

Kurita Water Industries Ltd. Reports Earnings for the Nine Months Ended December 31, 2022

Tokyo, Japan, February 2, 2023 - Kurita Water Industries Ltd. (the “Company”) (TSE Securities Code 6370) announced net sales of 251,706 million yen and profit attributable to owners of parent of 20,149 million yen, or 179.28 yen per share, for the nine months ended December 31, 2022 (April 1, 2022 - December 31, 2022).

Results of Operations

Total consolidated orders for the Kurita Group (the “Group”) in the nine months ended December 31, 2022 rose 31.6% from the level of the year-ago period, to 288,057 million yen, and net sales increased 19.2%, to 251,706 million yen. Business profit* increased 12.6%, to 28,369 million yen, operating profit was 27,669 million yen, up 8.3% versus the year-ago period, profit before tax was 28,963 million yen, rising 39.4%, and profit attributable to owners of parent amounted to 20,149 million yen, up 67.5%.

In the first nine months under review, the Company underwrote a capital increase at Kurita America Holdings Inc. to help it acquire additional shares in US-based subsidiary Pentagon Technologies Group, Inc. (Water Treatment Facilities business) (and make it a wholly owned subsidiary) and completed the payment. The Company posted in finance income a gain on derivatives transactions of 1,090 million yen from a foreign exchange contract it entered into after deciding to underwrite the capital increase. Meanwhile, finance costs of 4,639 million yen posted in the same period of the previous fiscal year that resulted from the subsequent measurement of liabilities related to a forward contract concluded with the non-controlling shareholders of Pentagon Technologies Group, Inc. (Water Treatment Facilities business) were eliminated. Those factors contributed to the significant increases in profit before tax and profit attributable to owners of parent.

During the first nine months of the fiscal year ending March 31, 2023, uncertainty in the global economy increased, reflecting continued disruption in supply chains and sharp rises in prices of raw materials and energy chiefly due to the prolonged war in Ukraine and the resurgence in COVID-19 cases. However, the global economy continued to recover moderately. Production activities in the manufacturing industry in Japan were weak in certain sectors chiefly due to constraints on the supply of raw materials caused mainly by semiconductor shortages and lockdowns in China, but there remained signs of a recovery in capital investment. Overseas, there were signs of a recovery in the U.S. economy, as well as in the economies in Europe and Asia excluding China. Meanwhile, the Chinese economy slowed on economic weakness caused chiefly by the resurgence in COVID-19 cases after the removal of movement restrictions.

In this environment, the Group stepped up initiatives to propose total solutions that would help solve customer issues such as the reduction of the environmental impact, including water saving, the reduction of CO₂ emissions and waste reduction, and an improvement in productivity, while expanding the CSV (creating shared value) business based on a deep understanding of social and customer issues, aiming to address climate change and create value shared with society.

*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 102,518 million yen, up 17.0%

versus the year-ago period, while net sales rose 17.2%, to 102,923 million yen.

In terms of profits, business profit amounted to 12,414 million yen, an increase of 14.5% year on year, and operating profit rose to 12,284 million yen, up 10.6% year on year, chiefly due to an increase in net sales, which more than offset a rise in expenses chiefly due to increases in raw materials prices and distribution costs.

In Japan, orders and net sales remained flat from the same period of the previous fiscal year, reflecting the effects of supply shortages of semiconductors and other raw materials on capacity utilization at certain customers' plants.

Overseas, both orders and net sales increased, reflecting sales price increases in response to sharp rises in raw materials prices and logistics costs and an increase in results in yen at overseas subsidiaries due to the weaker yen as well as the results of the development of high value-added services, including the CSV (creating shared value) business.

Water Treatment Facilities

Total Group orders for the Water Treatment Facilities segment were 185,538 million yen, up 41.4% versus the same period of the previous fiscal year. Net sales increased 20.6%, to 148,783 million yen.

In terms of profits, business profit amounted to 15,971 million yen, an increase of 11.1% year on year, and operating profit rose to 15,403 million yen, up 6.7% year on year, chiefly due to an increase in net sales, which more than offset a rise in expenses related to the procurement of raw materials and parts.

