

Summary of the Q&A Session  
Financial Results Briefing for Fiscal Year Ended March 2024

Date and Time: May 10 (Fri.), 2024 9:00- 10:00

**Notice: This summary is a reference designed for the convenience of those who could not attend the financial results briefing 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. With regard to increasing precision tool cleaning sites, how are you thinking about strategies and regions for expansion? Also, I understand profitability is challenging at the moment but do you believe the business can return to previous levels of profitability? Does the forecast for the fiscal year ending March 2025 assume that profitability will recover?
- A. First, with regard to regions, the timing for expanding sites is tied to the timing of new fabs being built by customers. Specifically, we are preparing new sites in Europe and the southern area of the US. On profitability, in the fiscal year ended March 2024, in addition to a downturn in demand for tool cleaning due to the impact of the silicon cycle, the decline in sales led to a significant drop in profitability, reflecting the labor intensive nature of the precision tool cleaning business. To address such structural issues, we are considering a number of initiatives including cleaning methods that do not rely on human input, to bring the business profit in line with past levels. In the final year of PSV-27 (fiscal year ending March 2028), our goal is to achieve a margin level which is higher than the overall consolidated BPM of 16%, by establishing an optimal approach for order intake and new customer acquisition.

In the fiscal year ending March 2025, we are seeing good signs but I don't believe that the silicon cycle will fully recover. Our full-year plan assumes a gradual improvement in profitability in the later part of the fiscal year.

- Q. Please elaborate on the background of the electronics industry project win in North America and provide an indication of scale in value terms. Please also discuss the business development potential going forward. I have high expectations that Kurita's technology is being recognized in the US and that there will be further expansion.
- A. First, in terms of scale, it is similar to the scale of what we would call a large-scale project in Japan. We had already received advance orders for around 20% - 30% of the overall project; we aim to make progress on construction after acquiring the order for the remaining portion of the project in the fiscal year ending March 2025.

I believe that the customer rated our EP + Module approach highly in choosing to award the order to Kurita. This approach not only leads to a reduction of the onsite burden for Kurita but also benefits the customer by making it possible to shorten onsite construction time and facilitate rapid assembly. Our success this time confirms our view that the EP + Module approach is correct.

Investments related to semiconductors in the US are very active. We are moving forward with proposal activity with a view to acquiring the next project.

Q. On the progress Kurita has specifically made in the Electronics Industry segment in the first year of PSV-27, did demand trends and profitability differ from initial assumptions? Currently, a full recovery in the investment cycle for the precision tool cleaning business is not expected until the next fiscal year or beyond. Taking into account the strong level of facilities orders near term, isn't it possible that this could have a negative impact on BPM relative to initial assumptions? Please also comment on how you are feeling about winning new water supply service projects and your expectations.

A. I believe we are making solid progress toward achieving the PSV-27 plan. In the electronics industry, my impression is that customers' capital expenditures are higher than expected, but our approach is unchanged. Our aim is to continuously provide value to our customers. There have been some government moves to provide subsidies for the semiconductor industry which might lead to an increase in cases where customers choose facilities over water supply services, but in undertaking facilities projects we will focus on how best to have facilities business lead to service businesses.

For the precision tool cleaning business, the need for cleaning will grow in line with the expansion of customers' production bases. However, it won't be possible to have 100% coverage, so in preparing sites, we will need to focus on building in optimal locations at the optimal time and optimal cost. In this way, I want to expand our business while being mindful of efficiency.

On the water supply service, we were able to win 2 new customers in the fiscal year ended March 2024. For one of the projects, we were successful because we proposed a new, unprecedented approach that contributes to reducing environmental burden. I believe this represents a significant step forward. We intend to continue to develop a diverse range of water supply services; we are also seeing good response to new types of services which are smaller in scale or contribute to local communities.

Q. I want to ask about capital expenditures for the electronics industry segment. During PSV-27, you are guiding for 300 billion yen in investments over a 5-year period. Do you expect capital expenditures going forward will increase further? In particular, will it be necessary to expand facilities in North America to grow the electronics industry facilities business?

A. In terms of capital expenditures for the electronics industry business, we are building plants for the precision tool cleaning business in several phases. Continuing on from the fiscal year ended March 2024, we will keep investing to expand the number of sites. Our policy is to undertake necessary capital expenditures going forward for not only the precision tool cleaning business but also to expand the service business.

With regard to North America, we don't believe there is a need for new capital expenditures for the electronics industry facilities business. For the time being, we believe that we can address our needs through the use of Kurita America's existing

facilities. In future, if the scale of the business grows significantly, we may need to review our thinking but within the scope of the businesses we currently target, we believe we can use existing facilities.

