



Kurita Water Industries Ltd.

# **Results Presentation for the First Quarter of the Fiscal Year Ending March 31, 2022**

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(Securities code: 6370)

August 2, 2021

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# 1 | Consolidated Financial Results for the First Quarter of the Fiscal Year Ending March 31, 2022

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# Overview of Results



(Billions of Yen)	1Q of FY ended 03/2021	1Q of FY ending 03/2022	YoY Change	1H Forecast	YoY Change
Orders	65.4	77.6	+18.6%	141.0	+10.5%
Net Sales	61.0	63.2	+3.6%	128.0	(2.3%)
Business Profit	5.6	5.9	+4.6%	14.0	(0.3%)
Net of Other Income and Expenses	0.2	(0.1)	—	(0.5)	—
Operating Profit	5.8	5.8	(0.5%)	13.5	(18.0%)
Profit Before Tax	5.7	5.6	(0.9%)	13.1	(17.3%)
Profit Attributable to Owners of Parent	3.9	3.7	(4.9%)	8.6	(20.2%)
Basic Earnings per Share (yen)	35.02	33.29	(4.9%)	76.55	(20.2%)
Foreign Exchange Rate	USD (yen)	107.62	109.49		
	EUR (yen)	118.48	131.96		
	CNY (yen)	15.17	16.96		

- Kurita AquaChemie Limited in the Middle East and Keytech Water Management in Canada, which are Water Treatment Chemicals businesses, are consolidated from the first quarter under review.
- Orders increased, reflecting a recovery in demand for water treatment chemicals overseas and increases in orders for water treatment facilities and maintenance for the electronics industry.

Note) The PPA for Pentagon Technologies Group, Inc., which was consolidated in the previous fiscal year, was determined, and the results in the first quarter of the fiscal year ended March 31, 2021 have been revised retroactively.

