

Summary of the Q&A Session at the Financial Conference Call
for the Fiscal Year Ended March 2021

Date and Time: May 7, 2021 (Fri) 10:00 - 11:10

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. Please discuss your strategy for the Ultrapure Water Supply (UPWS) business going forward, including new customer acquisition and overseas expansion.

A. Over the approximately 20 years since the Kurita Group launched the UPWS business in 2002, we have accumulated the skills and expertise to ensure stable supply of high-end water. Going forward, we would like to offer UPWS to clients that, like our existing customers, use large volumes of high-end water for projects where we feel we can demonstrate our superiority. Regionally, we will not limit ourselves to only the domestic market.

Q. Going forward, is it possible that you could undertake UPWS projects in China?

A. In China, we already operate service businesses where we own the assets, such as the recycled water supply service, although they are not structured like the UPWS business. In determining the structure of the service to be provided, we look at each project individually, based on the customer's situation and our local resources.

Q. In the forecasts for the FY ending March 2022, you are guiding for a significant improvement in profitability for the Water Treatment Chemicals segment. However, the forecasts for the Water Treatment Facilities segment suggest there is still room for further improvement. Please discuss your strategy for improving the profitability of the Water Treatment Facilities segment.

A. As you have highlighted, we do not project a significant improvement in profitability for the Water Treatment Facilities segment. However, over the last 3 years, we have developed a framework to prevent a recurrence of additional costs, by creating a database which catalogues the main causes of production issues in water treatment facilities manufacturing or additional costs in the past. I believe that controlling the incidence of additional costs going forward will lead to improved profitability.

In East Asia, we have put an EPC (Engineering, Procurement, Construction) framework into place and should see improved margins. In this fiscal year, we will focus on improving the profitability of the US facilities business. Over the next 2 years, I would like to make solid improvements to profitability overseas as well.

Q. Overseas, capex appetite for the electronics industry is strong, led by semiconductors. Despite this, you project a decline in overseas facilities orders for the fiscal year ending March 2022. Is this because, unlike FY ended March 2021, there aren't many large-scale projects, or, are you being selective because of your own human resource constraints? Could you also talk about supply-demand trends in the electronics industry as well?

A. In China, backed by the government's policy of developing domestic semiconductor capabilities, there are many investment projects, but, there aren't that many projects for leading-edge semiconductors where Kurita can demonstrate its competitive superiority. Our sales strategy is to focus on customers with whom we have close relationships; we take a similar approach in Korea as well. In addition, we will need to align our efforts with our domestic production capacity, as our top priority for the current and next fiscal year will be to address anticipated large-scale domestic UPWS investments.

Q. You are assuming a substantial improvement to the CoGS ratio in the FY ending March 2022 guidance for the Water Treatment Chemicals segment. Could you provide more detail?

A. There are 2 major factors that should contribute to the improved CoGS ratio for the Water Treatment Chemicals segment.

The first is the improved profitability of acquired overseas group companies. Through the PMI process, such as the integration of human resources and technologies, the combined organization should enable higher selling prices and lower manufacturing costs. The profitability of Kurita Europe is also finally approaching the level of other regions, which should also contribute to an improvement in the overall CoGS ratio.

The second is the impact of functional optimization on a global basis. Under the Global Supply Team's (GST) initiatives, we were able to lower CoGS approximately 0.9 billion yen last fiscal year, by leveraging the overall group's procurement capability and sharing of manufacturing know-how.

Q. Please provide a progress update on the integration at Kurita America.

A. The plan in the last fiscal year was to tackle the integration of manufacturing, logistics and sales functionalities at Kurita America, which was integrated in April 2020. However, the pandemic delayed efforts to migrate to a new organization. Near term, the U.S. economy is returning to pre-pandemic conditions. We will execute on the PMI initiatives planned for last fiscal year with speed, which should enhance profitability. With regard to Kurita America's profitability, after the deterioration of last fiscal year, we will first focus on reverting to normal margin levels.

Q. I believe Pentagon Technologies (U.S.) generates high margins, but the FY ending March 2022 forecasts show sales unchanged from last fiscal year. Is this simply a conservative forecast or do you have specific concerns? Also, is there room for further improvement to margins going forward?

A. We view our sales forecasts for the electronics industry tool cleaning business, including Pentagon Technologies, as slightly conservative. We also believe this is one of the businesses that has room for further profit growth going forward.

