Summary of the Q&A Session at the Financial Conference Call
for the First Quarter of the Fiscal Year Ending March 2019

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.

Date and Time: August 14, 2018 (Tue) 11:00 - 11:30

Q. You have raised your full-year capex forecast. Is the increased capex for existing ultrapure water supply (hereafter UPWS) customers or does it include investments for new customers?

A. The increase reflects the frontloading of an existing domestic customer's capex plans.

Q. If overseas customers were to pull forward capex plans, would this be an opportunity for the UPWS business?

A. At this point in time, we see no signs of such activity.

Q. What were the factors behind the additional CoGS incurred for the water treatment facilities business? Should we consider this to be a one-off?

A. Strong order levels are keeping production capacity tight, which led to some quality management and cost management issues in the domestic business. The additional expense was approximately ¥1.1 billion. We believe this is a one-off. To avoid incurring additional costs going forward, we will control order intake to ensure that we can maintain appropriate quality management, and will also undertake initiatives to improve production efficiency.

Q. Overseas water treatment facilities' orders declined in 1Q. What is your sense for how 2Q and beyond is shaping up?

A. Our initial forecasts had already factored in a decline in orders from China and Korea. Current trends are largely in line with our expectations, although we did see an increase in orders from China, primarily for semiconductors, resulting in slightly better-than-expected orders in 1Q. Our view on Korea remains unchanged at this time.

Q. What is your sense for trends in the domestic water treatment facilities for the electronics industry for 2Q and beyond?

A. We expect the investment appetite of our domestic electronics customers in the semiconductor and electronic components industries to remain strong.

Q. Is the solid pace of progress on orders versus your full-year forecasts for the domestic water treatment facilities for the electronics industry in line with your expectations?

A. We certainly saw the orders we had been expecting. Overall, my impression is that demand is strong.

Q. What were orders and sales at Hansu Co., Ltd. in 1Q?
A. ¥2.4 billion. This is slightly better than initially expected.

Q. You have expanded the scope of water treatment facilities sales recognized using the percentage of completion method. How should we think about the full-year impact?
A. We believe the impact on full-year sales and profits will be limited; hence, we have not factored it into our forecasts. The impact seen in 1Q reflects a pull-forward of sales that we had expected to recognize in 2Q and beyond.

Q. Did the expanded scope of the percentage of completion method impact both the electronics industry and general industries?
A. The topline impact for the domestic electronics industry was ¥1.5 billion and for the domestic general industries was ¥3 billion. The remainder was from the overseas business.

Q. How much will the sale of the KEG alumina compounds business depress sales and profits?
A. On a full-year basis in FY ended March 2018, sales were ¥2.8 billion and profits were negligible.

Q. Which domestic industries were behind the additional CoGS incurred in 1Q? Also, won't tight production conditions persist in 2Q and beyond?
A. Of the total impact of ¥1.1 billion, the electronics industry was approximately ¥0.3 billion and general industries was approximately ¥0.8 billion. This is the combined total of losses already incurred and provisioning for expected losses. Production capacity will remain tight but we expect a decline in magnitude.

Q. How will the acquisition of Fracta impact earnings? Will there be goodwill amortization? Also, what are your expectations for Fracta going forward?
A. For the time being, we do not expect Fracta to make a major contribution to earnings. The immediate focus for Fracta will be on the software service of predicting water mains degradation for the US. In future, we hope to be able to apply Fracta's AI and machine learning know-how to operations and maintenance services for the water treatment facilities at our customers' domestic plants.