



Kurita Water Industries Ltd. Results Presentation for the First Half of the Year Ending March 31, 2018

(Securities code: 6370)

November 1, 2017

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9. Financial Condition

I. Consolidated Financial Results for the First Half of the Year Ending March 31, 2018

1. Financial Highlights

(Billions of Yen)

	1H of the FY ended March 2017(Actual)	1H of the FY ending March 2018(Initial Projection)	1H of the FY ending March 2018(Actual)	Year-on-Year Change
Orders	112.5	112.0	125.3	+11.4%
Net Sales	103.8	104.0	108.1	+4.1%
Operating Income	9.6	7.7	10.2	+5.3%
Ordinary Income	9.6	7.9	10.3	+6.6%
Profit attributable to owners of parent	6.5	5.3	7.4	+13.3%

- 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, reflecting an improvement in the cost of sales ratio in the Water Treatment Facilities business.
- A gain on sales of shares of other listed companies was posted to extraordinary income.

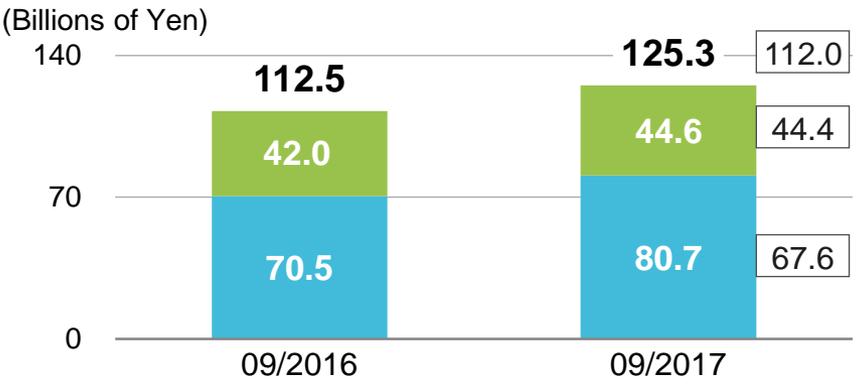
Exchange rate (Yen)	09/2016	09/2017
USD	111.81	112.37
EUR	124.62	121.64
RMB	17.07	16.39

I. Consolidated Financial Results for the First Half of the Year Ending March 31, 2018

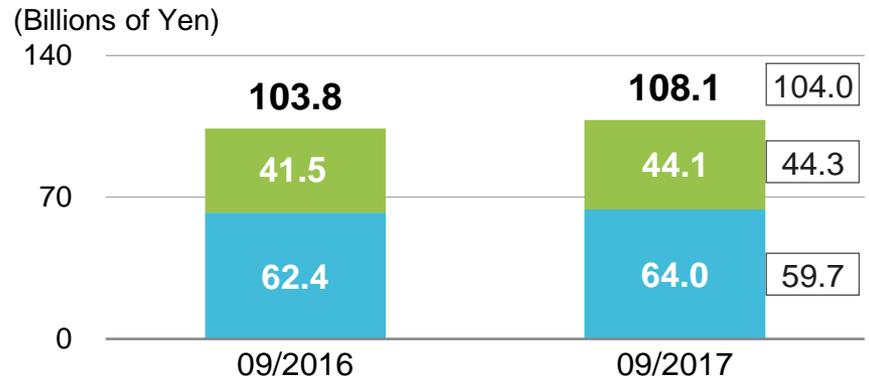
2. Orders, Sales, Operating Income, and Operating Income Margin

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

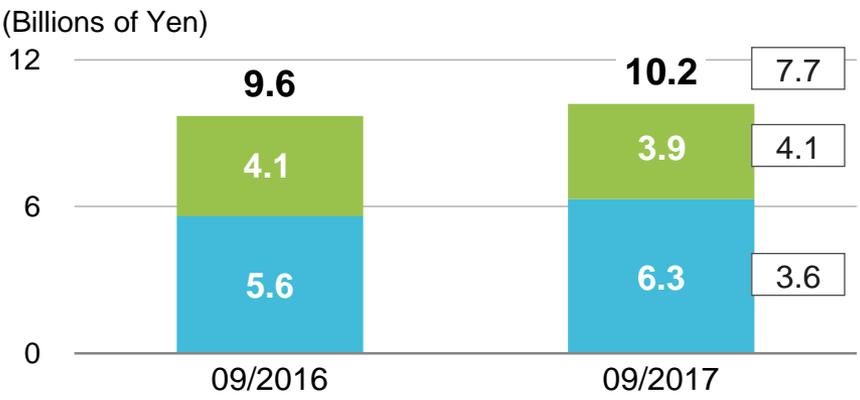
Orders



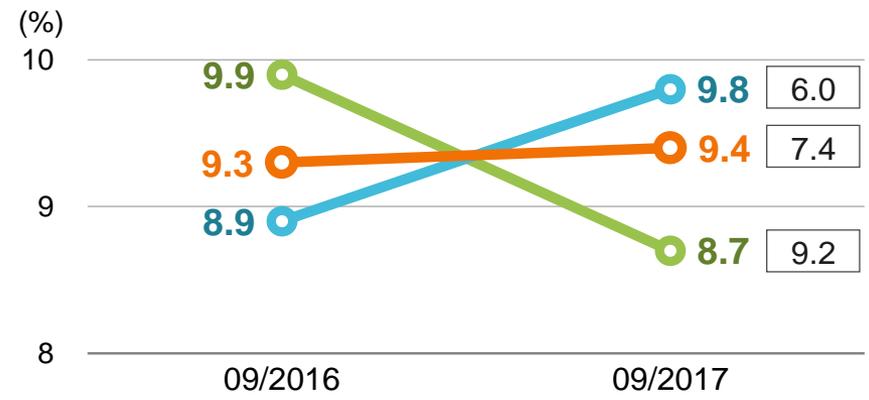
Sales



Operating Income

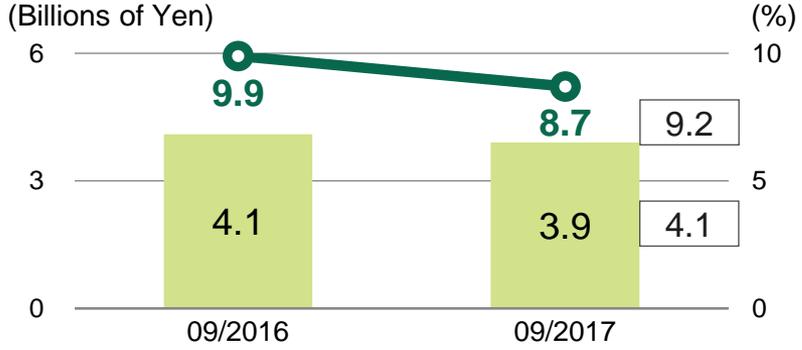
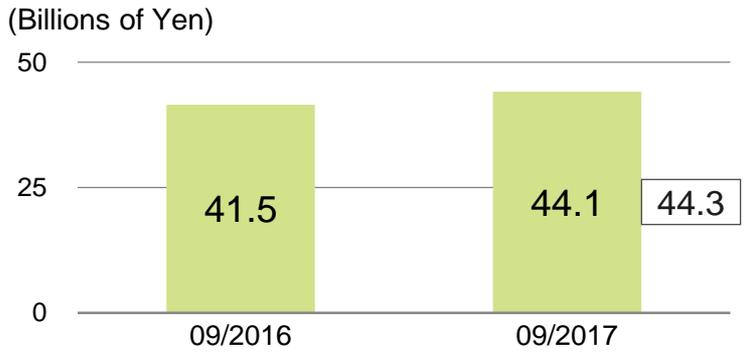
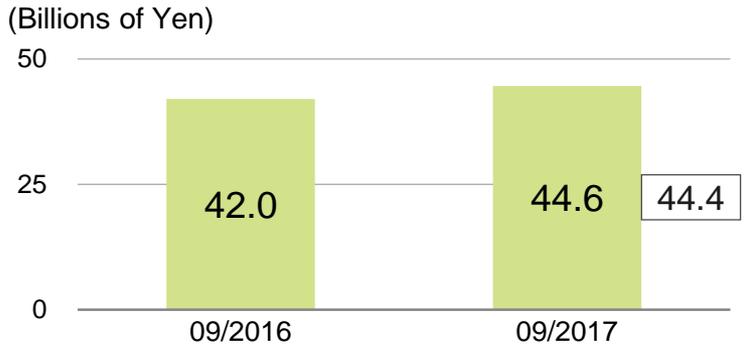


Operating Income Margin



I. Consolidated Financial Results for the First Half of the Year Ending March 31, 2018

3. Water Treatment Chemicals



● Operating income margin * □ denotes initial projections

Orders

- Domestic orders rose 2.7% year on year.
- Overseas orders increased 10.1% year on year due to new consolidation.

Sales

- Domestic sales rose 3.2% year on year.
- Overseas sales climbed 9.8% year on year due to new consolidation.
- Except for the effect of new consolidation, overseas sales rose around 1% year on year.
- In Japan, sales of boiler water, cooling water, and process treatment chemicals rose.

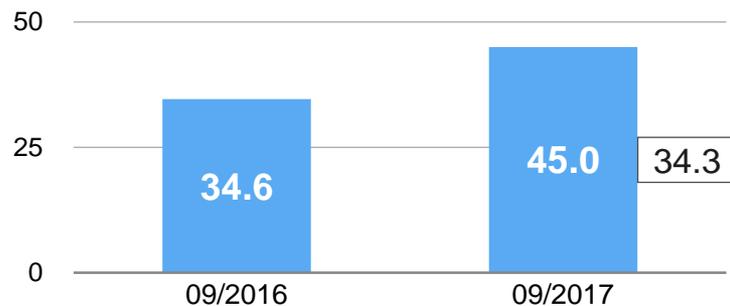
Operating Income

- Despite the rise in sales, operating income decreased due to a rise in selling, general and administrative expenses.
- The cost of sales ratio remained roughly flat.