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 sales from the order backlog. Orders and net sales for maintenance services for the industry both increased, reflecting the expansion of facilities and the posting of orders for and sales from repairs, including the replacement of consumables, against a backdrop of firm capacity utilization at customers' plants.

Orders for water treatment facilities for general industries climbed, but net sales declined. Orders and net sales of maintenance services for the industry both increased because of a recovery in maintenance demand. Orders for water treatment facilities for the electric power industry increased slightly. Net sales fell as the posting of sales from large projects had run its course. Orders and net sales of soil remediation services increased, reflecting demand for small and medium-sized projects.

Overseas, both orders and net sales increased due to an increase in results in yen at overseas subsidiaries associated with the weaker yen, the posting of orders and sales of large water treatment facilities projects in the electronics industry in East Asia and an increase in sales of precision tool cleaning services.

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

Financial Condition

Condition of assets, liabilities and equity

1) Total assets: 495,905 million yen, an increase of 25,924 million yen from the end of the previous fiscal year

Current assets totaled 191,274 million yen at the end of the third quarter (December 31, 2022), an increase of 12,878 million yen from the end of the previous fiscal year (March 31, 2022). This was mainly due to trade and other receivables and inventories of 7,961 million yen and 5,019 million yen, respectively.

Non-current assets totaled 304,631 million yen at the end of the third quarter, an increase of 13,046 million yen from the end of the previous fiscal year. Property, plant and equipment increased 14,049 million yen chiefly due to the acquisition of new facilities in the ultrapure water supply business (Water Treatment Facilities business), and goodwill rose 4,331 million yen due to the weakening of the yen against other currencies, while other financial assets decreased 8,430 million yen chiefly due to the sale of investment securities held by the Group.

2) Liabilities: 201,545 million yen, an increase of 9,426 million yen from the end of the previous fiscal year

Current liabilities totaled 104,877 million yen at the end of the period, a decrease of 9,050 million yen from the end of the previous fiscal year. This is chiefly attributable to a decrease of 19,608 million yen in other financial liabilities due to mainly the implementation of the forward contract concluded with the non-controlling shareholders of US-based Pentagon Technologies Group, Inc. (Water Treatment Facilities business) and decreases in income taxes payable and trade and other payables of 6,223 million yen and 3,792 million yen, respectively, which were partially offset by an increase of 19,639 million yen in bonds and borrowings chiefly due to the issuance of commercial paper and new borrowings.

Non-current liabilities totaled 96,667 million yen at the end of the period, an increase of 18,476 million yen from the end of the previous fiscal year. This principally reflected an increase in bonds and borrowings of 17,940 million yen mainly due to the issuance of the second series of unsecured bonds (10,000 million yen) and new borrowings.

3) Equity: 294,360 million yen, an increase of 16,498 million yen from the end of the previous fiscal year

This principally reflected an increase of 16,651 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 totaled 48,268 million yen, an increase of 2,537 million yen from the end of the previous fiscal year.

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, 2022 totaled 28,766 million yen, an increase of 11,002 million yen from the same period of the previous fiscal year. This was chiefly due to inflows from profit before tax of 28,963 million yen and depreciation and amortization of 21,784 million yen, which were partially offset by outflows, including income taxes paid of 16,508 million yen.

2) Cash Flows from Investing Activities

Net cash used in investing activities totaled 29,785 million yen, an increase of 5,681 million yen from the same period of the previous fiscal year. Outflows chiefly from purchases of property, plant and equipment of 36,935 million yen were partly offset by inflows mainly from proceeds from sale of investment securities of 8,740 million yen.

3) Cash Flows from Financing Activities

Net cash provided by financing activities totaled 2,429 million yen, an increase of 9,203 million yen from the previous fiscal year. Inflows chiefly from a net increase in short-term borrowings and commercial paper of 17,640 million yen, proceeds from long-term borrowings of 9,988 million yen, and proceeds from the issuance of bonds of 9,955 million yen were partly offset by the purchase of shares of subsidiaries not resulting in change in scope of consolidation of 22,127 million yen and dividends paid of 8,699 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, capital investment and other investments in growth fields depend chiefly on the Group's own funds, but the Group produce funds from the bond market 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 (no borrowing executed and unexecuted borrowings within the commitment line was 20,000 million yen).

