

FOR IMMEDIATE RELEASE

Kurita Water Industries Reports Earnings for the Fiscal Year ended March 31, 2022

Tokyo, Japan, May 6, 2022 - Kurita Water Industries Ltd. (the “Company”) (TSE Securities Code 6370) announced net sales of 288,207 million yen and profit attributable to owners of parent of 18,471 million yen, or 164.38 yen per share, for the year ended March 31, 2022 (April 1, 2021 - March 31, 2022).

Results of Operations

Total consolidated orders for the Kurita Group (the “Group”) in the fiscal year ended March 31, 2022 increased 20.2% from the level of the previous fiscal year, to 315,240 million yen, while net sales rose 7.6%, to 288,207 million yen. Business profit* increased 11.8%, to 32,944 million yen, operating profit was 35,734 million yen, up 13.3% versus the year-ago period, profit before tax was 30,079 million yen, rising 3.2%, and profit attributable to owners of parent amounted to 18,471 million yen, down 3.2%.

During the fiscal year, other income of 6,119 million yen and other expenses of 3,329 million yen were posted.

Other income includes a gain on sale of fixed assets of 4,079 million yen chiefly related to the sale of real estate at the former Shinjuku Head Office and the Osaka Office. Other expenses include impairment losses on fixed assets of 1,028 million yen.

The impairment losses on fixed assets were caused mainly by the closure of the Yamaguchi Plant in the reorganization of the production bases in the domestic Water Treatment Facilities business and the decision to discontinue operations at the plant of Kurita Water Industries (Jiangyin) Co., Ltd. (Water Treatment Chemicals business) related to a review of the production system for water treatment chemicals in China. Meanwhile, profit attributable to owners of parent declined due to finance costs of 5,496 million yen posted, which resulted from the subsequent measurement of liabilities related to a forward contract concluded with non-controlling shareholders of US-based Pentagon Technologies Group, Inc. (Water Treatment Facilities business).

During the fiscal year ended March 31, 2022, the global economic recovery was weak at times due to restrictions on movement and disruption in logistics because of the spread of COVID-19 variants. Economic activity subsequently moved toward normalization, reflecting economic stimulus measures around the world and the increasing pace of vaccinations. Consequently, there were signs of a recovery.

Looking at the market conditions surrounding the Group, production activities in the manufacturing industry in Japan were weak in certain sectors due to constraints on the supply of raw materials, including semiconductor shortages, but were on a recovery trend. There were signs of a recovery in capital investment.

Overseas, European, the U.S. and Chinese economies have recovered gradually. Meanwhile, in some parts of Asia, economic recovery was weak due to a resurgence in COVID-19 infections.

In this environment, the Group worked to expand total solutions and CSV business 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. To boost productivity, the Group achieved results in helping customers increase production capacity and winning new projects in the ultrapure water supply business and tool cleaning business, both highly profitable businesses, and took steps to curb additional costs in the design and construction process for water treatment facilities, using a nonconformity prevention and recurrence prevention model.

Overseas, the Group reviewed the local business portfolios and production and sales systems and expanded highly profitable business. Meanwhile, the Group strove to build a business structure that is not easily affected by the external environment. 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 its two wholly owned consolidated subsidiaries to consolidated

subsidiaries. The Group acquired also Keytech Water Management (Water Treatment Chemicals business), making it a consolidated subsidiary. The Group took steps to create synergies between these companies' manufacturing facilities, unique water treatment chemicals, and local personal connections and sales networks and the Group's products, technologies, and services and is accelerating business growth in the Middle East and Canada.

*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 118,401 million yen, up 14.3% versus the year-ago period, while net sales rose 14.0%, to 117,672 million yen.

In terms of profits, despite an increase in expenses with business activities returning to a normal condition and the effect of rising raw materials prices, business profit amounted to 13,589 million yen, an increase of 10.6% year on year, due to an increase in net sales, and operating profit rose to 14,560 million yen, up 23.2% year on year, reflecting foreign exchange gains (other income) at overseas subsidiaries in addition to an increase in net sales.

Orders and net sales in Japan increased due to a rise in capacity utilization at customers' plants, which reflected a recovery in production activities in the manufacturing industry. Overseas, both orders and net sales rose due to an increase in reaction to a fall in demand a year ago because of stagnant economic activities caused by the spread of COVID-19, the consolidation of the operating results (for twelve 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 net sales in the ultrapure water supply business in Japan and overseas increased due to the contribution of contracts that began in the previous fiscal year and the contribution of new projects to sales.