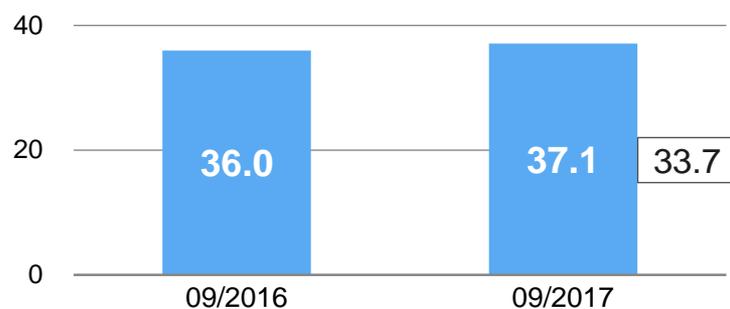
I. Consolidated Financial Results for the First Half of the Year Ending March 31, 2018

4. Water Treatment Facilities (for the electronics industry)

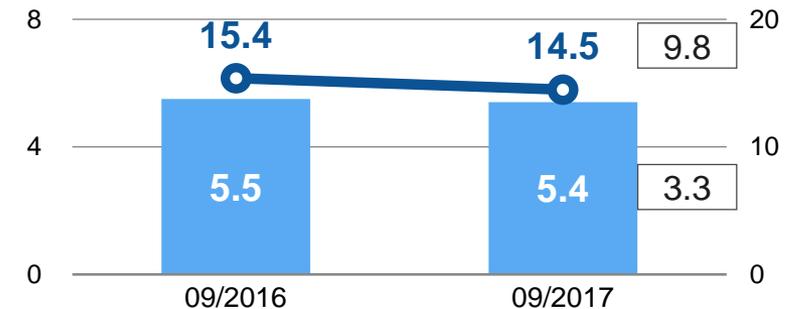
(Billions of Yen)



(Billions of Yen)



(Billions of Yen)



Operating income margin

* □ denotes initial projections

Orders

- Orders for hardware in Japan included large order for semiconductors.
- Orders for hardware overseas included large orders in China and South Korea.
- Orders in the ultrapure water supply business declined due to the revision of contracts.
- Orders for maintenance services in Japan increased due to expansion and repairs at facilities of customers.

Sales

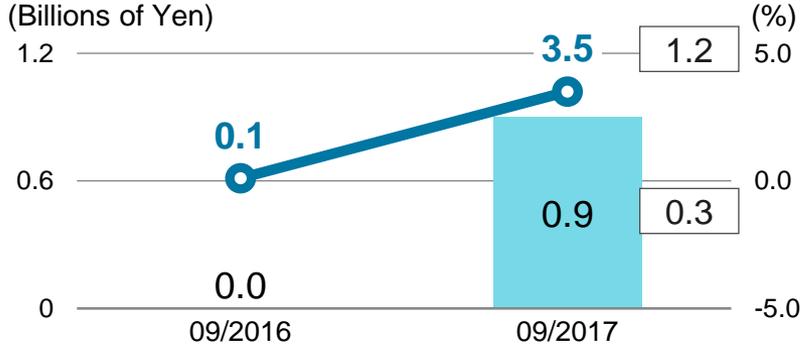
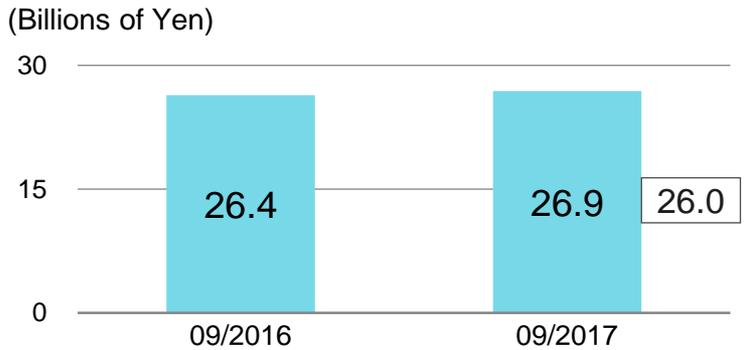
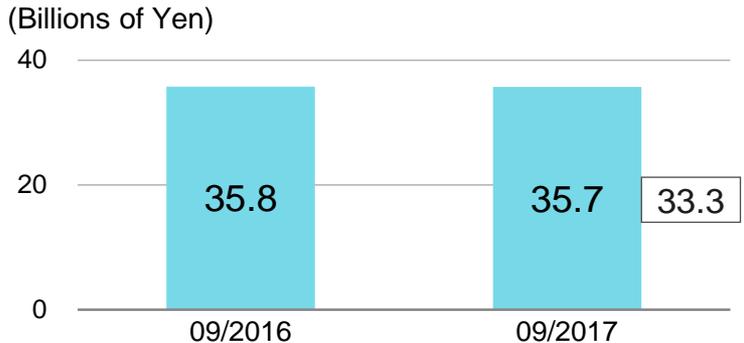
- Sales of hardware increased in Japan due to the progress of construction work.
- Sales of maintenance services in Japan rose with the expansion of customer facilities.
- Sales of the ultrapure water supply business declined due to the revision of contracts.

Operating Income

- Operating income was adversely affected by the decline in sales in the ultrapure water supply business.
- Operating income was positively affected by an increase in sales overseas and an improvement in the cost of sales ratio.

I. Consolidated Financial Results for the First Half of the Year Ending March 31, 2018

5. Water Treatment Facilities (for general industries)



Operating income margin * □ denotes initial projections

Orders

- Orders for large scale soil remediation projects were received.
- Orders for maintenance services for general industries increased due to demand associated with renovating old facilities and demand for new facilities and expansion.
- Maintenance services for public offices declined.

Sales

- Sales of hardware from electric power industry rose slightly.
- Sales from chemical cleaning increased.
- Soil remediation sales declined.

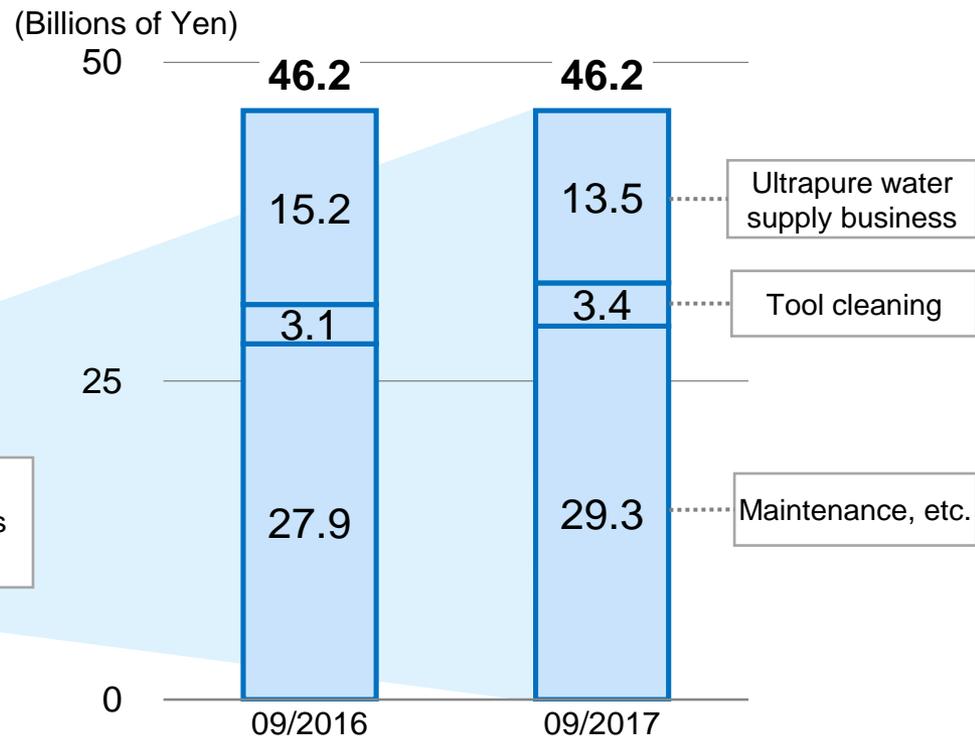
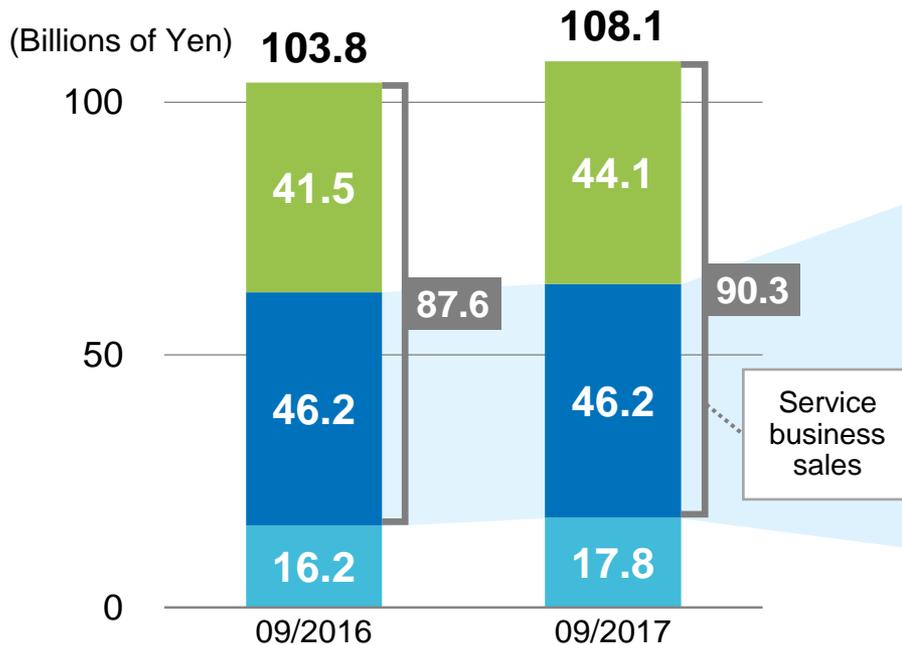
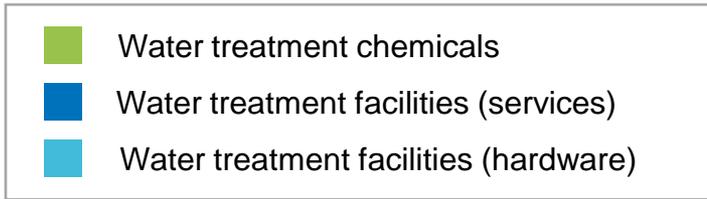
Operating Income

- The cost of sales ratio improved for both hardware and services.

