KURITA WATER INDUSTRIES LTD.
MD&A and Consolidated Financial Statements

For the year ended March 31, 2023

Contents

Management's Discussion and Analysis

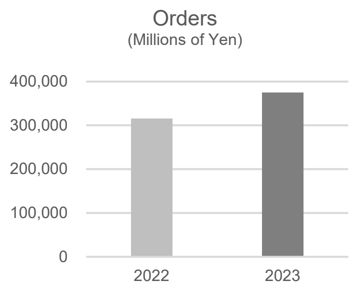
Kurita Water Industries Ltd. and Consolidated Subsidiaries

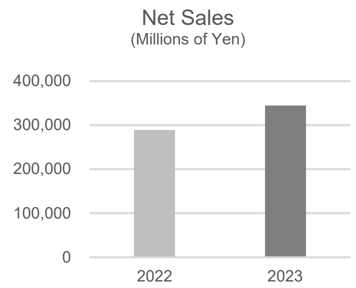
1. Business Results

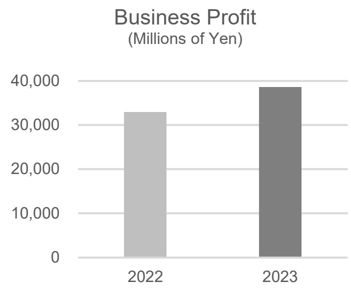
During the fiscal year ended March 31, 2023, uncertainty in the global economy increased, reflecting a disruption in supply chains and sharp rises in prices of raw materials and energy chiefly due to the prolonged war in Ukraine and the resurgence in COVID-19 cases. However, the global economy continued to recover moderately.
Looking at the market conditions surrounding the Kurita Group (the Group), production activities in the manufacturing industry in Japan were weak in certain sectors, chiefly due to semiconductor shortages and supply shortages of raw materials in the first half. Meanwhile, there were ongoing signs of a recovery in capital investment. Overseas, there were signs of a recovery in the U.S. economy and the economies in Europe and Asian countries other than China. Meanwhile, in China, the economy slowed due to the lingering effects of lockdowns and movement restrictions to block the spread of COVID-19.

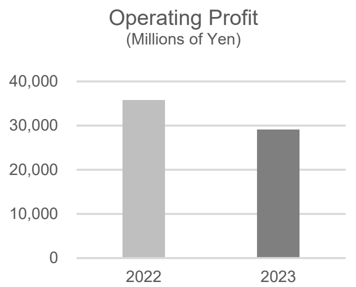
In this environment, in the final year of the medium-term management plan Maximize Value Proposition 2022 (MVP-22), the Group aimed to establish a firm earnings foundation based on the value we provide to customers and society, expanding the Creating Shared Value (CSV) business to help customers reduce environmental impact, including water conservation, the reduction of CO_2 emissions, and waste reduction, and proposing total solutions to help address productivity improvements and other customer issues. To lay the foundation for growth, the Group horizontally applied best practices in the service contract-type business, a current strategic focus, and also sought to expand its services lineup in this business to meet a wider range of diverse customer needs. To improve the cost structure, the Group worked to develop a framework to optimize supply chains and took steps to deal with increasing raw materials and distribution costs.

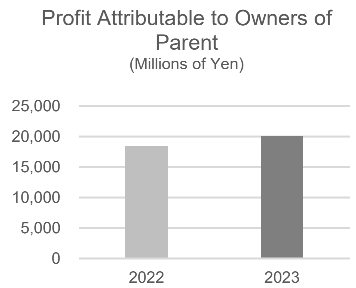
As a result, total consolidated orders for the Group in the fiscal year ended March 31, 2023 increased 18.7% year on year to ¥374,268 million, and net sales rose 19.6% to ¥344,608 million. Business profit increased 17.1% to ¥38,589 million, operating profit was ¥29,058 million, down 18.7% year on year, profit before tax was ¥30,151 million, rising 0.2%, and profit attributable to owners of parent amounted to ¥20,134 million, up 9.0%.
During the fiscal year, the Group posted other income of ¥1,564 million and other expenses of ¥11,095 million. Other income declined ¥4,555 million, reflecting a one-time profit (a gain on sale of fixed assets) from the sale of real estate in the previous fiscal year. Other expenses included a goodwill impairment loss of ¥7,646 million related to Kurita America, Inc. (Water Treatment Chemicals business). The goodwill impairment loss arose because the recoverable amount at Kurita America Inc. was less than the accounting book value, which reflects the company's downward revision of its business plan in light of changes in the water treatment chemicals market following the outbreak of COVID-19, disruptions to logistics, and rising prices. Another factor was the rise in the discount rate used to calculate the recoverable amount, in line with policy interest rate hikes in the U.S. aiming to curb inflation, which resulted in the recoverable amount falling below the accounting book value.
In the fiscal year ended March 31, 2023, the Kurita Water Industries Ltd. (the Company) underwrote a capital increase at Kurita America Holdings Inc. to help it acquire additional shares in U.S.-based subsidiary Pentagon Technologies Group, Inc. (Water Treatment Facilities business) and make it a wholly owned subsidiary, and completed the payment. The Company posted in finance income a gain on derivatives transactions from a foreign exchange contract it entered into after deciding to underwrite the capital increase. Meanwhile, finance costs posted in the same period of the previous fiscal year that resulted from the subsequent measurement of liabilities related to a forward contract concluded with the non-controlling shareholders of Pentagon Technologies Group were eliminated. These factors contributed to the increases in profit before tax and profit attributable to owners of parent.

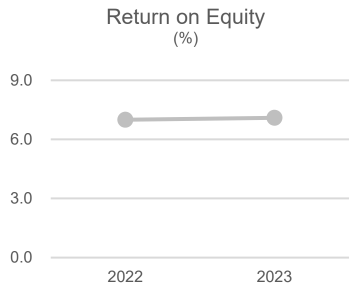










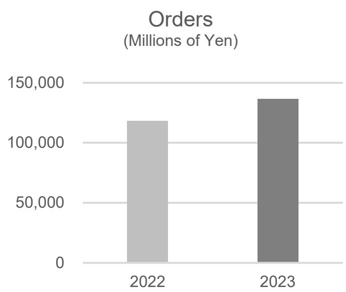


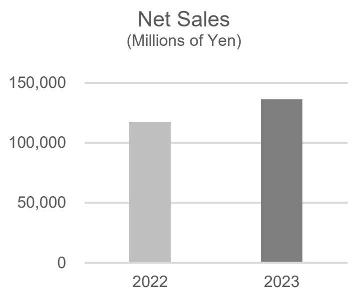
2. Business Segment Information

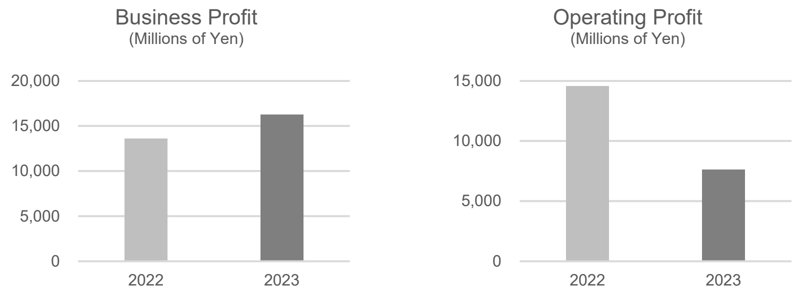
(1) Water Treatment Chemicals

In Japan, orders and net sales increased year on year, chiefly reflecting price hikes and a focus on proposals for service contract-type projects that help customers reduce environmental impact and costs, despite the effects of supply shortages of semiconductors and other raw materials on capacity utilization at certain customers' plants. Overseas, both orders and net sales increased, reflecting sales price increases in response to sharp rises in raw materials prices and logistics costs and an increase in yen-denominated results at overseas subsidiaries due to the weaker yen, as well as the results of the development of high value-added services, including the CSV business. As a result, total Group orders for the Water Treatment Chemicals segment were ¥136,863 million, up 15.6% year on year, while net sales rose 15.7%, to ¥136,139 million.

In terms of profits, business profit amounted to ¥16,286 million, an increase of 19.8% year on year chiefly due to higher net sales, which more than offset a rise in expenses chiefly due to increases in raw materials prices and distribution costs. Operating profit stood at ¥7,606 million, down 47.8% year on year, reflecting the goodwill impairment loss of ¥7,646 million at Kurita America Inc.



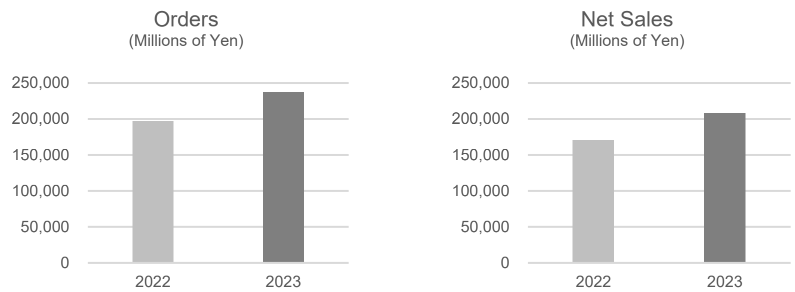


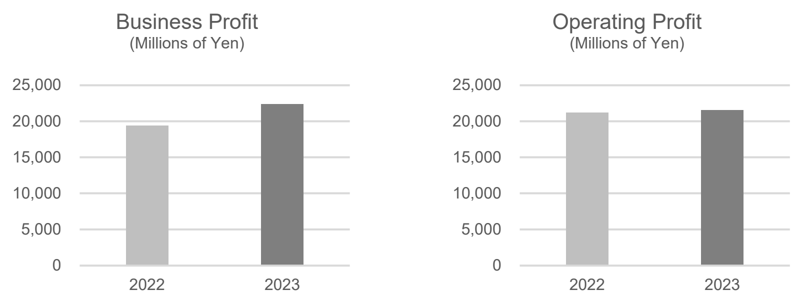


(2) Water Treatment Facilities

In Japan, orders for water treatment facilities for the electronics industry took a significant downturn after the Group posted orders for large projects in the previous fiscal year, but orders were still at a high level. Net sales rose significantly, chiefly due to the posting of sales from the order backlog. Orders and net sales for maintenance services for the industry both increased, reflecting the expansion of facilities and the posting of orders for and sales from repairs, including the replacement of consumables, against a backdrop of firm capacity utilization at customer plants. Orders for water treatment facilities for general industries were up year on year following cancellations of orders for large projects in the previous fiscal year, but net sales declined. Orders and net sales of maintenance services for this industry both increased because of a recovery in maintenance demand. Both orders for and net sales from water treatment facilities for the electric power industry decreased. Orders for soil remediation services decreased, but net sales increased, reflecting demand for small and medium-sized projects. Overseas, both orders and net sales increased due to an increase in yen-denominated results at overseas subsidiaries associated with the weaker yen, and the posting of orders and sales of large water treatment facilities projects in the electronics industry in East Asia.
Total net sales in the ultrapure water supply business in Japan and overseas increased due in part to the contribution of a contract that began in the fiscal year under review.

As a result, total Group orders for the Water Treatment Facilities segment were ¥237,404 million, up 20.6% year on year. Net sales increased 22.2%, to ¥208,468 million.
In terms of profits, business profit amounted to ¥22,378 million, an increase of 15.4% year on year, and operating profit rose to ¥21,526 million, up 1.7% year on year, chiefly due to an increase in net sales, which more than offset a rise in expenses related to the procurement of raw materials and parts.

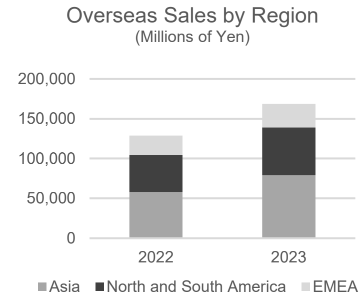




3. Regional Segment Information

In the fiscal year ended March 31, 2023, overseas sales increased 30.9% year on year to ¥168,611 million, supported by growth in both the Water Treatment Chemicals and Water Treatment Facilities businesses. Overseas sales accounted for 48.9% of consolidated net sales, up from 44.7% in the previous fiscal year.

By region, sales increased 29.9% to ¥60,198 million in the Americas, 35.9% to ¥78,883 million in Asia, and 20.7% to ¥29,530 million in EMEA.



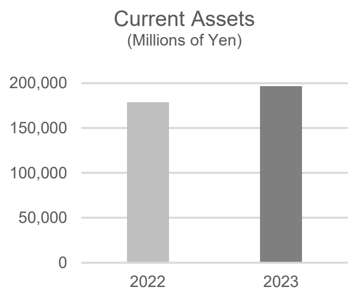
4. Financial Position

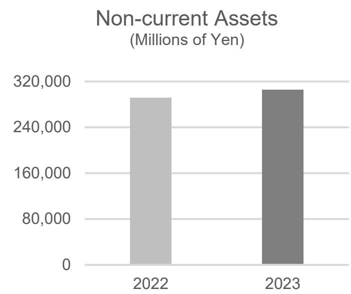
(1) Assets

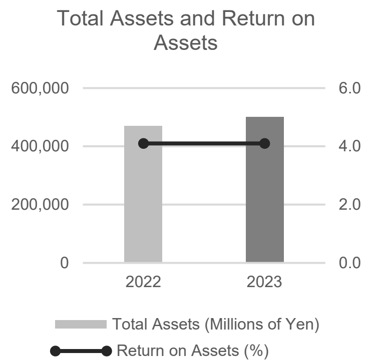
Current assets totaled ¥196,416 million, an increase of ¥18,020 million from the end of the fiscal year ended March 31, 2022. This was mainly due to an increase of ¥11,407 million in trade and other receivables and increases in cash and cash equivalents and inventories of ¥4,737 million and ¥3,715 million, respectively.

Non-current assets totaled ¥305,121 million, an increase of ¥13,536 million from the end of the previous fiscal year. Property, plant and equipment increased ¥17,703 million chiefly due to the acquisition of new facilities in the ultrapure water supply business (Water Treatment Facilities business). Other financial assets decreased ¥7,578 million while deferred tax assets increased ¥3,913 million owing mainly to the sale of a part of shares owned for cross-shareholding purposes.

As a result, total assets were ¥501,538 million, an increase of ¥31,557 million from the end of the previous fiscal year.







(2) Liabilities

Current liabilities totaled ¥109,468 million at the end of the period, a decrease of ¥4,459 million from the end of the previous fiscal year. This is chiefly attributable to a decrease of ¥19,610 million in other financial liabilities mainly due to the implementation of the forward contract concluded with the non-controlling shareholders of U.S.-based Pentagon Technologies Group, Inc. and a decrease in trade and other payables of ¥6,502 million, which were partially offset by an increase of ¥20,818 million in bonds and borrowings chiefly due to the issuance of commercial paper and new borrowings.

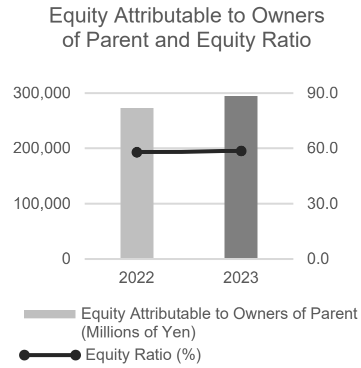
Non-current liabilities totaled ¥96,310 million, an increase of ¥18,119 million from the end of the previous fiscal year. This principally reflected an increase in bonds and borrowings of ¥17,805 million, mainly due to the issuance of the second series of unsecured bonds (¥10,000 million) and new borrowings.

As a result, total liabilities were ¥205,778 million, an increase of ¥13,659 million from the end of the previous fiscal year.

(3) Shareholders' Equity

Total equity stood at ¥295,759 million, an increase of ¥17,897 million from the end of the previous fiscal year.

This principally reflected an increase of ¥17,566 million in retained earnings primarily due to the recording of profit attributable to owners of parent.



5. Cash Flows

Consolidated net cash and cash equivalents at the end of the fiscal year ended March 31, 2023 totaled ¥50,468 million, an increase of ¥4,737 million from the end of the previous fiscal year ended March 31, 2022.

(1) Cash Flows from Operating Activities

Net cash provided by operating activities during the fiscal year ended March 31, 2023 totaled ¥48,631 million, an increase of ¥19,894 million from the previous fiscal year. Inflows from profit before tax of ¥30,151 million and depreciation, amortization and impairment losses of ¥37,276 million were partly offset by income taxes paid of ¥17,094 million and an increase in trade and other receivables of ¥10,172 million.

(2) Cash Flows from Investing Activities

Net cash used in investing activities totaled ¥46,274 million, an increase of ¥6,345 million from the same period of the previous fiscal year. Outflows chiefly from purchases of property, plant and equipment of ¥53,384 million were partly offset by inflows mainly from proceeds from sale of investment securities of ¥8,854 million.

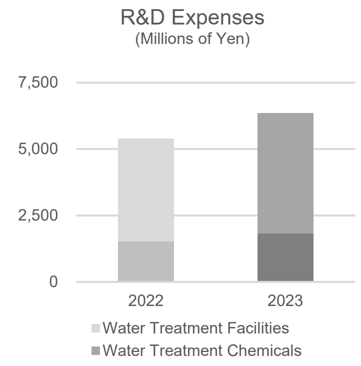
(3) Cash Flows from Financing Activities

Net cash provided by financing activities totaled ¥1,101 million, an increase of ¥9,028 million from the previous fiscal year. Inflows chiefly from a net increase in short-term borrowings and commercial paper of ¥18,722 million, proceeds from long-term borrowings of ¥9,988 million, and proceeds from the issuance of bonds of ¥9,955 million were partly offset by the purchase of shares of subsidiaries not resulting in change in scope of consolidation of ¥23,272 million and dividends paid of ¥8,699 million.

6. Commitment Line

The Group's basic policy is to secure the liquidity needed for business operations and maintain a stable financing structure. In general, the Group uses its own funds to meet short-term working capital needs and for capital investments and other investments in growth fields, while also procuring funds through bond markets or bank loans as required. At the end of the fiscal year, the Group had concluded a commitment line agreement with two financial institutions, with no executed borrowings and an unused available balance of ¥20,000 million.

7. Research and Development



The Group is prioritizing the development of new products and technologies to support the provision of innovative solutions that help resolve issues faced by society and increase the corporate value and competitiveness of customers. The Group is also focusing on developing sensing technology, data analytics technology, and optimization and control technology needed for the digital transformation of business models, while also conducting research into the development of mathematical modeling for water treatment technology and understanding water treatment process mechanisms and limitations to support product development.

The Group will continue to refine the water-related technology it has developed over many years, aiming to realize its corporate vision of being “A Creator of unique value to the solution of water and environment,” contributing to the realization of a sustainable society. The Group’s main development centers in Japan, Germany, Singapore, and North America are working together to proactively develop products and technologies that meet the wide-ranging needs of society and industry.

R&D activities are performed mainly by the Innovation Division of Kurita Water Industries Ltd. There are approximately 214 R&D staff across the Group, representing 2.7% of all employees. Total R&D expenses in the fiscal year ended March 31, 2023 were ¥6,344 million, equivalent to 1.8% of net sales.

(1) Water Treatment Chemicals

The Group is pushing ahead with the development of water treatment chemicals that help customers save water, reduce CO_2 emissions, cut waste, improve productivity, and mitigate environmental impact. The Group is also developing technology to analyze the effectiveness of water treatment chemicals and automatically control optimal dosing with sensing and data analytics technologies. Total R&D expenses related to this segment were ¥1,828 million in the fiscal year ended March 31, 2023.

<Major Accomplishments for the Fiscal Year>

- The Group developed a chemical that prevents the increase of moisture inside coal, a raw material for steel, caused by rainfall at the raw materials yards of steel plants. The Group added this chemical to the steel raw material yard monitoring solution it developed last year, which detects and predicts the moisture content of raw material stockpiles and uses a highly impermeable dust suppressant to limit stoppages on raw material conveying lines and prevent higher fuel usage due to increased moisture in steel raw materials.
- The Group developed a type of sensor that can measure microscopic air bubbles in water, which affect production efficiency in the papermaking process of paper and pulp plants, as well as a sensor that detects the agglomeration state of the base slurry used in papermaking, which affects product quality. By clarifying the correlation between the water quality data obtained via these sensors and customer operating status, the Group aims to offer services that help boost productivity and reduce environmental impact by controlling the proper injection of chemicals.
- Anticipating the upcoming tightening of phosphorus and heavy metals emission regulations in the EU, the Group developed a non-phosphorus, non-metal anticorrosive agent for cooling water used in carbon steel heat exchangers. In the fiscal year ending March 31, 2024, the Group will evaluate the performance of the agent in an actual cooling water system in the EU, seeking to expand this market while extending applications to regions outside the EU.

(2) Water Treatment Facilities

The Group is developing technologies that meet the needs of recycling-oriented societies, such as technology for wastewater reclamation and reuse, waste reduction and recycling, and generating renewable energy. The Group is working to develop wastewater treatment systems as well as energy-saving, labor-saving, and optimization technologies for the operation and management of ultrapure water production systems that contribute to greater productivity in the semiconductor and other electronics sectors. Total R&D expenses for the segment were ¥4,515 million.

<Major Accomplishments for the Fiscal Year>

- For an existing, technologically mature ultrapure water facility (which combines RO membrane and ion exchange treatment), the Group significantly reduced CO_2 emissions and operating costs by lowering the pressure of the RO membranes, and adjusted the amount of water produced to match customer usage. As a result, the Group was able to develop a variable flow deionized water production system and operating techniques that can conserve water and lower power costs stemming from the unnecessary movement of water.
- As support and labor-saving technologies for inspection patrols, monitoring of abnormalities, and other operator tasks at large-scale water treatment facilities, the Group developed a sensing system that detects vibrations of rotating equipment, an abnormality assessment model, and a situation diagnosis support system for use when an excess in the monitoring threshold sets off an alarm. Also, as automatic control and simulation technologies tailored to the operating status of water treatment facilities, the Group developed an AI-based optimal aeration control technology that draws on raw water load and biotreatment performance data in the process of aerobic biotreatment.

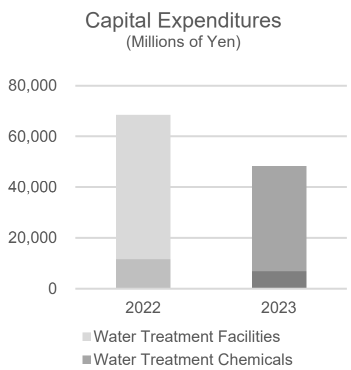
8. Capital Expenditures

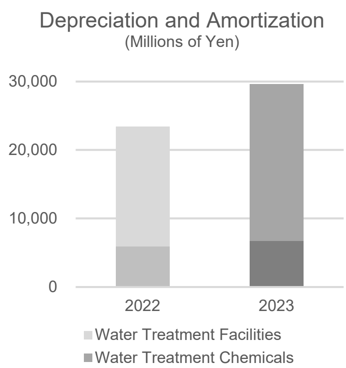
The Group is committed to making the necessary investments to pursue technological innovation, expand production capacity, and address intensifying competition. In the fiscal year ended March 31, 2023, capital expenditures totaled ¥46,628 million, a decrease of ¥19,765 million year on year, including the amount recorded for right-of-use assets.

The Group carried out capital expenditures in the Water Treatment Chemicals business totaling ¥6,374 million, down ¥4,468 million year on year, mainly reflecting the construction of a new plant in China and the expansion and upgrade of existing facilities.

The Group undertook capital expenditures in the Water Treatment Facilities business totaling ¥40,254 million, down ¥15,297 million year on year, primarily for the installation and expansion of facilities in the ultrapure water supply business and the tool cleaning business.

In the one-year period following the fiscal year ended March 31, 2023, the Group plans to undertake a total of ¥35.7 billion in capital expenditures for new construction, expansion, and renovation. Significant fluctuations in the economy and in customers' capital investment trends tend to have an especially large impact on the purchase of equipment for the ultrapure water supply business. As such, the Group may adjust its capital expenditure plan if conditions deviate from current assumptions.





9. Dividend Policy

Kurita's basic policy is to continue paying stable dividends to shareholders.