Total Group orders for the Water Treatment Facilities segment were 196,839 million yen, up 24.0% versus the same period of the previous fiscal year. Net sales increased 3.7%, to 170,534 million yen. Business profit rose to 19,391 million yen, up 13.2% year on year, chiefly reflecting efforts to improve profitability, including cost cutting. Operating profit stood at 21,169 million yen, up 7.8% year on year, due to the absence of a profit from liquidation of 2,066 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 due to progress in the construction of large projects. Orders and net sales for maintenance services for the industry increased, reflecting the expansion of facilities and repairs, including the replacement of consumables, against a backdrop of firm capacity utilization at customers' plants.

Orders for water treatment facilities for the general industry decreased significantly due to cancellations of orders for large projects. Net sales also declined due to the completion of large projects. While orders of maintenance services for the industry declined because of business activities emphasizing profitability, net sales climbed, reflecting growth in demand against a backdrop of a recovery in capacity utilization at customers' plants. Both orders for and net sales from water treatment

facilities for the electric power industry decreased because orders for large projects declined and the posting of sales from the order backlog ran its course. Orders for soil remediation services increased, but net sales fell as the posting of sales from large projects had run its course.

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

Financial Condition

1) Total assets: 469,981 million yen (increased 45,053 million yen from the end of the previous fiscal year)

Current assets totaled 178,396 million yen, an increase of 1,914 million yen from the end of the previous fiscal year ended March 31, 2021. This was mainly attributable to an increase in trade and other receivables of 11,147 million yen due to a rise in net sales, and increases in other current assets and inventories of 3,784 million yen and 3,221 million yen, respectively, which more than offset a decrease in cash and cash equivalents of 16,498 million yen chiefly due to purchases of property, plant and equipment and income taxes paid.

Non-current assets totaled 291,585 million yen, an increase of 43,140 million yen from the end of the previous fiscal year. Property, plant and equipment increased 43,431 million yen chiefly due to the acquisition of facilities related to the opening of a new research and development base, Kurita Innovation Hub, in Akishima-shi, Tokyo in April 2022, and the ultrapure water supply business (Water Treatment Facilities business). Goodwill increased 7,396 million yen due to a rise in goodwill recorded at overseas subsidiaries in yen because of the weaker yen as well as the acquisition of 51% of the shares in Kurita AquaChemie Limited (Water Treatment Chemicals business) in the Middle East and the conversion of the company and its two wholly owned consolidated subsidiaries to consolidated subsidiaries of Kurita Water Industries in the first quarter of the fiscal year under review and the acquisition and conversion to a consolidated subsidiary of Keytech Water Management (Water Treatment Chemicals business) in the first quarter. Other financial assets decreased 10,552 million yen while deferred tax assets increased 2,872 million yen owing mainly to the sale of a part of shares owned for policy purposes.

2) Liabilities: 192,119 million yen (increased 25,029 million yen from the end of the previous fiscal year)

Current liabilities totaled 113,927 million yen, an increase of 38,975 million yen from the end of the previous fiscal year. This is chiefly attributable to increases in other financial liabilities, trade and other payables, and bonds and borrowings of 19,613 million yen, 11,461 million yen, and 7,735 million yen. Other financial liabilities increased due to liabilities related to the forward contract concluded with non-controlling shareholders of US-based Pentagon Technologies Group, Inc. (Water Treatment Facilities business), which were measured after the contract and transferred from non-current liabilities.

No-current liabilities totaled 78,191 million yen at the end of the period, a decrease of 13,946 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 11,946 million yen.

3) Equity: 277,862 million yen (increased 20,025 million yen from the end of the previous fiscal year)

This principally reflected a rise of 15,935 million yen in retained earnings primarily due to profit attributable to owners of parent and an increase of 3,661 million yen in other components of equity chiefly due to the posting of exchange differences on translation of foreign operations, reflecting the weakening of the yen against other currencies.

Cash Flows

Consolidated net cash and cash equivalents at the end of the fiscal year ended March 31, 2022 totaled 45,730 million yen, a decrease of 16,497 million yen from the end of the previous fiscal year ended 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 fiscal year ended March 31, 2022 totaled 28,737 million yen, a decrease of 11,265 million yen from the previous fiscal year. Inflows from profit before tax of 30,079 million yen and depreciation and amortization of 23,412 million yen were partly offset by income taxes paid of 13,308 million yen and an increase in trade and other receivables of 6,713 million yen.

