



Kurita Water Industries Ltd.

Results Presentation for the Fiscal Year Ended March 31, 2018

(Securities code: 6370)

May 2, 2018

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1 | Consolidated Financial Results for the Fiscal Year Ended March 31, 2018

Overview of Results



(Billions of Yen)		FY ended 03/2017 (Results)	FY ended 03/2018 (Results)	Y-o-Y Change	Revised Projections (1/31)	Initial Projections
Orders		218.7	251.4	+ 15.0%	248.0	221.0
Net Sales		214.2	236.8	+ 10.6%	235.0	223.0
Operating Income		19.5	22.5	+ 15.5%	21.7	18.5
Ordinary Income		20.1	22.1	+ 10.1%	21.7	19.0
Net Income Attributable to Owners of Parent		14.5	17.9	+ 23.4%	18.3	13.0
Net Income per Share (yen)		125.23	159.37	+ 27.3%	162.95	113.76
Foreign Exchange Rate	USD (yen)	108.8	112.1			
	EUR (yen)	120.3	126.6			
	CNY (yen)	16.3	16.6			

- Orders increased significantly due to new consolidation in the Water Treatment Chemicals business and large orders in the Water Treatment Facilities business.
- Operating income rose due to increased revenue and an improvement in the cost of sales ratio in the Water Treatment Facilities business.
- A gain on the step acquisition of shares in an equity-method affiliate and a gain on sales of shares of other listed companies were posted to extraordinary income.

Results by Segment



(Billions of Yen)		FY ended 03/2017 (Results)	FY ended 03/2018 (Results)	Y-o-Y Change
Total	Orders	218.7	251.4	+ 15.0%
	Net Sales	214.2	236.8	+ 10.6%
	Operating Income	19.5	22.5	+ 15.5%
	Operating Income Margin	9.1%	9.5%	
Water Treatment Chemicals	Orders	82.1	90.4	+ 10.0%
	Net Sales	81.9	90.4	+ 10.4%
	Operating Income	7.2	7.2	- 0.7%
	Operating Income Margin	8.8%	7.9%	
Water Treatment Facilities	Orders	136.6	161.1	+ 17.9%
	Net Sales	132.3	146.5	+ 10.7%
	Operating Income	12.2	15.3	+ 25.3%
	Operating Income Margin	9.2%	10.4%	

- Orders and net sales rose in both the Water Treatment Chemicals business and the Water Treatment Facilities business.
- The operating income margin in the Water Treatment Chemicals business fell primarily due to the effects of the new consolidation and increases in SG&A expenses.
- The operating income margin in the Water Treatment Facilities business improved due to a decline in the cost of sales ratio.

Water Treatment Chemicals



(Billions of Yen)	FY ended 03/2017 (Results)	FY ended 03/2018 (Results)	Y-o-Y Change
Orders	82.1	90.4	+ 10.0%
Domestic	43.5	44.5	+ 2.3%
Overseas	38.6	45.8	+ 18.8%
Net Sales	81.9	90.4	+ 10.4%
Domestic	43.4	44.4	+ 2.4%
Overseas	38.5	45.9	+ 19.3%
Operating Income	7.2	7.2	-0.7%
Operating Income Margin	8.8%	7.9%	

- Due to a recovery in capacity utilization rates in manufacturing industry in Japan, sales for almost all industries posted increased.
- In Japan, sales increased for the mainstay products of boiler water, cooling water, paper and pulp process treatment chemicals, and chemicals for the steel industry.

Overseas Sales by Region

(Billions of Yen)	FY ended 03/2017 (Results)	FY ended 03/2018 (Results)	Y-o-Y Change
Asia	15.6	17.4	+ 11.2%
North America	0.5	4.1	+ 767.1%
EMEA	19.8	21.3	+ 8.0%
Other	2.6	3.1	+ 18.2%
Total	38.5	45.9	+ 19.3%

- Overseas sales, excluding the impact of the new consolidation in North America and South Korea, rose around 8% on a yen basis, and about 4% on a local-currency basis.

Water Treatment Facilities (for the domestic electronics industry)



(Billions of Yen)	FY ended 03/2017 (Results)	FY ended 03/2018 (Results)	Y-o-Y Change
Orders	51.3	55.3	+ 7.8%
Facilities	4.3	9.2	+ 115.6%
Maintenance	13.1	14.6	+ 11.4%
Ultrapure Water Supply Business	27.4	24.6	- 10.3%
Tool Cleaning	6.5	6.9	+ 6.1%
Net Sales	49.3	54.4	+ 10.4%
Facilities	2.6	7.9	+ 203.6%
Maintenance	12.8	15.0	+ 17.3%
Ultrapure Water Supply Business	27.4	24.6	- 10.3%
Tool Cleaning	6.4	6.9	+ 6.6%

- Facilities received large orders related to semiconductors and electronic components.
- Sales of the ultrapure water supply business declined due to revisions of contracts.
- Sales of facilities grew due to progress with construction in large projects.
- Sales of maintenance services rose as a result of the response to customers' increased production.

Water Treatment Facilities (for domestic general industries)



(Billions of Yen)	FY ended 03/2017 (Results)	FY ended 03/2018 (Results)	Y-o-Y Change
Orders	63.5	56.5	- 11.1%
Energy and Infrastructure	51.5	44.3	- 14.0%
Soil Remediation	9.2	9.1	- 1.1%
Other	2.8	3.2	+ 10.9%
Net sales	57.3	59.4	+ 3.6%
Energy and Infrastructure	45.7	48.4	+ 5.9%
Soil Remediation	8.8	7.8	- 10.9%
Other	2.8	3.1	+ 10.3%

- Orders for maintenance services for general industries increased due to demand associated with renovating old facilities, new facilities and expansion.
- Orders for facilities for general industries declined, as a result of a more targeted approach to orders.
- Orders from facilities for the electric power industries declined, but sales rose due to progress with construction.
- Sales related to maintenance services for public offices and chemical cleaning increased.

