

Kurita Water Industries Reports Earnings for the Nine Months Ended December 31, 2021

Tokyo, Japan, January 31, 2022 - Kurita Water Industries Ltd. (the “Company”) (TSE Securities Code 6370) announced net sales of 211,223 million yen and profit attributable to owners of parent of 12,031 million yen, or 107.08 yen per share, for the nine months ended December 31, 2021 (April 1, 2021 - December 31, 2021).

Results of Operations

Total consolidated orders for the Kurita Group (the “Group”) in the nine months ended December 31, 2021 rose 16.8% from the level of the year-ago period, to 218,829 million yen, and net sales increased 6.7%, to 211,223 million yen. Business profit* was increased 16.7%, to 25,194 million yen, operating profit was 25,539 million yen, up 8.1% versus the year-ago period, profit before tax was 20,773 million yen, declined 4.1%, and profit attributable to owners of parent amounted to 12,031 million yen, down 18.2%. Profit before tax and profit attributable to owners of parent declined due to finance costs of 4,639 million yen posted in the first nine months under review, which resulted from the subsequent measurement of liabilities related to a forward contract concluded with non-controlling shareholders of US-based Pentagon Technologies Group, Inc. (Water Treatment Facilities business).

In the first quarter of the fiscal year under review, the Group acquired 51% of the shares in Kurita AquaChemie Limited (Water Treatment Chemicals business) in the Middle East and made it and its two wholly owned consolidated subsidiaries. The Group acquired also Keytech Water Management (Water Treatment Chemicals business), making it a consolidated subsidiary. The operating results of those companies are newly consolidated.

The PPA for Pentagon Technologies Group, Inc. (Water Treatment Facilities business), which was consolidated in the same period of the previous fiscal year, was determined at the end of the previous fiscal year, and the results in the same period of the previous fiscal year have been revised retroactively.

During the nine months of the fiscal year ending March 31, 2022, there were signs of a recovery in the world economy as economic activity moved toward normalization, reflecting economic stimulus measures in the world and the increasing pace of vaccinations. Production activities in the manufacturing industry in Japan were weak in certain sectors due to constraints on the supply of raw materials, including semiconductor shortages, but were on a recovery trend. There were signs of a recovery in capital investment. Overseas, European, the U.S. and Chinese economies have recovered gradually. Meanwhile, in some parts of Asia, economic recovery was weak due to a resurgence in COVID-19 infections.

In this environment, the Group stepped up initiatives to expand total solutions by focusing on proposal activities 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 based on a deep understanding of social and customers’ issues, aiming to become an indispensable partner of customers in the long term.

*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 87,585 million yen, up 13.0% versus the year-ago period, while net sales rose 13.3%, to 87,852 million yen.

In terms of profits, despite an increase in expenses with business activities returning to a normal condition and the effect of rising raw materials prices, business profit amounted to 10,846 million yen, an increase of 12.3% year on year, chiefly due to an increase in net sales, and operating profit rose to 11,104 million yen, up 19.7% year on year, reflecting foreign exchange gains (other income) at overseas subsidiaries in addition to an increase in net sales.

Orders and net sales in Japan increased due to a rise in capacity utilization at customers' plants, which reflected a recovery in production activities in the manufacturing industry.

Overseas, both orders and net sales rose due to an increase in reaction to a fall in demand a year ago because of stagnant economic activities caused by the spread of COVID-19, the consolidation of the operating results (for nine months) of the subsidiaries in the Middle East and Canada acquired in the first quarter of the fiscal year under review, and an increase in results in yen at overseas subsidiaries due to the weaker yen.

Water Treatment Facilities

Total Group orders for the Water Treatment Facilities segment were 131,243 million yen, up 19.4% versus the same period of the previous fiscal year. Net sales increased 2.4%, to 123,370 million yen.

Business profit rose to 14,377 million yen, up 20.5% year on year, chiefly reflecting efforts to improve profitability, including cost cutting. Operating profit stood at 14,440 million yen, up 0.8% year on year, due to the absence of a profit from liquidation of 2,076 million yen related to cancellations of contracts with a certain customer in the ultrapure water supply business posted in other income in the same period of the previous fiscal year.

