FOR IMMEDIATE RELEASE

Kurita Water Industries Reports Earnings for the Fiscal Year ended March 31, 2020

Tokyo, Japan, May 18, 2020 - Kurita Water Industries Ltd. (TSE Securities Code 6370) announced net sales of 264,807 million yen and profit attributable to owners of parent of 18,287 million yen, or 162.86 yen per share, for the year ended March 31, 2020 (April 1, 2019 – March 31, 2020).

The Kurita Group (Kurita Water Industries Ltd. and its consolidated subsidiaries and equity method affiliates) is applying the International Financial Reporting Standards (IFRS) from the first quarter of the fiscal year under review. The figures for the previous consolidated fiscal year are also compliant with IFRS. For information about the difference between financial data under IFRS and those under Japanese GAAP, please refer to Notes to Consolidated Financial Statements (First-time Adoption) on page 22 of the attached document.

Results of Operations

Total consolidated orders for the Kurita Group (Kurta Water Industries Ltd. and its consolidated subsidiaries and equity method affiliates) in the fiscal year ended March 31, 2020 increased 0.4% from the level of the previous fiscal year, to 259,545 million yen, while net sales rose 2.9%, to 264,807 million yen. Operating profit was up 38.4% from the previous fiscal year, to 27,479 million yen. Profit before tax was 26,691 million yen, up 31.7%. Profit attributable to owners of parent came to 18,287 million yen, an increase of 51.8%. Operating profit and profit at other levels rose significantly, chiefly reflecting a gain on the sale of fixed assets of 4,777 million yen in other income and a loss on sale of fixed assets of 2,305 million yen in other expenses in the fiscal year under review as well as the absence of temporary losses of 5,136 million yen, including a loss on transfer of business of 2,867 million yen and an impairment loss on goodwill of 1,171 million yen posted in the same period of the previous fiscal year.

During the fiscal year ended March 31, 2020, economic growth slowed in China and Europe due to the protracted trade dispute between the United States and China and the Brexit issue. Toward the end of the fiscal year, the global economy declined sharply, reflecting the spread of novel coronavirus. The Japanese economy became increasingly stagnant due to the consumption tax hike and stay-at-home requests to tackle the spread of novel coronavirus.

Looking at the market environment surrounding the Kurita Group, in Japan, production in the manufacturing sector remained weak as exports continued to struggle. Capital expenditure restraint was evident. Overseas, both markets and production slowed, for instance, capital expenditures were postponed primarily in the electronics industry in East Asia.

In this environment, the Group worked to create solution models based on service agreements, leveraging the Group’s unique technologies and products that contribute to solving customer issues under the basic policy “Maximize customer intimacy by dismantling preconceived ideas and dramatically raising the quality and speed of our work.” To strengthen the sales system for each market and region, the Company consolidated its two sales divisions into one and established Kurita Kitakantou Co., Ltd., a new company that provides both water treatment chemicals and maintenance services.

Overseas, U.S. Water Services, Inc., which was acquired by the Company and became a U.S. subsidiary in the previous fiscal year, was merged with Kurita America, Inc. and Fremont Industries, LLC, pre-existing U.S. subsidiaries, to generate synergies promptly in production and sales. The Group thereby has built a business foundation for providing total solutions across the United States. Also, the Group acquired U.S.-based Avista Technologies, Inc. and U.K.-based Avista Technologies (UK) Ltd. in the fiscal year under review. From those companies, the Group has acquired reverse osmosis (RO) membrane treatment chemicals technology and business model, which have a competitive edge in the global market, and is rolling them out.

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 113,777 million yen, up 10.5% versus the fiscal year ended March 31, 2019, while net sales rose 11.3%, to 113,632 million yen. Operating profit stood at 10,127 million yen, up 137.8% year on year, chiefly reflecting a decrease in other expenses due to the absence of a loss on transfer of business of 2,867 million yen related to the aluminum compound business in Europe and an impairment loss on goodwill of 1,171 million yen based on the Group's decision to transfer a certain water treatment chemical production function in China (both are temporary losses) posted in the previous fiscal year.

Orders in Japan fell, reflecting one-time orders from the oil refinery and petrochemical industries recorded in the previous fiscal year, but net sales in Japan, primarily net sales of process treatment chemicals for iron and steel production, increased due to the Group's efforts to gain customers by proposing total solutions that contribute to energy saving and increasing productivity at customers' plants.