Q. For the electronics industry segment, the forecast for the fiscal year ending March 2025 assumes that Kurita will acquire a certain scale of facilities projects. While new facilities' project wins will make a positive contribution to absolute profits, how are you thinking about this from the perspective of achieving your BPM target?

A. As you have alluded to in your question, the profitability of the facilities business is lower than the BPM target of 20% for the electronics industry segment in the final year of PSV-27. However, the reduction of overall production lead times resulting from production process reform initiatives will obviously contribute to lower costs. We think this will lead to improvements in profitability. In addition, as noted earlier, our aim is not to expand the facilities business in and of itself, but to look beyond the facilities business to acquire service business opportunities that provide long-term value to our customers. In this way the facilities business can contribute to enhancing profitability.

Q. Do you expect to be able to win service business on the back of the electronics facilities project in North America for which you won the advance order in the fiscal year ended March 2024?

A. We are very focused on capitalizing on the project we acquired this time to solidly win maintenance or precision tool cleaning business.

Q. Liquid immersion cooling for servers has recently been in the spotlight. Are there chemicals used to cool liquids for which this could be a business opportunity? Do you feel there are areas of potential interest for Kurita?

A. Internally, we did examine and consider possible responses to liquid immersion cooling. We understand that users are experiencing issues related to ease of use in immersion cooling but opportunities will probably depend on whether immersion cooling takes off in a significant way. Currently, we understand that conventional solutions in use to date make a larger contribution from the customers' perspective, including reducing environmental burden.

Q. You indicated that one reason why electronics industry segment orders in the fiscal year ended March 2024 exceeded plan was the higher-than-expected orders for facilities in China. Please discuss what changed. Was your plan conservative to begin with, or was the order environment better than expected?

A. Semiconductor investment in China is firm, primarily because of continuing capital expenditures for non-leading edge semiconductors. In China, there are many customers that rate Kurita highly. This is the backdrop to the good progress on orders in the fiscal year ended March 2024. It may be that there was some frontloading of projects.

Q. Why do Chinese customers want to frontload orders? Given the situation in the previous year, does that suggest that there is room for upside in the fiscal year ending March 2025 as well?

- A. I think the customers want to start production as quickly as possible. In terms of our forecast for the fiscal year ending March 2025, I think our guidance is realistic.
- Q. Sales for the CSV business fell short of plan in the fiscal year ended March 2024. You indicated that the issue was that it takes time for customers to truly recognize the effect of solutions. Is this because it takes time to gather the data necessary to show efficacy? Or, is it that having seen the data, customers feel that the cost is not aligned with the resulting effect? I want to understand this better.
- A. For the CSV business, even with customers that understand the benefits when we present a proposal based on our track record and scientific data, many want to evaluate effectiveness at their own plants. The data collection required for this evaluation can take several months or, in some cases, more than 6 months, depending upon the customers' plant. While we have made progress on getting the customer to understand the efficacy, it takes time for them to truly feel the effect. That said, if we can develop a track record, it would be very likely to lead customers to decide to adopt a solution immediately. We are now starting to see this happen; we have expectations that this trend will accelerate going forward.
- Q. Does the data collected on site through the evaluation process match the data used in proposals?
- A. There have been a few instances that did not go to plan but there have been only a small number of cases where the data was significantly different from the content of our proposals.
- Q. In the facilities business you indicated that acquiring projects is not the objective but that the focus is on how to leverage facilities business to win service business which leads to a sustainable relationship with customers. If that is the case, it seems to me that there will come a time in future where you could propose and take orders for precision tool cleaning as a package as well. Is there anything you have seen near term that suggests this might be the case? It seems like this could be a comprehensive business model that is similar to a recurring contract-based service.
- A. I think that is a good idea. In the past, for the engineering portion of water treatment facilities, we had considered tying facilities projects to post-handover services. An approach where we offer a package of cleaning services for parts used in customers' own production equipment where water treated in Kurita's facilities is in use is a possibility. I would like to propose this to our customers to drive further growth of our service business.
- Q. If such a comprehensive service were created, would this enhance Kurita's competitive superiority?
- A. Yes, it would. I believe we can leverage the fact that we do precision tool cleaning as a competitive advantage for Kurita. Currently, we are conducting joint research with SPE manufacturers at Kurita Innovation Hub, our innovation base in Tokyo. We are looking at a number of initiatives, such as considering how to reduce the frequency of cleaning or how to maintain a clean environment to improve yields. We are also considering ideas

beyond the conventional approach of sending out tools for cleaning, such as ways where we can address the need for cleaning within the clean room.

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