# Results by Segment

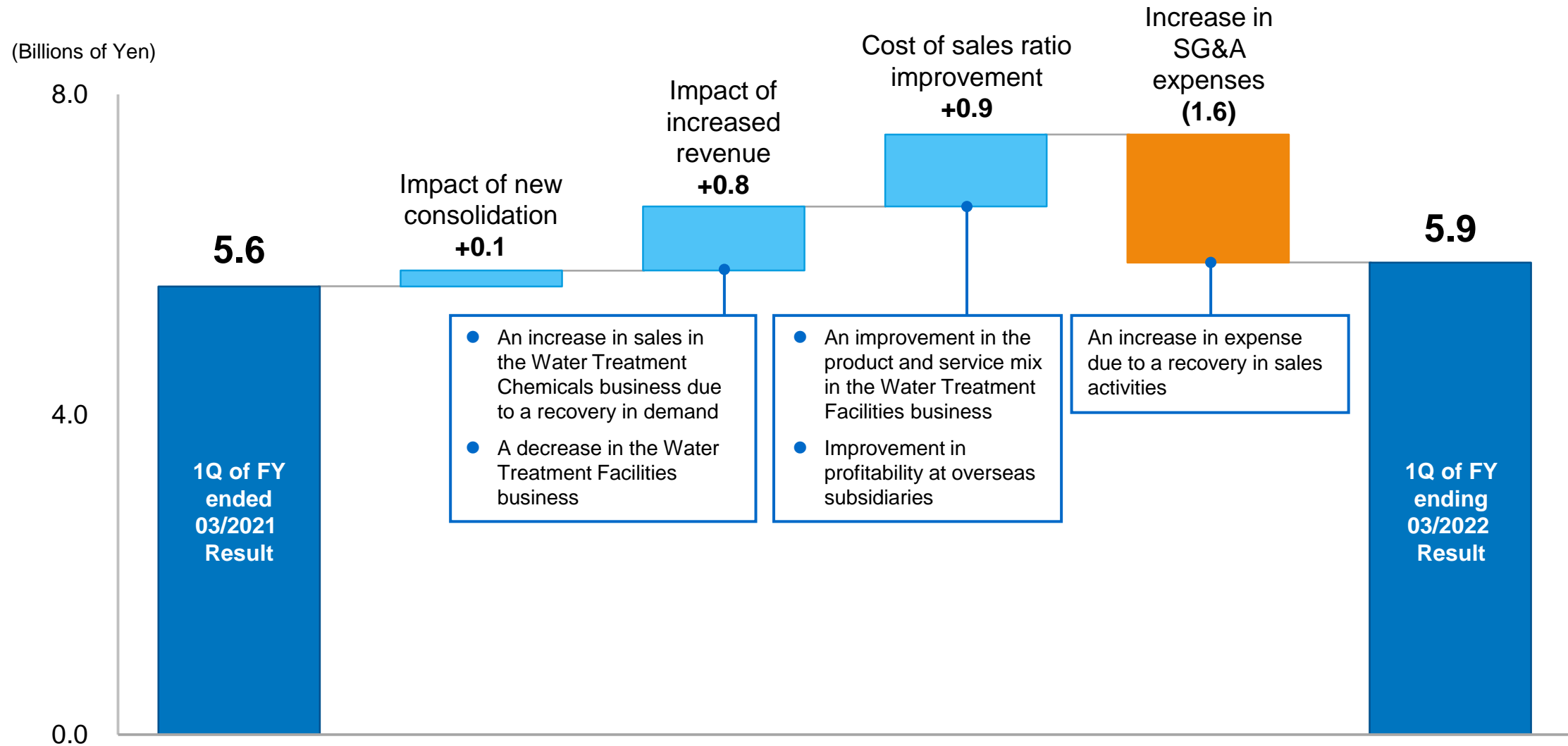


(Billions of Yen)		1Q of FY ended 03/2021	1Q of FY ending 03/2022	YoY Change	1H Forecast
Total	Orders	65.4	77.6	+12.2	141.0
	Net Sales	61.0	63.2	+2.2	128.0
	Business Profit	5.6	5.9	+0.3	14.0
	Business Profit Margin	9.2%	9.3%	+0.1pp	10.9%
	Operating Profit	5.8	5.8	(0.0)	13.5
Water Treatment Chemicals	Orders	25.7	29.2	+3.5	56.3
	Net Sales	24.5	27.9	+3.4	56.0
	Business Profit	2.8	3.2	+0.4	8.1
	Business Profit Margin	11.4%	11.6%	+0.2pp	14.5%
	Operating Profit	2.8	3.2	+0.5	7.8
Water Treatment Facilities	Orders	39.7	48.4	+8.7	84.7
	Net Sales	36.5	35.3	(1.2)	72.0
	Business Profit	2.8	2.7	(0.2)	5.9
	Business Profit Margin	7.8%	7.5%	(0.3pp)	8.2%
	Operating Profit	3.1	2.6	(0.5)	5.7

- Both net sales and profit in the Water Treatment Chemicals business rose chiefly due to a recovery in demand for chemicals overseas.
- Orders in the Water Treatment Facilities business increased, reflecting increases in orders for facilities overseas and maintenance in Japan and overseas.
- Net sales in the Water Treatment Facilities business decreased chiefly due to the absence of the sales from large projects overseas posted in the same period of the previous fiscal year.
- Business profit in the Water Treatment Facilities business fell due to the decrease in net sales and an increase in expense as a result of a recovery in sales activities, despite an improvement in the cost of sales ratio.

Note) The PPA for Pentagon Technologies Group, Inc., which was consolidated in the previous fiscal year, was determined, and the results in the Water Treatment Facilities business in the first quarter of the fiscal year ended March 31, 2021 have been revised retroactively.

# Factors in Change in Business Profit (YoY Change)



# Water Treatment Chemicals



(Billions of Yen)	1Q of FY ended 03/2021	1Q of FY ending 03/2022	YoY Change	1H Forecast
<b>Orders</b>	<b>25.7</b>	<b>29.2</b>	<b>+3.5</b>	<b>56.3</b>
Domestic	11.4	11.6	+0.2	22.6
Overseas	14.4	17.7	+3.3	33.7
<b>Net Sales</b>	<b>24.5</b>	<b>27.9</b>	<b>+3.4</b>	<b>56.0</b>
Domestic	10.1	10.2	+0.1	22.3
Overseas	14.4	17.7	+3.3	33.7
<b>Business Profit</b>	<b>2.8</b>	<b>3.2</b>	<b>+0.4</b>	<b>8.1</b>
<b>Business Profit Margin</b>	<b>11.4%</b>	<b>11.6%</b>	<b>+0.2pp</b>	<b>14.5%</b>
<b>Operating Profit</b>	<b>2.8</b>	<b>3.2</b>	<b>+0.5</b>	<b>7.8</b>

- Kurita AquaChemie and Keytech Water Management were newly consolidated.
- Domestic net sales increased slightly due to a recovery in demand as a result of an improvement in capacity utilization at customers' plants, while there were no increases in inventories at customers, a contrast to the same period of the previous fiscal year.
- Overseas net sales increased, reflecting the impact of new consolidated subsidiaries, a recovery in demand for chemicals, and a positive effect of foreign exchange rates due to the weaker yen.
- Business profit rose, with an increase in SG&A expenses more than offset by an increase in net sales.