2) Cash Flows from Investing Activities

Net cash used in investing activities totaled 39,929 million yen, an increase of 29,158 million yen from the same period of the previous fiscal year. Cash was used mainly for purchases of property, plant and equipment of 55,096 million yen, which more than offset proceeds from the sale of investment securities of 9,197 million yen and proceeds from the sale of property, plant and equipment of 8,743 million yen.

3) Cash Flows from Financing Activities

Net cash used in financing activities totaled 7,927 million yen, a decrease of 10,925 million yen from the same period of the previous fiscal year. Cash was used mainly for dividends paid of 8,797 million yen and repayments of lease liabilities of 5,005 million yen, which more than offset a net increase in short-term borrowings and commercial paper of 7,577 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 flow

	Year ended March 31, 2018	Year ended March 31, 2019	Year ended March 31, 2020	Year ended March 31, 2021	Year ended March 31, 2022
Ratio of equity attributable to owners of parent (%)	73.9	66.0	62.5	59.6	57.9
Ratio of equity attributable to owners of parent based on market value (%)	117.3	88.3	72.3	125.4	108.7
Ratio of interest bearing debt to cash flows (%)	42.6	39.6	148.1	130.3	207.0
Interest coverage ratio (times)	41.6	115.9	126.3	187.8	123.9

(Notes) Ratio of equity attributable to owners of parent: Equity attributable to owners of parent / Total assets

Ratio of equity attributable to owners of parent based on market value: Market capitalization / Total assets

Ratio of interest bearing debt to cash flows: Interest-bearing debt / Cash flow

Interest coverage ratio: Cash flow / Interest payments

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

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

COVID-19 cases are likely to go up and down. Regardless of that, economic activities are unlikely to slow and will be returning to normal. The global economy is expected to continue growing. Meanwhile, high raw materials prices and the lack of semiconductors are likely to be prolonged. Economic activity will be maintained in Japan, and the Japanese economy will basically continue to recover moderately in tandem with the global economy. Capital investment is likely to increase at companies and exports are set to rise moderately on the back of a recovery in consumer spending and alleviation of shortages of raw materials and parts, among other factors. Meanwhile, global supply constraints primarily in semiconductors may reduce production activity in some sectors of the manufacturing industry, as production in the auto industry declined significantly in fiscal 2021. The Company's forecasts of consolidated results are based on that assumption.

There is, however, concern about a slowdown in the global economy due to a recurrence of sluggish economic activity because of the spread of COVID-19 variants, among other infections, a downturn in the Chinese economy following the defaults of major real estate companies in China, accelerating inflation in the United States, rising raw materials and energy prices and disruptions in supply chains because of the Russian invasion of Ukraine, or other factors. 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.

The consolidated results forecasts for the first half of the fiscal year ending March 31, 2023 and the full year are as shown below.

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

	First half of the fiscal year (April 1, 2022 - September 30, 2022)		Full year (April 1, 2022 - March 31, 2023)	
	Million yen	%	Million yen	%
Net sales	153,500	13.5	325,000	12.8
Business profit	17,300	16.2	38,000	15.3
Operating profit	16,600	12.6	36,500	2.1
Profit before tax	16,600	48.7	36,500	21.3
Profit attributable to owners of parent	11,200	96.3	25,700	39.1

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.

Outlook by Segment

Water Treatment Chemicals

Both orders and sales are likely to increase due to organic growth on the back of growth in the world economy and an initiative to pass sharp rises in raw materials prices on to sales prices. This segment will seek to improve profitability by focusing on the 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 and net sales are expected to increase chiefly due to the expansion of demand for maintenance services and growth in the ultrapure water supply business. This segment will seek to enhance profitability by focusing on advancing digital transformation in the customer contact area and in the production process and developing solution models.

Dividend Policy and Dividends for the Fiscal Year ended March 31, 2022 and the Fiscal Year ending March 31, 2023

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 intend to pay a year-end dividend of 36 yen per share for the fiscal year ended March 31, 2022, 2 yen more than the previous year-end dividend. Combined with the interim dividend of 36 yen per share (4 yen more than the previous interim dividend), the annual dividend comes to 72 yen per share, 6 yen higher than the previous fiscal year's annual dividend. For the fiscal year ending March 31, 2023, Kurita Water Industries plans to pay an interim dividend of 39 yen per share and a year-end dividend of 39 yen per share, for an annual dividend to be 78 yen per share.