Water Treatment Facilities (overseas)



(Billions of Yen)	FY ended 03/2017 (Results)	FY ended 03/2018 (Results)	Y-o-Y Change
Orders	21.8	49.3	+ 126.2%
Facilities	14.4	39.1	+ 171.7%
Maintenance	6.1	7.5	+ 23.1%
Ultrapure Water Supply Business	1.4	2.8	+ 103.0%
Net Sales	25.7	32.6	+ 27.1%
Facilities	18.2	22.5	+ 23.6%
Maintenance	6.1	7.4	+ 20.9%
Ultrapure Water Supply Business	1.4	2.8	+ 103.0%

- Facility orders for large projects increased for FPDs and semiconductors in China and for semiconductors in South Korea.
- Facilities sales increased due to progress with construction for large projects for which orders were received during the fiscal year under review.
- Orders and sales for the maintenance services and ultrapure water supply businesses posted satisfactory growth.

Sales by Region

(Billions of Yen)	FY ended 03/2017 (Results)	FY ended 03/2018 (Results)	Y-o-Y Change
Asia	24.3	31.5	+ 30.0%
North America & Other	1.4	1.1	- 22.7%
Total	25.7	32.6	+ 27.1%

Financial Condition



(Billions of Yen)	End of March 2017	End of March 2018	Change
Cash, deposits and marketable securities	73.3	61.1	- 12.3
Other current assets	82.5	100.9	+ 18.4
Property, plant and equipment	74.0	86.0	+ 12.0
Intangible fixed assets	25.3	31.0	+ 5.7
Investments and other assets	44.0	44.0	+ 0.0
Total Assets	299.2	323.0	+ 23.8
Current liabilities	44.4	56.1	+ 11.7
Noncurrent liabilities	26.1	26.0	- 0.0
Total Liabilities	70.5	82.2	+ 11.7
Shareholders' equity	216.1	222.6	+ 6.5
Other comprehensive income	11.4	16.2	+ 4.8
Non-controlling interests	1.1	2.0	+0.9
Total Net Assets	228.8	240.9	+ 12.1
Total Liabilities and Net Assets	299.2	323.0	+ 23.8

- In current assets, accounts receivable and inventories increased.
- In non-current assets there were rises in property, plant and equipment, and in goodwill.
- In current liabilities there were increases in accounts payable, trade and accounts payable, other.
- In net assets, rises in retained earnings, foreign currency translation adjustments, and unrealized gains on available-for-sale securities were posted. Treasury stock decreased.

2 | Consolidated Business Plan for the Fiscal Year Ending March 31, 2019

Water Treatment Chemicals

- Production in the manufacturing industry in Japan is expected to move steadily.
- Overall, economies in Europe, the United States, and Asia are predicted to post gentle growth.

Water Treatment Facilities

- For the domestic electronics industry, although smartphone production is on the decline, demand for memory for data centers is expected to continue.
- Away from the domestic electronics industry, it is anticipated that there will be steady demand for maintenance and replacements of existing facilities.
- It is likely that there will be a lull in FPD-related investment in China, but semiconductor-related investment in China and South Korea will remain brisk.

Overview of Projections



(Billions of Yen)		FY ended 03/2018 (Results)	FY ending 03/2019 (Plan)	Y-o-Y Change
Orders		251.4	247.0	- 1.8%
Net Sales		236.8	255.0	+ 7.7%
Operating Income		22.5	24.0	+ 6.8%
Ordinary Income		22.1	24.2	+ 9.5%
Net Income Attributable to Owners of Parent		17.9	17.0	- 5.0%
Net Income per Share (yen)		159.37	151.41	- 5.0%
Foreign Exchange Rate	USD (yen)	112.1	110.0	
	EUR (yen)	126.6	130.0	
	CNY (yen)	16.6	16.6	

- Orders are expected to decline in reaction to the strength of the previous fiscal year.
- Net sales are expected to grow as a result of the subsidiary that was newly consolidated in the Water Treatment Chemicals business during the previous fiscal year, and due to progress in facilities construction.
- It is anticipated that the Impact of increase in revenue will more than offset increases in SG&A expenses, leading to higher profit.
- The three-month lag in the consolidation of overseas group companies will be resolved.

Projections by Segment



(Billions of Yen)		FY ended 03/2018 (Results)	FY ending 03/2019 (Plan)	Y-o-Y Change
Total	Orders	251.4	247.0	- 1.8%
	Net Sales	236.8	255.0	+ 7.7%
	Operating Income	22.5	24.0	+ 6.8%
	Operating Income margin	9.5%	9.4%	
Water Treatment Chemicals Business	Orders	90.4	102.2	+ 13.1%
	Net Sales	90.4	102.2	+ 13.1%
	Operating Income	7.2	8.2	+ 14.2%
	Operating Income margin	7.9%	8.0%	
Water Treatment Facilities Business	Orders	161.1	144.8	- 10.1%
	Net Sales	146.5	152.8	+ 4.3%
	Operating Income	15.3	15.8	+ 3.3%
	Operating Income margin	10.4%	10.3%	

- Due to the resolution of the three-month lag in consolidation of overseas group companies, the extent of the increase in sales in the Water Treatment Facilities segment will shrink.
- The cost of sales ratio is assumed to be flat for Water Treatment Chemicals and lower for Water Treatment Facilities.
- The assumption for SG&A expenses in both segments is that they will rise.