Forecasts for the Fiscal Year Ending March 31, 2023

Regarding the impact of COVID-19, while it is difficult to rationally estimate how COVID-19 will spread and when it will subside, the Company assumes that economic activities will normalize and the economy will recover moderately. Therefore, the Group's current outlook for the fiscal year ending March 31, 2023 is consistent with the earnings forecast disclosed in "Kurita Water Industries Ltd. Reports Earnings for the Six Months Ended September 30, 2022," which was announced on October 31, 2022.

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.

Condensed quarterly consolidated financial statements

(1) Condensed quarterly consolidated statement of financial position

(Million yen)

	As of March 31, 2022	As of December 31, 2022
Assets		
Current assets		
Cash and cash equivalents	45,730	48,268
Trade and other receivables	108,892	116,853
Other financial assets	3,075	3,662
Inventories	13,132	18,151
Other current assets	7,564	4,337
Total current assets	178,396	191,274
Non-current assets		
Property, plant and equipment	161,034	175,083
Right-of-use assets	19,042	21,073
Goodwill	62,992	67,323
Intangible assets	18,092	17,256
Investments accounted for using equity method	1,191	1,232
Other financial assets	23,011	14,581
Deferred tax assets	6,071	7,889
Other non-current assets	150	192
Total non-current assets	291,585	304,631
Total assets	469,981	495,905

(Million yen)

	As of March 31, 2022	As of December 31, 2022
Liabilities and equity		
Liabilities		
Current liabilities		
Trade and other payables	57,967	54,175
Bonds and borrowings	8,180	27,819
Lease liabilities	4,683	4,332
Other financial liabilities	19,613	5
Income taxes payable	8,663	2,440
Provisions	1,529	1,227
Other current liabilities	13,289	14,876
Total current liabilities	113,927	104,877
Non-current liabilities		
Bonds and borrowings	30,953	48,893
Lease liabilities	14,862	16,965
Other financial liabilities	1,757	1,612
Net defined benefit liability	18,144	18,660
Provisions	2,335	2,434
Deferred tax liabilities	2,646	2,286
Other non-current liabilities	7,491	5,814
Total non-current liabilities	78,191	96,667
Total liabilities	192,119	201,545
Equity		
Share capital	13,450	13,450
Capital surplus	(3,076)	(162)
Treasury shares	(10,694)	(10,636)
Other components of equity	12,161	12,394
Retained earnings	260,073	276,724
Equity attributable to owners of parent	271,914	291,770
Non-controlling interests	5,948	2,589
Total equity	277,862	294,360
Total liabilities and equity	469,981	495,905

(2) Condensed quarterly consolidated statement of profit or loss

(Million yen)

	Nine months ended December 31, 2021	Nine months ended December 31, 2022
Net sales	211,223	251,706
Cost of sales	133,482	162,781
Gross profit	77,740	88,924
Selling, general and administrative expenses	52,546	60,555
Other income	1,594	945
Other expenses	1,249	1,645
Operating profit	25,539	27,669
Finance income	513	1,852
Finance costs	5,183	704
Share of profit (loss) of investments accounted for using equity method	(96)	146
Profit before tax	20,773	28,963
Income tax expense	7,775	8,215
Profit for the period	12,997	20,747
Profit attributable to		
Owners of parent	12,031	20,149
Non-controlling interests	965	598
Profit for the period	12,997	20,747
Earnings per share		
Basic earnings per share (yen)	107.08	179.28
Diluted earnings per share (yen)	—	—

(3) Condensed quarterly consolidated statement of comprehensive income

(Million yen)

	Nine months ended December 31, 2021	Nine months ended December 31, 2022
Profit for the period	12,997	20,747
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Net change in the fair value of financial assets measured at fair value through other comprehensive income	976	27
Remeasurements of defined benefit plans	11	49
Total of items that will not be reclassified to profit or loss	988	77
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	2,459	4,064
Cash flow hedges	11	153
Share of other comprehensive income of investments accounted for using equity method	72	(16)
Total of items that may be reclassified to profit or loss	2,543	4,201
Other comprehensive income, net of tax	3,531	4,279
Comprehensive income for the period	16,529	25,027
Comprehensive income attributable to		
Owners of parent	15,180	23,517
Non-controlling interests	1,348	1,509
Comprehensive income for the period	16,529	25,027

