

FOR IMMEDIATE RELEASE

Kurita Water Industries Reports Earnings for the Fiscal Year ended March 31, 2021

Tokyo, Japan, May 6, 2021 - Kurita Water Industries Ltd. (TSE Securities Code 6370) announced net sales of 267,749 million yen and profit attributable to owners of parent of 19,088 million yen, or 169.94 yen per share, for the year ended March 31, 2021 (April 1, 2020 – March 31, 2021).

Results of Operations

Total consolidated orders for the Kurita Group (Kurita Water Industries Ltd. and its consolidated subsidiaries and equity method affiliates) in the fiscal year ended March 31, 2021 increased 1.1% from the level of the previous fiscal year, to 262,341 million yen, while net sales rose 1.1%, to 267,749 million yen. Business profit* increased 10.6%, to 29,470 million yen, operating profit was 31,529 million yen, up 14.7% versus the year-ago period, profit before tax was 29,150 million yen, rising 9.2%, and profit attributable to owners of parent amounted to 19,088 million yen, up 4.4%.

During the fiscal year, other income of 5,929 million yen and other expenses of 3,870 million yen were posted. Other income includes a liquidation gain on contract termination settlements of 2,066 million yen due to the termination of an ultrapure water supply agreements with a customer and a gain on the sale of fixed assets (land) of 1,308 million yen. Other expenses include a loss on goodwill impairment of 1,304 million yen at Kurita Fracta Holdings, Inc. (Water Treatment Facilities business). The loss on goodwill impairment at Kurita Fracta Holdings, Inc. was caused by a downward revision of the plan for the water main degradation prediction service business in North America made at the time of investment by the Company due to COVID-19 restrictions on sales activities, including holding exhibitions and visiting customers.

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.

During the fiscal year ended March 31, 2021, economic activities worldwide were sluggish in the face of lockdowns and movement restrictions, among other measures, in response to the COVID-19 pandemic. The second half of the fiscal year, however, brought signs of a recovery as economic activities gradually resumed.

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, although subsequently, there were signs of a recovery, with exports beginning to increase for instance. 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 business activities of customers and accelerated the development of total solutions by focusing on proposal activities that would help solve customer issues such as reducing their environmental impact, including water saving, reducing CO₂ emissions and cutting waste, and an improvement in productivity based on the Group's deep insight into social and customer issues under the basic policy "Maximize customer intimacy by dismantling preconceived ideas and dramatically raising the quality and speed of our work." To reform the business process, the Company established the Digital Strategy Division and worked to provide a water treatment facilities operation management service using AI and the Internet of Things (IoT) and automate the design of water treatment facilities. On another front, the Company decided on a merger with Kurita Engineering Co., Ltd. (Water Treatment Facilities business), a wholly owned subsidiary that engages in the engineering cleaning business, to strengthen its business for the domestic social and industrial infrastructure market and made preparations for the merger.

Overseas, the Group made the U.S. company Pentagon Technologies Group, Inc. (Water Treatment Facilities business) a consolidated subsidiary to acquire cutting-edge tool cleaning technology and expertise and to generate synergies with tool cleaning services in Japan. In addition, the Group integrated four subsidiaries in North America, and also cut costs by reviewing the product mix of the overseas Water Treatment Chemicals business and building a global procurement system.

*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 103,579 million yen, down 9.0% year on year, while net sales fell 9.2%, to 103,231 million yen. Despite the fall in sales, business profit stood at 12,287 million yen, up 5.3% year on year, and operating profit came to 11,816 million yen, up 16.7% year on year, the 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 COVID-19. 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 against certain foreign currencies, in addition to the impact of the spreading COVID-19.

Water Treatment Facilities

Total Group orders for the Water Treatment Facilities segment were 158,762 million yen, up 8.9% versus the same period of the previous fiscal year. Net sales increased 8.8%, to 164,518 million yen. Business profit rose to 17,129 million yen, up 13.7% year on year and operating profit increased to 19,634 million yen, up 12.9%, reflecting the start of consolidation of Pentagon Technologies Group, Inc. and a reduction in expenses.