In Japan, both orders and net sales of water treatment facilities for the electronics industry increased due to the posting of orders for large projects and progress in the construction of large projects. Orders and net sales for maintenance services for the industry increased, reflecting the expansion of facilities and repairs, including the replacement of consumables, against a backdrop of firm capacity utilization at customers' plants.

While orders for water treatment facilities for the general industry increased due to orders for large projects posted, net sales declined as the posting of sales from large projects had run its course. Orders and net sales of maintenance services for the industry climbed, reflecting growth in demand against a backdrop of a recovery in capacity utilization at customers' plants. Both orders for and net sales from water treatment facilities for the electric power industry decreased because orders for large projects declined and the posting of sales from the order backlog ran its course. Orders for soil remediation services increased, but net sales fell as the posting of sales from large projects had run its course.

Overseas, both orders and net sales increased due to the posting of orders and sales of large water treatment facilities projects in the electronics industry in East Asia and an increase in demand for tool cleaning service.

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

Financial Condition

Condition of assets, liabilities and equity

1) Total assets: 457,489 million yen, an increase of 32,561 million yen from the end of the previous fiscal year

Current assets totaled 178,978 million yen at the end of the third quarter (December 31, 2021), an increase of 2,496 million yen from the end of the previous fiscal year (March 31, 2021). This was mainly attributable to an increase of 10,438 million yen in trade and other receivables and a rise of 2,796 million yen in inventories, which more than offset a decrease in cash and cash equivalents of 11,940 million yen, chiefly due to purchase of property, plant and equipment and income taxes paid.

Non-current assets totaled 278,511 million yen at the end of the third quarter, an increase of 30,066 million yen from the end of the previous fiscal year. This chiefly reflected an increase of 33,995 million yen in property, plant and equipment due to the acquisition of new facilities in the ultrapure water supply business (Water Treatment Facilities business) and progress in the construction of a new research and development base, Kurita Innovation Hub, in Akishima-shi, Tokyo, which the Company plans to open in April 2022, despite a decrease of 8,633 million yen in other financial assets chiefly due to the sale of certain investment securities held.

2) Liabilities: 191,279 million yen, an increase of 24,189 million yen from the end of the previous fiscal year

Current liabilities totaled 111,770 million yen at the end of the period, an increase of 36,818 million yen from the end of the previous fiscal year. This is chiefly attributable to an increase in trade and other payables of 17,783 million yen and a rise in other financial liabilities of 17,609 million yen. Other financial liabilities increased due to liabilities related to the forward contract concluded with non-controlling shareholders of US-based Pentagon Technologies Group, Inc. (Water Treatment Facilities business), which were transferred from non-current liabilities and a subsequent measurement after initial recognition.

Non-current liabilities totaled 79,508 million yen at the end of the period, a decrease of 12,629 million yen from the end of the previous fiscal year. This is because liabilities related to the forward contract were transferred to current liabilities, and other financial liabilities decreased 11,524 million yen.

3) Equity: 266,209 million yen, an increase of 8,372 million yen from the end of the previous fiscal year

This principally reflected an increase of 9,127 million yen in retained earnings primarily due to profit attributable to owners of parent posted.

Cash Flows

Consolidated net cash and cash equivalents at the end of the third quarter (December 31, 2021) totaled 50,287 million yen, a decrease of 11,940 million yen from the end of the previous fiscal year (March 31, 2021).

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, 2021 totaled 17,764 million yen, a decrease of 14,922 million yen from the same period of the previous fiscal year. Inflows from profit before tax of 20,773 million yen and depreciation and amortization of 17,103 million yen were partly offset by an increase in trade and other receivables of 8,794 million yen and income taxes paid of 12,883 million yen.

2) Cash Flows from Investing Activities

Net cash used in investing activities totaled 24,104 million yen, an increase of 19,279 million yen from the same period of the previous fiscal year. Cash was used mainly for purchases of property,

plant and equipment of 30,264 million yen and the acquisition of subsidiaries of 2,401 million yen (after deducting cash and cash equivalents included in acquired assets). The cash used was partly offset by an increase in cash, including proceeds from sale of investment securities of 9,194 million yen.

