

FOR IMMEDIATE RELEASE

Kurita Water Industries Ltd. Reports Earnings for the Six Months Ended September 30, 2023

Tokyo, Japan, November 7, 2023 - Kurita Water Industries Ltd. (the “Company”) (TSE Securities Code 6370) announced net sales of 188,363 million yen and profit attributable to owners of parent of 12,595 million yen, or 112.05 yen per share, for the six months ended September 30, 2023 (April 1, 2023 - September 30, 2023).

Results of Operations

Total consolidated orders for the Kurita Group (the “Group”) in the six months ended September 30, 2023 fell 7.0% from the level of the year-ago period, to 186,383 million yen, and net sales increased 17.2%, to 188,363 million yen. In terms of profits, business profit* amounted to 18,061 million yen, an increase of 8.7% year on year, and operating profit rose to 18,287 million yen, up 11.9% year on year. In the absence of the gain on derivatives transactions of 1,090 million yen, which was posted as one-off finance income in the same period of the previous fiscal year, profit before tax was 18,183 million yen, up 3.8%, and profit attributable to owners of parent amounted to 12,595 million yen, up 1.7%.

During the six months ended September 30, 2023, the global economy continued to show a tendency toward recovery, despite signs of weakness in some regions due to the impact of rising prices and monetary policy tightening. In Japan, production in certain sectors of the manufacturing industry showed signs of rising as raw material supply restrictions were being lifted, but the recovery slowed chiefly due to weak semiconductor-related demand and exports. Capital investment held firm, bolstered by strong corporate earnings. Overseas, the U.S. economy and Asian economies excluding China recovered modestly. Meanwhile, European economies saw little growth due to the impact of rising prices and monetary tightening. The Chinese economy’s rebound was hindered mainly by a prolonged slump in the real estate market.

*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

Previously, the Group’s reportable segments were the Water Treatment Chemicals segment and the Water Treatment Facilities segment, from the viewpoint of the products and services provided; however, starting from the fiscal year under review, the Group has Electronics Industry and General Industry as the two reportable segments in its segment information, in order to formulate strategies based on an in-depth examination of the characteristics of each market and to expand solutions by combining diverse products and services, from the viewpoint of providing value to society and customers.

Year-on-year comparisons are based on figures for the same period of the previous fiscal year which have been reclassified to conform to the new segments.

Electronics Industry

Total Group orders for the Electronics Industry segment were 78,790 million yen, down 15.7% versus the year-ago period. While orders for recurring contract-based services increased with the contribution of an ultrapure water supply contract that began in the previous fiscal year, orders for water treatment facilities decreased due to the absence of orders for large-scale projects posted in the same period of the previous fiscal year. Orders for precision tool cleaning decreased, reflecting the impact of lower capacity utilization at customers’ plants in Japan and the U.S. associated with the deterioration in semiconductor market conditions, while orders for maintenance also declined.

Total Group net sales for the Electronics Industry segment rose 30.0%, to 87,592 million yen. While

net sales of precision tool cleaning decreased, net sales of water treatment facilities rose sharply due to progress with the construction of already ordered large-scale projects and net sales of recurring contract-based services and maintenance also grew.

In terms of profits, business profit amounted to 9,131 million yen, a decrease of 8.5% year on year, and operating profit declined 5.7%, to 9,373 million yen, reflecting a decrease in sales of precision tool cleaning and a deterioration in the cost of sales ratio due to an increase in facility projects with a comparatively high cost ratio.

General Industry

Total Group orders for the General Industry segment increased 0.6% from the same period of the previous fiscal year, to 107,593 million yen. The growth in orders for recurring contract-based services and engineering cleaning was offset by a decline in orders for maintenance, which were strong in the first six months of the previous fiscal year, after orders ran their course, and decreased orders in the chemicals business under the impact of lower capacity utilization at customers' plants, mainly in China.

Total Group net sales for the General Industry segment amounted to 100,770 million yen, an increase of 8.0% year on year. Decline in the chemicals business was offset by recognition of revenue from the order backlog in the water treatment facilities business and maintenance business, as well as growth in recurring contract-based services and engineering cleaning, resulting in growth in net sales.

