

Kurita Water Industries Ltd. Reports Earnings for the Six Months Ended September 30, 2022

Tokyo, Japan, October 31, 2022 - Kurita Water Industries Ltd. (the “Company”) (TSE Securities Code 6370) announced net sales of 160,680 million yen and profit attributable to owners of parent of 12,379 million yen, or 110.15 yen per share, for the six months ended September 30, 2022 (April 1, 2022 - September 30, 2022).

Results of Operations

Total consolidated orders for the Kurita Group (the “Group”) in the six months ended September 30, 2022 rose 35.6% from the level of the year-ago period, to 200,415 million yen, and net sales increased 18.8%, to 160,680 million yen. Business profit* increased 11.6%, to 16,611 million yen, operating profit was 16,346 million yen, up 10.8% versus the year-ago period, profit before tax was 17,509 million yen, rising 56.9%, and profit attributable to owners of parent amounted to 12,379 million yen, up 117.0%.

In the first six months under review, the Company underwrote a capital increase at Kurita America Holdings Inc. to help it acquire additional shares in US-based subsidiary Pentagon Technologies Group, Inc. (and make it a wholly owned subsidiary) and completed the payment. The Company posted in finance income a gain on derivatives transactions of 1,090 million yen from a foreign exchange contract it entered into after deciding to underwrite the capital increase. Meanwhile, finance costs of 3,611 million yen 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, Inc. were eliminated. Those factors contributed to the significant increases in profit before tax and profit attributable to owners of parent.

During the first six months of the fiscal year ending March 31, 2023, uncertainty in the global economy increased, reflecting continued disruption in supply chains and sharp rises in prices of raw materials and energy chiefly due to an increase in geopolitical risk and the resurgence in COVID-19 cases. However, the global economy continued to recover moderately. Production activities in the manufacturing industry in Japan were weak in certain sectors chiefly due to constraints on the supply of raw materials caused mainly by semiconductor shortages and lockdowns in China, but there remained 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 excluding China. Meanwhile, the Chinese economy slowed due to the lingering effects of lockdowns and movement restrictions to block the spread of COVID-19.

In this environment, the Group stepped up initiatives to propose total solutions that would help solve customer issues such as the reduction of the environmental impact, including water saving, the reduction of CO₂ emissions and waste reduction, and an improvement in productivity, while expanding the CSV (creating shared value) business based on a deep understanding of social and customer issues, aiming to address climate change and create value shared with society.

*Business profit is the Group’s own indicator that measures constant business performance. It is net sales less cost of sales and selling, general and administrative expenses. Although business profit is not defined by IFRS, the Group voluntarily discloses it, believing that it is beneficial for users of its financial statements.

Segment Information

The Group consists of two reportable segments in its segment information: Water Treatment Chemicals and Water Treatment Facilities.

Water Treatment Chemicals

Total Group orders for the Water Treatment Chemicals segment were 69,170 million yen, up 17.9% versus the year-ago period, while net sales rose 17.7%, to 68,396 million yen.

In terms of profits, business profit amounted to 8,436 million yen, an increase of 12.3% year on year, and operating profit rose to 8,557 million yen, up 17.7% year on year, chiefly due to an increase in net sales, which more than offset a rise in expenses chiefly due to increases in raw materials prices and distribution costs.

In Japan, orders and net sales remained flat from the same period of the previous fiscal year, reflecting 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 results in yen at overseas subsidiaries due to the weaker yen.

Water Treatment Facilities

Total Group orders for the Water Treatment Facilities segment were 131,244 million yen, up 47.2% versus the same period of the previous fiscal year. Net sales increased 19.6%, to 92,283 million yen.

In terms of profits, business profit amounted to 8,182 million yen, an increase of 11.0% year on year, and operating profit rose to 7,799 million yen, up 4.5% 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.

In Japan, both orders and net sales of water treatment facilities for the electronics industry increased due to the posting of orders for large projects and 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 customers' plants.

Orders for water treatment facilities for general industries climbed, but net sales remained flat. Orders and net sales of maintenance services for the 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 because the posting of orders and net sales from large projects ran its course. Orders for soil remediation services declined, but net sales of the services increased.

Overseas, both orders and net sales increased due to an increase in results in yen at overseas subsidiaries associated with the weaker yen, the posting of orders and sales of large water treatment facilities projects in the electronics industry in East Asia and an increase in sales of precision tool cleaning services.