In Japan, while orders for water treatment facilities for the electronics industry increased due to orders for large projects posted, net sales declined due to the completion of large projects. Orders for maintenance services for the industry remained flat, reflecting a recovery in demand for maintenance in the latter half of the fiscal year. Net sales increased due to progress in construction projects for which orders were posted in the previous fiscal year and a recovery in demand in the latter half of the fiscal year.

For water treatment facilities for general industries, both orders and net sales increased due to the posting of orders for and sales from large projects. Both orders for and net sales from maintenance services for general industries fell, reflecting customers' move to postpone the implementation of maintenance of their facilities due to the spread of COVID-19. For water treatment facilities for the electric power industry, although orders declined in reaction to the posting of orders for large projects in the previous fiscal year, net sales increased. Orders and net sales of soil remediation decreased as orders for and net sales from large projects had run their courses and the implementation of remediation plans was postponed.

Overseas, both orders and net sales increased due to the new consolidation of operating results (for twelve months) of Pentagon Technologies Group, Inc. Except for the effect of the new consolidation, both orders and net sales fell, although net sales from the electronics industry in East Asia rose 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

1) Total assets: 424,928 million yen (increased 37,179 million yen from the end of the previous fiscal year)

Current assets totaled 176,482 million yen, an increase of 13,635 million yen from the end of the previous fiscal year ended March 31, 2020. This was mainly attributable to an increase in cash and cash equivalents of 12,013 million yen.

Non-current assets totaled 248,445 million yen, an increase of 23,543 million yen from the end of the previous fiscal year. Property, plant and equipment increased 11,245 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 8,563 million yen while investments accounted for using equity method decreased 5,891 million yen due to the conversion of Pentagon Technologies Group, Inc. (Water Treatment Facilities business), which had been an equity method affiliate, to a consolidated subsidiary in the first quarter of this fiscal year. Other financial assets rose 5,098 million yen while deferred tax assets decreased 1,096 million yen owing to an increase in unrealized gains mainly caused by a rise in the market value of shares held.

2) Liabilities: 167,090 million yen (increased 23,450 million yen from the end of the previous fiscal year)

Current liabilities totaled 74,952 million yen at the end of the period, a decrease of 19,456 million yen from the end of the previous fiscal year. This was mainly due to a decrease in borrowings of 34,926 million yen resulting from the repayment of the commitment line contracts, offsetting an increase in trade and other payables of 10,826 million yen and an increase in income taxes payable of 6,137 million yen.

Non-current liabilities totaled 92,137 million yen, an increase of 42,905 million yen from the end of the previous fiscal year. Bonds and borrowings increased 29,902 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 11,141 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: 257,837 million yen (increased 13,729 million yen from the end of the previous fiscal year)

This principally reflected a rise of 12,682 million yen in retained earnings chiefly due to profit for the period and an increase of 8,284 million yen in other components of equity in association with a rise in the market value of shares held, while the capital surplus decreased 10,424 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 fiscal year ended March 31, 2021 totaled 62,228 million yen, an increase of 12,013 million yen from the end of the previous fiscal year ended March 31, 2020.

The various cash flows and related factors are outlined below.

1) Cash Flows from Operating Activities

Net cash provided by operating activities during the fiscal year ended March 31, 2021 totaled 40,002 million yen, an increase of 2,626 million yen from the previous fiscal year. Inflows from profit before tax of 29,150 million yen and depreciation and amortization of 20,739 million yen were partly

offset by income taxes paid of 4,541 million yen.

2) Cash Flows from Investing Activities

Net cash used in investing activities totaled 10,771 million yen, a decrease of 32,912 million yen from the previous fiscal year. Cash was used mainly for the acquisition of subsidiaries of 4,599 million yen (after deducting cash and cash equivalents included in acquired assets) and purchases of property, plant and equipment of 14,055 million yen, despite inflows, particularly proceeds from sales of property, plant and equipment of 8,401 million yen.