In terms of profit, business profit amounted to 8,921 million yen, an increase of 34.6% year on year, reflecting higher sales and efforts to improve profitability, including a product mix optimization and cost-cutting. Operating profit rose to 8,912 million yen, up 38.9% year on year.

Financial Condition

Condition of assets, liabilities and equity

1) Total assets: 528,760 million yen, an increase of 27,222 million yen from the end of the previous fiscal year

Current assets totaled 210,693 million yen at the end of the second quarter, an increase of 14,277 million yen from the end of the previous fiscal year. This was mainly due to an increase of 13,513 million yen in trade and other receivables.

Non-current assets totaled 318,067 million yen at the end of the second quarter, an increase of 12,946 million yen from the end of the previous fiscal year. Property, plant and equipment increased 3,414 million yen chiefly due to the acquisition of new facilities in the ultrapure water supply business (Electronics Industry), and goodwill rose 8,950 million yen. The rise in goodwill is attributable to an increase of 2,377 million yen due to the acquisition of Arcade Engineering GmbH, Arcade Industrie SAS, Arcade Engineering AG and Arcade Engineering (Asia) Pte. Ltd., companies manufacturing and selling water treatment facilities in Europe, during the second quarter under review, and also reflects the weakening of the yen against foreign currencies.

2) Liabilities: 211,154 million yen, an increase of 5,376 million yen from the end of the previous fiscal year

Current liabilities totaled 116,371 million yen at the end of the period, an increase of 6,903 million yen from the end of the previous fiscal year. This is chiefly attributable to an increase of 8,098 million yen in trade and other payables, which offset a decrease of 1,096 million yen in income taxes payable.

Non-current liabilities totaled 94,782 million yen at the end of the period, a decrease of 1,528 million yen from the end of the previous fiscal year. This was mainly due to a decrease in bonds and borrowings of 921 million yen resulting from the repayment of long-term borrowings.

3) Equity: 317,606 million yen, an increase of 21,847 million yen from the end of the previous fiscal year

This was attributable to an increase of 13,375 million yen in other components of equity mainly due to the posting of exchange differences on translation of foreign operations, reflecting the weakening of the yen against other currencies, and a rise of 8,187 million yen in retained earnings due to the

posting of a profit attributable to owners of parent.

Cash Flows

Consolidated cash and cash equivalents at the end of the second quarter totaled 49,131 million yen, a decrease of 1,336 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 six months ended September 30, 2023 totaled 21,267 million yen, a decrease of 2,358 million yen from the same period of the previous fiscal year. Inflows from profit before tax of 18,183 million yen and depreciation, amortization and impairment losses of 15,966 million yen were partly offset by an increase in trade and other receivables of 8,395 million yen and income taxes paid of 6,390 million yen.

2) Cash Flows from Investing Activities

Net cash used in investing activities totaled 16,589 million yen, a decrease of 14,529 million yen from the same period of the previous fiscal year. Cash was used mainly for purchases of property, plant and equipment of 12,331 million yen and the acquisition of subsidiaries of 3,070 million yen (after deducting cash and cash equivalents included in acquired assets).

3) Cash Flows from Financing Activities

Net cash used in financing activities totaled 8,729 million yen, an increase of 11,544 million yen from the same period of the previous fiscal year. Cash used included dividends paid of 4,518 million yen, repayments of lease liabilities of 2,544 million yen, and repayments of long-term borrowings of 1,211 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 period 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).

Forecasts for the Fiscal Year Ending March 31, 2024

The Company will revise the consolidated business forecasts for the fiscal year ending March 31, 2024 stated in the “Earnings Report for the Three Months Ended June 30, 2023,” released on August 8, 2023, as below.

Net sales are expected to exceed the previous forecast, reflecting an increase in net sales due to progress in the construction of large-scale water treatment facilities projects for the electronics industry in Japan and in Asia in the first six months under review, new consolidation, and the weaker yen, which will increase net sales in yen terms.

Business profit is expected to increase in the Electronics Industry segment given an expected increase in net sales in the segment, as explained above. Meanwhile, net sales in the chemicals business are set to fall short of the forecast in the General Industry segment, chiefly due to lower capacity utilization at customers’ plants in China. The Company is therefore leaving the forecast unchanged.