Overseas, both orders and net sales rose despite the effect of the transfer of the aluminum compound business in Europe in the previous fiscal year and a reduction in sales at overseas subsidiaries in yen equivalent because of a stronger yen, primarily due to the new consolidation of operating results (for 12 months) in the water treatment chemicals business at U.S. Water Services, Inc. and operating results (for ten months) at U.S.-based Avista Technologies, Inc. and U.K.-based Avista Technologies (UK) Ltd.

Water Treatment Facilities

Total Group orders for the Water Treatment Facilities segment were 145,768 million yen, down 6.3% versus the previous fiscal year. Net sales declined 2.6%, to 151,174 million yen. Operating profit came to 17,390 million yen, up 12.1% year on year, chiefly reflecting an improvement in the cost of sales ratio mainly due to the steps taken to prevent additional costs, incurred in the previous fiscal year, and a gain on the sale of fixed assets of 4,752 million yen posted in other income resulting primarily from the sale of certain facility in the ultrapure water supply business.

In Japan, orders and net sales of water treatment facilities for the electronics industry declined from the previous fiscal year, during which orders were received and sales were recorded for large projects. However, net sales rose in maintenance services for the electronics industry due to progress in the construction work for expansion and renovation projects for the purpose of increasing production capacity at customers' plants. Orders for water treatment facilities for general industries fell, but net sales rose due to progress in construction work for orders for large projects received in the previous fiscal year. Orders in maintenance services for general industries decreased slightly and net sales increased only slightly in reaction to strong orders and net sales in the previous fiscal year. Orders for facilities for electric power plants declined in reaction to orders for large projects in the same period of the previous fiscal year, but net sales increased due to progress in construction work for a backlog of orders. Orders and net sales of soil remediation decreased, reflecting a completion of large projects.

Overseas, orders increased, chiefly attributable to the new consolidation of operating results (for 12 months) in the water treatment facilities business of U.S. Water Services, Inc. However, net sales decreased in reaction to sales from large projects posted in the same period of the previous fiscal year and due to a reduction in sales at overseas subsidiaries in yen equivalent because of a stronger yen. Total sales in the ultrapure water supply business in Japan and overseas increased chiefly due to the commencement of a new contract, despite a fall due to the effect of changes in contracts with certain customers.

Financial Condition

1) Total assets: 387,749 million yen (increased 28,249 million yen from the end of the previous fiscal year)

Current assets totaled 162,847 million yen, an increase of 11,782 million yen from the end of the previous fiscal year ended March 31,2019. This was mainly attributable to an increase in cash and cash equivalents of 14,667 million yen, chiefly reflecting the partial execution of the commitment line contracts, offsetting funds used for business acquisitions and capital expenditures.

Non-current assets totaled 224,902 million yen, an increase of 16,468 million yen from the end of the previous fiscal year. Right-of-use assets rose 5,510 million yen, chiefly reflecting the acquisition of the right of use of land. Goodwill climbed 3,275 million yen due to acquisitions in North America and Europe (Water Treatment Chemicals business). Investments accounted for using equity method increased 6,513 million yen owing to an increase in equity method affiliates (Water Treatment Chemicals business and Water Treatment Facilities business).

2) Liabilities: 143,640 million yen (increased 23,325 million yen from the end of the previous fiscal year)

Current liabilities totaled 94,408 million yen, an increase of 20,887 million yen from the end of the previous fiscal year. This was mainly due to an increase in borrowings of 34,986 million yen resulting from the partial execution of the commitment line contracts, offsetting a decrease of 14,297 million yen in trade and other payables.

Non-current liabilities totaled 49,232 million yen, an increase of 2,439 million yen from the end of the previous fiscal year. This was primarily attributable to an increase in lease liabilities of 4,073 million yen due to the acquisition of the right of use of land.

3) Equity: 244,108 million yen (increased 4,924 million yen from the end of the previous fiscal year)

This mainly reflected an increase in retained earnings of 11,796 million yen chiefly due to the posting of a profit for the period, which outweighed the posting of year-end dividends and interim dividends and were partly offset by a decrease in other components of equity of 4,622 million yen mainly due to a decline in exchange differences on translation of foreign operations associated with the stronger yen against foreign currencies.

Cash Flows

Consolidated net cash and cash equivalents at the end of the fiscal year ended March 31,2019totaled 50,215 million yen, an increase of 14,667 million yen from the end of the previous fiscal year ended March 31,2019.

The various cash flows and related factors are outlined below.

