

Kurita Water Industries Ltd. Reports Earnings for the Fiscal Year ended March 31, 2023

Tokyo, Japan, May 11, 2023 - Kurita Water Industries Ltd. (the “Company”) (TSE Securities Code 6370) announced net sales of 344,608 million yen and profit attributable to owners of parent of 20,134 million yen, or 179.14 yen per share, for the year ended March 31, 2023 (April 1, 2022 - March 31, 2023).

Results of Operations

Total consolidated orders for the Kurita Group (the “Group”) in the fiscal year ended March 31, 2023 increased 18.7% from the level of the previous fiscal year, to 374,268 million yen, and net sales rose 19.6%, to 344,608 million yen. Business profit* increased 17.1%, to 38,589 million yen, operating profit was 29,058 million yen, down 18.7% versus the year-ago period, profit before tax was 30,151 million yen, rising 0.2%, and profit attributable to owners of parent amounted to 20,134 million yen, up 9.0%.

During the fiscal year, other income of 1,564 million yen and other expenses of 11,095 million yen were posted. Other income declined 4,555 million yen, reflecting a one-time profit (a gain on sale of fixed assets) from the sale of real estate in the previous fiscal year. Other expenses included a goodwill impairment loss of 7,646 million yen related to Kurita America, Inc. (Water Treatment Chemicals business) and increased 7,766 million yen from the year-ago period.

An impairment test is performed each year and every time that there are any signs of an impairment. Meanwhile, the goodwill impairment loss at Kurita America, Inc. (Water Treatment Chemicals business) is calculated by comparing the value in use and accounting book value. The value in use is calculated by discounting the expected future cash flows using an appropriate discount rate. In the United States, the discount rate used in the calculation of value in use rose to 10.8% in the fiscal year under review (9.5% a year earlier), due to policy interest rate hikes to curb inflation. Future cash flows were estimated carefully and the business plan of Kurita America Inc., the basis of an estimate of future cash flows at the end of the previous fiscal year, was revised downward considering changes in the water treatment chemicals market in the United States following the outbreak of COVID-19 and results in the fiscal year under review, which were affected by disruptions to logistics and rising prices, as well as results in previous fiscal years. As a result, the value in use was less than the accounting book value, and an impairment loss is recognized.

In the fiscal year 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 5,496 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 increases in profit before tax and profit attributable to owners of parent.

During the fiscal year ended March 31, 2023, uncertainty in the global economy increased, reflecting a 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.

Looking at the market conditions surrounding the Group, production activities in the manufacturing industry in Japan were weak in certain sectors chiefly due to semiconductor shortages and supply shortages of raw materials in the first half of the fiscal year under review. Meanwhile, signs remained of a recovery in capital investment. Overseas, there were signs of a recovery in the U.S. economy and the economies in Europe and Asian countries excluding China. Meanwhile, in China, the economy slowed due to the lingering effects of lockdowns and movement restrictions to block the spread of COVID-19.

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 offer its value proposition to customers and society and establish a firm base for earnings. To lay the foundation for growth, the Group is promoting application of best practices in the service contract-type business and is striving to expand its services lineup in the service contract-type business to meet a wider range of diverse customer needs. To improve the cost structure, the Group is developing a system to optimize supply chains and taking steps to deal with increasing raw materials and distribution costs.

*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 136,863 million yen, up 15.6% versus the year-ago period, while net sales rose 15.7%, to 136,139 million yen.

In terms of profits, business profit amounted to 16,286 million yen, an increase of 19.8% 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. Operating profit stood at 7,606 million yen, down 47.8% year on year, reflecting a goodwill impairment loss of 7,646 million yen at Kurita America, Inc.

In Japan, orders and net sales increased from the year-ago period, chiefly reflecting price hikes and a focus put on proposals for service contract-type projects that help customers reduce the environmental impact and costs, despite 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 237,404 million yen, up 20.6% versus the same period of the previous fiscal year. Net sales increased 22.2%, to 208,468 million yen.