Total net sales in the ultrapure water supply business in Japan and overseas increased mainly due to the contribution of a contract that began in the previous fiscal year.

Financial Condition

Condition of assets, liabilities and equity

1) Total assets: 493,472 million yen, an increase of 23,491 million yen from the end of the previous fiscal year

Current assets totaled 176,973 million yen at the end of the second quarter (September 30, 2022), a decrease of 1,423 million yen from the end of the previous fiscal year (March 31, 2022). This was mainly due to decreases in cash and cash equivalents and other current assets of 2,956 million yen and 2,683 million yen, respectively, offsetting an increase in inventories of 4,334 million yen.

Non-current assets totaled 316,498 million yen at the end of the second quarter, an increase of 24,913 million yen from the end of the previous fiscal year. Property, plant and equipment increased 12,658 million yen chiefly due to the acquisition of new facilities in the ultrapure water supply business (Water Treatment Facilities business), and goodwill rose 8,533 million yen due to the weakening of the yen against other currencies.

2) Liabilities: 194,235 million yen, an increase of 2,116 million yen from the end of the previous fiscal year

Current liabilities totaled 104,304 million yen at the end of the period, a decrease of 9,623 million yen from the end of the previous fiscal year. This is chiefly attributable to a decrease of 19,613 million yen

in other financial liabilities due to the implementation of the forward contract concluded with the non-controlling shareholders of US-based Pentagon Technologies Group, Inc. (Water Treatment Facilities business) and decrease in trade and other payables and income taxes payable of 9,379 million yen and 3,598 million yen, respectively, which were partially offset by an increase of 22,494 million yen in bonds and borrowings chiefly due to the issuance of commercial paper.

Non-current liabilities totaled 89,930 million yen at the end of the period, an increase of 11,739 million yen from the end of the previous fiscal year. This principally reflected an increase in bonds and borrowings of 9,944 million yen mainly due to the issuance of the second series of unsecured bonds (10,000 million yen).

3) Equity: 299,236 million yen, an increase of 21,374 million yen from the end of the previous fiscal year

This was attributable to an increase of 13,456 million yen in other components of equity mainly due to the posting of exchange differences on translation of foreign operations, reflecting the weakening of the yen against other currencies, and a rise of 8,382 million yen in retained earnings, chiefly due to the posting of a profit attributable to owners of parent.

Cash Flows

Consolidated cash and cash equivalents at the end of the second quarter (September 30, 2022) totaled 42,774 million yen, a decrease of 2,956 million yen from the end of the previous fiscal year (March 31, 2022).

The various cash flows and related factors are outlined below.

1) Cash Flows from Operating Activities

Net cash provided by operating activities during the second quarter ended September 30, 2022 totaled 23,625 million yen, an increase of 10,929 million yen from the same period of the previous fiscal year. Inflows from profit before tax of 17,509 million yen and depreciation and amortization of 14,088 million yen were partly offset by income taxes paid of 8,706 million yen.

2) Cash Flows from Investing Activities

Net cash used in investing activities totaled 31,118 million yen, an increase of 6,707 million yen from the same period of the previous fiscal year. Cash was used mainly for purchases of property, plant and equipment of 30,900 million yen.

3) Cash Flows from Financing Activities

Net cash provided by financing activities totaled 2,815 million yen, an increase of 7,897 million yen from the same period of the previous fiscal year. Inflows chiefly from a net increase in short-term borrowings and commercial paper of 22,244 million yen and proceeds from the issuance of bonds of 9,955 million yen were partly offset by the purchase of shares of subsidiaries not resulting in change in scope of consolidation of 22,127 million yen and dividends paid of 4,320 million yen.

The Group's basic policy is to constantly secure the liquidity necessary for business operations and establish a stable funds-raising system. Short-term working capital is basically supplied by the Group's own funds. Capital investment and other investments in growth fields depend chiefly on the Group's own funds, but the Group considers financing through bond markets and bank loans as needed. As of the end of the period under review, the Group has concluded commitment line contracts with one financial institution (no borrowing executed and unexecuted borrowings within the commitment line was 20,000 million yen).

Forecasts for the Fiscal Year Ending March 31, 2023

The Group has revised the consolidated earnings forecasts for the fiscal year ending March 31, 2023 stated in the “Kurita Water Industries Reports Earnings for the Three Months Ended June 30, 2022” released on July 29, 2022, as below.

