

## **Kurita Water Industries Reports Earnings for the Six Months Ended September 30, 2020**

Tokyo, Japan, November 5, 2020—Kurita Water Industries Ltd. (TSE Securities Code 6370) announced net sales of 131,012 million yen and profit attributable to owners of parent of 10,772 million yen, or 95.91 yen per share, for the six months ended September 30, 2020 (April 1, 2020 – September 30, 2020).

### **Results of Operations**

Total consolidated orders for the Kurita Group in the six months ended September 30, 2020 fell 7.4% from the level of the year-ago period, to 127,549 million yen, and net sales decreased 0.6%, to 131,012 million yen. Business profit\* was increased 2.0%, to 14,040 million yen, operating profit was 16,460 million yen, down 11.4% versus the year-ago period, profit before tax was 15,846 million yen, declined 15.8%, and profit attributable to owners of parent amounted to 10,772 million yen, down 20.2%.

During the six months, the Group had a customer who had terminated ultrapure water supply agreements and posted a liquidation gain on contract termination settlements of 2,086 million yen in other income. However, due to the absence of the gain on the sale of fixed assets of 4,801 million yen posted in the same period of the previous fiscal year, operating profit, profit before tax and profit attributable to owners of parent fell from the previous fiscal year.

The operating results of Pentagon Technologies Group, Inc. (water treatment facilities business) in the United States, which had been an equity method affiliate, has been consolidated since the first quarter of the fiscal year under review due to the acquisition of its additional shares by the Group to make it a consolidated subsidiary.

With regard to the market conditions surrounding the Group, exports sharply fell and the production activities of the manufacturing industry declined significantly in Japan, reflecting the spread of novel coronavirus worldwide. However, there were signs of a recovery as economic activities were resumed in stages worldwide. Companies strengthened their cautious stance on capital expenditures following their deteriorated corporate earnings and increasing uncertainty over the future of the economy. Overseas, while the economy was still facing harsh conditions in Europe, the United States and Asia, there were signs of improvement.

In this environment, the Group consistently provided products and services essential for the continuation of business activities of customers and accelerated the development of total solutions by focusing on proposal activities that would help solve customer issues such as the reduction of the environmental impact, energy saving and an improvement in productivity based on deep insight into social and customer issues.

\*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 52,397 million yen, down 10.5% versus the same period of the fiscal year ended March 31, 2020, while net sales fell 11.9%, to 51,511 million yen.

Business profit stood at 6,436 million yen, down 2.7% year on year, and operating profit came to 6,362 million yen, down 2.5% year on year, reflecting the Group's efforts to minimize the impact of

the fall in sales by improving the cost of sales ratio and reducing expenses.

Both orders and net sales declined in Japan due to a fall in capacity utilization at plants of customers, except for some customers such as the electronics industry, affected by stagnant economic activities due to the spread of novel coronavirus. Overseas, both orders and net sales decreased partly due to the effect of a reduction in sales at overseas subsidiaries because of a stronger yen, in addition to the impact of the spreading novel coronavirus.

### **Water Treatment Facilities**

Total Group orders for the Water Treatment Facilities segment were 75,151 million yen, down 5.1% versus the same period of the previous fiscal year. Net sales increased 8.5%, to 79,501 million yen.

Business profit rose to 7,628 million yen, up 5.2% year on year, reflecting the commencement of consolidation of Pentagon Technologies Group, Inc. and a reduction in expenses. Operating profit decreased to 10,110 million yen, a fall of 16.7% year on year, reflecting the absence of a gain on the sale of fixed assets of 4,780 million yen posted in other income in the same period of the previous fiscal year, despite a liquidation gain on contract termination settlements of 2,086 million yen posted in other income that resulted from the termination of contract with a certain customer in the ultrapure water supply business.

In Japan, while orders for water treatment facilities for the electronics industry increased, net sales declined significantly due to the completion of large projects. While orders for maintenance services decreased in reaction to orders for large projects posted in the same period of the previous fiscal year, net sales increased due to progress in the construction of projects for which orders were posted in the previous fiscal year.

For water treatment facilities for general industries, although orders declined in reaction to the posting of orders for large projects in the same period of the previous fiscal year, net sales increased with progress in the construction of large projects. Both orders for and net sales from maintenance services fell, reflecting customers' move to postpone the implementation of maintenance of their facilities due to the spread of the novel coronavirus. Orders from water treatment facilities for the electric power industry decreased, but net sales rose because of progress in the construction of large projects. Both orders for and net sales from soil remediation services decreased because orders for and net sales from large projects had run their courses.