In terms of profits, business profit amounted to 22,378 million yen, an increase of 15.4% year on year, and operating profit rose to 21,526 million yen, up 1.7% 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, orders for water treatment facilities for the electronics industry took a significant downturn after orders for large projects were posted in the previous fiscal year, but still orders were at a high level. Net sales rose significantly, chiefly due to the posting of 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, reflecting cancellations of orders for large projects received in the previous fiscal year, but net sales declined. Orders and net sales of maintenance services for this industry both increased because of a recovery in maintenance demand. Both orders for and net sales from water treatment facilities for the electric power industry decreased. Orders for soil remediation

services decreased, but net sales 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, and the posting of orders and sales of large water treatment facilities projects in the electronics industry in East Asia.

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

1) Total assets: 501,538 million yen, an increase of 31,557 million yen from the end of the previous fiscal year

Current assets totaled 196,416 million yen, an increase of 18,020 million yen from the end of the previous fiscal year ended March 31, 2022. This was mainly due to an increase of 11,407 million yen in trade and other receivables and increases in cash and cash equivalents and inventories of 4,737 million yen and 3,715 million yen, respectively.

Non-current assets totaled 305,121 million yen, an increase of 13,536 million yen from the end of the previous fiscal year. Property, plant and equipment increased 17,703 million yen chiefly due to the acquisition of new facilities in the ultrapure water supply business (Water Treatment Facilities business). Other financial assets decreased 7,578 million yen while deferred tax assets increased 3,913 million yen owing mainly to the sale of a part of shares owned for policy purposes.

2) Liabilities: 205,778 million yen, an increase of 13,659 million yen from the end of the previous fiscal year

Current liabilities totaled 109,468 million yen at the end of the period, a decrease of 4,459 million yen from the end of the previous fiscal year. This is chiefly attributable to a decrease of 19,610 million yen in other financial liabilities mainly due to the implementation of the forward contract concluded with the non-controlling shareholders of US-based Pentagon Technologies Group, Inc. (Water Treatment Facilities business) and a decrease in trade and other payables of 6,502 million yen, which were partially offset by an increase of 20,818 million yen in bonds and borrowings chiefly due to the issuance of commercial paper and new borrowings.

Non-current liabilities totaled 96,310 million yen, an increase of 18,119 million yen from the end of the previous fiscal year. This principally reflected an increase in bonds and borrowings of 17,805 million yen mainly due to the issuance of the second series of unsecured bonds (10,000 million yen) and new borrowings.

3) Equity: 295,759 million yen, an increase of 17,897 million yen from the end of the previous fiscal year

This principally reflected an increase of 17,566 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 fiscal year ended March 31, 2023 totaled 50,468 million yen, an increase of 4,737 million yen from the end of the previous fiscal year ended March 31, 2022.

The various cash flows and related factors are outlined below.

1) Cash Flows from Operating Activities

Net cash provided by operating activities during the fiscal year ended March 31, 2023 totaled 48,631 million yen, an increase of 19,894 million yen from the previous fiscal year. Inflows from profit before tax of 30,151 million yen and depreciation, amortization and impairment loss of 37,276 million yen were partly offset by income taxes paid of 17,094 million yen and an increase in trade and other receivables of 10,172 million yen.

2) Cash Flows from Investing Activities

Net cash used in investing activities totaled 46,274 million yen, an increase of 6,345 million yen from the same period of the previous fiscal year. Outflows chiefly from purchases of property, plant and equipment of 53,384 million yen were partly offset by inflows mainly from proceeds from sale of investment securities of 8,854 million yen.

3) Cash Flows from Financing Activities

Net cash provided by financing activities totaled 1,101 million yen, an increase of 9,028 million yen from the previous fiscal year. Inflows chiefly from a net increase in short-term borrowings and commercial paper of 18,722 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 23,272 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 procures financing through bond markets and bank loans as needed. As of the end of the fiscal year under review, the Group has concluded commitment line contracts with two financial institutions (no borrowing executed and unexecuted borrowings within the commitment line was 20,000 million yen).