1) Cash Flows from Operating Activities

Net cash provided by operating activities during the fiscal year ended March 31, 2020 totaled 37,376 million yen, a decrease of 3,767 million yen from the previous fiscal year. Inflows from profit before tax of 26,691 million yen and depreciation and amortization of 18,700 million yen were partly offset by income taxes paid of 10,847 million yen.

2) Cash Flows from Investing Activities

Net cash used in investing activities totaled 43,683 million yen, a decrease of 8,219 million yen from the previous fiscal year. Cash was used for purchases of property, plant and equipment of 31,168 million yen, payments for acquisition of business of 8,501 million yen, and purchases of shares and investments in capital of subsidiaries and affiliates of 5,915 million yen.

3) Cash Flows from Financing Activities

Net cash provided by financing activities totaled 21,981 million yen, an increase of 35,434 million yen from the previous fiscal year. Inflows chiefly from a net increase in short-term borrowings of 35,001 million yen were partly offset by dividends paid of 6,539 million yen.

The Group's basic policy is to constantly secure liquidity necessary for business operations and resource of funds. 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 bank loans as needed. The Company has concluded commitment line agreements with four financial institutions. (The executed and unexecuted borrowings within the commitment line at the end of the fiscal year were 35,000 million yen and 35,600 million yen, respectively.)

(Reference) Indicators related to cash flow

	Year ended March 31, 2016	Year ended March 31, 2017	Year ended March 31, 2018	Year ended March 31, 2019	Year ended March 31, 2020
Ratio of equity attributable to owners of parent company (%)	76.4	76.1	73.9	66.0	62.5
Ratio of equity attributable to owners of parent company based on market value (%)	100.1	102.8	117.3	88.3	72.3
Cash flow / interest bearing liabilities ratio (%)	33.0	28.2	42.6	39.6	148.1
Interest coverage ratio (times)	96.3	104.4	41.6	115.9	126.3

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

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

Cash flow / interest bearing liabilities ratio: Interest-bearing debt / Cash flow

Interest coverage ratio: Cash flow / Interest payments

1. Each indicator is calculated based on consolidated financial figures.
2. Market capitalization is calculated based on the number of shares outstanding excluding treasury stock.
3. Cash flow is net cash provided by operating activities.
4. Interest-bearing debt includes all liabilities requiring the payment of interest under the liabilities section of the consolidated statement of financial position.
5. The data from the year ended March 31, 2016 to the year ended March 31, 2018 are based on Japan GAAP.

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

For the full fiscal year ending March 31, 2021, the Group forecasts 268,000 million yen in net sales (up 1.2% year on year), 23,500 million yen in business profit* (down 11.8%), 22,500 million yen in operating profit (down 18.1%), 22,600 million yen in profit before taxes (down 15.3%) and 16,000 million yen in profit attributable to owners of parent (down 12.5%). For the first half of the fiscal year, the Group forecasts 123,000 million yen in net sales (down 6.6% year on year), 8,900 million yen in business profit (down 34.9%), 8,500 million yen in operating profit (down 54.1%), 8,600 million yen in profit before taxes (down 54.2%), and 6,000 million yen in profit attributable to owners of parent (down 55.5%).

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.

In the first half of the fiscal year ending March 31, 2021, economic activities will likely be stagnant globally chiefly due to restrictions on going out and movements in response to the spread of the ~~COVID-19~~ novel coronavirus, and a contraction of the world economy is likely to be unavoidable. Although companies will strive to continue business by introducing teleworking and taking other steps, industries other than those related to daily necessities and IT are expected to be severely affected by declines in demand. The future course of the pandemic is unclear. Considering that, in China, where the first coronavirus outbreak occurred, economic activities have begun to recover, ~~and~~ the spread of novel coronavirus may slow or subside globally by the middle of FY2020. In that case, production and capital investment demand at companies are expected to recover and economic activities are likely to be normalized in the second half of the fiscal year. The Company's forecasts of consolidated results are based on that assumption.

However, in fact it is very uncertain when the novel coronavirus will subside and it may take a long time. It is also possible that the infection will lead to a serious economic downturn. Bankruptcies, cash flow problems and rises in unemployment rate may be caused by falls in earnings as a result of a sharp contraction of economic activities. It is difficult to forecast how soon the declined demand will recover and it may take time. If the actually situation becomes very different from our assumption, our business will be affected and the forecasts may have to be revised drastically.