Net sales are expected to exceed the previous forecast, reflecting the expected contribution to the full-year net sales of orders for water treatment facilities projects for the electronics industry in Japan and in Asia that were received in the first six months under review and an expected continued increase in net sales in the Water Treatment Chemicals business primarily overseas. The Company revises upward the business profit forecast because of the increase in net sales as described above, although given price increases, raw materials costs and personnel expenses, among other expenses, will likely rise more sharply than assumed when the previous forecast was announced. The operating profit, profit before tax, and profit attributable to owners of parent forecasts are also revised upward, reflecting the expected rise in business profit and trends in other income and expenses and finance income and costs in the first six months under review.

Regarding the impact of COVID-19, while it is difficult to rationally estimate how COVID-19 will spread and when it will subside, the Company assumes that economic activities will normalize and the economy will recover moderately.

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

Revision to the consolidated business forecast for the fiscal year ending March 31, 2023 (April 1, 2022 - March 31, 2023)

	Net sales	Business profit	Operating profit	Profit before tax	Profit attributable to owners of parent	Basic earnings per share
	Million yen	Million yen	Million yen	Million yen	Million yen	Yen
Previous forecast (A)	338,000	38,000	36,500	36,500	25,700	228.69
Revised forecast (B)	350,000	39,000	38,000	39,000	27,600	245.56
Change (B-A)	12,000	1,000	1,500	2,500	1,900	—
Percentage change (%)	3.6	2.6	4.1	6.8	7.4	—
(Reference) Previous year (Year ended March 31, 2022)	288,207	32,944	35,734	30,079	18,471	164.38

Condensed quarterly consolidated financial statements

(1) Condensed quarterly consolidated statement of financial position

(Million yen)

	As of March 31, 2022	As of September 30, 2022
Assets		
Current assets		
Cash and cash equivalents	45,730	42,774
Trade and other receivables	108,892	109,158
Other financial assets	3,075	2,693
Inventories	13,132	17,466
Other current assets	7,564	4,881
Total current assets	178,396	176,973
Non-current assets		
Property, plant and equipment	161,034	173,692
Right-of-use assets	19,042	21,810
Goodwill	62,992	71,525
Intangible assets	18,092	18,627
Investments accounted for using equity method	1,191	1,338
Other financial assets	23,011	23,271
Deferred tax assets	6,071	6,065
Other non-current assets	150	166
Total non-current assets	291,585	316,498
Total assets	469,981	493,472

(Million yen)

	As of March 31, 2022	As of September 30, 2022
Liabilities and equity		
Liabilities		
Current liabilities		
Trade and other payables	57,967	48,588
Bonds and borrowings	8,180	30,674
Lease liabilities	4,683	4,573
Other financial liabilities	19,613	–
Income taxes payable	8,663	5,065
Provisions	1,529	1,214
Other current liabilities	13,289	14,187
Total current liabilities	113,927	104,304
Non-current liabilities		
Bonds and borrowings	30,953	40,897
Lease liabilities	14,862	17,594
Other financial liabilities	1,757	1,683
Net defined benefit liability	18,144	18,407
Provisions	2,335	2,437
Deferred tax liabilities	2,646	2,486
Other non-current liabilities	7,491	6,423
Total non-current liabilities	78,191	89,930
Total Liabilities	192,119	194,235
Equity		
Share capital	13,450	13,450
Capital surplus	(3,076)	(184)
Treasury shares	(10,694)	(10,636)
Other components of equity	12,161	25,617
Retained earnings	260,073	268,455
Equity attributable to owners of parent	271,914	296,702
Non-controlling Interests	5,948	2,534
Total Equity	277,862	299,236
Total liabilities and equity	469,981	493,472

(2) Condensed quarterly consolidated statement of profit or loss

(Million yen)

	Six months ended September 30, 2021	Six months ended September 30, 2022
Net sales	135,239	160,680
Cost of sales	85,230	103,734
Gross profit	50,009	56,946
Selling, general and administrative expenses	35,125	40,334
Other income	687	809
Other expenses	821	1,074
Operating profit	14,749	16,346
Finance income	263	1,651
Finance costs	3,953	588
Share of profit (loss) of investments accounted for using equity method	102	99
Profit Before Tax	11,161	17,509
Income tax expense	4,998	4,720
Profit for the period	6,163	12,789
Profit attributable to		
Owners of parent	5,705	12,379
Non-controlling Interests	458	409
Profit for the period	6,163	12,789
Earnings per share		
Basic earnings per share (yen)	50.78	110.15
Diluted earnings per share (yen)	—	—