## Overseas Net Sales by Region

(Billions of Yen)	1Q of FY ended 03/2021	1Q of FY ending 03/2022	YoY Change	1H Forecast
Asia	5.2	6.3	+1.1	12.2
North & South America	4.9	5.5	+0.5	11.3
EMEA	4.3	5.9	+1.7	10.2
<b>Total</b>	<b>14.4</b>	<b>17.7</b>	<b>+3.3</b>	<b>33.7</b>

### Factors in Change (Billions of Yen)

Organic Change	+1.0
Effect of Foreign Exchange Rate	+1.2
New Consolidation	+1.0

# Water Treatment Facilities (for the domestic electronics industry)

(Billions of Yen)	1Q of FY ended 03/2021	1Q of FY ending 03/2022	YoY Change	1H Forecast
<b>Orders</b>	<b>13.2</b>	<b>15.4</b>	<b>+2.1</b>	<b>29.6</b>
Facilities	0.8	0.9	+0.1	3.0
Maintenance	3.6	4.9	+1.3	7.6
Ultrapure Water Supply Business	6.9	7.3	+0.4	14.9
Tool Cleaning	2.0	2.4	+0.4	4.2
<b>Net Sales</b>	<b>12.8</b>	<b>14.2</b>	<b>+1.3</b>	<b>29.6</b>
Facilities	0.5	1.0	+0.5	2.5
Maintenance	3.5	3.5	(0.0)	8.1
Ultrapure Water Supply Business	6.9	7.3	+0.4	14.9
Tool Cleaning	2.0	2.4	+0.4	4.2

- Orders for facilities were on a par with the year-ago level. Net sales increased due to progress in large construction projects for which orders were placed in the previous fiscal year.
- Orders for maintenance increased, reflecting the expansion of facilities and consumables replacement. Net sales remained flat from the same period of the previous fiscal year.
- Both orders and net sales in the ultrapure water supply business increased due to the commencement of supply in the previous fiscal year for a certain contract.
- Both orders and net sales rose in tool cleaning due to acquisitions of new projects.



# Water Treatment Facilities (for domestic general industries)



(Billions of Yen)	1Q of FY ended 03/2021	1Q of FY ending 03/2022	YoY Change	1H Forecast
<b>Orders</b>	<b>15.5</b>	<b>17.1</b>	<b>+1.6</b>	<b>32.6</b>
Energy and Infrastructure	13.8	15.5	+1.7	27.2
Soil Remediation	1.0	0.9	(0.2)	4.2
Other	0.7	0.8	+0.1	1.2
<b>Net Sales</b>	<b>12.2</b>	<b>10.8</b>	<b>(1.4)</b>	<b>22.1</b>
Energy and Infrastructure	10.2	9.2	(1.0)	18.2
Soil Remediation	1.4	0.8	(0.6)	2.7
Other	0.6	0.7	+0.1	1.2

- Energy and infrastructure orders rose due to a recovery in demand for maintenance for general industries and orders for large projects for general industries.
- Energy and infrastructure net sales fell, reflecting decreases in sales from maintenance for the public sector, facilities for the electric power industry, and engineering cleaning.
- Soil remediation orders and net sales declined in reaction to orders for large projects a year ago and because the posting of sales from projects for which orders had been placed ran its course.

# Water Treatment Facilities (Overseas)



(Billions of Yen)	1Q of FY ended 03/2021	1Q of FY ending 03/2022	YoY Change	1H Forecast
<b>Orders</b>	<b>11.0</b>	<b>15.9</b>	<b>+4.9</b>	<b>22.5</b>
Facilities	4.1	7.0	+2.9	9.3
Maintenance	3.4	4.6	+1.2	6.1
Ultrapure Water Supply Business	0.7	0.8	+0.1	1.5
Tool Cleaning	2.7	3.4	+0.7	5.6
<b>Net Sales</b>	<b>11.4</b>	<b>10.4</b>	<b>(1.1)</b>	<b>20.3</b>
Facilities	5.1	3.4	(1.7)	8.1
Maintenance	2.9	2.7	(0.2)	5.2
Ultrapure Water Supply Business	0.7	0.8	+0.1	1.5
Tool Cleaning	2.7	3.4	+0.7	5.6

- Orders in China increased due to orders for large projects. Net sales remained flat from the same period of the previous fiscal year.
- Orders for South Korea climbed, reflecting orders for large projects. Net sales fell as the posting of sales from projects for which orders had been placed ran its course.
- Orders for Taiwan remained flat from a year ago. Net sales fell, with the posting of sales from projects for which orders had been placed running its course.
- Net sales for North America were on a par with the year-ago level. Net sales in tool cleaning increased due to acquisitions of new projects.

