

Summary of the Q&A Session
Financial Results Briefing for the 1Q of the Fiscal Year Ending March 31, 2025

Date and Time: August 8 (Thu.) 17:15 - 17:45

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. What is your assessment of progress on orders in 1Q? Also, can you confirm whether 1Q orders included the electronics industry facilities project in North America which you previously described as being under negotiation at the previous full-year results briefing. If it isn't included, please provide an update on its current status.
- A. I believe orders are progressing in line with our 1H forecast. We have yet to conclude the contract for the electronics industry facilities project in North America, as negotiations on technological details are ongoing, but the progress is in line with our forecast.
- Q. 1Q cost-of-sales (CoS) ratio improved YoY, reflecting a better mix in the Electronics Industry segment, driven by a recovery in the precision tool cleaning business and the absence of a large-scale facilities project. I believe that you are achieving a favorable level in line with plan. Are you seeing the emergence of factors that could potentially generate upside in 2H?
- A. The increased proportion of service business sales within overall sales is driving an improvement in the CoS ratio for the Electronics Industry segment. We expect this trend to continue over the course of the full year. We also project an improvement in profitability in the General Industry segment, backed by expansion of the CSV business on a full-year basis.
- Q. The 1Q Electronics Industry segment business profit margin improved YoY but has yet to return to previous levels. I suspect there are challenges related to the precision tool cleaning business. Please discuss the current progress relative to the initial forecast and changes, if any, to your outlook for the precision tool cleaning business.
- A. We must continue to monitor trends at the chip makers. We have yet to see a full recovery in demand for tool cleaning, as a consequence of capacity utilization levels at our customers' fabs. We were only able to achieve a modest YoY improvement in 1Q. The recovery of the precision tool cleaning business in the U.S. has been slower than our assumptions. Given the possibility that a full-fledged recovery of the semiconductor market could be slightly later than expected, we believe it is necessary to not only accelerate efforts to win new business but also implement measures to boost efficiency.
- Q. Are there factors that could make up for the weakness in the precision tool cleaning business from 2Q onward?
- A. The overall Electronics Industry segment was in line with our assumptions in 1Q; I believe the overall segment should continue to cover weakness in precision tool cleaning.

- Q. What is your assessment of progress on orders for the Electronics Industry facilities business?
- A. In Japan, orders increased on the strong capex appetite of semiconductor and electronic component makers. However, China and South Korea were down YoY, reflecting a high base for comparison in the absence of a number of large-scale orders which were received in 1Q of the previous fiscal year. While 1Q may optically appear weak, it is a function of the timing of project orders: we believe progress is in line with our 1H forecast.
- Q. You indicated that the precision tool cleaning business reported higher YoY sales in local currency terms despite a challenging market. Have you seen changes in the customer mix compared to last year? Can you provide color to support expectations for the business going forward, such as an increase in new inquiries?
- A. There hasn't been a significant change in customer mix: the customers we did business with are in line with our assumptions. The recovery in tool cleaning demand is slow; we don't have a sense that inquiries are increasing yet.
- Q. Sales for the recurring contract-based business in the Electronics Industry segment grew 0.8 billion yen. This seems low given the increase in a new water supply service project. If depreciation increased 0.5 billion yen, I would have thought there would have been more of an increase. Does this mean that sales from existing projects declined?
- A. The scale of the new water supply service project is smaller than traditional water supply projects to date, so the magnitude of the increase is limited. However, sales from existing projects are also up. In addition, water supply services account for only a portion of the increase in depreciation expenses.
- Q. Can you provide a segment breakdown of the factors in business profit change?
- A. The split of the negative 0.8 billion yen impact from decreased sales and the positive 2.3 billion yen from the improved cost-of-sales ratio between the Electronics Industry and General Industry segments is almost the same. The impact of the increase in SG&A expenses was slightly larger for the Electronics Industry segment. The combined impact contributed to YoY increases in business profit for the Electronics Industry and General Industry segments of 0.1 billion yen and 0.4 billion yen respectively.
- Q. The General Industry segment reported an improvement in CoS ratio, partly reflecting the growth of the CSV business, but on an organic basis, sales declined. If we look at the chemicals business on a standalone basis, would it be fair to assume that the trend is the same?
- A. The CoS ratio for the chemicals business improved as a result of a review of the product lineup and increased CSV sales. Sales fell as a result of the impact of changes to regional operating conditions in areas such as China and ASEAN. Although sales progress has been slow relative to our assumptions, we have made gains in improving the CoS ratio, so I believe profits are tracking in line with our assumptions.

- Q. Can you provide an update on new project wins for recurring contract-based services in the Electronics Industry segment?
- A. There were no new project wins in 1Q but we aim to grow the business by continuing to diversify the services we provide with a solutions-based approach, in targeting customers' capacity expansion plans and opportunities to contribute to regional communities.
- Q. Is it fair to assume that the overall 1Q results were largely in line with your assumptions? If you are seeing the emergence of new concerns or, equally, new opportunities, please elaborate.
- A. While there are differences between individual businesses, overall, I believe we are tracking in line with our 1H earnings forecasts.
- Q. You indicated that Electronic Industry facilities orders fell in China and South Korea. Can you comment on whether you are seeing any changes in the markets, such as a slowdown in semiconductor capex?
- A. Our impression is that there has been no change to the investment stance of customers in China and South Korea in the near term: investment trends remain solid.
- Q. You have left your 1H forecasts unchanged which implies that you are assuming you will win a certain level of orders in the Electronics Industry facilities business in 2Q. Can you provide color on the regions where you expect to win business?
- A. Although it will be subject to the timing of various projects, we do expect to win orders in a variety of regions, including China and South Korea.
- Q. I would like to ask about progress on SG&A expenses. My impression is that SG&A expenses have tended to skew toward 2H in the past. Given this, the 1Q SG&A expense level feels high since it accounts for 25% of your full-year forecast. Were there temporary factors that pushed up 1Q costs?
- A. There weren't any temporary factors in particular that pushed up costs. We believe 1Q SG&A expenses were in line with our assumptions.

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