Water Treatment Chemicals



(Billions of Yen)	FY ended 03/2018 (Results)	FY ending 03/2019 (Plan)	Y-o-Y Change
Orders	90.4	102.2	+ 13.1%
Domestic	44.5	45.3	+ 1.7%
Overseas	45.8	56.9	+ 24.1%
Net Sales	90.4	102.2	+ 13.1%
Domestic	44.4	45.2	+ 1.8%
Overseas	45.9	57.0	+ 24.1%
Operating Income	7.2	8.2	+ 14.2%
Operating Income Margin	7.9%	8.0%	

- It is assumed that production activity in the domestic manufacturing industry will be firm.
- Overseas, some impact is expected from the consolidation of Hansu Co., Ltd., which began in the previous fiscal year.
- Excluding the effect of Hansu, overseas sales are forecast to grow around 7% on yen basis and about 6% on a local-currency basis.
- Assuming that the effect of higher sales will more than offset increases in SG&A expenses, it is anticipated that profits will be higher.

Overseas Sales by Region

(Billions of Yen)	FY ended 03/2018 (Results)	FY ending 03/2019 (Plan)	Y-o-Y Change
Asia	17.3	25.8	+ 48.3%
North America	4.1	4.6	+ 13.5%
EMEA	21.4	23.3	+ 9.0%
Other	3.1	3.3	+ 5.4%
Total	45.9	57.0	+ 24.1%

Water Treatment Facilities (for the domestic electronics industry)



(Billions of Yen)	FY ended 03/2018 (Results)	FY ending 03/2019 (Plan)	Y-o-Y Change
Orders	55.3	53.3	- 3.6%
Facilities	9.2	6.5	- 29.4%
Maintenance	14.6	14.5	- 0.6%
Ultrapure Water Supply Business	24.6	25.3	+ 3.0%
Tool Cleaning	6.9	6.9	+ 0.8%
Net Sales	54.4	56.0	+ 2.9%
Facilities	7.9	8.7	+ 9.5%
Maintenance	15.0	15.0	+ 0.2%
Ultrapure Water Supply Business	24.6	25.3	+ 3.0%
Tool Cleaning	6.9	6.9	+ 0.9%

- Orders for facilities are projected to undershoot the previous fiscal year, but to remain firm.
- Facilities sales are seen rising, due to progress with construction of projects for which orders were received in the previous fiscal year.
- Continuing on from the previous fiscal year, orders and sales for maintenance services are expected to remain at a high level.
- In the ultrapure water supply business, some contracts will expire, but higher sales are forecast due to the contribution from new projects.

Water Treatment Facilities (for domestic general industries)



(Billions of Yen)	FY ended 03/2018 (Results)	FY ending 03/2019 (Plan)	Y-o-Y Change
Orders	56.5	63.0	+ 11.5%
Energy and Infrastructure	44.3	51.9	+ 17.2%
Soil Remediation	9.1	8.7	- 3.8%
Other	3.2	2.4	- 23.8%
Net Sales	59.4	62.5	+ 5.2%
Energy and Infrastructure	48.4	50.2	+ 3.7%
Soil Remediation	7.8	9.9	+ 26.1%
Other	3.1	2.4	- 23.4%

- For electric power industries, orders are expected to rise and progress with construction from the order backlog is expected to lead to higher sales.
- In facilities for general industries, despite expected increases in orders due to large projects, it is projected that sales will be lower as a result of a more targeted approach to orders.
- Maintenance orders are expected to increase as a result of continued demand for facilities replacement in both the private and public offices.

Water Treatment Facilities (overseas)



(Billions of Yen)	FY ended 03/2018 (Results)	FY ending 03/2019 (Plan)	Y-o-Y Change
Orders	49.3	28.5	- 42.2%
Facilities	39.1	16.8	- 57.2%
Maintenance	7.5	8.9	+ 18.8%
Ultrapure Water Supply Business	2.8	2.9	+ 5.8%
Net Sales	32.6	34.3	+ 5.1%
Facilities	22.5	22.8	+ 1.2%
Maintenance	7.4	8.6	+ 16.9%
Ultrapure Water Supply Business	2.8	2.9	+ 5.8%

- Although orders for facilities are expected to decline in reaction to the strength of the record-setting previous fiscal year, they are projected to remain at a high level.
- Facilities sales are expected to increase as the order backlog from the previous fiscal year is converted into sales, but the resolution of the three-month lag in consolidation of group companies means that the increase in January to March in 2018 will not be reflected in sales.

Sales by Region

(Billions of Yen)	FY ended 03/2018 (Results)	FY ending 03/2019 (Plan)	Y-o-Y Change
Asia	31.5	32.6	+ 3.4%
North America	1.1	1.7	+ 54.6%
Total	32.6	34.3	+ 5.1%

- Maintenance services are expected to grow steadily.

