

FOR IMMEDIATE RELEASE

## **Kurita Water Industries Reports Earnings for the Nine Months Ended December 31, 2020**

Tokyo, Japan, February 4, 2021—Kurita Water Industries Ltd. (TSE Securities Code 6370) announced net sales of 198,007 million yen and profit attributable to owners of parent of 14,925 million yen, or 132.88 yen per share, for the nine months ended December 31, 2020 (April 1, 2020 - December 31, 2020).

### **Results of Operations**

Total consolidated orders for the Kurita Group in the nine months ended December 31, 2020 fell 4.4% from the level of the year-ago period, to 187,425 million yen, and net sales increased 0.5%, to 198,007 million yen. Business profit\* was increased 8.8%, to 22,179 million yen, operating profit was 24,213 million yen, down 3.4% versus the year-ago period, profit before tax was 22,254 million yen, declined 9.0%, and profit attributable to owners of parent amounted to 14,925 million yen, down 12.0%.

During the nine months, while the Group had a customer who had terminated ultrapure water supply agreements and posted a liquidation gain on contract termination settlements of 2,076 million yen in other income, the gain on the sale of fixed assets posted in other income decreased by 4,808 million yen compared to the same period of the previous fiscal year, and as a result, 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.

Looking at the market conditions surrounding the Group, the production activities of the manufacturing industry declined significantly in Japan, reflecting a fall in demand in Japan and overseas due to the spread of novel coronavirus worldwide. However, there were signs of a recovery as economic activities resumed in stages worldwide. More and more companies postponed capital expenditures following weaker corporate earnings and increasing uncertainty over the future of the economy. Overseas, while the economies of Europe, the United States and Asia except China were still facing harsh conditions, there were signs of improvement. In China, economic activity was normalizing, and the economy was recovering steadily.

In this environment, the Group consistently provided products and services essential for the continuation of customers' business activities and accelerated the development of total solutions by focusing on proposal activities that would help solve customers' issues such as the reduction of the environmental impact, including energy saving and waste reduction, and an improvement in productivity based on deep insight into social and customers' 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 77,475 million yen, down 10.2% year on year, while net sales fell 10.7%, to 77,515 million yen.

Despite the fall in sales, business profit stood at 9,658 million yen, up 3.9% year on year, and operating profit came to 9,279 million yen, up 2.5% year on year, as a result of 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 109,949 million yen, up 0.1% versus the same period of the previous fiscal year. Net sales increased 9.3%, to 120,491 million yen.

Business profit rose to 12,523 million yen, up 12.5% year on year, reflecting the commencement of consolidation of Pentagon Technologies Group, Inc. and a reduction in expenses. Operating profit decreased to 14,924 million yen, a fall of 6.9% year on year, reflecting a decrease of gain on the sale of fixed assets posted in other income by 4,782 million yen compared to the same period of the previous fiscal year, despite a liquidation gain on contract termination settlements of 2,076 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 for the industry decreased because of the postponement of maintenance work following the spread of the novel coronavirus, and also 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 significantly in reaction to the posting of orders for large projects in the same period of the previous fiscal year, net sales increased due to progress in the construction of large projects. Both orders for and net sales from maintenance services for general industries fell, reflecting customers' moves to postpone the implementation of maintenance of their facilities due to the spread of the novel coronavirus. Orders for water treatment facilities for the electric power industry fell, and net sales remained at the similar level as the same period of the previous fiscal year. Orders and net sales of soil remediation 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 nine months) of Pentagon Technologies Group, Inc. Except for the effect of the new consolidation, while orders declined because orders for large projects for the electronics industry in East Asia had reached a conclusion, net sales fell only slightly chiefly due to progress in the construction of large projects in South Korea and Taiwan.

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: 405,687 million yen, an increase of 17,938 million yen from the end of the previous fiscal year)

Current assets totaled 169,703 million yen at the end of the third quarter (December 31, 2020), an increase of 6,856 million yen from the end of the previous fiscal year (March 31, 2020). This was mainly attributable to an increase in cash and cash equivalents of 11,193 million yen, partly being offset by a decrease in trade and other receivables of 4,124 million yen due to the smooth collection of accounts receivable - trade.