The Group is taking steps to prevent the spread of novel coronavirus based on the situation in each country. In areas where stay-at-home orders and requests have been issued, our staff are in principle working from home. The work out of home are limited to operations that help customers and the Group continue business or meet social needs, with taking steps to prevent the spread of the infection. In these circumstances, the Group will promote digitization in its business processes and business models and will expand total solutions making full use of its technologies, products and services in water treatment chemicals, water treatment facilities and maintenance services to provide high value to customers and contribute to maintaining the functions of industry and society through its business. In the fiscal year ending March 31, 2021, orders and sales are expected to increase, given that Pentagon Technologies Group, Inc., a tool cleaning company operating in the United States of which the Group acquired additional shares on April 1, 2020, will be consolidated.

* The 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.

Outlook by Segment

Water Treatment Chemicals

Both orders and sales are likely to fall due to stagnant production at customers as a result of a decrease in demand caused by the spread of novel coronavirus. In Japan, this segment will seek to improve profitability by focusing on the service business that will provide customers with value with the best solutions while utilizing IT and sensing technology under a system with stronger integration with maintenance services in the water treatment facilities business.

Water Treatment Facilities

The Group expects orders and sales to increase due to the consolidation of Pentagon Technologies Group, Inc., which engages in tool cleaning business in the United States, as well as the posting of orders for water treatment facilities projects and steady progress in construction work on the back of an expected recovery in capital investment in the latter half of the fiscal year ending March 31, 2021. The segment will aim to improve production quality and efficiency by reviewing production process, while focusing on the provision of solutions that will contribute to solving the water resources problem and realizing the use of sustainable energy.

Dividend Policy and Dividends for the Fiscal Year ended March 31, 2020 and the Fiscal Year ending March 31, 2021

Kurita Water Industries' basic policy is to provide shareholders with stable dividends.
Setting a payout ratio of 30 to 50% as our target, we will work to continue to increase dividends, making decisions based on the payout ratios for the most recent five years to respond flexibly to fluctuations in business performance each year. In using retained earnings, we will maintain capital discipline and will prioritize promising business fields that are expected to grow. If we have decided that there are excess funds, we will take steps to improve capital efficiency and return profits to shareholders, including the acquisition of treasury stock, taking the share price into consideration. We intend to pay a year-end dividend of 31 yen per share for the fiscal year ended March 31, 2020, 4 yen more than the previous year-end dividend. Combined with the interim dividend of 31 yen per share (4 yen more than the previous interim dividend), the annual dividend comes to 62 yen per share, 8 yen higher than the previous fiscal year's annual dividend. For the fiscal year ending March 31, 2021, Kurita Water Industries plans to pay an interim dividend of 32 yen per share and a year-end dividend of 32 yen per share, for an annual dividend to be 64 yen per share.

Basic Concept for the Selection of Accounting Standards

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

Consolidated financial statements

(1) Consolidated statement of financial position

(Million yen)

	Date of transition to IFRS (April 1, 2018)	As of March 31, 2019	As of March 31, 2020
Assets			
Current assets			
Cash and cash equivalents	60,531	35,547	50,215
Trade and other receivables	89,354	100,497	96,974
Other financial assets	2,809	1,709	2,562
Inventories	8,078	9,273	9,247
Other current assets	2,619	4,036	3,847
Total current assets	163,393	151,065	162,847
Non-current assets			
Property, plant and equipment	81,336	103,366	106,358
Right-of-use assets	11,331	12,274	17,784
Goodwill	19,966	43,758	47,033
Intangible assets	10,197	12,355	13,381
Investments accounted for using equity method	1,098	956	7,469
Other financial assets	40,103	28,629	28,465
Deferred tax assets	4,581	6,877	4,295
Other non-current assets	277	216	113
Total non-current assets	168,893	208,434	224,902
Total assets	332,287	359,500	387,749

(Million yen)

	Date of transition to IFRS (April 1, 2018)	As of March 31, 2019	As of March 31, 2020
Liabilities and equity			
Current liabilities			
Trade and other payables	40,139	49,977	35,680
Borrowings	2,963	385	35,371
Lease liabilities	2,958	3,818	4,234
Other financial liabilities	12	1	219
Income taxes payable	4,737	5,887	1,998
Provisions	572	1,026	1,111
Other current liabilities	10,729	12,424	15,791
Total current liabilities	62,113	73,521	94,408
Non-current liabilities			
Borrowings	2,331	1,717	1,305
Lease liabilities	9,397	9,628	13,701
Other financial liabilities	1,122	1,771	2,562
Retirement benefit liability	16,374	16,580	16,913
Provisions	331	491	499
Deferred tax liabilities	547	1,219	1,346
Other non-current liabilities	761	15,385	12,903
Total non-current liabilities	30,868	46,793	49,232
Total liabilities	92,981	120,315	143,640
Equity			
Share capital	13,450	13,450	13,450
Capital surplus	10,959	10,265	8,212
Treasury shares	(10,943)	(10,932)	(10,893)
Other components of equity	16,785	4,838	216
Retained earnings	207,005	219,660	231,456
Total equity attributable to owners of parent	237,257	237,282	242,442
Non-controlling interests	2,048	1,902	1,666
Total equity	239,305	239,184	244,108
Total liabilities and equity	332,287	359,500	387,749