(4) Condensed quarterly consolidated statement of changes in equity

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	—	—	—
Changes in ownership interests in subsidiaries	—	—	—	—	—	—
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
Changes in ownership interests in subsidiaries	–	–	–	–	–	–
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

Nine months ended December 31, 2022 (April 1, 2022 - December 31, 2022)

(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, 2022	13,450	(3,076)	(10,694)	3,493	40	8,627
Profit for the period	—	—	—	—	—	—
Other comprehensive income	—	—	—	3,136	153	27
Total comprehensive income for the period	—	—	—	3,136	153	27
Purchase of treasury shares	—	—	(1)	—	—	—
Dividends	—	—	—	—	—	—
Share-based payment transactions	—	38	58	—	—	—
Changes in ownership interests in subsidiaries	—	(19,308)	—	1,796	—	—
Increase (decrease) by business combination	—	—	—	—	—	—
Liabilities pertaining to forward contracts concluded with non-controlling shareholders	—	22,051	—	—	—	—
Transfer from other components of equity to retained earnings	—	—	—	—	—	(4,881)
Other	—	132	—	—	—	—
Total transactions with owners	—	2,914	57	1,796	—	(4,881)
Balance as of December 31, 2022	13,450	(162)	(10,636)	8,426	194	3,773

(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, 2022	–	12,161	260,073	271,914	5,948	277,862
Profit for the period	–	–	20,149	20,149	598	20,747
Other comprehensive income	49	3,368	–	3,368	911	4,279
Total comprehensive income for the period	49	3,368	20,149	23,517	1,509	25,027
Purchase of treasury shares	–	–	–	(1)	–	(1)
Dividends	–	–	(8,429)	(8,429)	(253)	(8,683)
Share-based payment transactions	–	–	–	97	0	98
Changes in ownership interests in subsidiaries	–	1,796	–	(17,511)	(4,615)	(22,127)
Increase (decrease) by business combination	–	–	–	–	–	–
Liabilities pertaining to forward contracts concluded with non-controlling shareholders	–	–	–	22,051	–	22,051
Transfer from other components of equity to retained earnings	(49)	(4,931)	4,931	–	–	–
Other	–	–	–	132	–	132
Total transactions with owners	(49)	(3,135)	(3,497)	(3,661)	(4,868)	(8,529)
Balance as of December 31, 2022	–	12,394	276,724	291,770	2,589	294,360

(5) Condensed quarterly consolidated statement of cash flows

(Million yen)

	Nine months ended December 31, 2021	Nine months ended December 31, 2022
Cash flows from operating activities		
Profit before tax	20,773	28,963
Depreciation and amortization	17,103	21,784
Share of loss (profit) of investments accounted for using equity method	96	(146)
Loss (gain) on sale of fixed assets	(59)	91
Decrease (increase) in inventories	(2,165)	(4,627)
Decrease (increase) in trade and other receivables	(8,794)	(7,367)
Increase (decrease) in trade and other payables	3,363	4,052
Other	(235)	2,057
Subtotal	30,081	44,808
Interest received	81	167
Dividends received	586	412
Interest paid	(102)	(113)
Income taxes paid	(12,883)	(16,508)
Net cash provided by (used in) operating activities	17,764	28,766
Cash flows from investing activities		
Payments into time deposits	(1,582)	(4,101)
Proceeds from withdrawal of time deposits	1,679	3,784
Purchase of property, plant and equipment	(30,264)	(36,935)
Proceeds from sale of property, plant and equipment	313	213
Purchase of intangible assets	(1,602)	(1,102)
Proceeds from sale of investment securities	9,194	8,740
Payments for acquisition of subsidiaries (after deduction of cash and cash equivalents included in acquired assets)	(2,401)	–
Other	560	(384)
Net cash provided by (used in) investing activities	(24,104)	(29,785)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings and commercial paper	5,676	17,640
Proceeds from issuance of bonds	–	9,955
Proceeds from long-term borrowings	58	9,988
Repayments of long-term borrowings	(335)	(434)
Repayments of lease liabilities	(3,719)	(3,950)
Dividends paid	(8,548)	(8,699)
Purchase of shares of subsidiaries not resulting in change in scope of consolidation	–	(22,127)
Other	94	57
Net cash provided by (used in) financing activities	(6,774)	2,429
Effect of exchange rate changes on cash and cash equivalents	1,174	1,127
Net increase (decrease) in cash and cash equivalents	(11,940)	2,537
Cash and cash equivalents at beginning of period	62,228	45,730
Cash and cash equivalents at end of period	50,287	48,268