(Reference) Indicators related to cash flow

	Year ended March 31, 2019	Year ended March 31, 2020	Year ended March 31, 2021	Year ended March 31, 2022	Year ended March 31, 2023
Ratio of equity attributable to owners of parent (%)	66.0	62.5	59.6	57.9	58.6
Ratio of equity attributable to owners of parent based on market value (%)	88.3	72.3	125.4	108.7	135.4
Ratio of interest-bearing debt to cash flows (%)	39.6	148.1	130.3	207.0	207.4
Interest coverage ratio (times)	115.9	126.3	187.8	123.9	124.1

(Notes) Ratio of equity attributable to owners of parent: Equity attributable to owners of parent / Total assets

Ratio of equity attributable to owners of parent based on market value: Market capitalization / Total assets

Ratio of interest-bearing debt to cash flows: Interest-bearing debt / Cash flow

Interest coverage ratio: Cash flow / Interest payments

1. Each indicator is calculated based on consolidated financial figures.
2. Market capitalization is calculated based on the number of shares outstanding excluding treasury stock.
3. Cash flow is net cash provided by operating activities.
4. Interest-bearing debt includes all liabilities requiring the payment of interest under the liabilities section of the consolidated statement of financial position.

Outlook for Overall Business, Including Production, Sales, and Profits and Losses

The global economy is slowing moderately, reflecting higher prices, a downturn in domestic demand due to monetary tightening, and a temporary slowdown in the Chinese economy due to the COVID-19 pandemic. Although inflation is expected to fall in the United States and the euro area, economic growth will likely slow. In the semiconductor market, negative growth is expected chiefly due to inventory adjustments resulting from a slowdown in strong demand for personal computers and smartphones from those working at home during the pandemic and a slowdown in the Chinese economy, the largest consuming country. In the Japanese economy, growth, particularly growth in domestic demand, will continue. Higher prices will put downward pressure on households' purchasing power and consumer spending, but consumer spending will be supported by higher wages partly due to labor shortage. There is likely to be steady capital investment from a medium to long-term perspective, such as investment in digitalization and decarbonization. The Company's forecasts of

consolidated results are based on that assumption.

The forecasts do not reflect causes for concern over a further slowdown in the global economy, including increasing energy inventories due to growing geopolitical risks, reviews of supply chains due to the strengthening of economic security, and delays in curbing inflation in the United States. In that case, capacity utilization at plants of customers may fall and capital expenditures may be postponed. It is also possible that business activities at the Group will be delayed. If the actually situation becomes very different from our assumption, our business will be affected and the forecasts may have to be revised.

The consolidated results forecasts for the first half of the fiscal year ending March 31, 2024 and the full year are as shown below.

(The percentages are year-on-year changes.)

	First half of the fiscal year (April 1, 2023 - September 30, 2023)		Full year (April 1, 2023 - March 31, 2024)	
	Million yen	%	Million yen	%
Net sales	181,000	12.6	375,000	8.8
Business profit	16,200	(2.5)	40,000	3.7
Operating profit	15,700	(4.0)	39,000	34.2
Profit before tax	15,500	(11.5)	38,200	26.7
Profit attributable to owners of parent	10,500	(15.2)	27,000	34.1

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.

Outlook by Segment

The Group has divided its business into segments by business type, namely the Water Treatment Chemicals business and Water Treatment Facilities business, for performance management. From the fiscal year ending March 31, 2024, the Group will divide its business into segments by customer industries, namely the Electronics Industries and General Industries.

Electronics Industries

Orders are likely to take a downturn after strong demand in the previous fiscal year, but net sales are expected to increase due to an accumulated backlog of orders. Business profit and operating profit are expected to decline due to the adverse effect of a smaller percentage of sales accounted for by the service business, which will more than offset the effect of the expected increase in net sales.

General Industries

Orders will increase mainly due to growth in the overseas chemicals business, and net sales will rise due to progress in the construction of facilities and maintenance projects in addition to growth in the chemicals business. Due to the increase in net sales, business profit is expected to increase. Operating profit is likely to rise significantly, reflecting a goodwill impairment loss posted in relation to Kurita America, Inc. in the previous fiscal year.

Dividend Policy and Dividends for the Fiscal Year ended March 31, 2023 and the Fiscal Year ending March 31, 2024

Kurita Water Industries' basic policy is to provide shareholders with stable dividends.

Setting a payout ratio of 30 to 50% as our target, we will work to continue to increase dividends, making decisions based on the payout ratios for the most recent five years to respond flexibly to fluctuations in business performance each year. In using retained earnings, we will maintain capital discipline and will prioritize promising business fields that are expected to grow. If we have decided that there are excess funds, we will take steps to improve capital efficiency and return profits to shareholders, including the acquisition of treasury stock, taking the share price into consideration.