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

Consolidated statement of profit or loss

(Million yen)

	Year ended March 31, 2019	Year ended March 31, 2020
Net sales	257,331	264,807
Cost of sales	174,670	172,092
Gross profit	82,661	92,715
Selling, general and administrative expenses	56,994	66,060
Other income	1,024	5,832
Other expenses	6,831	5,006
Operating profit	19,860	27,479
Finance income	781	569
Finance costs	521	1,417
Share of profit of investments accounted for using equity method	146	60
Profit before tax	20,267	26,691
Income tax expense	8,279	8,378
Profit for the period	11,987	18,312
Profit attributable to		
Owners of parent	12,050	18,287
Non-controlling interests	(63)	25
Profit for the period	11,987	18,312
Earnings per share		
Basic earnings per share (yen)	107.33	162.86
Diluted earnings per share (yen)	–	–

Consolidated statement of comprehensive income

(Million yen)

	Year ended March 31, 2019	Year ended March 31, 2020
Profit for the period	11,987	18,312
Other comprehensive income Items that will not be reclassified to profit or loss		
Net change in the fair value of financial assets measured through other comprehensive income	(1,044)	(462)
Remeasurements of defined benefit plans	(72)	62
Total of items that will not be reclassified to profit or loss	(1,116)	(400)
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	(4,593)	(4,316)
Cash flow hedges	308	192
Share of other comprehensive income of investments accounted for using equity method	(153)	(94)
Total of items that may be reclassified to profit or loss	(4,437)	(4,219)
Other comprehensive income, net of tax	(5,554)	(4,619)
Comprehensive income for the period	6,432	13,693
Comprehensive income attributable to		
Owners of parent	6,543	13,717
Non-controlling interests	(110)	(24)
Comprehensive income	6,432	13,693

(3) Consolidated statement of changes in equity

Fiscal year ended March 31, 2019 (April 1, 2018 - March 31, 2019)

(Million yen)

	Equity attributable to owners of parent					
				Other components of equity		
	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, 2018	13,450	10,959	(10,943)	–	2	16,783
Profit for the period	–	–	–	–	–	–
Other comprehensive income	–	–	–	(4,699)	308	(1,046)
Total comprehensive income for the period	–	–	–	(4,699)	308	(1,046)
Purchase of treasury shares	–	–	(2)	–	–	–
Dividends	–	–	–	–	–	–
Share-based payment transactions	–	158	–	–	–	–
Changes in ownership interests in subsidiaries	–	(294)	–	28	–	–
Transfer from other components of equity to retained earnings	–	–	–	–	–	(6,538)
Other	–	(558)	14	–	–	–
Total transactions with owners	–	(694)	11	28	–	(6,538)
Balance as of March 31, 2019	13,450	10,265	(10,932)	(4,671)	310	9,199

(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, 2018	–	16,785	207,005	237,257	2,048	239,305
Profit for the period	–	–	12,050	12,050	(63)	11,987
Other comprehensive income	(70)	(5,507)	–	(5,507)	(47)	(5,554)
Total comprehensive income for the period	(70)	(5,507)	12,050	6,543	(110)	6,432
Purchase of treasury shares	–	–	–	(2)	–	(2)
Dividends	–	–	(5,968)	(5,968)	(38)	(6,006)
Share-based payment transactions	–	–	–	158	1	159
Changes in ownership interests in subsidiaries	–	28	–	(265)	1	(264)
Transfer from other components of equity to retained earnings	70	(6,467)	6,467	–	–	–
Other	–	–	104	(439)	–	(439)
Total transactions with owners	70	(6,439)	604	(6,518)	(35)	(6,553)
Balance as of March 31, 2019	–	4,838	219,660	237,282	1,902	239,184

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

(Million yen)