3) Cash Flows from Financing Activities

Net cash used in financing activities totaled 18,852 million yen, a decrease of 40,833 million yen from the previous fiscal year. Cash was used mainly for a net decrease in short-term borrowings of 35,001 million yen, dividends paid of 8,083 million yen and repayments of lease liabilities of 5,033 million yen, which more than offset 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 fiscal year 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).

(Reference) Indicators related to cash flows

	Year ended March 31, 2017	Year ended March 31, 2018	Year ended March 31, 2019	Year ended March 31, 2020	Year ended March 31, 2021
Ratio of equity attributable to owners of parent (%)	76.1	73.9	66.0	62.5	59.6
Ratio of equity attributable to owners of parent based on market value (%)	102.8	117.3	88.3	72.3	125.4
Ratio of interest bearing debt to cash flows (%)	28.2	42.6	39.6	148.1	130.3
Interest coverage ratio (times)	104.4	41.6	115.9	126.3	187.8

(Notes) Ratio of equity attributable to owners of parent : $\text{Equity attributable to owners of parent} / \text{Total assets}$

Ratio of equity attributable to owners of parent based on market value: $\text{Market capitalization} / \text{Total assets}$

Ratio of interest bearing debt to cash flows: $\text{Interest-bearing debt} / \text{Cash flow}$

Interest coverage ratio: $\text{Cash flow} / \text{Interest payments}$

- Each indicator is calculated based on consolidated financial figures.
- Market capitalization is calculated based on the number of shares outstanding excluding treasury stock.
- Cash flow is net cash provided by operating activities.
- Interest-bearing debt includes all liabilities requiring the payment of interest under the liabilities section of the consolidated statement of financial position.
- The data of the year ended March 31, 2017 and the year ended March 31, 2018 are based on Japanese GAAP.

Outlook for Overall Business, Including Production, Sales, and Profits and Losses

The consolidated results forecasts for the first half of the fiscal year ending March 31, 2022 and the full year are as shown below.

(The percentages are year-on-year changes.)

	First half of the fiscal year (April 1, 2021 - September 30, 2021)		Full year (April 1, 2021 - March 31, 2022)	
	Million yen	%	Million yen	%
Net sales	128,000	(2.3)	276,000	3.1
Business profit	14,000	(0.3)	33,000	12.0
Operating profit	13,500	(18.0)	32,000	1.5
Profit before tax	13,100	(17.3)	31,300	7.4
Profit attributable to owners of parent	8,600	(20.2)	21,100	10.5

While the global economy as a whole slowed significantly in the fiscal year ended March 31, 2021, due mainly to lockdowns instituted in countries in response to the novel coronavirus pandemic, a rebound is expected in the fiscal year ending March 31, 2022. However, measures will be taken until sufficient vaccinations are completed, including restrictions on people's activities, in each region against the continuing increase of new infections, and the economy is unlikely to recover to the pre-pandemic level until the second half of the fiscal year. Trends in the Japanese economy are expected to be similar to trends in the world economy. Although corporate investment related to remote work and remote services is likely to expand, any recovery in demand will be weak overall and will be more moderate than in the world economy. The Company's forecasts of consolidated results are based on that assumption.

However, in fact it is very uncertain when COVID-19 will subside and it may take a long time. It is also possible that the infection will lead to a serious economic downturn. In that case, capacity utilization at plants of customers may fall and capital expenditures may be postponed. It is also possible that business activities at the Group will be delayed. If the actual situation becomes very different from our assumption, our business will be affected and the forecasts may have to be revised.

To sustain operations necessary to continue business amid the novel coronavirus pandemic, the Group is changing its business process to develop remote work arrangements using digital technology. The Group has established guidelines against the novel coronavirus and has taken steps to prevent the spread of novel coronavirus and is continuing work that will contribute to customers' business continuity and the maintenance of social and industrial infrastructures.

In these circumstances, the Group will accelerate the creation and development of solution models that will contribute to social value creation, including the handling of climate change issues, to help achieve a sustainable society and will advance digital transformation, changing business processes and transforming business models.

