

Kurita Water Industries Reports Earnings for the Six Months Ended September 30, 2021

Tokyo, Japan, October 29, 2021 - Kurita Water Industries Ltd. (the “Company”) (TSE Securities Code 6370) announced net sales of 135,239 million yen and profit attributable to owners of parent of 5,705 million yen, or 50.78 yen per share, for the six months ended September 30, 2021 (April 1, 2021 - September 30, 2021).

Results of Operations

Total consolidated orders for the Kurita Group (the “Group”) in the six months ended September 30, 2021 rose 15.9% from the level of the year-ago period, to 147,810 million yen, and net sales increased 3.2%, to 135,239 million yen. Business profit* was increased 9.4%, to 14,883 million yen, operating profit was 14,749 million yen, down 7.9% versus the year-ago period, profit before tax was 11,161 million yen, declined 27.5%, and profit attributable to owners of parent amounted to 5,705 million yen, down 46.2%. Operating profit, profit before tax and profit attributable to owners of parent declined due to finance costs of 3,611 million yen posted in the first six months under review, which resulted from the subsequent measurement of liabilities related to a forward contract concluded with non-controlling shareholders of Pentagon Technologies Group, Inc., and the absence of a profit from liquidation of 2,086 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 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., 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 six 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 the effects of the spread of COVID-19 on supply chains but were on a recovery trend. There were signs of recovery in capital investment. Overseas, European, the U.S. and Chinese economies recovered steadily. 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 58,668 million yen, up 12.0%

versus the year-ago period, while net sales rose 12.8%, to 58,103 million yen.

In terms of profits, business profit amounted to 7,514 million yen, an increase of 16.7% year on year, and operating profit rose to 7,270 million yen, up 14.3% year on year, chiefly due to an increase in net sales.

Orders in Japan rose only slightly partly due to the absence of spot contracts for equipment in the same period of the previous fiscal year, but net sales 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 six 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 89,141 million yen, up 18.6% versus the same period of the previous fiscal year. Net sales declined 3.0%, to 77,135 million yen.

Business profit rose to 7,368 million yen, up 2.5% year on year, chiefly reflecting efforts to improve profitability, including cost cutting. Operating profit stood at 7,460 million yen, down 22.9% year on year, due to the absence of a profit from liquidation of 2,086 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, orders for water treatment facilities for the electronics industry increased significantly, reflecting the posting of orders for large projects. Net sales also rose. Orders 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. Net sales decreased, however, due to the absence of sales from large projects posted in the same period of the previous fiscal year.

While orders for water treatment facilities for the general industry increased due to orders for large projects posted, net sales declined due to the completion of large projects. 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. 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, orders rose due to orders for large water treatment facilities projects in the electronics industry in East Asia. However, net sales overseas rose only slightly due to a fall in sales from water treatment facilities for the electronics industry in East Asia after peaking, although net sales of tool cleaning service increased.

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: 433,393 million yen, an increase of 8,465 million yen from the end of the previous fiscal year)

Current assets totaled 162,414 million yen at the end of the second quarter (September 30, 2021), a decrease of 14,068 million yen from the end of the previous fiscal year (March 31, 2021). This was mainly attributable to a decrease in cash and cash equivalents of 16,438 million yen, chiefly due to purchase of property, plant and equipment and income taxes paid.

Non-current assets totaled 270,979 million yen at the end of the second quarter, an increase of 22,534 million yen from the end of the previous fiscal year. Property, plant and equipment increased 20,203 million yen chiefly 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 in Akishima-shi, Tokyo, which the Company plans to open in April 2022.

2) Liabilities: 172,549 million yen, an increase of 5,459 million yen from the end of the previous fiscal year

Current liabilities totaled 92,795 million yen at the end of the period, an increase of 17,843 million yen from the end of the previous fiscal year. This is attributable chiefly 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 reflected a subsequent measurement after initial recognition. As a result, other financial liabilities rose 16,137 million yen.

Non-current liabilities totaled 79,754 million yen at the end of the period, a decrease of 12,383 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 11,534 million yen.

3) Equity: 260,843 million yen, an increase of 3,006 million yen from the end of the previous fiscal year

This principally reflected an increase of 1,869 million yen in retained earnings primarily due to profit attributable to owners of parent posted and a rise of 653 million yen in non-controlling interests chiefly due to business combinations.

Cash Flows

Consolidated net cash and cash equivalents at the end of the second quarter (September 30, 2021) totaled 45,790 million yen, a decrease of 16,438 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 six months ended September 30, 2021 totaled 12,696 million yen, a decrease of 14,507 million yen from the same period of the previous fiscal year. Inflows from profit before tax of 11,161 million yen and depreciation and amortization of 11,287 million yen were partly offset by income taxes paid of 8,263 million yen.