I. Consolidated Financial Results for the First Half of the Year Ending March 31, 2018

6. Service Business Sales

Service Business Revenue in the Water Treatment Facilities Segment



- Revenue in the ultrapure water supply business declined in Japan but increased overseas. Overall, revenue in the business exceeded the initial forecast.
- Revenue from tool cleaning and maintenance rose on the back of firm capacity utilization at customers.

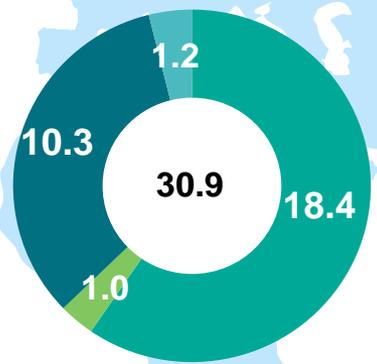
I. Consolidated Financial Results for the First Half of the Year Ending March 31, 2018

7. Overseas Sales

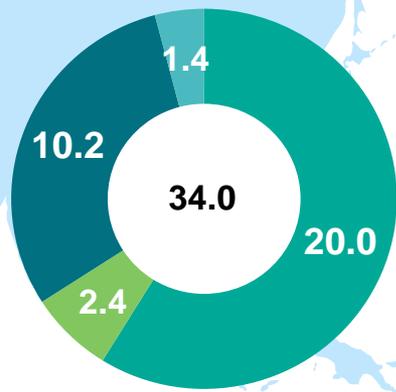
Overseas Sales by Region



(Unit: billions of yen)



09/2016

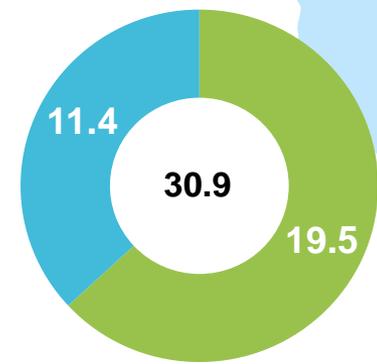


09/2017

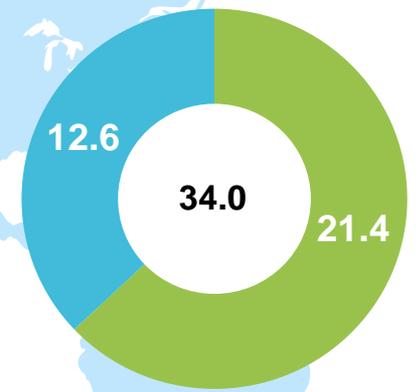
Overseas Sales by Business Segment



(Unit: billions of yen)



09/2016



09/2017

- Sales increased in both the Water Treatment Chemicals and the Water Treatment Facilities businesses.
- The impact of foreign exchange rates was minor.

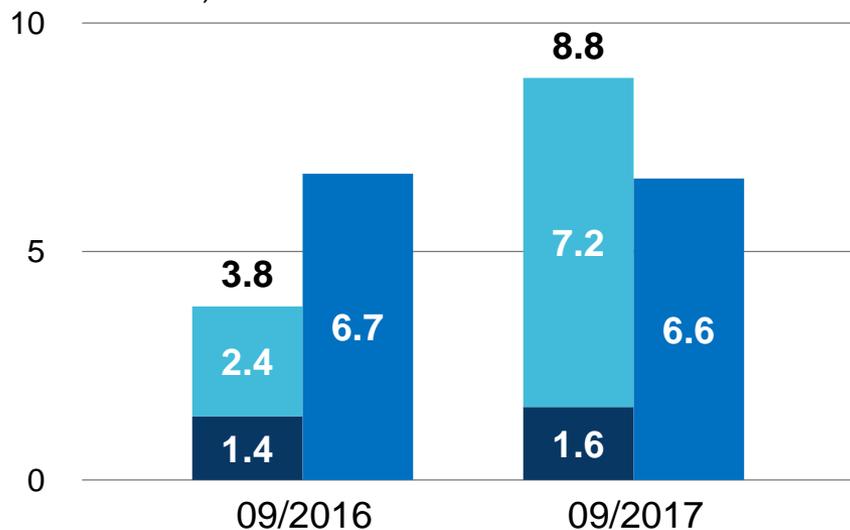
I. Consolidated Financial Results for the First Half of the Year Ending March 31, 2018

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

Capital Expenditures and Depreciation



(Billions of Yen)



- Capital expenditures of the ultrapure water supply business made good progress.
- Depreciation was in line with the initial plan.

R&D Expenses



(Billions of Yen)

(%)

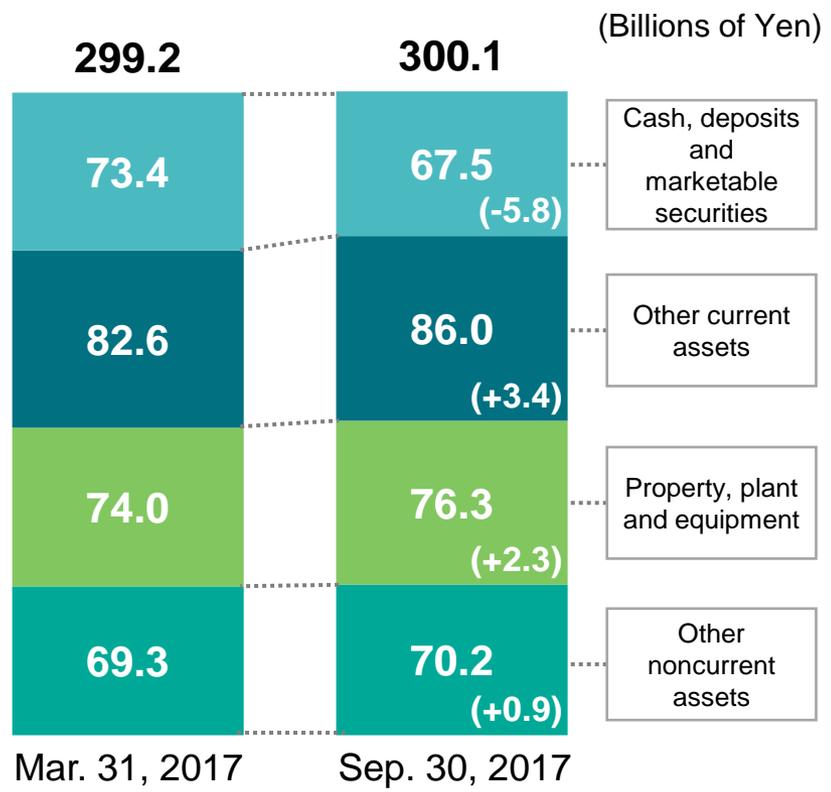


- R&D expenses were in line with the initial plan.

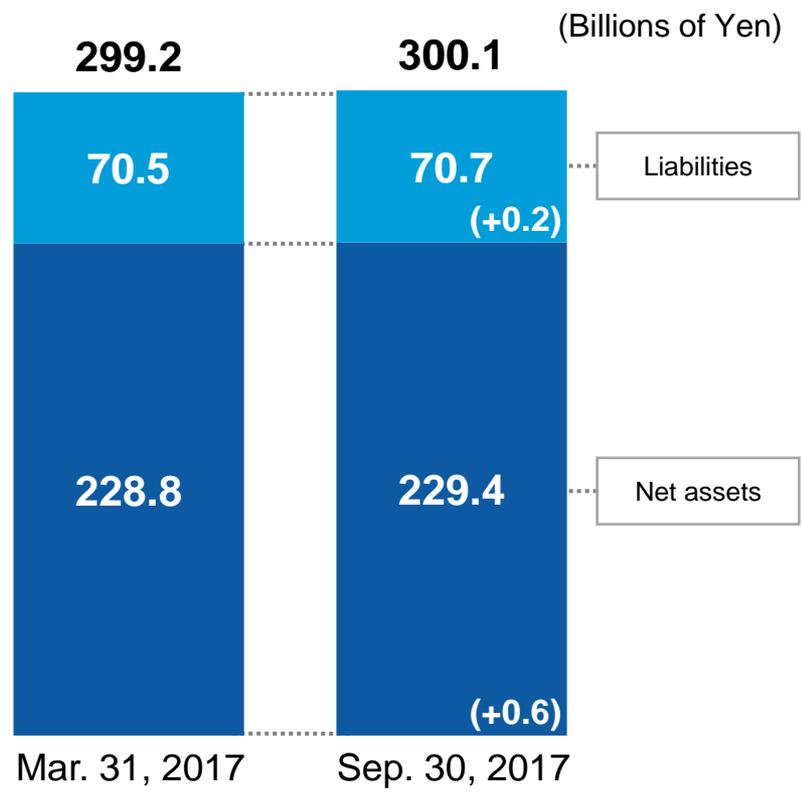
I. Consolidated Financial Results for the First Half of the Year Ending March 31, 2018

9. Financial Condition

Assets



Liabilities and Net Assets



■ Cash on hand declined

■ Reasons:

- Capital expenditure on facilities in the ultrapure water supply business exceeded depreciation, and property, plant and equipment increased.
- Purchase of own shares in addition to an increase in trade notes and accounts receivable and inventories

II. Consolidated Business Plan for the Fiscal Year Ending March 31, 2018

1. Business Environment
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 Sales
8. Sales Plan for the Ultrapure Water Supply Business
9. Major Contracts in the Ultrapure Water Supply Business
10. Overseas Sales
11. Capital Expenditures, Depreciation, and R&D Expenses

1. Business Environment

Water Treatment Chemicals

- Production activities in the domestic manufacturing industry are expected to be firm.
- Economies in Europe, the United States, and Asia are expected to be firm.