	Equity attributable to owners of parent					
				Other components of equity		
	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, 2019	13,450	10,265	(10,932)	(4,671)	310	9,199
Profit for the period	–	–	–	–	–	–
Other comprehensive income	–	–	–	(4,362)	192	(462)
Total comprehensive income for the period	–	–	–	(4,362)	192	(462)
Purchase of treasury shares	–	–	(3)	–	–	–
Dividends	–	–	–	–	–	–
Share-based payment transactions	–	103	42	–	–	–
Changes in ownership interests in subsidiaries	–	(1,385)	–	0	–	–
Transfer from other components of equity to retained earnings	–	–	–	–	–	10
Other	–	(771)	–	–	–	–
Total transactions with owners	–	(2,053)	38	0	–	10
Balance as of March 31, 2020	13,450	8,212	(10,893)	(9,033)	503	8,747

(Million yen)

	Equity attributable to owners of parent				Non-controlling interests	Total
	Other components of equity		Retained earnings	Total		
	Remeasurements of defined benefit plans	Total				
Balance as of April 1, 2019	–	4,838	219,660	237,282	1,902	239,184
Profit for the period	–	–	18,287	18,287	25	18,312
Other comprehensive income	63	(4,569)	–	(4,569)	(49)	(4,619)
Total comprehensive income for the period	63	(4,569)	18,287	13,717	(24)	13,693
Purchase of treasury shares	–	–	–	(3)	–	(3)
Dividends	–	–	(6,521)	(6,521)	(24)	(6,546)
Share-based payment transactions	–	–	–	145	8	154
Changes in ownership interests in subsidiaries	–	0	–	(1,385)	(196)	(1,581)
Transfer from other components of equity to retained earnings	(63)	(52)	52	–	–	–
Other	–	–	(21)	(792)	–	(792)
Total transactions with owners	(63)	(52)	(6,490)	(8,557)	(211)	(8,769)
Balance as of March 31, 2020	–	216	231,456	242,442	1,666	244,108

(4) Consolidated statement of cash flows

(Million yen)

	Year ended March 31, 2019	Year ended March 31, 2020
Cash flows from operating activities		
Profit before tax	20,267	26,691
Depreciation and amortization	17,872	18,700
Share of loss (profit) of investments accounted for using equity method	(146)	(60)
Loss (gain) on sale of fixed assets	559	(2,471)
Decrease (increase) in inventories	(259)	(169)
Decrease (increase) in trade and other receivables	(9,059)	4,527
Increase (decrease) in trade and other payables	14,504	(1,893)
Other	5,815	2,652
Subtotal	49,553	47,977
Interest received	165	141
Dividends received	712	410
Interest paid	(371)	(305)
Income taxes paid	(8,915)	(10,847)
Net cash provided by (used in) operating activities	41,143	37,376
Cash flows from investing activities		
Payments into time deposits	(19,408)	(1,951)
Proceeds from withdrawal of time deposits	19,999	1,545
Purchase of property, plant and equipment	(28,600)	(31,168)
Proceeds from sale of property, plant and equipment	479	5,942
Purchase of intangible assets	(1,235)	(1,534)
Proceeds from sale of investments	13,335	41
Payments for acquisition of business (after deduction of cash and cash equivalents included in acquired assets)	(33,374)	(8,501)
Purchase of shares and investments in capital of subsidiaries and affiliates	–	(5,915)
Other	(3,096)	(2,140)
Net cash provided by (used in) investing activities	(51,902)	(43,683)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(2,417)	35,001
Repayments of long-term borrowings	(594)	(384)
Repayments of lease liabilities	(3,338)	(4,514)
Dividends paid	(6,011)	(6,539)
Purchase of shares of subsidiaries not resulting in change in scope of consolidation	(1,094)	(1,588)
Other	3	7
Net cash provided by (used in) financing activities	(13,453)	21,981
Effect of exchange rate changes on cash and cash equivalents	(771)	(1,006)
Net increase (decrease) in cash and cash equivalents	(24,984)	14,667
Cash and cash equivalents at beginning of period	60,531	35,547
Cash and cash equivalents at end of period	35,547	50,215

Notes to Consolidated Financial Statements

(Notes on the Going-concern Assumption)

Not applicable

(Segment Information)

(1) Overview of reportable segments

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

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

The Water Treatment Chemicals segment manufactures and sells water treatment chemicals and equipment and provides maintenance services. The Water Treatment Facilities segment manufacturers 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 of reportable segments

Fiscal year ended March 31, 2019 (April 1, 2018 - March 31, 2019)

(Million yen)