The dividend forecasts above are made by the Company based on information available at the time of publication of this report. Actual results may differ from them due to a range of 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, 2021	As of March 31, 2022
Assets		
Current assets		
Cash and cash equivalents	62,228	45,730
Trade and other receivables	97,745	108,892
Other financial assets	2,817	3,075
Inventories	9,911	13,132
Other current assets	3,780	7,564
Total current assets	176,482	178,396
Non-current assets		
Property, plant and equipment	117,603	161,034
Right-of-use assets	19,405	19,042
Goodwill	55,596	62,992
Intangible assets	17,320	18,092
Investments accounted for using equity method	1,578	1,191
Other financial assets	33,563	23,011
Deferred tax assets	3,199	6,071
Other non-current assets	177	150
Total non-current assets	248,445	291,585
Total assets	424,928	469,981

(Million yen)

	As of March 31, 2021	As of March 31, 2022
Liabilities and equity		
Liabilities		
Current liabilities		
Trade and other payables	46,506	57,967
Bonds and borrowings	445	8,180
Lease liabilities	4,373	4,683
Other financial liabilities	–	19,613
Income taxes payable	8,135	8,663
Provisions	1,847	1,529
Other current liabilities	13,644	13,289
Total current liabilities	74,952	113,927
Non-current liabilities		
Bonds and borrowings	31,207	30,953
Lease liabilities	15,327	14,862
Other financial liabilities	13,703	1,757
Retirement benefit liability	18,027	18,144
Provisions	1,160	2,335
Deferred tax liabilities	2,368	2,646
Other non-current liabilities	10,343	7,491
Total non-current liabilities	92,137	78,191
Total liabilities	167,090	192,119
Equity		
Share capital	13,450	13,450
Capital surplus	(2,212)	(3,076)
Treasury shares	(10,787)	(10,694)
Other components of equity	8,500	12,161
Retained earnings	244,138	260,073
Equity attributable to owners of parent	253,089	271,914
Non-controlling Interests	4,748	5,948
Total equity	257,837	277,862
Total liabilities and equity	424,928	469,981

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

Consolidated statement of profit or loss

(Million yen)

	Year ended March 31, 2021	Year ended March 31, 2022
Net sales	267,749	288,207
Cost of sales	173,073	183,928
Gross profit	94,676	104,278
Selling, general and administrative expenses	65,206	71,334
Other income	5,929	6,119
Other expenses	3,870	3,329
Operating profit	31,529	35,734
Finance income	545	601
Finance costs	1,923	6,176
Share of profit (loss) of investments accounted for using equity method	(999)	(80)
Profit before tax	29,150	30,079
Income tax expense	9,326	10,454
Profit for the period	19,824	19,624
Profit attributable to		
Owners of parent	19,088	18,471
Non-controlling Interests	735	1,153
Profit for the period	19,824	19,624
Earnings per share		
Basic earnings per share (yen)	169.94	164.38
Diluted earnings per share (yen)	–	–

Consolidated statement of comprehensive income

(Million yen)

	Year ended March 31, 2021	Year ended March 31, 2022
Profit for the period	19,824	19,624
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Net change in the fair value of financial assets measured at fair value through other comprehensive income	5,202	520
Remeasurements of defined benefit plans	(234)	417
Total of items that will not be reclassified to profit or loss	4,968	938
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	4,851	8,692
Cash flow hedges	(594)	131
Share of other comprehensive income of investments accounted for using equity method	24	121
Items that may be reclassified to profit or loss	4,280	8,944
Other comprehensive income, net of tax	9,249	9,883
Comprehensive income for the period	29,073	29,507
Comprehensive income attributable to		
Owners of parent	28,021	27,501
Non-controlling Interests	1,052	2,005
Comprehensive income for the period	29,073	29,507

(3) Consolidated statement of changes in equity

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

Fiscal year ended March 31, 2022 (April 1, 2021 - March 31, 2022)