Water Treatment Facilities

- Production activities and capital expenditures in the domestic electronics industry are expected to be firm.
- Capital expenditures in the electric power industry and general industries will remain roughly flat.
- The replacement and enhancement of old facilities and the improvement of efficiency will advance in industries other than the domestic electronics industry.
- Active semiconductor- and FPD-related investment will continue in China and South Korea.

II. Consolidated Business Plan for the Fiscal Year Ending March 31, 2018

2. Overview

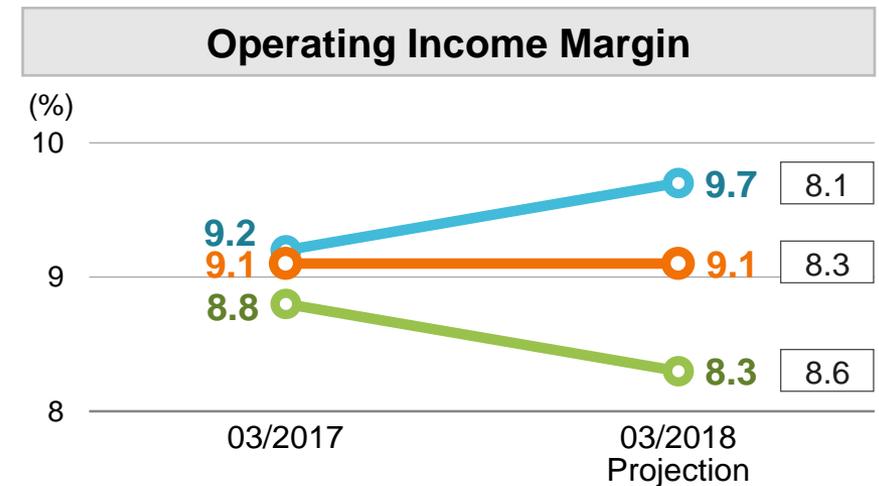
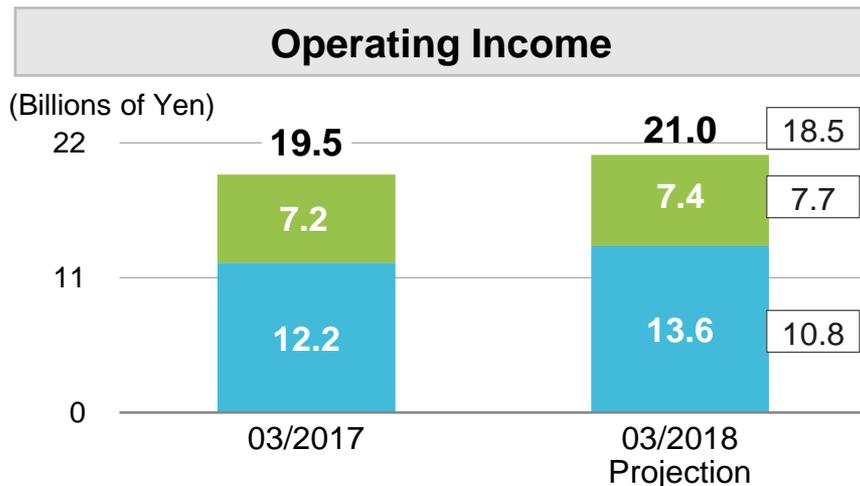
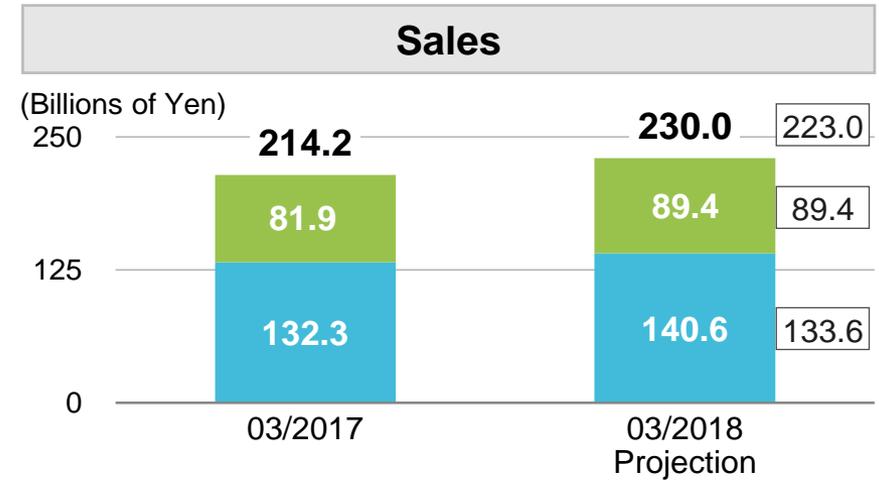
(Billions of Yen)

	FY ended March 2017 (Actual)	FY ending March 2018 (Initial Projection)	FY ending March 2018 (Revised Projection)	Year-on-Year Change
Orders	218.7	221.0	238.0	+8.8%
Net Sales	214.2	223.0	230.0	+7.4%
Operating Income	19.5	18.5	21.0	+8.0%
Ordinary Income	20.1	19.0	21.5	+7.1%
Profit attributable to owners of parent	14.5	13.0	15.0	+3.4%

- The projection for orders has been revised upward on the assumption of active capital expenditures in the electronics industry in Japan and overseas.
- The projection for net sales has been revised upward, reflecting the rise in orders.
- The projection for income has been revised upward on the assumption of an improvement in the cost of sales ratio in the Water Treatment Facilities business.

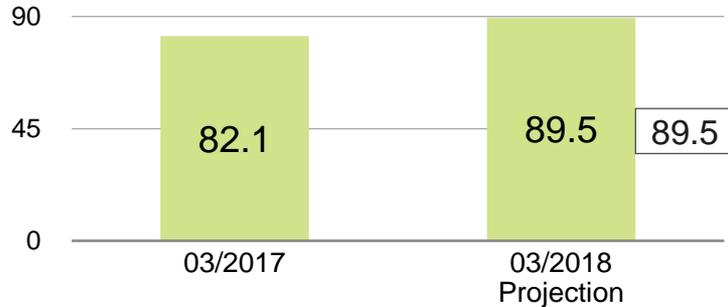
Exchange rate (Yen)	03/2017	Assumptions for 03/2018
USD	108.84	112.00
EUR	120.33	124.00
RMB	16.37	16.40

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

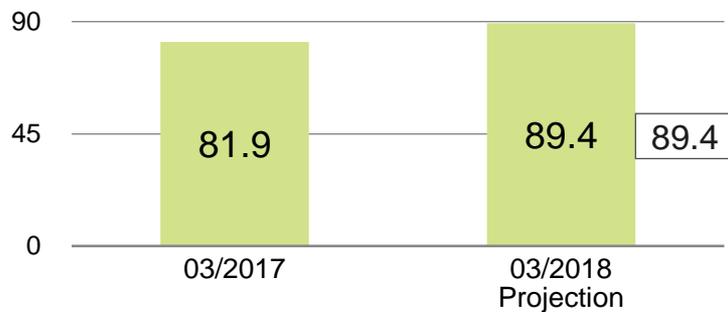


4. Water Treatment Chemicals

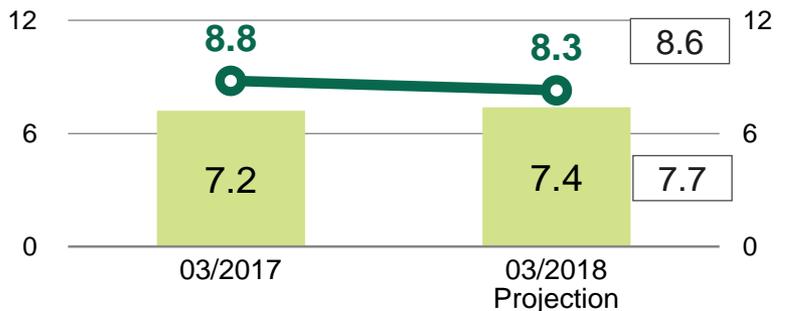
(Billions of Yen)



(Billions of Yen)



(Billions of Yen)



Operating income margin

* denotes initial projections

Orders

- Orders are expected to rise 2% in Japan.
- Orders are expected to increase 16% overseas, reflecting new consolidation.

Sales

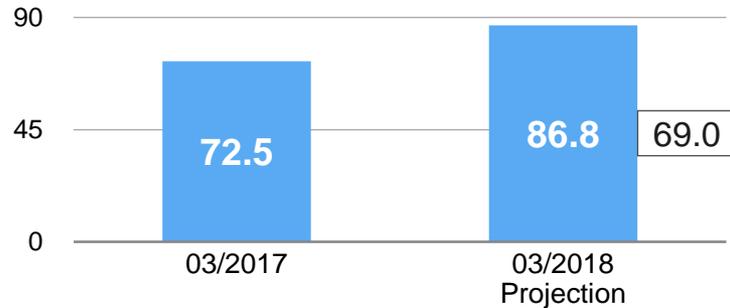
- Sales are projected to rise 3% in Japan, and the initial projection has been revised upward.
- Sales are expected to increase 16% overseas, reflecting new consolidation, but the initial projection has been revised downward.