	Reportable Segments		Total	Adjustments (Note)	Amounts reported on the consolidated financial statements
	Water Treatment Chemicals	Water Treatment Facilities			
Sales					
Sales to outside customers	102,126	155,204	257,331	–	257,331
Inter-segment sales and transfers	785	1,526	2,312	(2,312)	–
Total	102,912	156,731	259,643	(2,312)	257,331
Segment income	4,258	15,518	19,776	83	19,860
Finance income					781
Finance costs					521
Share of profit of investments accounted for using equity method					146
Profit before tax					20,267

(Million yen)

	Reportable Segments		Total	Adjustments (Note)	Amounts reported on the consolidated financial statements
	Water Treatment Chemicals	Water Treatment Facilities			
Segment assets	115,017	200,975	315,993	43,507	359,500
Other amounts					
Depreciation and amortization	4,502	13,369	17,872	–	17,872
Impairment loss	1,171	–	1,171	–	1,171
Investment in equity method affiliates	875	53	929	26	956
Capital expenditures	4,182	37,071	41,254	–	41,254

(Notes)
1. Segment income: Amount resulting from eliminations of inter-segment transactions.
2. Segment income is shown at the operating income level.
3. Segment assets: Amount resulting from eliminations of inter-segment transactions.
4. Capital expenditures include an increase in right-of-use assets.
5. Capital expenditures do not include assets acquired through corporate acquisitions.

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

(Million yen)

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

(Million yen)

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

(Notes)
1. Segment income: Amount resulting from eliminations of inter-segment transactions.
2. Segment income is shown at the operating income level.
3. Segment assets: Amount resulting from eliminations of inter-segment transactions.
4. Capital expenditures include an increase in right-of-use assets.
5. Capital expenditures do not include assets acquired through corporate acquisitions.

(3) Information related to geographic regions

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

(i) Non-current assets

(Million yen)

	Date of transition to IFRS (April 1, 2018)	As of March 31, 2019	As of March 31, 2020
Japan	78,360	101,896	110,963
Asia	21,026	18,833	17,446
North America	4,080	35,186	40,161
EMEA	18,876	15,480	15,695
Other	711	573	405
Total	123,056	171,970	184,671

(Note) Non-current assets are allocated based on the location of assets. Financial instruments, deferred tax assets or assets related to retirement benefits are not included.

(ii) Net Sales

(Million yen)

	Year ended March 31, 2019	Year ended March 31, 2020
Japan	161,212	161,699
Asia	66,520	52,509
North America	5,589	28,826
EMEA	21,297	19,132
Other	2,711	2,639
Total	257,331	264,807

(Note) Net sales are allocated to a country or areas based on the locations of customers.

(4) Information related to major customers

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

(Business Combination)

Acquisition of shares by consolidated subsidiaries

(Acquisition of Avista Technologies, Inc., Avista Technologies (UK) Ltd. and Avista Singapore Pte Ltd.)

The Group acquired all shares outstanding of Avista Technologies, Inc., a manufacturing and sales company of water treatment chemicals in the United States, through Kurita America Holdings Inc., a wholly owned subsidiary of the Company on May 15, 2019. Through the investment in Avista Technologies, Inc., the Group acquired also Avista Singapore Pte Ltd., a wholly owned subsidiary of Avista Technologies, Inc. On the same date, the Group acquired all shares outstanding of Avista Technologies (UK) Ltd., a manufacturing and sales company of water treatment chemicals in the United Kingdom, through Kurita Europe GmbH, a wholly owned subsidiary of the Company. Avista Technologies, Inc. specializes in reverse osmosis (RO) chemicals that are used for RO membrane, a component of water treatment facilities, and manufactures and sells a number of types of RO chemicals. In addition, Avista Technologies, Inc. provides RO membrane cleaning, among other services. It has many customers in a wide range of industries, including mining, chemicals, oil, offshore oilfields, food, beverages, and local governments, chiefly in the United States. Avista Technologies (UK) Ltd. uses licenses provided by Avista Technologies, Inc. and develops similar operations in EMEA (Europe, the Middle East and Africa). The Group will expand sales of RO chemicals by expanding the product lineup of RO chemicals, combining the RO chemicals of Avista Technologies, Inc. and the distinctive RO chemicals that the Group owns, and offering a wide range of products to all customers. The Group and Avista Technologies, Inc. will share technologies and expertise and will strengthen RO membrane-related services.

(1) Assets acquired and liabilities assumed

The fair value of identifiable assets acquired and liabilities assumed of Avista Technologies, Inc. and Avista Singapore Pte Ltd. on the date of acquisition are shown below.