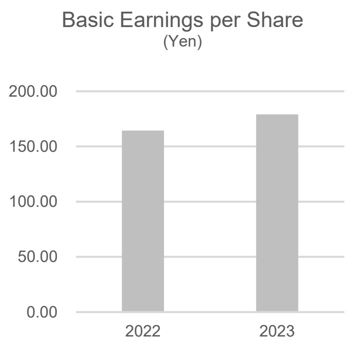
Specifically, Kurita has set a consolidated dividend payout ratio target of 30%–50%. Kurita will work to continue raising the dividend, making decisions based on payout ratios for the most recent five years to respond flexibly to yearly fluctuations in business performance.

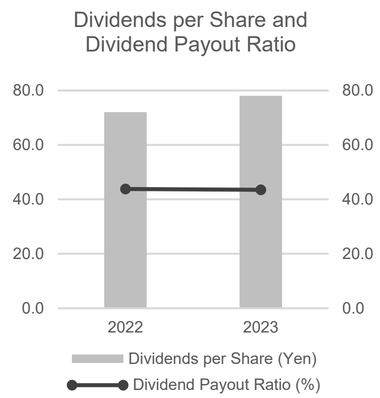
Kurita's basic policy is to pay dividends from surplus twice a year, an interim and a year-end dividend.

The decision-making body for paying dividends from surplus is the General Meeting of Shareholders for year-end dividends and the Board of Directors for interim dividends.

Regarding dividends paid from surplus for the fiscal year ended March 31, 2023, in consideration of future business growth and with shareholder support, it was decided to pay a total dividend of ¥78 per share, including an interim dividend of ¥39 per share. As a result, the dividend payout ratio was 39.9% (43.5% on a consolidated basis) for the fiscal year.

Regarding retained earnings, Kurita will prioritize the use of retained earnings for businesses with prospects for growth while maintaining rigorous investment discipline. If Kurita determines that a surplus has accumulated, it will consider the repurchase of shares, taking the share price level into account, as well as seek to improve capital efficiency and increase returns to shareholders.





Business Risks
Kurita Water Industries Ltd. and Consolidated Subsidiaries

The Executive General Manager of the Corporate Control and Administration Division is designated as the officer in charge of monitoring risks and promoting risk management for the Group. The officer seeks to regularly analyze and assess risks facing the Company and its Group companies, and to continue monitoring risks to prevent problems from materializing. The Executive General Manager of the Sustainability Division is in charge of risks related to sustainability, including climate change.

The following are summaries of major foreseeable risks present in the business environments in which the Group operates.
Forward-looking statements herein are based on judgments made by management as of March 31, 2023.

1. Economic and Market Conditions

The Group's businesses are affected by economic conditions in Japan and in other countries and regions where it operates. Demand fluctuates due to in trends in factory utilization rates and capital investment in both the Electronics Industry and General Industry, which may affect the Group's financial results. In the electronics market, demand fluctuates due to changes in business conditions at customers with which the Group has long-term ultrapure water supply contracts. Such fluctuations in demand could affect the Group's financial results. Furthermore, rising US-China trade friction may lead to stricter export controls, tariff sanctions and other rules, which could impact the business operations of the Group's customers, leading to an indirect impact on the Group's financial results. The Group's financial results may also be affected by the response to climate change, including moves by customers to shrink or exit from fossil fuel-related businesses, a shift to alternative fuels and water resources, and the introduction of or an increase in carbon taxes on CO_2 emissions generated by the Group's facilities or products. The Group provides solutions for issues related to water and the environment to customers in a wide range of industries. In addition, the Group is transitioning to a service business as part of efforts to generate stable earnings. The Company also manages the operations of affiliated companies. Specifically, the Company verifies earnings and progress with the implementation of strategies and measures at affiliated companies on a monthly and quarterly basis, monitors internal audits, financial reporting and other matters related to internal controls, and makes decisions on important matters at affiliated companies, in line with the Company's Internal Decision Approval and Review Rules. In addition, increasing competition with rivals in the Group's business domains could lead to declines in the price of products and services, which could lower the Group's profitability. However, as noted in 3., the Group is working to secure competitive advantages.

2. Impact on Materials and Parts Procurement from Soaring Prices for Raw Materials, Parts and Materials and Energy, and Supply Chain Disruption

The Group procures raw materials and parts from outside the Group for the manufacture of products and the construction of facilities. The Group also procures external services to support various business processes. The Group conducts these procurement activities with respect for human rights, in accordance with the Kurita Group Code of Conduct, and also complies with laws and regulations and takes into account economic, social and environmental factors, as set out in the Kurita Group Procurement Policy. The prices of raw materials, parts and services fluctuate based on changes in market conditions, and this may affect the Group's financial results. Meanwhile, further outbreaks of COVID-19 and Russia's invasion of Ukraine could again lead to a spike in prices for raw materials for water treatment chemicals and for parts and materials used in water treatment facilities, as well as higher logistics costs amid another surge in energy prices and renewed supply chain disruption. In response, the Group plans to raise prices to pass on higher costs and work to secure inventories.

3. Development of New Technologies, Products and Services and Transformation of Business Processes

The Group operates CSV businesses that help to significantly cut CO_2 emissions, save water and reduce industrial waste compared with previous approaches and also develops new technologies, products and services to improve and expand its range of total solutions, which leverage chemicals, facilities and maintenance technologies, products and services. In addition, the Group has established a Digital Strategy Division to actively drive the Group's digital transformation (DX) by introducing IoT and AI into new products and services and by digitizing business processes. However, the success of new technology and product development efforts and business transformation cannot be guaranteed. The Group may not be able to offer new technologies or superior products, services, or solution models that meet the needs of its customers in a timely fashion. The Group may also fail to keep pace with rapid technological innovation, changing customer needs and advances in digital technologies. Failure to develop superior new products, services or solution models, delays to DX initiatives, or slow progress with measures to reduce greenhouse gas emissions from customers' operations could limit future growth and profitability or otherwise affect the Group's financial results.

4. Overseas Business Development

The Group is working to expand its business outside Japan. In contrast to the Japanese market, conducting business in overseas markets involves a number of inherent risks, including the risk of unexpected changes to local laws and regulations, the risk of political and economic instability, and the risk of conflict or terrorist incidents. If such risks materialized, the Group's financial results could be affected. In regions where the Group operates, the Group obtains information about the local security situation and other conditions from the Ministry of Foreign Affairs or consultants, and uses local legal counsel, certified public accountants and other experts to verify the legal and regulatory framework in local markets. The Group also uses a guidebook for overseas deployments to provide safety training and advice to employees being sent overseas, provides medical and emergency support services to employees based overseas and publishes safety information as part of efforts to ensure the safety of all officers and employees. In addition, the Group is potentially exposed to an impact from tighter regulations and sanctions related to Russia's invasion of Ukraine and the situation in Taiwan or the Korean Peninsula, as well as any associated deterioration in the economy.

5. Large-Scale Natural Disasters

A large-scale natural disaster or other similar event that directly or indirectly disrupts the Group's business execution could affect the Group's business activities, financial results and financial condition. The Group has established the Kurita Group Business Continuity Management (BCM) Policy to prepare for earthquakes, typhoons, severe rainstorms or other large-scale natural disasters. In line with the policy, the Group develops business continuity plans, conducts water damage risk assessments of Group facilities, offices and officer and employee residences and implements response measures, establishes safety verification systems, reinforces buildings against earthquakes, builds stockpiles of disaster prevention supplies and conducts disaster response drills for officers and employees.

6. Exchange Rate Fluctuations

The ratio of overseas sales to total consolidated sales in the Group is 48.9%, reflecting overseas acquisitions and other factors.
The local currency-denominated financial statements of each overseas subsidiary are reflected in the consolidated financial statements after conversion to Japanese yen. Therefore, exchange rate fluctuations may affect the Group's business results and financial condition. To hedge against exchange rate risk, the Group may use forward exchange contracts, currency swap contracts and other types of derivatives.

7. Risk of Unprofitable Projects

The installation of water treatment facilities may lead to additional costs if the Group fails to meet contractual obligations to customers for raw water and other criteria, or due to defects with products or services arising from faults with design or engineering work, or as a result of accidents. The Group may also face requests for compensation for damages incurred by customers as a result of these issues. The Group rigorously carries out design and engineering work in accordance with design and engineering procedures, and prior to the issue of project budget documents, establishes an engineering review meeting to verify various aspects of project design, including quality, cost, delivery, safety and environmental criteria. In addition, the Company holds monthly business process review meetings from when the order is received until the project is delivered to confirm engineering progress and manage the profitability of each project component, allowing total project costs to be estimated using the latest information. Overseas Group companies follow similar procedures, and the Company also provides them with design and engineering management support for large projects. In this way, the Group aims to prevent any problems before they occur by sharing information about project issues and other areas.

8. Impairment Loss on Fixed Assets

(1) Impairment Loss on Goodwill and Intangible Assets

The Group has acquired companies to obtain a foundation for overseas business and to gain access to competitive technologies and business models. As a result, the current balance of goodwill is ¥60,413 million (12.0% of consolidated total assets). Goodwill is not amortized, and is tested for impairment annually, or whenever there are signs of possible impairment. If, because of changes in the business environment, an acquisition does not yield expected benefits, or if there is a difference between the estimated future cash flows obtained by the impairment test and actual cash flows, impairment losses on goodwill or other impairment losses may occur. Recoverable amounts are estimated based on value in use in impairment tests, and value in use is calculated using a discount rate for future cash flow referencing the weighted average cost of capital (WACC) for each cash-generating unit. Future cash flow forecasts have a five-year horizon and are formulated based on historical trends and external data. The forecasts form the basis of business plans approved by management. Forecasts for periods longer than five years are calculated based on average long-term growth rates, taking into account conditions in markets for each cash-generating unit. Five-year cash flow estimates, longer-term growth rates and discount rates are used by the Group as key assumptions, and any change in these assumptions could have an impact on the Group’s financial results and financial condition. The Company has established an Investment Committee to strengthen the Group’s investment and lending screening functions. The committee is chaired by the Deputy Executive General Manager of the Corporate Control and Administration Division. The committee conducts pre-screening of investment and lending projects to be discussed by the Board of Directors or the Executive Committee, focusing on business plans, investment amounts, adequacy of risk assessments, profitability, competitive advantages, legality and other criteria. The results of the screening and key points for discussion are presented to the Board of Directors and the Executive Committee, ensuring corporate acquisitions are only conducted after careful consideration and discussion by the Company. In addition, all acquired companies are subject to business management procedures for affiliated companies explained in 1. above.

(2) Impairment Loss on Property, Plant and Equipment

The Group’s ultrapure water supply business and other businesses install equipment at customers’ plants. In cases where a customer withdraws from a business or suspends operations at a plant, impairment losses on fixed assets may occur, which may affect the Group’s financial results and financial condition. When making investment decisions on installing equipment at customer plants, the Group carefully considers factors such as the customer’s business conditions, customer contract terms and return on investment.

9. Information System Security

The Group’s use of information systems and the importance of those systems in the Group’s business are increasing. If a computer virus or other factor were to obstruct the functions of the Group’s information systems, the Group’s business activities, financial results and financial condition could be negatively affected. In accordance with the Kurita Group Information System Management Policy, the Group is strengthening measures against computer viruses by installing antivirus software and providing information security education and awareness training to officers and employees, including training about targeted email attacks. In addition, the Group has established a team to implement an emergency response to minimize opportunity losses in the event of a security incident.

10. Laws and Compliance

In the event that the Group’s officers or employees fail to comply with laws or regulations or are responsible for conduct that contravenes social ethics, the Group may face restrictions on its business activities, fines, damage to public trust or other issues, which could affect the Group’s financial results and financial condition. The Group has established a Sustainability Committee, chaired by the Executive General Manager of the Sustainability Division. This committee is tasked with rigorously ensuring all the Group’s activities are underpinned by socially ethical behavior, rather than conducting compliance activities simply to meet legal requirements.

11. Product and Service Quality and Water Treatment Facility Operational Errors

The supply or discharge of water that falls short of required standards due to human error or other operational issues at customers’ or the Group’s water treatment facilities may lead to claims for damage compensation or a loss of public trust. The Group’s financial results may be affected if its obligations exceed the scope of liability insurance coverage, or if there is a loss of public trust. As explained in 7. above, the Group has created a quality management system and continuously implements improvements to increase customer satisfaction.

12. Intellectual Property

Given the wide scope of the Group’s business, there is potential for the Group’s intellectual property rights to be infringed and potential for the Group to infringe rights held by third parties. While such actions could affect the Group’s financial results, the Group recognizes the importance of intellectual property and continually seeks to register its own intellectual property while avoiding infringements of rights held by third parties, both in Japan and overseas.

Consolidated Statement of Financial Position

Kurita Water Industries Ltd. and Consolidated Subsidiaries

	Notes	Millions of yen		Thousands of U.S. dollars
		2022	2023	2023
Assets				
Current assets				
Cash and cash equivalents	8	¥45,730	¥50,468	$376,626
Trade and other receivables	9, 25, 34	108,892	120,299	897,753
Other financial assets	10, 34	3,075	3,357	25,052
Inventories	11	13,132	16,847	125,723
Other current assets		7,564	5,444	40,626
Total current assets		178,396	196,416	1,465,791
Non-current assets				
Property, plant and equipment	12	161,034	178,737	1,333,858
Right-of-use assets	20	19,042	21,928	163,641
Goodwill	13	62,992	60,413	450,843
Intangible assets	13	18,092	17,104	127,641
Investments accounted for using equity method	15	1,191	1,283	9,574
Other financial assets	10, 34	23,011	15,433	115,171
Deferred tax assets	16	6,071	9,984	74,507
Other non-current assets		150	235	1,753
Total non-current assets		291,585	305,121	2,277,022
Total assets	6	¥469,981	¥501,538	$3,742,820

	Notes	Millions of yen		Thousands of U.S. dollars
		2022	2023	2023
Liabilities and equity				
Liabilities				
Current liabilities				
Trade and other payables	17, 25, 34	¥57,967	¥51,465	$384,067
Bonds and borrowings	18, 34	8,180	28,998	216,402
Lease liabilities	20, 34	4,683	4,294	32,044
Other financial liabilities	19, 34, 38	19,613	3	22
Income taxes payable		8,663	6,018	44,910
Provisions	22	1,529	2,301	17,171
Other current liabilities		13,289	16,387	122,291
Total current liabilities		113,927	109,468	816,925
Non-current liabilities				
Bonds and borrowings	18, 34	30,953	48,758	363,865
Lease liabilities	20, 34	14,862	18,016	134,447
Other financial liabilities	19, 34	1,757	1,666	12,432
Retirement benefit liability	21	18,144	17,321	129,261
Provisions	22	2,335	2,613	19,500
Deferred tax liabilities	16	2,646	2,362	17,626
Other non-current liabilities		7,491	5,570	41,567
Total non-current liabilities		78,191	96,310	718,731
Total liabilities		192,119	205,778	1,535,656
Equity				
Share capital	23	13,450	13,450	100,373
Capital surplus	23, 38	(3,076)	(608)	(4,537)
Treasury shares	23	(10,694)	(10,638)	(79,388)
Other components of equity	23	12,161	14,132	105,462
Retained earnings	23	260,073	277,639	2,071,932
Equity attributable to owners of parent		271,914	293,975	2,193,843
Non-controlling interests	38	5,948	1,784	13,313
Total equity		277,862	295,759	2,207,156
Total liabilities and equity		¥469,981	¥501,538	$3,742,820

Consolidated Statement of Profit or Loss

Kurita Water Industries Ltd. and Consolidated Subsidiaries

	Notes	Millions of yen 2022	Millions of yen 2023	Thousands of U.S. dollars 2023
Net sales	6, 25	¥288,207	¥344,608	$2,571,701
Cost of sales		(183,928)	(224,911)	(1,678,440)
Gross profit		104,278	119,696	893,253
Selling, general and administrative expenses	26	(71,334)	(81,106)	(605,268)
Other income	27	6,119	1,564	11,671
Other expenses	28	(3,329)	(11,095)	(82,798)
Operating profit	6	35,734	29,058	216,850
Finance income	29	601	1,990	14,850
Finance costs	29	(6,176)	(1,077)	(8,037)
Share of profit (loss) of investments accounted for using equity method	15	(80)	179	1,335
Profit before tax		30,079	30,151	225,007
Income tax expense	16	(10,454)	(9,473)	(70,694)
Profit		¥19,624	¥20,677	$154,305
Profit attributable to				
Owners of parent		¥18,471	¥20,134	$150,253
Non-controlling interests		1,153	543	4,052
Profit		¥19,624	¥20,677	$154,305

	Notes	Yen 2022	Yen 2023	U.S. dollars 2023
Earnings per share				
Basic earnings per share	31	¥164.38	¥179.14	$1.34
Diluted earnings per share		—	—	—

Consolidated Statement of Comprehensive Income

Kurita Water Industries Ltd. and Consolidated Subsidiaries

	Notes	Millions of yen		Thousands of U.S. dollars
		2022	2023	2023
Profit		¥19,624	¥20,677	$154,305
Other comprehensive income				
Items that will not be reclassified to profit or loss				
Net change in fair value of financial assets measured at fair value through other comprehensive income	30	520	674	5,029
Remeasurements of defined benefit plans	30	417	830	6,194
Total of items that will not be reclassified to profit or loss	30	938	1,505	11,231
Items that may be reclassified to profit or loss	30			
Exchange differences on translation of foreign operations	30	8,692	5,245	39,141
Cash flow hedges	30	131	182	1,358
Share of other comprehensive income of investments accounted for using equity method	30	121	2	14
Total of items that may be reclassified to profit or loss	30	8,944	5,429	40,514
Total other comprehensive income	30	9,883	6,935	51,753
Comprehensive income		¥29,507	¥27,612	$206,059
Comprehensive income attributable to				
Owners of parent		¥27,501	¥26,176	$195,343
Non-controlling interests		2,005	1,436	10,716
Comprehensive income		¥29,507	¥27,612	$206,059

Consolidated Statement of Changes in Equity

Kurita Water Industries Ltd. and Consolidated Subsidiaries

		Millions of yen					
		Equity attributable to owners of parent					
					Other components of equity		
	Notes	Share capital	Capital surplus	Treasury shares	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							
Other comprehensive income					7,962	131	520
Comprehensive income		—	—	—	7,962	131	520
Purchase of treasury shares	23			(5)			
Dividends	24						
Share-based remuneration transactions	33		57	98			
Changes in ownership interest in subsidiaries			(1,115)				
Increase (decrease) by business combination	7						
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
Profit							
Other comprehensive income					4,354	182	674
Comprehensive income		—	—	—	4,354	182	674
Purchase of treasury shares	23			(2)			
Dividends	24						
Share-based remuneration transactions	33		76	58			
Changes in ownership interest in subsidiaries	38		(19,793)		1,830		
Liabilities pertaining to forward contracts concluded with non-controlling shareholders	38		22,051				
Transfer from other components of equity to retained earnings							(5,070)
Other			132				
Total transactions with owners		—	2,467	55	1,830	—	(5,070)
Balance as of March 31, 2023		¥13,450	¥(608)	¥(10,638)	¥9,678	¥222	¥4,231

Millions of yen							
Equity attributable to owners of parent							
Other components of equity							
Remeasurements of defined benefit plans	Total	Retained earnings	Total	Non-controlling interests	Total		Notes
¥ —	¥8,500	¥244,138	¥253,089	¥4,748	¥257,837	**Balance as of April 1, 2021**	
	—	18,471	18,471	1,153	19,624	Profit	
415	9,030		9,030	852	9,883	Other comprehensive income	
415	9,030	18,471	27,501	2,005	29,507	Comprehensive income	
	—		(5)		(5)	Purchase of treasury shares	23
	—	(7,865)	(7,865)	(943)	(8,809)	Dividends	24
	—		155	23	179	Share-based remuneration transactions	33
	—		(1,115)	(268)	(1,384)	Changes in ownership interest in subsidiaries	
	—		—	357	357	Increase (decrease) by business combination	7
(415)	(5,369)	5,369	—		—	Transfer from other components of equity to retained earnings	
	—	(41)	152	26	179	Other	
(415)	(5,369)	(2,536)	(8,677)	(805)	(9,483)	Total transactions with owners	
¥ —	¥12,161	¥260,073	¥271,914	¥5,948	¥277,862	**Balance as of March 31, 2022**	
	—	20,134	20,134	543	20,677	Profit	
830	6,041		6,041	893	6,935	Other comprehensive income	
830	6,041	20,134	26,176	1,436	27,612	Comprehensive income	
	—		(2)		(2)	Purchase of treasury shares	23
	—	(8,429)	(8,429)	(280)	(8,709)	Dividends	24
	—		135	(31)	103	Share-based remuneration transactions	33
	1,830		(17,962)	(5,289)	(23,251)	Changes in ownership interest in subsidiaries	38
	—		22,051		22,051	Liabilities pertaining to forward contracts concluded with non-controlling shareholders	38
(830)	(5,901)	5,901	—		—	Transfer from other components of equity to retained earnings	
	—	(39)	92		92	Other	
(830)	(4,070)	(2,567)	(4,115)	(5,600)	(9,715)	Total transactions with owners	
¥ —	¥14,132	¥277,639	¥293,975	¥1,784	¥295,759	**Balance as of March 31, 2023**	

	Notes	Share capital	Capital surplus	Treasury shares	Exchange differences on translation of foreign operations	Cash flow hedges	Financial assets measured at fair value through other comprehensive income
		Thousands of U.S. dollars					
		Equity attributable to owners of parent					
					Other components of equity		
Balance as of March 31, 2022		$100,373	$(22,955)	$(79,805)	$26,067	$298	$64,380
Profit							
Other comprehensive income					32,492	1,358	5,029
Comprehensive income		—	—	—	32,492	1,358	5,029
Purchase of treasury shares	23			(14)			
Dividends	24						
Share-based remuneration transactions	33		567	432			
Changes in ownership interest in subsidiaries	38		(147,708)		13,656		
Liabilities pertaining to forward contracts concluded with non-controlling shareholders	38		164,559				
Transfer from other components of equity to retained earnings							(37,835)
Other			985				
Total transactions with owners		—	18,410	410	13,656	—	(37,835)
Balance as of March 31, 2023		$100,373	$(4,537)	$(79,388)	$72,223	$1,656	$31,574

Thousands of U.S. dollars							
Equity attributable to owners of parent							
Other components of equity							
Remeasurements of defined benefit plans	Total	Retained earnings	Total	Non-controlling interests	Total		Notes
$ —	$90,753	$1,940,843	$2,029,208	$44,388	$2,073,597	**Balance as of March 31, 2022**	
	—	150,253	150,253	4,052	154,305	Profit	
6,194	45,082		45,082	6,664	51,753	Other comprehensive income	
6,194	45,082	150,253	195,343	10,716	206,059	Comprehensive income	
	—		(14)		(14)	Purchase of treasury shares	23
	—	(62,902)	(62,902)	(2,089)	(64,992)	Dividends	24
	—		1,007	(231)	768	Share-based remuneration transactions	33
	13,656		(134,044)	(39,470)	(173,514)	Changes in ownership interest in subsidiaries	38
	—		164,559		164,559	Liabilities pertaining to forward contracts concluded with non-controlling shareholders	38
(6,194)	(44,037)	44,037	—		—	Transfer from other components of equity to retained earnings	
	—	(291)	686		686	Other	
(6,194)	(30,373)	(19,156)	(30,708)	(41,791)	(72,500)	Total transactions with owners	
$ —	$105,462	$2,071,932	$2,193,843	$13,313	$2,207,156	**Balance as of March 31, 2023**	

Consolidated Statement of Cash Flows

Kurita Water Industries Ltd. and Consolidated Subsidiaries

	Note	Millions of yen		Thousands of U.S. dollars
		2022	2023	2023
Cash flows from operating activities				
Profit before tax		¥30,079	¥30,151	$225,007
Depreciation, amortization and impairment losses	2	24,440	37,276	278,179
Share of loss (profit) of investments accounted for using equity method		80	(179)	(1,335)
Loss (gain) on sale of fixed assets		(4,073)	76	567
Decrease (increase) in inventories		(1,918)	(3,109)	(23,201)
Decrease (increase) in trade and other receivables		(6,713)	(10,172)	(75,910)
Increase (decrease) in trade and other payables		1,459	7,965	59,440
Other	2	(1,857)	3,365	25,111
Subtotal		41,497	65,373	487,858
Interest received		177	301	2,246
Dividends received		601	442	3,298
Interest paid		(232)	(392)	(2,925)
Income taxes paid		(13,308)	(17,094)	(127,567)
Net cash provided by (used in) operating activities		28,737	48,631	362,917
Cash flows from investing activities				
Payments into time deposits		(2,348)	(4,871)	(36,350)
Proceeds from withdrawal of time deposits		2,175	4,902	36,582
Purchase of property, plant and equipment		(55,096)	(53,384)	(398,388)
Proceeds from sale of property, plant and equipment	27	8,743	265	1,977
Purchase of intangible assets		(2,038)	(1,601)	(11,947)
Proceeds from sale of investment securities		9,197	8,854	66,074
Payments for acquisition of subsidiaries (after deduction of cash and cash equivalents included in acquired assets)	32	(2,401)	—	—
Other		1,839	(439)	(3,276)
Net cash provided by (used in) investing activities		(39,929)	(46,274)	(345,328)
Cash flows from financing activities				
Net increase (decrease) in short-term borrowings and commercial papers		7,577	18,722	139,716
Proceeds from issuance of bonds	18	—	9,955	74,291
Proceeds from long-term borrowings	2, 18	58	9,988	74,537
Repayments of long-term borrowings		(485)	(499)	(3,723)
Repayments of lease liabilities		(5,005)	(5,170)	(38,582)
Dividends paid	24	(8,797)	(8,699)	(64,917)
Purchase of shares of subsidiaries not resulting in change in scope of consolidation	38	(1,440)	(23,272)	(173,671)
Other	2	165	76	567
Net cash provided by (used in) financing activities		(7,927)	1,101	8,216
Effect of exchange rate changes on cash and cash equivalents		2,622	1,278	9,537
Net increase (decrease) in cash and cash equivalents		(16,497)	4,737	35,350
Cash and cash equivalents at beginning of period	8	62,228	45,730	341,268
Cash and cash equivalents at end of period	8	¥45,730	¥50,468	$376,626

Notes to Consolidated Financial Statements

Kurita Water Industries Ltd. and Consolidated Subsidiaries

1. Reporting entity

Kurita Water Industries Ltd. (the “Company”) is a stock company located in Japan, which lists its shares on the Tokyo Stock Exchange. The registered addresses of its head office and major offices are disclosed on its official website (https://www.kurita.co.jp/english/).
The Company’s consolidated financial statements consist of the Company and its consolidated subsidiaries (together, the “Group”).
The major businesses of the Group are the Water Treatment Chemicals business and the Water Treatment Facilities business. Details regarding these businesses are provided in Note 6. “Segment information.”