The Company is revising upward operating profit, profit before tax, and profit attributable to owners of parent, considering other income and expenses and finance income and costs in the first six months under review.

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, 2024 (April 1, 2023 - March 31, 2024)

	Net sales	Business profit	Operating profit	Profit before tax	Profit attributable to owners of parent	Basic earnings per share
	Million yen	Million yen	Million yen	Million yen	Million yen	Yen
Previous forecast (A)	375,000	40,000	39,000	38,200	27,000	240.21
Revised forecast (B)	380,000	40,000	39,700	39,200	28,000	249.06
Change (B-A)	5,000	0	700	1,000	1,000	—
Percentage change (%)	1.3	0.0	1.8	2.6	3.7	—
(Reference) Results for the fiscal year ended March 31, 2023	344,608	38,589	29,058	30,151	20,134	179.14

Condensed quarterly consolidated financial statements

(1) Condensed quarterly consolidated statement of financial position

(Million yen)

	As of March 31, 2023	As of September 30, 2023
Assets		
Current assets		
Cash and cash equivalents	50,468	49,131
Trade and other receivables	120,299	133,812
Other financial assets	3,357	3,546
Inventories	16,847	18,622
Other current assets	5,444	5,580
Total current assets	196,416	210,693
Non-current assets		
Property, plant and equipment	178,737	182,151
Right-of-use assets	21,928	22,573
Goodwill	60,413	69,363
Intangible assets	17,104	17,366
Investments accounted for using equity method	1,283	1,397
Other financial assets	15,433	16,517
Deferred tax assets	9,984	8,472
Other non-current assets	235	226
Total non-current assets	305,121	318,067
Total assets	501,538	528,760

(Million yen)

	As of March 31, 2023	As of September 30, 2023
Liabilities and equity		
Liabilities		
Current liabilities		
Trade and other payables	51,465	59,563
Bonds and borrowings	28,998	28,688
Lease liabilities	4,294	4,534
Income taxes payable	6,018	4,922
Provisions	2,301	1,765
Other current liabilities	16,390	16,897
Total current liabilities	109,468	116,371
Non-current Liabilities		
Bonds and borrowings	48,758	47,837
Lease liabilities	18,016	18,304
Other financial liabilities	1,666	2,223
Net defined benefit liability	17,321	17,812
Provisions	2,613	2,676
Deferred tax liabilities	2,362	1,471
Other non-current liabilities	5,570	4,457
Total non-current liabilities	96,310	94,782
Total liabilities	205,778	211,154
Equity		
Share capital	13,450	13,450
Capital surplus	(608)	(524)
Treasury shares	(10,638)	(10,562)
Other components of equity	14,132	27,507
Retained earnings	277,639	285,826
Equity attributable to owners of parent	293,975	315,697
Non-controlling interests	1,784	1,908
Total equity	295,759	317,606
Total liabilities and equity	501,538	528,760

(2) Condensed quarterly consolidated statement of profit or loss and comprehensive income

Condensed quarterly consolidated statement of profit or loss

(Million yen)

	Six months ended September 30, 2022	Six months ended September 30, 2023
Net sales	160,680	188,363
Cost of sales	103,734	126,076
Gross profit	56,946	62,286
Selling, general and administrative expenses	40,334	44,224
Other income	809	1,308
Other expenses	1,074	1,083
Operating profit	16,346	18,287
Finance income	1,651	356
Finance costs	588	525
Share of profit (loss) of investments accounted for using equity method	99	64
Profit before tax	17,509	18,183
Income tax expense	4,720	5,433
Profit for the period	12,789	12,749
Profit attributable to		
Owners of parent	12,379	12,595
Non-controlling interests	409	154
Profit for the period	12,789	12,749
Earnings per share		
Basic earnings per share (yen)	110.15	112.05
Diluted earnings per share (yen)	–	–

Condensed quarterly consolidated statement of comprehensive income

(Million yen)