3) Cash Flows from Financing Activities

Net cash used in financing activities totaled 6,774 million yen, a decrease of 10,575 million yen from the same period of the previous fiscal year. Cash used included repayments of lease liabilities of 3,719 million yen and dividends paid of 8,548 million yen, which was partly offset by a net increase in short-term borrowings of 5,676 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 period under review, the Group has concluded commitment line contracts with one financial institution (executed and unexecuted borrowings within the commitment line were 0 yen and 20,000 million yen, respectively).

4) Forecasts for the Fiscal Year Ending March 31, 2022

In the fiscal year ending March 31, 2022, net sales are expected to exceed the previous forecast, reflecting a recovery in demand for water treatment chemicals overseas at a faster pace than expected and firm demand in the electronics industry. On the profit front, business profit will likely exceed the previous forecast chiefly given an increase in net sales. Operating profit is also expected to exceed the previous forecast, reflecting a capital gain on sale of fixed assets. The forecast for profit attributable to owners of parent remains unchanged from the previous forecast, reflecting the posting of additional finance costs due to progress in business at US-based Pentagon Technologies Group, Inc. that exceeded the business plan. The dividend forecast remains unchanged.

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, 2022 (April 1, 2021 - March 31, 2022)

	(Million yen)					
	Net sales	Business profit	Operating profit	Profit before tax	Profit attributable to owners of parent	Basic earnings per share (yen)
Previous forecast (A)	289,000	33,000	32,000	28,100	18,000	160.19
Revised forecast (B)	291,000	34,000	34,000	29,200	18,000	160.19
Change (B-A)	2,000	1,000	2,000	1,100	0	—
Percentage change (%)	0.7	3.0	6.3	3.9	0.0	—
(Reference) Fiscal year ended March 31, 2021	267,749	29,470	31,529	29,150	19,088	169.94

Condensed quarterly consolidated financial statements

(1) Condensed quarterly consolidated statement of financial position

(Million yen)

	As of March 31, 2021	As of December 31, 2021
Assets		
Current assets		
Cash and cash equivalents	62,228	50,287
Trade and other receivables	97,745	108,183
Other financial assets	2,817	2,613
Inventories	9,911	12,707
Other current assets	3,780	5,185
Total current assets	176,482	178,978
Non-current assets		
Property, plant and equipment	117,603	151,598
Right-of-use assets	19,405	18,933
Goodwill	55,596	59,979
Intangible assets	17,320	17,039
Investments accounted for using equity method	1,578	1,128
Other financial assets	33,563	24,930
Deferred tax assets	3,199	4,759
Other non-current assets	177	141
Total non-current assets	248,445	278,511
Total assets	424,928	457,489

(Million yen)

	As of March 31, 2021	As of December 31, 2021
Liabilities and equity		
Liabilities		
Current liabilities		
Trade and other payables	46,506	64,289
Borrowings	445	6,197
Lease liabilities	4,373	4,401
Other financial liabilities	–	17,609
Income taxes payable	8,135	4,895
Provisions	1,847	1,234
Other current liabilities	13,644	13,143
Total current liabilities	74,952	111,770
Non-current liabilities		
Bonds and borrowings	31,207	30,943
Lease liabilities	15,327	14,602
Other financial liabilities	13,703	2,179
Retirement benefit liability	18,027	18,688
Provisions	1,160	2,312
Deferred tax liabilities	2,368	2,309
Other non-current liabilities	10,343	8,474
Total non-current liabilities	92,137	79,508
Total liabilities	167,090	191,279
Equity		
Share capital	13,450	13,450
Capital surplus	(2,212)	(2,203)
Treasury shares	(10,787)	(10,693)
Other components of equity	8,500	6,689
Retained earnings	244,138	253,265
Equity attributable to owners of parent	253,089	260,508
Non-controlling Interests	4,748	5,701
Total equity	257,837	266,209
Total liabilities and equity	424,928	457,489

(2) Condensed quarterly consolidated statement of profit or loss

(Million yen)

