Summary of the Q&A Session at the Financial Results Conference Call
for the First Nine Months of the Year Ending March 31, 2017

Date and Time: February 1, 2017 (Wed.) 11:00 - 11:40

Notice: This summary is a reference designed for the convenience of those who could not attend the financial results 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. There has been an increase in orders for soil remediation and thermal power generation facilities included in Water Treatment Facilities for general industries. What is your view of trends going forward?

A. We believe that the current pace of soil remediation orders is likely to be maintained but, FY2016 is likely to be the peak for orders of electric power generation-use facilities. That said, given the typically long lead times associated with electric power generation facilities, revenues should continue to grow.

Q. Did Kurita Water Supply Service (KWSS) successfully win orders in Q3? Are you seeing a shift away from outright sales of hardware to KWSS's service model?

A. KWSS has won 14 contracts in FY2016. We are not seeing an acceleration in the shift toward services. However, by nature, such contracts require a thorough assessment of expected investment returns. Given this, we feel the progress has not been particularly bad.

Q. Your operating profit margin has been declining. Should we expect the outlook for the electronics industry within the Water Treatment Facilities business to remain challenging?

A. The electronics industry margin is lower this fiscal year because of revisions made to contracts with an Ultrapure Water Supply (UPWS) customer. Until the depreciation associated with these contracts rolls off, lower revenues will have a direct impact on profits. As the contract revision happened partway through the current fiscal year, profitability on these contracts for the next fiscal year will also be impacted. However, profitability for industries other than electronics has been improving. We believe that this will allow us to offset the negative impact from the electronics industry in the next fiscal year as well.

Q. The profitability of general industries Water Treatment Facilities does not appear to be improving. Is there a possibility that overall profits could fall again next fiscal year, if current circumstances do not change?

A. We are making progress in improving profitability for the Water Treatment Facilities for general industries. We are currently formulating our forecasts for next fiscal year, and would like to guide for YoY increases in profits.

Q. Can you comment on the profitability of the recently acquired Fremont Industries (US)?

A. This company was privately held prior to acquisition. As such, we are confident that there will be room to improve margins.

Q. Given goodwill amortization, should we expect that Fremont Industries will be a drag on consolidated operating profits in the next fiscal year?

A. We are currently in the process of reviewing the goodwill, so at this stage, we cannot comment on what profits might look like after goodwill amortization.

Q. How would you assess the progress you have made up to the end of Q3 on achieving your profit targets for the Water Treatment Facilities segment, for both the electronics industry and general industries?

A. Both have made good progress versus our full-year forecasts. We see no issues in achieving our full-year guidance.

Q. Am I correct in assuming that overseas water treatment chemicals sales for Q3 on a three-month basis were slightly lower YoY on a local currency basis? Can you also talk about the conditions in the various geographies?

A. It is true that revenues were slightly down. By subsidiary, Singapore, Thailand and Europe reported lower revenues.

Q. You have not changed your plan for overseas water treatment chemicals sales. Is the downturn in Q3 a temporary phenomenon?

A. The fiscal year-end for our overseas subsidiaries is December. All of our water treatment chemicals subsidiaries reported YoY increases in sales on a local currency basis.

Q. Domestic water treatment chemicals sales appear to be quite solid. Can you talk about why? Also, do you think you can maintain revenue growth of 2-3% YoY in FY2017?

A. Our impression is that the domestic water treatment chemicals business has been improving since October of last year. Our customers' production levels appear to be recovering on the back of the completion of inventory adjustments. In addition, we believe that the appeal of the Dreem Polymer product has played a significant role in winning new customers. It is too early to comment on next fiscal year but we would hope to be able to guide for topline growth of more than 2% YoY.

Q. In Q3 you won a large-scale domestic order in electronics for the Water Treatment Facilities business. Can you talk about expected profitability?

A. It should be relatively good.

Q. How do you view the opportunities related to proposed large-scale investments in China and the US by your main customers?

A. We would certainly seriously consider any inquiry that came in, but so far, there have been no such inquiries.

Q. Can you talk about earnings at Kurita Europe GmbH (KEG)?

A. We missed large-scale orders in both paper processing chemicals and alumina compounds. As a result, we have fallen behind our initial plan. Given the amortization of goodwill and technology-related assets, KEG finished its fiscal year slightly in the red. We continue to see steady growth in sales of water treatment chemicals and from cross-selling synergies.

Q. There is talk of capex from your UPWS customers. Can you give us a sense for your expected capex spend in FY2017 for this business?

A. We hope that capex will increase versus this fiscal year but we do not expect the scale of increases will be as large as last fiscal year.

Q. You sold investment securities in the December quarter. Did you accelerate sales in order to secure funding for investments?

A. The divestment of securities this time was a part of a regularly scheduled review of strategic equity holdings. We sold holdings in three companies because they did not achieve expected returns. We did not accelerate sales of equities to cover funding needs.