2. Basis of preparation

(1) Compliance with IFRS

The consolidated financial statements of the Group are prepared in compliance with International Financial Reporting Standards (IFRS), pursuant to the provisions of Article 93 of the Regulation on Terminology, Forms, and Preparation Method of Consolidated Financial Statements (Ministry of Finance Order No. 28 of 1976), as the Group meets the requirements for a “specified company complying with designated international accounting standards” set forth in Article 1-2 of the said regulation.

The consolidated financial statements of the Group were approved by Hirohiko Ejiri, Director, President and Representative Executive Officer, on June 29, 2023.

(2) Basis for measurement

As stated in Note 3. “Significant accounting policies,” the consolidated financial statements of the Group have been prepared based on acquisition cost, with the exception of specified financial instruments, etc., measured at fair value.

(3) Functional currency and presentation currency

The consolidated financial statements of the Group are presented in Japanese yen, which is the functional currency of the Company. Amounts are presented in millions of yen, with fractional amounts less than one million yen rounded down to the nearest million yen.
The translation of yen amounts as of or for the year ended March 31, 2023 into U.S. dollars is included solely for the convenience of readers and has been made, as a matter of arithmetical computation only, at the rate of ¥134 to US$1, the prevailing rate on the Tokyo Foreign Exchange Market on March 31, 2023. The translation should not be construed as a representation that yen amounts have been, could have been or could in the future be converted into U.S. dollars at the above or any other rate.

(4) Changes in presentation

(Consolidated statement of cash flows)

“Impairment losses,” which were included in “Other” under “Cash flows from operating activities” for the fiscal year ended March 31, 2022, are included in “Depreciation and amortization” and presented as “Depreciation, amortization and impairment losses” for the fiscal year ended March 31, 2023, since they have become significant in terms of amount. To reflect this change in presentation, the consolidated statement of cash flows for the fiscal year ended March 31, 2022 has been reclassified.
As a result, “Impairment losses” of ¥1,028 million, which were included in “Other” of ¥(828) million under “Cash flows from operating activities” in the consolidated statement of cash flows for the fiscal year ended March 31, 2022, are included in “Depreciation, amortization and impairment losses,” and “Other” is reclassified as ¥(1,857) million.

“Proceeds from long-term borrowings,” which were included in “Other” under “Cash flows from financing activities” for the fiscal year ended March 31, 2022, are presented separately for the fiscal year ended March 31, 2023, since they have become significant in terms of amount. To reflect this change in presentation, the consolidated statement of cash flows for the fiscal year ended March 31, 2022 has been reclassified.
As a result, “Other” of ¥224 million under “Cash flows from financing activities” in the consolidated statement of cash flows for the fiscal year ended March 31, 2022 are reclassified as “Proceeds from long-term borrowings” of ¥58 million and “Other” of ¥165 million.

3. Significant accounting policies

The consolidated financial statements of the Group are prepared based on the financial statements of the Company, its consolidated subsidiaries and its associates using unified accounting policies.

(1) Basis for consolidation

The Group’s consolidated financial statements include the financial statements of the Company and its subsidiaries, and equity equivalents in its associates.

1) Subsidiaries

A subsidiary is a company that is controlled by the Group. When the Group is exposed, or has rights, to variable returns from its involvement with the company and has the current ability to affect those returns through its power over the company, the Group considers that it controls the company.
The financial statements of a subsidiary are included in the consolidated financial statements from the date the Group gains control until the date when it ceases to control the subsidiary.

If accounting policies adopted by a subsidiary differ from that adopted by the Group, appropriate adjustments are made to the financial statements of the subsidiary, as necessary.

Intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between entities of the Group and profits or losses resulting from intragroup transactions that are recognized in assets, are eliminated in full in preparing the consolidated financial statements.

The comprehensive income of subsidiaries is attributed to owners of parent and non-controlling interests, even if the balance of non-controlling interests is negative.

When the Group has disposed of part of the ownership interests in the subsidiary; and it still continues to control a subsidiary, such transaction is accounted for as an equity transaction.
Differences between the adjustment of non-controlling interests and the fair value of the consideration are recognized directly in equity as equity attributable to owners of parent.

If the Group loses control of a subsidiary, the gain or loss associated with the loss of control is recognized in profit or loss.

When the end of the reporting period of a subsidiary is different from that of the Company, the subsidiary’s additional financial information as of the same date of that of the Company, which is prepared for consolidation purposes, is used for the consolidation.

2) Associates

An associate is a company over which the Group has significant influence. When the Group has the power to participate in the financial and operating policy decisions of an investee but it is not control or joint control of those policies, the Group considers that it has significant influence over the company.
Investment in an associate is accounted for using the equity method from the date the Group comes to have significant influence until the date when it loses significant influence.

When applying the equity method, if an associate uses accounting policies other than those adopted in the consolidated financial statements, appropriate adjustments are made to the associate’s financial statements in preparing the consolidated financial statements to ensure conformity with the accounting policies of the Group.

The consolidated financial statements include investments in associates whose end of the reporting period is different from that of the Company since it is impracticable to unify their reporting periods with that of the Company due to reasons such as their relationships with other shareholders. Adjustments are made for the effects of significant transactions or events that occur during the period resulting from the difference in the reporting period. The date of the end of the reporting period of these associates accounted for using the equity method is December 31.

Profits resulting from transactions with an associate accounted for using the equity method that are recognized in assets, are deducted from investment in associates to the extent of the Group's ownership interests in the associate. Losses resulting from transactions with an associate that are recognized in assets are deducted from investment in associates in the same manner unless the losses indicate an impairment that requires recognition in the consolidated financial statements.

(2) Business combinations

The Group accounts for each business combination by applying the acquisition method.
The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the acquirer, the liabilities assumed and the equity instruments issued by the Group in exchange for control of the acquiree. If the consideration transferred exceeds the net of the amounts of the identifiable assets acquired and the liabilities assumed measured at their acquisition-date fair values, the Group recognizes the excess as goodwill in the consolidated statement of financial position. Conversely, if the consideration is less than the net of the fair values, the difference is immediately recognized as income in the consolidated statement of profit or loss.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the business combination occurs, provisional amounts are used for the accounting, and the provisional amounts recognized are adjusted during a measurement period of within one year from the acquisition date.
Acquisition-related costs incurred are recognized as expenses.
The additional acquisition of non-controlling interests after control of an acquiree is obtained is accounted for as an equity transaction and no goodwill is recognized from such transaction.

(3) Foreign currency translation

The consolidated financial statements of the Group are presented in Japanese yen, which is the functional currency of the Company. Each company in the Group determines its own functional currency, and the transactions of each company are measured in its functional currency.

Foreign currency transactions are translated into the functional currency at the average exchange rate during the period unless the exchange rate fluctuates significantly during such period. Foreign currency monetary assets and liabilities are translated using the closing rate as of each reporting period. Exchange differences arising from such translations and settlements are recognized in profit or loss. However, exchange differences arising from financial assets measured at fair value through other comprehensive income and cash flow hedges are recognized in other comprehensive income.

For foreign operations, assets and liabilities are translated into Japanese yen at the closing rate at the end of each reporting period, and income and expenses are translated into Japanese yen at the average exchange rate during the period unless the exchange rate fluctuates significantly during such period. All resulting exchange differences are recognized in other comprehensive income. On the disposal of a foreign operation, the cumulative amount of the exchange differences related to such foreign operation are reclassified from equity to profit or loss in the period of the disposal.

(4) Financial instruments
1) Financial assets
(i) Initial recognition and measurement

The Group classifies financial assets as fair value through profit or loss, fair value through other comprehensive income, or measured at amortized cost. This classification is determined at initial recognition of the assets. The Group recognizes a financial asset at the date when the Group becomes party to the contract of the financial instruments.

A financial asset is classified as financial assets measured at amortized cost if both of the following conditions are met; otherwise, it is classified as financial assets measured at fair value:

- The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows.
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

With regard to financial assets measured at fair value, with the exception of equity instruments held for trading which must be measured at fair value through profit or loss, each equity instrument is designated to be measured at fair value through profit or loss, or to be measured at fair value through other comprehensive income, and such designation is applied on a continuous basis.
All financial assets, unless classified as measured at fair value through profit or loss, are measured at their fair value plus transaction costs that are directly attributable to the financial assets.

(ii) Classification and subsequent measurement

After initial recognition, financial assets are measured based on their classification as follows:

(a) Financial assets measured at amortized cost
Financial assets measured at amortized cost are measured at amortized cost using the effective interest method.

(b) Other financial assets
Financial assets other than those measured at amortized cost are measured at fair value.
Subsequent changes in the fair value of financial assets measured at fair value are recognized as profit or loss.

However, for investments in equity instruments that are designated to be measured at fair value through other comprehensive income, subsequent changes in their fair value are recognized in other comprehensive income, and if they are derecognized or their fair value has declined significantly, the amount previously recognized in other comprehensive income is reclassified to retained earnings.
Dividends from that investment are recognized in profit or loss.

(iii) Derecognition

A financial asset is derecognized when the rights to receive benefits from the financial asset expire or the financial asset is transferred or substantially all of the risks and rewards of ownership of the financial asset are transferred.

2) Impairment of financial assets

Under IFRS 9 “Financial Instruments” (hereinafter “IFRS 9”), the Group estimates expected credit losses for financial assets that are subject to the impairment requirements of IFRS 9 at each reporting date and recognizes an allowance for doubtful accounts for such expected credit losses.
After initial recognition, expected credit losses are measured at the reporting date for each category of financial assets as follows:

Stage 1 Financial assets for which credit risk has not increased significantly since initial recognition:
12-month expected credit losses

Stage 2 Financial assets for which credit risk has increased significantly since initial recognition but no credit impairment has been identified:
Lifetime expected credit losses

Stage 3 Credit-impaired financial assets:
Lifetime expected credit losses

The Group directly reduces the carrying amount of a financial asset when its future recovery cannot be realistically expected and all collateral on the financial asset is enforced or transferred to the Group.

The Group determines whether the credit risk on a financial asset has increased significantly since initial recognition, primarily based on information regarding past due dates. In addition, the Group determines that a financial asset is credit-impaired if at least one of the following events occurs:

- Significant financial difficulty for the issuer or obligor;
- A breach of contract, such as a default or delinquency in interest or principal payment;
- The creditor, for economic or legal reasons relating to the debtor's financial difficulty, granting to the debtor a concession that the creditor would not otherwise consider;
- It has become probable that the debtor will enter bankruptcy or other financial reorganization;
- The disappearance of an active market for that financial asset because of financial difficulties; or
- Substantial discounts on a purchased or originated financial asset that reflects the incurred credit losses.

The Group evaluates stage 1 financial instruments on a collective basis and stage 2 and 3 financial instruments on an individual basis.

12-month and lifetime expected credit losses are measured using reasonable and supportable information about past events, current conditions and forecasts of future economic conditions that is available without undue cost or effort at the end of the reporting period.

When an event that has an adverse impact on the estimated future cash flows of credit-impaired financial assets that were purchased or originated has occurred, that is, there is evidence that their credit is impaired, at initial recognition, for such purchased or originated credit-impaired financial assets, the cumulative changes in expected credit losses over their remaining life subsequent to initial recognition are recognized as an allowance for doubtful accounts at the reporting date.

3) Financial liabilities

(i) Initial recognition and measurement

The Group classifies financial liabilities as fair value through profit or loss or measured at amortized cost. This classification is determined at initial recognition of the financial liabilities.
All financial liabilities are initially measured at fair value, while financial liabilities measured at amortized cost are measured at their fair value minus transaction costs that are directly attributable to the financial liabilities.

(ii) Classification and subsequent measurement

After initial recognition, financial liabilities are measured based on their classification as follows:

(a) Financial liabilities measured at fair value through profit or loss
Financial liabilities measured at fair value through profit or loss are subsequently measured at fair value after initial recognition, and any gain or loss arising from remeasurements is recognized as profit or loss.

(b) Financial liabilities measured at amortized cost
Financial liabilities measured at amortized cost are measured at amortized cost using the effective interest method after initial recognition. Amortization using the effective interest method and any gain or loss on derecognition are recognized as profit or loss in the consolidated statement of profit or loss.

(iii) Derecognition

A financial liability is derecognized when the obligation is discharged or cancelled or expires.

4) Offsetting financial instruments

A financial asset and a financial liability are offset and the net amounts are presented in the consolidated statement of financial position only when the Group currently has a legally enforceable right to set off the recognized amounts and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

5) Derivatives and hedge accounting

The Group uses derivatives, such as foreign exchange contracts and currency swap contracts, to hedge currency risks and interest rate risks. Derivatives are classified into financial assets measured at fair value through profit or loss and financial liabilities measured at fair value through profit or loss. Derivatives that meet the requirements for hedge accounting are designated as hedging instruments and hedge accounting is applied.

For the adoption of hedge accounting, the Group formally designates and documents the hedging relationship and the risk management objectives and strategies at the inception of the hedge. The documentation includes the details of the hedging instruments, the hedged items, the nature of the risks being hedged and the method of assessing hedge effectiveness. The Group assesses the hedging relationship on an ongoing basis with respect to whether the hedging relationship will be effective in the future.

The Group applies cash flow hedges to interest rate-related derivative transactions that meet the requirements for hedge accounting.

The portion of the changes in fair value of hedging instruments of cash flow hedges that is determined to be an effective hedge is recognized in other comprehensive income, and is accumulated as other components of equity until the hedged transaction is executed and recognized in profit or loss. The ineffective portion is recognized as profit or loss.

The amount that has been accumulated in other components of equity related to hedging instruments is reclassified to profit or loss when a hedged transaction affects profit or loss.
If a hedged transaction results in the recognition of non-financial assets or liabilities, the amounts that have been accumulated in other components of equity are accounted for as an adjustment to the initial cost of the non-financial assets or liabilities.

When forecast transactions are no longer expected to occur, hedge accounting is discontinued, and any cumulative gains and losses that have been accumulated in other components of equity are reclassified to profit or loss. Even if hedge accounting is discontinued, when hedged future cash flows are expected to occur, the amount that has been accumulated as other components of equity by the time of discontinuation of hedge accounting continues to be recognized in other components of equity until such future cash flows occur.

The Group does not apply fair value hedges or hedges of net investments in foreign operations.

6) Fair value of financial instruments

For fair value of financial instruments that are traded in active markets as of each fiscal year-end, quoted market prices or dealer prices are referred to.
Fair value of financial instruments for which there is no active market is calculated using appropriate valuation techniques.

(5) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, deposits withdrawable at any time and short-term, highly liquid investments with a maturity of three months or less from the acquisition date that are readily convertible to cash and which are subject to an insignificant risk of change in value.

(6) Inventories

The cost of inventories includes all costs of purchase, costs of conversion and all other costs incurred in bringing the inventories to their present location and condition.
Inventories are measured at the lower of cost and net realizable value. The cost is principally assigned by using the moving average method. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and estimated costs necessary to sell.

(7) Property, plant and equipment

The cost model is applied to property, plant and equipment and they are measured at cost less accumulated depreciation and accumulated impairment losses.
The cost includes any costs directly attributable to the acquisition of the asset, as well as costs of dismantling, removal, and restoration.

Except for assets that are not subject to depreciation, such as land, each asset is depreciated over its estimated useful life using the straight-line method (however, some assets, such as equipment for research and development, are depreciated using the diminishing balance method).

The estimated useful lives of major asset items are as follows:

- Buildings and structures: 2 – 60 years;
- Machinery, equipment and vehicles: 2 – 15 years

Estimated useful lives and depreciation methods, etc., are reviewed at each fiscal year-end, and if any changes occur, they are amended prospectively as changes in accounting estimates.

(8) Goodwill and intangible assets
1) Goodwill

The Group measures goodwill as the amount of the consideration transferred that is measured at the acquisition-date fair value, including the recognized amount of non-controlling interests in an acquiree, less the net of the acquisition-date amounts (usually fair value) of identifiable assets acquired and liabilities assumed.

Goodwill is not amortized. Goodwill is allocated to cash-generating units identified based on the region in which the business is conducted and the type of business and is tested for impairment annually or whenever there is any indication of impairment.
Impairment losses on goodwill are recognized in the consolidated statement of profit or loss, and they are not reversed in subsequent periods.

Goodwill is presented at the amount of acquisition cost less accumulated impairment losses.

2) Intangible assets

The cost model is applied to intangible assets, and such assets are measured at cost less accumulated amortization and accumulated impairment losses.

A separately acquired intangible asset is measured initially at cost. The cost of an intangible asset acquired in a business combination is measured at fair value at the acquisition date.
Expenditure on internally generated intangible assets, with the exception of an intangible asset arising from development that meets the recognition criteria, is recognized as expense when it is incurred.

An intangible asset with finite useful life is amortized over its estimated useful life using the straight-line method.

Estimated useful lives and amortization methods for intangible assets with finite useful lives are reviewed at each fiscal year-end, and if any changes occur, they are amended prospectively as changes in accounting estimates.

The estimated useful lives of major intangible assets with finite useful lives are as follows:

- Software: 5 years;
- Customer-related assets: 5 – 21 years

An intangible asset with indefinite useful life and an intangible asset not yet available for use are not amortized and are instead tested for impairment annually or whenever there is any indication of impairment for each individual asset or each cash-generating unit.

(9) Leases

For lease transactions as a lessee, at the commencement date of the lease, the Group measures a right-of-use asset at cost and a lease liability at the present value of the lease payments that are not paid at that date.
A right-of-use asset is depreciated over the shorter of its useful life or its lease term using the straight-line method.

The Group determines the lease term as the non-cancellable period of the lease, together with periods covered by an extension option that is reasonably certain to be exercised or a cancellation option that is reasonably certain not to be exercised.

Lease payments are apportioned to finance costs and repayments of lease liabilities using the effective interest method, and finance costs are recognized in the consolidated statement of profit or loss.

However, for short-term leases with a lease term of 12 months or less and leases for which the underlying assets are of low value, right-of-use assets and lease liabilities are not recognized, and the total lease payments are recognized as an expense on either a straight-line basis over the lease term or another systematic basis.

(10) Impairment of non-financial assets

The Group assesses at the end of each reporting period whether there is any indication of impairment for each asset. If there is any indication that an asset may be impaired or if the asset is required to test for impairment at least annually, the Group estimates the recoverable amount of the asset. If it is not possible to estimate the recoverable amount of the individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

The recoverable amount of an asset or cash-generating unit is measured at the higher of its fair value less costs of disposal or its value in use. When the carrying amount of the asset or cash-generating unit exceeds its recoverable amount, impairment losses for the asset are recognized and the carrying amount is reduced to its recoverable amount.

Value in use is determined as estimated future cash flows that are discounted to the present value, using a pre-tax discount rate that reflects the current market assessments of the time value of money, the risks specific to the asset and other factors. In calculating fair value less costs of disposal, an appropriate valuation model is used, supported by available indicators of fair value.

For an asset other than goodwill, the Group assesses whether there is any indication that an impairment loss recognized in the prior periods for the asset may no longer exist or may have decreased, such as any changes in the assumptions used to calculate the recoverable amount of the asset. If any such indication exists, the Group estimates the recoverable amount of the asset or cash-generating unit. When the recoverable amount exceeds the carrying amount of the asset or cash-generating unit, impairment losses are reversed up to the lower of the calculated recoverable amount and the carrying amount less depreciation and amortization, in the case where no impairment losses have been recognized in the prior periods.

(11) Employee benefits
1) Post-employment benefits

The Group implements defined benefit plans and defined contribution plans as its employees' post-employment benefit program.

The Group determines the present value of its defined benefit obligations and the related current service cost and prior service cost using the projected unit credit method.

The discount rate is determined by reference to market yields at the end of the reporting period on high-quality corporate bonds corresponding to the discount period, which is determined based on the period up to the expected benefit payment date in each future reporting period.

Remeasurements of defined benefit liability (asset) are recognized collectively as other comprehensive income in the period of their occurrence, and are immediately reclassified from other components of equity to retained earnings.

Prior service cost is amortized over the average period until benefits are vested using the straight-line method, while if the benefit has already been vested immediately after the introduction or change of the defined benefit plan, the prior service cost is recognized as profit or loss in the period in which it was incurred.

Contributions for retirement benefits under defined contribution plans are recognized as expenses at the time of contribution.

2) Short-term employee benefits

The Group recognizes the undiscounted amount of short-term employee benefits as an expense when an employee has rendered related service.
For bonus plans and paid absences, the Group recognizes the amount estimated to be paid under the applicable plan as liabilities when the Group has legal or constructive obligations to make such payments and reliable estimates of the obligations can be made.

(12) Share-based payment

The Group has introduced a performance-linked stock compensation program and a performance and share price-linked monetary compensation program.

The consideration for services received under the performance-linked stock compensation program is measured by reference to the fair value of the Company's shares on the grant date or is measured at the fair value of the incurred liabilities, and is recognized as an expense over the corresponding period, while the same amount is recognized as an increase in capital surplus or liabilities.

The consideration for services received under the performance and share price-linked monetary compensation program is measured by reference to the fair value of the Company's shares at the end of the reporting period, and is recognized as an expense over the corresponding period, while the same amount is recognized as an increase in liabilities. Fair value of the relevant liabilities is remeasured at the end of the reporting period and the settlement date, and any changes in fair value are recognized as profit or loss.

