

## **Kurita Water Industries Reports Earnings for the Nine Months Ended December 31, 2021**

Tokyo, Japan, January 31, 2022 - Kurita Water Industries Ltd. (the “Company”) (TSE Securities Code 6370) announced net sales of 211,223 million yen and profit attributable to owners of parent of 12,031 million yen, or 107.08 yen per share, for the nine months ended December 31, 2021 (April 1, 2021 - December 31, 2021).

### **Results of Operations**

Total consolidated orders for the Kurita Group (the “Group”) in the nine months ended December 31, 2021 rose 16.8% from the level of the year-ago period, to 218,829 million yen, and net sales increased 6.7%, to 211,223 million yen. Business profit\* was increased 16.7%, to 25,194 million yen, operating profit was 25,539 million yen, up 8.1% versus the year-ago period, profit before tax was 20,773 million yen, declined 4.1%, and profit attributable to owners of parent amounted to 12,031 million yen, down 18.2%. Profit before tax and profit attributable to owners of parent declined due to finance costs of 4,639 million yen posted in the first nine months under review, which resulted from the subsequent measurement of liabilities related to a forward contract concluded with non-controlling shareholders of US-based Pentagon Technologies Group, Inc. (Water Treatment Facilities business).

In the first quarter of the fiscal year under review, the Group acquired 51% of the shares in Kurita AquaChemie Limited (Water Treatment Chemicals business) in the Middle East and made it and its two wholly owned consolidated subsidiaries. The Group acquired also Keytech Water Management (Water Treatment Chemicals business), making it a consolidated subsidiary. The operating results of those companies are newly consolidated.

The PPA for Pentagon Technologies Group, Inc. (Water Treatment Facilities business), which was consolidated in the same period of the previous fiscal year, was determined at the end of the previous fiscal year, and the results in the same period of the previous fiscal year have been revised retroactively.

During the nine months of the fiscal year ending March 31, 2022, there were signs of a recovery in the world economy as economic activity moved toward normalization, reflecting economic stimulus measures in the world and the increasing pace of vaccinations. Production activities in the manufacturing industry in Japan were weak in certain sectors due to constraints on the supply of raw materials, including semiconductor shortages, but were on a recovery trend. There were signs of a recovery in capital investment. Overseas, European, the U.S. and Chinese economies have recovered gradually. Meanwhile, in some parts of Asia, economic recovery was weak due to a resurgence in COVID-19 infections.

In this environment, the Group stepped up initiatives to expand total solutions by focusing on proposal activities that would help solve customer issues such as the reduction of the environmental impact, including water saving, the reduction of CO<sub>2</sub> emissions and waste reduction, and an improvement in productivity based on a deep understanding of social and customers’ issues, aiming to become an indispensable partner of customers in the long term.

\*Business profit is the Group’s own indicator that measures constant business performance. It is net sales less cost of sales and selling, general and administrative expenses. Although business profit is not defined by IFRS, the Group voluntarily discloses it, believing that it is beneficial for users of its financial statements.

## **Segment Information**

The Group consists of two reportable segments in its segment information: Water Treatment Chemicals and Water Treatment Facilities.

### **Water Treatment Chemicals**

Total Group orders for the Water Treatment Chemicals segment were 87,585 million yen, up 13.0% versus the year-ago period, while net sales rose 13.3%, to 87,852 million yen.

In terms of profits, despite an increase in expenses with business activities returning to a normal condition and the effect of rising raw materials prices, business profit amounted to 10,846 million yen, an increase of 12.3% year on year, chiefly due to an increase in net sales, and operating profit rose to 11,104 million yen, up 19.7% year on year, reflecting foreign exchange gains (other income) at overseas subsidiaries in addition to an increase in net sales.

Orders and net sales in Japan increased due to a rise in capacity utilization at customers' plants, which reflected a recovery in production activities in the manufacturing industry.

Overseas, both orders and net sales rose due to an increase in reaction to a fall in demand a year ago because of stagnant economic activities caused by the spread of COVID-19, the consolidation of the operating results (for nine months) of the subsidiaries in the Middle East and Canada acquired in the first quarter of the fiscal year under review, and an increase in results in yen at overseas subsidiaries due to the weaker yen.

### **Water Treatment Facilities**

Total Group orders for the Water Treatment Facilities segment were 131,243 million yen, up 19.4% versus the same period of the previous fiscal year. Net sales increased 2.4%, to 123,370 million yen.