Q. Are you satisfied with the pace of growth at the solutions business?

A. As mentioned in the presentation, we are not fully satisfied with the pace of expansion at the solutions business. In disclosing our track record for the solutions business up to last fiscal year, we had disclosed the total value of multiyear contracts. However, in order to provide a better sense of revenue scale, we will be disclosing annual sales from this fiscal year. We are in the midst of changing the aggregation method and assessment framework to provide accurate figures going forward.

The service contract-type business is cumulative in nature so last fiscal year's sales will be the base for this fiscal year. Given this, monitoring this year's results should give you a sense for our progress.

Q. I believe the positive margin impact of improved supply chain efficiency and sustainability from GST is mainly coming through in the Water Treatment Chemicals segment. Could you talk about how much of a positive impact it is having on the Water Treatment Facilities segment?

A. The positive impact on the Water Treatment Facilities segment accounts for 15% of the overall impact, driven by efficiency in procurement of materials such as membranes, filters, resins and piping.

Q. Do you expect to see further improvements to CoGS for the Water Treatment Facilities segment going forward?

A. It is easier to tackle efficiencies in procurement and manufacturing in the Water Treatment Chemicals segment; we also started our initiatives earlier. We do expect to see further improvements at the Water Treatment Facilities segment. However, the strong levels of investment primarily in electronics has led to tightness in procuring components; as such, it is unclear at this time whether we will be able to immediately achieve significant cost reductions. That said, we consider the GST initiatives to be necessary from a BCP standpoint for the group as a whole, to ensure stable procurements and inventory levels.

Q. The FY ending March 2022 business profit forecast for the Water Treatment Facilities segment is only up 0.5 billion yen versus the previous fiscal year, despite the expected increase in the proportion of sales from service businesses and the absence of last fiscal year's additional costs. Is there a particular factor that you expect to depress profits?

A. We expect gross profits to rise year-on-year, but SG&A expenses will increase on the construction of a new development base. This is reflected in the profit forecast.

Q. Currently, on the back of rising semiconductor demand, U.S. and Taiwanese chip makers are undertaking investments. Is there a possibility that your own efforts could lead to a change in relationships with customers where you have historically had limited success?

A. Pentagon Technologies has very deep relationships with the U.S. semiconductor players, so we believe it may be possible to expand our business by leveraging the tool cleaning business. In Taiwan, there are chip makers that use our ultrapure water facilities and others where our exposure is limited to only chemicals. The increasing severity of water scarcity in Taiwan is driving needs for water reclamation and recycling. We believe we can

leverage water saving solutions in order to build customer relationships and have already made proposals.

Q. My impression is that it has been challenging to improve profitability for the domestic water treatment facilities business for general industry, with additional costs being incurred every year. Do you expect the pace of improvement to pick up as you make progress with the key strategic measures you highlighted today?

A. Improving the profitability of the water treatment facilities business for general industry is a major theme. We have tried a number of bold initiatives such as business models leveraging total solutions or digital technologies, but it is true that we have incurred additional costs as a result of new initiatives. Through the implementation of the strategic measures explained today, we do believe there will be opportunities to improve profitability.

Q. Near term, have you seen signs of a recovery in domestic demand for water treatment chemicals?

A. Recently, there has been a resurgence in the number of COVID-19 infections. From the perspective of making progress with the onsite testing necessary for the adoption of solutions, it is tough to say that the situation is better than last fiscal year. We hope to see a recovery in demand from 2H, on the back of progress in vaccinations, as has been seen in the U.S.

Q. Can you talk about specific new businesses you envision creating on the back of social issues such as climate change or water scarcity?

A. One example is related to what happens when there is extremely heavy rainfall. An influx of rainwater can overwhelm the treatment capacity of our customers' wastewater treatment facilities. There is a need for a mechanism to temporarily increase treatment capacity.

In terms of water scarcity, a deterioration in the quality of raw water can have a negative impact on post treatment facilities. I see opportunities around increasing the capacity of pre-treatment facilities or for a solution that recycles water that had not been reclaimed to date for use in new applications.

In the agricultural area, in response to the need for water conservation in regions particularly challenged by water scarcity, we have a highly efficient solution that enables irrigation. Using such social issues as a starting point, we aim to redefine water treatment from the perspective of social value in conducting our business.

Business forecasts presented and other statements relating to the future made in this document are based on information currently available and certain assumptions the Company considers reasonable. A variety of factors may cause actual financial results and other forward-looking statements to differ materially from the forecasts.