The details of the programs are provided in (Overview of non-performance-linked stock compensation program, performance-linked stock compensation program and performance and share price-linked monetary compensation program) in Note 33. “Share-based payments.”

(13) Provisions

The Group recognizes a provision when the Group has a present obligation (legal or constructive) as a result of a past event, it is highly probable that the Group will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Where the effect of the time value of money is material, the provision is measured at the present value of the expenditures expected to be required to settle the obligation. For calculation of the present value, a pre-tax discount rate that reflects the current market assessment of the time value of money and risks specific to the liability is used.

(14) Revenue
1) Revenue from contracts with customers

For revenue from contracts with customers, the Group identifies the contract with a customer, identifies the performance obligations in the contract at contract inception, determines the transaction price, allocates the transaction price to the performance obligations in the contract, and recognizes the revenue when the Group satisfies a performance obligation.

A performance obligation is satisfied when control of the goods or services associated with an identified performance obligation is transferred to the customer.

Revenue from contracts with customers is classified into the following:

・ Revenue from sales of products and construction contracting

For product sales contracts with customers, revenue is recognized when the product is delivered to the customer.

The consideration under the product sales contract is collected within a reasonable period after the time of delivery of the product to the customer and includes no significant financial component.

For construction contracts, control of assets is transferred to the customer over a certain period of time since the Company's performance does not create an asset with an alternative use and the Company has an enforceable right to payment for performance completed to date. Therefore, sales are recognized over the period of the construction contract, based on the degree of progress toward satisfaction of performance obligations as measured at the end of each reporting date. To measure progress, the input method is applied, using the ratio of the incurred cost against the estimated total cost for each contract.

Consumption taxes, value-added taxes, etc., are deducted from the transaction price when the Group is found to act as an agent of the taxation authority in the transaction, taking into comprehensive consideration the laws and regulations as well as the actual situation regarding transactions in each country. An amount substantially equivalent to the discount from the sales price under the contract with a customer is deducted from transaction price.

The Group has no significant obligations to return goods or to refund.

・ Technology revenue

Technology revenue is recognized on an accrual basis in accordance with the substance of the relevant contractual arrangements. The Group earns revenue under the contracts that allow third parties to manufacture and sell its products and use its technologies.

2) Interest revenue

Interest revenue is calculated by using the effective interest method.
For the financial assets described in (4) Financial instruments 2) Impairment of financial assets, interest revenue is recognized by using the effective interest method as follows, for each category of financial assets:

Stage 1 and stage 2 financial assets:
Carrying amount before deducting allowance for doubtful accounts × effective interest rate

Stage 3 financial assets:
Carrying amount after deducting allowance for doubtful accounts × effective interest rate

Purchased or originated credit-impaired financial assets:
Carrying amount after deducting allowance for doubtful accounts × credit-adjusted effective interest rate

3) Dividends

Dividends are recognized when the shareholders' rights to receive payment are established.

(15) Government grants

Government grants are recognized at fair value when there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognized in profit or loss on a systematic basis over the periods in which the Group recognizes as expense the related costs for which the grants are intended to compensate.

Government grants related to assets are deducted from the carrying value of the assets.

(16) Income taxes

Income tax expense in the consolidated statement of profit or loss is presented as the aggregate amount of current tax and deferred tax.

Income taxes are recognized as profit or loss, except for the tax arising from items that are recognized in other comprehensive income or directly in equity, and the tax arising from business combinations.

Current taxes are measured at the amount expected to be paid to or recovered from the taxation authorities.
The amount of these taxes is calculated using the tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred taxes are recognized related to the temporary differences between the carrying amount of an asset and a liability at the end of the period for accounting purposes and its tax base.
A deferred tax asset is recognized for deductible temporary differences, unused tax credits and unused tax losses to the extent that it is probable that taxable profits will be available against which they can be utilized. A deferred tax liability is recognized, in principle, for all taxable temporary differences.

However, deferred tax assets or liabilities are not recognized for the following temporary differences deferred taxes arises from:

- The initial recognition of goodwill;
- The initial recognition of an asset or a liability in a transaction which is not a business combination and affects neither accounting profit nor taxable profit (tax loss) at the time of the transaction;
- For deductible temporary differences arising from investments in subsidiaries and associates and interests in joint arrangements when it is probable that the temporary differences will not reverse in the foreseeable future or it is not probable that taxable profits will be available against which the temporary differences can be utilized; or
- For taxable temporary differences associated with investments in subsidiaries and associates and interests in joint arrangements when the timing of the reversal of temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

At the end of each reporting period, the Group reassesses unrecognized deferred tax assets and recognizes a previously unrecognized deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities are offset only if the Group has a legally enforceable right to set off current tax assets against current tax liabilities and related income taxes are levied by the same taxation authority on the same taxable entity.

The income tax expense for each quarter is calculated based on an estimated yearly effective tax rate.

(17) Equity

1) Ordinary shares

For ordinary shares issued by the Company, the total issue price of the shares is recorded in share capital and capital surplus, and transaction costs, net of related tax effects, are deducted from capital surplus.

2) Treasury shares

Treasury shares are measured at cost and deducted from equity. No gain or loss is recognized in profit or loss on the purchase, sale or cancellation of treasury shares. The difference between the carrying amount and the consideration received from the sale is recognized in equity.

(18) Earnings per share

Basic earnings per share are calculated by dividing profit or loss attributable to common shareholders of the parent by the weighted average number of common shares outstanding, after adjusting for treasury shares, during the period.

(19) Liabilities pertaining to forward contracts concluded with non-controlling shareholders

For forward contracts for shares in subsidiaries which the Group has concluded with non-controlling shareholders, the present value of the expected transfer price is initially recognized as other financial liabilities, and the same amount is deducted from capital surplus. After initial recognition, the present value is measured at amortized cost using the effective interest method, in principle, and the amount of subsequent changes is recognized in profit or loss.

4. Significant accounting estimates and judgments

In preparing the consolidated financial statements of the Group, management is required to make judgments, estimates and assumptions that affect the application of accounting policies and the disclosure of reported amounts of income, expenses, assets and liabilities. However, actual results may differ from these estimates.

The estimates and their underlying assumptions are reviewed on a continuous basis. The impact of these reviews on estimates and assumptions are recognized in the period in which the estimates or assumptions are reviewed, the reporting period, and subsequent reporting periods.

In the application of the accounting policies, estimates and judgments that may have a particularly significant effect on the amounts recognized in the consolidated financial statements of the Group are as follows:

・ Valuation of goodwill

（Note 3. “Significant accounting policies (8) Goodwill and intangible assets”）

Careful judgments are made with external experts for estimates of future cash flows based on the business plan, growth rates and discount rates to be used in the impairment test for goodwill. However, these judgments are subject to future uncertainties.

In the event of an increase in the discount rate or a decrease in the growth rate, an impairment loss may be incurred.

・ Estimates of the total cost of transactions that recognize revenue over a certain period of time

（Note 3. “Significant accounting policies (14) Revenue”）

The Group uses estimated total costs to measure the degree of the construction’s progress, which is used for recognizing revenues over a certain period of time. However, these estimates are subject to future uncertainties due to technical or physical factors and changes in the environment surrounding the contracts.

In addition, other estimates and judgments that are considered important are as follows:

・ Estimates of fair value of intangible assets acquired in a business combination
（Note 3. “Significant accounting policies (2) Business combinations”）
・ Impairment of non-financial assets
（Note 3. “Significant accounting policies (10) Impairment of non-financial assets”）
・ Useful lives of intangible assets
（Note 3. “Significant accounting policies (8) Goodwill and intangible assets”）
・ Recoverability of deferred tax assets
（Note 3. “Significant accounting policies (16) Income taxes”）
・ Estimates of the extension option and cancellation option in lease agreements
（Note 3. “Significant accounting policies (9) Leases”）
・ Provisions
（Note 3. “Significant accounting policies (13) Provisions”）
・ Measurement of defined benefit obligations
（Note 3. “Significant accounting policies (11) Employee benefits”）
・ Fair value of financial instruments
（Note 3. “Significant accounting policies (4) Financial instruments”）

5. New standards not yet applied

With respect to the standards or interpretations newly issued or amended by the date of the approval of the consolidated financial statements, the Group has not applied them early as of March 31, 2023.

The impact of the application is not stated herein, due to its immateriality.

6. 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 and services that it handles in Japan and overseas and conducts business accordingly. The Group's operations are therefore classified into two reportable segments, the Water Treatment Chemicals business and the Water Treatment Facilities business.

The Water Treatment Chemicals business manufactures and sells water treatment chemicals and equipment and provides maintenance services. The Water Treatment Facilities business manufactures and sells water treatment equipment and facilities, provides 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 on reportable segments

The accounting policies for reportable segments are the same as the accounting policies for the Group, which are provided in Note 3. "Significant accounting policies." Intersegment sales are based on prevailing market prices.

Fiscal year ended March 31, 2022

	Millions of yen				
	Reportable segments				
2022	Water Treatment Chemicals	Water Treatment Facilities	Total	Adjustments (Notes)	Consolidated
Net sales					
Sales to external customers	¥117,672	¥170,534	¥288,207	¥ —	¥288,207
Intersegment sales	518	561	1,080	(1,080)	—
Total	118,191	171,095	289,287	(1,080)	288,207
Segment profit	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
Segment assets	¥148,267	¥274,119	¥422,386	¥47,595	¥469,981
Other items					
Depreciation and amortization	¥5,935	¥17,477	¥23,412	¥ —	¥23,412
Impairment losses	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. Adjustments to segment profit include the elimination of inter-segment transactions, etc.
2. Segment profit presents the amount of operating profit.
3. Adjustments to segment assets include the elimination of inter-segment transactions, etc., and consist mainly of corporate assets unallocated to reportable segments.
4. Capital expenditures include an increase in right-of-use assets.
5. Capital expenditures do not include assets acquired through business acquisitions.
6. Net sales of the Water Treatment Facilities business include the amount of revenue recorded for transactions in which revenue is recognized over a certain period of time by the Company of ¥51,440 million.

Fiscal year ended March 31, 2023

	Millions of yen				
	Reportable segments				
2023	Water Treatment Chemicals	Water Treatment Facilities	Total	Adjustments (Notes)	Consolidated
Net sales					
Sales to external customers	¥136,139	¥208,468	¥344,608	¥ —	¥344,608
Intersegment sales	553	882	1,435	(1,435)	—
Total	136,692	209,350	346,043	(1,435)	344,608
Segment profit	7,606	21,526	29,132	(73)	29,058
Finance income					1,990
Finance costs					(1,077)
Share of profit (loss) of investments accounted for using equity method					179
Profit before tax					¥30,151
Segment assets	¥144,467	¥303,233	¥447,701	¥53,836	¥501,538
Other items					
Depreciation and amortization	¥6,730	¥22,884	¥29,614	¥ —	¥29,614
Impairment losses	7,660	—	7,660	—	7,660
Investments accounted for using equity method	1,085	149	1,234	49	1,283
Capital expenditures	6,773	41,468	48,241	—	48,241

	Thousands of U.S. dollars				
	Reportable segments				
2023	Water Treatment Chemicals	Water Treatment Facilities	Total	Adjustments (Notes)	Consolidated
Net sales					
Sales to external customers	$1,015,962	$1,555,731	$2,571,701	$ —	$2,571,701
Intersegment sales	4,126	6,582	10,708	(10,708)	—
Total	1,020,089	1,562,313	2,582,410	(10,708)	2,571,701
Segment profit	56,761	160,641	217,402	(544)	216,850
Finance income					14,850
Finance costs					(8,037)
Share of profit (loss) of investments accounted for using equity method					1,335
Profit before tax					$225,007
Segment assets	$1,078,111	$2,262,932	$3,341,052	$401,761	$3,742,820
Other items					
Depreciation and amortization	$50,223	$170,776	$221,000	$ —	$221,000
Impairment losses	57,164	—	57,164	—	57,164
Investments accounted for using equity method	8,097	1,111	9,208	365	9,574
Capital expenditures	50,544	309,462	360,007	—	360,007

Notes
1. Adjustments to segment profit include the elimination of inter-segment transactions, etc.
2. Segment profit presents the amount of operating profit.
3. Adjustments to segment assets include the elimination of inter-segment transactions, etc., and consist mainly of corporate assets unallocated to reportable segments.
4. Capital expenditures include an increase in right-of-use assets.
5. Impairment losses consist mainly of impairment losses on goodwill of ¥7,646 million ($57,059 thousand). Details are provided in Note 13. “Goodwill and intangible assets.”
6. Net sales of the Water Treatment Facilities business include the amount of revenue recorded for transactions in which revenue is recognized over a certain period of time by the Company of ¥59,098 million ($441,029 thousand).

(3) Information about products and services

This information is omitted since the classification of products and services herein follows the same classification as used for reportable segments.

(4) Information about geographical areas

Non-current assets and net sales to external customers by geographical areas are as follows:

1) Non-current assets

	Millions of yen		Thousands of U.S. dollars
	2022	2023	2023
Japan	¥159,264	¥175,610	$1,310,522
Asia	19,450	20,330	151,716
Americas	61,740	60,749	453,350
EMEA	20,855	21,679	161,783
Total	¥261,311	¥278,370	$2,077,388

Note Non-current assets are allocated based on the location of assets, and financial instruments or deferred tax assets are not included. EMEA refers to the European, Middle Eastern and African regions.

2) Net sales

	Millions of yen		Thousands of U.S. dollars
	2022	2023	2023
Japan	¥159,365	¥175,995	$1,313,395
Asia	58,032	78,883	588,679
Americas	46,351	60,198	449,238
EMEA	24,457	29,530	220,373
Total	¥288,207	¥344,608	$2,571,701

Note Net sales are allocated to a country or areas based on the locations of customers. EMEA refers to the European, Middle Eastern and African regions.

(5) Information about major customers

This information is omitted since there is no single external customer that accounts for 10% or more of the net sales in the consolidated statement of profit or loss.

7. Business combinations and Acquisition of non-controlling interests

Fiscal year ended March 31, 2022

(Business combinations of entities or businesses under common control)

(1) Outline of the transaction
1) Company names and businesses at the time of business combination

(i) Surviving company
Name: Kurita Water Industries Ltd.
Business: Manufacture and sale of water treatment chemicals and water treatment facilities, maintenance of water treatment facilities, ultrapure water supply, and soil and groundwater remediation

(ii) Merged company
Name: Kurita Engineering Co., Ltd. (hereinafter "Kurita Engineering")
Business: Plant cleaning and maintenance, manufacture and sale of cleaning and wastewater treatment chemicals, facilities and equipment, and rental of temporary machinery

2) Date of business combination

April 1, 2021

3) Legal form of business combination

Kurita Engineering has been dissolved through an absorption-type merger in which the Company is the surviving company.

4) Name of the company after business combination

Kurita Water Industries Ltd.

5) Main reason of integration

Kurita Engineering was established in 1959 when the chemical cleaning division was separated from the Company, and has been developing its business focusing on chemical cleaning for large plants in Japan as a leading company in plant facilities cleaning services. In the social and industrial infrastructure markets such as electric power, iron and steel, petroleum refining, and petrochemicals, which are the main markets for Kurita Engineering and the Company, there are growing needs to reduce environmental impact and improve productivity, including decarbonization measures against global climate change. This merger will enable the Company to flexibly invest its management resources, such as financial and human resources, into Kurita Engineering's solid technological and customer base so that the Company can accurately identify these needs and provide optimal solutions. We will aim to expand the scope of our plant facilities cleaning business and achieve sustainable growth by establishing a system to respond promptly to social demands and customer needs in the future social and industrial infrastructure markets.

(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 based on carrying the amount for all business combination transactions under common control.

Fiscal year ended March 31, 2023

Not applicable.

8. Cash and cash equivalents

The breakdown of cash and cash equivalents is as follows:

	Millions of yen		Thousands of U.S. dollars
	2022	2023	2023
Cash and deposits	¥43,974	¥48,322	$360,611
Short-term investments	1,756	2,145	16,007
Total	¥45,730	¥50,468	$376,626

The balance of cash and cash equivalents in the consolidated statement of financial position matches that in the consolidated statement of cash flows.

9. Trade and other receivables

The breakdown of trade and other receivables is as follows:

	Millions of yen		Thousands of U.S. dollars
	2022	2023	2023
Notes and accounts receivable - trade	¥75,290	¥78,585	$586,455
Accounts receivable - other	778	714	5,328
Contract asset	31,900	40,356	301,164
Lease receivables	1,260	1,064	7,940
Allowance for doubtful accounts	(338)	(421)	(3,141)
Total	¥108,892	¥120,299	$897,753

Notes 1. In the consolidated statement of financial position, trade and other receivables are presented in the amount after deduction of allowance for doubtful accounts.
2. With the exception of lease receivables, trade and other receivables are classified as financial assets measured at amortized cost.

10. Other financial assets

(1) Breakdown of other financial assets

The breakdown of other financial assets is as follows:

	Millions of yen		Thousands of U.S. dollars
	2022	2023	2023
Shares	¥17,078	¥8,872	$66,208
Insurance funds	2,410	2,814	21,000
Leasehold deposits	1,897	1,756	13,104
Time deposits	2,757	2,838	21,179
Other	1,943	2,509	18,723
Total	¥26,086	¥18,791	$140,231
Current assets	¥3,075	¥3,357	$25,052
Non-current assets	23,011	15,433	115,171

Notes 1. In the consolidated statement of financial position, other financial assets are presented in the amount after deduction of allowance for doubtful accounts.
2. Insurance funds, shares, and time deposits and leasehold deposits are classified as financial assets measured at fair value through profit or loss, financial assets measured at fair value through other comprehensive income and financial assets measured at amortized cost, respectively. Other consists primarily of financial assets measured at amortized cost.

(2) Financial assets measured at fair value through other comprehensive income

Major equity instruments and their fair values, of financial assets measured at fair value through other comprehensive income, are as follows:

	Millions of yen		Thousands of U.S. dollars
Name of shares	2022	2023	2023
Shin-Etsu Chemical Co., Ltd.	¥3,359	¥3,821	$28,514
ONO PHARMACEUTICAL CO., LTD.	4,227	1,905	14,216
NIPPON SHOKUBAI CO.,LTD.	994	985	7,350
Otsuka Holdings Co., Ltd.	846	840	6,268
Daikin Industries, Ltd.	5,550	—	—

Note Shares are held primarily for business relationship purposes, and are therefore designated as financial assets measured at fair value through other comprehensive income.

The Group sells (derecognizes) financial assets measured at fair value through other comprehensive income in order to ensure the efficient and effective use of the assets it holds.

Fair values at the time of sales and cumulative gain or loss on disposal recognized as other comprehensive income in equity are as follows:

	Millions of yen		Thousands of U.S. dollars
	2022	2023	2023
Fair value	¥9,212	¥8,856	$66,089
Cumulative gain or loss on disposal recognized as other comprehensive income in equity	7,259	7,138	53,268

Note Cumulative gain or loss on disposal recognized as other comprehensive income in equity are reclassified to retained earnings when the assets are sold or when their fair value declines significantly.

11. Inventories

The breakdown of inventories is as follows:

	Millions of yen		Thousands of U.S. dollars
	2022	2023	2023
Finished goods	¥6,640	¥8,132	$60,686
Work in process	1,029	1,598	11,925
Raw materials and supplies	5,462	7,116	53,104
Total	¥13,132	¥16,847	$125,723

12. Property, plant and equipment

Changes in carrying amount, acquisition cost, accumulated depreciation and impairment losses of property, plant and equipment are as follows:

1) Carrying amount

	Millions of yen					
	Buildings and structures	Machinery and vehicles	Land	Construction in progress	Other	Total
Balance as of April 1, 2021	¥19,039	¥60,805	¥11,537	¥21,666	¥4,554	¥117,603
Individual acquisition	276	1,260	—	61,006	515	63,058
Acquisition through business combination	559	129	—	—	26	715
Depreciation (Note)	(2,041)	(12,265)	—	—	(1,631)	(15,939)
Impairment losses	(476)	(131)	(400)	—	(19)	(1,027)
Sale or disposal	(248)	(177)	(4,301)	—	(49)	(4,777)
Reclassification to other account	25,806	19,603	—	(48,346)	2,568	(368)
Exchange differences on translation of foreign operations	365	571	13	255	156	1,364
Other	16	21	—	(0)	366	404
Balance as of March 31, 2022	¥43,298	¥69,817	¥6,849	¥34,581	¥6,488	¥161,034
Individual acquisition	278	1,193	18	36,649	811	38,951
Depreciation (Note)	(3,821)	(15,663)	—	—	(2,045)	(21,530)
Impairment losses	(9)	(2)	—	—	(0)	(12)
Sale or disposal	(138)	(162)	(143)	(5)	(69)	(519)
Reclassification to other account	8,578	35,911	—	(45,947)	1,394	(63)
Exchange differences on translation of foreign operations	225	433	18	87	81	847
Other	6	(0)	24	(0)	0	30
Balance as of March 31, 2023	¥48,417	¥91,526	¥6,766	¥25,366	¥6,660	¥178,737

	Thousands of U.S. dollars					
	Buildings and structures	Machinery and vehicles	Land	Construction in progress	Other	Total
Balance as of March 31, 2022	$323,119	$521,022	$51,111	$258,067	$48,417	$1,201,746
Individual acquisition	2,074	8,902	134	273,500	6,052	290,679
Depreciation (Note)	(28,514)	(116,888)	—	—	(15,261)	(160,671)
Impairment losses	(67)	(14)	—	—	(0)	(89)
Sale or disposal	(1,029)	(1,208)	(1,067)	(37)	(514)	(3,873)
Reclassification to other account	64,014	267,992	—	(342,888)	10,402	(470)
Exchange differences on translation of foreign operations	1,679	3,231	134	649	604	6,320
Other	44	(0)	179	(0)	0	223
Balance as of March 31, 2023	$361,320	$683,029	$50,492	$189,298	$49,701	$1,333,858

Note Depreciation of property, plant and equipment is included in cost of sales and selling, general and administrative expenses in the consolidated statement of profit or loss.

2) Acquisition cost

	Millions of yen					
	Buildings and structures	Machinery and vehicles	Land	Construction in progress	Other	Total
Balance as of April 1, 2021	¥49,605	¥177,839	¥12,036	¥21,666	¥18,440	¥279,588
Balance as of March 31, 2022	¥74,439	¥198,432	¥7,678	¥34,581	¥21,089	¥336,221
Balance as of March 31, 2023	¥81,697	¥234,576	¥7,081	¥25,366	¥22,419	¥371,140

	Thousands of U.S. dollars					
	Buildings and structures	Machinery and vehicles	Land	Construction in progress	Other	Total
Balance as of March 31, 2023	$609,679	$1,750,567	$52,843	$189,298	$167,305	$2,769,701

3) Accumulated depreciation and impairment losses

	Millions of yen					
	Buildings and structures	Machinery and vehicles	Land	Construction in progress	Other	Total
Balance as of April 1, 2021	¥30,565	¥117,034	¥498	¥ —	¥13,885	¥161,984
Balance as of March 31, 2022	¥31,141	¥128,615	¥829	¥ —	¥14,601	¥175,187
Balance as of March 31, 2023	¥33,279	¥143,049	¥314	¥ —	¥15,758	¥192,402

	Thousands of U.S. dollars					
	Buildings and structures	Machinery and vehicles	Land	Construction in progress	Other	Total
Balance as of March 31, 2023	$248,350	$1,067,529	$2,343	$ —	$117,597	$1,435,835

13. Goodwill and intangible assets

(1) Table of changes

Changes in carrying amount, acquisition cost, accumulated amortization and impairment losses of goodwill and intangible fixed assets are as follows:

1) Carrying amount

	Millions of yen				
	Goodwill	Software	Customer-related assets	Other	Total
Balance as of April 1, 2021	¥55,596	¥4,542	¥8,716	¥4,061	¥72,916
Individual acquisition	—	2,005	16	15	2,037
Acquisition through business combination	2,320	0	661	0	2,982
Amortization (Note)	—	(1,444)	(1,048)	(828)	(3,321)
Impairment losses	—	(1)	—	—	(1)
Sale or disposal	—	(2)	—	(0)	(2)
Exchange differences on translation of foreign operations	5,075	23	729	209	6,037
Other changes	—	331	66	37	435
Balance as of March 31, 2022	¥62,992	¥5,454	¥9,142	¥3,494	¥81,084
Individual acquisition	—	1,810	—	4	1,814
Amortization (Note)	—	(1,671)	(1,199)	(934)	(3,805)
Impairment losses	(7,646)	(0)	—	—	(7,647)
Sale or disposal	—	(21)	—	—	(21)
Exchange differences on translation of foreign operations	5,067	20	712	206	6,007
Other changes	—	52	(7)	41	87
Balance as of March 31, 2023	¥60,413	¥5,644	¥8,647	¥2,812	¥77,517

	Thousands of U.S. dollars				
	Goodwill	Software	Customer-related assets	Other	Total
Balance as of March 31, 2022	$470,089	$40,701	$68,223	$26,074	$605,104
Individual acquisition	—	13,507	—	29	13,537
Amortization (Note)	—	(12,470)	(8,947)	(6,970)	(28,395)
Impairment losses	(57,059)	(0)	—	—	(57,067)
Sale or disposal	—	(156)	—	—	(156)
Exchange differences on translation of foreign operations	37,813	149	5,313	1,537	44,828
Other changes	—	388	(52)	305	649
Balance as of March 31, 2023	$450,843	$42,119	$64,529	$20,985	$578,485

Note Amortization of intangible assets is included in cost of sales and selling, general and administrative expenses in the consolidated statement of profit or loss.