Business profit rose to 14,377 million yen, up 20.5% year on year, chiefly reflecting efforts to improve profitability, including cost cutting. Operating profit stood at 14,440 million yen, up 0.8% year on year, due to the absence of a profit from liquidation of 2,076 million yen related to cancellations of contracts with a certain customer in the ultrapure water supply business posted in other income in the same period of the previous fiscal year.

In Japan, both orders and net sales of water treatment facilities for the electronics industry increased due to the posting of orders for large projects and progress in the construction of large projects. Orders and net sales for maintenance services for the industry increased, reflecting the expansion of facilities and repairs, including the replacement of consumables, against a backdrop of firm capacity utilization at customers' plants.

While orders for water treatment facilities for the general industry increased due to orders for large projects posted, net sales declined as the posting of sales from large projects had run its course. Orders and net sales of maintenance services for the industry climbed, reflecting growth in demand against a backdrop of a recovery in capacity utilization at customers' plants. Both orders for and net sales from water treatment facilities for the electric power industry decreased because orders for large projects declined and the posting of sales from the order backlog ran its course. Orders for soil remediation services increased, but net sales fell as the posting of sales from large projects had run its course.

Overseas, both orders and net sales increased due to the posting of orders and sales of large water treatment facilities projects in the electronics industry in East Asia and an increase in demand for tool cleaning service.

Total net sales in the ultrapure water supply business in Japan and overseas increased due to the contribution of a contract that began in the previous fiscal year.

## Financial Condition

### Condition of assets, liabilities and equity

1) Total assets: 457,489 million yen, an increase of 32,561 million yen from the end of the previous fiscal year

Current assets totaled 178,978 million yen at the end of the third quarter (December 31, 2021), an increase of 2,496 million yen from the end of the previous fiscal year (March 31, 2021). This was mainly attributable to an increase of 10,438 million yen in trade and other receivables and a rise of 2,796 million yen in inventories, which more than offset a decrease in cash and cash equivalents of 11,940 million yen, chiefly due to purchase of property, plant and equipment and income taxes paid.

Non-current assets totaled 278,511 million yen at the end of the third quarter, an increase of 30,066 million yen from the end of the previous fiscal year. This chiefly reflected an increase of 33,995 million yen in property, plant and equipment due to the acquisition of new facilities in the ultrapure water supply business (Water Treatment Facilities business) and progress in the construction of a new research and development base, Kurita Innovation Hub, in Akishima-shi, Tokyo, which the Company plans to open in April 2022, despite a decrease of 8,633 million yen in other financial assets chiefly due to the sale of certain investment securities held.

2) Liabilities: 191,279 million yen, an increase of 24,189 million yen from the end of the previous fiscal year

Current liabilities totaled 111,770 million yen at the end of the period, an increase of 36,818 million yen from the end of the previous fiscal year. This is chiefly attributable to an increase in trade and other payables of 17,783 million yen and a rise in other financial liabilities of 17,609 million yen. Other financial liabilities increased due to liabilities related to the forward contract concluded with non-controlling shareholders of US-based Pentagon Technologies Group, Inc. (Water Treatment Facilities business), which were transferred from non-current liabilities and a subsequent measurement after initial recognition.

Non-current liabilities totaled 79,508 million yen at the end of the period, a decrease of 12,629 million yen from the end of the previous fiscal year. This is because liabilities related to the forward contract were transferred to current liabilities, and other financial liabilities decreased 11,524 million yen.

3) Equity: 266,209 million yen, an increase of 8,372 million yen from the end of the previous fiscal year

This principally reflected an increase of 9,127 million yen in retained earnings primarily due to profit attributable to owners of parent posted.

## Cash Flows

Consolidated net cash and cash equivalents at the end of the third quarter (December 31, 2021) totaled 50,287 million yen, a decrease of 11,940 million yen from the end of the previous fiscal year (March 31, 2021).

The various cash flows and related factors are outlined below.

### 1) Cash Flows from Operating Activities

Net cash provided by operating activities during the nine months ended December 31, 2021 totaled 17,764 million yen, a decrease of 14,922 million yen from the same period of the previous fiscal year. Inflows from profit before tax of 20,773 million yen and depreciation and amortization of 17,103 million yen were partly offset by an increase in trade and other receivables of 8,794 million yen and income taxes paid of 12,883 million yen.

### 2) Cash Flows from Investing Activities

Net cash used in investing activities totaled 24,104 million yen, an increase of 19,279 million yen from the same period of the previous fiscal year. Cash was used mainly for purchases of property,

plant and equipment of 30,264 million yen and the acquisition of subsidiaries of 2,401 million yen (after deducting cash and cash equivalents included in acquired assets). The cash used was partly offset by an increase in cash, including proceeds from sale of investment securities of 9,194 million yen.