Outlook by Segment

Water Treatment Chemicals

Both orders and sales are likely to increase due to an expected recovery in customers' production activities after a fall in demand caused by the spread of COVID-19 and the consolidation of new subsidiaries, including Kurita Aquachemie Limited (Water Treatment Chemicals business) in the Middle East. This segment will seek to improve profitability by focusing on the creation and development of solution models that contribute to creating value shared with society while utilizing IT and sensing technology under a market-based system integrated with water treatment facilities and maintenance services in Japan and shifting the focus to highly profitable products and transactions overseas.

Water Treatment Facilities

Orders are expected to increase chiefly due to the expansion of demand for maintenance service and growth in the ultrapure water supply business. Net sales is likely to remain flat, reflecting a year-on-year decrease in projects in the water treatment facilities business. This segment will seek to enhance profitability by focusing on advancing digital transformation in customer contacts and in the production process and creating and developing solution models.

Dividend Policy and Dividends for the Fiscal Year ended March 31, 2021 and the Fiscal Year ending March 31, 2022

Kurita Water Industries' basic policy is to provide shareholders with stable dividends.

Setting a payout ratio of 30 to 50% as our target, we will work to continue to increase dividends, making decisions based on the payout ratios for the most recent five years to respond flexibly to fluctuations in business performance each year. In using retained earnings, we will maintain capital discipline and will prioritize promising business fields that are expected to grow. If we have decided that there are excess funds, we will take steps to improve capital efficiency and return profits to shareholders, including the acquisition of treasury stock, taking the share price into consideration.

We forecast that we would pay an annual dividend of 64 yen per share for the fiscal year ended March 31, 2021, 2 yen more than the previous annual dividend, taking into consideration uncertainty because of COVID-19. The operating results in the fiscal year have confirmed, however, the stability of the Group's operations, and we plan to pay a year-end dividend of 34 yen (up 3 yen year on year) per share, 2 yen more than the previous year-end dividend forecast, in recognition of the support of our shareholders. Combined with the interim dividend of 32 yen per share (1 yen more than the previous interim dividend), the annual dividend comes to 66 yen per share, 4 yen higher than the previous fiscal year's annual dividend. For the fiscal year ending March 31, 2022, Kurita Water Industries plans to pay an interim dividend of 36 yen per share and a year-end dividend of 36 yen per share, for an annual dividend to be 72 yen per share.

(Revision to dividends)

	Annual dividend (yen)		
	Interim dividend	Year-end dividend	Total
Previous forecast for fiscal year ended March 31, 2021	–	32.00	64.00
Revised forecast for fiscal year ended March 31, 2021	–	34.00	66.00
Dividend paid	32.00	–	–
Dividend paid for fiscal year ended March 2020	31.00	31.00	62.00

The above forecasts are made based on our judgment using information currently available. Actual results may differ materially from forecasts due to various factors.

Basic Concept for the Selection of Accounting Standards

The Kurita Group voluntarily applied IFRS from the first quarter of the fiscal year ended March 31, 2020 for its consolidated financial statements for the purpose of increasing the international comparability of financial information and unifying accounting treatment within the Group.

Consolidated financial statements

(1) Consolidated statement of financial position

(Million yen)

	As of March 31, 2020	As of March 31, 2021
Assets		
Current assets		
Cash and cash equivalents	50,215	62,228
Trade and other receivables	96,974	97,745
Other financial assets	2,562	2,817
Inventories	9,247	9,911
Other current assets	3,847	3,780
Total current assets	162,847	176,482
Non-current assets		
Property, plant and equipment	106,358	117,603
Right-of-use assets	17,784	19,405
Goodwill	47,033	55,596
Intangible assets	13,381	17,320
Investments accounted for using equity method	7,469	1,578
Other financial assets	28,465	33,563
Deferred tax assets	4,295	3,199
Other non-current assets	113	177
Total non-current assets	224,902	248,445
Total assets	387,749	424,928

(Million yen)