(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	-	-	-	7,962	131	520
Total comprehensive income for the period	-	-	-	7,962	131	520
Purchase of treasury shares	-	-	(5)	-	-	-
Dividends	-	-	-	-	-	-
Share-based payment transactions	-	57	98	-	-	-
Changes in ownership interests in subsidiaries	-	(1,115)	-	-	-	-
Increase (decrease) by business combination	-	-	-	-	-	-
Liabilities pertaining to forward contracts concluded with non-controlling shareholders	-	-	-	-	-	-
Transfer from other components of equity to retained earnings	-	-	-	-	-	(4,954)
Other	-	193	-	-	-	-
Total transactions with owners	-	(864)	93	-	-	(4,954)
Balance as of March 31, 2022	13,450	(3,076)	(10,694)	3,493	40	8,627

(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	-	-	18,471	18,471	1,153	19,624
Other comprehensive income	415	9,030	-	9,030	852	9,883
Total comprehensive income for the period	415	9,030	18,471	27,501	2,005	29,507
Purchase of treasury shares	-	-	-	(5)	-	(5)
Dividends	-	-	(7,865)	(7,865)	(943)	(8,809)
Share-based payment transactions	-	-	-	155	23	179
Changes in ownership interests in subsidiaries	-	-	-	(1,115)	(268)	(1,384)
Increase (decrease) by business combination	-	-	-	-	357	357
Liabilities pertaining to forward contracts concluded with non-controlling shareholders	-	-	-	-	-	-
Transfer from other components of equity to retained earnings	(415)	(5,369)	5,369	-	-	-
Other	-	-	(41)	152	26	179
Total transactions with owners	(415)	(5,369)	(2,536)	(8,677)	(805)	(9,483)
Balance as of March 31, 2022	-	12,161	260,073	271,914	5,948	277,862

(4) Consolidated statement of cash flows

(Million yen)

	Year ended March 31, 2021	Year ended March 31, 2022
Cash flows from operating activities		
Profit before tax	29,150	30,079
Depreciation and amortization	20,739	23,412
Share of loss (profit) of investments accounted for using equity method	999	80
Loss (gain) on sale of fixed assets	(1,333)	(4,073)
Decrease (increase) in inventories	254	(1,918)
Decrease (increase) in trade and other receivables	746	(6,713)
Increase (decrease) in trade and other payables	(2,904)	1,459
Other	(3,410)	(828)
Subtotal	44,242	41,497
Interest received	153	177
Dividends received	360	601
Interest paid	(213)	(232)
Income taxes paid	(4,541)	(13,308)
Net cash provided by (used in) operating activities	40,002	28,737
Cash flows from investing activities		
Payments into time deposits	(1,856)	(2,348)
Proceeds from withdrawal of time deposits	1,588	2,175
Purchase of property, plant and equipment	(14,055)	(55,096)
Proceeds from sale of property, plant and equipment	8,401	8,743
Purchase of intangible assets	(1,909)	(2,038)
Proceeds from sale of investment securities	2,533	9,197
Payments for acquisition of subsidiaries (after deduction of cash and cash equivalents included in acquired assets)	(4,599)	(2,401)
Other	(874)	1,839
Net cash provided by (used in) investing activities	(10,771)	(39,929)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings and commercial paper	(35,001)	7,577
Proceeds from issuance of bonds	29,882	–
Repayments of long-term borrowings	(645)	(485)
Repayments of lease liabilities	(5,033)	(5,005)
Dividends paid	(8,083)	(8,797)
Purchase of shares of subsidiaries not resulting in change in scope of consolidation	–	(1,440)
Other	29	224
Net cash provided by (used in) financing activities	(18,852)	(7,927)
Effect of exchange rate changes on cash and cash equivalents	1,634	2,622
Net increase (decrease) in cash and cash equivalents	12,013	(16,497)
Cash and cash equivalents at beginning of period	50,215	62,228
Cash and cash equivalents at end of period	62,228	45,730

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 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

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

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			
Net 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
Investments accounted for using equity method	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.