Breakdown of Service Business Sales



(Billions of Yen)	FY ended 03/2017 (Results)	FY ended 03/2018 (Results)	FY ending 03/2019 (Plan)
Water Treatment Chemicals Business	81.9	90.4	102.2
Water Treatment Facilities Business	97.8	100.5	108.8
Ultrapure Water Supply Business	28.8	27.3	28.2
Tool Cleaning	6.4	6.9	6.9
Soil Remediation	8.8	7.8	9.9
Domestic Maintenance	47.7	51.1	52.8
Overseas Maintenance	6.1	7.4	8.6
Other	-	-	2.4
Total	179.6	190.8	211.0

- Sales growth in the ultrapure water supply business to switch from negative to positive.
- Domestic maintenance sales are expected to rise, on the assumption of steady demand.
- Judging by our track record for facilities installation, overseas maintenance sales is expected to trend upwards.

Capital Expenditures, Depreciation, and R&D Expenses

(Billions of Yen)	FY ended 03/2017 (Results)	FY ended 03/2018 (Results)	FY ending 03/2019 (Plan)
Capital Expenditures (Property, plant and equipment)	9.3	22.1	26.0
Ultrapure Water Supply Business	6.3	16.2	18.0
Other than the above	3.0	5.8	8.0
Depreciation (Property, plant and equipment)	13.2	13.5	13.5
Water Treatment Chemicals Business	1.6	1.8	2.0
Water Treatment Facilities Business	11.6	11.7	11.5
R&D Expenses	5.0	5.3	5.5
Water Treatment Chemicals Business	2.1	2.1	1.7
Water Treatment Facilities Business	2.9	3.2	3.8

- In the fiscal year ended March 31, 2018, capital expenditure in the ultrapure water supply business and investment in the replacement and reinforcement of other facilities rose.
- In the fiscal year ending March 31, 2019, capital expenditure in the ultrapure water supply business will remain at a high level.

3 | Review of Previous Medium-Term Management Plan Competitive Kurita 2017 (CK-17)

Performance targets and results



Although profits did not reach projections,
overseas sales doubled

(Billions of Yen)	FY ended 03/2015 (Results)	FY ended 03/2018 (Plan)	FY ended 03/2018 (Results)	Three-year Average Growth Rate
Net Sales	189.4	235.0	236.8	+ 7.7%
Operating Income	19.4	24.5	22.5	+ 5.0%
Operating Income Margin	10.3%	10.4%	9.5%	—
Overseas Sales	39.1	81.3	78.6	+ 26.2%
Overseas Sales Ratio	20.6%	34.6%	33.2%	—

Achievements and Challenges

While progress was made with these measures,
the establishment of a rock-solid earnings base is not yet complete

Priority Measures

1 Cultivate New Markets

2 Optimize production systems and utilize the Group's network

3 Create competitive products and services

4 Improve capital efficiency

Achievements

- Expanding the business in Europe, North America and the Middle East
- Investments in start-ups

- Obtaining and utilizing new production bases through M&A
- Improving productivity in China and South Korea

- Created DReeM Polymer, S.sensing GW, KWSS, Standardized Wastewater Reclamation system

- Raise capital efficiency by directing funds to investing in growth and shareholder returns

Challenges

- Growth accompanied by improved profitability
- Accelerating the commercialization of new businesses

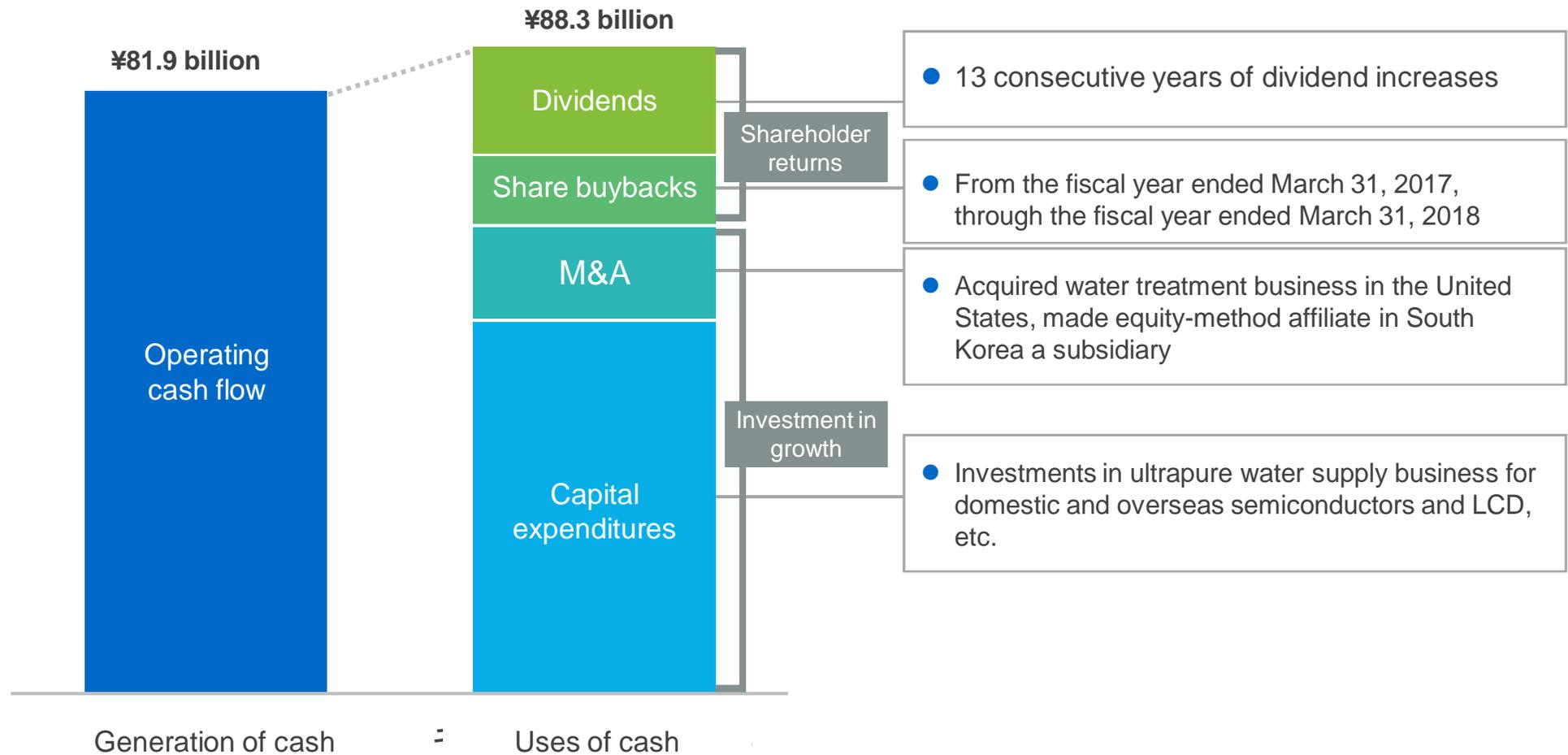
- Further global optimization of production bases