## Overseas Net Sales by Region

(Billions of Yen)	1Q of FY ended 03/2021	1Q of FY ending 03/2022	YoY Change	1H Forecast
Asia	6.4	5.4	(1.0)	11.5
North & South America	5.0	5.0	(0.0)	8.8
<b>Total</b>	<b>11.4</b>	<b>10.4</b>	<b>(1.1)</b>	<b>20.3</b>

### Factors in Change (Billions of Yen)

Organic Change	(1.6)
Effect of Foreign Exchange Rate	+0.5

# Breakdown of Service Business Sales



(Billions of Yen)	1Q of FY ended 03/2021	1Q of FY ending 03/2022	YoY Change	1H Forecast
<b>Water Treatment Chemicals</b>	<b>24.5</b>	<b>27.9</b>	<b>+3.4</b>	<b>56.0</b>
<b>Water Treatment Facilities</b>	<b>29.0</b>	<b>29.3</b>	<b>+0.3</b>	<b>58.7</b>
Ultrapure Water Supply Business	7.6	8.1	+0.5	16.4
Domestic Tool Cleaning	2.0	2.4	+0.4	4.2
Overseas Tool Cleaning	2.7	3.4	+0.7	5.6
Soil Remediation	1.4	0.8	(0.6)	2.7
Domestic Maintenance	12.0	11.3	(0.6)	23.6
Overseas Maintenance	2.9	2.7	(0.2)	5.2
Other	0.5	0.6	+0.0	1.2
<b>Total</b>	<b>53.6</b>	<b>57.2</b>	<b>+3.7</b>	<b>114.7</b>

- Net sales in the Water Treatment Chemicals business rose due to a recovery in demand for chemicals overseas.
- Net sales in the ultrapure water supply business increased due to the commencement of water supply in the previous fiscal year for a certain contract.
- Tool cleaning net sales increased both in Japan and overseas because new projects were won.
- The posting of sales from large soil remediation projects ran its course.
- Domestic maintenance sales, particularly sales from maintenance for the public sector and engineering cleaning, declined.

# Capital Expenditures, Depreciation and R&D Expenses



(Billions of Yen)	1Q of FY ended 03/2021	1Q of FY ending 03/2022	FY ending 03/2022 (Forecast)
<b>Capital Expenditures (Property, Plant and Equipment*)</b>	<b>2.7</b>	<b>13.1</b>	<b>63.4</b>
Ultrapure Water Supply Business	0.5	4.5	32.6
Other than the above	2.2	8.6	30.7
<b>Depreciation (Property, Plant and Equipment*)</b>	<b>4.4</b>	<b>4.8</b>	<b>19.7</b>
Water Treatment Chemicals	1.0	1.2	4.1
Water Treatment Facilities	3.4	3.6	15.6
<b>R&amp;D Expenses</b>	<b>1.1</b>	<b>1.2</b>	<b>5.2</b>
Water Treatment Chemicals	0.4	0.4	1.6
Water Treatment Facilities	0.7	0.8	3.7

- Capital investment in the ultrapure water supply business increased.
- The increase in capital investment other than the above chiefly reflected investment in the new domestic development base.
- Depreciation and R&D expenses progressed according to plan.

\* Right-of-use assets are included.