### 3) Cash Flows from Financing Activities

Net cash used in financing activities totaled 6,774 million yen, a decrease of 10,575 million yen from the same period of the previous fiscal year. Cash used included repayments of lease liabilities of 3,719 million yen and dividends paid of 8,548 million yen, which was partly offset by a net increase in short-term borrowings of 5,676 million yen.

The Group's basic policy is to constantly secure the liquidity necessary for business operations and establish a stable funds-raising system. Short-term working capital is basically supplied by the Group's own funds. Capital investment and other investments in growth fields depend chiefly on the Group's own funds, but the Group considers financing through bond markets and bank loans as needed. As of the end of the period under review, the Group has concluded commitment line contracts with one financial institution (executed and unexecuted borrowings within the commitment line were 0 yen and 20,000 million yen, respectively).

### 4) Forecasts for the Fiscal Year Ending March 31, 2022

In the fiscal year ending March 31, 2022, net sales are expected to exceed the previous forecast, reflecting a recovery in demand for water treatment chemicals overseas at a faster pace than expected and firm demand in the electronics industry. On the profit front, business profit will likely exceed the previous forecast chiefly given an increase in net sales. Operating profit is also expected to exceed the previous forecast, reflecting a capital gain on sale of fixed assets. The forecast for profit attributable to owners of parent remains unchanged from the previous forecast, reflecting the posting of additional finance costs due to progress in business at US-based Pentagon Technologies Group, Inc. that exceeded the business plan. The dividend forecast remains unchanged.

The business forecasts are made by the Company based on information available at the time of publication of this report and may differ from actual results due to changes in a range of factors.

Revision to the consolidated business forecast for the fiscal year ending March 31, 2022 (April 1, 2021 - March 31, 2022)

|  | (Million yen) |                 |                  |                   |   |                                |
|--|---------------|-----------------|------------------|-------------------|---|--------------------------------|
|  | Net sales     | Business profit | Operating profit | Profit before tax | Profit attributable to owners of parent | Basic earnings per share (yen) |
| Previous forecast (A)                        | 289,000       | 33,000          | 32,000           | 28,100            | 18,000                                  | 160.19                         |
| Revised forecast (B)                         | 291,000       | 34,000          | 34,000           | 29,200            | 18,000                                  | 160.19                         |
| Change (B-A)                                 | 2,000         | 1,000           | 2,000            | 1,100             | 0                                       | —                              |
| Percentage change (%)                        | 0.7           | 3.0             | 6.3              | 3.9               | 0.0                                     | —                              |
| (Reference) Fiscal year ended March 31, 2021 | 267,749       | 29,470          | 31,529           | 29,150            | 19,088                                  | 169.94                         |

## Condensed quarterly consolidated financial statements

### (1) Condensed quarterly consolidated statement of financial position

(Million yen)

|   | As of March 31, 2021 | As of December 31, 2021 |
|---|----------------------|-------------------------|
| Assets  |                      |                         |
| Current assets                                |                      |                         |
| Cash and cash equivalents                     | 62,228               | 50,287                  |
| Trade and other receivables                   | 97,745               | 108,183                 |
| Other financial assets                        | 2,817                | 2,613                   |
| Inventories                                   | 9,911                | 12,707                  |
| Other current assets                          | 3,780                | 5,185                   |
| Total current assets                          | 176,482              | 178,978                 |
| Non-current assets                            |                      |                         |
| Property, plant and equipment                 | 117,603              | 151,598                 |
| Right-of-use assets                           | 19,405               | 18,933                  |
| Goodwill                                      | 55,596               | 59,979                  |
| Intangible assets                             | 17,320               | 17,039                  |
| Investments accounted for using equity method | 1,578                | 1,128                   |
| Other financial assets                        | 33,563               | 24,930                  |
| Deferred tax assets                           | 3,199                | 4,759                   |
| Other non-current assets                      | 177                  | 141                     |
| Total non-current assets                      | 248,445              | 278,511                 |
| Total assets                                  | 424,928              | 457,489                 |