Non-current assets totaled 235,984 million yen at the end of the third quarter, an increase of 11,082 million yen from the end of the previous fiscal year. Property, plant and equipment increased 2,919 million yen chiefly due to progress in the construction of a new research and development base in Akishima-shi, Tokyo, which the Company plans to open in April 2022. Goodwill increased 8,570 million yen while investments accounted for using equity method decreased 5,999 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 6,072 million yen while deferred tax assets decreased 2,091 million yen owing to an increase in unrealized gains mainly caused by a rise in the market value of shares held.

2) Liabilities: 157,502 million yen, an increase of 13,862 million yen from the end of the previous fiscal year.

Current liabilities totaled 66,441 million yen at the end of the period, a decrease of 27,967 million yen from the end of the previous fiscal year. This was mainly due to a decrease in borrowings of 34,955 million yen resulting from the repayment of the commitment line contracts, offsetting an increase in trade and other payables of 6,647 million yen.

Non-current liabilities totaled 91,061 million yen at the end of the period, an increase of 41,829 million yen from the end of the previous fiscal year. Bonds and borrowings increased 29,935 million yen chiefly due to the issuance of unsecured bonds (30,000 million yen) in the third quarter of this fiscal year. An increase of 11,131 million yen in other financial liabilities is chiefly attributable to 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. (Water Treatment Facilities business).

3) Equity: 248,185 million yen, an increase of 4,077 million yen from the end of the previous fiscal year

This principally reflected a rise of 8,827 million yen in retained earnings chiefly due to profit for the period and an increase of 4,487 million yen in other components of equity in association with a rise in the market value of shares held, while the capital surplus decreased 10,549 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 third quarter (December 31, 2020) totaled 61,408 million yen, an increase of 11,193 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 totaled 32,686 million yen, an increase of 11,958 million yen from the same period of the previous fiscal year. Inflows from profit before tax of 22,254 million yen and depreciation and amortization of 14,883 million yen were partly offset by income taxes paid of 3,896 million yen.

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

Net cash used in investing activities totaled 4,825 million yen, a decrease of 31,963 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 6,307 million yen, despite inflows, particularly proceeds from sales of property, plant and equipment of 5,934 million yen.

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

Net cash used in financing activities totaled 17,349 million yen, an increase of 42,197 million yen from the same period of the previous fiscal year. Cash was used mainly for a net decrease in short-term borrowings of 35,001 million yen, dividends paid of 8,062 million yen and repayments of lease liabilities of 3,682 million yen, despite inflows, particularly proceeds from issuance of bonds of 29,882

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 (no borrowing executed and unexecuted borrowings within the commitment line was 20,000 million yen).

#### 4) 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. Therefore, the Group's current outlook for the fiscal year ending March 31, 2021 is consistent with the earnings forecast disclosed in "Earnings Report for the Six Months Ended September 30, 2020," which was announced on November 5, 2020.

The business forecasts are made by the Company based on information available at the time of publication of this report and may differ from actual results due to changes in a range of factors.

## Condensed quarterly consolidated financial statements

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

(Million yen)

	As of March 31, 2020	As of December 31, 2020
Assets		
Current assets		
Cash and cash equivalents	50,215	61,408
Trade and other receivables	96,974	92,850
Other financial assets	2,562	2,708
Inventories	9,247	10,203
Other current assets	3,847	2,532
Total current assets	162,847	169,703
Non-current assets		
Property, plant and equipment	106,358	109,277
Right-of-use assets	17,784	19,774
Goodwill	47,033	55,603
Intangible assets	13,381	12,939
Investments accounted for using equity method	7,469	1,470
Other financial assets	28,465	34,537
Deferred tax assets	4,295	2,204
Other non-current assets	113	177
Total non-current assets	224,902	235,984
Total assets	387,749	405,687

(Million yen)