	As of March 31, 2020	As of March 31, 2021
Liabilities and equity		
Current liabilities		
Trade and other payables	35,680	46,506
Borrowings	35,371	445
Lease liabilities	4,234	4,373
Other financial liabilities	219	–
Income taxes payable	1,998	8,135
Provisions	1,557	1,847
Other current liabilities	15,345	13,644
Total current liabilities	94,408	74,952
Non-current liabilities		
Bonds and borrowings	1,305	31,207
Lease liabilities	13,701	15,327
Other financial liabilities	2,562	13,703
Retirement benefit liability	16,913	18,027
Provisions	499	1,160
Deferred tax liabilities	1,346	2,368
Other non-current liabilities	12,903	10,343
Total non-current liabilities	49,232	92,137
Total liabilities	143,640	167,090
Equity		
Share capital	13,450	13,450
Capital surplus	8,212	(2,212)
Treasury shares	(10,893)	(10,787)
Other components of equity	216	8,500
Retained earnings	231,456	244,138
Equity attributable to owners of parent	242,442	253,089
Non-controlling interests	1,666	4,748
Total equity	244,108	257,837
Total liabilities and equity	387,749	424,928

(2) Consolidated statement of profit or loss and comprehensive income

Consolidated statement of profit or loss

(Million yen)

	Year ended March 31, 2020	Year ended March 31, 2021
Net sales	264,807	267,749
Cost of sales	172,092	173,073
Gross profit	92,715	94,676
Selling, general and administrative expenses	66,060	65,206
Other income	5,832	5,929
Other expenses	5,006	3,870
Operating profit	27,479	31,529
Finance income	569	545
Finance costs	1,417	1,923
Share of profit (loss) of investments accounted for using equity method	60	(999)
Profit before tax	26,691	29,150
Income tax expense	8,378	9,326
Profit for the period	18,312	19,824
Profit attributable to		
Owners of parent	18,287	19,088
Non-controlling interests	25	735
Profit for the period	18,312	19,824
Earnings per share		
Basic earnings per share (yen)	162.86	169.94
Diluted earnings per share (yen)	–	–

Consolidated statement of comprehensive income

(Million yen)

	Year ended March 31, 2020	Year ended March 31, 2021
Profit for the period	18,312	19,824
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	(462)	5,202
Remeasurements of defined benefit plans	62	(234)
Total of items that will not be reclassified to profit or loss	(400)	4,968
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	(4,316)	4,851
Cash flow hedges	192	(594)
Share of other comprehensive income of investments accounted for using equity method	(94)	24
Total of items that may be reclassified to profit or loss	(4,219)	4,280
Other comprehensive income, net of tax	(4,619)	9,249
Comprehensive income for the period	13,693	29,073
Comprehensive income attributable to		
Owners of parent	13,717	28,021
Non-controlling interests	(24)	1,052
Comprehensive income for the period	13,693	29,073

(3) Consolidated statement of changes in equity

Fiscal year ended March 31, 2020 (April 1, 2019 - March 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, 2019	13,450	10,265	(10,932)	(4,671)	310	9,199
Profit for the period	-	-	-	-	-	-
Other comprehensive income	-	-	-	(4,362)	192	(462)
Total comprehensive income for the period	-	-	-	(4,362)	192	(462)
Purchase of treasury shares	-	-	(3)	-	-	-
Dividends	-	-	-	-	-	-
Share-based payment transactions	-	103	42	-	-	-
Changes in ownership interests in subsidiaries	-	(1,385)	-	0	-	-
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
Other	-	(771)	-	-	-	-
Total transactions with owners	-	(2,053)	38	0	-	10
Balance as of March 31, 2020	13,450	8,212	(10,893)	(9,033)	503	8,747