We intend to pay a year-end dividend of 39 yen per share for the fiscal year ended March 31, 2023, 3 yen more than the previous year-end dividend. Combined with the interim dividend of 39 yen per share (3 yen more than the previous interim dividend), the annual dividend comes to 78 yen per share, 6 yen higher than the previous fiscal year's annual dividend. For the fiscal year ending March 31, 2024, Kurita Water Industries plans to pay an interim dividend of 42 yen per share and a year-end dividend of 42 yen per share, for an annual dividend to be 84 yen per share.

The dividend forecasts above are made by the Company based on information available at the time of publication of this report. Actual results may differ from them due to a range of factors.

Basic Concept for the Selection of Accounting Standards

The Kurita Group voluntarily applied IFRS from the first quarter of the fiscal year ended March 31, 2020 for its consolidated financial statements for the purpose of increasing the international comparability of financial information and unifying accounting treatment within the Group.

Consolidated financial statements

(1) Consolidated statement of financial position

(Million yen)

	As of March 31, 2022	As of March 31, 2023
Assets		
Current assets		
Cash and cash equivalents	45,730	50,468
Trade and other receivables	108,892	120,299
Other financial assets	3,075	3,357
Inventories	13,132	16,847
Other current assets	7,564	5,444
Total current assets	178,396	196,416
Non-current assets		
Property, plant and equipment	161,034	178,737
Right-of-use assets	19,042	21,928
Goodwill	62,992	60,413
Intangible assets	18,092	17,104
Investments accounted for using equity method	1,191	1,283
Other financial assets	23,011	15,433
Deferred tax assets	6,071	9,984
Other non-current assets	150	235
Total non-current assets	291,585	305,121
Total assets	469,981	501,538

(Million yen)

	As of March 31, 2022	As of March 31, 2023
Liabilities and equity		
Liabilities		
Current liabilities		
Trade and other payables	57,967	51,465
Bonds and borrowings	8,180	28,998
Lease liabilities	4,683	4,294
Other financial liabilities	19,613	3
Income taxes payable	8,663	6,018
Provisions	1,529	2,301
Other current liabilities	13,289	16,387
Total current liabilities	113,927	109,468
Non-current liabilities		
Bonds and borrowings	30,953	48,758
Lease liabilities	14,862	18,016
Other financial liabilities	1,757	1,666
Net defined benefit liability	18,144	17,321
Provisions	2,335	2,613
Deferred tax liabilities	2,646	2,362
Other non-current liabilities	7,491	5,570
Total non-current liabilities	78,191	96,310
Total liabilities	192,119	205,778
Equity		
Share capital	13,450	13,450
Capital surplus	(3,076)	(608)
Treasury shares	(10,694)	(10,638)
Other components of equity	12,161	14,132
Retained earnings	260,073	277,639
Equity attributable to owners of parent	271,914	293,975
Non-controlling interests	5,948	1,784
Total equity	277,862	295,759
Total liabilities and equity	469,981	501,538

(2) Consolidated statement of profit or loss and comprehensive income

Consolidated statement of profit or loss

(Million yen)

	Year ended March 31, 2022	Year ended March 31, 2023
Net sales	288,207	344,608
Cost of sales	183,928	224,911
Gross profit	104,278	119,696
Selling, general and administrative expenses	71,334	81,106
Other income	6,119	1,564
Other expenses	3,329	11,095
Operating profit	35,734	29,058
Finance income	601	1,990
Finance costs	6,176	1,077
Share of profit (loss) of investments accounted for using equity method	(80)	179
Profit before tax	30,079	30,151
Income tax expense	10,454	9,473
Profit for the period	19,624	20,677
Profit attributable to		
Owners of parent	18,471	20,134
Non-controlling interests	1,153	543
Profit for the period	19,624	20,677
Earnings per share		
Basic earnings per share (yen)	164.38	179.14
Diluted earnings per share (yen)	—	—

Consolidated statement of comprehensive income

(Million yen)