Operating Income

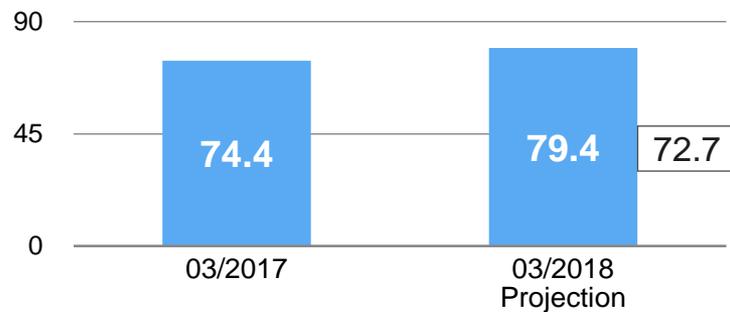
- Operating income fell short of the plan in the first half, which is reflected in the full-year projection.
- The cost of sales ratio is assumed not to change significantly.

5. Water Treatment Facilities (for electronics industry)

(Billions of Yen)



(Billions of Yen)



(Billions of Yen)



Operating income margin

* denotes initial projections

Orders

- The full-year projection for orders for hardware in Japan has been revised upward given orders in the first half.
- The full-year projection for orders for hardware overseas has been revised upward, reflecting strong demand in China and South Korea.

Sales

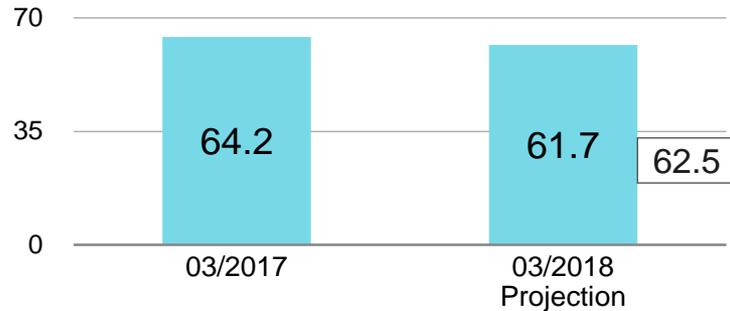
- The projection for sales of hardware in Japan has been revised upward, reflecting orders in the first half.
- The projection for sales of hardware overseas has also been revised upward, reflecting orders in the first half.
- The initial projections for sales in the ultrapure water supply business in Japan and overseas have been revised upward slightly.

Operating Income

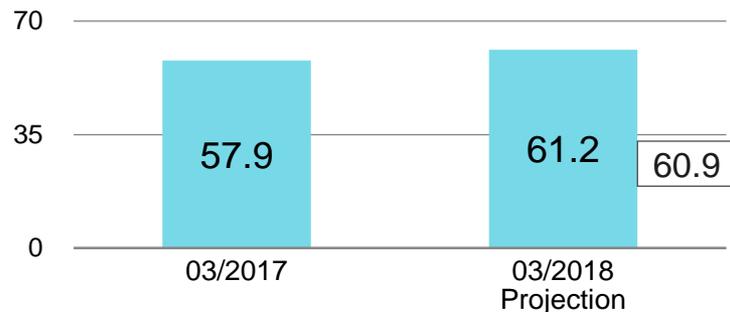
- Sales of hardware will rise, and the cost of sales ratio will improve.
- Income from domestic maintenance and tool cleaning will expand.

6. Water Treatment Facilities (for general industries)

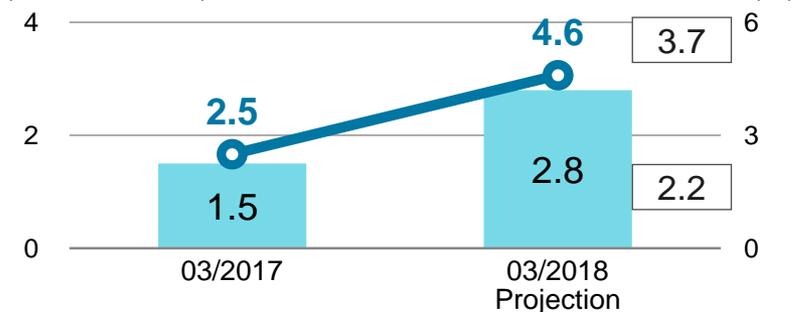
(Billions of Yen)



(Billions of Yen)



(Billions of Yen)



Operating income margin

* denotes initial projections

Orders

- The full-year projection for orders for soil remediation has been revised upward based on results in the first half.
- The full-year projections for orders for hardware for the electric power industry and general industries have been revised downward, reflecting results in the first half.

Sales

- The full-year projections for sales of hardware for the electric power and other industries have been revised downward, but sales will rise from the previous fiscal year.
- The full-year projection for sales of maintenance services for general industries has been revised upward. Sales of maintenance for general industries will rise from the previous fiscal year.

Operating Income

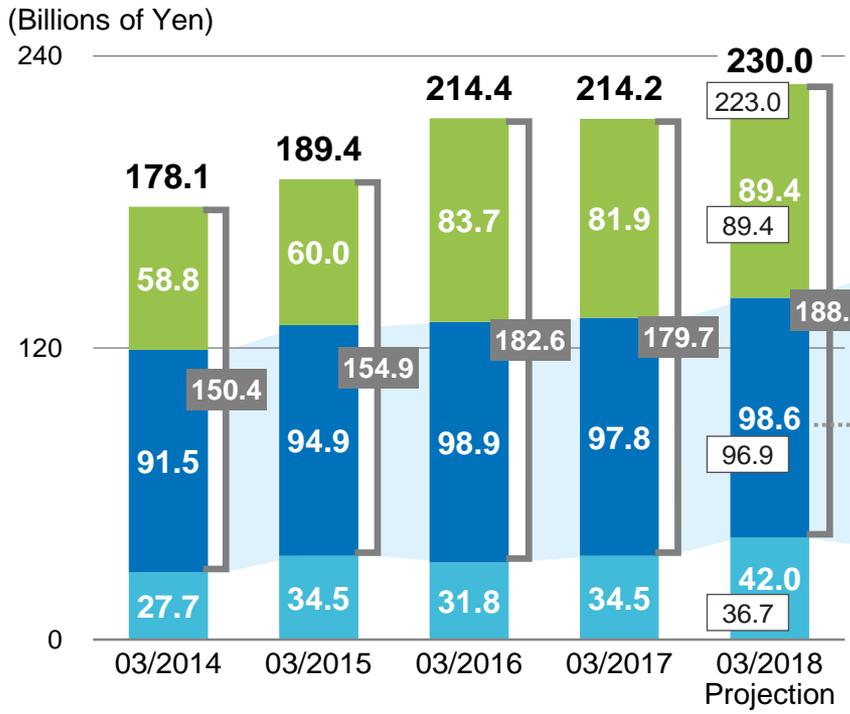
- Profitability in the hardware business for the electric power industry and general industries will improve.
- The income plans for maintenance services for general industries and for chemical cleaning have been revised upward.

II. Consolidated Business Plan for the Fiscal Year Ending March 31, 2018

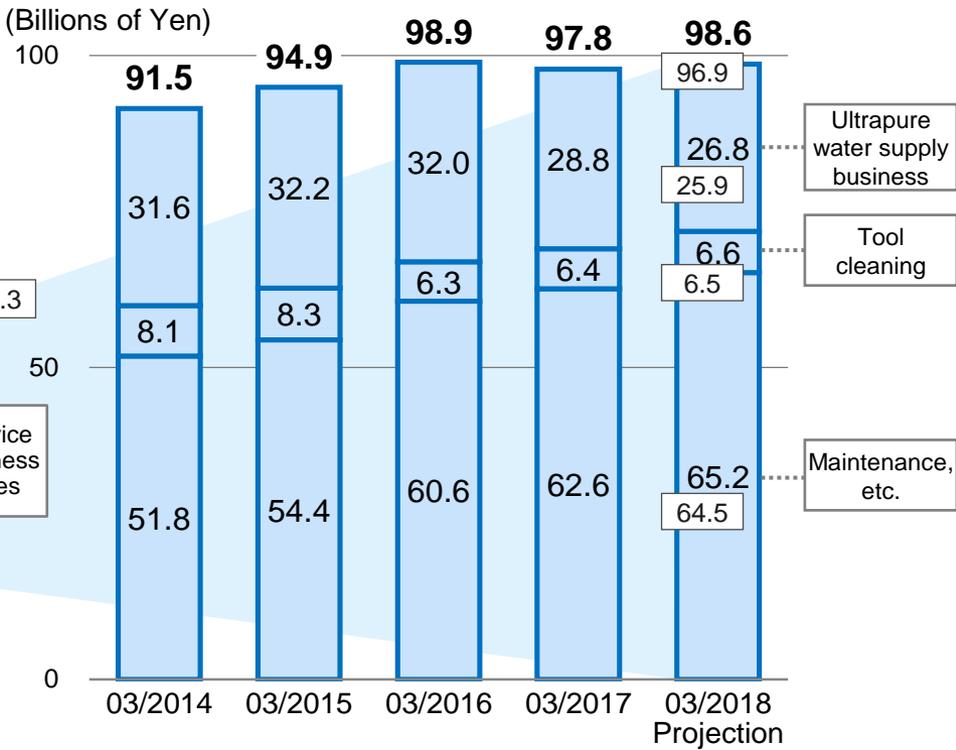
7. Service Business Sales

- Water treatment chemicals
- Water treatment facilities (services)
- Water treatment facilities (hardware)

