

Summary of the Q&A Session at the Financial Conference Call  
for the First Quarter of the Fiscal Year Ending March 31, 2020

Date and Time: August 14, 2019 (Wed.) 11:00 - 11:40

Notice: This summary is a reference designed for the convenience of those who could not attend the financial conference call 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 orders for water treatment facilities for the electronics industry, were 1Q trends by industry, or the outlook for 2Q and beyond different from your initial assumptions?

A. We saw order push-outs in both the domestic and overseas businesses to 2Q and beyond, but the magnitude of the delays was larger for overseas orders. This was particularly true for China.

Q. You indicated that recently acquired Avista Technologies is not expected to contribute to profits in the current fiscal year. What is the expected level of profitability if the impact of PPA and PMI is excluded, compared to the average for the water treatment chemicals business?

A. Given Avista Technologies has differentiated products in the field of RO chemicals, we believe the margin should be higher than the average margin for the domestic water treatment chemicals business.

Q. The 1Q water treatment facilities business profit rose approximately ¥1 billion YoY. Please discuss the factors behind the higher profits, and your view of 2Q and beyond.

A. Profits for the water treatment facilities business improved YoY as a result of a lower level of additional costs for water treatment facilities (approximately ¥1.1 billion in 1Q of the previous fiscal year) and a decline in depreciation expenses. For 2Q and beyond, the lower level of additional costs and the decline in UPWS (Ultrapure Water Supply) depreciation should have a positive impact on profits. However, we are also expecting the decline in UPWS revenues resulting from the sale of assets and the impact of lower domestic and overseas water treatment facilities sales to have a negative impact on profits.

Q. Please quantify the impact of UPWS asset sales on 1Q orders and sales.

A. There was almost no impact in 1Q. The impact will be felt in 2Q and beyond.

Q. Please discuss local currency growth rates and changes to the operating environment by geography for the overseas water treatment chemicals business.

A. Excluding new consolidations, sales for the overseas water treatment chemicals business fell approximately 7% in local currency terms. In China, VAT reforms led to increased sales in March, pulling forward demand from April, which declined as a consequence. However, we believe this is a temporary phenomenon.

Q. The profit contribution to other income from the sale of UPWS assets was larger than initially expected. Is this because the scale of the asset sale was larger than expected?

A. The scope of assets sold was unchanged from our initial assumptions. In addition, there has been no change to the expected impact on sales and profits from our initial plan.

Q. With regard to the domestic water treatment facilities business for general industries, have there been near-term changes in the operating environment for soil remediation and the facilities for the electric power industry?

A. Both are trending in line with our assumptions. Orders for the facilities for the electric power industry increased but we think the impact will be modest given the backlash against coal-fired thermal power and limited prospects for nuclear power restarts. For soil remediation, in addition to customers placing a series of orders on an ongoing basis, we believe demand for land to be used for retail and logistics facilities is strong.

Q. With regard to the sale of UPWS assets, would you expect to see more such sales going forward?

A. I can't say never again, but there is nothing that comes to mind at this point in time.

Q. Please disclose 1Q China orders and sales for water treatment facilities.

A. Including maintenance, orders were approximately ¥2.8 billion and sales were approximately ¥4.5 billion.

Q. What do you expect for China orders for water treatment facilities this fiscal year?

A. The initial plan was ¥13.8 billion, but if the current pace of orders remains unchanged, we could fall short of plan.

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