	Year ended March 31, 2022	Year ended March 31, 2023
Profit for the period	19,624	20,677
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	520	674
Remeasurements of defined benefit plans	417	830
Total of items that will not be reclassified to profit or loss	938	1,505
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	8,692	5,245
Cash flow hedges	131	182
Share of other comprehensive income of investments accounted for using equity method	121	2
Total of items that may be reclassified to profit or loss	8,944	5,429
Other comprehensive income, net of tax	9,883	6,935
Comprehensive income for the period	29,507	27,612
Comprehensive income attributable to		
Owners of parent	27,501	26,176
Non-controlling interests	2,005	1,436
Comprehensive income for the period	29,507	27,612

(3) Consolidated statement of changes in equity

Fiscal year ended March 31, 2022 (April 1, 2021 - March 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, 2021	13,450	(2,212)	(10,787)	(4,469)	(91)	13,060
Profit for the period	—	—	—	—	—	—
Other comprehensive income	—	—	—	7,962	131	520
Total comprehensive income for the period	—	—	—	7,962	131	520
Purchase of treasury shares	—	—	(5)	—	—	—
Dividends	—	—	—	—	—	—
Share-based payment transactions	—	57	98	—	—	—
Changes in ownership interests in subsidiaries	—	(1,115)	—	—	—	—
Increase (decrease) by business combination	—	—	—	—	—	—
Liabilities pertaining to forward contracts concluded with non-controlling shareholders	—	—	—	—	—	—
Transfer from other components of equity to retained earnings	—	—	—	—	—	(4,954)
Other	—	193	—	—	—	—
Total transactions with owners	—	(864)	93	—	—	(4,954)
Balance as of March 31, 2022	13,450	(3,076)	(10,694)	3,493	40	8,627

(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	—	—	18,471	18,471	1,153	19,624
Other comprehensive income	415	9,030	—	9,030	852	9,883
Total comprehensive income for the period	415	9,030	18,471	27,501	2,005	29,507
Purchase of treasury shares	—	—	—	(5)	—	(5)
Dividends	—	—	(7,865)	(7,865)	(943)	(8,809)
Share-based payment transactions	—	—	—	155	23	179
Changes in ownership interests in subsidiaries	—	—	—	(1,115)	(268)	(1,384)
Increase (decrease) by business combination	—	—	—	—	357	357
Liabilities pertaining to forward contracts concluded with non-controlling shareholders	—	—	—	—	—	—
Transfer from other components of equity to retained earnings	(415)	(5,369)	5,369	—	—	—
Other	—	—	(41)	152	26	179
Total transactions with owners	(415)	(5,369)	(2,536)	(8,677)	(805)	(9,483)
Balance as of March 31, 2022	—	12,161	260,073	271,914	5,948	277,862

Fiscal year ended March 31, 2023 (April 1, 2022 - March 31, 2023)

(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	—	—	—	4,354	182	674
Total comprehensive income for the period	—	—	—	4,354	182	674
Purchase of treasury shares	—	—	(2)	—	—	—
Dividends	—	—	—	—	—	—
Share-based payment transactions	—	76	58	—	—	—
Changes in ownership interests in subsidiaries	—	(19,793)	—	1,830	—	—
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	—	—	—	—	—	(5,070)
Other	—	132	—	—	—	—
Total transactions with owners	—	2,467	55	1,830	—	(5,070)
Balance as of March 31, 2023	13,450	(608)	(10,638)	9,678	222	4,231

(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	–	–	20,134	20,134	543	20,677
Other comprehensive income	830	6,041	–	6,041	893	6,935
Total comprehensive income for the period	830	6,041	20,134	26,176	1,436	27,612
Purchase of treasury shares	–	–	–	(2)	–	(2)
Dividends	–	–	(8,429)	(8,429)	(280)	(8,709)
Share-based payment transactions	–	–	–	135	(31)	103
Changes in ownership interests in subsidiaries	–	1,830	–	(17,962)	(5,289)	(23,251)
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	(830)	(5,901)	5,901	–	–	–
Other	–	–	(39)	92	–	92
Total transactions with owners	(830)	(4,070)	(2,567)	(4,115)	(5,600)	(9,715)
Balance as of March 31, 2023	–	14,132	277,639	293,975	1,784	295,759

(4) Consolidated statement of cash flows

(Million yen)

