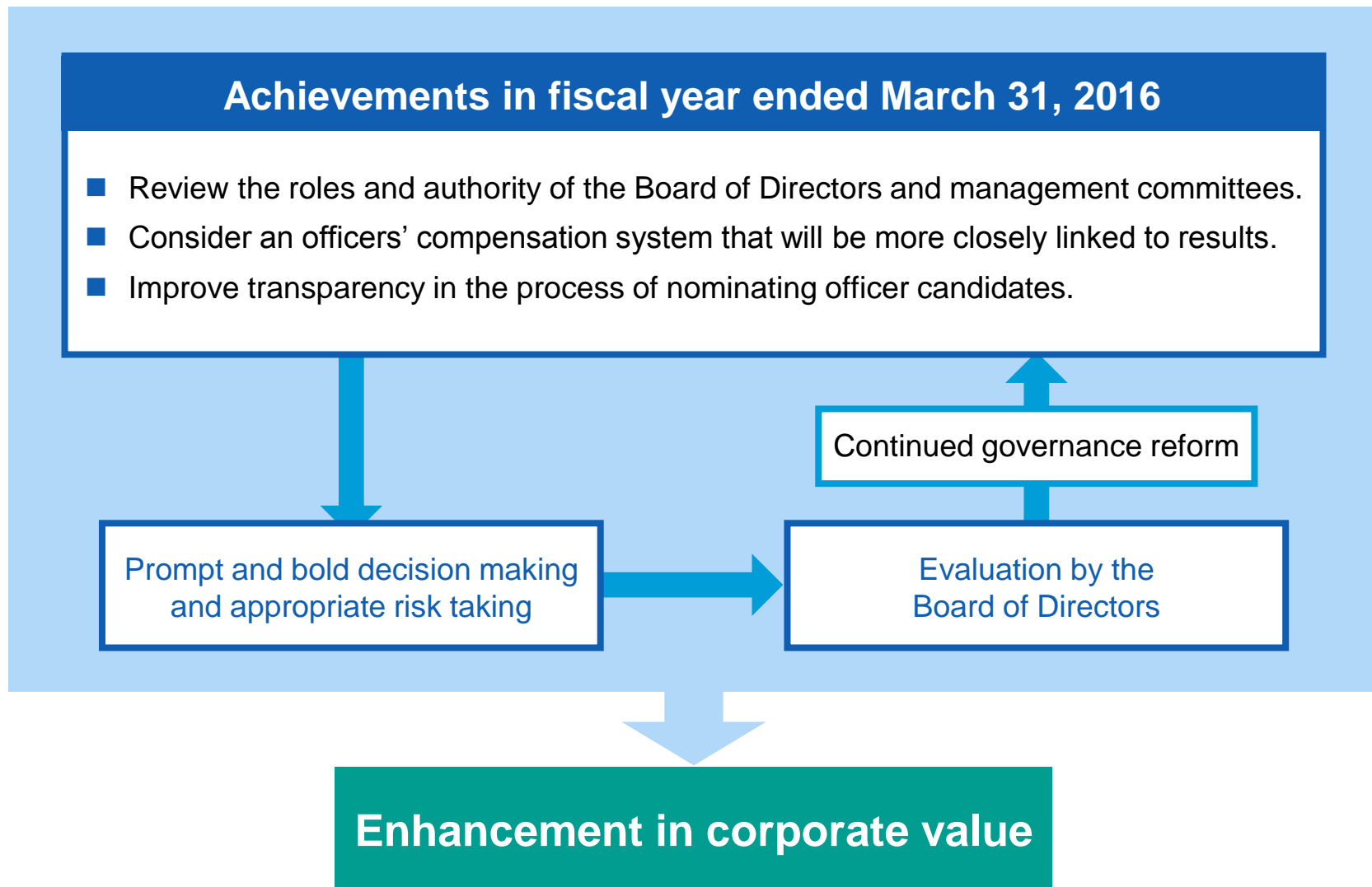
2. To Achieve CK-17 (Competitive Kurita 2017) Plan

② Initiatives from the second year (fiscal year ending March 31, 2017)

Priority measures	Initiatives from the second year
1 Create competitive products and services	<ul style="list-style-type: none"> ● Enhance the functions of chemicals (use the R&D capabilities of the new KEG). ● Create new services that will help improve customers' productivity and reduce the environmental burden by combining chemicals and facilities, and sensing technology and IT.
2 Cultivate new markets	<ul style="list-style-type: none"> ● Expand the chemicals business in North America. ● Expand ultrapure water supply business into new markets.
3 Optimize production systems and utilize the Group's network	<ul style="list-style-type: none"> ● Restructure the chemicals business overseas and expand synergies with the new KEG. ● Optimize the Group's production system in Japan, East Asia, and Southeast Asia.

