

Kurita Water Industries Ltd. Reports Earnings for the Nine Months Ended December 31, 2023

Tokyo, Japan, February 9, 2024 - Kurita Water Industries Ltd. (the “Company”) (TSE Securities Code 6370) announced net sales of 286,675 million yen and profit attributable to owners of parent of 21,906 million yen, or 194.89 yen per share, for the nine months ended December 31, 2023 (April 1, 2023 - December 31, 2023).

Results of Operations

Total consolidated orders for the Kurita Group (the “Group”) in the nine months ended December 31, 2023 fell 2.2% from the level of the year-ago period, to 281,597 million yen, and net sales increased 13.9%, to 286,675 million yen. Business profit* increased 7.3%, to 30,452 million yen, operating profit was 30,518 million yen, up 10.3% versus the year-ago period, profit before tax was 30,471 million yen, rising 5.2%, and profit attributable to owners of parent amounted to 21,906 million yen, up 8.7%.

During the nine months ended December 31, 2023, the global economy continued to show a tendency toward recovery, despite signs of weakness in some regions. 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 was weak, chiefly due to the weak semiconductor-related demand. Capital investment saw little growth. Overseas, the U.S. economy and Asian economies excluding China recovered modestly. Meanwhile, European economies saw sluggish growth due to the impact of rising prices and interest-rate hikes. The Chinese economy’s rebound was weak mainly due to the 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 125,413 million yen, down 6.5% versus the year-ago period. While orders for recurring contract-based services increased chiefly due to 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 fell, 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 amounted to 131,419 million yen, an increase of 22.2% year on year. 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 14,914 million yen, a decrease of 10.9% year on

year, and operating profit declined 9.1%, to 15,072 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 1.5% from the same period of the previous fiscal year, to 156,184 million yen. Orders for water treatment facilities rose mainly due to the addition of four Arcade companies as new consolidated subsidiaries. Orders for recurring contract-based services and engineering cleaning also increased. Orders for maintenance, which were strong in the first nine months of the previous fiscal year, remained flat. Orders for water treatment chemicals declined given lower capacity utilization at customers' plants, mainly in China.

Total Group net sales for the General Industry segment amounted to 155,256 million yen, an increase of 7.7% year on year. Decline in sales of water treatment chemicals was offset by the addition of new consolidated subsidiaries and 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 profits, business profit amounted to 15,534 million yen, an increase of 33.4% year on year, reflecting higher sales and efforts to improve profitability, including product mix optimization and cost-cutting. Operating profit rose to 15,454 million yen, up 39.0% year on year.

Financial Condition

Condition of assets, liabilities and equity

1) Total assets: 529,725 million yen, an increase of 28,187 million yen from the end of the previous fiscal year

Current assets totaled 213,094 million yen at the end of the third quarter, an increase of 16,678 million yen from the end of the previous fiscal year. This was mainly due to an increase of 11,136 million yen in trade and other receivables and a rise of 4,227 million yen in inventories.

Non-current assets totaled 316,631 million yen at the end of the third quarter, an increase of 11,510 million yen from the end of the previous fiscal year. Property, plant and equipment increased 4,635 million yen chiefly due to the acquisition of new facilities in the ultrapure water supply business (Electronics Industry), and goodwill rose 6,486 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 and Kurita Switzerland AG (former Arcade Engineering AG, whose name changed on December 18, 2023), and Arcade Engineering (Asia) Pte. Ltd. during the second quarter under review, and also reflects the weakening of the yen against foreign currencies.

2) Liabilities: 212,340 million yen, an increase of 6,562 million yen from the end of the previous fiscal year

Current liabilities totaled 106,886 million yen at the end of the period, a decrease of 2,582 million yen from the end of the previous fiscal year. This is chiefly attributable to decreases of 4,870 million yen in bonds and borrowings and 3,153 million yen in income taxes payable, which offset an increase of 5,497 million yen in trade and other payables.

Non-current liabilities totaled 105,453 million yen at the end of the period, an increase of 9,143 million yen from the end of the previous fiscal year. This was mainly due to an increase in bonds and borrowings of 9,984 million yen resulting from a rise in long-term borrowings.