(3) Condensed quarterly consolidated statement of comprehensive income

(Million yen)

	Six months ended September 30, 2021	Six months ended September 30, 2022
Profit for the period	6,163	12,789
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Net change in the fair value of financial assets measured at fair value through other comprehensive income	311	(17)
Remeasurements of defined benefit plans	(17)	47
Total of items that will not be reclassified to profit or loss	293	30
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	153	12,500
Cash flow hedges	(14)	174
Share of other comprehensive income of investments accounted for using equity method	38	46
Total of items that may be reclassified to profit or loss	176	12,722
Other comprehensive income, net of tax	470	12,752
Comprehensive income for the period	6,633	25,542
Comprehensive income attributable to		
Owners of parent	6,094	24,087
Non-controlling Interests	539	1,454
Comprehensive income for the period	6,633	25,542

(4) Condensed quarterly consolidated statement of changes in equity

Six months ended September 30, 2021 (April 1, 2021 - September 30, 2021)

(Million yen)

	Equity attributable to owners of parent					
	Share capital	Capital surplus	Treasury shares	Other components of equity		
				Exchange differences on translation of foreign operations	Cash flow hedges	Financial assets measured at fair value through other comprehensive income
Balance as of April 1, 2021	13,450	(2,212)	(10,787)	(4,469)	(91)	13,060
Profit for the period	–	–	–	–	–	–
Other comprehensive income	–	–	–	108	(14)	311
Total comprehensive income for the period	–	–	–	108	(14)	311
Purchase of treasury shares	–	–	(3)	–	–	–
Dividends	–	–	–	–	–	–
Share-based payment transactions	–	(11)	93	–	–	–
Changes in ownership interests in subsidiaries	–	–	–	–	–	–
Increase (decrease) by business combination	–	–	–	–	–	–
Liabilities pertaining to forward contracts concluded with non-controlling shareholders	–	–	–	–	–	–
Transfer from other components of equity to retained earnings	–	–	–	–	–	0
Other	–	(2)	–	–	–	–
Total transactions with owners	–	(13)	90	–	–	0
Balance as of September 30, 2021	13,450	(2,225)	(10,696)	(4,360)	(106)	13,372

(Million yen)

	Equity attributable to owners of parent				Non-controlling Interests	Total
	Other components of equity		Retained earnings	Total		
	Remeasurements of defined benefit plans	Total				
Balance as of April 1, 2021	–	8,500	244,138	253,089	4,748	257,837
Profit for the period	–	–	5,705	5,705	458	6,163
Other comprehensive income	(15)	389	–	389	81	470
Total comprehensive income for the period	(15)	389	5,705	6,094	539	6,633
Purchase of treasury shares	–	–	–	(3)	–	(3)
Dividends	–	–	(3,819)	(3,819)	(36)	(3,856)
Share-based payment transactions	–	–	–	82	(1)	80
Changes in ownership interests in subsidiaries	–	–	–	–	–	–
Increase (decrease) by business combination	–	–	–	–	125	125
Liabilities pertaining to forward contracts concluded with non-controlling shareholders	–	–	–	–	–	–
Transfer from other components of equity to retained earnings	15	16	(16)	–	–	–
Other	–	–	–	(2)	26	24
Total transactions with owners	15	16	(3,835)	(3,742)	114	(3,628)
Balance as of September 30, 2021	–	8,906	246,007	255,442	5,401	260,843

Six months ended September 30, 2022 (April 1, 2022 - September 30, 2022)

(Million yen)

	Equity attributable to owners of parent					
	Share capital	Capital surplus	Treasury shares	Other components of equity		
				Exchange differences on translation of foreign operations	Cash flow hedges	Financial assets measured at fair value through other comprehensive income
Balance as of April 1, 2022	13,450	(3,076)	(10,694)	3,493	40	8,627
Profit for the period	—	—	—	—	—	—
Other comprehensive income	—	—	—	11,502	174	(17)
Total comprehensive income for the period	—	—	—	11,502	174	(17)
Purchase of treasury shares	—	—	(1)	—	—	—
Dividends	—	—	—	—	—	—
Share-based payment transactions	—	17	58	—	—	—
Changes in ownership interests in subsidiaries	—	(19,308)	—	1,796	—	—
Increase (decrease) by business combination	—	—	—	—	—	—
Liabilities pertaining to forward contracts concluded with non-controlling shareholders	—	22,051	—	—	—	—
Transfer from other components of equity to retained earnings	—	—	—	—	—	—
Other	—	132	—	—	—	—
Total transactions with owners	—	2,892	57	1,796	—	—
Balance as of September 30, 2022	13,450	(184)	(10,636)	16,792	214	8,610