2) Acquisition cost

	Millions of yen				
	Goodwill	Software	Customer-related assets	Other	Total
Balance as of April 1, 2021	¥58,071	¥15,384	¥12,472	¥6,896	¥92,825
Balance as of March 31, 2022	¥65,467	¥17,741	¥14,272	¥7,263	¥104,744
Balance as of March 31, 2023	¥70,425	¥19,340	¥15,136	¥7,610	¥112,513

	Thousands of U.S. dollars				
	Goodwill	Software	Customer-related assets	Other	Total
Balance as of March 31, 2023	$525,559	$144,328	$112,955	$56,791	$839,649

3) Accumulated amortization and impairment losses

	Millions of yen				
	Goodwill	Software	Customer-related assets	Other	Total
Balance as of April 1, 2021	¥2,475	¥10,841	¥3,756	¥2,835	¥19,908
Balance as of March 31, 2022	¥2,475	¥12,286	¥5,129	¥3,768	¥23,660
Balance as of March 31, 2023	¥10,012	¥13,696	¥6,488	¥4,797	¥34,995

	Thousands of U.S. dollars				
	Goodwill	Software	Customer-related assets	Other	Total
Balance as of March 31, 2023	$74,716	$102,208	$48,417	$35,798	$261,156

(2) Impairment tests for goodwill

The carrying amount of the goodwill allocated to each cash-generating unit is as follows:

	Millions of yen		Thousands of U.S. dollars
Reportable segments	2022	2023	2023
Water Treatment Chemicals	¥46,396	¥42,358	$316,104
Kurita Europe GmbH	14,309	15,237	113,708
Hansu Co., Ltd.	4,908	4,996	37,283
Avista Technologies, Inc.	4,853	5,294	39,507
Kurita America, Inc.	22,325	16,830	125,597
Water Treatment Facilities	¥16,595	¥18,054	$134,731
Kurita America, Inc.	5,784	6,259	46,708
Kurita Fracta Holdings, Inc.	2,006	2,188	16,328
Pentagon Technologies Group, Inc.	8,804	9,605	71,679
Total	¥62,992	¥60,413	$450,843

Impairment tests for major goodwill are performed as follows:

1) Kurita Europe GmbH (Water Treatment Chemicals business)

The recoverable amount is measured at value in use. The value in use is calculated by discounting future cash flows at 10.1%, and the discount rate used is determined with reference to the weighted average cost of capital for the cash-generating unit. The forecast period of future cash flows is five years, based on a business plan that was created reflecting past experience and external information and approved by management. For periods after five years, a growth rate of 1.0% is used, which was determined by taking into account the conditions of the market in which the cash-generating unit is operating. Accordingly, the recoverable amount exceeds the carrying amount, and therefore, no impairment loss was recognized for the fiscal year ended March 31, 2023.
For the fiscal year ended March 31, 2022, the forecast period of future cash flows was five years, and the discount rate and the growth rate used were 6.8% and 1.0%, respectively.
The Group considers that, even if key assumptions used in the impairment test change within a reasonably foreseeable range, a significant impairment is unlikely to occur in the cash-generating unit.

2) Hansu Co., Ltd. (Water Treatment Chemicals business)

The recoverable amount is measured at value in use. The value in use is calculated by discounting future cash flows at 13.5%, and the discount rate used is determined with reference to the weighted average cost of capital for the cash-generating unit. The forecast period of future cash flows is five years, based on a business plan that was created reflecting past experience and external information and approved by management. For periods after five years, a growth rate of 0.0% is used, which was determined by taking into account the conditions of the market in which the cash-generating unit is operating. Accordingly, the recoverable amount exceeds the carrying amount, and therefore, no impairment loss was recognized for the fiscal year ended March 31, 2023.
For the fiscal year ended March 31, 2022, the forecast period of future cash flows was five years, and the discount rate and the growth rate used were 11.4% and 0.0%, respectively.
The Group considers that, even if key assumptions used in the impairment test change within a reasonably foreseeable range, a significant impairment is unlikely to occur in the cash-generating unit.

3) Avista Technologies, Inc. (Water Treatment Chemicals business)

The recoverable amount is measured at value in use. The value in use is calculated by discounting future cash flows at 10.8%, and the discount rate used is determined with reference to the weighted average cost of capital for the cash-generating unit.
The forecast period of future cash flows is five years, based on a business plan that was created reflecting past experience and external information and approved by management. For periods after five years, a growth rate of 2.0% is used, which was determined by taking into account the conditions of the market in which the cash-generating unit is operating. Accordingly, the recoverable amount exceeds the carrying amount, and therefore, no impairment loss was recognized for the fiscal year ended March 31, 2023.
For the fiscal year ended March 31, 2022, the forecast period of future cash flows was five years, and the discount rate and the growth rate used were 9.5% and 2.2%, respectively.
The Group considers that, even if key assumptions used in the impairment test change within a reasonably foreseeable range, a significant impairment is unlikely to occur in the cash-generating unit.

4) Kurita America, Inc. (Water Treatment Chemicals business and Water Treatment Facilities business)

The recoverable amount is measured at value in use. The value in use is calculated by discounting future cash flows at 10.8%, and the discount rate used is determined with reference to the weighted average cost of capital for the cash-generating unit.
The forecast period of future cash flows is five years, based on a business plan that was created reflecting past experience and external information and approved by management. For periods after five years, a growth rate of 2.0% is used, which was determined by taking into account the conditions of the market in which the cash-generating unit is operating.

The business plan above was created based on external information regarding the future of the industry and other factors. In addition, we expect to see further growth over the next five years in high-value-added products and services that create common value with society, including CSV business that we are promoting throughout the Group, as well as cost reduction measures included in cost of sales and other items. On the other hand, the estimates were revised downward after carefully considering the past results achieved, including the fiscal year ended March 31, 2023, which was affected by fluctuations in the water treatment chemicals market after the spread of COVID-19, logistics disruptions, and price hikes.

Furthermore, in line with the U.S. policy rate hike, the discount rate used to calculate the recoverable amount was increased, which resulted in the recoverable amount being lower than the carrying amount. As a result, impairment losses of ¥7,646 million ($57,059 thousand) (Water Treatment Chemicals business) were recorded for the fiscal year ended March 31, 2023.

For the fiscal year ended March 31, 2022, the forecast period of future cash flows was five years, and the discount rate and the growth rate used were 9.5% and 2.2%, respectively.

5) Kurita Fracta Holdings, Inc. (Water Treatment Facilities business)

The recoverable amount is measured at value in use. The value in use is calculated by discounting future cash flows at 19.1%, and the discount rate used is determined with reference to the weighted average cost of capital for the cash-generating unit. The forecast period of future cash flows is five years, based on a business plan that was created reflecting past experience and external information and approved by management. For periods after five years, a growth rate of 2.5% is used, which was determined by taking into account the conditions of the market in which the cash-generating unit is operating. Accordingly, the recoverable amounts exceed each of their carrying amounts, and therefore, no impairment loss was recognized for the fiscal year ended March 31, 2023.
For the fiscal year ended March 31, 2022, the forecast period of future cash flows was five years, and the discount rate and the growth rate used were 17.9% and 2.5%, respectively.
The Group considers that, even if key assumptions used in the impairment test change within a reasonably foreseeable range, a significant impairment is unlikely to occur in the cash-generating unit.

6) Pentagon Technologies Group, Inc. (Water Treatment Facilities business)

The recoverable amount is measured at value in use. The value in use is calculated by discounting future cash flows at 10.3%, and the discount rate used is determined with reference to the weighted average cost of capital for the cash-generating unit. The forecast period of future cash flows is five years, based on a business plan that was created reflecting past experience and external information and approved by management. For periods after five years, a growth rate of 2.0% is used, which was determined by taking into account the conditions of the market in which the cash-generating unit is operating. Accordingly, the recoverable amount exceeds the carrying amount, and therefore, no impairment loss was recognized for the fiscal year ended March 31, 2023.
For the fiscal year ended March 31, 2022, the forecast period of future cash flows was five years, and the discount rate and the growth rate used were 10.7% and 2.2%, respectively.
The Group considers that, even if key assumptions used in the impairment test change within a reasonably foreseeable range, a significant impairment is unlikely to occur in the cash-generating unit.

14. Impairment losses for non-financial assets

Business assets are grouped mainly by segment and idle assets are grouped by individual property.

Fiscal year ended March 31, 2022

For the fiscal year ended March 31, 2022, impairment losses of ¥1,028 million (¥1,027 million for property, plant and equipment, ¥1 million for intangible assets) were recorded in “Other expenses,” as a result of the closure of the Yamaguchi Plant accompanying the reorganization of manufacturing bases in the domestic Water Treatment Facilities business and the decision to suspend the operation of the plant of Kurita Water Industries (Jiangyin) Co. (Water Treatment Chemicals business) due to a review of the production structures for water treatment chemicals in China.
The breakdown of impairment losses by segment is provided in Note 6. “Segment information.”

Fiscal year ended March 31, 2023

For the fiscal year ended March 31, 2023, impairment losses of ¥7,646 million ($57,059 thousand) were recognized mainly on goodwill. Details are provided in Note 13. “Goodwill and intangible assets.”

15. Investments accounted for using equity method

(1) Material associates

Not applicable.

(2) Individually immaterial associates
(i) The carrying amount of investments in individually immaterial associates is as follows:

	Millions of yen		Thousands of U.S. dollars
	2022	2023	2023
Total carrying amount	¥1,191	¥1,283	$9,574

(ii) The aggregate amount of the Group’s share of profit and comprehensive income of individually immaterial associates is as follows:

	Millions of yen		Thousands of U.S. dollars
	2022	2023	2023
Share of:			
Profit	¥(80)	¥179	$1,335
Other comprehensive income	121	2	14
Comprehensive income	¥41	¥181	$1,350

16. Income taxes

(1) Deferred tax assets and deferred tax liabilities

Deferred tax assets and deferred tax liabilities, classified by primary cause, are as follows:

Fiscal year ended March 31, 2022

	Millions of yen				
2022	April 1, 2021	Recognized through profit or loss	Recognized in other comprehensive income	Other	March 31, 2022
Deferred tax assets					
Depreciation	¥2,624	¥347	¥ —	¥ —	¥2,972
Net defined benefit liability	4,991	311	(105)	—	5,196
Accrued bonuses to employees	832	41	—	—	873
Accrued paid absences	672	68	—	—	740
The carryforward of unused tax losses	1,145	(109)	—	—	1,036
Unrealized gain on the sale of fixed assets	311	(8)	—	—	302
Other	3,583	182	(57)	—	3,708
Total deferred tax assets	14,161	834	(163)	—	14,831
Deferred tax liabilities					
Financial assets measured at fair value through other comprehensive income	5,805	—	(1,983)	—	3,822
Tax effects related to retained earnings of foreign subsidiaries	2,166	535	—	—	2,701
Other	5,358	(782)	—	306	4,883
Total deferred tax liabilities	13,330	(246)	(1,983)	306	11,406
Net	¥831	¥1,080	¥1,819	¥(306)	¥3,425

Fiscal year ended March 31, 2023

	Millions of yen				
2023	April 1, 2022	Recognized through profit or loss	Recognized in other comprehensive income	Other	March 31, 2023
Deferred tax assets					
Depreciation	¥2,972	¥1,083	¥ —	¥ —	¥4,055
Net defined benefit liability	5,196	245	(332)	—	5,109
Accrued bonuses to employees	873	13	—	—	886
Accrued paid absences	740	(21)	—	—	719
The carryforward of unused tax losses	1,036	1,395	—	—	2,432
Unrealized gain on the sale of fixed assets	302	(6)	—	—	296
Other	3,708	810	(79)	—	4,439
Total deferred tax assets	14,831	3,520	(412)	—	17,939
Deferred tax liabilities					
Financial assets measured at fair value through other comprehensive income	3,822	—	(1,938)	—	1,883
Tax effects related to retained earnings of foreign subsidiaries	2,701	412	—	—	3,113
Other	4,883	220	—	217	5,320
Total deferred tax liabilities	11,406	632	(1,938)	217	10,317
Net	¥3,425	¥2,888	¥1,526	¥(217)	¥7,621

2023	Thousands of U.S. dollars April 1, 2022	Recognized through profit or loss	Recognized in other comprehensive income	Other	March 31, 2023
Deferred tax assets					
Depreciation	$22,179	$8,082	$—	$—	$30,261
Net defined benefit liability	38,776	1,828	(2,477)	—	38,126
Accrued bonuses to employees	6,514	97	—	—	6,611
Accrued paid absences	5,522	(156)	—	—	5,365
The carryforward of unused tax losses	7,731	10,410	—	—	18,149
Unrealized gain on the sale of fixed assets	2,253	(44)	—	—	2,208
Other	27,671	6,044	(589)	—	33,126
Total deferred tax assets	110,679	26,268	(3,074)	—	133,873
Deferred tax liabilities					
Financial assets measured at fair value through other comprehensive income	28,522	—	(14,462)	—	14,052
Tax effects related to retained earnings of foreign subsidiaries	20,156	3,074	—	—	23,231
Other	36,440	1,641	—	1,619	39,701
Total deferred tax liabilities	85,119	4,716	(14,462)	1,619	76,992
Net	$25,559	$21,552	$11,388	$(1,619)	$56,873

(2) Unrecognized deferred tax assets

The following are deductible temporary differences, the carryforward of unused tax losses (breakdown by expiration) and unused tax credits (breakdown by expiration) for which no deferred tax assets are recognized in the consolidated statement of financial position. Amounts hereunder are presented on a tax amount basis.

	Millions of yen		Thousands of U.S. dollars
	2022	2023	2023
Deductible temporary differences	¥8,185	¥13,085	$97,649
The carryforward of unused tax losses			
Less than 1 year	¥ —	¥29	$216
1 year or more and less than 5 years	36	62	462
5 years or more	2,956	1,313	9,798
Total	¥2,992	¥1,405	$10,485
The carryforward of unused tax credits			
Less than 1 year	¥ —	¥ —	$ —
1 year or more and less than 5 years	—	—	—
5 years or more	—	—	—
Total	¥ —	¥ —	$ —

(3) Unrecognized deferred tax liabilities

The total amount of temporary differences related to investments in subsidiaries, etc., that are not recognized as deferred tax liabilities as of March 31, 2022 and 2023 are ¥35,265 million and ¥43,549 million ($324,992 thousand), respectively. When the Group is capable of controlling the timing of the reversal of temporary differences and the temporary differences will not reverse within the foreseeable future, no deferred tax liability related to such temporary differences is recognized.

(4) Income taxes recognized through profit or loss

The breakdown of income taxes recognized through profit or loss is as follows:

	Millions of yen		Thousands of U.S. dollars
	2022	2023	2023
Current tax expense	¥11,535	¥12,361	$92,246
Deferred tax expense			
Origination and reversal of temporary differences	(1,080)	(2,895)	(21,604)
Changes in unrecognized deferred tax assets	—	—	—
Other	0	7	52
Total deferred tax expense	(1,080)	(2,888)	(21,552)
Total	¥10,454	¥9,473	$70,694

(5) Reconciliation of the effective tax rate

Below is a breakdown of the principal items that caused a difference between the statutory effective tax rate and the average effective tax rate. The Company is primarily subject to corporate tax, inhabitants' tax and enterprise tax. The statutory effective tax rate calculated based on these taxes is 30.6%. Foreign subsidiaries are subject to income taxes, etc., in their respective countries of domicile.

	2022	2023
Domestic statutory effective tax rate	30.6%	30.6%
Items permanently not tax deductible, such as entertainment expenses	0.7%	8.8%
Items permanently not taxable, such as dividend income	(0.0%)	(0.0%)
Increase (decrease) in unrecognized deferred tax assets	4.4%	(6.7%)
Tax credits	(2.5%)	(3.1%)
Difference in tax rates applied to foreign subsidiaries	(1.4%)	(2.5%)
Other	3.0%	4.3%
Average effective tax rate	34.8%	31.4%

17. Trade and other payables

The breakdown of trade and other payables is as follows:

	Millions of yen		Thousands of U.S. dollars
	2022	2023	2023
Notes and accounts payable - trade	¥25,288	¥30,346	$226,462
Accounts payable - other	26,357	11,267	84,082
Contract liabilities	6,320	9,850	73,507
Total	¥57,967	¥51,465	$384,067

Note Trade and other payables are classified as financial liabilities measured at amortized cost.

18. Bonds and borrowings

The breakdown of bonds and borrowings is as follows:

	Millions of yen		Thousands of U.S. dollars	Average interest rate	Due date
	2022	2023	2023		
Short-term borrowings	¥2,739	¥10,666	$79,597	1.88%	
Current portion of long-term borrowings	440	2,331	17,395	1.02%	
Commercial papers	5,000	16,000	119,402	0.00%	
Long-term borrowings	1,040	8,859	66,111	0.88%	2024-2027
Bonds	29,913	39,899	297,753	0.18%	2025, 2027
Total	¥39,133	¥77,756	$580,268		
Current liabilities	¥8,180	¥28,998	$216,402		
Non-current liabilities	30,953	48,758	363,865		
Total	¥39,133	¥77,756	$580,268		

Notes 1. The average interest rate is calculated using interest rates and balances as of March 31, 2023.
2. Bonds and borrowings are classified as financial liabilities measured at amortized cost.
3. The borrowings have no financial covenants that have a significant effect on the financial activities of the Group.
4. For the fiscal year ended March 31, 2023, the total amount of borrowings of ¥10,000 million ($74,626 thousand) was arranged (due date: December 29, 2027, in equal payment).

The terms and conditions of the issuance of bonds are summarized as follows:

Name	Issue	Issue date	Millions of yen 2022	Millions of yen 2023	Thousands of U.S. dollars 2023	Interest rate	Collateral	Redemption period
The Company	First series of unsecured bonds	December 10, 2020	¥30,000	¥30,000	$223,880	0.15%	None	December 10, 2025
The Company	Second series of unsecured bonds	May 26, 2022	—	¥10,000	$74,626	0.29%	None	May 26, 2027

19. Other financial liabilities

The breakdown of other financial liabilities is as follows:

	Millions of yen		Thousands of U.S. dollars
	2022	2023	2023
Long-term guarantee deposits	¥797	¥815	$6,082
Liabilities pertaining to forward contracts concluded with non-controlling shareholders	19,613	—	—
Contingent consideration	781	651	4,858
Other	177	203	1,514
Total	¥21,371	¥1,670	$12,462
Current liabilities	¥19,613	¥3	$22
Non-current liabilities	1,757	1,666	12,432
Total	¥21,371	¥1,670	$12,462

Notes 1. Long-term guarantee deposits and liabilities pertaining to forward contracts concluded with non-controlling shareholders are classified as financial liabilities measured at amortized cost.
2. Contingent consideration is classified as financial liabilities measured at fair value through profit or loss.

20. Leases

Lease as lessee

The Group mainly leases buildings and structures, machinery, equipment and vehicles and land. Lease terms mainly range from one year to 30 years, while the average interest rate that is applied to lease liabilities is 2.2%. There are no significant purchase options, escalation clauses, or restrictions imposed under lease agreements (including restrictions on dividends, additional borrowings and additional leases). In domestic businesses in particular, lease agreements for buildings mostly allow the lessee to repeatedly exercise an extension option and also include an early cancellation option only if cancellation is noticed in writing to the counterparty no later than six months in advance. Only those lease payments corresponding to the period during which the exercise of such options was reasonably expected with certainty are included in the measurement of lease liabilities.

1) Right-of-use assets

	Millions of yen		Thousands of U.S. dollars
	2022	2023	2023
Buildings and structures	¥8,339	¥11,418	$85,208
Machinery and vehicles	1,506	1,723	12,858
Land	8,508	8,218	61,328
Other	687	567	4,231
Total	¥19,042	¥21,928	$163,641

Note The increases in right-of-use assets for the fiscal years ended March 31, 2022 and 2023 were ¥3,375 million and ¥7,687 million ($57,365 thousand), respectively.

2) Expenses from lease

	Millions of yen		Thousands of U.S. dollars
	2022	2023	2023
Depreciation of right-of-use assets			
Buildings and structures	¥2,804	¥2,916	$21,761
Machinery and vehicles	697	708	5,283
Land	413	418	3,119
Other	236	235	1,753
Total depreciation of right-of-use assets	4,151	4,278	31,925
Interest expenses on lease liabilities	300	372	2,776
Short-term lease expense	975	1,021	7,619
Lease expense of low-value assets	173	229	1,708
Total expenses	¥5,600	¥5,901	$44,037

3) Maturity analysis of lease liabilities

The maturity analysis of lease liabilities is described in Note 34. “Financial instruments (3) Liquidity risk.”

4) Total cash outflow for leases

The total amount of lease-related cash outflows for the fiscal years ended March 31, 2022 and 2023 was ¥5,453 million and ¥5,797 million ($43,261 thousand), respectively.

21. Employee benefits

(1) Overview of the retirement benefit plan adopted by the Group

The Company and certain consolidated subsidiaries adopt funded and unfunded defined benefit plans and defined contribution plans in order to provide retirement benefits to employees. Nearly all employees are covered by these plans.
While these retirement benefit plans are exposed to risks, including general investment risks, interest rate risks and inflation risks, none are considered to be material.

The funded defined benefit plan is operated by pension funds that are legally separate from the Group. The board of directors of the pension funds and the organization entrusted with management of the pension funds are required by law to act in the best interests of the plan members, while bearing the responsibility for managing plan assets in accordance with given policies.