* denotes initial projections

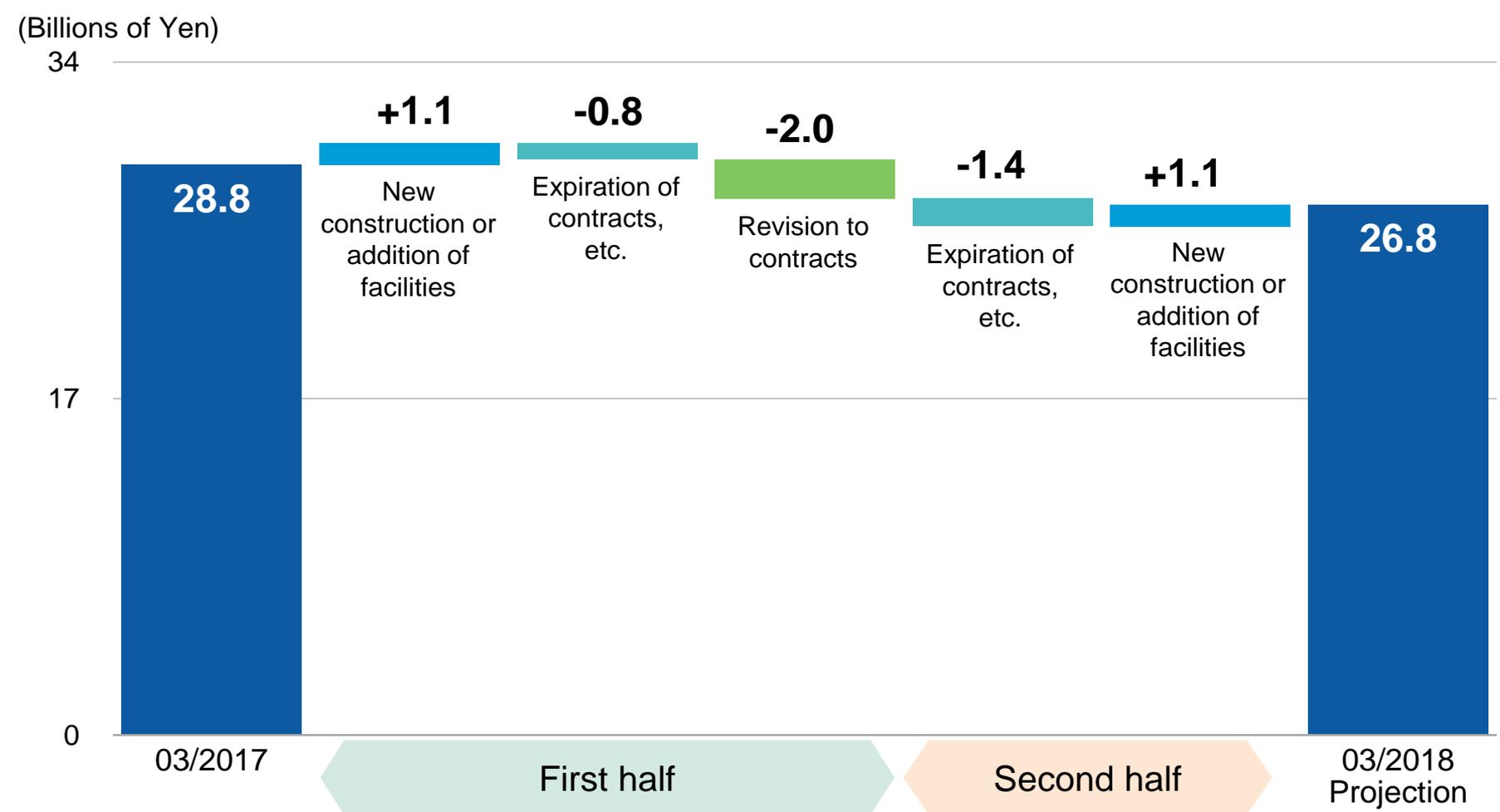


Service Business Revenue in the Water Treatment Facilities Segment

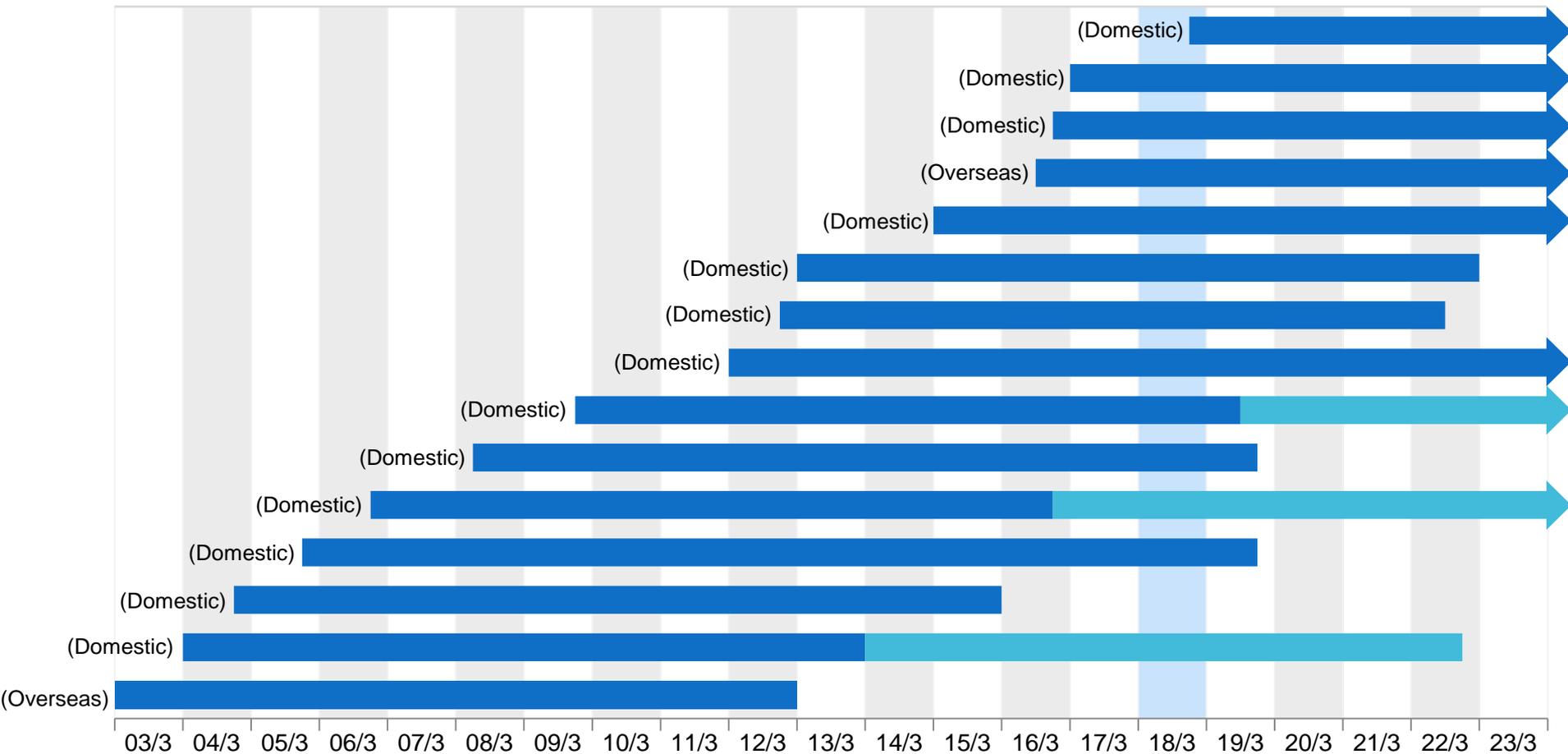


- The projection for the ultrapure water supply business has been revised upward.
- The projection for maintenance services for general industries has been revised upward.

8. Sales Plan for the Ultrapure Water Supply Business



9. Major Contracts in the Ultrapure Water Supply Business



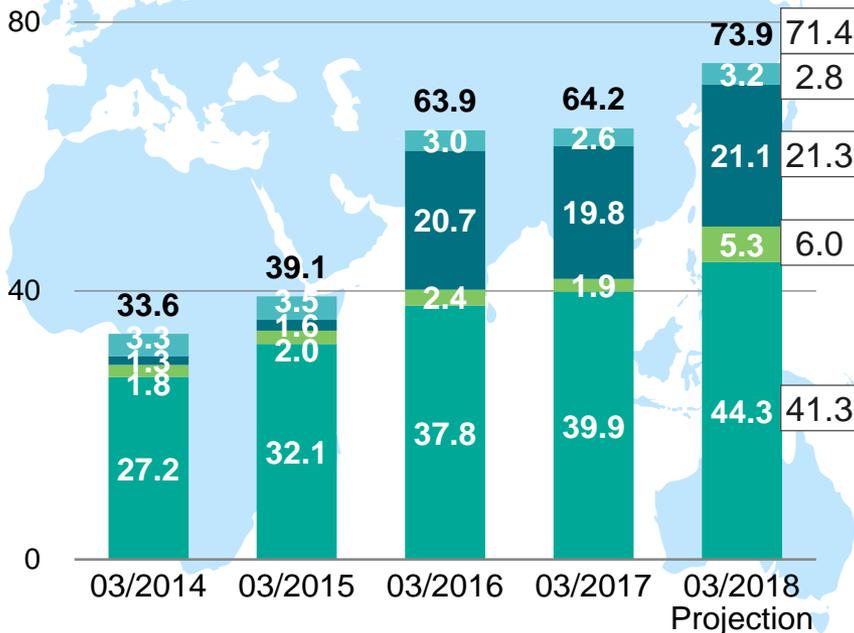
* Key contracts are shown above. This does not cover all contracts.