Overseas, both orders and net sales increased mainly due to the new consolidation of operating results (for six months) of Pentagon Technologies Group, Inc. Except for the effect of the new consolidation, orders declined because orders for large projects for the electronics industry in East Asia had reached a conclusion, and net sales fell only slightly chiefly due to progress in the construction of large projects in South Korea.

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

### **Financial Condition**

Condition of assets, liabilities and equity

1) Total assets: 389,237 million yen, an increase of 1,488 million yen from the end of the previous fiscal year)

Current assets totaled 158,412 million yen at the end of the second quarter (September 30, 2020), a decrease of 4,435 million yen from the end of the previous fiscal year (March 31, 2020). This was mainly attributable to a decrease in trade and other receivables of 6,866 million yen due to the smooth collection of accounts receivable – trade, offsetting an increase in cash and cash equivalents of 2,825 million yen.

Non-current assets totaled 230,825 million yen at the end of the second quarter, an increase of 5,923 million yen from the end of the previous fiscal year. Goodwill increased 8,984 million yen while investments accounted for using equity method decreased 4,945 million yen due to the conversion of Pentagon Technologies Group, Inc. (water treatment facilities business), which had been an equity method affiliate, to a consolidated subsidiary in the first quarter of this fiscal year.

Other financial assets rose 5,359 million yen while deferred tax assets decreased 1,572 million yen owing to an increase in unrealized gains mainly caused by a rise in the market value of shares held.

2) Liabilities: 144,167 million yen, an increase of 527 million yen from the end of the previous fiscal year.

Current liabilities totaled 84,965 million yen at the end of the period, a decrease of 9,443 million yen from the end of the previous fiscal year. This was mainly due to a decrease in borrowings of 14,946 million yen resulting from the partial repayment of the commitment line contracts, offsetting an increase in trade and other payables of 4,539 million yen.

Non-current liabilities totaled 59,202 million yen at the end of the period, an increase of 9,970 million yen from the end of the previous fiscal year. This was chiefly attributable to an increase in other financial liabilities of 11,050 million yen mainly resulting from the initial recognition of the present value of the expected value of shares to be transferred in the future based on the forward contract concluded between Kurita America Holdings Inc., a wholly owned subsidiary of the Company and non-controlling shareholders of Pentagon Technologies Group, Inc.

3) Equity: 245,069 million yen, an increase of 961 million yen from the end of the previous fiscal year

This principally reflected a rise of 7,339 million yen in retained earnings chiefly due to profit for the period and an increase of 2,811 million yen in other components of equity in association with a rise in the market value of shares held, while the capital surplus decreased 10,605 million yen mainly as a result of initial recognition related to the aforementioned forward contract for shares in Pentagon Technologies Group, Inc.

## **Cash Flows**

Consolidated net cash and cash equivalents at the end of the first half (September 30, 2020) totaled 53,040 million yen, an increase of 2,825 million yen from the end of the previous fiscal year (March 31, 2020).

The various cash flows and related factors are outlined below.

### **1) Cash Flows from Operating Activities**

Net cash provided by operating activities during the first half ended September 30, 2020 totaled 27,203 million yen, an increase of 13,328 million yen from the same period of the previous fiscal year. This was chiefly due to inflows from profit before tax of 15,846 million yen, depreciation and amortization of 9,923 million yen, and a decrease in trade and other receivables of 6,496 million yen.

### **2) Cash Flows from Investing Activities**

Net cash used in investing activities totaled 2,878 million yen, a decrease of 32,382 million yen from the same period of the previous fiscal year. Cash was used mainly for the acquisition of subsidiaries of 4,605 million yen (after deducting cash and cash equivalents included in acquired assets) and purchases of property, plant and equipment of 3,083 million yen, despite inflows, particularly proceeds from sales of property, plant and equipment of 5,942 million yen.

### **3) Cash Flows from Financing Activities**

Net cash used in financing activities totaled 21,810 million yen, an increase of 46,181 million yen from the same period of the previous fiscal year. Cash was used mainly for a net decrease in short-term borrowings of 15,001 million yen, dividends paid of 4,006 million yen and repayments of lease liabilities of 2,444 million yen.

