

Summary of Q&A Session at the Financial Results Briefing
for the Fiscal Year Ended March 31, 2012

Date and time: Wednesday, May 2, 2012, from 3:00 p.m. to 4:10 p.m.

Place: Belle Salle Yaesu

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: What was demand for water treatment facilities for general industries for recovery efforts following the earthquake? What is your forecast for demand for water treatment facilities for general industries for purposes other than post-earthquake recovery?

A: Demand for water treatment facilities for general industries for recovery, including the recovery of power plants, was about ¥7 billion in orders for the fiscal year ended March 31, 2012. Sales were about ¥6 billion. We forecast that orders and sales of water treatment facilities for general industries for recovery from the earthquake will be ¥1.2 billion and ¥1.7 billion, respectively, for the fiscal year ending March 31, 2013. Demand for water treatment facilities for general industries for purposes other than recovery from the earthquake was relatively weak in the previous fiscal year. We expect that trend will continue this fiscal year. We don't anticipate a rise in demand for water treatment facilities for general industries for other purposes.

Q: You mentioned that some contracts were changed in the ultrapure water supply business. What was the effect of those changes on earnings? Could something like this happen again in the future?

A: First, the ten-year period of a contract for a project in Singapore expired in April this year, and we changed the contract to an operation and maintenance (O&M) contract. Second, in a domestic liquid crystal display (LCD) project, the company asked us to reduce the charges and extend the contract period because it changed its production items and would not manufacture certain items for more than a year. Because of accounting rules, we were not able to extend the depreciable life. We were not able to cut the charges either because that would have a significant adverse effect on our earnings. So we sold the ultrapure water production equipment to a third party and changed the contract to an O&M contract. Given the effects of these changes, we expect that sales in the ultrapure water supply business will decline to ¥31.8 billion in the fiscal year ending March 31, 2013, down from ¥34.8 billion in the fiscal year ended March 31, 2012. We expect that sales in the business will remain roughly at the same level as that at March 31, 2013 for the coming three years, or the period of our new medium-term management plan Take Action 2014 (TA-14).

Q: Will you sell the assets in the ultrapure water supply business in a domestic LCD project this fiscal year? If so, how will your profitability change?

A: Yes. We will sell the assets during this fiscal year. However, the ultrapure water supply contract will be extended from the customer's perspective. Although our revenue for each fiscal year will decline, the O&M contract will be extended, and there will be a gain on the sale of assets. As a result, total revenue will rise, and the internal rate of return will not change.

Q: Could you provide a breakdown of sales and operating income from water treatment facilities by customers for the electronics industry and for general industries in the fiscal year ending March 31, 2015, in the new medium-term management plan TA-14?

A: We forecast that sales in the Water Treatment Facilities segment will be ¥166.0 billion in the fiscal year ending March 31, 2015. Of that amount, sales of water treatment facilities for the electronics industry will be ¥98.0 billion, and sales of water treatment facilities for general industries will account for the rest. We have not disclosed a breakdown of operating income. However, I can say that overall, the operating margin will fall slightly. This is because sales of hardware will increase, while sales in the ultrapure water supply business will decline. Sales from maintenance services will rise sharply two to five years after the delivery of hardware, and we do not expect a sharp increase before that period.

Q: You expect that sales of water treatment facilities for general industries will rise. Will sales increase primarily overseas?

A: Sales will rise also in Japan. Overseas, we are considering expanding sales using our wastewater reclamation technology, especially in China and Southeast Asia. We expect that demand for wastewater reclamation and recycling will expand sharply, particularly in China, reflecting water shortages and the tightening of regulations. We aim to find demand in general industries, especially through Kurita Water Industries (Suzhou) Ltd.

Q: Are there any contractual changes in the ultrapure water supply business other than changes in the project in Singapore and the domestic LCD project that you described?

A: We have extended the term of a contract for a short period with a large domestic LCD plant, although I cannot describe the terms of the contract under the non-disclosure agreement. Since we cannot extend the depreciation period for the facilities, earnings for each fiscal year will decline slightly. However, since the term of the contract has been extended, the total earnings will improve.

Q: Will sales in the ultrapure water supply business not change significantly in the fiscal year ending March 31, 2015 from the plan for this fiscal year, ¥31.8 billion?

A: We now expect that sales in the fiscal year ending March 31, 2015 will be just over ¥30.0 billion, or roughly the same as sales for this fiscal year. We expect plants for new projects will start and contribute to sales.

Q: Could the ultrapure water supply business expand overseas?

