

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

Date and Time: February 5, 2021 (Fri.) 10:00 - 10:40

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. Has the capacity utilization of your customers in the domestic Water Treatment Chemicals business improved from 2Q into 3Q? Also, do trends differ by industry?

A. We believe there was an improvement. By industry, automotive improved but the situation for oil-related industry remains tough.

Q. Do you believe the improving trend at your customers is sustainable in 4Q and into the next fiscal year?

A. There are still some uncertainties, but we expect a recovery to continue into the next fiscal year.

Q. After 2Q, have you seen sequential improvements in the order environment in 3Q and 4Q for the maintenance business? I believe utilization levels at your overseas electronics industry customers suggest you should be seeing more of an improvement, but how should we think about this?

A. There wasn't a major change from 2Q into 3Q on the domestic side. On the overseas side, given that demand, by nature, should increase going forward, we do not read too much into quarterly ups and downs.

Q. For 3Q business profits, how much of a factor was the impact of the CoGS improvement at the Water Treatment Chemicals business? Please also talk about the factors contributing to the decline in SG&A and the outlook going forward.

A. Excluding the impact of new consolidations, we believe there was a ¥0.6 billion impact from improved CoGS at the Water Treatment Chemicals business. With regard to the breakdown of contributing factors to the decline in SG&A, it is challenging to separate the impact of restrictions on movements as a result of COVID-19 and the impact of our own efforts to reduce expenses. Even if the COVID-19 impact fades, we can still look forward to lower expense levels as a result of promoting remote working.

Q. The 4Q sales forecast for the Water Treatment Chemicals business in China is lower than 3Q actual sales. What is the background to this?

A. We have assumed a seasonal impact related to the Chinese Spring Festival as well as a foreign exchange impact in guiding for a decline.

Q. The profitability of the Water Treatment Chemicals business is improving relative to two fiscal years ago and the previous fiscal year. Could you share some specific examples of initiatives to improve CoGS and reduce expenses? Are the benefits of such initiatives sustainable going forward?

A. I would highlight the reduction of raw materials procurement costs for chemicals through global procurement, or the promotion of remote working which has led to lower expenses as representative examples. We expect the positive impact to be sustainable.

Q. You have reported a ¥1 billion loss on equity method investments. Please talk about the background. Also, is this a one-off?

A. Apana, a venture which is focused on water-saving solutions, has found it difficult to develop new customers in the retail industry as result of COVID-19. Based on a review of the business plan, we chose to post an impairment loss. This is a one-off.

Q. Fracta, like Apana, is also a venture. Please discuss the current situation for Fracta.

A. Fracta's AI technology contributes to our digital transformation (DX) efforts. At this stage we are not contemplating a write-down.

Q. You indicated that the Chinese economy is on a recovery path. I believe you have plans to set up a production plant for chemicals in China. Do you expect the China business to grow?

A. China is seeing high levels of activity, primarily in the electronics industry. We expect to see growth in both the Water Treatment Chemicals and the Water Treatment Facilities businesses going forward.

Q. This fiscal year, you integrated the U.S. businesses under Kurita America. Please provide a progress update on the consolidation of production and logistics facilities.

A. As a result of the COVID-19 outbreak, progress has slightly lagged plans.

Q. Please discuss the outlook for the electronics-related business in North America.

A. In the electronics industry, we expect to see growth in the tool cleaning business of Pentagon Technologies, which was newly consolidated this fiscal year.

Q. Why was the investment in the new R&D center incurred earlier than planned?

A. Construction is progressing faster than we had initially expected.

Q. Why has progress on overseas orders for water treatment facilities been sluggish?

A. Order progress has been weak because of lackluster demand for facilities in North America. However, we are seeing demand in China and South Korea; here orders are tracking in line with plan.

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