The Group's basic policy is to constantly secure the liquidity necessary for business operations and establish a stable funds-raising system. Short-term working capital is basically supplied by the Group's own funds. Capital investment and other investments in growth fields depend chiefly on the

Group's own funds, but the Group considers financing through bond markets and bank loans as needed. As of the end of the first half under review, the Group has concluded commitment line contracts with four financial institutions (executed and unexecuted borrowings within the commitment line were 20,000 million yen and 50,600 million yen, respectively).

#### 4) Forecasts for the Fiscal Year Ending March 31, 2021

As announced in "Kurita Water Industries Announces Revision of Business Forecast" published on October 22, 2020, the Group has revised its consolidated business forecasts for the fiscal year ending March 31, 2021. It remains uncertain what the total number of COVID-19 cases will be and when it will subside; therefore, a full-fledged recovery will take time. However, as economic activities are being resumed in stages worldwide, we assume that economies will recover moderately toward the end of the fiscal year 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.

#### (Consolidated business forecasts)

Revision to the consolidated business forecast for the fiscal year ending March 31, 2021 (April 1, 2020 – March 31, 2021)

	Net sales	Business profit	Operating profit	Profit before tax	Profit for the period	Profit attributable to owners of parent	Basic earnings per share (Yen)
Previous forecast (A)	268,000	23,500	22,500	22,600	16,350	16,000	142.48
Revised forecast (B)	270,000	28,000	29,000	28,000	19,500	19,000	169.15
Change (B-A)	2,000	4,500	6,500	5,400	3,150	3,000	-
Percentage change (%)	0.7	19.1	28.9	23.9	19.3	18.8	-
(Reference) First six months of the fiscal year ended March 31, 2020	264,807	26,654	27,479	26,691	18,312	18,287	162.86

## Condensed quarterly consolidated financial statements

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

(Million yen)

	As of March 31, 2020	As of September 30, 2020
Assets		
Current assets		
Cash and cash equivalents	50,215	53,040
Trade and other receivables	96,974	90,108
Other financial assets	2,562	2,590
Inventories	9,247	9,805
Other current assets	3,847	2,867
Total current assets	162,847	158,412
Non-current assets		
Property, plant and equipment	106,358	105,301
Right-of-use assets	17,784	17,236
Goodwill	47,033	56,017
Intangible assets	13,381	13,017
Investments accounted for using equity method	7,469	2,524
Other financial assets	28,465	33,824
Deferred tax assets	4,295	2,723
Other non-current assets	113	179
Total non-current assets	224,902	230,825
Total assets	387,749	389,237

(Million yen)

	As of March 31, 2020	As of September 30, 2020
Liabilities and equity		
Current liabilities		
Trade and other payables	35,680	40,219
Borrowings	35,371	20,425
Lease liabilities	4,234	4,233
Other financial liabilities	219	212
Income taxes payable	1,998	4,661
Provisions	1,557	1,635
Other current liabilities	15,345	13,576
Total current liabilities	94,408	84,965
Non-current liabilities		
Borrowings	1,305	1,514
Lease liabilities	13,701	13,191
Other financial liabilities	2,562	13,612
Retirement benefit liability	16,913	17,401
Provisions	499	502
Deferred tax liabilities	1,346	1,360
Other non-current liabilities	12,903	11,619
Total non-current liabilities	49,232	59,202
Total liabilities	143,640	144,167
Equity		
Share capital	13,450	13,450
Capital surplus	8,212	(2,393)
Treasury shares	(10,893)	(10,784)
Other components of equity	216	3,027
Retained earnings	231,456	238,795
Equity attributable to owners of parent	242,442	242,095
Non-controlling interests	1,666	2,974
Total equity	244,108	245,069
Total liabilities and equity	387,749	389,237

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

(Million yen)

	Six months ended September 30, 2019	Six months ended September 30, 2020
Net sales	131,758	131,012
Cost of sales	85,438	85,104
Gross profit	46,320	45,908
Selling, general and administrative expenses	32,552	31,868
Other income	5,318	3,359
Other expenses	498	938
Operating profit	18,588	16,460
Finance income	387	309
Finance costs	210	916
Share of profit (loss) of investments accounted for using equity method	59	(7)
Profit before tax	18,825	15,846
Income tax expense	5,291	4,735
Profit for the period	13,533	11,110
Profit attributable to		
Owners of parent	13,503	10,772
Non-controlling interests	30	338
Profit for the period	13,533	11,110
Earnings per share		
Basic earnings per share (yen)	120.26	95.91
Diluted earnings per share (yen)	—	—