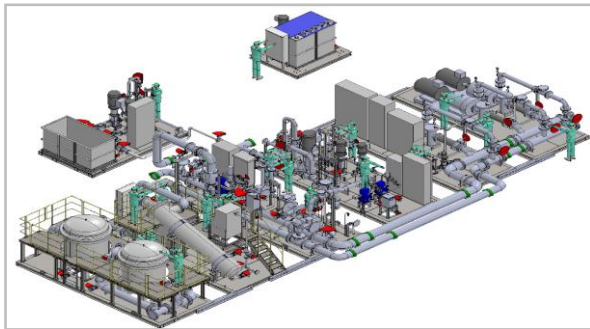
## 2 | Progress on Priority Measures

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## Strengthening the revenue base in the social and industrial infrastructure market

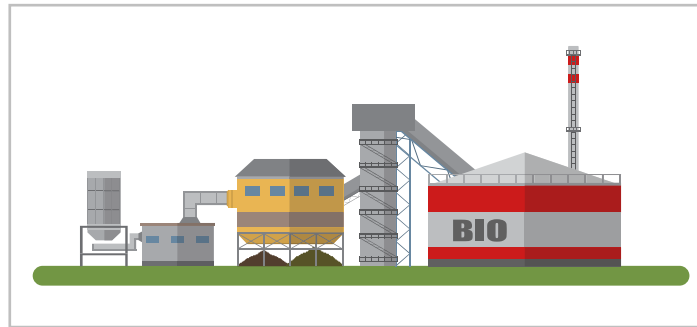
### Existing field

- Developing construction methods and cleaning techniques having a competitive advantage
- Reducing the time for construction through space saving and using skid-mounted temporary equipment



### Growth field

- Expanding into the renewable energy market, primarily biomass power generation



### New field

- Lease agreement business that contributes to BCP at customers



■ Achieving stable revenue   ■ Expanding business scale   ■ Creating new business

# Initiatives to Expand Business in the ASEAN Region

Integrating the management of five companies in the ASEAN region to generate synergies



Identifying issues through benchmarking at each company



Building a mutual support system in ASEAN region



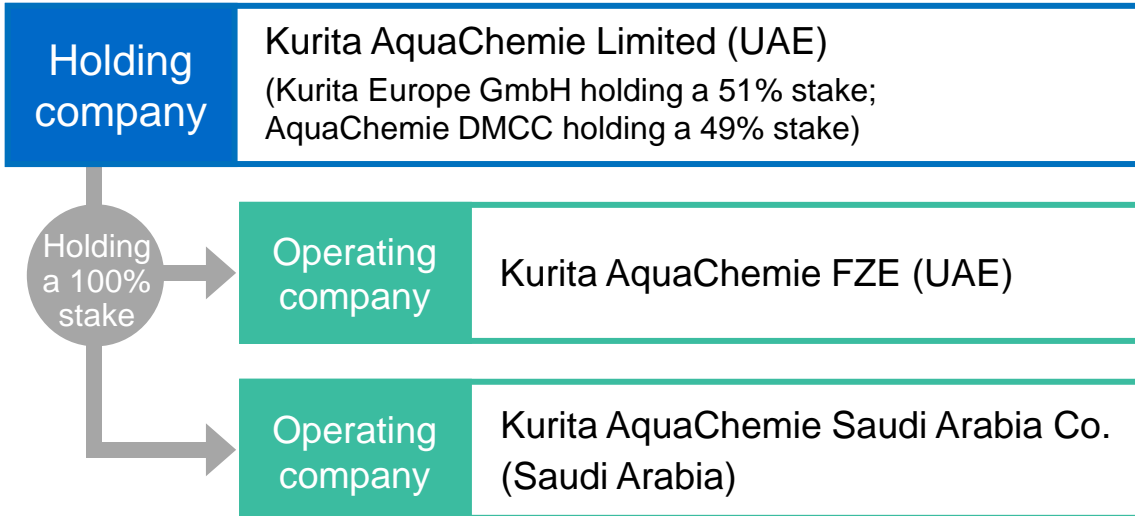
Expanding sales, improving profitability

- Expanding CSV business and total solutions, using resources in the entire ASEAN region
- Expanding customers' facilities diagnosis service using digital tools
- Gaining new customers using webinars and social media
- Cutting costs through the optimization of the procurement of raw materials and shortening production time by changing packaging and raw materials

# Strengthening the Business Foundation in the Middle East



Acquired production facilities and a sales network necessary for business growth in Gulf countries.