	Six months ended September 30, 2022	Six months ended September 30, 2023
Profit for the period	12,789	12,749
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Net change in fair value of financial assets measured at fair value through other comprehensive income	(17)	437
Remeasurements of defined benefit plans	47	(24)
Total of items that will not be reclassified to profit or loss	30	412
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	12,500	12,994
Cash flow hedges	174	(20)
Share of other comprehensive income of investments accounted for using equity method	46	48
Total of items that may be reclassified to profit or loss	12,722	13,023
Other comprehensive income, net of tax	12,752	13,435
Comprehensive income for the period	25,542	26,185
Comprehensive income attributable to		
Owners of parent	24,087	25,945
Non-controlling interests	1,454	239
Comprehensive income for the period	25,542	26,185

(3) Condensed quarterly consolidated statement of changes in equity

Six months ended September 30, 2022 (April 1, 2022 - September 30, 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	-	-	-	11,502	174	(17)
Total comprehensive income for the period	-	-	-	11,502	174	(17)
Purchase of treasury shares	-	-	(1)	-	-	-
Dividends	-	-	-	-	-	-
Share-based payment transactions	-	17	58	-	-	-
Changes in ownership interests in subsidiaries	-	(19,308)	-	1,796	-	-
Liabilities pertaining to forward contracts concluded with non-controlling shareholders	-	22,051	-	-	-	-
Transfer from other components of equity to retained earnings	-	-	-	-	-	-
Other	-	132	-	-	-	-
Total transactions with owners	-	2,892	57	1,796	-	-
Balance as of September 30, 2022	13,450	(184)	(10,636)	16,792	214	8,610

(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	-	-	12,379	12,379	409	12,789
Other comprehensive income	47	11,708	-	11,708	1,044	12,752
Total comprehensive income for the period	47	11,708	12,379	24,087	1,454	25,542
Purchase of treasury shares	-	-	-	(1)	-	(1)
Dividends	-	-	(4,045)	(4,045)	(253)	(4,299)
Share-based payment transactions	-	-	-	75	0	76
Changes in ownership interests in subsidiaries	-	1,796	-	(17,511)	(4,615)	(22,127)
Liabilities pertaining to forward contracts concluded with non-controlling shareholders	-	-	-	22,051	-	22,051
Transfer from other components of equity to retained earnings	(47)	(47)	47	-	-	-
Other	-	-	(0)	132	-	132
Total transactions with owners	(47)	1,748	(3,997)	700	(4,868)	(4,167)
Balance as of September 30, 2022	-	25,617	268,455	296,702	2,534	299,236

Six months ended September 30, 2023 (April 1, 2023 - September 30, 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, 2023	13,450	(608)	(10,638)	9,678	222	4,231
Profit for the period	-	-	-	-	-	-
Other comprehensive income	-	-	-	12,957	(20)	437
Total comprehensive income for the period	-	-	-	12,957	(20)	437
Purchase of treasury shares	-	-	(2)	-	-	-
Dividends	-	-	-	-	-	-
Share-based payment transactions	-	84	78	-	-	-
Changes in ownership interests in subsidiaries	-	-	-	-	-	-
Liabilities pertaining to forward contracts concluded with non-controlling shareholders	-	-	-	-	-	-
Transfer from other components of equity to retained earnings	-	-	-	-	-	-
Other	-	-	-	-	-	-
Total transactions with owners	-	84	75	-	-	-
Balance as of September 30, 2023	13,450	(524)	(10,562)	22,636	202	4,668

(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, 2023	-	14,132	277,639	293,975	1,784	295,759
Profit for the period	-	-	12,595	12,595	154	12,749
Other comprehensive income	(24)	13,349	-	13,349	85	13,435
Total comprehensive income for the period	(24)	13,349	12,595	25,945	239	26,185
Purchase of treasury shares	-	-	-	(2)	-	(2)
Dividends	-	-	(4,383)	(4,383)	(112)	(4,496)
Share-based payment transactions	-	-	-	162	(2)	160
Changes in ownership interests in subsidiaries	-	-	-	-	-	-
Liabilities pertaining to forward contracts concluded with non-controlling shareholders	-	-	-	-	-	-
Transfer from other components of equity to retained earnings	24	24	(24)	-	-	-
Other	-	-	-	-	-	-
Total transactions with owners	24	24	(4,408)	(4,223)	(115)	(4,338)
Balance as of September 30, 2023	-	27,507	285,826	315,697	1,908	317,606