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

(Million yen)

	Six months ended September 30, 2019	Six months ended September 30, 2020
Profit for the period	13,533	11,110
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	(197)	3,833
Remeasurements of defined benefit plans	(5)	(33)
Total of items that will not be reclassified to profit or loss	(203)	3,799
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	(5,162)	(798)
Cash flow hedges	323	(188)
Share of other comprehensive income of investments accounted for using equity method	(109)	(21)
Total of items that may be reclassified to profit or loss	(4,948)	(1,007)
Other comprehensive income, net of tax	(5,151)	2,791
Comprehensive income for the period	8,381	13,901
Comprehensive income attributable to		
Owners of parent	8,393	13,583
Non-controlling interests	(11)	318
Comprehensive income	8,381	13,901



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

Six months ended September 30, 2019 (April 1, 2019 - September 30, 2019)

(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, 2019	13,450	10,265	(10,932)	(4,671)	310	9,199
Profit for the period	—	—	—	—	—	—
Other comprehensive income	—	—	—	(5,230)	323	(197)
Total comprehensive income for the period	—	—	—	(5,230)	323	(197)
Purchase of treasury shares	—	—	(1)	—	—	—
Dividends	—	—	—	—	—	—
Share-based payment transactions	—	53	42	—	—	—
Changes in ownership interests in subsidiaries	—	(4)	—	—	—	—
Increase (decrease) by business combination	—	—	—	—	—	—
Liabilities pertaining to forward contracts concluded with non-controlling shareholders	—	—	—	—	—	—
Transfer from other components of equity to retained earnings	—	—	—	—	—	(256)
Other	—	(0)	—	—	—	—
Total transactions with owners	—	48	40	—	—	(256)
Balance as of September 30, 2019	13,450	10,313	(10,891)	(9,901)	633	8,745

(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, 2019	–	4,838	219,660	237,282	1,902	239,184
Profit for the period	–	–	13,503	13,503	30	13,533
Other comprehensive income	(4)	(5,109)	–	(5,109)	(42)	(5,151)
Total comprehensive income for the period	(4)	(5,109)	13,503	8,393	(11)	8,381
Purchase of treasury shares	–	–	–	(1)	–	(1)
Dividends	–	–	(3,040)	(3,040)	(10)	(3,050)
Share-based payment transactions	–	–	–	95	16	111
Changes in ownership interests in subsidiaries	–	–	–	(4)	(56)	(60)
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	(251)	251	–	–	–
Other	–	–	(12)	(12)	–	(12)
Total transactions with owners	4	(251)	(2,801)	(2,963)	(50)	(3,014)
Balance as of September 30, 2019	–	(522)	230,361	242,712	1,839	244,552

## Six months ended September 30, 2020 (April 1, 2020 - September 30, 2020)

(Million yen)

	Equity attributable to owners of parent					
	Share capital	Capital surplus	Treasury shares	Other components of equity		
				Exchange differences on translation of foreign operations	Cash flow hedges	Financial assets measured at fair value through other comprehensive income
Balance as of April 1, 2020	13,450	8,212	(10,893)	(9,033)	503	8,747
Profit for the period	—	—	—	—	—	—
Other comprehensive income	—	—	—	(800)	(188)	3,833
Total comprehensive income for the period	—	—	—	(800)	(188)	3,833
Purchase of treasury shares	—	—	(1)	—	—	—
Dividends	—	—	—	—	—	—
Share-based payment transactions	—	1	111	—	—	—
Changes in ownership interests in subsidiaries	—	—	—	—	—	—
Increase (decrease) by business combination	—	—	—	—	—	—
Liabilities pertaining to forward contracts concluded with non-controlling shareholders	—	(10,578)	—	—	—	—
Transfer from other components of equity to retained earnings	—	—	—	—	—	(33)
Other	—	(28)	—	—	—	—
Total transactions with owners	—	(10,605)	109	—	—	(33)
Balance as of September 30, 2020	13,450	(2,393)	(10,784)	(9,834)	315	12,546

(Million yen)