	Year ended March 31, 2022	Year ended March 31, 2023
Cash flows from operating activities		
Profit before tax	30,079	30,151
Depreciation, amortization and impairment loss	24,440	37,276
Share of loss (profit) of investments accounted for using equity method	80	(179)
Loss (gain) on sale of fixed assets	(4,073)	76
Decrease (increase) in inventories	(1,918)	(3,109)
Decrease (increase) in trade and other receivables	(6,713)	(10,172)
Increase (decrease) in trade and other payables	1,459	7,965
Other	(1,857)	3,365
Subtotal	41,497	65,373
Interest received	177	301
Dividends received	601	442
Interest paid	(232)	(392)
Income taxes paid	(13,308)	(17,094)
Net cash provided by (used in) operating activities	28,737	48,631
Cash flows from investing activities		
Payments into time deposits	(2,348)	(4,871)
Proceeds from withdrawal of time deposits	2,175	4,902
Purchase of property, plant and equipment	(55,096)	(53,384)
Proceeds from sale of property, plant and equipment	8,743	265
Purchase of intangible assets	(2,038)	(1,601)
Proceeds from sale of investment securities	9,197	8,854
Payments for acquisition of subsidiaries (after deduction of cash and cash equivalents included in acquired assets)	(2,401)	–
Other	1,839	(439)
Net cash provided by (used in) investing activities	(39,929)	(46,274)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings and commercial paper	7,577	18,722
Proceeds from issuance of bonds	–	9,955
Proceeds from long-term borrowings	58	9,988
Repayments of long-term borrowings	(485)	(499)
Repayments of lease liabilities	(5,005)	(5,170)
Dividends paid	(8,797)	(8,699)
Purchase of shares of subsidiaries not resulting in change in scope of consolidation	(1,440)	(23,272)
Other	165	76
Net cash provided by (used in) financing activities	(7,927)	1,101
Effect of exchange rate changes on cash and cash equivalents	2,622	1,278
Net increase (decrease) in cash and cash equivalents	(16,497)	4,737
Cash and cash equivalents at beginning of period	62,228	45,730
Cash and cash equivalents at end of period	45,730	50,468

Notes to Consolidated Financial Statements

(Notes on the Going-concern Assumption)

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

Inter-segment net sales are based on prevailing market prices.

Fiscal year ended March 31, 2022 (April 1, 2021 - March 31, 2022)

(Million yen)

	Reportable Segments		Total	Adjustments (note)	Amounts reported on the consolidated financial statements
	Water Treatment Chemicals	Water Treatment Facilities			
Net sales					
Sales to outside customers	117,672	170,534	288,207	–	288,207
Inter-segment sales and transfers	518	561	1,080	(1,080)	–
Total	118,191	171,095	289,287	(1,080)	288,207
Segment income	14,560	21,169	35,729	4	35,734
Finance income					601
Finance costs					6,176
Share of profit (loss) of investments accounted for using equity method					(80)
Profit before tax					30,079

(Million yen)

	Reportable Segments		Total	Adjustments (note)	Amounts reported on the consolidated financial statements
	Water Treatment Chemicals	Water Treatment Facilities			
Segment assets	148,267	274,119	422,386	47,595	469,981
Other amounts					
Depreciation and amortization	5,935	17,477	23,412	–	23,412
Impairment loss	380	647	1,028	–	1,028
Investments accounted for using equity method	988	163	1,152	39	1,191
Capital expenditures	11,454	57,016	68,471	–	68,471

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

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

3. Segment assets: Amount resulting from eliminations of inter-segment transactions.

The main factor of adjustments for segment assets is company-wide assets that are not allocated to the reportable segments.

4. Capital expenditures include an increase in right-of-use assets.

5. Capital expenditures do not include assets acquired through corporate acquisitions.

Fiscal year ended March 31, 2023 (April 1, 2022 - March 31, 2023)

(Million yen)

	Reportable Segments		Total	Adjustments (note)	Amounts reported on the consolidated financial statements
	Water Treatment Chemicals	Water Treatment Facilities			
Net sales					
Sales to outside customers	136,139	208,468	344,608	–	344,608
Inter-segment sales and transfers	553	882	1,435	(1,435)	–
Total	136,692	209,350	346,043	(1,435)	344,608
Segment income	7,606	21,526	29,132	(73)	29,058
Finance income					1,990
Finance costs					1,077
Share of profit (loss) of investments accounted for using equity method					179
Profit before tax					30,151

(Million yen)