(Million yen)

|   | As of March 31, 2021 | As of December 31, 2021 |
|---|----------------------|-------------------------|
| Liabilities and equity                  |                      |                         |
| Liabilities                             |                      |                         |
| Current liabilities                     |                      |                         |
| Trade and other payables                | 46,506               | 64,289                  |
| Borrowings                              | 445                  | 6,197                   |
| Lease liabilities                       | 4,373                | 4,401                   |
| Other financial liabilities             | –                    | 17,609                  |
| Income taxes payable                    | 8,135                | 4,895                   |
| Provisions                              | 1,847                | 1,234                   |
| Other current liabilities               | 13,644               | 13,143                  |
| Total current liabilities               | 74,952               | 111,770                 |
| Non-current liabilities                 |                      |                         |
| Bonds and borrowings                    | 31,207               | 30,943                  |
| Lease liabilities                       | 15,327               | 14,602                  |
| Other financial liabilities             | 13,703               | 2,179                   |
| Retirement benefit liability            | 18,027               | 18,688                  |
| Provisions                              | 1,160                | 2,312                   |
| Deferred tax liabilities                | 2,368                | 2,309                   |
| Other non-current liabilities           | 10,343               | 8,474                   |
| Total non-current liabilities           | 92,137               | 79,508                  |
| Total liabilities                       | 167,090              | 191,279                 |
| Equity                                  |                      |                         |
| Share capital                           | 13,450               | 13,450                  |
| Capital surplus                         | (2,212)              | (2,203)                 |
| Treasury shares                         | (10,787)             | (10,693)                |
| Other components of equity              | 8,500                | 6,689                   |
| Retained earnings                       | 244,138              | 253,265                 |
| Equity attributable to owners of parent | 253,089              | 260,508                 |
| Non-controlling Interests               | 4,748                | 5,701                   |
| Total equity                            | 257,837              | 266,209                 |
| Total liabilities and equity            | 424,928              | 457,489                 |

**(2) Condensed quarterly consolidated statement of profit or loss**

(Million yen)

|   | Nine months ended<br>December 31, 2020 | Nine months ended<br>December 31, 2021 |
|---|--|--|
| Net sales   | 198,007                                | 211,223                                |
| Cost of sales   | 128,181                                | 133,482                                |
| Gross profit  | 69,825                                 | 77,740                                 |
| Selling, general and administrative expenses                            | 48,237                                 | 52,546                                 |
| Other income  | 3,449                                  | 1,594                                  |
| Other expenses  | 1,415                                  | 1,249                                  |
| Operating profit  | 23,621                                 | 25,539                                 |
| Finance income  | 490                                    | 513                                    |
| Finance costs   | 1,406                                  | 5,183                                  |
| Share of profit (loss) of investments accounted for using equity method | (1,047)                                | (96)                                   |
| Profit before tax   | 21,657                                 | 20,773                                 |
| Income tax expense  | 6,458                                  | 7,775                                  |
| Profit for the period   | 15,198                                 | 12,997                                 |
|   |  |  |
| Profit attributable to  |  |  |
| Owners of parent  | 14,702                                 | 12,031                                 |
| Non-controlling Interests   | 496                                    | 965                                    |
| Profit for the period   | 15,198                                 | 12,997                                 |
|   |  |  |
| Earnings per share  |  |  |
| Basic earnings per share (yen)  | 130.89                                 | 107.08                                 |
| Diluted earnings per share (yen)  | —                                      | —                                      |

**(3) Condensed quarterly consolidated statement of comprehensive income**

(Million yen)

|   | Nine months ended<br>December 31, 2020 | Nine months ended<br>December 31, 2021 |
|---|--|--|
| Profit for the period   | 15,198                                 | 12,997                                 |
| Other comprehensive income  |  |  |
| Items that will not be reclassified to profit or loss   |  |  |
| Net change in the fair value of financial assets measured<br>at fair value through other comprehensive income | 5,933                                  | 976                                    |
| Remeasurements of defined benefit plans   | (34)                                   | 11                                     |
| Total of items that will not be reclassified to profit or loss  | 5,898                                  | 988                                    |
| Items that may be reclassified to profit or loss  |  |  |
| Exchange differences on translation of foreign operations   | (139)                                  | 2,459                                  |
| Cash flow hedges  | (393)                                  | 11                                     |
| Share of other comprehensive income of investments<br>accounted for using equity method                       | (35)                                   | 72                                     |
| Total of items that may be reclassified to profit or loss   | (569)                                  | 2,543                                  |
| Other comprehensive income, net of tax  | 5,328                                  | 3,531                                  |
| Comprehensive income for the period   | 20,527                                 | 16,529                                 |
|   |  |  |
| Comprehensive income attributable to  |  |  |
| Owners of parent  | 20,330                                 | 15,180                                 |
| Non-controlling Interests   | 196                                    | 1,348                                  |
| Comprehensive income for the period   | 20,527                                 | 16,529                                 |



#### (4) Condensed quarterly consolidated statement of changes in equity

Nine months ended December 31, 2020 (April 1, 2020 - December 31, 2020)