	Equity attributable to owners of parent				Non-controlling interests	Total
	Other components of equity		Retained earnings	Total		
	Remeasurements of defined benefit plans	Total				
Balance as of April 1, 2020	–	216	231,456	242,442	1,666	244,108
Profit for the period	–	–	10,772	10,772	338	11,110
Other comprehensive income	(32)	2,811	–	2,811	(19)	2,791
Total comprehensive income for the period	(32)	2,811	10,772	13,583	318	13,901
Purchase of treasury shares	–	–	–	(1)	–	(1)
Dividends	–	–	(3,481)	(3,481)	(528)	(4,010)
Share-based payment transactions	–	–	–	112	0	112
Changes in ownership interests in subsidiaries	–	–	–	–	–	–
Increase (decrease) by business combination	–	–	–	–	1,517	1,517
Liabilities pertaining to forward contracts concluded with non-controlling shareholders	–	–	–	(10,578)	–	(10,578)
Transfer from other components of equity to retained earnings	32	(0)	0	–	–	–
Other	–	–	47	18	–	18
Total transactions with owners	32	(0)	(3,433)	(13,930)	989	(12,941)
Balance as of September 30, 2020	–	3,027	238,795	242,095	2,974	245,069

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

(Million yen)

	Six months ended September 30, 2019	Six months ended September 30, 2020
Cash flows from operating activities		
Profit before tax	18,825	15,846
Depreciation and amortization	8,423	9,923
Share of loss (profit) of investments accounted for using equity method	(59)	7
Loss (gain) on sale of fixed assets	(4,795)	(5)
Decrease (increase) in inventories	(968)	(123)
Decrease (increase) in trade and other receivables	517	6,496
Increase (decrease) in trade and other payables	(1,950)	(371)
Other	(525)	(2,307)
Subtotal	19,466	29,465
Interest received	24	43
Dividends received	214	184
Interest paid	(45)	(36)
Income taxes paid	(5,784)	(2,453)
Net cash provided by (used in) operating activities	13,875	27,203
Cash flows from investing activities		
Payments into time deposits	(980)	(1,067)
Proceeds from withdrawal of time deposits	800	843
Purchase of property, plant and equipment	(19,104)	(3,083)
Proceeds from sale of property, plant and equipment	508	5,942
Purchase of intangible assets	(641)	(796)
Payments for acquisition of a subsidiary (after deduction of cash and cash equivalents included in acquired assets)	(8,501)	(4,605)
Purchase of investments in associates	(5,860)	–
Other	(1,480)	(111)
Net cash provided by (used in) investing activities	(35,260)	(2,878)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	30,008	(15,001)
Repayments of long-term borrowings	(268)	(389)
Repayments of lease liabilities	(2,256)	(2,444)
Dividends paid	(3,061)	(4,006)
Purchase of shares of subsidiaries not resulting in change in scope of consolidation	(60)	–
Other	9	31
Net cash provided by (used in) financing activities	24,371	(21,810)
Effect of exchange rate changes on cash and cash equivalents	(979)	309
Net increase (decrease) in cash and cash equivalents	2,007	2,825
Cash and cash equivalents at beginning of period	35,547	50,215
Cash and cash equivalents at end of period	37,554	53,040

## Notes to Consolidated Financial Statements

(Notes on the Going-concern Assumption)

Six months ended September 30, 2020 (April 1, 2020 – September 30, 2020)

Not applicable

(Segment Information)

(1) Overview of reportable segments

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

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

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

(2) Information of reportable segments

Six months ended September 30, 2019 (April 1, 2019 – September 30, 2019)

(Million yen)

	Reportable Segments		Total	Adjustments (note 1)	Amounts reported on the condensed quarterly consolidated statement of profit or loss (note 2)
	Water Treatment Chemicals	Water Treatment Facilities			
Sales					
Sales to outside customers	58,484	73,274	131,758	–	131,758
Inter-segment sales and transfers	361	955	1,317	(1,317)	–
Total	58,846	74,229	133,076	(1,317)	131,758
Segment income	6,524	12,139	18,664	(76)	18,588
Finance income					387
Finance costs					210
Share of profit (loss) of investments accounted for using equity method					59
Profit before tax					18,825

(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, 2020 (April 1, 2020 – September 30, 2020)

(Million yen)

	Reportable Segments		Total	Adjustments (note 1)	Amounts reported on the condensed quarterly consolidated statement of profit or loss (note 2)
	Water Treatment Chemicals	Water Treatment Facilities			
Sales					
Sales to outside customers	51,511	79,501	131,012	–	131,012
Inter-segment sales and transfers	211	1,086	1,297	(1,297)	–
Total	51,722	80,588	132,310	(1,297)	131,012
Segment income	6,362	10,110	16,473	(12)	16,460
Finance income					309
Finance costs					916
Share of profit (loss) of investments accounted for using equity method					(7)
Profit before tax					15,846