- New business model and development of customer-oriented solutions still a work in progress

- Have not reached the average level for Japanese companies

Results of Allocation of Funds

Allocated funds in excess of operating cash flow to growth investments and shareholder returns

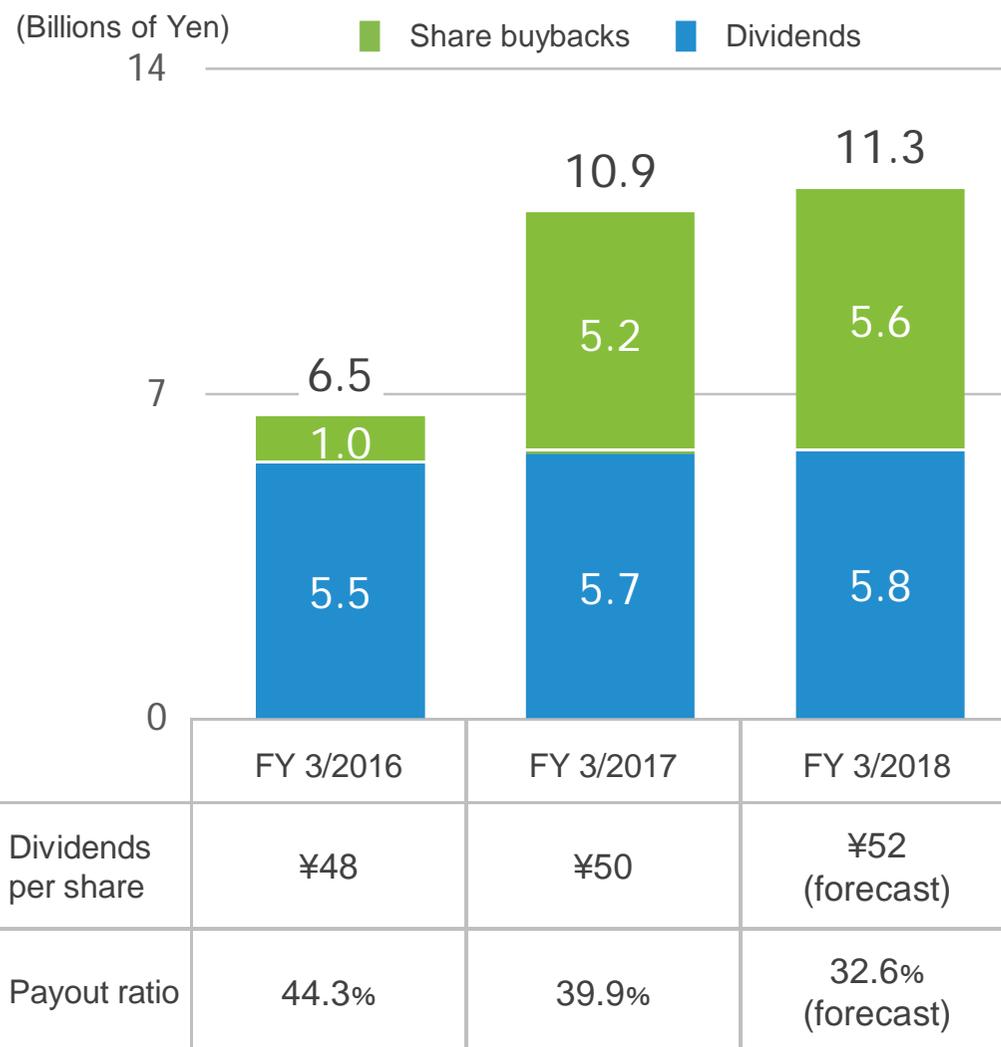


(From the fiscal year ended March 31, 2016, through the fiscal year ended March 31, 2018, three-year cumulative basis)