(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	-	-	18,287	18,287	25	18,312
Other comprehensive income	63	(4,569)	-	(4,569)	(49)	(4,619)
Total comprehensive income for the period	63	(4,569)	18,287	13,717	(24)	13,693
Purchase of treasury shares	-	-	-	(3)	-	(3)
Dividends	-	-	(6,521)	(6,521)	(24)	(6,546)
Share-based payment transactions	-	-	-	145	8	154
Changes in ownership interests in subsidiaries	-	0	-	(1,385)	(196)	(1,581)
Increase (decrease) by business combination	-	-	-	-	-	-
Liabilities pertaining to forward contracts concluded with non-controlling shareholders	-	-	-	-	-	-
Transfer from other components of equity to retained earnings	(63)	(52)	52	-	-	-
Other	-	-	(21)	(792)	-	(792)
Total transactions with owners	(63)	(52)	(6,490)	(8,557)	(211)	(8,769)
Balance as of March 31, 2020	-	216	231,456	242,442	1,666	244,108

Fiscal year ended March 31, 2021 (April 1, 2020 - March 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, 2020	13,450	8,212	(10,893)	(9,033)	503	8,747
Profit for the period	-	-	-	-	-	-
Other comprehensive income	-	-	-	4,560	(594)	5,202
Total comprehensive income for the period	-	-	-	4,560	(594)	5,202
Purchase of treasury shares	-	-	(4)	-	-	-
Dividends	-	-	-	-	-	-
Share-based payment transactions	-	9	111	-	-	-
Changes in ownership interests in subsidiaries	-	(991)	-	4	-	-
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	-	-	-	-	-	(888)
Other	-	1,135	-	-	-	-
Total transactions with owners	-	(10,424)	106	4	-	(888)
Balance as of March 31, 2021	13,450	(2,212)	(10,787)	(4,469)	(91)	13,060

(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	-	-	19,088	19,088	735	19,824
Other comprehensive income	(235)	8,932	-	8,932	316	9,249
Total comprehensive income for the period	(235)	8,932	19,088	28,021	1,052	29,073
Purchase of treasury shares	-	-	-	(4)	-	(4)
Dividends	-	-	(7,076)	(7,076)	(1,013)	(8,090)
Share-based payment transactions	-	-	-	120	(9)	111
Changes in ownership interests in subsidiaries	-	4	-	(986)	(208)	(1,194)
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	235	(653)	653	-	-	-
Other	-	-	16	1,152	-	1,152
Total transactions with owners	235	(648)	(6,406)	(17,373)	2,029	(15,344)
Balance as of March 31, 2021	-	8,500	244,138	253,089	4,748	257,837

(4) Consolidated statement of cash flows

(Million yen)

	Year ended March 31, 2020	Year ended March 31, 2021
Cash flows from operating activities		
Profit before tax	26,691	29,150
Depreciation and amortization	18,700	20,739
Share of loss (profit) of investments accounted for using equity method	(60)	999
Loss (gain) on sale of fixed assets	(2,471)	(1,333)
Decrease (increase) in inventories	(169)	254
Decrease (increase) in trade and other receivables	4,527	746
Increase (decrease) in trade and other payables	(1,893)	(2,904)
Other	2,652	(3,410)
Subtotal	47,977	44,242
Interest received	141	153
Dividends received	410	360
Interest paid	(305)	(213)
Income taxes paid	(10,847)	(4,541)
Net cash provided by (used in) operating activities	37,376	40,002
Cash flows from investing activities		
Payments into time deposits	(1,951)	(1,856)
Proceeds from withdrawal of time deposits	1,545	1,588
Purchase of property, plant and equipment	(31,168)	(14,055)
Proceeds from sale of property, plant and equipment	5,942	8,401
Purchase of intangible assets	(1,534)	(1,909)
Proceeds from sale of investment securities	41	2,533
Payments for acquisition of subsidiaries (after deduction of cash and cash equivalents included in acquired assets)	(8,501)	(4,599)
Purchase of investments in associates	(5,915)	–
Other	(2,140)	(874)
Net cash provided by (used in) investing activities	(43,683)	(10,771)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	35,001	(35,001)
Proceeds from issuance of bonds	–	29,882
Repayments of long-term borrowings	(384)	(645)
Repayments of lease liabilities	(4,514)	(5,033)
Dividends paid	(6,539)	(8,083)
Purchase of shares of subsidiaries not resulting in change in scope of consolidation	(1,588)	–
Other	7	29
Net cash provided by (used in) financing activities	21,981	(18,852)
Effect of exchange rate changes on cash and cash equivalents	(1,006)	1,634
Net increase (decrease) in cash and cash equivalents	14,667	12,013
Cash and cash equivalents at beginning of period	35,547	50,215
Cash and cash equivalents at end of period	50,215	62,228