	Nine months ended December 31, 2020	Nine months ended December 31, 2021
Net sales	198,007	211,223
Cost of sales	128,181	133,482
Gross profit	69,825	77,740
Selling, general and administrative expenses	48,237	52,546
Other income	3,449	1,594
Other expenses	1,415	1,249
Operating profit	23,621	25,539
Finance income	490	513
Finance costs	1,406	5,183
Share of profit (loss) of investments accounted for using equity method	(1,047)	(96)
Profit before tax	21,657	20,773
Income tax expense	6,458	7,775
Profit for the period	15,198	12,997
Profit attributable to		
Owners of parent	14,702	12,031
Non-controlling Interests	496	965
Profit for the period	15,198	12,997
Earnings per share		
Basic earnings per share (yen)	130.89	107.08
Diluted earnings per share (yen)	—	—

(3) Condensed quarterly consolidated statement of comprehensive income

(Million yen)

	Nine months ended December 31, 2020	Nine months ended December 31, 2021
Profit for the period	15,198	12,997
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	5,933	976
Remeasurements of defined benefit plans	(34)	11
Total of items that will not be reclassified to profit or loss	5,898	988
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	(139)	2,459
Cash flow hedges	(393)	11
Share of other comprehensive income of investments accounted for using equity method	(35)	72
Total of items that may be reclassified to profit or loss	(569)	2,543
Other comprehensive income, net of tax	5,328	3,531
Comprehensive income for the period	20,527	16,529
Comprehensive income attributable to		
Owners of parent	20,330	15,180
Non-controlling Interests	196	1,348
Comprehensive income for the period	20,527	16,529

(4) Condensed quarterly consolidated statement of changes in equity

Nine months ended December 31, 2020 (April 1, 2020 - December 31, 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	—	—	—	122	(393)	5,933
Total comprehensive income for the period	—	—	—	122	(393)	5,933
Purchase of treasury shares	—	—	(2)	—	—	—
Dividends	—	—	—	—	—	—
Share-based payment transactions	—	29	111	—	—	—
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	—	—	—	—	—	(964)
Other	—	(1)	—	—	—	—
Total transactions with owners	—	(10,549)	108	—	—	(964)
Balance as of December 31, 2020	13,450	(2,337)	(10,785)	(8,911)	109	13,715

(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	–	–	14,702	14,702	496	15,198
Other comprehensive income	(33)	5,628	–	5,628	(299)	5,328
Total comprehensive income for the period	(33)	5,628	14,702	20,330	196	20,527
Purchase of treasury shares	–	–	–	(2)	–	(2)
Dividends	–	–	(7,076)	(7,076)	(993)	(8,069)
Share-based payment transactions	–	–	–	140	0	141
Increase (decrease) by business combination	–	–	–	–	3,260	3,260
Liabilities pertaining to forward contracts concluded with non-controlling shareholders	–	–	–	(10,578)	–	(10,578)
Transfer from other components of equity to retained earnings	33	(931)	931	–	–	–
Other	–	–	47	46	–	46
Total transactions with owners	33	(931)	(6,097)	(17,470)	2,267	(15,202)
Balance as of December 31, 2020	–	4,913	240,061	245,302	4,130	249,433

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

(Million yen)

	Equity attributable to owners of parent					
	Share capital	Capital surplus	Treasury shares	Other components of equity		
				Exchange differences on translation of foreign operations	Cash flow hedges	Financial assets measured at fair value through other comprehensive income
Balance as of April 1, 2021	13,450	(2,212)	(10,787)	(4,469)	(91)	13,060
Profit for the period	—	—	—	—	—	—
Other comprehensive income	—	—	—	2,147	11	976
Total comprehensive income for the period	—	—	—	2,147	11	976
Purchase of treasury shares	—	—	(4)	—	—	—
Dividends	—	—	—	—	—	—
Share-based payment transactions	—	16	98	—	—	—
Increase (decrease) by business combination	—	—	—	—	—	—
Liabilities pertaining to forward contracts concluded with non-controlling shareholders	—	—	—	—	—	—
Transfer from other components of equity to retained earnings	—	—	—	—	—	(4,946)
Other	—	(7)	—	—	—	—
Total transactions with owners	—	8	94	—	—	(4,946)
Balance as of December 31, 2021	13,450	(2,203)	(10,693)	(2,321)	(79)	9,090