3) Equity: 317,384 million yen, an increase of 21,625 million yen from the end of the previous fiscal year

This was attributable to an increase of 8,820 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 12,761 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 third quarter totaled 49,286 million yen, a decrease of 1,182 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, 2023 totaled 33,053 million yen, an increase of 4,287 million yen from the same period of the previous fiscal year. This was chiefly due to inflows, including profit before tax of 30,471 million yen and depreciation, amortization and impairment losses of 24,089 million yen, which were partially offset by outflows, including an increase in trade and other receivables of 7,613 million yen and income taxes paid of 11,898 million yen.

2) Cash Flows from Investing Activities

Net cash used in investing activities totaled 27,814 million yen, a decrease of 1,971 million yen from the same period of the previous fiscal year. Cash was used mainly for purchases of property, plant and equipment of 21,242 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 8,737 million yen, an increase of 11,166 million yen from the same period of the previous fiscal year. Cash was used mainly for dividends paid of 9,236 million yen, a net decrease in short-term borrowings and commercial paper of 5,065 million yen, and repayments of lease liabilities of 3,889 million yen, which were partially offset by proceeds from long-term borrowings of 12,018 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 Group's current outlook for the fiscal year ending March 31, 2024 is consistent with the earnings forecast disclosed in "Reports Earnings for the Six Months Ended September 30, 2023," which was announced on November 7, 2023.

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, 2023	As of December 31, 2023
Assets		
Current assets		
Cash and cash equivalents	50,468	49,286
Trade and other receivables	120,299	131,435
Other financial assets	3,357	4,713
Inventories	16,847	21,074
Other current assets	5,444	6,584
Total current assets	196,416	213,094
Non-current assets		
Property, plant and equipment	178,737	183,372
Right-of-use assets	21,928	22,600
Goodwill	60,413	66,899
Intangible assets	17,104	16,604
Investments accounted for using equity method	1,283	1,343
Other financial assets	15,433	17,562
Deferred tax assets	9,984	7,999
Other non-current assets	235	248
Total non-current assets	305,121	316,631
Total assets	501,538	529,725

(Million yen)

	As of March 31, 2023	As of December 31, 2023
Liabilities and equity		
Liabilities		
Current liabilities		
Trade and other payables	51,465	56,962
Bonds and borrowings	28,998	24,128
Lease liabilities	4,294	4,414
Income taxes payable	6,018	2,865
Provisions	2,301	1,938
Other current liabilities	16,390	16,578
Total current liabilities	109,468	106,886
Non-current liabilities		
Bonds and borrowings	48,758	58,742
Lease liabilities	18,016	18,297
Other financial liabilities	1,666	2,350
Net defined benefit liability	17,321	18,096
Provisions	2,613	2,703
Deferred tax liabilities	2,362	1,360
Other non-current liabilities	5,570	3,901
Total non-current liabilities	96,310	105,453
Total liabilities	205,778	212,340
Equity		
Share capital	13,450	13,450
Capital surplus	(608)	(462)
Treasury shares	(10,638)	(10,916)
Other components of equity	14,132	22,952
Retained earnings	277,639	290,400
Equity attributable to owners of parent	293,975	315,425
Non-controlling interests	1,784	1,959
Total equity	295,759	317,384
Total liabilities and equity	501,538	529,725

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

Condensed quarterly consolidated statement of profit or loss

(Million yen)

	Nine months ended December 31, 2022	Nine months ended December 31, 2023
Net sales	251,706	286,675
Cost of sales	162,781	189,886
Gross profit	88,924	96,789
Selling, general and administrative expenses	60,555	66,336
Other income	945	1,601
Other expenses	1,645	1,534
Operating profit	27,669	30,518
Finance income	1,852	577
Finance costs	704	733
Share of profit (loss) of investments accounted for using equity method	146	108
Profit before tax	28,963	30,471
Income tax expense	8,215	8,303
Profit for the period	20,747	22,168
Profit attributable to		
Owners of parent	20,149	21,906
Non-controlling interests	598	262
Profit for the period	20,747	22,168
Earnings per share		
Basic earnings per share (yen)	179.28	194.89
Diluted earnings per share (yen)	—	—

Condensed quarterly consolidated statement of comprehensive income

(Million yen)

	Nine months ended December 31, 2022	Nine months ended December 31, 2023
Profit for the period	20,747	22,168
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	27	1,211
Remeasurements of defined benefit plans	49	(38)
Total of items that will not be reclassified to profit or loss	77	1,173
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	4,064	7,724
Cash flow hedges	153	(111)
Share of other comprehensive income of investments accounted for using equity method	(16)	22
Total of items that may be reclassified to profit or loss	4,201	7,635
Other comprehensive income, net of tax	4,279	8,809
Comprehensive income for the period	25,027	30,977
Comprehensive income attributable to		
Owners of parent	23,517	30,687
Non-controlling interests	1,509	290
Comprehensive income for the period	25,027	30,977

