

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

Date and Time: November 6, 2020 (Fri.) 09:30 - 10:35

**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 revised up the business profit forecast for the Water Treatment Chemicals segment. Please explain why profitability has improved. Were there changes in how you sell or product mix? Or, was it the impact of synergies with newly consolidated subsidiaries?

A. We have been focused on developing a solution model. Profitability improved because of a change in sales mix, with a higher proportion of sales from higher-margin service contracts rather than outright sales of individual products. The sales force was also more focused on pricing, which led to prices that better reflected the value provided to our customers. The impact of previous price hikes was also a factor.

Q. If the improvement was the result of changes in how you sell your products, can we expect profitability improvements to continue going forward?

A. Our sales force has shifted its focus from the topline to profitability, so we expect a mix shift toward higher-margin businesses.

Q. You indicated that there were delays to sales and construction in 1H in the China business. Could you provide specifics about the customers where there were delays? Was it semiconductor customers? LCD panel customers?

A. The construction delays were in the Water Treatment Facilities business. It was the result of Japan-based employees in supervisory roles being unable to travel from Japan to China because of the COVID-19 outbreak. In addition, the electronics industry was impacted by US-China tensions, which prompted semiconductor customers to pause investments. This led to delays in negotiations and order intake. For our Water Treatment Chemicals business customers, we are seeing a recovery in automotive industry demand. Capacity utilization rates for the petrochemical industry are also returning to normal levels.

Q. Has electronics industry demand for water treatment facilities rebounded in the near term?

A. In FPD, there is still some room to increase manufacturing capacity, so our impression is that customers are holding back on investments. For semiconductors, we are starting to see small- and medium-scale investments, but large-scale investments appear to be paused.

Q. Please provide more detail on the Avista project. What was the sales track record for the RO membrane chemicals? Has the outlook changed?

A. Through the acquisition of Avista, we have acquired management resources including RO membrane chemicals and a membrane cleaning and diagnostic service. This has allowed us to rebuild our RO membrane chemicals lineup and brand on a global basis. The scale of global sales of RO membrane chemicals in 1H was approximately ¥4 billion. Prior to the Avista acquisition, our annual revenue scale was ¥6 billion. We aim to grow this to ¥10 billion.

Q. The overseas maintenance business was firm. Can you talk about the contributing factors apart from customer capacity utilization? Was there an increase in demand for remote monitoring or labor-saving services?

A. In the maintenance business including the domestic business, we focused on developing more sophisticated services, including the operations management service. Going forward, we will concentrate on developing hybrid services that combine the traditional maintenance services with remote facilities diagnostics.

Q. I expect that leveraging the on-site data captured in water processing will contribute to improved margins. Please discuss your medium-term strategy. What sort of data do you expect to collect? What kinds of services can you create with this data?

A. I believe that leveraging data will be very important going forward. However, our strength is accumulating know-how by linking ourselves to our customers' manufacturing processes through operations and maintenance services that bring together high-end water processing technologies, as epitomized by the Ultrapure Water Supply business. Our strategy will be to leverage our accumulated know-how and expertise from high-end water processing to provide high value-added mid- and low-end solutions.

Q. Please discuss your medium-term strategy on how you will leverage the AI technologies of Fracta.

A. Our objective in welcoming Fracta to the Kurita Group was to use AI technology to capture and codify our expertise and skills in the operations and management of water processing and utilities facilities, which is one of our core competencies. I view Fracta, a member of the Kurita Group, as a key partner as we focus on developing AI solutions.

Q. What is the difference between the solution model and the service-type contract business?

A. The difference is whether it is a model where we have incorporated the added value of solutions to a traditional business, or a model where we own the assets and share the benefits with our customers. From the perspective of profitability, both are important.

Q. What are your assumptions for scale over the next 2-3 years?

A. We are currently focused on deploying these models globally. Our aim is to generate 10% of group sales in 2.5 years' time. We are also aiming for high profit margins.

Q. Do you expect profit margin levels for the next 2 fiscal years to rise as a result of the profit improvement initiatives you are implementing?

A. Obviously, we do have a margin level in mind for next fiscal year as we focus on improving margins. In FY ending March 2023, we aim to achieve our Medium-Term Management Plan target.

Q. Based on the response of your customers to solution model and service business proposals, how would you assess the progress you are making with your initiatives?

A. For large-scale customers or customers that do not allocate their own headcount to utilities, the COVID-19 outbreak is making latent demand a reality. Customers are now finding value in the remote service and other services which we had offered to date. The COVID-19 outbreak may hamper progress in the short term but if we look out 2-3 years, I would expect progress to accelerate, relative to the pace to date.

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