(2) Defined benefit plan
1) Reconciliation of defined benefit obligations and plan assets

The relationship between defined benefit obligations and plan assets and net defined benefit liability (asset) presented in the consolidated statement of financial position is as follows:

	Millions of yen		Thousands of U.S. dollars
	2022	2023	2023
Present value of funded defined benefit obligations	¥681	¥669	$4,992
Fair value of plan assets	(646)	(714)	(5,328)
Sub-total	35	(45)	(335)
Present value of unfunded defined benefit obligations	18,108	17,318	129,238
Net defined benefit liability (asset)	¥18,144	¥17,273	$128,902
Amount presented in the consolidated statement of financial position			
Retirement benefit liabilities	¥18,144	¥17,321	$129,261
Retirement benefit assets	—	(48)	(358)
Net defined benefit liability (asset)	¥18,144	¥17,273	$128,902

2) Reconciliation of the present value of defined benefit obligations

Changes in present value of defined benefit obligations are as follows:

	Millions of yen		
	In Japan	Outside Japan	Total
Balance as of April 1, 2021	¥15,779	¥2,814	¥18,593
Current service cost	1,001	209	1,210
Interest expense	56	55	112
Benefits paid	(717)	(144)	(861)
Remeasurements			
Actuarial gains and losses arising from changes in demographic assumptions	(174)	(26)	(201)
Actuarial gains and losses arising from changes in financial assumptions	(84)	(291)	(376)
Exchange differences on translation of foreign operations	—	159	159
Other changes	12	141	153
Balance as of March 31, 2022	¥15,873	¥2,917	¥18,790
Current service cost	1,009	139	1,148
Interest expense	71	71	143
Benefits paid	(851)	(160)	(1,012)
Remeasurements			
Actuarial gains and losses arising from changes in demographic assumptions	21	(8)	13
Actuarial gains and losses arising from changes in financial assumptions	(720)	(384)	(1,105)
Exchange differences on translation of foreign operations	—	155	155
Other changes	(34)	(111)	(145)
Balance as of March 31, 2023	¥15,368	¥2,618	¥17,987

	Thousands of U.S. dollars		
	In Japan	Outside Japan	Total
Balance as of March 31, 2022	$118,455	$21,768	$140,223
Current service cost	7,529	1,037	8,567
Interest expense	529	529	1,067
Benefits paid	(6,350)	(1,194)	(7,552)
Remeasurements			
Actuarial gains and losses arising from changes in demographic assumptions	156	(59)	97
Actuarial gains and losses arising from changes in financial assumptions	(5,373)	(2,865)	(8,246)
Exchange differences on translation of foreign operations	—	1,156	1,156
Other changes	(253)	(828)	(1,082)
Balance as of March 31, 2023	$114,686	$19,537	$134,231

The weighted average duration of defined benefit obligations of the Company and principal consolidated subsidiaries was 12 years in Japan and 22 years overseas in the fiscal year ended March 31, 2022, and 11 years in Japan and 19 years overseas in the fiscal year ended March 31, 2023.

3) Reconciliation of the fair value of plan assets

Changes in fair value of plan assets are as follows:

	Millions of yen
	Outside Japan
Balance as of April 1, 2021	¥566
Interest income	13
Benefits paid	(40)
Contributions to the plan by the employer	85
Remeasurements	
Return on plan assets	6
Exchange differences on translation of foreign operations	15
Other changes	(1)
Balance as of March 31, 2022	¥646
Interest income	21
Benefits paid	(45)
Contributions to the plan by the employer	88
Remeasurements	
Return on plan assets	65
Exchange differences on translation of foreign operations	11
Other changes	(73)
Balance as of March 31, 2023	¥714

	Thousands of U.S. dollars
	Outside Japan
Balance as of March 31, 2022	$4,820
Interest income	156
Benefits paid	(335)
Contributions to the plan by the employer	656
Remeasurements	
Return on plan assets	485
Exchange differences on translation of foreign operations	82
Other changes	(544)
Balance as of March 31, 2023	$5,328

Information of changes in plan assets in Japan is omitted, as there is nothing applicable.

For the defined contribution plans, in the fiscal year ending March 31, 2024, the Group is scheduled to contribute ¥71 million ($529 thousand).

4) Fair values of plan assets by asset category

Fair values of plan assets by principal asset category are as follows:

	Market price in an active market		
	Millions of yen		Thousands of U.S. dollars
	2022	2023	2023
Cash and cash equivalents	¥646	¥714	$5,328
Total	¥646	¥714	$5,328

5) Actuarial assumptions

The significant actuarial assumptions used to calculate the present value of defined benefit obligations of the Company and its main domestic consolidated subsidiaries are as follows:

	2022	2023
Discount rate	0.50%	0.90%

A sensitivity analysis (effects on defined benefit obligations) of significant actuarial assumptions of the Company and its main domestic consolidated subsidiaries is as follows:

	Millions of yen		Thousands of U.S. dollars
	2022	2023	2023
Discount rate			
0.5% increase	¥(771)	¥(702)	$(5,238)
0.5% decrease	841	764	5,701

(3) Employee benefits expense

The employee benefits expense included in cost of sales and selling, general and administrative expenses in the consolidated statement of profit or loss is as follows:

	Millions of yen		Thousands of U.S. dollars
	2022	2023	2023
Wages, salaries, bonuses, etc.	¥55,227	¥60,245	$449,589
Retirement benefit expenses	2,751	3,079	22,977
Other employee benefits expenses	9,226	11,092	82,776
Total	¥67,205	¥74,417	$555,350

The amounts recognized as expense for the defined contribution plan were ¥1,317 million and ¥1,728 million ($12,895 thousand) in the fiscal years ended March 31, 2022 and 2023, respectively.

22. Provisions

An explanation for each provision is as follows:

1) Provision for loss on construction contracts

The Group recognizes a provision for losses that are expected to occur in or after the following fiscal year, with respect to contracted constructions for which a loss is expected to occur and the amount of such loss can be reasonably estimated. Related expenses are expected to be incurred prior to completion of the construction, and additional expenses may arise in the case of an increase in estimated costs.

2) Provision for product warranties

To provide for warranty expenses that are expected to occur during the Company's warranty period for some delivered products or services, the Group recognizes a provision based on the actual amount of warranty expenses paid in past fiscal years, taking into account the prospect of future warranty expenses.

3) Asset retirement obligations

To provide for the Group's obligation to restore rental offices, buildings, etc., held by the Group, the Group recognizes asset retirement obligations. Related expenses are expected to be paid after the usage period has elapsed, and will be affected by future business plans, etc.

4) Provision for business restructuring

The Group recognizes a provision for losses that are expected to occur in the future, due to partial closures and relocations, etc., of the Group's overseas bases. While these expenses are expected to be paid in the fiscal year ending March 31, 2023, additional expenses may be incurred if there is an increase in the estimated cost.

The breakdown of and changes in the provisions are as follows:

Fiscal year ended March 31, 2023

	Millions of yen					
	Provision for loss on construction contracts	Provision for product warranties	Asset retirement obligations	Provision for business restructuring	Other	Total
Balance as of April 1, 2022	¥7	¥1,157	¥2,341	¥357	¥ —	¥3,864
Increase during the period	788	878	241	—	515	2,423
Decrease during the period						
(due to intended use)	(15)	(964)	(50)	(284)	(29)	(1,344)
(reversal)	—	(20)	—	(84)	—	(105)
Other	—	12	48	11	3	75
Balance as of March 31, 2023	¥780	¥1,063	¥2,581	¥ —	¥489	¥4,915
Current liabilities	¥780	¥1,063	¥ —	¥ —	¥457	¥2,301
Non-current liabilities	—	—	2,581	—	32	2,613

	Thousands of U.S. dollars					
	Provision for loss on construction contracts	Provision for product warranties	Asset retirement obligations	Provision for business restructuring	Other	Total
Balance as of April 1, 2022	$52	$8,634	$17,470	$2,664	$ —	$28,835
Increase during the period	5,880	6,552	1,798	—	3,843	18,082
Decrease during the period						
(due to intended use)	(111)	(7,194)	(373)	(2,119)	(216)	(10,029)
(reversal)	—	(149)	—	(626)	—	(783)
Other	—	89	358	82	22	559
Balance as of March 31, 2023	$5,820	$7,932	$19,261	$ —	$3,649	$36,679
Current liabilities	$5,820	$7,932	$ —	$ —	$3,410	$17,171
Non-current liabilities	—	—	19,261	—	238	19,500

23. Share capital and other equity items

(1) Share capital and capital surplus

The Japanese Companies Act (hereinafter the "Companies Act") provides that 50% or more of the amount paid or granted for share issue can be incorporated into share capital, while the remaining amount can be incorporated into capital reserves, which is included in capital surplus. The Companies Act also provides that capital reserves can be incorporated into share capital by a resolution of a general meeting of shareholders.

1) Number of authorized shares

The total number of authorized shares as of March 31, 2022 and 2023 remained at 531,000 thousand shares of common stock.

2) Number of shares outstanding

	Thousand shares
	Number of common shares
April 1, 2021	116,200
Increase (decrease)	—
March 31, 2022	116,200
Increase (decrease)	—
March 31, 2023	116,200

Note All of the shares issued by the Company are no-par common stock without any limitation on the rights of the shares, and the outstanding shares have been paid in full.

(2) Retained earnings

The Companies Act provides that 10% of the amount to be paid as dividends from surplus shall be accumulated as capital reserves or retained earnings reserves until the total amount of capital reserves and retained earnings reserves reaches 25% of capital stock. The accumulated retained earnings reserves can be used to eliminate losses carried forward. In addition, the retained earnings reserves can be reversed by a resolution of a general meeting of shareholders.

(3) Treasury shares

	Thousand shares	Millions of yen	Thousands of U.S. dollars
	Number of shares outstanding	Amount	
April 1, 2021	3,859	¥10,787	
Increase (decrease)	(39)	(93)	
March 31, 2022	3,819	¥10,694	$79,805
Increase (decrease)	(20)	(55)	(410)
March 31, 2023	3,799	¥10,638	$79,388

24. Dividends

(1) Amount of dividends paid

Fiscal year ended March 31, 2022

Resolution	Type of shares	Millions of yen Total amount of dividend	Yen Dividend per share	Record date	Effective date
June 29, 2021 Ordinary General Meeting of Shareholders	Common share	¥3,828	¥34	March 31, 2021	June 30, 2021
October 29, 2021 Board of Directors' meeting	Common share	¥4,054	¥36	September 30, 2021	November 29, 2021

Note The total amount of dividends determined by a resolution of the Ordinary General Meeting of Shareholders held on June 29, 2021 includes dividends of ¥9 million paid for 274 thousand shares of the Company (entrusted for performance-linked stock compensation for Directors) held by the trust account of Custody Bank of Japan, Ltd.
The total amount of dividends determined by a resolution of the Board of Directors meeting held on October 29, 2021 includes dividends of ¥8 million paid for 244 thousand shares of the Company (entrusted for performance-linked stock compensation for Directors) held by the trust account of Custody Bank of Japan, Ltd.

Fiscal year ended March 31, 2023

Resolution	Type of shares	Millions of yen Total amount of dividend	Yen Dividend per share	Record date	Effective date
June 29, 2022 Ordinary General Meeting of Shareholders	Common share	¥4,054	¥36	March 31, 2022	June 30, 2022
October 31, 2022 Board of Directors' meeting	Common share	¥4,393	¥39	September 30, 2022	November 28, 2022

Resolution	Type of shares	Thousands of U.S. dollars Total amount of dividend	U.S. dollar Dividend per share	Record date	Effective date
June 29, 2022 Ordinary General Meeting of Shareholders	Common share	$30,253	$0.27	March 31, 2022	June 30, 2022
October 31, 2022 Board of Directors' meeting	Common share	$32,783	$0.29	September 30, 2022	November 28, 2022

Note The total amount of dividends determined by a resolution of the Ordinary General Meeting of Shareholders held on June 29, 2022 includes dividends of ¥8 million ($59 thousand) paid for 244 thousand shares of the Company (entrusted for performance-linked stock compensation for Directors) held by the trust account of Custody Bank of Japan, Ltd.
The total amount of dividends determined by a resolution of the Board of Directors meeting held on October 31, 2022 includes dividends of ¥9 million ($67 thousand) paid for 244 thousand shares of the Company (entrusted for performance-linked stock compensation for Directors) held by the trust account of Custody Bank of Japan, Ltd.

(2) Dividends whose effective date falls in the fiscal year ending March 31, 2024

Resolution	Type of shares	Millions of yen Total amount of dividend	Yen Dividend per share	Record date	Effective date
June 29, 2023 Ordinary General Meeting of Shareholders	Common share	¥4,393	¥39	March 31, 2023	June 30, 2023

Resolution	Type of shares	Thousands of U.S. dollars Total amount of dividend	U.S. dollar Dividend per share	Record date	Effective date
June 29, 2023 Ordinary General Meeting of Shareholders	Common share	$32,783	$0.29	March 31, 2023	June 30, 2023

Note The total amount of dividends determined by a resolution of the Ordinary General Meeting of Shareholders held on June 29, 2023 includes dividends of ¥9 million ($67 thousand) paid for 244 thousand shares of the Company (entrusted for performance-linked stock compensation for Directors) held by the trust account of Custody Bank of Japan, Ltd.

25. Net sales

(1) Breakdown of net sales recognized from contracts with customers

Fiscal year ended March 31, 2022

	Millions of yen		
	Reportable segments		
2022	Water Treatment Chemicals	Water Treatment Facilities	Consolidated
Japan	¥42,826	¥116,538	¥159,365
Asia	26,783	31,249	58,032
Americas	23,605	22,745	46,351
EMEA	24,457	—	24,457
Total	¥117,672	¥170,534	¥288,207

Notes 1. The above amounts are presented after deduction of inter-segment transactions.
2. Net sales are broken down into countries or regions based on customer location. EMEA refers to the European, Middle Eastern and African regions.

Fiscal year ended March 31, 2023

	Millions of yen		
	Reportable segments		
2023	Water Treatment Chemicals	Water Treatment Facilities	Consolidated
Japan	¥43,535	¥132,460	¥175,995
Asia	30,599	48,284	78,883
Americas	32,475	27,722	60,198
EMEA	29,529	—	29,530
Total	¥136,139	¥208,468	¥344,608

2023	Thousands of U.S. dollars		
	Reportable segments		
	Water Treatment Chemicals	Water Treatment Facilities	Consolidated
Japan	$324,888	$988,507	$1,313,395
Asia	228,350	360,328	588,679
Americas	242,350	206,880	449,238
EMEA	220,365	—	220,373
Total	$1,015,962	$1,555,731	$2,571,701

Notes 1. The above amounts are presented after deduction of inter-segment transactions.
2. Net sales are broken down into countries or regions based on customer location. EMEA refers to the European, Middle Eastern and African regions.

(2) Contract balances

The balance of receivables from contracts with customers, contract assets and contract liabilities is as follows:

Fiscal year ended March 31, 2022

2022	Millions of yen 2021	Millions of yen 2022
Receivables from contracts with customers	¥64,031	¥75,290
Contract assets	32,347	31,900
Contract liabilities	4,886	6,320

Fiscal year ended March 31, 2023

2023	Millions of yen 2022	Millions of yen 2023	Thousands of U.S. dollars 2023
Receivables from contracts with customers	¥75,290	¥78,585	$586,455
Contract assets	31,900	40,356	301,164
Contract liabilities	6,320	9,850	73,507

In the consolidated statement of financial position, receivables from contracts with customers and contract assets are included in trade and other receivables, while contract liabilities are included in trade and other payables.

Revenues that were included in the balance of contract liabilities at the beginning of the fiscal years ended March 31, 2022 and 2023 were ¥4,886 million and ¥6,320 million ($47,164 thousand), respectively. Among the revenue for the fiscal years ended March 31, 2022 and 2023, the amount of revenue from performance obligations satisfied in past fiscal years is immaterial.

Significant changes in the balances of contract assets and contract liabilities are as follows:

	Millions of yen				Thousands of U.S. dollars	
	2022		2023		2023	
	Contract assets	Contract liabilities	Contract assets	Contract liabilities	Contract assets	Contract liabilities
Increase due to recognition of net sales	¥79,662	¥ —	¥109,804	¥ —	$819,432	$ —
Decrease due to transfer to receivables	(80,201)	—	(100,816)	—	(752,358)	—
Increase due to receipt of cash	—	12,689	—	18,654	—	139,208
Decrease due to recognition of net sales	—	(11,549)	—	(15,148)	—	(113,044)

(3) Performance obligations

For sales of products, when products have been delivered, the Company determines that performance obligations have been satisfied and recognizes their sales.
For construction contracting, sales are recognized over the period of the construction contract, as performance obligations are satisfied according to the construction's progress. To measure progress, the input method is applied, using the ratio of the incurred cost against the estimated total cost for each contract.

Considerations are received within a reasonable period from the time of satisfaction of performance obligations. For these contracts, the expedient provided for in IFRS 15 "Revenue from Contracts with Customers" is applied, and no adjustments related to financing components are performed.
Sales are measured at the consideration promised in the contract.

There are no significant contracts with customers regarding a return of products.

Furthermore, in connection with construction contracts, etc., the Company provides product warranty, such as the free repair of defects identified within a certain period of time. Such warranty intends to provide customers with a warranty to ensure that the products, etc., of the Company function as intended, in accordance with the specifications agreed upon with the customers. Future expenditures are estimated by taking into account actual product warranty expenses in the past, and are recognized as a provision for product warranties.

The total amount of transaction price allocated to remaining performance obligations was ¥89,001 million at March 31, 2022, while the total amount of transaction price allocated to remaining performance obligations at March 31, 2023 was ¥118,762 million ($886,283 thousand). For these transactions, revenue will be recognized on a step-by-step basis within approximately three years to come, commensurate with the progress in the contract performance.

26. Selling, general and administrative expenses

The breakdown of selling, general and administrative expenses is as follows:

	Millions of yen		Thousands of U.S. dollars
	2022	2023	2023
Research and development expenses	¥5,386	¥6,344	$47,343
Employee benefits expense	38,365	43,177	322,216
Depreciation and amortization	8,064	8,184	61,074
Other	19,516	23,401	174,634
Total	¥71,334	¥81,106	$605,268

27. Other income

The breakdown of the items and amounts included in other income is as follows:

	Millions of yen		Thousands of U.S. dollars
	2022	2023	2023
Gain on sale of fixed assets	¥4,079	¥36	$268
Other	2,040	1,527	11,395
Total	¥6,119	¥1,564	$11,671

Notes 1. Among gain on sale of fixed assets for the fiscal year ended March 31, 2022, ¥2,894 million is due to the sale of the land of former Head Office (in Shinjuku) and ¥1,079 million is due to the sale of the land and building of Osaka Office.

28. Other expenses

The breakdown of the items and amounts included in other expenses is as follows:

	Millions of yen		Thousands of U.S. dollars
	2022	2023	2023
Loss on sales and retirement of property, plant and equipment	¥93	¥383	$2,858
Impairment losses	1,028	7,660	57,164
Other	2,207	3,051	22,768
Total	¥3,329	¥11,095	$82,798

Notes 1. Impairment losses for the fiscal year ended March 31, 2022 were mainly incurred due to the closure of the Yamaguchi Plant accompanying the reorganization of manufacturing bases in the domestic Water Treatment Facilities business and the decision to suspend the operation of the plant of Kurita Water Industries (Jiangyin) Co. (Water Treatment Chemicals business) due to a review of the production structures for water treatment chemicals in China.

2. Among the impairment losses for the fiscal year ended March 31, 2023, ¥7,646 million ($57,059 thousand) is from an impairment of goodwill related to Kurita America, Inc. (Water Treatment Chemicals business). Details are provided in Note 13. "Goodwill and intangible assets."

29. Finance income and Finance costs

(1) Finance income

The breakdown of finance income is as follows:

	Millions of yen		Thousands of U.S. dollars
	2022	2023	2023
Dividend income			
Dividend income from financial assets held at end of period	¥272	¥249	$1,858
Dividend income from financial assets derecognized during the period	120	104	776
Interest income	190	298	2,223
Other	18	1,339	9,992
Total	¥601	¥1,990	$14,850

Notes 1. Dividend income relates to financial assets measured at fair value through other comprehensive income.

2. Interest income relates to financial assets measured at amortized cost.

3. Among other for the fiscal year ended March 31, 2023, ¥1,090 million ($8,134 thousand) is from revenue from foreign exchange contracts which were arranged after the Company decided to underwrite the capital increase of Kurita America Holdings, Inc.

(2) Finance costs

The breakdown of finance costs is as follows:

	Millions of yen		Thousands of U.S. dollars
	2022	2023	2023
Interest expense	¥209	¥427	$3,186
Loss on valuation and realization of fair value	30	13	97
Foreign exchange loss	22	80	597
Other	5,913	555	4,141
Total	¥6,176	¥1,077	$8,037

Notes 1. Interest expense mainly relates to financial liabilities measured at amortized cost.

2. Other consists mainly of costs related to the subsequent measurement of the fair value of liabilities pertaining to forward contracts concluded with non-controlling shareholders of Pentagon Technologies Group, Inc. (United States), which amounted to ¥5,496 million and ¥146 million ($1,089 thousand) for the fiscal year ended March 31, 2022 and 2023, respectively.

30. Other comprehensive income

The amount arising during the period, reclassification adjustments to profit or loss and the impact of tax effects for each item of other comprehensive income are as follows:

Fiscal year ended March 31, 2022

	Millions of yen				
2022	Amount arising during the period	Reclassification adjustments	Before tax effects	Tax effects	Net of tax effects
Items that will not be reclassified to profit or loss					
Net change in fair value of financial assets measured at fair value through other comprehensive income	¥(1,462)	¥ —	¥(1,462)	¥1,983	¥520
Remeasurements of defined benefit plans	523	—	523	(105)	417
Total of items that will not be reclassified to profit or loss	(939)	—	(939)	1,877	938
Items that may be reclassified to profit or loss					
Exchange differences on translation of foreign operations	8,692	—	8,692	—	8,692
Cash flow hedges	(223)	412	189	(57)	131
Share of other comprehensive income of investments accounted for using equity method	94	26	121	—	121
Total of items that may be reclassified to profit or loss	8,563	439	9,002	(57)	8,944
Total	¥7,624	¥439	¥8,063	¥1,819	¥9,883

Fiscal year ended March 31, 2023

	Millions of yen				
2023	Amount arising during the period	Reclassification adjustments	Before tax effects	Tax effects	Net of tax effects
Items that will not be reclassified to profit or loss					
Net change in fair value of financial assets measured at fair value through other comprehensive income	¥(1,264)	¥ —	¥(1,264)	¥1,939	¥674
Remeasurements of defined benefit plans	1,163	—	1,163	(332)	830
Total of items that will not be reclassified to profit or loss	(101)	—	(101)	1,606	1,505
Items that may be reclassified to profit or loss					
Exchange differences on translation of foreign operations	5,245	—	5,245	—	5,245
Cash flow hedges	41	221	262	(80)	182
Share of other comprehensive income of investments accounted for using equity method	2	—	2	—	2
Total of items that may be reclassified to profit or loss	5,289	221	5,510	(80)	5,429
Total	¥5,187	¥221	¥5,408	¥1,526	¥6,935

2023	Thousands of U.S. dollars Amount arising during the period	Reclassification adjustments	Before tax effects	Tax effects	Net of tax effects
Items that will not be reclassified to profit or loss					
Net change in fair value of financial assets measured at fair value through other comprehensive income	$(9,432)	$ —	$(9,432)	$14,470	$5,029
Remeasurements of defined benefit plans	8,679	—	8,679	(2,477)	6,194
Total of items that will not be reclassified to profit or loss	(753)	—	(753)	11,985	11,231
Items that may be reclassified to profit or loss					
Exchange differences on translation of foreign operations	39,141	—	39,141	—	39,141
Cash flow hedges	305	1,649	1,955	(597)	1,358
Share of other comprehensive income of investments accounted for using equity method	14	—	14	—	14
Total of items that may be reclassified to profit or loss	39,470	1,649	41,119	(597)	40,514
Total	$38,708	$1,649	$40,358	$11,388	$51,753

31. Earnings per share

The calculation bases for basic earnings per share are as follows:

	Millions of yen		Thousands of U.S. dollars
	2022	2023	2023
Profit attributable to owners of parent	¥18,471	¥20,134	$150,253
Profit not attributable to ordinary shareholders of parent	—	—	—
Profit used for calculation of basic earnings per share	¥18,471	¥20,134	$150,253
Average number of common shares during the period (shares)	112,368,155	112,394,378	112,394,378

Notes 1. Diluted earnings per share are not stated because there are no dilutive shares.

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 net income per share. The numbers of average shares of the treasury shares that are deducted for the fiscal years ended March 31, 2022 and 2023 are 253 thousand shares and 244 thousand shares, respectively.

