

Summary of the Q&A Session at the Financial Results Conference Call
for the Fiscal Year Ended March 2020

Date and Time: May 19, 2020 (Tue) 10:00 - 10:45

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. You have indicated that the novel coronavirus impact on the water treatment facilities for the electronics industry was negligible. Please discuss trends by region for customers in semiconductors, FPD and electronic components.

A. Current capacity utilization levels for electronic industry customers are solid. Semiconductor and FPD customers in China are running at close to normal levels, at capacity utilization rates of around 80%. In South Korea as well utilization at semiconductor customers is firm. Similarly for Taiwan, the novel coronavirus impact has not been that large; customer operating rates are stable. Domestically, while utilization at some customers is very strong, there are others where capacity utilization is slightly lower but not down significantly on a YoY basis.

Q. You are guiding for a YoY drop in water treatment facilities revenue from North America. Do you expect revenues from U.S. Water's water treatment facilities business to fall?

A. We expect U.S. Water's water treatment facilities business to be slightly weaker.

Q. With regard to the novel coronavirus impact on the water treatment chemicals business, you are guiding for a larger decline in revenues in 1H. Have trends from April onward been as tough as you had expected? Also, please comment on the status of the recovery in regions like China, where the outbreak has already subsided.

A. We believe conditions in China, where the outbreak came earlier but is now under control, will be useful in assessing the impact of the novel coronavirus going forward. Currently in China, the automakers that are doing well have order backlogs and are running at close to full capacity. However, conditions remain challenging for customers in steel making, petrochemicals and other industries that are particularly impacted by energy prices. The picture is mixed if you look at individual customers but overall capacity utilization is probably around 70-80%. We expect similar conditions in the domestic market in six months' time.

On the domestic side, we are only now starting to see an impact from the novel coronavirus. With the exception of a few industries, it has not been the case that demand has dried up or that capacity utilization is severely depressed. To date, the decline has not been as significant as we had assumed in our forecasts.

Q. You have guided for revenue growth in the ultra-pure water supply (UPWS) business. Please discuss the drivers, including customer trends. Is it fair to say that the YoY increase reflects the contribution from the new UPWS projects which came on line last fiscal year and the absence of negative factors such as contract revisions?

A. The UPWS business will see an increase in revenues from new projects, for which we invested significantly in the previous two years. However, because of the impact from 2Q of the fiscal year ended March 2020 owing to the sale of facilities, the resulting negative effect will be felt up to the end of 1Q of the fiscal year ending March 2021. Basically, the forecasts are the net result of these positive and negative factors. Capacity utilization rates have not changed significantly. However, we hope that delayed capex projects will resume from 2H.

Q. Are you assuming any contract revisions for the UPWS business in the fiscal year ending March 2021?

A. No.

Q. Please explain the Kurita Group's current positioning with regard to Avista's RO membrane chemicals. How big do you expect the business to be? Which are the markets where you believe you have superiority relative to major competitors? Is the current focus on developing applications rather than developing markets?

A. The RO membrane chemicals project seeks to fully leverage Avista's extensive expertise in RO membranes, its product lineup and comprehensive service models, including the membrane diagnostic service. We aim to offer Avista's products and service models in combination with the existing Kurita Group's lineup of RO membrane chemicals, including slime control chemicals, on a global basis. These technologies, products and business models are already established. We aim to achieve a business scale of around 10 billion yen within the next 2-3 years.

Q. Which regions and markets are you targeting for the RO membrane chemicals project? Have you already determined which regions and markets you will pursue?

A. The industries that make extensive use of RO membranes are the electronics industry and the desalination market. These would be our main target markets. By region, we are

focused on Singapore, where we have a group development base. We are also targeting East Asia, specifically countries which have a strong presence in electronics such as China, South Korea and Taiwan, and aim to include membrane processing services. We have clearly defined our target markets.

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