10. Overseas Sales

Overseas Sales by Region



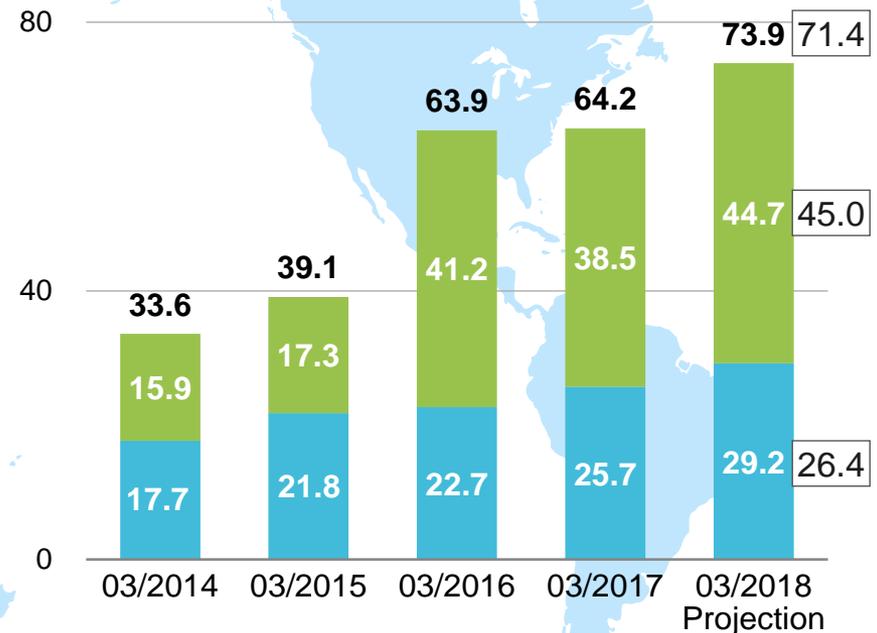
(Billions of Yen)



Overseas Sales by Business Segment



(Billions of Yen)

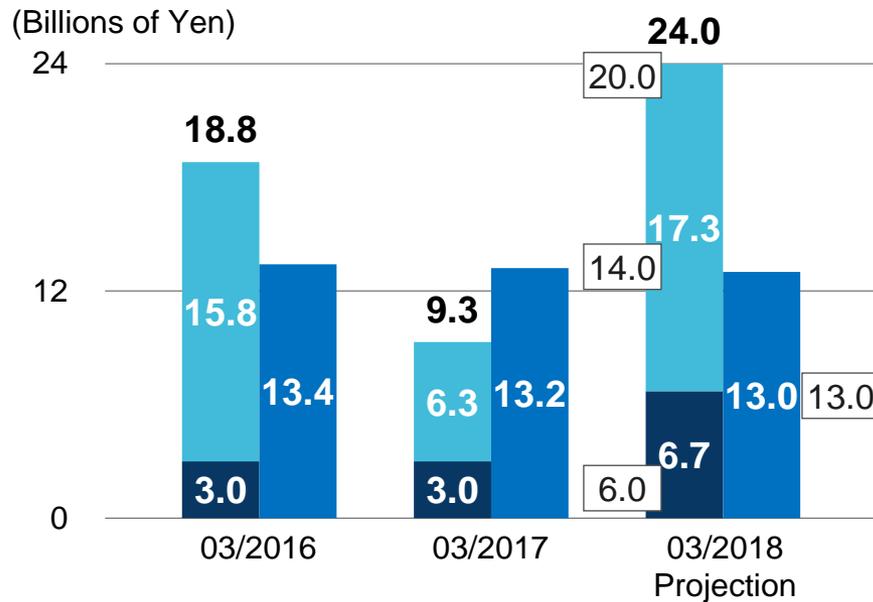
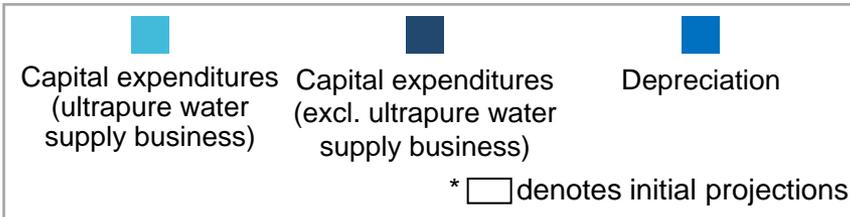


- Sales in the Water Treatment Chemicals business rose, but the initial projection has been revised downward slightly.
- The projection of sales of hardware in the Water Treatment Facilities business has been changed from the declined plan to the raised plan.

* 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.

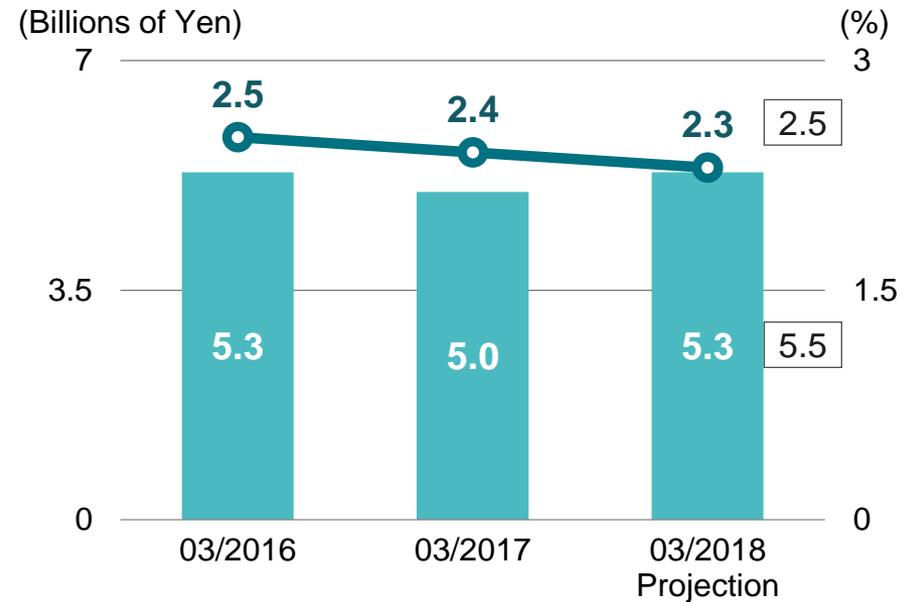
11. Capital Expenditures, Depreciation, and R&D Expenses

Capital Expenditures and Depreciation



■ The initial projection has been revised upward, reflecting the decision to make an additional investment in the ultrapure water supply business.

R&D Expenses



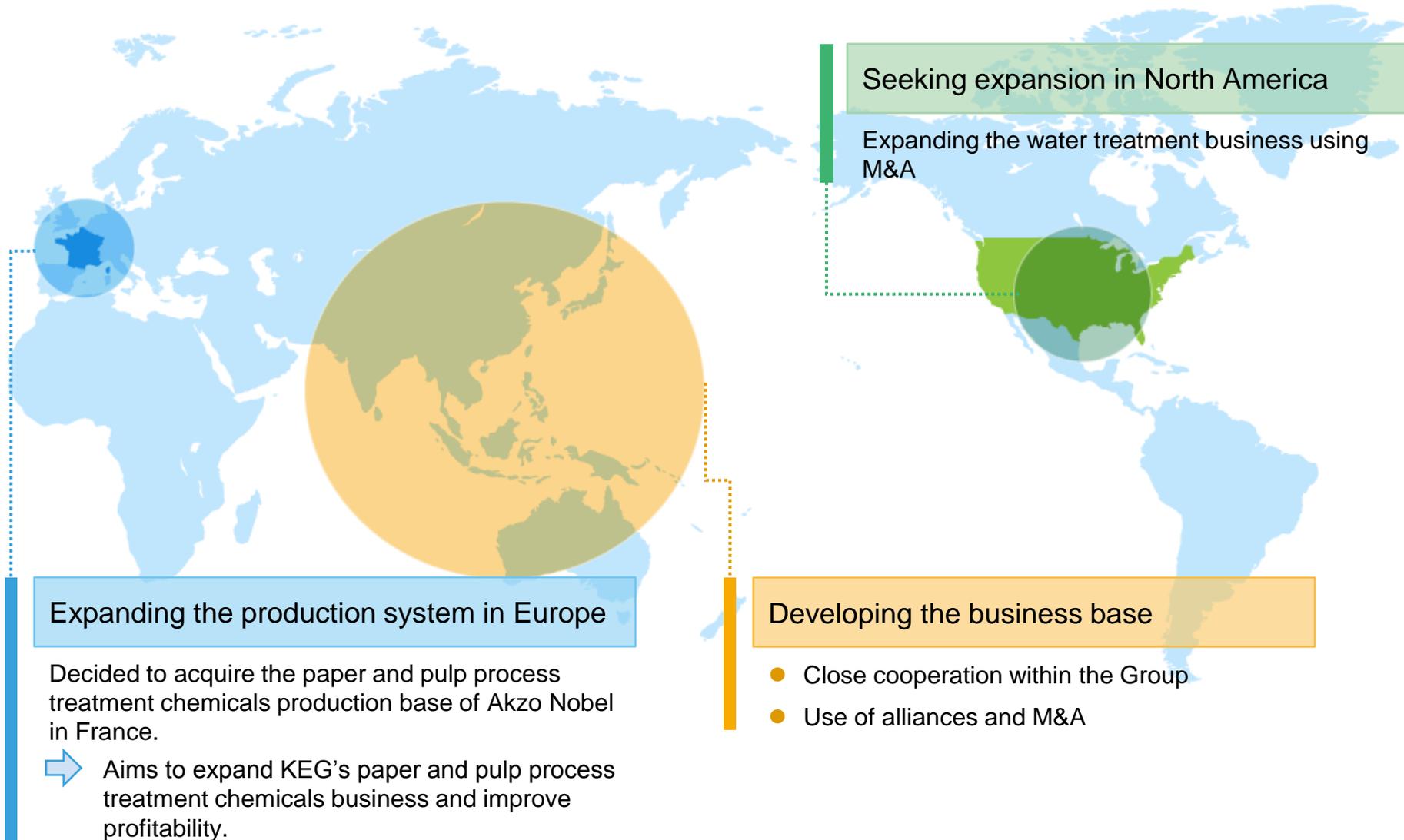
■ The focus will be on the global strengthening of development functions.