Notes to Consolidated Financial Statements

(Notes on the Going-concern Assumption)

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 equipment 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

Inter-segment net sales are based on prevailing market prices.

Fiscal year ended March 31, 2020 (April 1, 2019 - March 31, 2020)

(Million yen)

	Reportable Segments		Total	Adjustments (Note)	Amounts reported on the consolidated financial statements
	Water Treatment Chemicals	Water Treatment Facilities			
Sales					
Sales to outside customers	113,632	151,174	264,807	–	264,807
Inter-segment sales and transfers	681	1,777	2,458	(2,458)	–
Total	114,313	152,952	267,265	(2,458)	264,807
Segment income	10,127	17,390	27,518	(38)	27,479
Finance income					569
Finance costs					1,417
Share of profit (loss) of investments accounted for using equity method					60
Profit before tax					26,691

(Million yen)

	Reportable Segments		Total	Adjustments (Note)	Amounts reported on the consolidated financial statements
	Water Treatment Chemicals	Water Treatment Facilities			
Segment assets	119,960	209,015	328,975	58,774	387,749
Other amounts					
Depreciation and amortization	5,496	13,204	18,700	–	18,700
Impairment loss	–	29	29	–	29
Investment in equity method affiliates	2,489	4,960	7,449	20	7,469
Capital expenditures	6,853	26,428	33,281	–	33,281

- (Notes)
1. Segment income: Amount resulting from eliminations of inter-segment transactions.
 2. Segment income is shown at the operating profit level.
 3. Segment assets: Amount resulting from eliminations of inter-segment transactions.
The main factor of adjustments for segment assets is company-wide assets that are not allocated to the reportable segments.
 4. Capital expenditures include an increase in right-of-use assets.
 5. Capital expenditures do not include assets acquired through corporate acquisitions.

Fiscal year ended March 31, 2021 (April 1, 2020 - March 31, 2021)

(Million yen)

	Reportable Segments		Total	Adjustments (Note)	Amounts reported on the consolidated financial statements
	Water Treatment Chemicals	Water Treatment Facilities			
Sales					
Sales to outside customers	103,231	164,518	267,749	–	267,749
Inter-segment sales and transfers	453	2,306	2,760	(2,760)	–
Total	103,684	166,825	270,509	(2,760)	267,749
Segment income	11,816	19,634	31,451	78	31,529
Finance income					545
Finance costs					1,923
Share of profit (loss) of investments accounted for using equity method					(999)
Profit before tax					29,150

(Million yen)

	Reportable Segments		Total	Adjustments (Note)	Amounts reported on the consolidated financial statements
	Water Treatment Chemicals	Water Treatment Facilities			
Segment assets	123,476	233,530	357,006	67,921	424,928
Other amounts					
Depreciation and amortization	4,986	15,752	20,739	–	20,739
Impairment loss	–	1,419	1,419	–	1,419
Investment in equity method affiliates	1,448	110	1,558	19	1,578
Capital expenditures	8,719	25,848	34,568	–	34,568

- (Notes)
1. Segment income: Amount resulting from eliminations of inter-segment transactions.
 2. Segment income is shown at the operating profit level.
 3. Segment assets: Amount resulting from eliminations of inter-segment transactions.
The main factor of adjustments for segment assets is company-wide assets that are not allocated to the reportable segments.
 4. Capital expenditures include an increase in right-of-use assets.
 5. Capital expenditures do not include assets acquired through corporate acquisitions.
 6. The main factor of impairment loss is a loss on goodwill impairment of 1,304 million yen.