32. Cash flow information

(1) Changes in liabilities arising from financing activities

The changes in liabilities arising from financing activities are as follows:

	Millions of yen			
	Bonds and long-term borrowings	Short-term borrowings and commercial papers	Lease liabilities	Total
Balance as of April 1, 2021	¥31,652	¥ —	¥19,701	¥51,353
Changes arising from cash flows	(427)	7,577	(5,005)	2,144
Non-cash changes				
Obtaining or losing control of subsidiaries	—	—	31	31
New lease agreements	—	—	4,410	4,410
Exchange differences	145	161	456	763
Other	23	—	(47)	(23)
Balance as of March 31, 2022	¥31,394	¥7,739	¥19,546	¥58,680
Changes arising from cash flows	19,445	18,722	(5,170)	32,997
Non-cash changes				
New lease agreements	—	—	5,081	5,081
Exchange differences	218	204	392	816
Other	31	—	2,459	2,491
Balance as of March 31, 2023	¥51,090	¥26,666	¥22,310	¥100,067

	Thousands of U.S. dollars			
	Bonds and long-term borrowings	Short-term borrowings and commercial papers	Lease liabilities	Total
Balance as of March 31, 2022	$234,283	$57,753	$145,865	$437,910
Changes arising from cash flows	145,111	139,716	(38,582)	246,246
Non-cash changes				
New lease agreements	—	—	37,917	37,917
Exchange differences	1,626	1,522	2,925	6,089
Other	231	—	18,350	18,589
Balance as of March 31, 2023	$381,268	$199,000	$166,492	$746,768

(2) Payments for acquisition of subsidiaries

The relationship between the consideration paid for the acquisition of subsidiaries and the income and expenditure for it is as follows:

	Millions of yen		Thousands of U.S. dollars
	2022	2023	2023
Consideration paid in cash	¥2,666	¥ —	$ —
Cash and cash equivalents included in the assets of the acquiree at the time of acquiring control	(264)	—	—
Payments for acquisition of subsidiaries	¥2,401	¥ —	$ —

33. Share-based payments

(Overview of non-performance-linked stock compensation program, performance-linked stock compensation program, and performance and share price-linked monetary compensation program)

The Company reviewed its officer compensation program in conjunction with its transition to a company with a nominating committee, etc., on June 29, 2023.

For the fiscal year ended March 31, 2023, the Company has introduced a performance-linked stock compensation program that covers Directors (excluding External Directors; hereinafter the same shall apply in the description for the fiscal year ended March 31, 2023) and Corporate Officers as well as full-time directors of certain domestic subsidiaries and associates, and a performance and share price-linked monetary compensation program that covers certain officers of overseas subsidiaries and associates.

For the period after June 29, 2023, the Company has introduced a non-performance-linked stock compensation program that covers Directors (excluding External Directors and Directors who are Audit Committee Members; hereinafter the same shall apply in the description for the period after June 29, 2023), a performance-linked stock compensation program that covers Executive Officers, Corporate Officers and full-time directors of certain domestic subsidiaries and associates, and a performance and share price-linked monetary compensation program that covers certain officers of overseas subsidiaries and associates.

1. Performance-linked stock compensation program for Directors and for Corporate Officers and certain full-time directors of domestic subsidiaries and associates for the fiscal year ended March 31, 2023

(1) Overview of the program
1) For Directors

Under the performance-linked stock compensation program for Directors, points are granted to eligible individuals based on their position and performance, and upon their retirement from the post of Director, the Company’s shares are delivered at a number equivalent to their accumulated points granted, and money is delivered at an amount equivalent to the conversion amount of the Company's shares into cash. For the introduction of the program, a stock delivery trust (hereinafter the “Trust”) system for officers has been applied, which is established through the monetary contributions of the Company. The program was resolved with a trust period of five years at the 80th Ordinary General Meeting of Shareholders held on June 29, 2016 and was introduced accordingly. As the term of the Trust is expiring, at a meeting of the Board of Directors held on May 28, 2021, the Company decided to extend the term for three years.

2) For Corporate Officers and full-time directors of certain domestic subsidiaries and associates

Under the performance-linked stock compensation program for Corporate Officers and full-time directors of certain domestic subsidiaries and associates, points are granted to eligible individuals based on their position and performance, and upon their retirement, the Company’s shares are delivered at a number equivalent to their accumulated points granted, and money is delivered at an amount equivalent to the conversion amount of the Company's shares into cash, to the Corporate Officers and full-time directors of certain domestic subsidiaries and associates who will retire (hereinafter collectively the “Retirees”). The program employs a system in which the Retirees pay to the Company monetary compensation receivables (contributed properties in kind related to the payment for the Company’s common shares) granted by the company from which they retire and the Company delivers the Company’s shares to the Retirees through a disposal of treasury shares or issuance of new shares. The program for Corporate Officers was resolved at the Board of Directors meeting held on February 27, 2018, and the program for full-time directors of certain domestic subsidiaries and associates was resolved at the Ordinary General Meeting of Shareholders of each company held in and after 2018, both of which were introduced accordingly.

(2) Upper limits of the total number of shares scheduled to be acquired by Directors and the number of shares scheduled to be acquired by Corporate Officers and full-time directors of certain domestic subsidiaries and associates.

1) For Directors: 339,800 shares

2) For Corporate Officers and full-time directors of certain domestic subsidiaries and associates

In principle, points up to the equivalent of 2,215 shares annually are granted to each person.

(3) Scope of persons entitled to acquire beneficiary and other rights under the program

Directors as well as Corporate Officers and full-time directors of certain domestic subsidiaries and associates

2. Performance and share price-linked monetary compensation program for certain officers of overseas subsidiaries and associates

(1) Overview of the program

Under the performance and share price-linked monetary compensation program for officers of certain overseas subsidiaries and associates, points are granted to eligible individuals based on their performance, and three years after the end of the period subject to performance evaluation, money is delivered at an amount equivalent to the conversion amount of the number of the Company's shares equivalent to the number of points granted into cash.

(2) Scope of persons entitled to acquire beneficiary and other rights under the program

Certain officers of overseas subsidiaries and associates

3. Non-performance-linked stock compensation program for Directors as well as performance-linked stock compensation program for Executive Officers, Corporate Officers and certain full-time directors of domestic subsidiaries and associates for the period after June 29, 2023

(1) Overview of the program
1) For Directors

Under the non-performance-linked stock compensation program for Directors, points are granted to eligible individuals based on their position, and the Company’s restricted shares are delivered at a number equivalent to their points granted each year. For the introduction of the program, an RS trust (hereinafter the “Trust”) system for officers shall be applied, which is established through the monetary contributions of the Company. The program shall be resolved at the Compensation Committee and shall be introduced accordingly.

2) For Executive Officers, Corporate Officers and full-time directors of certain domestic subsidiaries and associates

Under the performance-linked stock compensation program for Executive Officers, Corporate Officers and full-time directors of certain domestic subsidiaries and associates, points are granted to eligible individuals based on their position and performance, and the Company’s restricted shares are delivered at a number equivalent to their points granted each year. In the same manner as for Directors, the Trust system shall be applied for the program. In addition, the program for full-time directors of certain domestic subsidiaries and associates shall be resolved at the Ordinary General Meeting of Shareholders of each company held in and after June 29, 2023, and shall be introduced accordingly.

(2) Upper limits of the total amount scheduled to be acquired by Directors, Executive Officers, Corporate Officers and full-time directors of certain domestic subsidiaries and associates

¥1,103 million ($8,231 thousand)

(3) Scope of persons entitled to acquire beneficiary and other rights under the program

Directors, Executive Officers, Corporate Officers and full-time directors of certain domestic subsidiaries and associates

(Total amount of expenses under the performance-linked stock compensation program and the performance and share price-linked monetary compensation program)

The part involving delivery of shares is accounted for as an equity-settled share-based payment transaction, while the part involving payment of cash is accounted for as a cash-settled share-based payment transaction.
For the fiscal years ended March 31, 2022 and 2023, the expenses recorded in connection with this program were ¥280 million and ¥629 million ($4,694 thousand), respectively.

(Liabilities arising from the performance-linked stock compensation program and the performance and share price-linked monetary compensation program)

Liabilities arising from the part associated with the cash-settled share-based payment transaction are recognized as liabilities arising from stock compensation, under other non-current liabilities.
The carrying amount of the liabilities arising from the program was ¥473 million and ¥486 million ($3,626 thousand) as of March 31, 2022 and 2023, respectively.

(Changes in number of points and their weighted average fair value)

Changes in the number of points and their weighted average fair value for the fiscal years ended March 31, 2022 and 2023 are as follows:

As the fair value as of the grant date of points is deemed to approximate the price of the Company's shares, it is measured mainly using the price of the Company's shares as of the grant date. No adjustments are made in consideration of prospective dividends.

	Yen				U.S. dollars	
	2022		2023		2023	
Beginning balance of unexercised points	151,742	point	162,058	point	162,058	point
Increase due to grant of points	58,513	point	57,484	point	57,484	point
Decrease due to exercise of points	(48,197)	point	(49,962)	point	(49,962)	point
Ending balance of unexercised points	162,058	point	169,580	point	169,580	point
Ending balance of exercisable points	162,058	point	169,580	point	169,580	point
Weighted average fair value as of the grant dates	¥5,120		¥4,760		$35,522	

34. Financial instruments

(1) Capital management

The Group's basic policy is to secure the liquidity needed for business operations and maintain a stable financing structure.
Short-term working capital, capital investment and other investments in growth fields depend chiefly on the Group's own funds, but the Group anticipates procurement in the bond market and through bank loans as required.
Temporary surplus funds are invested in highly safe financial assets, while derivatives are used only to avoid the risks described below. In addition, it is our policy not to engage in speculative transactions.

	2022	2023
Ratio of equity attributable to owners of parent	57.9%	58.6%

(2) Credit risk management
1) Content and management of risk

Notes and accounts receivable-trade, which are trade receivables of the Group, are exposed to customer's credit risk.
Regarding such risk, in accordance with internal regulations, the Group conducts credit investigations of its principal business partners, and manages the due dates and outstanding balances of each business partner. In addition, efforts are made to quickly identify and mitigate any concerns regarding collection that are mainly due to worsening financial positions.
Furthermore, regarding the use of derivatives, the Group deals with only financial institutions with high credit standing, in order to reduce credit risk.
The carrying amount of financial assets presented in the consolidated statement of financial position is the maximum exposure to credit risk of the Group's financial assets.
For trade and other receivables, the Group always measures the allowance for doubtful accounts at the same amount as the lifetime expected credit losses (simplified approach).
For financial assets measured at amortized cost other than the above, in order to recognize and measure the allowance for doubtful accounts, financial assets are categorized into the following stages based on the existence of a significant increase in credit risk and the existence of a credit impairment (general approach).

Stage 1: Financial assets for which credit risk has not increased significantly since initial recognition
Stage 2: Financial assets for which credit risk has increased significantly since initial recognition but no credit impairment has been identified
Stage 3: Credit-impaired financial assets

2) Quantitative and qualitative information on allowance for doubtful accounts and financial assets covered

Changes in the total carrying amount of held financial assets are as follows:

	Millions of yen				
		Financial assets under a general approach			
		Stage 1	Stage 2	Stage 3	
	Financial assets under a simplified approach	Financial assets recognized at the same amount as the 12-month expected credit losses	Financial assets with a significant increase in credit risk since initial recognition	Credit-impaired financial assets	Total
Balance as of March 31, 2022	¥109,230	¥5,595	¥401	¥111	¥115,339
Balance as of March 31, 2023	¥120,720	¥5,926	¥296	¥158	¥127,101

	Thousands of U.S. dollars				
		Financial assets under a general approach			
		Stage 1	Stage 2	Stage 3	
	Financial assets under a simplified approach	Financial assets recognized at the same amount as the 12-month expected credit losses	Financial assets with a significant increase in credit risk since initial recognition	Credit-impaired financial assets	Total
Balance as of March 31, 2023	$900,895	$44,223	$2,208	$1,179	$948,514

Changes in the allowance for doubtful accounts are as follows:

	Millions of yen				
		Financial assets under a general approach			
		Stage 1	Stage 2	Stage 3	
	Financial assets under a simplified approach	Financial assets recognized at the same amount as the 12-month expected credit losses	Financial assets with a significant increase in credit risk since initial recognition	Credit-impaired financial assets	Total
Balance as of April 1, 2021	¥393	¥ —	¥498	¥87	¥979
Increase during the period	46	—	155	20	222
Decrease during the period	(101)	—	(268)	—	(369)
Balance as of March 31, 2022	¥338	¥ —	¥386	¥107	¥832
Increase during the period	93	—	42	49	185
Decrease during the period	(10)	—	(132)	—	(142)
Balance as of March 31, 2023	¥421	¥ —	¥296	¥157	¥875

	Thousands of U.S. dollars				
		Financial assets under a general approach			
		Stage 1	Stage 2	Stage 3	
	Financial assets under a simplified approach	Financial assets recognized at the same amount as the 12-month expected credit losses	Financial assets with a significant increase in credit risk since initial recognition	Credit-impaired financial assets	Total
Balance as of March 31, 2022	$2,522	$ —	$2,880	$798	$6,208
Increase during the period	694	—	313	365	1,380
Decrease during the period	(74)	—	(985)	—	(1,059)
Balance as of March 31, 2023	$3,141	$ —	$2,208	$1,171	$6,529

Aging analyses for the financial assets as of fiscal years ended March 31, 2022 and 2023 are as follows:
The amounts expected to be recovered by insurance coverage and collateral obtained are included.

Fiscal year ended March 31, 2022

	Millions of yen			
		Past due amount		
2022	Total	Up to 2 months (including not past due)	Over 2 months and up to 1 year	Over 1 year
Trade and other receivables	¥109,230	¥103,634	¥2,937	¥2,659
Other financial assets	6,108	5,427	39	642

Fiscal year ended March 31, 2023

	Millions of yen			
		Past due amount		
2023	Total	Up to 2 months (including not past due)	Over 2 months and up to 1 year	Over 1 year
Trade and other receivables	¥120,720	¥114,718	¥3,218	¥2,783
Other financial assets	6,380	5,938	17	424

	Thousands of U.S. dollars			
		Past due amount		
2023	Total	Up to 2 months (including not past due)	Over 2 months and up to 1 year	Over 1 year
Trade and other receivables	$900,895	$856,104	$24,014	$20,768
Other financial assets	47,611	44,313	126	3,164

(3) Liquidity risk

Liquidity risk refers to a risk that the Group is unable to repay financial liabilities, such as bonds and borrowing, on the due date.

The Group procures necessary funds mainly in the bond market and through bank loans. However, financial liabilities, such as bonds and borrowing, are exposed to liquidity risk. Such liquidity risk is primarily managed by having the Finance Division formulate and update a cash flow management plan in a timely manner, based on reports from each department, concluding a commitment line agreement with a financial institution and taking other measures.

The balance of financial liabilities by due date is as follows:

Fiscal year ended March 31, 2022

	Millions of yen							
2022	Book balance	Contractual cash flows	Up to 1 year	Over 1 year and up to 2 years	Over 2 years and up to 3 years	Over 3 years and up to 4 years	Over 4 years and up to 5 years	Over 5 years
Non-derivative financial liabilities								
Trade and other payables	¥57,967	¥57,967	¥57,967	¥ —	¥ —	¥ —	¥ —	¥ —
Commercial papers	5,000	5,000	5,000	—	—	—	—	—
Bonds	29,913	30,182	45	45	45	30,045	—	—
Short-term borrowings	2,739	2,763	2,763	—	—	—	—	—
Long-term borrowings	1,481	1,597	482	338	267	258	250	—
Lease liabilities	19,546	21,595	4,920	3,041	1,946	1,281	1,128	9,277
Liabilities under contingent consideration agreements	781	956	—	410	273	273	—	—
Liabilities pertaining to forward contracts concluded with non-controlling shareholders	19,613	19,746	19,746	—	—	—	—	—
Total	¥137,043	¥139,809	¥90,925	¥3,836	¥2,532	¥31,859	¥1,378	¥9,277

	Millions of yen							
2022	Book balance	Contractual cash flows	Up to 1 year	Over 1 year and up to 2 years	Over 2 years and up to 3 years	Over 3 years and up to 4 years	Over 4 years and up to 5 years	Over 5 years
Derivative liabilities								
Currency swaps	¥171	¥171	¥31	¥31	¥31	¥0	¥75	¥ —
Total	¥171	¥171	¥31	¥31	¥31	¥0	¥75	¥ —

Fiscal year ended March 31, 2023

2023	Book balance	Contractual cash flows	Up to 1 year	Over 1 year and up to 2 years	Over 2 years and up to 3 years	Over 3 years and up to 4 years	Over 4 years and up to 5 years	Over 5 years
	Millions of yen							
Non-derivative financial liabilities								
Trade and other payables	¥51,465	¥51,465	¥51,465	¥ —	¥ —	¥ —	¥ —	¥ —
Commercial papers	16,000	16,000	16,000	—	—	—	—	—
Bonds	39,899	40,268	74	74	30,074	29	10,014	—
Short-term borrowings	10,666	10,760	10,760	—	—	—	—	—
Long-term borrowings	11,190	11,446	2,427	2,336	2,314	2,292	2,009	65
Lease liabilities	22,310	25,480	4,718	3,623	2,716	2,355	1,546	10,519
Liabilities under contingent consideration agreements	651	728	—	—	728	—	—	—
Total	¥152,184	¥156,148	¥85,445	¥6,034	¥35,835	¥4,677	¥13,570	¥10,585

2023	Book balance	Contractual cash flows	Up to 1 year	Over 1 year and up to 2 years	Over 2 years and up to 3 years	Over 3 years and up to 4 years	Over 4 years and up to 5 years	Over 5 years
	Millions of yen							
Derivative liabilities								
Currency swaps	¥199	¥199	¥67	¥66	¥0	¥65	¥ —	¥ —
Foreign exchange contracts	3	3	3	—	—	—	—	—
Total	¥203	¥203	¥70	¥66	¥0	¥65	¥ —	¥ —

2023	Book balance	Contractual cash flows	Up to 1 year	Over 1 year and up to 2 years	Over 2 years and up to 3 years	Over 3 years and up to 4 years	Over 4 years and up to 5 years	Over 5 years
	Thousands of U.S. dollars							
Non-derivative financial liabilities								
Trade and other payables	$384,067	$384,067	$384,067	$ —	$ —	$ —	$ —	$ —
Commercial papers	119,402	119,402	119,402	—	—	—	—	—
Bonds	297,753	300,507	552	552	224,432	216	74,731	—
Short-term borrowings	79,597	80,298	80,298	—	—	—	—	—
Long-term borrowings	83,507	85,417	18,111	17,432	17,268	17,104	14,992	485
Lease liabilities	166,492	190,149	35,208	27,037	20,268	17,574	11,537	78,500
Liabilities under contingent consideration agreements	4,858	5,432	—	—	5,432	—	—	—
Total	$1,135,701	$1,165,283	$637,649	$45,029	$267,425	$34,902	$101,268	$78,992

2023	Book balance	Contractual cash flows	Up to 1 year	Over 1 year and up to 2 years	Over 2 years and up to 3 years	Over 3 years and up to 4 years	Over 4 years and up to 5 years	Over 5 years
	Thousands of U.S. dollars							
Derivative liabilities								
Currency swaps	$1,485	$1,485	$500	$492	$0	$485	$ —	$ —
Foreign exchange contracts	22	22	22	—	—	—	—	—
Total	$1,514	$1,514	$522	$492	$0	$485	$ —	$ —

The cash flows included in this maturity analysis are not expected to be generated significantly earlier or at significantly different amounts.

The total amount of overdraft and commitment line and the balance of executed loans are as follows:

	Millions of yen		Thousands of U.S. dollars
	2022	2023	2023
Total amount of overdraft and commitment line	¥66,673	¥69,558	$519,089
Balance of executed loans	1,199	8,846	66,014
Balance of unexecuted loans	¥65,473	¥60,712	$453,074

(4) Market risk
1) Foreign exchange risk

Since the Group operates its business globally, its transactions denominated in currencies other than the functional currency are exposed to foreign exchange risks. In principle, the Group uses forward foreign exchange contracts to hedge exchange rate fluctuation risks, which are identified by currency and month.

Sensitivity analysis of exchange rate fluctuation risks

With regard to the financial instruments held by the Group at the end of the fiscal year, the effect of the U.S. dollar and the renminbi becoming stronger against the yen by 1 yen, on profit before tax in the consolidated statement of profit or loss is as follows. This analysis assumes that all other variables remain constant.

	Millions of yen		Thousands of U.S. dollars
	2022	2023	2023
U.S. dollar	¥(21)	¥(29)	$(216)
Renminbi	(37)	(1)	(7)

2) Market price risk

The Group holds equity instruments with quoted market prices for policy investment aims, such as the smooth implementation of business alliances. With regard to equity instruments with quoted market prices, since their market prices are determined based on market principles, the value of such financial instruments may decline depending on trends in the market economy. For such equity instruments with quoted market prices, their quoted market prices, the financial conditions of the issuers (business partner companies) and other relevant factors are regularly monitored, and the holding status of those instruments is also continuously reviewed, taking into account relationships with business partner companies.

Sensitivity analysis of quoted market prices

With regard to the equity instruments with quoted market prices held by the Group at the end of the fiscal year, the effect of a 1% decline in the quoted market prices at the end of the fiscal year on other comprehensive income (before tax effects) in the consolidated statement of comprehensive income is as follows. In this analysis, the amount of the effect is calculated by multiplying the values of the equity instruments at the end of the fiscal year by 1%.

	Millions of yen		Thousands of U.S. dollars
	2022	2023	2023
Other comprehensive income (before tax effects)	¥(164)	¥(83)	$(619)

(5) Fair value

1) Fair value of financial instruments

The fair values of financial liabilities measured at amortized cost and their carrying amounts in the consolidated statement of financial position are as follows:
Financial instruments whose carrying amounts are reasonable approximations of fair values and immaterial financial instruments are not included in the table below.

	Millions of yen				Thousands of U.S. dollars	
	2022		2023		2023	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Financial liabilities						
Borrowings	¥1,285	¥1,290	¥11,124	¥11,154	$83,014	$83,238
Bonds	29,913	29,814	39,899	39,842	297,753	297,328

2) Fair value measurement method

The fair values of financial assets and financial liabilities are calculated as follows:

(Derivatives)

Derivatives include foreign exchange contracts and currency swaps.
Foreign exchange contracts and currency swaps, whose fair values are calculated based on forward exchange rate or quoted prices obtained from financial institutions and other available information, are categorized within Level 2.

(Shares, etc.)

Shares, etc., include shares for which an active market exists, investment trusts and unlisted shares. Shares with active markets are evaluated by prices quoted at the stock exchange, and are categorized within Level 1. Investment trusts are evaluated by prices quoted at the stock exchange or prices provided by correspondent financial institutions, etc., and are categorized within Level 1. Unlisted shares, whose fair values are calculated by valuation techniques, such as the comparable peer company multiples method, using unobservable inputs, such as valuation multiples, are categorized within Level 3.

(Borrowings)

Since short-term borrowings are settled in a short period of time, their fair values approximate their carrying amounts.
Long-term borrowings, whose fair values are calculated by discounting the sum of the principal and interest using the interest rate that would be applied if new borrowings were made with similar terms, are categorized within Level 2.
However, since floating interest rate long-term borrowings reflect market interest rates in a short period of time and credit standings after execution do not vary significantly, their fair values approximate their carrying amounts.

(Bonds)

Bonds, whose fair values are calculated by discounting the sum of the principal and interest using the interest rate that takes into account the remaining period and credit risk of the relevant bonds, are categorized within Level 2.

(Liabilities pertaining to forward contracts concluded with non-controlling shareholders)

For forward contracts for shares in subsidiaries which the Group has concluded with non-controlling shareholders, the present value of the expected transfer price is initially recognized as other financial liabilities, and after initial recognition, in principle, the present value is measured at amortized cost using the effective interest method and the amount of subsequent changes is recognized in profit or loss. Fair values of liabilities pertaining to forward contracts concluded with non-controlling shareholders are calculated by discounting future cash flows, and their fair values approximate their carrying amounts.

(Other (financial liabilities))

Fair values of other (financial liabilities) are evaluated at the amount calculated by the discounted cash flow method using unobservable inputs, and are therefore categorized within Level 3.

(Financial instruments other than the above mentioned)

Since financial instruments other than the above mentioned are mainly settled in a short period of time, their fair values approximate their carrying amounts.

3) Fair value hierarchy

The following is an analysis of financial instruments recorded at fair value by valuation methods. Based on the inputs used to measure fair values, the fair value levels are classified as follows:

Level 1: Fair value measured using (unadjusted) quoted market prices in active markets for identical assets or liabilities.
Level 2: Fair value measured using directly or indirectly observable inputs other than Level 1 inputs.
Level 3: Fair value measured using significant unobservable inputs.

