

Summary of the Q&A Session at the  
Financial Results Briefing for the Fourth Quarter  
of the Fiscal Year ended March 31, 2019

Date and Time: May 14, 2019 (Tue.) 10:00 - 10:45

Venue: Belle Salle Tokyo Nihonbashi

Notice: This summary is a reference designed for the convenience of those who could not attend the financial results briefing stated above. Please note that this is not a word-for-word transcript of all remarks made at that session, but is a summary prepared by Kurita Water Industries Ltd.

- Q. With regard to the revision of an ultrapure water supply (UPWS) contract, please discuss the value of the asset sold, the impact to sales and the backdrop to the change.
- A. A customer indicated an interest in reducing their annual costs. As the result of negotiations, we agreed to sell a portion of the onsite UPWS assets to the customer in exchange for reducing their payments over the duration of the contract. We have yet to sign a formal contract and, therefore, cannot disclose specific amounts.
- Q. You have said that the outlook for the overseas water treatment facilities business is unclear. Please talk about your assumptions for the current plan.
- A. Visibility is deteriorating day by day. The environment for FPD investments is very challenging, with the potential for a further worsening. Semiconductor customers have not gone as far as cancelling their investment plans, but it is possible we could see further push-outs. In China, investments are driven by government subsidies. Subject to how US-China trade frictions play out, there may be an impact on the China business.
- Q. You indicated that the profitability of the overseas water treatment facilities business improved in the fiscal year ended March 31, 2019. However, given the tough order environment and the expected decline in revenues, should we be prepared for a deterioration in profitability going forward?
- A. The order environment is likely to become more challenging, but in addition to the limited number of competitors, our overseas EPC capability has dramatically improved. The real issue is whether or not customers will move forward with investments. We do not expect profitability to decline.
- Q. Should we be concerned about the potential for a decline in the order backlog as a result of delays to capex projects as of March 2019?
- A. There is no need to worry about a decline in the order backlog as a result of push-outs to delivery dates. It simply means a delay to the timing of revenue recognition.

Q. The growth rate for the domestic water treatment chemicals business was 2.5% YoY in the fiscal year ended March 2019. You are guiding for growth of 3.3% in the fiscal year, ending March 2020. Please explain the background to why you expect a higher level of growth.

A. As a result of initiatives to launch comprehensive solutions last year, we have been able to capture new, untapped demand from large-scale customers. This is leading to an increase in a variety of contract-based opportunities. We are very focused on pricing as well, and will continue our efforts to raise prices on an ongoing basis.

Q. Within the energy and infrastructure field, what is your view of the electric power business?

A. In the electric power field, we have strengths in waste water treatment for coal-fired thermal power generation. However, our basic view is that this is a shrinking market. For the electric power and general industries, we are shifting to focus on service businesses. With regard to EPC, we will narrow our focus to concentrate on new or differentiated technologies, such as power generation plants that use methane.

Q. You noted that you have not factored in a profit contribution from U.S. Water in the plan for the fiscal year ending March 2020. Could you disclose your assumptions for the one-off expenses, related to PPA or PMI, which are incorporated into your forecasts? How should we think about your effective profit margin?

A. Normally, U.S. Water's OPM is in the range of 5% to 10%. However, this year, in combining U.S. Water with our existing group companies, Fremont and Kurita America, we will incur expenses for initiatives such as the consolidation of the facilities business, the integration of the procurement function, the elimination of overlap in sales offices and the consolidation of production facilities. Our aim is to build a framework which will allow us to deploy comprehensive solutions in North America. This is why we assume there will be no profit contribution in the fiscal year ending March 2020.

Q. Are the PPA and PMI costs split between segments, based on respective revenue scale?

A. With regard to PPA, the assets that can be clearly categorized will be allocated individually. However, for assets that cannot be clearly categorized or that are used across the businesses, we will apply relative revenue scale to determine the allocation. For PMI, based on the initiatives discussed earlier, I think we will allocate by segment.

Q. You are guiding for a slight decline in segment profits for the water treatment facilities business in the fiscal year ending March 2020. However, the absence of additional production costs and the decline in depreciation should be positive for profits. I believe that these positives should outweigh the impact of lower sales in water treatment facilities. Are the one-off expenses just discussed the reason why you are forecasting a decline in profits?

A. The major factors which impact profits are falling domestic and overseas sales of water treatment facilities, and the decline in soil remediation revenues. For the

UPWS business, while sales will rise YoY, the contribution of new projects to the topline is not full scale yet, while the profit impact from the loss of revenues related to the sale of assets is significant. Taking all of the above into account, we are guiding for earnings levels that we are confident we can achieve.

Business forecasts presented and other statements relating to the future made in this document are based on information currently available and certain assumptions the Company considers reasonable. A variety of factors may cause actual financial results and other forward-looking statements to differ materially from the forecasts.