(3) Information related to products and services

Information about products and services is omitted because the classifications are the same as the reportable segments.

(4) Information related to geographic regions

Non-current assets and sales to external customers by geographic region in each fiscal year are as follows.

(i) Non-current assets

(Million yen)

	As of March 31, 2020	As of March 31, 2021
Japan	110,963	119,495
Asia	17,446	17,939
North America	40,161	55,323
EMEA	15,695	16,975
Other	405	370
Total	184,671	210,104

(Note) Non-current assets are allocated based on the location of assets. Financial instruments or deferred tax assets are not included.
EMEA stands for Europe, the Middle East and Africa.

(ii) Net Sales

(Million yen)

	Year ended March 31, 2020	Year ended March 31, 2021
Japan	161,699	161,371
Asia	52,509	48,535
North America	28,826	36,994
EMEA	19,132	18,681
Other	2,639	2,166
Total	264,807	267,749

(Note) Net sales are allocated to a country or areas based on the locations of customers.
EMEA stands for Europe, the Middle East and Africa.

(5) Information related to major customers

Because there is no single external customer that accounts for 10% or more of the net sales in the consolidated statement of income, no information is stated here.

(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

(Million yen)

Fair value on the date of acquisition of the shares in the acquired company held immediately before the date of acquisition	5,379
Fair value of the additional shares in the acquired company acquired on the date of acquisition	5,594
Total	10,974

(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 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 for acquisition	10,974
Fair value of assets acquired and liabilities assumed	
Cash and cash equivalents	995
Trade receivables	1,636
Other current assets	554
Technology-related assets	2,334
Customer-related assets	1,732
Other non-current assets	3,169
Trade and other payables	(1,520)
Non-current liabilities	(2,407)
Fair value of assets acquired and liabilities assumed (net)	6,494
Non-controlling interests	3,260
Goodwill	7,739

The provisional accounting method was determined in the fourth quarter under review, and goodwill on the date of acquisition decreased 1,881 million yen. This reflected an increase of 2,334 million yen in technology-related assets and an increase of 1,732 million yen in customer-related assets on the one hand, and on the other an increase of 1,234 million yen in non-current liabilities and an increase of 1,808 million yen in non-controlling interests. The amount of goodwill that occurred was 7,739 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 of Pentagon Technologies included in the consolidated statement of profit or loss for the fiscal year under review are 11,350 million yen and 814 million yen, respectively.

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 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)

Fiscal year ended March 31, 2020 (April 1, 2019 - March 31, 2020)

No bonds were issued or redeemed.

Fiscal year ended March 31, 2021 (April 1, 2020- March 31, 2021))

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.

(Per Share Information)

The basis for calculation of basic earnings per share is as shown below.

(Million yen)

	Year ended March 31, 2020	Year ended March 31, 2021
Profit attributable to owners of parent	18,287	19,088
Amount not attributed to common stockholders	–	–
Profit that is used for calculating basic earnings per share	18,287	19,088
Average number of common shares outstanding	112,291,114	112,327,368

- (Notes)
1. Because there are no dilutive shares, diluted earnings per share are not stated.
 2. The Company's own shares posted as treasury shares remaining in trust are included in the treasury shares that are deducted in the calculation of the average number of shares outstanding for calculation for basic earnings per share.
(286,000 shares in the fiscal year ended March 31, 2021, 317,000 shares in the fiscal year ended March 31, 2020)

(Consolidated Statement of Profit or Loss)

In the fiscal year under review, a liquidation gain on contract termination settlements of 2,066 million yen and a gain on the sale of fixed assets (land) of 1,308 million yen were posted in other income.

A loss on goodwill impairment of 1,304 million yen was posted in other expenses.

(Significant Subsequent Events)

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 Fiscal Year Ended March 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 “Outlook for Overall Business, Including Production, Sales, and Profits” on page 5 of this document for the conditions assumed in the performance forecasts and the precautions concerning the use of performance forecasts.