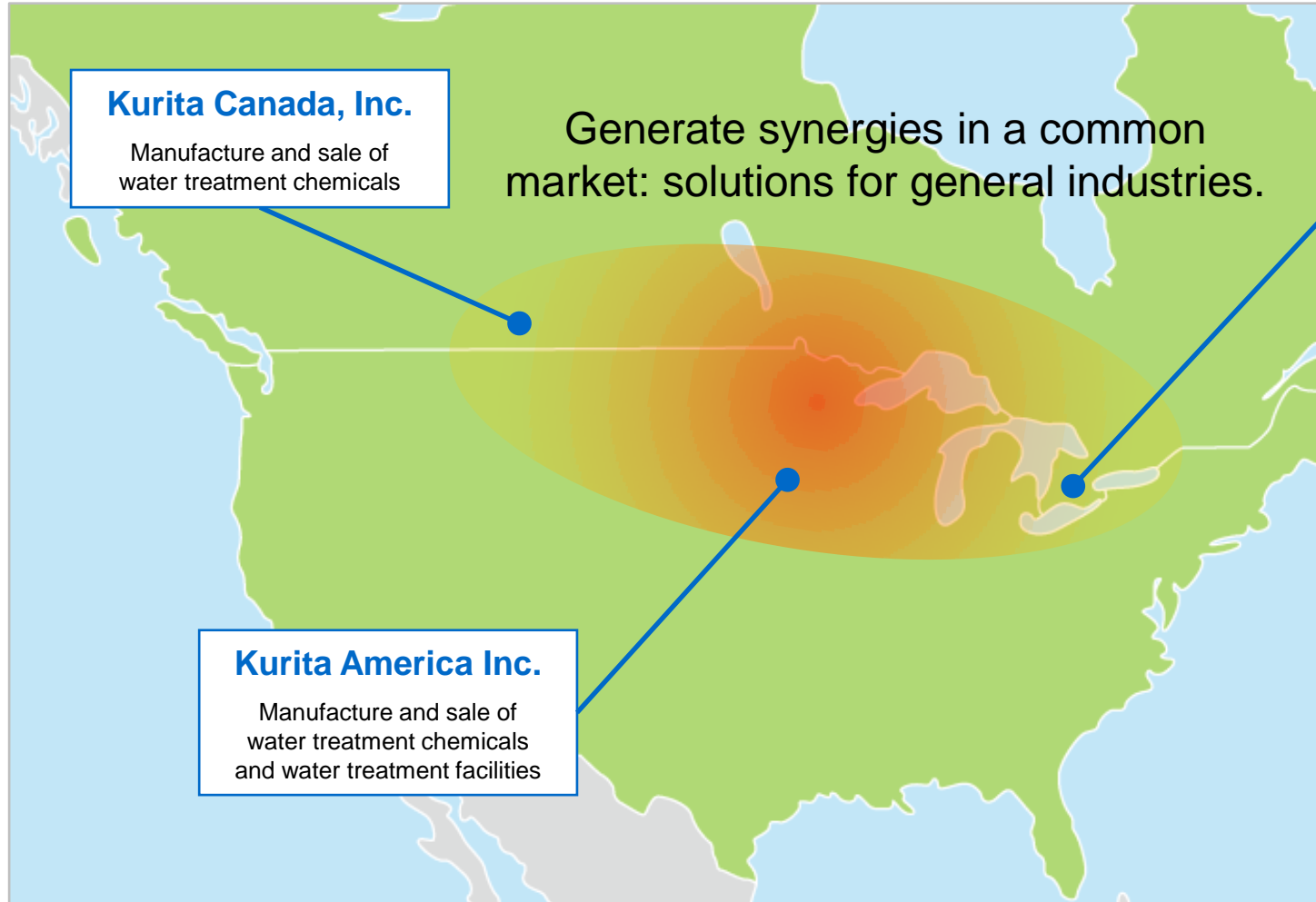
Share acquisition	April 2021
Business description	Manufacture and sale of water treatment chemicals
Major products	Process treatment chemicals for oil wells, process treatment chemicals for petroleum refining and petrochemicals, cooling water treatment chemicals, boiler water treatment chemicals, reverse osmosis membrane treatment chemicals
Target market	Oil well, petroleum refining, petrochemicals, seawater desalination facilities, etc. (Estimated market size: approx. 45.0 billion yen)





# Expanding the sales network in North America

Acquired a business base in eastern Canada, an industrial zone.



Keytech Water Management (Acquired in April 2021)	
Establishment	1981
Shareholder	Kurita Canada, Inc. (100%)
Business description	Manufacture and sale of water treatment chemicals and auxiliary equipment
Target market	Biofuel, hospitals, air-conditioning of buildings, food, beverages, etc.



### Forward-looking Statements

This presentation contains forward-looking statements, business plan projections, and judgments based on information available to management at the time of writing. Due to the existence of a variety of risk factors and uncertainties, actual results may differ from those specified or implied by these forward-looking statements and projections.

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