(Million yen)

|   | Equity attributable to owners of parent |                 |                 |   |                  |  |
|---|---|-----------------|-----------------|---|------------------|--|
|   | Share capital                           | Capital surplus | Treasury shares | Other components of equity                                |                  |  |
|   |   |                 |                 | Exchange differences on translation of foreign operations | Cash flow hedges | Financial assets measured at fair value through other comprehensive income |
| Balance as of April 1, 2020   | 13,450                                  | 8,212           | (10,893)        | (9,033)   | 503              | 8,747  |
| Profit for the period   | —                                       | —               | —               | —   | —                | —  |
| Other comprehensive income  | —                                       | —               | —               | 122   | (393)            | 5,933  |
| Total comprehensive income for the period   | —                                       | —               | —               | 122   | (393)            | 5,933  |
| Purchase of treasury shares   | —                                       | —               | (2)             | —   | —                | —  |
| Dividends   | —                                       | —               | —               | —   | —                | —  |
| Share-based payment transactions  | —                                       | 29              | 111             | —   | —                | —  |
| Increase (decrease) by business combination   | —                                       | —               | —               | —   | —                | —  |
| Liabilities pertaining to forward contracts concluded with non-controlling shareholders | —                                       | (10,578)        | —               | —   | —                | —  |
| Transfer from other components of equity to retained earnings                           | —                                       | —               | —               | —   | —                | (964)  |
| Other   | —                                       | (1)             | —               | —   | —                | —  |
| Total transactions with owners  | —                                       | (10,549)        | 108             | —   | —                | (964)  |
| Balance as of December 31, 2020   | 13,450                                  | (2,337)         | (10,785)        | (8,911)   | 109              | 13,715   |

(Million yen)

|   | Equity attributable to owners of parent |       |                   |          | Non-controlling Interests | Total    |
|---|---|-------|-------------------|----------|---------------------------|----------|
|   | Other components of equity              |       | Retained earnings | Total    |                           |          |
|   | Remeasurements of defined benefit plans | Total |                   |          |                           |          |
| Balance as of April 1, 2020   | –                                       | 216   | 231,456           | 242,442  | 1,666                     | 244,108  |
| Profit for the period   | –                                       | –     | 14,702            | 14,702   | 496                       | 15,198   |
| Other comprehensive income  | (33)                                    | 5,628 | –                 | 5,628    | (299)                     | 5,328    |
| Total comprehensive income for the period   | (33)                                    | 5,628 | 14,702            | 20,330   | 196                       | 20,527   |
| Purchase of treasury shares   | –                                       | –     | –                 | (2)      | –                         | (2)      |
| Dividends   | –                                       | –     | (7,076)           | (7,076)  | (993)                     | (8,069)  |
| Share-based payment transactions  | –                                       | –     | –                 | 140      | 0                         | 141      |
| Increase (decrease) by business combination   | –                                       | –     | –                 | –        | 3,260                     | 3,260    |
| Liabilities pertaining to forward contracts concluded with non-controlling shareholders | –                                       | –     | –                 | (10,578) | –                         | (10,578) |
| Transfer from other components of equity to retained earnings                           | 33                                      | (931) | 931               | –        | –                         | –        |
| Other   | –                                       | –     | 47                | 46       | –                         | 46       |
| Total transactions with owners  | 33                                      | (931) | (6,097)           | (17,470) | 2,267                     | (15,202) |
| Balance as of December 31, 2020   | –                                       | 4,913 | 240,061           | 245,302  | 4,130                     | 249,433  |

Nine months ended December 31, 2021 (April 1, 2021 - December 31, 2021)

(Million yen)

|   | Equity attributable to owners of parent |                 |                 |   |                  |  |
|---|---|-----------------|-----------------|---|------------------|--|
|   | Share capital                           | Capital surplus | Treasury shares | Other components of equity                                |                  |  |
|   |   |                 |                 | Exchange differences on translation of foreign operations | Cash flow hedges | Financial assets measured at fair value through other comprehensive income |
| Balance as of April 1, 2021   | 13,450                                  | (2,212)         | (10,787)        | (4,469)   | (91)             | 13,060   |
| Profit for the period   | —                                       | —               | —               | —   | —                | —  |
| Other comprehensive income  | —                                       | —               | —               | 2,147   | 11               | 976  |
| Total comprehensive income for the period   | —                                       | —               | —               | 2,147   | 11               | 976  |
| Purchase of treasury shares   | —                                       | —               | (4)             | —   | —                | —  |
| Dividends   | —                                       | —               | —               | —   | —                | —  |
| Share-based payment transactions  | —                                       | 16              | 98              | —   | —                | —  |
| Increase (decrease) by business combination   | —                                       | —               | —               | —   | —                | —  |
| Liabilities pertaining to forward contracts concluded with non-controlling shareholders | —                                       | —               | —               | —   | —                | —  |
| Transfer from other components of equity to retained earnings                           | —                                       | —               | —               | —   | —                | (4,946)  |
| Other   | —                                       | (7)             | —               | —   | —                | —  |
| Total transactions with owners  | —                                       | 8               | 94              | —   | —                | (4,946)  |
| Balance as of December 31, 2021   | 13,450                                  | (2,203)         | (10,693)        | (2,321)   | (79)             | 9,090  |