III. Direction of Management

3. Continued Corporate Governance Reform



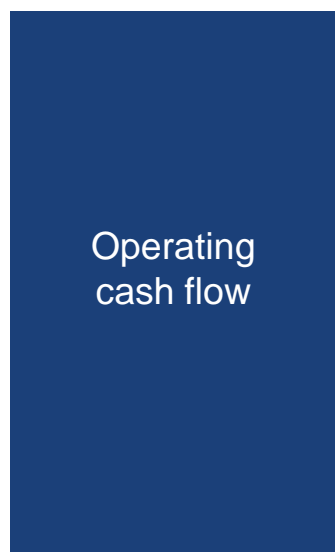
III. Direction of Management

4. Improvement of Capital Efficiency

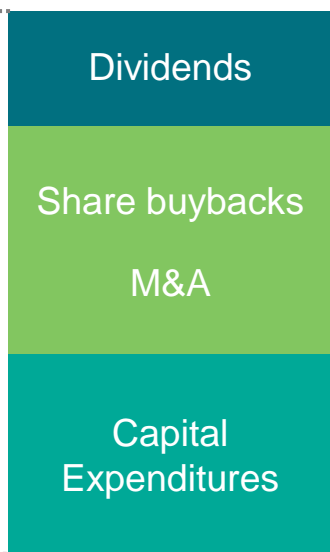
Uses of Cash (policy)

¥87.0 – ¥90.0 billion

¥87.0 – ¥90.0 billion



Operating cash flow



Dividends

Share buybacks

M&A

Capital Expenditures

■ Strive to continue raising dividends, aiming for a payout ratio of 30-50% over 5 years.

■ Prioritize investment in promising businesses and consider share buybacks using surplus funds.
■ Consider M&A in North America.

■ Invest in the ultrapure water supply business, among other businesses, in Japan and overseas.

Generation of cash

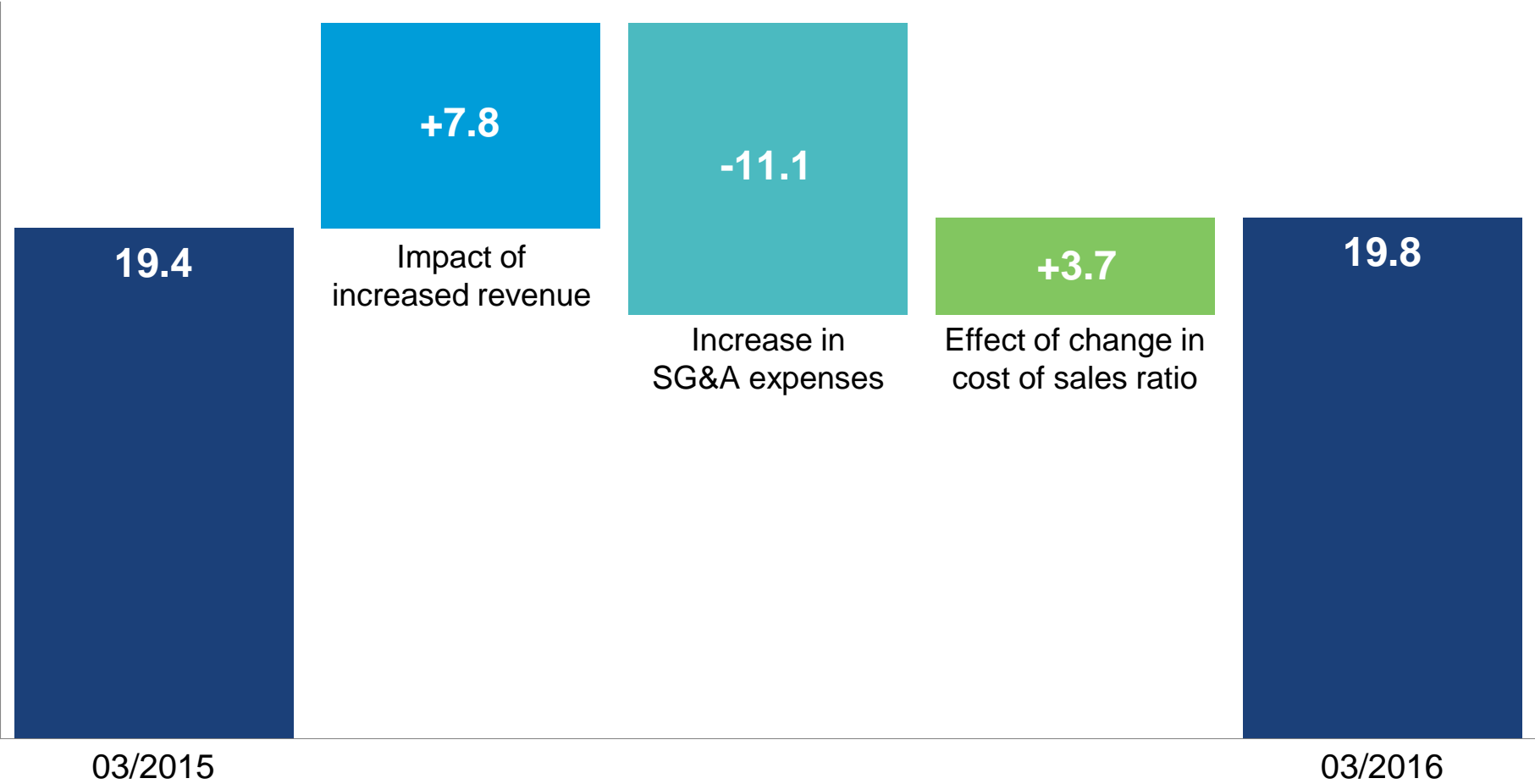
Uses of cash

For three years from the fiscal year ended March 31, 2016 to the fiscal year ending March 31, 2018

- We will endeavor to curb surplus funds and increases in shareholders' equity upon securing operating funds and contingency funds.
- We will maintain ROE at a level that exceeds cost of shareholders' equity and will strive to increase it.

Analysis of Changes in Operating Income for the Fiscal Year ended March 31, 2016

(Billions of yen)



Note: The effect of change in the cost of sales ratio is calculated using the gross profit margin.



-
- U R L ■ <http://ir.kurita.co.jp/>
 - M A I L ■ ir@kurita.co.jp

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.