(Million yen)

	Equity attributable to owners of parent				Non-controlling Interests	Total
	Other components of equity		Retained earnings	Total		
	Remeasurements of defined benefit plans	Total				
Balance as of April 1, 2022	–	12,161	260,073	271,914	5,948	277,862
Profit for the period	–	–	12,379	12,379	409	12,789
Other comprehensive income	47	11,708	–	11,708	1,044	12,752
Total comprehensive income for the period	47	11,708	12,379	24,087	1,454	25,542
Purchase of treasury shares	–	–	–	(1)	–	(1)
Dividends	–	–	(4,045)	(4,045)	(253)	(4,299)
Share-based payment transactions	–	–	–	75	0	76
Changes in ownership interests in subsidiaries	–	1,796	–	(17,511)	(4,615)	(22,127)
Increase (decrease) by business combination	–	–	–	–	–	–
Liabilities pertaining to forward contracts concluded with non-controlling shareholders	–	–	–	22,051	–	22,051
Transfer from other components of equity to retained earnings	(47)	(47)	47	–	–	–
Other	–	–	(0)	132	–	132
Total transactions with owners	(47)	1,748	(3,997)	700	(4,868)	(4,167)
Balance as of September 30, 2022	–	25,617	268,455	296,702	2,534	299,236

(5) Condensed quarterly consolidated statement of cash flows

(Million yen)

	Six months ended September 30, 2021	Six months ended September 30, 2022
Cash flows from operating activities		
Profit Before Tax	11,161	17,509
Depreciation and amortization	11,287	14,088
Share of loss (profit) of investments accounted for using equity method	(102)	(99)
Loss (gain) on sale of fixed assets	(37)	(17)
Decrease (increase) in inventories	(1,100)	(3,235)
Decrease (increase) in trade and other receivables	549	2,565
Increase (decrease) in trade and other payables	(636)	(561)
Other	(543)	1,824
Subtotal	20,578	32,074
Interest received	48	96
Dividends received	383	169
Interest paid	(49)	(8)
Income taxes paid	(8,263)	(8,706)
Net cash provided by (used in) operating activities	12,696	23,625
Cash flows from investing activities		
Payments into time deposits	(1,167)	(1,553)
Proceeds from withdrawal of time deposits	1,294	2,244
Purchase of property, plant and equipment	(20,948)	(30,900)
Proceeds from sale of property, plant and equipment	251	70
Purchase of intangible assets	(1,094)	(663)
Payments for acquisition of subsidiaries (after deduction of cash and cash equivalents included in acquired assets)	(2,401)	–
Other	(346)	(315)
Net cash provided by (used in) investing activities	(24,411)	(31,118)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings and commercial paper	1,392	22,244
Proceeds from issuance of bonds	–	9,955
Repayments of long-term borrowings	(275)	(348)
Repayments of lease liabilities	(2,472)	(2,646)
Dividends paid	(3,873)	(4,320)
Purchase of shares of subsidiaries not resulting in change in scope of consolidation	–	(22,127)
Other	146	57
Net cash provided by (used in) financing activities	(5,082)	2,815
Effect of exchange rate changes on cash and cash equivalents	359	1,721
Net increase (decrease) in cash and cash equivalents	(16,438)	(2,956)
Cash and cash equivalents at beginning of period	62,228	45,730
Cash and cash equivalents at end of period	45,790	42,774

Notes to Condensed Quarterly Consolidated Financial Statements

(Notes on the Going-concern Assumption)

Six months ended September 30, 2022 (April 1, 2022 - September 30, 2022)

Not applicable

(Segment Information)

(1) Overview of reportable segments

The Company's reportable segments are components of the Group about which separate financial information is available. These segments are subject to periodic review to enable the Company's board of directors to decide how to allocate resources and assess performance.

The Group plans comprehensive strategies for the products that it handles in Japan and overseas, and develops a business. The Group's operations are therefore classified into two reportable segments, the Water Treatment Chemicals segment and the Water Treatment Facilities segment.

The Water Treatment Chemicals segment manufactures and sells water treatment chemicals and equipment and provides maintenance services. The Water Treatment Facilities segment manufactures and sells water treatment system and facilities, supplies ultrapure water, chemical cleaning, tool cleaning, soil and groundwater remediation services, and provides maintenance services that encompass operation, maintenance, and management of water treatment facilities.