2) Cash Flows from Investing Activities

Net cash used in investing activities totaled 24,411 million yen, an increase of 21,533 million yen from the same period of the previous fiscal year. Cash was used mainly for purchases of property, plant and equipment of 20,948 million yen and the acquisition of subsidiaries of 2,401 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 5,082 million yen, a decrease of 16,728 million yen from the same period of the previous fiscal year. Cash was used mainly for dividends paid of 3,873 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 - million yen and 20,000 million yen, respectively).

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

As announced in “Kurita Water Industries Announces Revision of Business Forecast” published on October 22, 2021, the Group has revised its consolidated business forecasts for the fiscal year ending March 31, 2022. Regarding the impact of COVID-19 while it is difficult to rationally estimate how COVID-19 will spread and when it will subside, the Company assumes that the economy will recover moderately, given that economic activities are likely to normalize gradually through the second half of the current fiscal year owing to increasing vaccinations around the world and economic measures.

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 published on October 22, 2021)

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)	276,000	33,000	32,000	31,300	21,100	187.82
Revised forecast (B)	289,000	33,000	32,000	28,100	18,000	160.19
Change (B-A)	13,000	0	0	(3,200)	(3,100)	—
Percentage change (%)	4.7	0.0	0.0	(10.2)	(14.7)	—
(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 September 30, 2021
Assets		
Current assets		
Cash and cash equivalents	62,228	45,790
Trade and other receivables	97,745	97,932
Other financial assets	2,817	2,488
Inventories	9,911	11,447
Other current assets	3,780	4,754
Total current assets	176,482	162,414
Non-current assets		
Property, plant and equipment	117,603	137,806
Right-of-use assets	19,405	18,702
Goodwill	55,596	58,803
Intangible assets	17,320	17,042
Investments accounted for using equity method	1,578	1,290
Other financial assets	33,563	34,113
Deferred tax assets	3,199	3,079
Other non-current assets	177	140
Total non-current assets	248,445	270,979
Total assets	424,928	433,393

(Million yen)

	As of March 31, 2021	As of September 30, 2021
Liabilities and equity		
Liabilities		
Current liabilities		
Trade and other payables	46,506	51,402
Borrowings	445	1,909
Lease liabilities	4,373	4,387
Other financial liabilities	–	16,137
Income taxes payable	8,135	4,833
Provisions	1,847	1,321
Other current liabilities	13,644	12,802
Total current liabilities	74,952	92,795
Non-current liabilities		
Bonds and borrowings	31,207	30,964
Lease liabilities	15,327	14,675
Other financial liabilities	13,703	2,169
Retirement benefit liability	18,027	18,418
Provisions	1,160	2,171
Deferred tax liabilities	2,368	2,311
Other non-current liabilities	10,343	9,044
Total non-current liabilities	92,137	79,754
Total liabilities	167,090	172,549
Equity		
Share capital	13,450	13,450
Capital surplus	(2,212)	(2,225)
Treasury shares	(10,787)	(10,696)
Other components of equity	8,500	8,906
Retained earnings	244,138	246,007
Equity attributable to owners of parent	253,089	255,442
Non-controlling interests	4,748	5,401
Total equity	257,837	260,843
Total liabilities and equity	424,928	433,393

(2) Condensed quarterly consolidated statement of profit or loss

(Million yen)

	Six months ended September 30, 2020	Six months ended September 30, 2021
Net sales	131,012	135,239
Cost of sales	85,220	85,230
Gross profit	45,791	50,009
Selling, general and administrative expenses	32,190	35,125
Other income	3,359	687
Other expenses	938	821
Operating profit	16,021	14,749
Finance income	309	263
Finance costs	920	3,953
Share of profit (loss) of investments accounted for using equity method	(7)	102
Profit before tax	15,404	11,161
Income tax expense	4,619	4,998
Profit for the period	10,784	6,163
Profit attributable to		
Owners of parent	10,607	5,705
Non-controlling interests	177	458
Profit for the period	10,784	6,163
Earnings per share		
Basic earnings per share (yen)	94.44	50.78
Diluted earnings per share (yen)	—	—

(3) Condensed quarterly consolidated statement of comprehensive income

(Million yen)

	Six months ended September 30, 2020	Six months ended September 30, 2021
Profit for the period	10,784	6,163
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	3,833	311
Remeasurements of defined benefit plans	(33)	(17)
Total of items that will not be reclassified to profit or loss	3,799	293
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	(823)	153
Cash flow hedges	(188)	(14)
Share of other comprehensive income of investments accounted for using equity method	(21)	38
Total of items that may be reclassified to profit or loss	(1,033)	176
Other comprehensive income, net of tax	2,766	470
Comprehensive income for the period	13,550	6,633
Comprehensive income attributable to		
Owners of parent	13,509	6,094
Non-controlling interests	41	539
Comprehensive income for the period	13,550	6,633

