Summary of the Q&A Session at the Financial Results Briefing

for the Fiscal Year ended March 31, 2018

Date and Time: May 2, 2018 (Wed.) 15:00 - 16:00

Venue: 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. With regard to improving the profitability of the existing businesses, as stated in the new medium-term management plan, how have you factored in the impact of synergies from previous acquisitions in the Water Treatment Chemicals business? Also, how do you plan to improve profitability while also increasing sales going forward?

A. We view improvements to profitability, for both the domestic and overseas businesses, as a major challenge that was not fully achieved during the previous medium-term management plan, CK-17. In April 2017, we integrated the domestic Water Treatment Chemicals and the Maintenance Service businesses into a single organization. This led to new types of contract business in the 2H of the fiscal year ended March 31, 2018. Our aim is to improve domestic profitability by providing our customers with added value for which we will be appropriately rewarded. For the overseas business, we leverage products and services where the Kurita group has strengths, to serve customers that operate globally with a one-stop approach.

One example of the positive benefits from M&A is the development of applications that leverage the film forming amine technology of our European subsidiary, which has led to the emergence of a new market. We aim to improve profitability by accelerating the commercial launch of technologies and products where we have competitive superiority.

Q. With regard to the growth investments for the Ultra-pure Water Supply (UPWS) business, how are you thinking about expanding your customer base?

A. At the time I became president, I did say that I wanted to pursue overseas business opportunities for the UPWS business. However, given the preference of Chinese customers to take advantage of subsidy programs for investments, we recognize it would be challenging to apply the current business model in China as is. That said, we have been able to establish a track record in South Korea. In Japan, our aim is to attract new customers by modifying the current structure, focusing on the value proposition of the UPWS model, which contributes to production stability and the overall production process. We hope this will create opportunities for new investments.

Q. Are you thinking about applying a modified model to industries other than electronics?

A. Target industries would be semiconductors and electronic components. For other industries, we would like to offer waste water recovery services or compact ultra-pure water supply services.

Q. My impression is that you are aiming to return to previous levels with the medium-term management plan OPM target of 15% and ROE target of greater than 10%. Do you view these targets as conservative or challenging?

A. I believe these are challenging targets. Both the external operating environment and our business structure have changed, so getting back to previous levels will not be easy. We will not be able to achieve our targets without moving away from simply selling individual products in favor of providing services, or making fundamental changes to our business model.

Q. What is the biggest risk to achieving your targets? Is the overseas business the biggest challenge?

A. A major risk would be our inability to change our business model. I believe that if we are not able to make major changes at an early stage of the 5-year period, then it will be impossible to achieve our targets. I believe the overseas business will function as a platform, and therefore, do not consider it a risk.

Q. When you talk about a review of the business portfolio, what are you specifically considering?

A. Businesses, either domestic or overseas, that would be targeted for review are those where there are structural barriers to improving profitability, or where it would be difficult to change the sales approach.

Q. What is your view of why you saw a significant overshoot in FY ended March 31, 2018 orders from the electronics industry in Asia?

A. We were aware of the strong investment trends in FPD, but this coincided with strong end-market demand in semiconductors, which led to a surge in projects with short turnaround times concentrated at around the same time. The strong order trend at Kurita reflects the high value our customers place on our technological expertise and our proactive response to the opportunity.

Q. Will we see a continuation of this trend in FY ending March 31, 2019?

A. We would expect to see a moderation in the pace of FPD investments. We also expect Chinese semiconductor investments to slow, but believe that investment appetite for semiconductors remains strong in South Korea.

Q. Is the scale of inquiry levels unchanged from six months ago?

A. It is down overall, but there have been a number of projects where we have been able to leverage our superiority.

Q. Will the tightening of environmental regulations on waste water in China be a business opportunity?

A. Yes, of course. That said, there is significant variance in waste water needs by industry. If we were to see an increase in sophisticated projects such as waste water reclamation, then there would be promising business opportunities. However, simple waste water treatment projects would not create attractive opportunities.

Q. You are targeting a ¥1 billion increase in operating profits for the Water Treatment Chemicals business in FY ending March 31, 2019. Please talk about SG&A and the impact of making an equity-method affiliate in South Korean into a subsidiary.

A. We expect the impact of consolidating Hansu Co., Ltd. will be slightly less than ¥9 billion at the topline and several 100 millions of yen at the operating profit level (post-goodwill amortization). For SG&A, we expect an increase of ¥3.7 billion for the Water Treatment Chemicals business as a whole, of which ¥2.4 billion will come from the consolidation of Hansu Co., Ltd.

Q. For your operating profit forecast for the Water Treatment Facilities business, could you discuss the breakdown between the electronics industry and general industries?

A. We expect overall segment operating profit to rise ¥0.5 billion. The vast majority of the increase will come from the electronics industry although we do expect a modest improvement from general industries.

Q. From FY ending March 31, 2019, you changed the consolidation term of your overseas subsidiaries from January to December to April to March. How much was Water Treatment Facilities sales in the January to March 2018 quarter?

A. More than ¥6 billion.

Q. With the margins on the overseas Facilities business improving and growth in the Maintenance Service business, why are you expecting the profit margin for the Water Treatment Facilities business to deteriorate?

A. With production capacity running at extremely tight levels, we are taking a slightly conservative view on the profitability of the general industry business.

Q. Please talk about capacity levels for the Water Treatment Facilities business for the electronics industry in FY ending March 31, 2019. How much more room do you have?

A. We are already running at very tight levels. For the electronics industry, setting aside projects where we replicate existing designs, if we build facilities from scratch, generating an additional ¥10 billion would be difficult. This fiscal year, we are reviewing our production capacity as well as promoting initiatives to improve design efficiency. This should give us more room in production capacity going forward.

Q. When you achieve the overall OPM target of 15% in 5 years' time, what would be your image of the individual operating margins for the Water Treatment Chemicals and Water Treatment Facilities businesses?

A. Over the next 5 years, it is possible that the distinction between the two segments could blur but I believe Water Treatment Chemicals will definitely be at 15%. For Water Treatment Facilities, as the proportion of EPC inquiries declines, I believe that we can achieve an operating margin of close to 15%.