(Million yen)

|   | Equity attributable to owners of parent |         |                   |         | Non-controlling Interests | Total   |
|---|---|---------|-------------------|---------|---------------------------|---------|
|   | Other components of equity              |         | Retained earnings | Total   |                           |         |
|   | Remeasurements of defined benefit plans | Total   |                   |         |                           |         |
| Balance as of April 1, 2021   | –                                       | 8,500   | 244,138           | 253,089 | 4,748                     | 257,837 |
| Profit for the period   | –                                       | –       | 12,031            | 12,031  | 965                       | 12,997  |
| Other comprehensive income  | 13                                      | 3,148   | –                 | 3,148   | 383                       | 3,531   |
| Total comprehensive income for the period   | 13                                      | 3,148   | 12,031            | 15,180  | 1,348                     | 16,529  |
| Purchase of treasury shares   | –                                       | –       | –                 | (4)     | –                         | (4)     |
| Dividends   | –                                       | –       | (7,865)           | (7,865) | (689)                     | (8,554) |
| Share-based payment transactions  | –                                       | –       | –                 | 114     | (1)                       | 113     |
| Increase (decrease) by business combination   | –                                       | –       | –                 | –       | 268                       | 268     |
| Liabilities pertaining to forward contracts concluded with non-controlling shareholders | –                                       | –       | –                 | –       | –                         | –       |
| Transfer from other components of equity to retained earnings                           | (13)                                    | (4,960) | 4,960             | –       | –                         | –       |
| Other   | –                                       | –       | –                 | (7)     | 26                        | 19      |
| Total transactions with owners  | (13)                                    | (4,960) | (2,904)           | (7,762) | (395)                     | (8,158) |
| Balance as of December 31, 2021   | –                                       | 6,689   | 253,265           | 260,508 | 5,701                     | 266,209 |

**(5) Condensed quarterly consolidated statement of cash flows**

(Million yen)

|   | Nine months ended<br>December 31, 2020 | Nine months ended<br>December 31, 2021 |
|---|--|--|
| Cash flows from operating activities  |  |  |
| Profit before tax   | 21,657                                 | 20,773                                 |
| Depreciation and amortization   | 15,385                                 | 17,103                                 |
| Share of loss (profit) of investments accounted for using equity method   | 1,047                                  | 96                                     |
| Loss (gain) on sale of fixed assets   | (4)                                    | (59)                                   |
| Decrease (increase) in inventories  | (452)                                  | (2,165)                                |
| Decrease (increase) in trade and other receivables  | 3,955                                  | (8,794)                                |
| Increase (decrease) in trade and other payables   | (2,338)                                | 3,363                                  |
| Other   | (3,025)                                | (235)                                  |
| Subtotal  | 36,224                                 | 30,081                                 |
| Interest received   | 64                                     | 81                                     |
| Dividends received  | 349                                    | 586                                    |
| Interest paid   | (55)                                   | (102)                                  |
| Income taxes paid   | (3,896)                                | (12,883)                               |
| Net cash provided by (used in) operating activities   | 32,686                                 | 17,764                                 |
| Cash flows from investing activities  |  |  |
| Payments into time deposits   | (1,407)                                | (1,582)                                |
| Proceeds from withdrawal of time deposits   | 1,123                                  | 1,679                                  |
| Purchase of property, plant and equipment   | (6,307)                                | (30,264)                               |
| Proceeds from sale of property, plant and equipment   | 5,934                                  | 313                                    |
| Purchase of intangible assets   | (1,290)                                | (1,602)                                |
| Proceeds from sale of investment securities   | 2,533                                  | 9,194                                  |
| Payments for acquisition of subsidiaries (after deduction of cash and cash equivalents included in acquired assets) | (4,605)                                | (2,401)                                |
| Other   | (805)                                  | 560                                    |
| Net cash provided by (used in) investing activities   | (4,825)                                | (24,104)                               |
| Cash flows from financing activities  |  |  |
| Net increase (decrease) in short-term borrowings  | (35,001)                               | 5,676                                  |
| Proceeds from issuance of bonds   | 29,882                                 | —                                      |
| Repayments of long-term borrowings  | (516)                                  | (335)                                  |
| Repayments of lease liabilities   | (3,682)                                | (3,719)                                |
| Dividends paid  | (8,062)                                | (8,548)                                |
| Other   | 30                                     | 152                                    |
| Net cash provided by (used in) financing activities   | (17,349)                               | (6,774)                                |
| Effect of exchange rate changes on cash and cash equivalents  | 682                                    | 1,174                                  |
| Net increase (decrease) in cash and cash equivalents  | 11,193                                 | (11,940)                               |
| Cash and cash equivalents at beginning of period  | 50,215                                 | 62,228                                 |
| Cash and cash equivalents at end of period  | 61,408                                 | 50,287                                 |