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

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

#### (Business Combination and Acquisition of Non-Controlling Interests)

##### (Acquisition of Pentagon Technologies Group, Inc.)

On April 1, 2020, Kurita America Holdings Inc., a wholly owned subsidiary of the Company, acquired an additional 26% stake in Pentagon Technologies Group, Inc. (“Pentagon Technologies”), a tool cleaning company operating in the United States in which Kurita America Holdings Inc. held a 25% stake as of the end of the previous fiscal year. As a result, the proportion of equity interest Kurita America Holdings Inc. has in Pentagon Technologies increased to a total of 51%, and Pentagon Technologies became a consolidated subsidiary of the Company.

The Company will make Pentagon Technologies its subsidiary to have a base for overseas service in the electronics industry, which the Company positions as one of its key business fields, and to further strengthen its competitiveness in the market. The Company also aims to accelerate its growth and offer new value by acquiring the cutting-edge tool cleaning technologies and expertise of Pentagon Technologies and creating synergies with the tool cleaning business that the Kurita Group has been developing in Japan.

##### (1) Acquisition cost and a breakdown

###### Consideration for acquisition

Fair value on the date of acquisition of the shares in the acquired company held immediately before the date of acquisition	5,379 million yen
Fair value of the additional shares in the acquired company acquired on the date of acquisition	5,594 million yen
<b>Total</b>	<b>10,974 million yen</b>

##### (2) Gain on remeasurement relating to business combinations

As a result of remeasuring equity interest in the acquired company held immediately before the date of acquisition at fair value, the Company has recognized gain on remeasurement relating to business combinations of 463 million yen due to the business combination. The gain is recorded in Other income in the condensed quarterly consolidated statement of profit or loss.

### (3) Assets acquired and liabilities assumed

The fair value of identifiable assets acquired and liabilities assumed of Pentagon Technologies Group, Inc. on the date of acquisition are shown below.

(Million yen)	
Fair value of consideration	10,974
Fair value of assets acquired and liabilities assumed	
Cash and cash equivalents	989
Trade receivables	1,707
Other current assets	433
Non-current assets	2,152
Trade payables and other payables	(1,351)
Non-current liabilities	(992)
Fair value of assets acquired and liabilities assumed (net)	2,938
Non-controlling interests	1,517
Goodwill	9,554

The amount of goodwill that occurred was 9,554 million yen, which reflects expected excess earning power.

We do not expect any amounts related to recognized goodwill to be deductible expenses from tax perspective.

Net sales and profit for the period of Pentagon Technologies included in the condensed quarterly consolidated statement of profit or loss for the first half under review are 5,490 million yen and 742 million yen respectively.

The amount of goodwill is provisionally determined because the allocation of the acquisition cost is still ongoing as the identification of identifiable assets and liabilities as of the time of business combination and the estimation of their market values have yet to be completed given that the period from the date of business combination to the closing date is short.

Non-controlling interests are measured using the proportion of non-controlling interests to the fair value of identifiable net assets of the acquired company.

### (4) Transactions that are accounted for separately from business combination

Expenses related to the acquisition for the business combination were 171 million yen. The amount is posted in Other expenses in the condensed quarterly consolidated statement of profit or loss.

### (5) Forward contract concluded with non-controlling shareholders

With regard to the remaining 49% of shares in Pentagon Technologies, a forward contract has been concluded between Kurita America Holdings Inc. and non-controlling shareholders of Pentagon Technologies, and it has been agreed that Pentagon Technologies will become a wholly owned subsidiary of Kurita America Holdings Inc. with June 30, 2022 as the target date.

The present value of expected value of shares to be transferred based on the forward contract which is 10,578 million yen, is initially recognized as Other financial liabilities, and the same amount is deducted from Capital surplus. After the initial recognition, the present value is measured at amortized cost based on the effective interest method, in principle, and the amount of subsequent changes is recognized in profit or loss.

### Disclaimer

- This document is an English translation of the Earnings Report for the Six Months Ended September 30, 2020 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, 2021" on page 4 of this document for the conditions assumed in the performance forecasts and the precautions concerning the use of performance forecasts.