(4) Condensed quarterly consolidated statement of changes in equity

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	–	–	–	(709)	(188)	3,833
Total comprehensive income for the period	–	–	–	(709)	(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)	(9,743)	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	–	–	10,607	10,607	177	10,784
Other comprehensive income	(32)	2,902	–	2,902	(136)	2,766
Total comprehensive income for the period	(32)	2,902	10,607	13,509	41	13,550
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	–	–	–	–	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	32	(0)	0	–	–	–
Other	–	–	47	18	–	18
Total transactions with owners	32	(0)	(3,433)	(13,930)	2,731	(11,198)
Balance as of September 30, 2020	–	3,118	238,630	242,021	4,439	246,460

Six months ended September 30, 2021 (April 1, 2021 - September 30, 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	—	—	—	108	(14)	311
Total comprehensive income for the period	—	—	—	108	(14)	311
Purchase of treasury shares	—	—	(3)	—	—	—
Dividends	—	—	—	—	—	—
Share-based payment transactions	—	(11)	93	—	—	—
Changes in ownership interests in subsidiaries	—	—	—	—	—	—
Increase (decrease) by business combination	—	—	—	—	—	—
Liabilities pertaining to forward contracts concluded with non-controlling shareholders	—	—	—	—	—	—
Transfer from other components of equity to retained earnings	—	—	—	—	—	0
Other	—	(2)	—	—	—	—
Total transactions with owners	—	(13)	90	—	—	0
Balance as of September 30, 2021	13,450	(2,225)	(10,696)	(4,360)	(106)	13,372

(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	–	–	5,705	5,705	458	6,163
Other comprehensive income	(15)	389	–	389	81	470
Total comprehensive income for the period	(15)	389	5,705	6,094	539	6,633
Purchase of treasury shares	–	–	–	(3)	–	(3)
Dividends	–	–	(3,819)	(3,819)	(36)	(3,856)
Share-based payment transactions	–	–	–	82	(1)	80
Changes in ownership interests in subsidiaries	–	–	–	–	–	–
Increase (decrease) by business combination	–	–	–	–	125	125
Liabilities pertaining to forward contracts concluded with non-controlling shareholders	–	–	–	–	–	–
Transfer from other components of equity to retained earnings	15	16	(16)	–	–	–
Other	–	–	–	(2)	26	24
Total transactions with owners	15	16	(3,835)	(3,742)	114	(3,628)
Balance as of September 30, 2021	–	8,906	246,007	255,442	5,401	260,843

(5) Condensed quarterly consolidated statement of cash flows

(Million yen)

	Six months ended September 30, 2020	Six months ended September 30, 2021
Cash flows from operating activities		
Profit before tax	15,404	11,161
Depreciation and amortization	10,263	11,287
Share of loss (profit) of investments accounted for using equity method	7	(102)
Loss (gain) on sale of fixed assets	(5)	(37)
Decrease (increase) in inventories	(123)	(1,100)
Decrease (increase) in trade and other receivables	6,578	549
Increase (decrease) in trade and other payables	(371)	(636)
Other	(2,286)	(543)
Subtotal	29,465	20,578
Interest received	43	48
Dividends received	184	383
Interest paid	(36)	(49)
Income taxes paid	(2,453)	(8,263)
Net cash provided by (used in) operating activities	27,203	12,696
Cash flows from investing activities		
Payments into time deposits	(1,067)	(1,167)
Proceeds from withdrawal of time deposits	843	1,294
Purchase of property, plant and equipment	(3,083)	(20,948)
Proceeds from sale of property, plant and equipment	5,942	251
Purchase of intangible assets	(796)	(1,094)
Payments for acquisition of subsidiaries (after deduction of cash and cash equivalents included in acquired assets)	(4,605)	(2,401)
Other	(111)	(346)
Net cash provided by (used in) investing activities	(2,878)	(24,411)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(15,001)	1,392
Repayments of long-term borrowings	(389)	(275)
Repayments of lease liabilities	(2,444)	(2,472)
Dividends paid	(4,006)	(3,873)
Other	31	146
Net cash provided by (used in) financing activities	(21,810)	(5,082)
Effect of exchange rate changes on cash and cash equivalents	309	359
Net increase (decrease) in cash and cash equivalents	2,825	(16,438)
Cash and cash equivalents at beginning of period	50,215	62,228
Cash and cash equivalents at end of period	53,040	45,790

Notes to Condensed Quarterly Consolidated Financial Statements

(Notes on the Going-concern Assumption)

Six months ended September 30, 2021 (April 1, 2021 - September 30, 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

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	9,671	16,034	(12)	16,021
Finance income					309
Finance costs					920
Share of profit (loss) of investments accounted for using equity method					(7)
Profit before tax					15,404

(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, 2021 (April 1, 2021 - September 30, 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			
Sales					
Sales to outside customers	58,103	77,135	135,239	–	135,239
Inter-segment sales and transfers	240	380	620	(620)	–
Total	58,343	77,516	135,860	(620)	135,239
Segment income	7,270	7,460	14,731	18	14,749
Finance income					263
Finance costs					3,953
Share of profit (loss) of investments accounted for using equity method					102
Profit before tax					11,161

(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.

Disclaimer

- This document is an English translation of the Earnings Report for the Six Months Ended September 30, 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.