## Notes to Condensed Quarterly Consolidated Financial Statements

(Notes on the Going-concern Assumption)

Nine months ended December 31, 2021 (April 1, 2021 - December 31, 2021)

Not applicable

### (Segment Information)

#### (1) Overview of reportable segments

The Company's reportable segments are components of the Group about which separate financial information is available. These segments are subject to periodic review to enable the Company's board of directors to decide how to allocate resources and assess performance.

The Group plans comprehensive strategies for the products that it handles in Japan and overseas, and develops a business. The Group's operations are therefore classified into two reportable segments, the Water Treatment Chemicals segment and the Water Treatment Facilities segment.

The Water Treatment Chemicals segment manufactures and sells water treatment chemicals and equipment and provides maintenance services. The Water Treatment Facilities segment manufactures and sells water treatment system and facilities, supplies ultrapure water, chemical cleaning, tool cleaning, soil and groundwater remediation services, and provides maintenance services that encompass operation, maintenance, and management of water treatment facilities.

#### (2) Information of reportable segments

Nine months ended December 31, 2020 (April 1, 2020 - December 31, 2020)

(Million yen)

|   | Reportable Segments          |                               | Total   | Adjustments<br>(note 1) | Amounts reported<br>on the condensed<br>quarterly<br>consolidated<br>statement of profit<br>or loss (note 2) |
|---|------------------------------|-------------------------------|---------|-------------------------|--|
|   | Water Treatment<br>Chemicals | Water Treatment<br>Facilities |         |                         |  |
| Net sales   |                              |                               |         |                         |  |
| Sales to outside customers  | 77,515                       | 120,491                       | 198,007 | —                       | 198,007  |
| Inter-segment sales and transfers                                       | 339                          | 1,586                         | 1,926   | (1,926)                 | —  |
| Total   | 77,855                       | 122,078                       | 199,933 | (1,926)                 | 198,007  |
| Segment income  | 9,279                        | 14,332                        | 23,612  | 9                       | 23,621   |
| Finance income  |                              |                               |         |                         | 490  |
| Finance costs   |                              |                               |         |                         | 1,406  |
| Share of profit (loss) of investments accounted for using equity method |                              |                               |         |                         | (1,047)  |
| Profit before tax   |                              |                               |         |                         | 21,657   |

(Notes) 1. Segment income: Amount resulting from eliminations of inter-segment transactions.

2. Segment income is shown at the operating profit level.

Nine months ended December 31, 2021 (April 1, 2021 - December 31, 2021)

(Million yen)

|   | Reportable Segments          |                               | Total   | Adjustments<br>(note 1) | Amounts reported<br>on the condensed<br>quarterly<br>consolidated<br>statement of profit<br>or loss (note 2) |
|---|------------------------------|-------------------------------|---------|-------------------------|--|
|   | Water Treatment<br>Chemicals | Water Treatment<br>Facilities |         |                         |  |
| Net sales   |                              |                               |         |                         |  |
| Sales to outside customers  | 87,852                       | 123,370                       | 211,223 | —                       | 211,223  |
| Inter-segment sales and transfers                                       | 408                          | 374                           | 783     | (783)                   | —  |
| Total   | 88,261                       | 123,745                       | 212,006 | (783)                   | 211,223  |
| Segment income  | 11,104                       | 14,440                        | 25,544  | (5)                     | 25,539   |
| Finance income  |                              |                               |         |                         | 513  |
| Finance costs   |                              |                               |         |                         | 5,183  |
| Share of profit (loss) of investments accounted for using equity method |                              |                               |         |                         | (96)   |
| Profit before tax   |                              |                               |         |                         | 20,773   |

(Notes) 1. Segment income: Amount resulting from eliminations of inter-segment transactions.