Notes to Condensed Quarterly Consolidated Financial Statements

(Notes on the Going-concern Assumption)

Nine months ended December 31, 2022 (April 1, 2022 - December 31, 2022)

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, precision 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, 2021 (April 1, 2021 - December 31, 2021)

(Million yen)

	Reportable Segments		Total	Adjustments (note 1)	Amounts reported on the condensed quarterly consolidated statement of profit or loss (note 2)
	Water Treatment Chemicals	Water Treatment 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.

Nine months ended December 31, 2022 (April 1, 2022 - December 31, 2022)

(Million yen)

	Reportable Segments		Total	Adjustments (note 1)	Amounts reported on the condensed quarterly consolidated statement of profit or loss (note 2)
	Water Treatment Chemicals	Water Treatment Facilities			
Net sales					
Sales to outside customers	102,923	148,783	251,706	—	251,706
Inter-segment sales and transfers	439	684	1,123	(1,123)	—
Total	103,362	149,467	252,829	(1,123)	251,706
Segment income	12,284	15,403	27,688	(18)	27,669
Finance income					1,852
Finance costs					704
Share of profit (loss) of investments accounted for using equity method					146
Profit before tax					28,963

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

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

(Bonds and borrowings)

(1) Bonds

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

No bonds were issued or redeemed.

Nine months ended December 31, 2022 (April 1, 2022 - December 31, 2022)

The bonds issued are described below.

Name	Issue	Issue date	Total amount issued (million yen)	Interest rate (%)	Redemption period
The Company	Second series of unsecured bonds	May 26, 2022	10,000	0.29	May 26, 2027

No bonds were redeemed.

(2) Borrowings

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

Information is omitted because there were no important borrowings.

Nine months ended December 31, 2022 (April 1, 2022 - December 31, 2022)

The Group borrowed a total of 10,000 million yen (the final repayment date is December 29, 2027, even repayments) in the third quarter under review.

(Finance income)

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

Information is omitted because there were no important events.

Nine months ended December 31, 2022 (April 1, 2022 - December 31, 2022)

In the first quarter of the fiscal year under review, a gain on derivatives transactions of 1,090 million yen was recorded in finance income. This is income from a foreign exchange contract that the Company entered into after deciding to underwrite a capital increase in Kurita America Holdings Inc.

(Additional Information)

(Acquisition of additional shares in a subsidiary)

The forward contract on a share transfer concluded between Kurita America Holdings Inc. and the non-controlling shareholders of Pentagon Technologies Group, Inc. was implemented on June 30, 2022, and Kurita America Holdings acquired an additional 49% stake in Pentagon Technologies Group Inc. As a result, Pentagon Technologies Group Inc. has become a wholly owned subsidiary of the Group.

The value of additional shares acquired was 161 million US dollars (22,127 million yen). The amount is posted under the purchase of shares of subsidiaries not resulting in change in scope of consolidation in cash flows from financing activities in the condensed quarterly consolidated statement of cash flows. In connection with the posting of purchase of shares of subsidiaries, liabilities related to the forward contract concluded with the non-controlling shareholders posted as financial liabilities of 19,613 million yen in the previous fiscal year was eliminated, non-controlling interests declined 4,615 million yen, and the capital surplus increased 2,743 million yen.

Disclaimer

- This document is an English translation of the Earnings Report for the Nine Months Ended December 31, 2022 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, 2023” on page 4 of this document for the conditions assumed in the performance forecasts and the precautions concerning the use of performance forecasts.