(3) Condensed quarterly consolidated statement of changes in equity

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	—	—
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)
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

Nine months ended December 31, 2023 (April 1, 2023 - December 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, 2023	13,450	(608)	(10,638)	9,678	222	4,231
Profit for the period	—	—	—	—	—	—
Other comprehensive income	—	—	—	7,718	(111)	1,211
Total comprehensive income for the period	—	—	—	7,718	(111)	1,211
Purchase of treasury shares	—	—	(356)	—	—	—
Dividends	—	—	—	—	—	—
Share-based payment transactions	—	146	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	—	—	—	—	—	1
Other	—	—	—	—	—	—
Total transactions with owners	—	146	(277)	—	—	1
Balance as of December 31, 2023	13,450	(462)	(10,916)	17,397	111	5,444

(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	–	–	21,906	21,906	262	22,168
Other comprehensive income	(38)	8,780	–	8,780	28	8,809
Total comprehensive income for the period	(38)	8,780	21,906	30,687	290	30,977
Purchase of treasury shares	–	–	–	(356)	–	(356)
Dividends	–	–	(9,105)	(9,105)	(112)	(9,218)
Share-based payment transactions	–	–	–	225	(2)	222
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	38	39	(39)	–	–	–
Other	–	–	–	–	–	–
Total transactions with owners	38	39	(9,145)	(9,236)	(115)	(9,352)
Balance as of December 31, 2023	–	22,952	290,400	315,425	1,959	317,384

(4) Condensed quarterly consolidated statement of cash flows

(Million yen)

	Nine months ended December 31, 2022	Nine months ended December 31, 2023
Cash flows from operating activities		
Profit before tax	28,963	30,471
Depreciation, amortization and impairment losses	21,784	24,089
Share of loss (profit) of investments accounted for using equity method	(146)	(108)
Loss (gain) on sale of fixed assets	91	(22)
Decrease (increase) in inventories	(4,627)	(3,407)
Decrease (increase) in trade and other receivables	(7,367)	(7,613)
Increase (decrease) in trade and other payables	4,052	3,934
Other	2,057	(2,746)
Subtotal	44,808	44,597
Interest received	167	335
Dividends received	412	266
Interest paid	(113)	(246)
Income taxes paid	(16,508)	(11,898)
Net cash provided by (used in) operating activities	28,766	33,053
Cash flows from investing activities		
Payments into time deposits	(4,101)	(6,031)
Proceeds from withdrawal of time deposits	3,784	4,850
Purchase of property, plant and equipment	(36,935)	(21,242)
Proceeds from sale of property, plant and equipment	213	48
Purchase of intangible assets	(1,102)	(2,007)
Proceeds from sale of investment securities	8,740	0
Payments for acquisition of subsidiaries (after deduction of cash and cash equivalents included in acquired assets)	–	(3,070)
Other	(384)	(361)
Net cash provided by (used in) investing activities	(29,785)	(27,814)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings and commercial paper	17,640	(5,065)
Proceeds from issuance of bonds	9,955	–
Proceeds from long-term borrowings	9,988	12,018
Repayments of long-term borrowings	(434)	(2,286)
Repayments of lease liabilities	(3,950)	(3,889)
Dividends paid	(8,699)	(9,236)
Purchase of shares of subsidiaries not resulting in change in scope of consolidation	(22,127)	–
Other	57	(277)
Net cash provided by (used in) financing activities	2,429	(8,737)
Effect of exchange rate changes on cash and cash equivalents	1,127	2,316
Net increase (decrease) in cash and cash equivalents	2,537	(1,182)
Cash and cash equivalents at beginning of period	45,730	50,468
Cash and cash equivalents at end of period	48,268	49,286

Notes to Condensed Quarterly Consolidated Financial Statements

(Notes on the Going-concern Assumption)

Nine months ended December 31, 2023 (April 1, 2023 - December 31, 2023)