2. Segment income is shown at the operating profit level.

(Business Combination)

(Transaction under Common Control)

(1) Outline of the transaction

(i) Company names and businesses at the time of integration

i) Surviving company

|                      |   |
|----------------------|---|
| Company name         | Kurita Water Industries Ltd.  |
| Business description | Manufacture and sale of water treatment chemicals and water treatment facilities; maintenance of water treatment facilities; ultrapure water supply; soil and groundwater remediation |

ii) Merged companies

|                      |   |
|----------------------|---|
| Company name         | Kurita Engineering Co., Ltd. (“Kurita Engineering”)   |
| Business description | Plant cleaning and maintenance; manufacture and sale of cleaning and sewage treatment chemicals, facilities, and equipment; rental of temporary machinery |

(ii) Date of business combination

April 1, 2021

(iii) Legal form of business combination

The business combination is an absorption-type merger. The surviving company is the Company. Kurita Engineering has been dissolved.

(iv) Name of the company after business combination

Kurita Water Industries Ltd.

(v) Main reason of integration

Kurita Engineering was established in 1959, by spinning off the chemical cleaning division of the Company. As a leading plant cleaning engineering company, Kurita Engineering engages primarily in chemical cleaning for large plants in Japan. In the social and industrial infrastructure market, including the electricity, iron and steel, petroleum refinery and petrochemical industries, which are primarily where Kurita Engineering and the Company operate, needs to reduce the environmental impact, including decarbonization to address climate change, and demand productivity improvement are increasing.

The merger enables the Company to appropriately respond to those needs by harnessing Kurita Engineering’s strong technological base and customer base and using in an agile way the Company’s management resources, including financial capital and human capital, and to provide optimal solutions. The Company will build a system to promptly respond to social and customer needs in the social and industrial infrastructure market and will expand the plant cleaning business and achieve sustainable growth in the business.

(2) Outline of accounting

The business combination under common control is a business combination in which all companies or businesses involved are ultimately controlled by the same company before and after the business combination. The control is not temporary. The Group continues to perform accounting treatment for all business combination transactions under common control based on book value.

(Additional information)

(Transfer of fixed assets)

At a meeting of the Board of Directors held on October 29, 2021, the Company resolved to transfer fixed assets, and the Company concluded a real estate sales contract on December 16, 2021.

1. Reason for the transfer

To use management resources effectively and increase asset efficiency, the Company decided to transfer the fixed assets below.

2. Assets to be transferred

| Description and location of assets  | Transfer price | Book value | Capital gain*2    | Present status  |
|---|----------------|------------|-------------------|-----------------|
| Osaka Office<br>Land: 1/2 (co-ownership share) of 703.52 m <sup>2</sup><br>Buildings: 3,068.41 m <sup>2</sup> (total floor area)<br>(2-22, Kitahama 2-chome, Chuo-ku, Osaka-shi, Osaka) | (*1)           | (*1)       | 1,100 million yen | Regional office |

\*1 The transfer price and book value are not disclosed in line with the wishes of the transferee. The assets are transferred at a reasonable price that reflects the market price.

\*2 The capital gain is an estimated amount. It is calculated by subtracting the carrying amount and an estimated amount of expenses related to the transfer from the transfer price.

3. Outline of the transferee

The Company has refrained from disclosing information on the transferee under an agreement with it. There is no information to note regarding capital ties, personal relationships or related party matters between the transferee and the Company.

4. Schedule

|  |                       |
|--|-----------------------|
| (1) Date of resolution by the Board of Directors | October 29, 2021      |
| (2) Date of conclusion of contract               | December 16, 2021     |
| (3) Date of delivery of assets                   | March 31, 2022 (plan) |

5. Effects of the event on profits or losses

A gain on sale of fixed assets of 1,100 million yen is expected to be posted in other income due to the event in the fourth quarter in the fiscal year ending March 31, 2022.

Disclaimer

- This document is an English translation of the Earnings Report for the Nine Months Ended December 31, 2021 as reference information primarily for overseas investors. If there are any discrepancies between the Japanese version and the English version, the Japanese version shall take precedence in all cases.
- This document is not subject to audit.
- The forward-looking statements such as performance forecasts contained in this document are based on information currently available to the Company and certain assumptions deemed to be reasonable, and are not intended to be a commitment by the Company. Actual performance, etc. may differ due to a variety of factors. See "Forecasts for the Fiscal Year Ending March 31, 2022" on page 4 of this document for the conditions assumed in the performance forecasts and the precautions concerning the use of performance forecasts.