	Reportable Segments		Total	Adjustments (note)	Amounts reported on the consolidated financial statements
	Water Treatment Chemicals	Water Treatment Facilities			
Segment assets	144,467	303,233	447,701	53,836	501,538
Other amounts					
Depreciation and amortization	6,730	22,884	29,614	–	29,614
Impairment loss	7,660	–	7,660	–	7,660
Investments accounted for using equity method	1,085	149	1,234	49	1,283
Capital expenditures	6,773	41,468	48,241	–	48,241

- (Notes)
1. Segment income: Amount resulting from eliminations of inter-segment transactions.
 2. Segment income is shown at the operating profit level.
 3. Segment assets: Amount resulting from eliminations of inter-segment transactions.
The main factor of adjustments for segment assets is company-wide assets that are not allocated to the reportable segments.
 4. Capital expenditures include an increase in right-of-use assets.
 5. The main factor of impairment loss is a loss on goodwill impairment of 7,646 million yen. For details, refer to (Consolidated Statement of Profit or Loss: Other expenses).

(3) Information related to products and services

Information about products and services is omitted because the classifications are the same as the reportable segments.

(4) Information related to geographic regions

Non-current assets and sales to external customers by geographic region in each fiscal year are as follows.

(i) Non-current assets

(Million yen)

	As of March 31, 2022	As of March 31, 2023
Japan	159,264	175,610
Asia	19,450	20,330
North & South America	61,740	60,749
EMEA	20,855	21,679
Total	261,311	278,370

(Note) Non-current assets are allocated based on the location of assets. Financial instruments or deferred tax assets are not included.
EMEA stands for Europe, the Middle East and Africa.

(ii) Net sales

(Million yen)

	Year ended March 31, 2022	Year ended March 31, 2023
Japan	159,365	175,995
Asia	58,032	78,883
North & South America	46,351	60,198
EMEA	24,457	29,530
Total	288,207	344,608

(Note) Net sales are allocated to a country or areas based on the locations of customers.
EMEA stands for Europe, the Middle East and Africa.

(5) Information related to major customers

Because there is no single external customer that accounts for 10% or more of the net sales in the consolidated statement of income, no information is stated here.

(Bonds and borrowings)

(1) Bonds

Fiscal year ended March 31, 2022 (April 1, 2021 - March 31, 2022)

No bonds were issued or redeemed.

Fiscal year ended March 31, 2023 (April 1, 2022 - March 31, 2023)

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

Fiscal year ended March 31, 2022 (April 1, 2021 - March 31, 2022)

Information is omitted because there were no important borrowings.

Fiscal year ended March 31, 2023 (April 1, 2022 - March 31, 2023)

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

(Per Share Information)

The basis for calculation of basic earnings per share is as shown below.

(Million yen)

	Year ended March 31, 2022	Year ended March 31, 2023
Profit attributable to owners of parent	18,471	20,134
Amount not attributed to common stockholders	—	—
Profit that is used for calculating basic earnings per share	18,471	20,134
Average number of common shares outstanding	112,368,155	112,394,378

- (Notes)
1. Because there are no dilutive shares, diluted earnings per share are not stated.
 2. The Company's own shares posted as treasury shares remaining in trust are included in the treasury shares that are deducted in the calculation of the average number of shares outstanding for calculation for basic earnings per share (244,000 shares in the fiscal year ended March 31, 2023, 253,000 shares in the fiscal year ended March 31, 2022).

(Consolidated Statement of Profit or Loss)

(Other expenses)

A goodwill impairment loss of 7,646 million yen was posted in the Water Treatment Chemicals business of Kurita America, Inc. in other expenses in the fourth quarter of the fiscal year. The impairment loss is calculated by comparing the value in use and the accounting book value. The value in use is calculated by discounting expected future cash flows using an appropriate discount rate. The discount rate was raised to 10.8% (9.5% a year ago), chiefly reflecting policy interest rate hikes in the United States. The business plan, the basis of an estimate of future cash flows, was carefully estimated and revised downward, considering changes in the water treatment chemicals market in the United States following the outbreak of COVID-19 and results during the fiscal year, which were affected by disruptions to logistics and rising prices, as well as results in previous fiscal years. As a result, the value in use was less than the accounting book value, and an impairment loss is recognized.