Not applicable

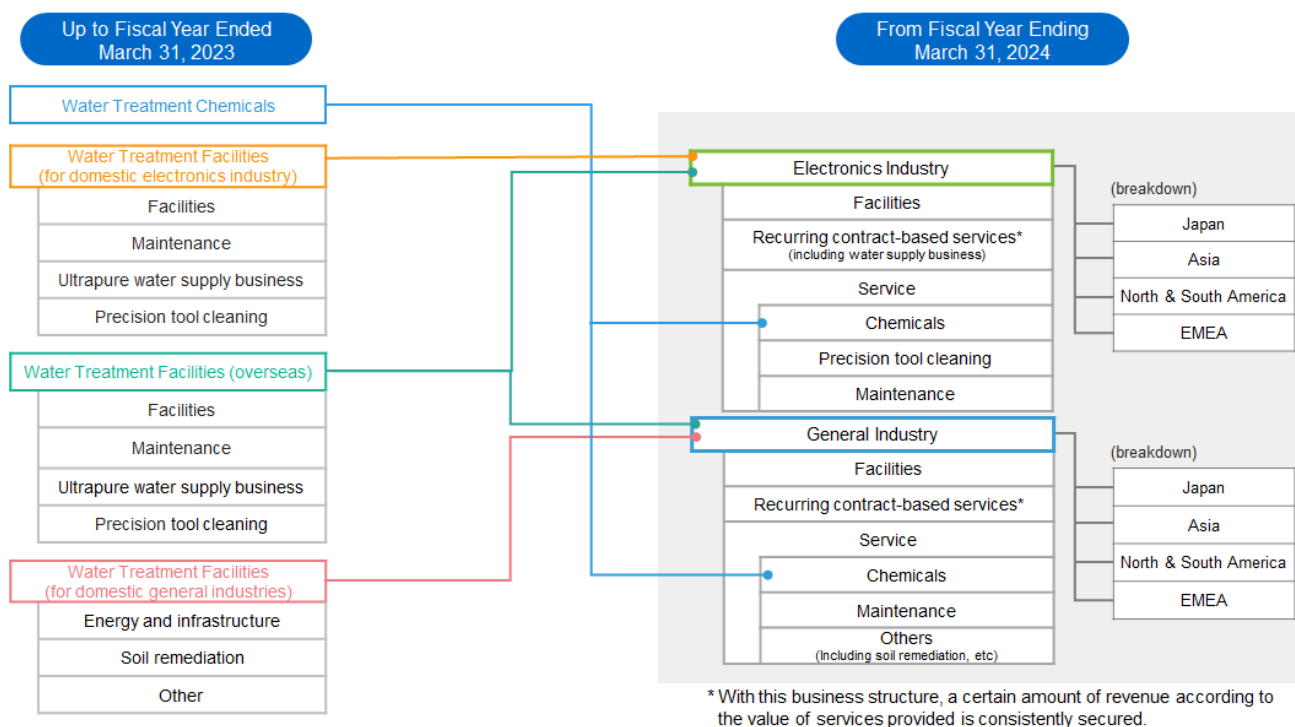
(Segment Information)

(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 nine months of the previous fiscal year has also been restated to reflect this change.



(2) Information of reportable segments

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)
	Electronics Industry	General Industry			
Net sales					
Sales to outside customers	107,586	144,120	251,706	—	251,706
Inter-segment sales and transfers	—	—	—	—	—
Total	107,586	144,120	251,706	—	251,706
Segment income	16,575	11,114	27,689	(20)	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.

Nine months ended December 31, 2023 (April 1, 2023 - December 31, 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	131,419	155,256	286,675	—	286,675
Inter-segment sales and transfers	—	—	—	—	—
Total	131,419	155,256	286,675	—	286,675
Segment income	15,072	15,454	30,526	(8)	30,518
Finance income					577
Finance costs					733
Share of profit (loss) of investments accounted for using equity method					108
Profit before tax					30,471

- (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, 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.

Nine months ended December 31, 2023 (April 1, 2023 - December 31, 2023)

No bonds were issued or redeemed.

(2) 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, equal monthly repayments) in the third quarter under review.

Nine months ended December 31, 2023 (April 1, 2023 - December 31, 2023)

The Group borrowed a total of 12,000 million yen (the final repayment dates are December 8, 2028 and December 22, 2028, in one lump sum repayment) in the third quarter under review.

(Finance Income)

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.

Nine months ended December 31, 2023 (April 1, 2023 - December 31, 2023)

Information is omitted because there were no important events.

Disclaimer

- This document is an English translation of the Earnings Report for the Nine Months Ended December 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 “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.