Fiscal year ended March 31, 2022 (April 1, 2021 - March 31, 2022)

(Million yen)

	Reportable Segments		Total	Adjustments (Note)	Amounts reported on the consolidated financial statements
	Water Treatment Chemicals	Water Treatment Facilities			
Net sales					
Sales to outside customers	117,672	170,534	288,207	–	288,207
Inter-segment sales and transfers	518	561	1,080	(1,080)	–
Total	118,191	171,095	289,287	(1,080)	288,207
Segment income	14,560	21,169	35,729	4	35,734
Finance income					601
Finance costs					6,176
Share of profit (loss) of investments accounted for using equity method					(80)
Profit before tax					30,079

(Million yen)

	Reportable Segments		Total	Adjustments (Note)	Amounts reported on the consolidated financial statements
	Water Treatment Chemicals	Water Treatment Facilities			
Segment assets	148,267	274,119	422,386	47,595	469,981
Other amounts					
Depreciation and amortization	5,935	17,477	23,412	–	23,412
Impairment loss	380	647	1,028	–	1,028
Investments accounted for using equity method	988	163	1,152	39	1,191
Capital expenditures	11,454	57,016	68,471	–	68,471

- (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.

(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, 2021	As of March 31, 2022
Japan	119,495	159,264
Asia	17,939	19,450
North & South America	55,693	61,740
EMEA	16,975	20,855
Total	210,104	261,311

- (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. Also, the geographical segments have changed. Other and North America have been consolidated into North & South America. The figures for the year ended March 31, 2021 are calculated by reclassifying the figures in the geographical segments before the change.

(ii) Net sales

(Million yen)

	Year ended March 31, 2021	Year ended March 31, 2022
Japan	161,371	159,365
Asia	48,535	58,032
North & South America	39,160	46,351
EMEA	18,681	24,457
Total	267,749	288,207

(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. Also, the geographical segments have changed. Other and North America have been consolidated into North & South America. The figures for the year ended March 31, 2021 are calculated by reclassifying the figures in the geographical segments before the change.

(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)

(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 for productivity improvement is 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.

(Per Share Information)

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

(Million yen)

	Year ended March 31, 2021	Year ended March 31, 2022
Profit attributable to owners of parent	19,088	18,471
Amount not attributed to common stockholders	–	–
Profit that is used for calculating basic earnings per share	19,088	18,471
Average number of common shares outstanding	112,327,368	112,368,155

- (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. (253,000 shares in the fiscal year ended March 31, 2022, 286,000 shares in the fiscal year ended March 31, 2021)

(Consolidated Statement of Profit or Loss)

In the fiscal year under review, a gain on the sale of fixed assets (mainly land and buildings) of 4,079 million yen was posted in other income.

(Significant Subsequent Events)

Not applicable

(Additional Information)

(Transfer of fixed assets)

- (1) At a meeting of the Board of Directors held on February 28, 2022, the Company resolved to transfer fixed assets, and the Company concluded a real estate sales contract on March 22, 2022. The transfer was completed on March 22, 2022.

(i) Reason for the transfer

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

(ii) Assets to be transferred

Description and location of assets	Transfer price	Book value	Capital gain	Present status
Mainly real estate for rent Land: 1,414.89 m ² (4-7, Nishi-Shinjuku 3-chome, Shinjuku-ku, Tokyo)	(*1)	(*1)	2,894 million yen	Mainly real estate for rent

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

(iii) Outline of transferee

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

(iv) Schedule

(1) Date of resolution by the Board of Directors	February 28, 2022
(2) Date of conclusion of contract	March 22, 2022
(3) Date of delivery of assets	March 22, 2022

(v) Effects of the event on profits and losses

A gain on sale of fixed assets of 2,894 million yen has been posted in other income due to the event in the fourth quarter in the fiscal year ended March 31, 2022.

(2) At a meeting of the Board of Directors held on October 29, 2021, the Company resolved to transfer fixed assets, and the Company concluded a real estate sales contract on December 16, 2021. The transfer was completed on March 31, 2022.

(i) Reason for the transfer

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

(ii) Assets to be transferred

Description and location of assets	Transfer price	Book value	Capital gain	Present status
Osaka Office Land: 1/2 (co-ownership share) of 703.52 m ² Buildings: 3,068.41 m ² (total floor area) (2-22, Kitahama 2-chome, Chuo-ku, Osaka-shi, Osaka)	(*1)	(*1)	1,079 million yen	Regional office

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

(iii) Outline of transferee

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

(iv) Schedule

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

(v) Effects of the event on profits and losses

A gain on sale of fixed assets of 1,079 million yen has been posted in other income due to the event in the fourth quarter in the fiscal year ended March 31, 2022.

Disclaimer

- This document is an English translation of the Earnings Report for the Fiscal Year Ended March 31, 2022 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 and Losses" on page 5 of this document for the conditions assumed in the performance forecasts and the precautions concerning the use of performance forecasts.