Shareholder Returns



Continued to increase the dividend, also implemented share buybacks



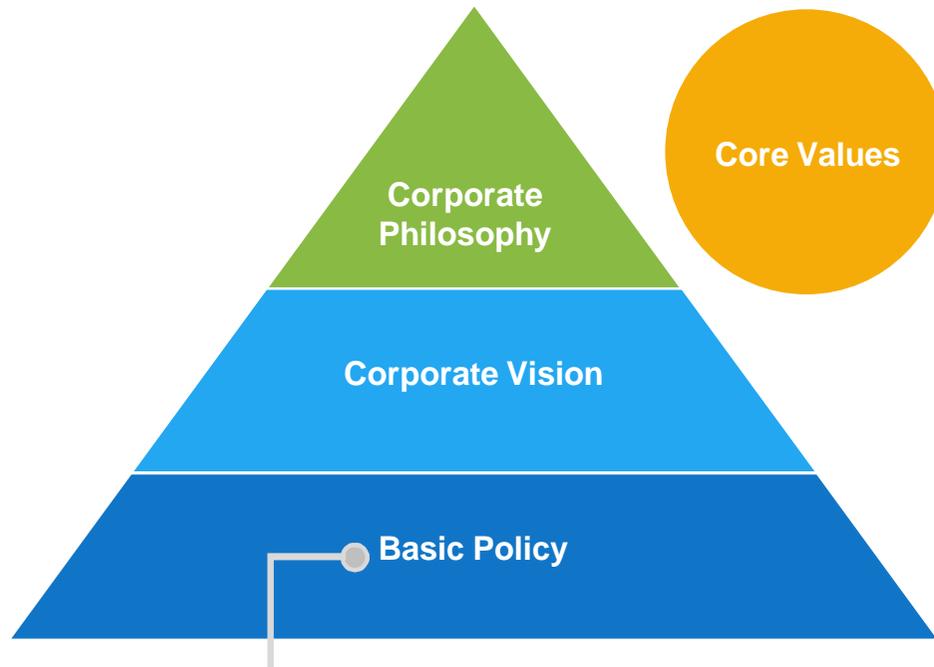
- Continued to increase the dividend, based on our policy of stable increases in dividends and a target payout ratio of 30% to 50%.
- Implemented share buybacks, having considered investment opportunities and funds on hand.

4 | New Medium-Term Management Plan Maximize Value Proposition 2022 (MVP-22)

Establishes the “Kurita Group Philosophy System”



From “21st Century Vision” to “Kurita Group Philosophy System”



Core Values

Corporate Philosophy

Corporate Vision

Basic Policy

1. Kurita Group Code of Conduct
2. Corporate Governance Policies
3. Basic Policies for Constructing an Internal Control System
4. CSR Policy
5. Kurita Group BCM Policy (Business Continuity Management)
6. Kurita Group Business Policy

With its corporate philosophy as the starting point, the missions that the Kurita Group will fulfill in society into the future, its medium- and long-term visions, and its ways of thinking and values as the foothold for achieving them have been reorganized and stipulated as the Kurita Group Philosophy System.

Former corporate vision

Advanced water and environmental management company

New corporate vision

“A Creator of unique value to the solution of water and environment“, contributing to the realization of a sustainable society.

“A Creator of unique value to the solution of water and environment“,
contributing to the realization of a sustainable society.

- 1** Kurita Group will seek to create shared value with society such as environmental preservation and the effective use of resources, and will realize its corporate philosophy, by continuing to innovate and through businesses contributing to the natural environment, industry and people's lives.
- 2** Kurita Group will, as an indispensable partner, create value for customers such as “pursuit of safety,“ “productivity enhancement“ and “reduction of environmental impact.“
- 3** Kurita Group will evolve its “service business“ and will provide customers, at speed, with comprehensive solutions making full use of Kurita's technologies, products and services in chemicals, facilities and maintenance.

In order for the Kurita Group to continue to grow as it works to realize its corporate philosophy, CSR has been positioned at the heart of management strategy

Definition of CSR

The Kurita Group's responsibility for its impacts on society

Objectives

1. Creating and maximizing shared value for the Kurita Group and society
2. Identifying, preventing and mitigating possible adverse impacts by the Kurita Group

CSR policy

Provide solutions to issues related to water and the environment, and fulfill responsibility for the future