Transfers between levels of the fair value hierarchy are recognized on the date of occurrence of the event or change in circumstances that causes the transfer. No transfer was made between levels for the fiscal years ended March 31, 2022 and 2023.

Financial instruments measured at fair value

Fiscal year ended March 31, 2022

2022	Millions of yen Level 1	Level 2	Level 3	Total
Derivative assets	¥ —	¥2	¥ —	¥2
Financial assets measured at fair value through other comprehensive income:				
Shares, etc.	16,433	—	4,059	20,492
Derivative liabilities	—	171	—	171
Other (financial liabilities)	—	—	781	781

Fiscal year ended March 31, 2023

2023	Millions of yen Level 1	Level 2	Level 3	Total
Financial assets measured at fair value through other comprehensive income:				
Shares, etc.	¥8,375	¥ —	¥4,537	¥12,912
Derivative liabilities	—	203	—	203
Other (financial liabilities)	—	—	651	651

2023	Thousands of U.S. dollars Level 1	Level 2	Level 3	Total
Financial assets measured at fair value through other comprehensive income:				
Shares, etc.	$62,500	$ —	$33,858	$96,358
Derivative liabilities	—	1,514	—	1,514
Other (financial liabilities)	—	—	4,858	4,858

For financial instruments categorized within Level 3, external evaluation specialists or appropriate persons in charge of evaluation conduct an evaluation and analysis of the results in accordance with the evaluation policy and procedures approved by the Manager of the Corporate Planning and Control Division. The evaluation results have been reviewed and approved by the Manager of the Corporate Planning and Control Division.

Fair values of unlisted shares categorized within Level 3 are measured by the comparable peer company multiples method and net asset-based valuation model, etc. Since this valuation model employs unobservable inputs, such as the price book-value ratio, unlisted shares are categorized within Level 3.

Reconciliation from the beginning balance to the ending balance of financial instruments categorized within Level 3

	Millions of yen				Thousands of U.S. dollars	
	2022		2023		2023	
	Financial assets	Financial liabilities	Financial assets	Financial liabilities	Financial assets	Financial liabilities
Beginning balance	¥5,765	¥193	¥4,059	¥781	$30,291	$5,828
Total gains and losses	105	—	(119)	(231)	(888)	(1,723)
Profit or loss	(24)	—	(0)	(231)	(0)	(1,723)
Other comprehensive income	129	—	(119)	—	(888)	—
Purchase	890	—	569	—	4,246	—
Issuance	—	781	—	—	—	—
Sale	(2,698)	—	(18)	—	(134)	—
Other	(3)	(193)	46	101	343	753
Ending balance	¥4,059	¥781	¥4,537	¥651	$33,858	$4,858
Changes in unrealized gains and losses for the period recognized in profit or loss for assets and liabilities held at the end of the reporting period	¥76	¥ —	¥(0)	¥(231)	$(0)	$(1,723)

The gains and losses included in profit or loss are for financial assets and financial liabilities measured at fair value through profit or loss as of the fiscal year-end. Such profit or loss is included in finance income and finance costs in the consolidated statement of profit or loss.

The gains and losses included in other comprehensive income are for financial assets measured at fair value through other comprehensive income as of the fiscal year-end. Such gains and losses are included in net change in the fair value of financial assets measured at fair value through other comprehensive income in the consolidated statement of comprehensive income.

(6) Derivatives and hedging activities

Derivative transactions consist of forward foreign exchange contracts for the purpose of hedging exchange rate fluctuation risks related to foreign currency-denominated trade receivables and payables and currency swap transactions for the purpose of hedging exchange rate fluctuation risks related to foreign currency-denominated loans.

In applying hedge accounting, in order to ensure that there is an economic relationship in which changes in fair value or cash flows of the hedged item caused by the risk being hedged are offset by changes in fair value or cash flows of the hedging instrument, the existence of such economic relationship between the hedged item and hedging instrument is confirmed. This confirmation is achieved through a qualitative assessment of whether the significant terms and conditions of the hedged item match or closely conform to those of the hedging instrument and through a quantitative assessment of whether changes in the values of the hedged item and hedging instrument offset each other due to the same risk. In addition, an appropriate hedge ratio has been set in light of the economic relationship between the hedged item and hedging instrument and the risk management strategy.

Any hedge ineffectiveness is recognized in profit or loss. The amount recognized in profit or loss for the hedge ineffectiveness and the portion excluded from the assessment of hedge effectiveness in the previous fiscal year and this fiscal year is immaterial. The amount reclassified from other components of equity in the consolidated statement of financial position to profit or loss in the previous and this fiscal year because forecasted transactions are no longer expected to occur is also immaterial.

The notional principal and average price of main hedging instruments are as follows:

Fiscal year ended March 31, 2022

2022	Notional principal and average price	Millions of yen		
		Up to 1 year	Over 1 year	Total
Cash flow hedges				
Currency swaps	Notional principal	¥1,376	¥4,649	¥6,026
(Receive Yen, Pay Euros)	Forward rate (Yen)	134.29	130.98	—
Total		¥1,376	¥4,649	¥6,026

Fiscal year ended March 31, 2023

2023	Notional principal and average price	Millions of yen		
		Up to 1 year	Over 1 year	Total
Cash flow hedges				
Currency swaps	Notional principal	¥1,376	¥3,273	¥4,649
(Receive Yen, Pay Euros)	Forward rate (Yen)	134.29	129.63	—
Total		¥1,376	¥3,273	¥4,649

2023	Notional principal and average price	Thousands of U.S. dollars		
		Up to 1 year	Over 1 year	Total
Cash flow hedges				
Currency swaps	Notional principal	$10,268	$24,425	$34,694
(Receive Yen, Pay Euros)	Forward rate (U.S. dollars)	1.00	0.97	—
Total		$10,268	$24,425	$34,694

The carrying amounts of hedging instruments to which hedge accounting is applied by type of hedge are as follows:

	Millions of yen				Thousands of U.S. dollars		Account in consolidated statement of financial position and in consolidated statement of profit or loss of transfer adjustments
	2022		2023		2023		
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	
Cash flow hedges							
Foreign exchange risk	¥ —	¥ 172	¥ —	¥ 199	$ —	$ 1,485	Note

Note Other financial assets in current and non-current assets, other financial liabilities in current and non-current liabilities, finance income and finance costs.

The balance of cash flow hedge reserve related to cash flow hedges is as follows:

	Millions of yen		Thousands of U.S. dollars
	2022	2023	2023
Cash flow hedges			
Foreign exchange risk	¥40	¥222	$1,656

The contract amount and the carrying amount of derivatives to which hedge accounting is not applied are as follows:

Fiscal year ended March 31, 2022

	Millions of yen				Account in consolidated statement of financial position
2022	Contract amount, etc.	Over 1 year	Assets	Liabilities	
Currency swaps (Receive Yen, Pay South Korean won)	¥68	¥68	¥0	¥ —	Note

Note Other financial assets in current and non-current assets and other financial liabilities in current and non-current liabilities.

Fiscal year ended March 31, 2023

	Millions of yen				Account in consolidated statement of financial position
2023	Contract amount, etc.	Over 1 year	Assets	Liabilities	
Currency swaps (Receive Yen, Pay South Korean won)	¥ —	¥ —	¥ —	¥ —	Note

	Thousands of U.S. dollars				Account in consolidated statement of financial position
2023	Contract amount, etc.	Over 1 year	Assets	Liabilities	
Currency swaps (Receive Yen, Pay South Korean won)	$ —	$ —	$ —	$ —	Note

Note Other financial assets in current and non-current assets and other financial liabilities in current and non-current liabilities.

35. Subsidiaries and associates

The Group's consolidated subsidiaries as of March 31, 2023 are as follows:

Company name	Location	Main business	Ownership ratio of voting rights
Kurita Europe GmbH	Mannheim, Germany	Water Treatment Chemicals	100.0%
Kurita Water Industries (Dalian) Co., Ltd.	Liaoning, China	Water Treatment Chemicals	90.1%
Kurita Water Industries (Suzhou) Ltd.	Jiangsu, China	Water Treatment Facilities	100.0%
Hansu Technical Service Ltd.	Gyeonggi-do, Korea	Water Treatment Facilities	100.0%
Hansu Co., Ltd.	Seoul, Korea	Water Treatment Chemicals	100.0%
Pentagon Technologies Group, Inc.	California, U.S.A.	Water Treatment Facilities	100.0%
Kurita America, Inc.	Minnesota, U.S.A.	Water Treatment Chemicals and Water Treatment Facilities	100.0%
Kuritaz Co., Ltd.	Toshima-ku, Tokyo	Water Treatment Facilities	100.0%
Kuritec Service Co., Ltd.	Chuo-ku, Osaka	Water Treatment Facilities	100.0%
Kurita Chemical Manufacturing Ltd.	Gokamachi, Sashima-gun, Ibaraki	Water Treatment Chemicals	100.0%
59 other companies			

The Group's associates accounted for using the equity method as of March 31, 2023 are as follows:

Company name	Location	Main business	Ownership ratio of voting rights
Angang Kurita (Anshan) Water Treatment Co., Ltd.	Liaoning, China	Water Treatment Chemicals	40.0%
Another company			

Notes 1. The main business column refers to segment names.
2. Kurita Europe GmbH, Hansu Technical Service Ltd. and Kurita Chemical Manufacturing Ltd. are the specified subsidiary companies.

36. Related parties

(1) Transactions with related parties

For the fiscal years ended March 31, 2022 and 2023, information on transactions with related parties has been omitted due to the absence of significant transactions.

(2) Compensation for key management personnel

	Millions of yen		Thousands of U.S. dollars
	2022	2023	2023
Short-term employee benefits	¥428	¥380	$2,835
Share-based payment	83	137	1,022

Note Compensation for key management personnel is compensation for Directors (including External Directors) and Audit & Supervisory Board Members (including external members of the Audit & Supervisory Board) of the Company.

37. Commitments

The total contract amount regarding commitments for asset purchases, etc., is as follows:

	Millions of yen		Thousands of U.S. dollars
	2022	2023	2023
Acquisition of property, plant and equipment	¥19,606	¥12,310	$91,865

Note Commitments as of March 31, 2023 consist primarily of those associated with the acquisition of a certain facility in the ultrapure water supply business.

38. Additional information

(Additional acquisition of shares of a subsidiary)

The Group acquired an additional 49% of shares outstanding of Pentagon Technologies Group, Inc., by executing a forward contract on a share transfer that was concluded between Kurita America Holdings, Inc. and non-controlling shareholders of Pentagon Technologies Group, Inc. on June 30, 2022, which made Pentagon Technologies Group, Inc. a wholly owned subsidiary.
The additional acquisition amount was $161 million (¥22,127 million), and was recorded in “Purchase of shares of subsidiaries not resulting in change in scope of consolidation” under “Cash flows from financing activities” in the consolidated statement of cash flows. Accordingly, financial liabilities of ¥19,613 million ($146,365 thousand) recorded as liabilities pertaining to forward contracts concluded with non-controlling shareholders at the end of the fiscal year ended March 31, 2022 was eliminated, non-controlling interests decreased by ¥4,615 million ($34,440 thousand), and capital surplus increased by ¥2,743 million ($20,470 thousand).

39. Subsequent events

(Acquiring subsidiaries through acquisition of shares)

The Company has resolved at the Board of Directors meeting held on April 27, 2023 to acquire, through Kurita Europe GmbH, its consolidated subsidiary, all the shares outstanding of Arcade Engineering GmbH (hereinafter "Arcade Germany"), Arcade Industrie SAS (hereinafter "Arcade France"), and Arcade Engineering AG (hereinafter "Arcade Switzerland"), which are manufacturing and sales companies of water treatment facilities in Europe, and to make them subsidiaries. On May 2, 2023, Kurita Europe GmbH concluded share transfer agreements. As a result of the acquisition of shares in Arcade Germany and Arcade Switzerland, the Company will also acquire shares of Arcade Engineering (Asia) Pte. Ltd. (hereinafter "Arcade Asia"), a subsidiary of the two companies.

(1) Company name, location, name of representative, amount of capital and business of the acquiree

1)	Company name of the acquiree	: Arcade Engineering GmbH
	Location	: Meißner Str. 151a, 01445 Radebeul, Germany
	Name of representative	: Dr. Claudia Kaiser
	Amount of share capital	: €25,000
	Business	: Design/engineering, construction management, and the provision of consulting services on water treatment facilities
2)	Company name of the acquiree	: Arcade Industrie SAS
	Location	: Aire de la Thur - 68840 Pulversheim, France
	Name of representative	: Ms. Claudine Muller
	Amount of share capital	: €40,000
	Business	: Design/engineering and manufacture of electric equipment for water treatment facilities
3)	Company name of the acquiree	: Arcade Engineering AG
	Location	: Hegenheimermattweg 65, 4123 Allschwil, Switzerland
	Name of representative	: Mr. Felix Grisch
	Amount of share capital	: Swiss₣100,000
	Business	: Design/engineering of, and provision of consulting services on water treatment facilities
4)	Company name of the acquiree	: Arcade Engineering (Asia) Pte. Ltd.
	Location	: 280 Woodlands Industrial Park E5 #10-16, Singapore
	Name of representative	: Mr. Frederic Schindler
	Amount of share capital	: S$100,000
	Business	: Design/engineering, construction management, and the provision of consulting services on water treatment facilities

(2) Purpose of the acquisition of shares

To expand business globally in the electronics industry, a key market, the Group will leverage the acquisition to acquire local manufacturing bases and a supply chain for its water treatment facilities business, targeting the electronics industry in Europe. The Group will build a business foundation for responding promptly to the growth in demand for water treatment facilities for the electronics industry, which partly reflects the European Chips Act, thus driving business expansion to the electronics industry in Europe. Further, the Group will combine its products, technologies, and business models, including Kurita Europe GmbH and Kurita (Singapore) Pte. Ltd., a subsidiary of the Company, with the solution capabilities of Arcade Germany, Arcade France, Arcade Switzerland, and Arcade Asia, in its efforts to enhance solutions which contribute greatly to saving water, cutting CO_2 emissions, and reducing waste.

(3) Timing of the acquisition of shares

July 3, 2023 (scheduled)

(4) Number of shares to acquire, acquisition cost, ratio of ownership interest after the acquisition

1)	Arcade Engineering GmbH	
	Number of shares to acquire	: 3 shares
	Acquisition cost	: €16,500,000
	Ratio of ownership interest after the acquisition	: 100%
2)	Arcade Industrie SAS	
	Number of shares to acquire	: 2,000 shares
	Acquisition cost	: €2,500,000
	Ratio of ownership interest after the acquisition	: 100%
3)	Arcade Engineering AG	
	Number of shares to acquire	: 200 shares
	Acquisition cost	: €6,000,000
	Ratio of ownership interest after the acquisition	: 100%
4)	Arcade Engineering (Asia) Pte. Ltd.	
	Number of shares to acquire	:100,000 shares
	Acquisition cost	: — (The acquisition cost is included in the acquisition cost of 1) and 3) above.)
	Ratio of ownership interest after the acquisition	: 100%

(5) Method of financing and payment

Cash on hand

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Kurita Water Industries Ltd.

Opinion

We have audited the consolidated financial statements of Kurita Water Industries Ltd. ("the Company") and its consolidated subsidiaries (collectively referred to as "the Group"), which comprise the consolidated statement of financial position as at March 31, 2023, and the consolidated statement of profit or loss, comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2023, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Convenience Translation

The United States dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2023 are presented solely for the convenience. Our audit also included the translation of Japanese yen amounts into United States dollar amounts and, in our opinion, such translation has been made on the basis described in Note 2 to the consolidated financial statements.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated

Financial Statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Valuation of goodwill related to Water Treatment Chemicals business in Kurita America, Inc.	
Description of Key Audit Matter	Auditor's Response
As described in Note 13, "Goodwill and intangible assets, (2) Impairment tests for goodwill" of the Notes to Consolidated Financial Statements, the Group recorded ¥16,830 million of goodwill related to the Water Treatment Chemicals business of Kurita America, Inc. (hereinafter Kurita America) in the Consolidated Statement of Financial Position, and ¥7,646 million of goodwill impairment losses was recorded in other expenses in the Consolidated Statement of Profit or Loss. The Group also discloses the assumptions used in the goodwill impairment test as described in Note 13, "Goodwill and intangible assets, (2) Impairment tests for Goodwill."	In reviewing valuation of goodwill related to Kurita America's Water Treatment Chemicals business, we evaluated the design and operation of the Group's internal controls over the development of future plans, underlying impairment tests, the calculation of value in use and the measurement of impairment losses. We primarily performed the following procedures to review the appropriateness of the significant goodwill impairment tests. We directed the auditors of Kurita America to perform some of the following procedures and evaluated whether sufficient and appropriate audit

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In performing the impairment test, the Group calculates the recoverable amount of cash-generating units, including goodwill, based on its value in use. If the recoverable amount is less than the carrying amount as a result of the impairment test, the Group recognizes an impairment loss and writes down the carrying amount to the recoverable amount.
The value in use is calculated as the present value of the future cash flows expected to be generated by the cash-generating units, including goodwill. The future cash flows are based on a five-year business plan from the following fiscal year approved by management. The business growth potential for subsequent periods is estimated and determined based on the long-term average growth rate of the market to which the cash-generating units belong, and other factors.
The Group has been conducting corporate acquisitions primarily overseas and recorded goodwill of 60,413 million yen (12.0% of total assets) in the Consolidated Statement of Financial Position for the current fiscal year. In the previous fiscal year, Kurita America, in particular, was strongly affected by a decline in private demand following the closures of commercial facilities due to the spread of the COVID-19, delays in product
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evidence was obtained through inspections of the results and communications with the auditors.

Valuation experts of our network firm were engaged to verify valuation methods in the calculation of value in use.
With respect to future cash flows, we evaluated the accuracy of estimates of the underlying business plans by comparing the budget and actual results in prior years.
Regarding sales forecasts by market and industry for products reflected in the calculation of value in use, discussions were held with management and business managers, and external data that served as the basis for their market growth rates were obtained and compared and considered.
Sales forecasts for CSV business reflected in the calculation of value in use were discussed with management and business managers, and compared with the historical performance of Kurita America and the same business of other subsidiaries of the Group.
Regarding measures to reduce costs, including the cost of sales reflected in the calculation of value

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shipments due to supply chain disruptions, and rising raw material prices and logistics costs due to inflation. In this environment, the Group downwardly revised its business plan, which is the basis for estimating future cash flows to be used for the impairment test, from the previous fiscal year in light of the achievement of results from the past, including the current fiscal year, due to changes in the United States market after the expansion of the COVID-19 in the Water Treatment Chemicals business in Kurita America, as well as impacts from logistics disruptions, rising prices of raw materials and materials, and soaring energy costs. In this situation, the policy interest rate was raised to control inflation in the United States, and the discount rate used to calculate the value in use for impairment test increased to 10.8% (9.5% in the same period of the previous fiscal year). As a result, since the recoverable amount was lower than the carrying amount of the cash-generating units, including goodwill, the Group reduced the carrying amount of goodwill in Kurita America's Water Treatment Chemicals business to its recoverable amount at the end of the fiscal year. The business plan used for goodwill impairment tests related to Kurita America's Water Treatment Chemicals	in use, the feasibility of these measures was discussed with management and business managers, and the latest progress was examined. ● For the discount rate and long-term average growth rate used to determine value in use, we engaged the valuation experts of our network firm to evaluate the results of our review using available external data.

business includes management's outlook for future conditions, such as sales forecasts based on the growth rate of the product markets to which Kurita America belongs, sales forecasts for CSV business promoted by the Group, which is based on the assumption that the businesses will grow further over the next five years, and impact of measures to reduce costs included in the cost of sales, etc. Management's judgment with respect to these forward-looking has a significant impact on the expected future cash flows to be generated by the cash-generating units, including goodwill. In addition, for the selection of data such as the discount rate used to calculate value in use and the long-term average economic growth rate in the United States market used to estimate the long-term average growth rate, etc., expert knowledge of valuation and management judgment are required. Given the complexity of the goodwill impairment tests based on changes in the circumstances of Kurita America from the previous fiscal year and the uncertainty associated with changes in the operating environment regarding estimates of future cash flows reflected the above impacts, long-term average growth rate, and discount rate, which required management's judgment, we identified the valuation of goodwill	

related to Kurita America's Water Treatment Chemicals business as a key audit matter.	

Estimate of the total cost of transactions in Kurita Water Industries Ltd. that recognizes revenue over a certain period of time	
Description of Key Audit Matter	Auditor's Response
As disclosed in Note 3. Significant accounting policies (14) Revenue to the consolidated financial statements, the Group recognizes revenue over the term of the contract for construction contracts as performance obligations are satisfied as construction progresses and applies the input method, which uses the ratio of costs incurred to estimated total costs on a contract-by-contract basis to measure progress. As disclosed in Note 6. Segment information (2) Information on reportable segments to the consolidated financial statements, the amount of revenue recorded for transactions in which revenue is recognized over a certain period of time by the Company is ¥59,098 million, which accounts for a significant percentage of consolidated net sales of ¥344,608 million. A significant assumption when recognizing revenue over a certain period of time is an estimate of total cost. Estimates of total cost may be affected by changes in the content of	In reviewing the adequacy of the estimates of the total cost of transactions in the Company that recognize revenue over a certain period of time, we primarily performed the following audit procedures: ● We conducted a discussion with management regarding important matters in establishing internal controls related to estimating total cost, including timely revisions of estimates, as well as assessing the design and operation of such internal controls. ● In order to verify whether the estimate of the total cost for the initial budget is properly made, for the construction of new orders extracted by a certain standard, we conducted an interview with the person in charge of managing the sales/expenditures of the construction, etc., and compared with other construction on the initial cost ratio. ● In order to verify that the revision

contracts that occur due to changes in the environment surrounding contracts with customers. The Company implements income and expenditure management and progress management, etc. for each construction unit. In order to properly estimate the total cost, the Company has established and operates internal controls for the allocation of the initial budget and the revision of the total cost. In particular, with respect to construction work involving design departments, the Company performs a business process review on a monthly basis to review the execution of the initial budget and revises its estimates of total costs as necessary. Due to the uncertainty associated with technological or physical factors, changes in the environment surrounding the contract, the significant potential impact and involvement of management judgment, we identified estimate of the total cost of transactions in the Company that recognize revenue over a certain period of time as a key audit matter.	of the estimate of the total cost is conducted in a timely and appropriate manner, for the construction extracted by certain criteria by comparing the estimate of the total cost with the incurred cost, we reviewed the construction ledgers and the business process reviews, conducted an interview with the persons in charge of managing the sales/expenditures of the construction, etc., and compared the actual progress with the progress on the progress chart. ● We examined the estimates of the total cost at the end of the current fiscal year in comparison with the estimates at the end of the previous fiscal year and the reasons for the change as well as verified the accuracy of the estimates of the total cost by a comparative review between the estimates and the actual results.

Other Information

The other information comprises the information included in the Group's disclosure documents accompanying audited consolidated financial statements, but does not include the consolidated financial statements and our auditor's report thereon. Management is responsible for the other information. The Audit Committee is responsible for overseeing the Executive officers and Directors' execution of duties relating to the design and operating effectiveness of the controls over the Group's other information reporting process.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and the Audit Committee for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, including whether the use of the disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Audit Committee are responsible for overseeing the Executive officers and Directors' execution of duties relating to the design and operating effectiveness of the controls over the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in Japan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.
As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the

Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate whether the presentation and disclosures of the consolidated financial statements are in accordance with IFRSs, the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Interest Required to Be Disclosed by the Certified Public Accountants Act of Japan

Our firm and its designated engagement partners do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

T. Shibaya

Tetsuo Shibaya
Designated Engagement Partner
Certified Public Accountant

Makio Wada

Makio Wada
Designated Engagement Partner
Certified Public Accountant

Koichiro Watanabe

Koichiro Watanabe
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Grant Thornton Taiyo LLC
Tokyo, Japan
29, September , 2023