

Summary of the Q&A Session at the Financial Conference Call
for the First Quarter of the Fiscal Year Ending March 31 2021

Date and Time: August 7, 2020 (Fri.) 11:30 - 12:00

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. Although the decline in revenue for the domestic Water Treatment Chemicals business was not that large, please discuss conditions by industry.

A. There were single-digit declines in the electronics industry. Automotive fell 20% to 30% while steel-making dropped around 20%. However, food and other inland industries were down only slightly.

Q. You indicated there were delays for some domestic electronics industry maintenance projects, but is it correct to assume there were no delays on overseas electronics maintenance and that progress was good?

A. Progress was solid.

Q. Why was overseas maintenance solid? Was it because of firm capacity utilization at existing customers' plants, or success in expanding the customer base?

A. Capacity utilization at existing customers was solid.

Q. Please discuss the COVID-19 impact by segment.

A. The impact on orders was negative ¥4 billion, and on net sales was negative ¥3 billion. The Water Treatment Chemicals business accounted for the majority of the impact.

Q. With regard to the overseas Water Treatment Chemicals business, have you seen signs of a recovery in the second half of 1Q or in 2Q?

A. April and May were tough, with no signs of an improvement from June into 2Q so far.

Q. Could you discuss the conditions for the overseas Water Treatment Chemicals business by region and market segment, please?

A. The situation in the US is tough, as seen in ethanol-related chemicals, which have been impacted by weak demand for petrochemicals, and the COVID-19 impact.

Q. For the electronics industry, do you expect to see lingering impact from delays in China?

A. Including projects delayed to this point, we do expect to see some impact going forward.

Q. Please talk about the specific factors that drove an improvement in business profits for Water Treatment Chemicals business, despite the topline decline. Also, do you expect to be able to maintain the 1Q segment profit margin in 2Q and beyond?

A. On the cost side, progress in transitioning to global procurements allowed us to reduce raw materials costs. We were also able to reduce indirect manufacturing expenses. We expect to see similar benefits in 2Q.

Q. Have you started to see synergies from the companies you acquired in the Water Treatment Chemicals business?

A. We haven't gotten to that point quite yet but we have been able to collaborate on the procurement side. We also did see some benefits from integration along functional lines.

Q. The 1Q results were firm, but do you have concerns for 2Q and beyond?

A. At this point, we have no concerns.

Q. The goodwill resulting from the acquisitions made to date is ¥56.4 billion. Given the tough operating environment because of COVID-19, is there a possibility that you may need to take impairment losses in the current fiscal year?

A. Under the current conditions, we have no major concerns.

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