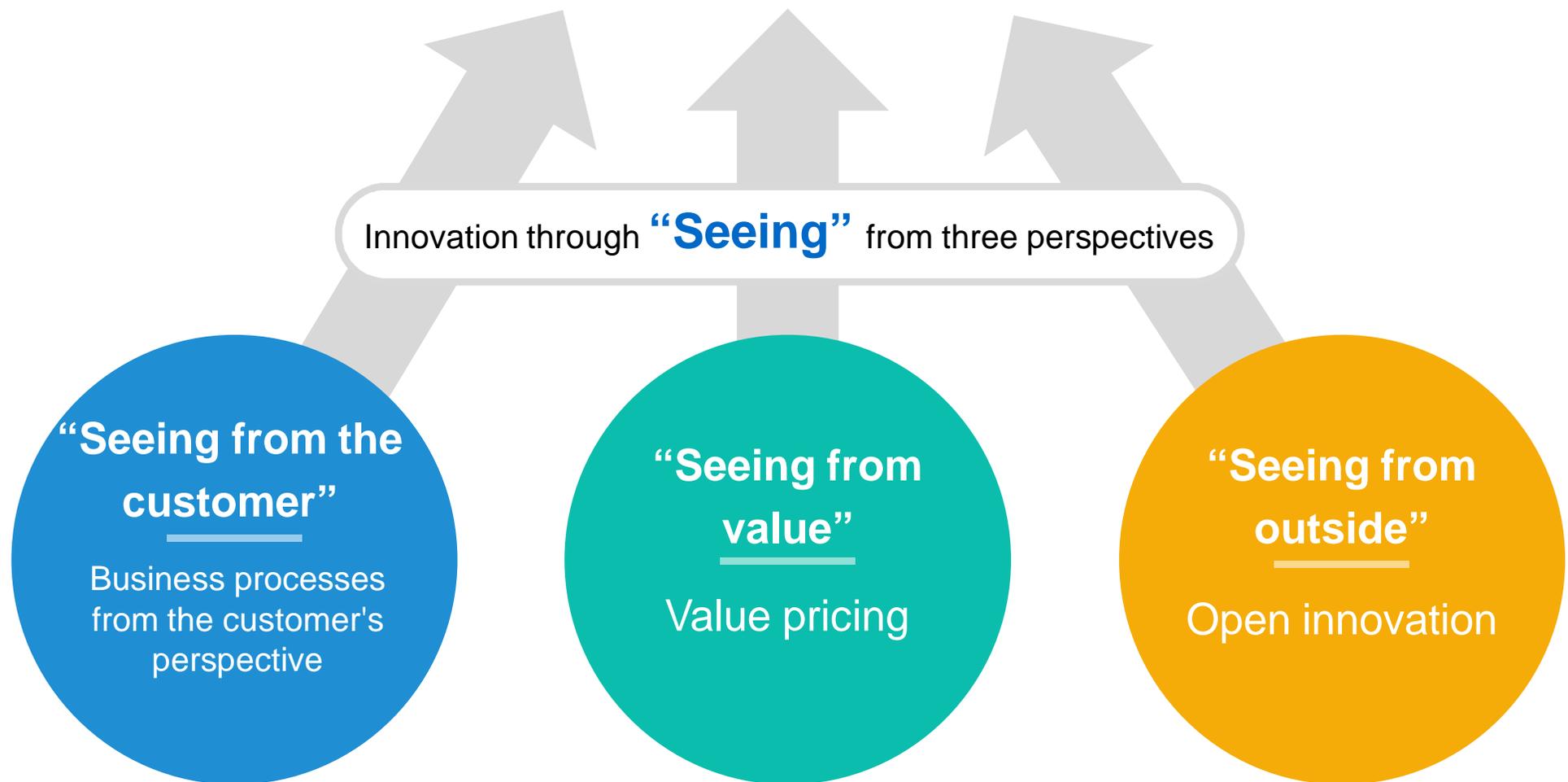
Basic themes

1. Provide highly safe services and products
2. Conduct fair business activities
3. Respect human rights

Growth opportunity themes

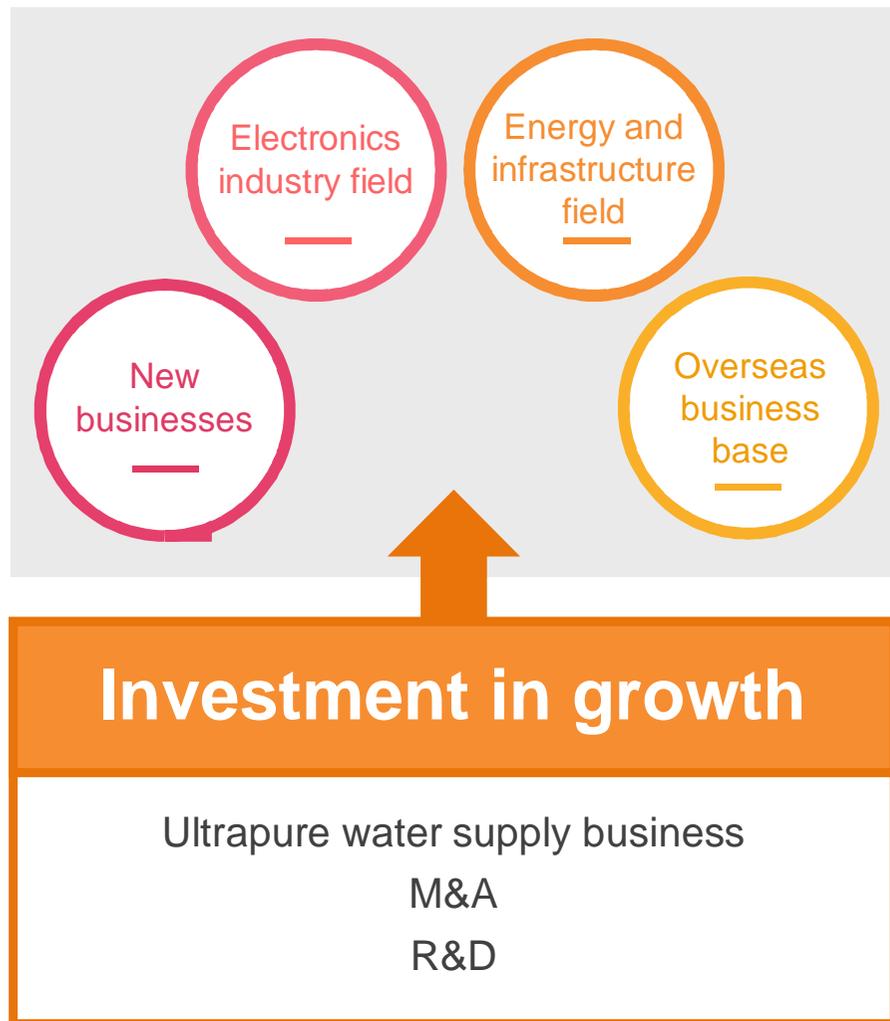
4. Solve issues related to water resources
5. Realize sustainable energy use
6. Reduce waste
7. Advance industrial production technologies

Global value creator with a rock-solid earnings base



The Two Pillars

The two pillars of our initiatives are Investment in growth and improved profitability



Basic Policy

Maximize close relationships with customers by redefining preconceived ideas and dramatically raising the quality and speed of our work.