(2) Information of reportable segments

Six months ended September 30, 2021 (April 1, 2021 - September 30, 2021)

(Million yen)

	Reportable Segments		Total	Adjustments (note 1)	Amounts reported on the condensed quarterly consolidated statement of profit or loss (note 2)
	Water Treatment Chemicals	Water Treatment Facilities			
Net sales					
Sales to outside customers	58,103	77,135	135,239	–	135,239
Inter-segment sales and transfers	240	380	620	(620)	–
Total	58,343	77,516	135,860	(620)	135,239
Segment income	7,270	7,460	14,731	18	14,749
Finance income					263
Finance costs					3,953
Share of profit (loss) of investments accounted for using equity method					102
Profit Before Tax					11,161

(Notes) 1. Segment income: Amount resulting from eliminations of inter-segment transactions.

2. Segment income is shown at the operating profit level.

Six months ended September 30, 2022 (April 1, 2022 - September 30, 2022)

(Million yen)

	Reportable Segments		Total	Adjustments (note 1)	Amounts reported on the condensed quarterly consolidated statement of profit or loss (note 2)
	Water Treatment Chemicals	Water Treatment Facilities			
Net sales					
Sales to outside customers	68,396	92,283	160,680	–	160,680
Inter-segment sales and transfers	275	407	682	(682)	–
Total	68,672	92,690	161,363	(682)	160,680
Segment income	8,557	7,799	16,356	(10)	16,346
Finance income					1,651
Finance costs					588
Share of profit (loss) of investments accounted for using equity method					99
Profit Before Tax					17,509

(Notes) 1. Segment income: Amount resulting from eliminations of inter-segment transactions.

2. Segment income is shown at the operating profit level.

(Bonds)

Six months ended September 30, 2021 (April 1, 2021 - September 30, 2021)

No bonds were issued or redeemed.

Six months ended September 30, 2022 (April 1, 2022 - September 30, 2022)

The bonds issued are described below.

Name	Issue	Issue date	Total amount issued (million yen)	Interest rate (%)	Redemption period
The Company	Second series of unsecured bonds	May 26, 2022	10,000	0.29	May 26, 2027

No bonds were redeemed.

(Finance income)

Six months ended September 30, 2021 (April 1, 2021 - September 30, 2021)

Information is omitted because there were no important events.

Six months ended September 30, 2022 (April 1, 2022 - September 30, 2022)

In the first quarter of the fiscal year under review, a gain on derivatives transactions of 1,090 million yen was recorded in finance income. This is income from a foreign exchange contract that the Company entered into after deciding to underwrite a capital increase in Kurita America Holdings Inc.

(Additional Information)

(Acquisition of additional shares in a subsidiary)

The forward contract on a share transfer concluded between Kurita America Holdings Inc. and the non-controlling shareholders of Pentagon Technologies Group, Inc. was implemented on June 30, 2022, and Kurita America Holdings acquired an additional 49% stake in Pentagon Technologies Group Inc. As a result, Pentagon Technologies Group Inc. has become a wholly owned subsidiary of the Group. The acquisition cost increased 553,000 US dollars (75 million yen) in the second quarter under review under the contract terms with the other party.

As the result, the value of additional shares acquired was 161 million US dollars (22,127 million yen). The amount is posted under the purchase of shares of subsidiaries not resulting in change in scope of consolidation in cash flows from financing activities in the condensed quarterly consolidated statement of cash flows. In connection with the posting of purchase of shares of subsidiaries, liabilities related to the forward contract concluded with the non-controlling shareholders posted as financial liabilities of 19,613 million yen in the previous fiscal year was eliminated, non-controlling interests declined 4,615 million yen, and the capital surplus increased 2,743 million yen.

Disclaimer

- This document is an English translation of the Earnings Report for the Six Months Ended September 30, 2022 as reference information primarily for overseas investors. If there are any discrepancies between the Japanese version and the English version, the Japanese version shall take precedence in all cases.
- This document is not subject to audit.
- The forward-looking statements such as performance forecasts contained in this document are based on information currently available to the Company and certain assumptions deemed to be reasonable, and are not intended to be a commitment by the Company. Actual performance, etc. may differ due to a variety of factors. See “Forecasts for the Fiscal Year Ending March 31, 2023” on page 4 of this document for the conditions assumed in the performance forecasts and the precautions concerning the use of performance forecasts.