(Finance Income)

In the first quarter of the fiscal year, 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.

(Significant Subsequent Events)

(Acquisition of shares in companies to make them subsidiaries)

At a meeting of the Board of Directors held on April 27, 2023, the Company resolved to acquire all issued shares in European companies manufacturing and selling water treatment facilities, namely, Arcade Engineering GmbH (“Arcade Germany”), Arcade Industrie SAS (“Arcade France”), and Arcade Engineering AG (“Arcade Switzerland”) through Kurita Europe GmbH, a consolidated subsidiary of the Company, and make them subsidiaries. Kurita Europe GmbH concluded a share purchase agreement to acquire the issued shares on May 2, 2023. As a result of the acquisition of shares in Arcade Germany and Arcade Switzerland, Kurita will also acquire the shares of Arcade Engineering (Asia) Pte. Ltd. (“Arcade Asia”), a subsidiary of the two companies.

(1) Name, address, representative, capital and business of the company whose shares the Company will acquire

- (i) Acquired company: Arcade Engineering GmbH
Address: Meißner Str. 151a, 01445 Radebeul, Germany
Representative name: Dr. Claudia Kaiser
Amount of share capital: 25,000 euros
Business description: Design/engineering, construction management, and the provision of consulting services on water treatment facilities
- (ii) Acquired company: Arcade Industrie SAS
Address: Aire de la Thur - 68840 Pulversheim, France
Representative name: Ms. Claudine Muller
Amount of share capital: 40,000 euros
Business description: Design/engineering and manufacture of electric equipment for water treatment facilities
- (iii) Acquired company: Arcade Engineering AG
Address: Hegenheimermattweg 65, 4123 Allschwil, Switzerland
Representative name: Mr. Felix Grisch
Amount of share capital: 100,000 Swiss francs
Business description: Design/engineering of, and provision of consulting services on, water treatment facilities
- (vi) Acquired company: Arcade Engineering (Asia) Pte. Ltd.
Address: 280 Woodlands Industrial Park E5 #10-16, Singapore
Representative name: Mr. Frederic Schindler
Amount of share capital: 100,000 Singapore dollars
Business description: Design/engineering, construction management, and the provision of consulting services on water treatment facilities

(2) Purpose of the acquisition of shares

To operate globally in the electronics industry, a key market, the Kurita Group will acquire local manufacturing bases and a supply chain for its water treatment facilities business, targeting the electronics industry in Europe. Kurita will build a business foundation for responding promptly to the growth in demand for water treatment facilities intended for the electronics industry, which partly reflects the European Chips Act, thus driving business expansion to the electronics industry in Europe. Further, Kurita will combine products, technologies, and business models of the Kurita Group, including Kurita Europe GmbH and Kurita (Singapore) Pte. Ltd., a subsidiary of Kurita, with the solution capabilities of Arcade Germany, Arcade France, Arcade Switzerland, and Arcade Asia, in its efforts to enhance solutions which contribute greatly to saving water, cutting CO₂ emissions, and reducing waste.

(3) Date of share acquisition

July 3, 2023 (plan)

(4) Number of shares to be acquired, acquisition value and shareholding ratio after acquisition

(i) Arcade Engineering GmbH

Number of shares to be acquired: 3 shares
Acquisition value: 16,500,000 euros
Shareholding ratio after acquisition: 100%

(ii) Arcade Industrie SAS

Number of shares to be acquired: 2,000 shares
Acquisition value: 2,500,000 euros
Shareholding ratio after acquisition: 100%

(iii) Arcade Engineering AG

Number of shares to be acquired: 200 shares
Acquisition value: 6,000,000 euros
Shareholding ratio after acquisition: 100%

(vi) Arcade Engineering (Asia) Pte. Ltd.

Number of shares to be acquired: 100,000 shares
Acquisition value: – (The acquisition value is included in the acquisition value in (i) and (iii) above.)
Shareholding ratio after acquisition: 100%

(5) Fund procurement method and payment method

The Company's own funds

(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 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 at the end of 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 Fiscal Year Ended March 31, 2023 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 "Outlook for Overall Business, Including Production, Sales, and Profits and Losses" on page 4 of this document for the conditions assumed in the performance forecasts and the precautions concerning the use of performance forecasts.