(4) Condensed quarterly consolidated statement of cash flows

(Million yen)

	Six months ended September 30, 2022	Six months ended September 30, 2023
Cash flows from operating activities		
Profit before tax	17,509	18,183
Depreciation, amortization and impairment losses	14,088	15,966
Share of loss (profit) of investments accounted for using equity method	(99)	(64)
Loss (gain) on sale of fixed assets	(17)	(34)
Decrease (increase) in inventories	(3,235)	(582)
Decrease (increase) in trade and other receivables	2,565	(8,395)
Increase (decrease) in trade and other payables	(561)	4,609
Other	1,824	(2,214)
Subtotal	32,074	27,467
Interest received	96	212
Dividends received	169	120
Interest paid	(8)	(141)
Income taxes paid	(8,706)	(6,390)
Net cash provided by (used in) operating activities	23,625	21,267
Cash flows from investing activities		
Payments into time deposits	(1,553)	(3,790)
Proceeds from withdrawal of time deposits	2,244	3,853
Purchase of property, plant and equipment	(30,900)	(12,331)
Proceeds from sale of property, plant and equipment	70	31
Purchase of intangible assets	(663)	(928)
Payments for acquisition of subsidiaries (after deduction of cash and equivalents included in acquired assets)	–	(3,070)
Other	(315)	(352)
Net cash provided by (used in) investing activities	(31,118)	(16,589)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings and commercial paper	22,244	(540)
Proceeds from issuance of bonds	9,955	–
Proceeds from long-term borrowings	–	9
Repayments of long-term borrowings	(348)	(1,211)
Repayments of lease liabilities	(2,646)	(2,544)
Dividends paid	(4,320)	(4,518)
Purchase of shares of subsidiaries not resulting in change in scope of consolidation	(22,127)	–
Other	57	75
Net cash provided by (used in) financing activities	2,815	(8,729)
Effect of exchange rate changes on cash and cash equivalents	1,721	2,715
Net increase (decrease) in cash and cash equivalents	(2,956)	(1,336)
Cash and cash equivalents at beginning of period	45,730	50,468
Cash and cash equivalents at end of period	42,774	49,131

Notes to Condensed Quarterly Consolidated Financial Statements

(Notes on the Going-concern Assumption)

Six months ended September 30, 2023 (April 1, 2023 - September 30, 2023)

Not applicable

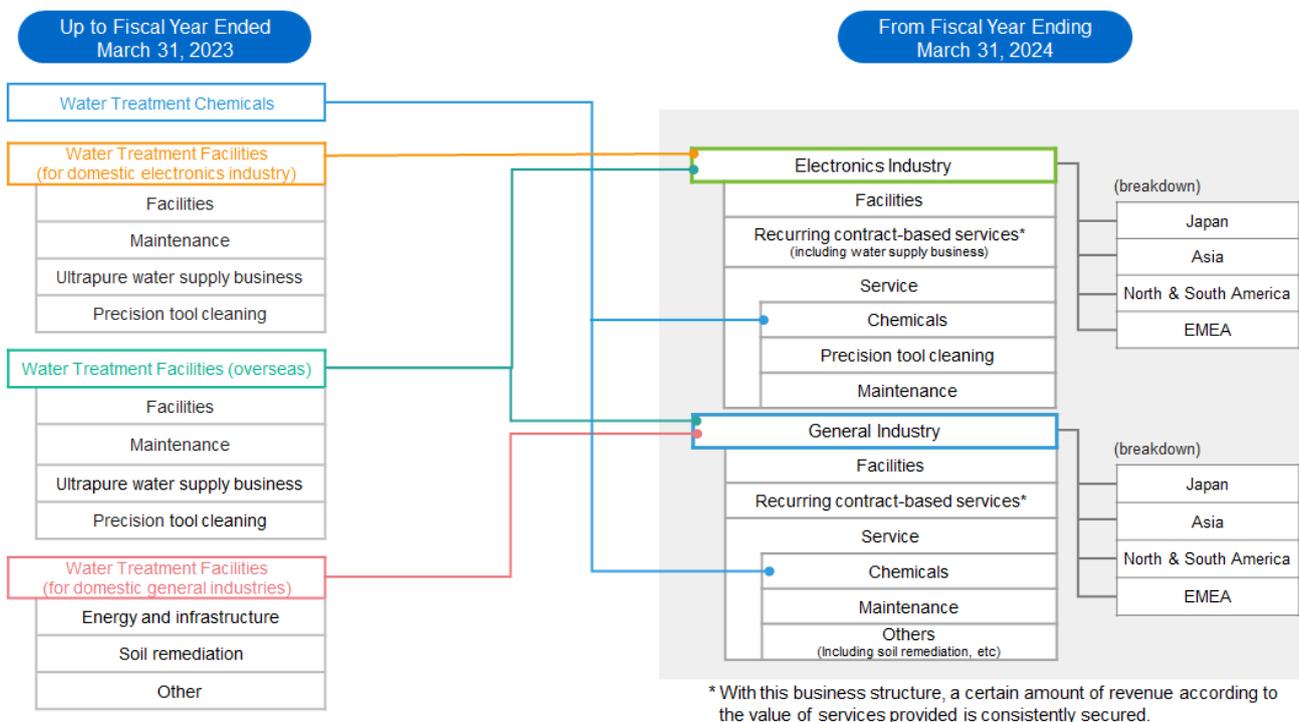
(Segment Information)