	As of March 31, 2020	As of December 31, 2020
Liabilities and equity		
Current liabilities		
Trade and other payables	35,680	42,327
Borrowings	35,371	416
Lease liabilities	4,234	4,320
Other financial liabilities	219	–
Income taxes payable	1,998	4,844
Provisions	1,557	1,405
Other current liabilities	15,345	13,125
Total current liabilities	94,408	66,441
Non-current liabilities		
Bonds and borrowings	1,305	31,240
Lease liabilities	13,701	15,470
Other financial liabilities	2,562	13,693
Retirement benefit liability	16,913	17,639
Provisions	499	502
Deferred tax liabilities	1,346	1,503
Other non-current liabilities	12,903	11,010
Total non-current liabilities	49,232	91,061
Total liabilities	143,640	157,502
Equity		
Share capital	13,450	13,450
Capital surplus	8,212	(2,337)
Treasury shares	(10,893)	(10,785)
Other components of equity	216	4,703
Retained earnings	231,456	240,283
Equity attributable to owners of parent	242,442	245,315
Non-controlling interests	1,666	2,870
Total equity	244,108	248,185
Total liabilities and equity	387,749	405,687

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

(Million yen)

	Nine months ended December 31, 2019	Nine months ended December 31, 2020
Net sales	197,072	198,007
Cost of sales	127,539	128,066
Gross profit	69,532	69,940
Selling, general and administrative expenses	49,143	47,760
Other income	5,628	3,449
Other expenses	960	1,415
Operating profit	25,057	24,213
Finance income	526	490
Finance costs	1,182	1,401
Share of profit (loss) of investments accounted for using equity method	62	(1,047)
Profit before tax	24,463	22,254
Income tax expense	7,414	6,616
Profit for the period	17,049	15,638
Profit attributable to		
Owners of parent	16,957	14,925
Non-controlling interests	92	713
Profit for the period	17,049	15,638
Earnings per share		
Basic earnings per share (yen)	151.01	132.88
Diluted earnings per share (yen)	—	—

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

(Million yen)

	Nine months ended December 31, 2019	Nine months ended December 31, 2020
Profit for the period	17,049	15,638
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	1,524	5,933
Remeasurements of defined benefit plans	(11)	(34)
Total of items that will not be reclassified to profit or loss	1,512	5,898
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	(2,042)	(84)
Cash flow hedges	77	(393)
Share of other comprehensive income of investments accounted for using equity method	(73)	(35)
Total of items that may be reclassified to profit or loss	(2,038)	(514)
Other comprehensive income, net of tax	(525)	5,384
Comprehensive income for the period	16,523	21,022
Comprehensive income attributable to		
Owners of parent	16,420	20,343
Non-controlling interests	103	679
Comprehensive income	16,523	21,022



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

Nine months ended December 31, 2019 (April 1, 2019 - December 31, 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	-	-	-	(2,127)	77	1,524
Total comprehensive income for the period	-	-	-	(2,127)	77	1,524
Purchase of treasury shares	-	-	(2)	-	-	-
Dividends	-	-	-	-	-	-
Share-based payment transactions	-	92	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	-	-	-	-	-	(248)
Other	-	(0)	-	-	-	-
Total transactions with owners	-	88	39	-	-	(248)
Balance as of December 31, 2019	13,450	10,353	(10,893)	(6,798)	388	10,474

(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	-	-	16,957	16,957	92	17,049
Other comprehensive income	(10)	(536)	-	(536)	10	(525)
Total comprehensive income for the period	(10)	(536)	16,957	16,420	103	16,523
Purchase of treasury shares	-	-	-	(2)	-	(2)
Dividends	-	-	(6,521)	(6,521)	(10)	(6,532)
Share-based payment transactions	-	-	-	134	7	142
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	10	(237)	237	-	-	-
Other	-	-	0	(0)	-	(0)
Total transactions with owners	10	(237)	(6,284)	(6,393)	(59)	(6,453)
Balance as of December 31, 2019	-	4,064	230,332	247,308	1,945	249,254