(Million yen)

	Equity attributable to owners of parent				Non-controlling Interests	Total
	Other components of equity		Retained earnings	Total		
	Remeasurements of defined benefit plans	Total				
Balance as of April 1, 2021	–	8,500	244,138	253,089	4,748	257,837
Profit for the period	–	–	12,031	12,031	965	12,997
Other comprehensive income	13	3,148	–	3,148	383	3,531
Total comprehensive income for the period	13	3,148	12,031	15,180	1,348	16,529
Purchase of treasury shares	–	–	–	(4)	–	(4)
Dividends	–	–	(7,865)	(7,865)	(689)	(8,554)
Share-based payment transactions	–	–	–	114	(1)	113
Increase (decrease) by business combination	–	–	–	–	268	268
Liabilities pertaining to forward contracts concluded with non-controlling shareholders	–	–	–	–	–	–
Transfer from other components of equity to retained earnings	(13)	(4,960)	4,960	–	–	–
Other	–	–	–	(7)	26	19
Total transactions with owners	(13)	(4,960)	(2,904)	(7,762)	(395)	(8,158)
Balance as of December 31, 2021	–	6,689	253,265	260,508	5,701	266,209

(5) Condensed quarterly consolidated statement of cash flows

(Million yen)

	Nine months ended December 31, 2020	Nine months ended December 31, 2021
Cash flows from operating activities		
Profit before tax	21,657	20,773
Depreciation and amortization	15,385	17,103
Share of loss (profit) of investments accounted for using equity method	1,047	96
Loss (gain) on sale of fixed assets	(4)	(59)
Decrease (increase) in inventories	(452)	(2,165)
Decrease (increase) in trade and other receivables	3,955	(8,794)
Increase (decrease) in trade and other payables	(2,338)	3,363
Other	(3,025)	(235)
Subtotal	36,224	30,081
Interest received	64	81
Dividends received	349	586
Interest paid	(55)	(102)
Income taxes paid	(3,896)	(12,883)
Net cash provided by (used in) operating activities	32,686	17,764
Cash flows from investing activities		
Payments into time deposits	(1,407)	(1,582)
Proceeds from withdrawal of time deposits	1,123	1,679
Purchase of property, plant and equipment	(6,307)	(30,264)
Proceeds from sale of property, plant and equipment	5,934	313
Purchase of intangible assets	(1,290)	(1,602)
Proceeds from sale of investment securities	2,533	9,194
Payments for acquisition of subsidiaries (after deduction of cash and cash equivalents included in acquired assets)	(4,605)	(2,401)
Other	(805)	560
Net cash provided by (used in) investing activities	(4,825)	(24,104)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(35,001)	5,676
Proceeds from issuance of bonds	29,882	–
Repayments of long-term borrowings	(516)	(335)
Repayments of lease liabilities	(3,682)	(3,719)
Dividends paid	(8,062)	(8,548)
Other	30	152
Net cash provided by (used in) financing activities	(17,349)	(6,774)
Effect of exchange rate changes on cash and cash equivalents	682	1,174
Net increase (decrease) in cash and cash equivalents	11,193	(11,940)
Cash and cash equivalents at beginning of period	50,215	62,228
Cash and cash equivalents at end of period	61,408	50,287

Notes to Condensed Quarterly Consolidated Financial Statements

(Notes on the Going-concern Assumption)

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

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

Nine months ended December 31, 2020 (April 1, 2020 - December 31, 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			
Net sales					
Sales to outside customers	77,515	120,491	198,007	—	198,007
Inter-segment sales and transfers	339	1,586	1,926	(1,926)	—
Total	77,855	122,078	199,933	(1,926)	198,007
Segment income	9,279	14,332	23,612	9	23,621
Finance income					490
Finance costs					1,406
Share of profit (loss) of investments accounted for using equity method					(1,047)
Profit before tax					21,657

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

(Million yen)