Priority Measures

- Development of CSV Business
- Rebuilding of plant production system
- Strengthening the foundation and promotion of research and development
- Enhancement of total solutions
- Creation of new business and the promotion of innovation
- Establishment of the Group governance system

Contribute to the natural environment, industry and people's lives,
provide integrated solutions that generate social value

- Developing businesses that contribute to preventing and removing environmental pollution, utilizing renewable energy, and treating and recycling waste.
- Develop solutions for the effective use of water resources, such as wastewater reclamation.
- Create contract-type service businesses that allow risks to be hedged and profits to be secured.
- Develop solutions that contribute to the customer's product quality and stable operation.



As well as expanding domain of existing businesses,
create new business domains that will become pillars of earnings

- Create new businesses through the promotion of open innovation.
- Realize innovation through business processes and business models that make full use of IoT/AI.
- Expand our technological infrastructure.
- Strengthen the global research and development base, and make optimal use of people, technology and facilities.



Kurita Global Technology Center



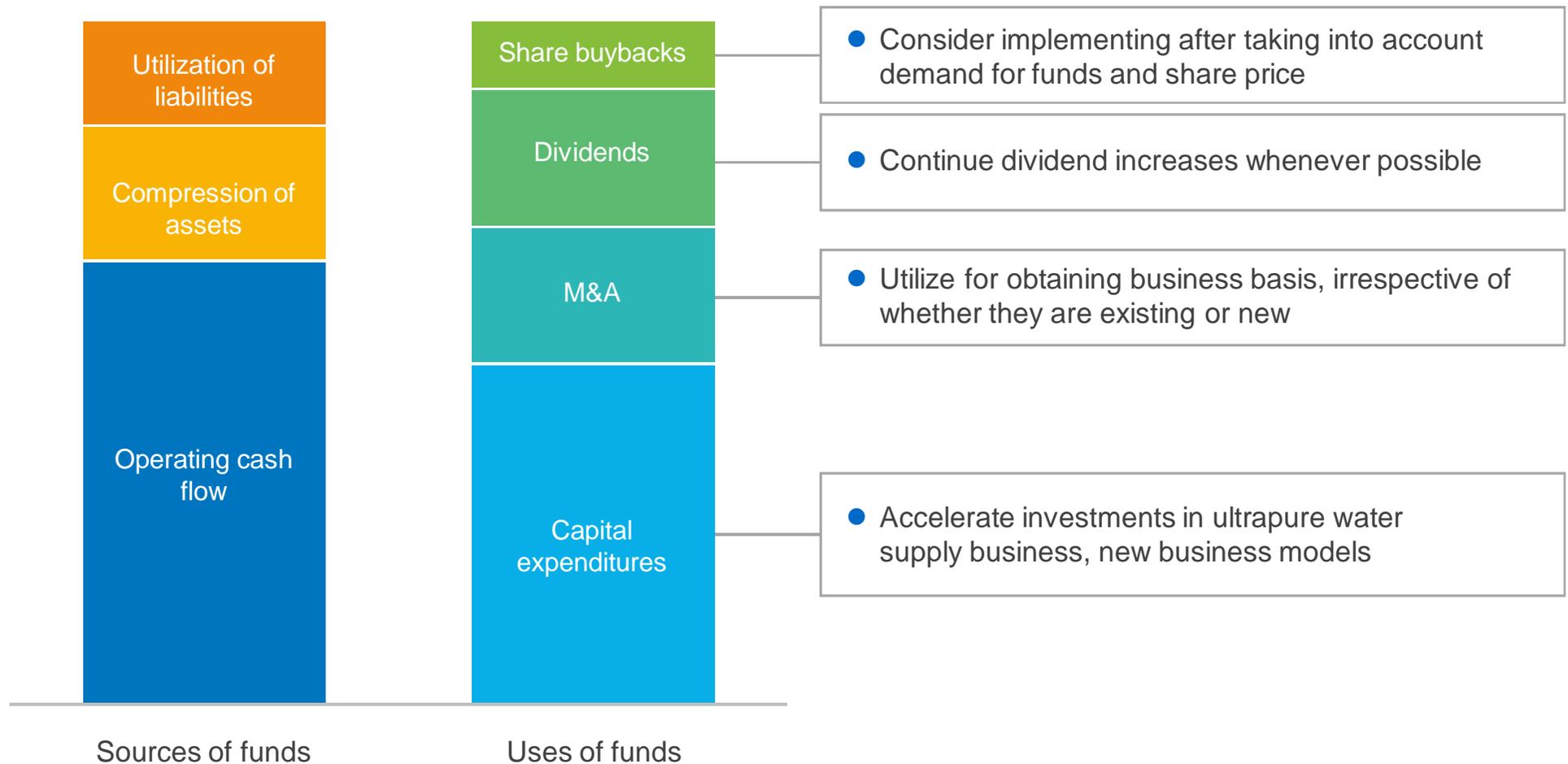
Kurita Europe GmbH



Kurita R&D AsiaPte.Ltd.

Acceleration of Investment and Utilization of Capital

Concentrated investment in growth fields, and efficient and effective use of capital



Place emphasis on profitability and capital efficiency

Net sales
Organic growth rate

3% or more

Operating income margin

15%

Return on equity
(ROE)

10% or more

Adoption of management using
return on invested capital (ROIC)

**Aim for
improved capital efficiency
in each business segment**



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.