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	-	-	-	(87)	(393)	5,933
Total comprehensive income for the period	-	-	-	(87)	(393)	5,933
Purchase of treasury shares	-	-	(2)	-	-	-
Dividends	-	-	-	-	-	-
Share-based payment transactions	-	29	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	-	-	-	-	-	(964)
Other	-	(1)	-	-	-	-
Total transactions with owners	-	(10,549)	108	-	-	(964)
Balance as of December 31, 2020	13,450	(2,337)	(10,785)	(9,121)	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	-	-	14,925	14,925	713	15,638
Other comprehensive income	(33)	5,418	-	5,418	(34)	5,384
Total comprehensive income for the period	(33)	5,418	14,925	20,343	679	21,022
Purchase of treasury shares	-	-	-	(2)	-	(2)
Dividends	-	-	(7,076)	(7,076)	(993)	(8,069)
Share-based payment transactions	-	-	-	140	0	141
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	33	(931)	931	-	-	-
Other	-	-	47	46	-	46
Total transactions with owners	33	(931)	(6,097)	(17,470)	524	(16,945)
Balance as of December 31, 2020	-	4,703	240,283	245,315	2,870	248,185

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

(Million yen)

	Nine months ended December 31, 2019	Nine months ended December 31, 2020
Cash flows from operating activities		
Profit before tax	24,463	22,254
Depreciation and amortization	13,167	14,883
Share of loss (profit) of investments accounted for using equity method	(62)	1,047
Loss (gain) on sale of fixed assets	(4,813)	(4)
Decrease (increase) in inventories	(1,823)	(452)
Decrease (increase) in trade and other receivables	(2,094)	3,890
Increase (decrease) in trade and other payables	2,103	(2,338)
Other	(132)	(3,056)
Subtotal	30,807	36,224
Interest received	32	64
Dividends received	396	349
Interest paid	(70)	(55)
Income taxes paid	(10,438)	(3,896)
Net cash provided by (used in) operating activities	20,728	32,686
Cash flows from investing activities		
Payments into time deposits	(1,609)	(1,407)
Proceeds from withdrawal of time deposits	1,040	1,123
Purchase of property, plant and equipment	(23,176)	(6,307)
Proceeds from sale of property, plant and equipment	4,845	5,934
Purchase of intangible assets	(1,455)	(1,290)
Proceeds from sale of investment securities	41	2,533
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	(5,865)	–
Other	(2,107)	(805)
Net cash provided by (used in) investing activities	(36,788)	(4,825)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	35,004	(35,001)
Proceeds from issuance of bonds	–	29,882
Repayments of long-term borrowings	(323)	(516)
Repayments of lease liabilities	(3,254)	(3,682)
Dividends paid	(6,525)	(8,062)
Purchase of shares of subsidiaries not resulting in change in scope of consolidation	(60)	–
Other	8	30
Net cash provided by (used in) financing activities	24,848	(17,349)
Effect of exchange rate changes on cash and cash equivalents	(336)	682
Net increase (decrease) in cash and cash equivalents	8,451	11,193
Cash and cash equivalents at beginning of period	35,547	50,215
Cash and cash equivalents at end of period	43,999	61,408

## Notes to Consolidated Financial Statements

(Notes on the Going-concern Assumption)

Nine months ended December 31, 2020 (April 1, 2020 - December 31, 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

Nine months ended December 31, 2019 (April 1, 2019 - December 31, 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	86,850	110,221	197,072	–	197,072
Inter-segment sales and transfers	565	1,390	1,955	(1,955)	–
Total	87,415	111,612	199,027	(1,955)	197,072
Segment income	9,049	16,029	25,078	(21)	25,057
Finance income					526
Finance costs					1,182
Share of profit (loss) of investments accounted for using equity method					62
Profit before tax					24,463

- (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, 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			
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	14,924	24,204	9	24,213
Finance income					490
Finance costs					1,401
Share of profit (loss) of investments accounted for using equity method					(1,047)
Profit before tax					22,254

- (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
Total	10,974 million yen

(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 nine months under review are 8,406 million yen and 1,071 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.

(Bonds)

Nine months ended December 31, 2019 (April 1, 2019 - December 31, 2019)

No bonds were issued or redeemed.

Nine months ended December 31, 2020 (April 1, 2020 - December 31, 2020)

The bonds issued are described below.

Name	Issue	Issue date	Total amount issued (million yen)	Interest rate (%)	Redemption period
The Company	First series of unsecured bonds	December 10, 2020	30,000	0.150	December 10, 2025

No bonds were redeemed.

Disclaimer

- This document is an English translation of the Earnings Report for the Nine Months Ended December 31, 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.