A: I do not rule out the possibility of expansion. There are risks overseas, including country risks, foreign exchange risks, cash collection risks, and risks associated with differences in business custom. I am not saying that we will not take any risks. If risks overseas are the equivalent of risks in the projects that we have undertaken in Japan and Singapore, we should take them. Whether we will accept the risks or not depends on how we make decisions about them.

Q: I believe that there is potential for growth in wastewater reclamation for general industries in China. However, you are considered to be lagging behind, and the field is very competitive. What are your views about profitability in this field?

A: I don't think we are lagging behind in the wastewater reclamation business in China. There are a range of operations, such as seawater desalination, involved in the water business. However, wastewater reclamation requires advanced technologies. We do not know to what extent we will be able to demonstrate technical advantages in simple pure water production systems and wastewater treatment. If we have technical advantages, we may fail in relation to costs. Wastewater reclamation, particularly systems to sort out and recycle industrial wastewater, is new to China, and we consider that we can enter the market. Moreover, since consumables, including RO membranes, ion-exchange resin, and activated carbon, are used in wastewater reclamation, we will be able to expand demand for maintenance services. Organic wastewater reclamation, in particular, requires very sophisticated technologies and will generate demand for maintenance services. We are therefore looking at engaging in this using our technical advantages and features.

Q: Will you post a gain on sales if you sell facilities in the ultrapure water supply business to a third party? Will the shift to an O&M contract generate revenue from maintenance?

A: The sale of facilities will generate a gain on sales as an extraordinary gain for this fiscal year. Since the customer's plant will not operate for more than a year, we will hardly earn any revenue from maintenance services during that period. We will reduce the number of operational control staff, and are making final adjustments.

Q: Could you tell us what percentages semiconductors, LCD, and electronics components and others accounted for of the orders for facilities for the electronics industry? What percentages will they account for of the expected orders?

A: Semiconductors, LCD, and electronics components and others respectively accounted for about 80%, 8%, and 12% of the orders in the fiscal year ended March 31, 2012. We do not have any specific data for the plan for the fiscal year ending March 31, 2013. We have a small number of planned new LCD projects in Japan in the fiscal year ending March 31, 2013. There will possibly be new projects in China, including projects related to Organic Light-Emitting Diode (OLED). At any rate, we expect that semiconductors will account for a large percentage.

Q: What percentages of total sales will sales of new products and new businesses account for in the new medium-term management plan TA-14?

A: We aim that new products and technologies will account for 15% of total sales.

Q: You said that you will solve the challenges of your customers in your domestic operations. Could you give us some specific examples?

A: Generally speaking, we will provide facilities and chemicals that contribute to energy saving, environmental mitigation, cost cutting, and improved profitability and yield. We will show to what extent we will be able to reduce energy consumption through overall management of plant water in relation to power shortages. Combining facilities, maintenance services, and chemicals, the entire Group will strive to make proposals that will deliver maximum benefits, including energy saving, to our customers.

Q: Could you describe the performance of electrolyzed sulfuric acid generators in the previous fiscal year and your plan for this fiscal year? How will you get other manufacturers to use

electrolyzed sulfuric acid generators?

A: We received orders for five generators by the fiscal year ended March 31, 2011 and ten generators in the fiscal year ended March 31, 2012. We expect to receive orders for five generators in the fiscal year ending March 31, 2013, which will make the total number of orders 20. The price of an electrolyzed sulfuric acid generator is ¥100 million to ¥400 million. Getting electrolyzed sulfuric acid generators to be used by other manufacturers is one of the targets that we are setting in this fiscal year. We believe that electrolyzed sulfuric acid generators will more likely be introduced when customers introduce new production lines. We will continue to promote sales of generators, particularly overseas.

Q: What was the cost of head office relocation for the previous fiscal year? What will be the cost for this fiscal year?

A: Head office relocation spending was ¥400 million for the fiscal year ended March 31, 2012. We expect to post ¥3.0 billion for the fiscal year ending March 31, 2013.

Q: You said that you will seek to promote M&A and alliances overseas. Could you tell us specific fields and regions? Are you considering M&A to increase share in the domestic market?

A: We are considering M&A and alliances in water treatment chemicals overseas. We have a range of water treatment chemicals but would like to have better chemicals for productive processes as opposed to water treatment. For example, we have Kurita Europe in Germany, which covers a very wide area, that is, Europe, North Africa, and the Middle East. We are considering companies that operate in those areas and that are expected to generate synergy as our targets for M&A and alliances. We have just started a chemicals business in North America and are operating only in certain regions and with certain customers. We hope to expand our areas of operation. We are considering acquiring products, technologies, and sales networks to enhance the appeal of our products. It is difficult to pursue M&A and alliances in Japan, but we will consider M&A and alliances if we find companies with which we will be able to generate synergy and improve our margins.

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