	Reportable Segments		Total	Adjustments (note 1)	Amounts reported on the condensed quarterly consolidated statement of profit or loss (note 2)
	Water Treatment Chemicals	Water Treatment Facilities			
Net sales					
Sales to outside customers	87,852	123,370	211,223	—	211,223
Inter-segment sales and transfers	408	374	783	(783)	—
Total	88,261	123,745	212,006	(783)	211,223
Segment income	11,104	14,440	25,544	(5)	25,539
Finance income					513
Finance costs					5,183
Share of profit (loss) of investments accounted for using equity method					(96)
Profit before tax					20,773

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

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

(Business Combination)

(Transaction under Common Control)

(1) Outline of the transaction

(i) Company names and businesses at the time of integration

i) Surviving company

Company name	Kurita Water Industries Ltd.
Business description	Manufacture and sale of water treatment chemicals and water treatment facilities; maintenance of water treatment facilities; ultrapure water supply; soil and groundwater remediation

ii) Merged companies

Company name	Kurita Engineering Co., Ltd. (“Kurita Engineering”)
Business description	Plant cleaning and maintenance; manufacture and sale of cleaning and sewage treatment chemicals, facilities, and equipment; rental of temporary machinery

(ii) Date of business combination

April 1, 2021

(iii) Legal form of business combination

The business combination is an absorption-type merger. The surviving company is the Company. Kurita Engineering has been dissolved.

(iv) Name of the company after business combination

Kurita Water Industries Ltd.

(v) Main reason of integration

Kurita Engineering was established in 1959, by spinning off the chemical cleaning division of the Company. As a leading plant cleaning engineering company, Kurita Engineering engages primarily in chemical cleaning for large plants in Japan. In the social and industrial infrastructure market, including the electricity, iron and steel, petroleum refinery and petrochemical industries, which are primarily where Kurita Engineering and the Company operate, needs to reduce the environmental impact, including decarbonization to address climate change, and demand productivity improvement are increasing.

The merger enables the Company to appropriately respond to those needs by harnessing Kurita Engineering’s strong technological base and customer base and using in an agile way the Company’s management resources, including financial capital and human capital, and to provide optimal solutions. The Company will build a system to promptly respond to social and customer needs in the social and industrial infrastructure market and will expand the plant cleaning business and achieve sustainable growth in the business.

(2) Outline of accounting

The business combination under common control is a business combination in which all companies or businesses involved are ultimately controlled by the same company before and after the business combination. The control is not temporary. The Group continues to perform accounting treatment for all business combination transactions under common control based on book value.

(Additional information)

(Transfer of fixed assets)

At a meeting of the Board of Directors held on October 29, 2021, the Company resolved to transfer fixed assets, and the Company concluded a real estate sales contract on December 16, 2021.

1. Reason for the transfer

To use management resources effectively and increase asset efficiency, the Company decided to transfer the fixed assets below.

2. Assets to be transferred

Description and location of assets	Transfer price	Book value	Capital gain*2	Present status
Osaka Office Land: 1/2 (co-ownership share) of 703.52 m ² Buildings: 3,068.41 m ² (total floor area) (2-22, Kitahama 2-chome, Chuo-ku, Osaka-shi, Osaka)	(*1)	(*1)	1,100 million yen	Regional office

*1 The transfer price and book value are not disclosed in line with the wishes of the transferee. The assets are transferred at a reasonable price that reflects the market price.

*2 The capital gain is an estimated amount. It is calculated by subtracting the carrying amount and an estimated amount of expenses related to the transfer from the transfer price.

3. Outline of the transferee

The Company has refrained from disclosing information on the transferee under an agreement with it. There is no information to note regarding capital ties, personal relationships or related party matters between the transferee and the Company.

4. Schedule

(1) Date of resolution by the Board of Directors	October 29, 2021
(2) Date of conclusion of contract	December 16, 2021
(3) Date of delivery of assets	March 31, 2022 (plan)

5. Effects of the event on profits or losses

A gain on sale of fixed assets of 1,100 million yen is expected to be posted in other income due to the event in the fourth quarter in the fiscal year ending March 31, 2022.

Disclaimer

- This document is an English translation of the Earnings Report for the Nine Months Ended December 31, 2021 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, 2022" on page 4 of this document for the conditions assumed in the performance forecasts and the precautions concerning the use of performance forecasts.