III. Priority Measures

1. Expansion of the overseas business foundations
2. Development of a new service business
3. Business organization reform

III. Priority Measures

1. Expansion of the overseas business foundations



III. Priority Measures

2. Development of a new service business

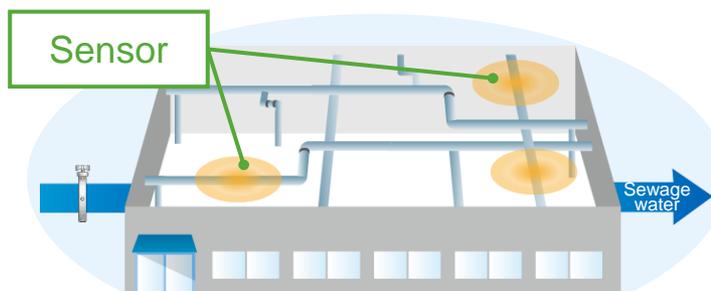
Standardized wastewater reclamation system



Developing standardized wastewater reclamation service

- Building a track record for delivery in Japan
- Developing service agreements and reaching for target markets in Japan and overseas

Water saving at commercial facilities



Water saving service using the IoT

APANA Inc.

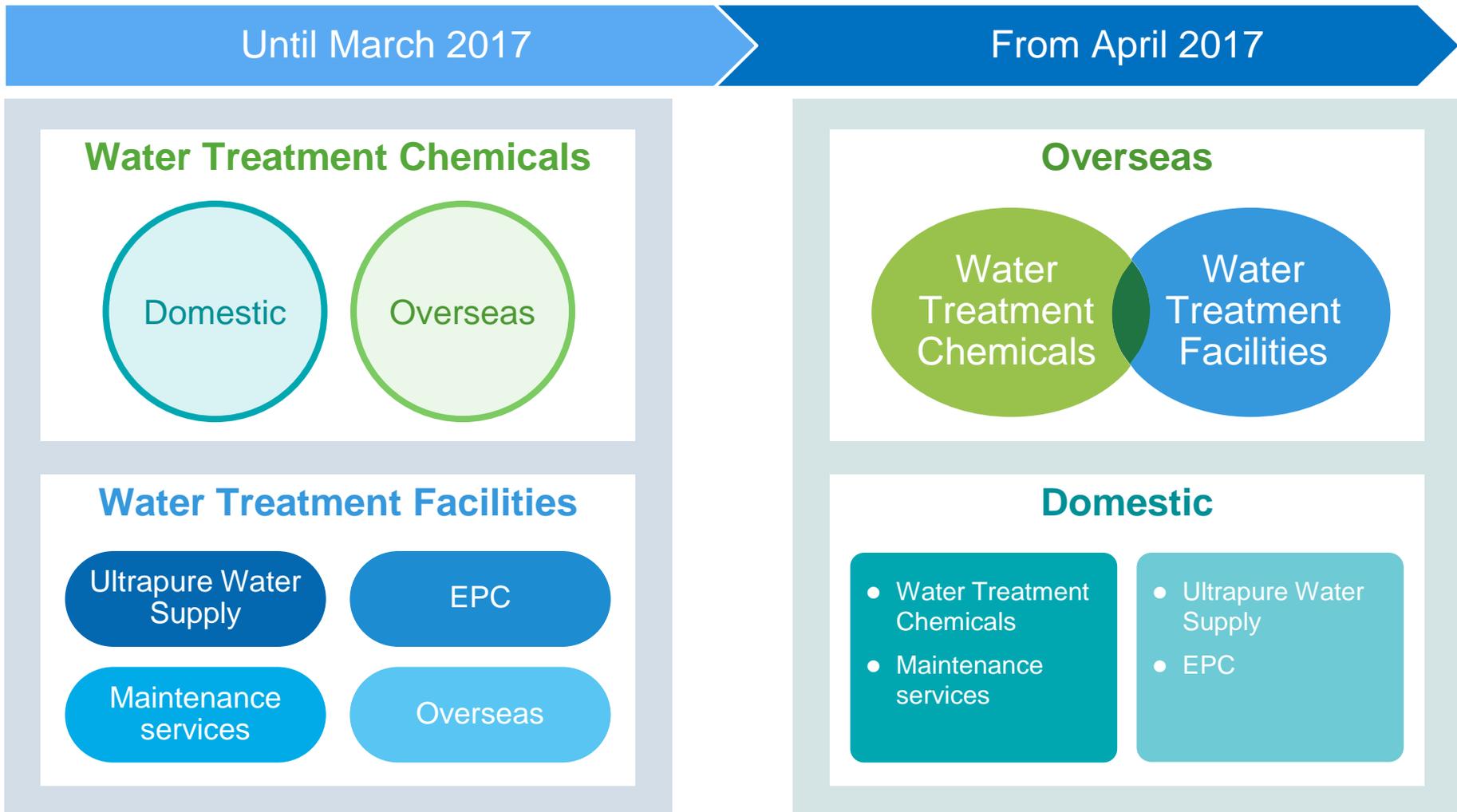
- Gaining new customers and increasing the number of agreements in the United States to 700
- Starting business in Japan

Kurita Group

- Determining needs for water saving at commercial facilities and proposing implementation on a trial basis
- Aiming to create a solution business for plants

III. Priority Measures

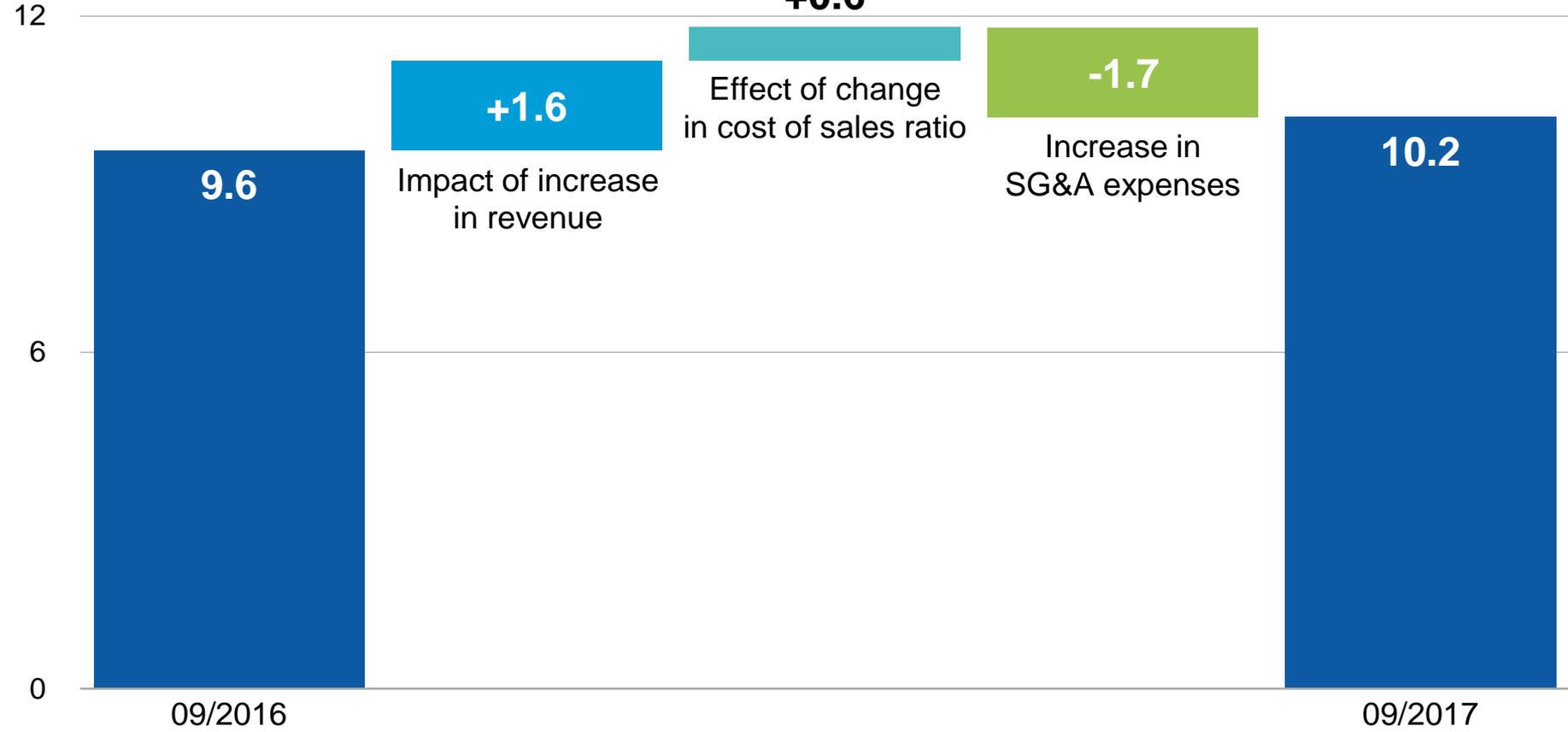
3. Business organization reform



* A revised evaluation system from October 2017

Analysis of Changes in Operating Income for the First Half of the Fiscal Year Ending March 31, 2018

(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.