(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.

Previously, the Group’s reportable segments were the Water Treatment Chemicals segment and the Water Treatment Facilities segment, from the viewpoint of the products and services provided; however, starting from the fiscal year under review, which is the first fiscal year of the new Medium-term Management Plan PSV-27, the Group has Electronics Industry and General Industry as the two reportable segments in its segment information, in order to formulate strategies based on an in-depth examination of the characteristics of each market and to expand solutions by combining diverse products and services, from the viewpoint of providing value to society and customers.

The segment information for the first six months of the previous fiscal year has also been restated to reflect this change.



(2) Information of reportable segments

Six months ended September 30, 2022 (April 1, 2022 - September 30, 2022)

(Million yen)

	Reportable Segments		Total	Adjustments (note 1)	Amounts reported on the condensed quarterly consolidated statement of profit or loss (note 2)
	Electronics Industry	General Industry			
Net sales					
Sales to outside customers	67,379	93,300	160,680	–	160,680
Inter-segment sales and transfers	–	–	–	–	–
Total	67,379	93,300	160,680	–	160,680
Segment income	9,940	6,414	16,354	(8)	16,346
Finance income					1,651
Finance costs					588
Share of profit (loss) of investments accounted for using equity method					99
Profit before tax					17,509

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

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

Six months ended September 30, 2023 (April 1, 2023 - September 30, 2023)

(Million yen)

	Reportable Segments		Total	Adjustments (note 1)	Amounts reported on the condensed quarterly consolidated statement of profit or loss (note 2)
	Electronics Industry	General Industry			
Net sales					
Sales to outside customers	87,592	100,770	188,363	–	188,363
Inter-segment sales and transfers	–	–	–	–	–
Total	87,592	100,770	188,363	–	188,363
Segment income	9,373	8,912	18,286	1	18,287
Finance income					356
Finance costs					525
Share of profit (loss) of investments accounted for using equity method					64
Profit before tax					18,183

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

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

(Bonds)

Six months ended September 30, 2022 (April 1, 2022 - September 30, 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.

Six months ended September 30, 2023 (April 1, 2023 - September 30, 2023)

No bonds were issued or redeemed.

(Finance Income)

Six months ended September 30, 2022 (April 1, 2022 - September 30, 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.

Six months ended September 30, 2023 (April 1, 2023 - September 30, 2023)

Information is omitted because there were no important events.

Disclaimer

- This document is an English translation of the Earnings Report for the Six Months Ended September 30, 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 “Forecasts for the Fiscal Year Ending March 31, 2024” on page 3 of this document for the conditions assumed in the performance forecasts and the precautions concerning the use of performance forecasts.