(Million yen)

Fair value of consideration (cash)	7,615
Fair value of assets acquired and liabilities assumed	
Cash and cash equivalents	248
Trade receivables	341
Other current assets	142
Non-current assets	3,244
Trade payables and other payables	(666)
Non-current liabilities	(50)
Fair value of assets acquired and liabilities assumed (net)	3,259
Goodwill	4,355

The amount of goodwill that occurred was 4,355 million yen, which reflects expected excess earning power.

We expect that the recognized goodwill can be deductible expenses from tax perspective.

The fair value of identifiable assets acquired and liabilities assumed of Avista Technologies (UK) Ltd. on the date of acquisition are shown below.

(Million yen)

Fair value of consideration (cash)	1,889
Fair value of assets acquired and liabilities assumed	
Cash and cash equivalents	957
Other current assets	223
Non-current assets	723
Other current liabilities	(256)
Non-current liabilities	(141)
Fair value of assets acquired and liabilities assumed (net)	1,505
Goodwill	383

The amount of goodwill that occurred was 383 million yen, which reflects expected excess earning power.

We do not expect that any amounts related to goodwill can be deductible expenses from tax perspective.

(2) Transactions that are accounted for separately from business combination

Expenses related to the acquisition for the business combination were 325 million yen. The amount is posted in Other expenses in the consolidated statement of profit or loss.

(Acquisition of Global Water Services Holding Company, Inc., U.S. Water Services, Inc. and two other companies)

The Group acquired all shares outstanding of Global Water Services Holding Company, Inc., a holding company of a water treatment chemicals and facilities manufacturing and sales company in the United States, through Kurita America Holdings Inc., a wholly owned subsidiary of the Company, on March 25, 2019. Through the investment in Global Water Services Holding Company, Inc., the Group acquired also U.S. Water Services, Inc., a wholly owned subsidiary of Global Water Services Holding Company, and two other companies. The Group aims to achieve rapid growth in its overseas business, particularly in four regions: Japan, Asia, Europe, and the Americas. This investment is for strengthening business in the United States, a strategic market. The Group will combine the strong customer base and sales network of Global Water Services Holding Company with the Group’s competitive products and unique services, including pure water supply and wastewater reclamation, and will develop a service agreement-based business model, using IT and sensing technology to increase closeness with customers and accelerate business in the United States.

(1) Assets acquired and liabilities assumed

The fair value of identifiable assets acquired and liabilities assumed of Global Water Services Holding Company, Inc., U.S. Water Services, Inc. and two other companies on the date of acquisition are shown below.

(Million yen)

Fair value of consideration (cash)	30,630
Fair value of assets acquired and liabilities assumed	
Cash and cash equivalents	429
Trade receivables	2,870
Other current assets	1,525
Non-current assets	5,085
Trade payables and other payables	(1,930)
Non-current liabilities	(644)
Fair value of assets acquired and liabilities assumed (net)	7,335
Goodwill	23,295

The amount of goodwill that occurred was 23,295 million yen, which reflects expected excess earning power.

We do not expect that any amounts related to goodwill can be deductible expenses from tax perspective.

(2) Transactions that are accounted for separately from business combination

Expenses related to the acquisition for the business combination were 958 million yen. The amount is posted in Other expenses in the consolidated statement of profit or loss.

Transaction under Common Control

(1) Outline of the transaction

(i) Company names and businesses at the time of integration

i) Surviving company

Name: U.S. Water Services, Inc.

Business: Manufacture, sale, and export and import of water treatment chemicals, manufacture, sale, design, building, and maintenance of water treatment equipment, and operation and maintenance of water treatment facilities

ii) Merged companies

Name: Kurita America, Inc.

Business: Manufacture and sale of water treatment chemicals, manufacture and sale of water treatment equipment, and operation and maintenance of water treatment facilities

Name: Fremont Industries, LLC

Business: Manufacture and sale of water treatment chemicals

Name: Global Water Services Holding Company, Inc.

Business: Holding company of U.S. Water Services, Inc.

(ii) Date of business combination

March 31, 2020

(iii) Legal form of business combination

An absorption-type merger. The surviving company is U.S. Water Services, Inc. (a consolidated subsidiary of Kurita America Holdings Inc., a wholly owned subsidiary of the Company). The merged companies are Kurita America, Inc., Fremont Industries, LLC, and Global Water Services Holding Company, Inc. (all of them are consolidated subsidiaries of Kurita America Holdings Inc., a wholly owned subsidiary of the Company). The Company contributed shares in Kurita America, Inc. to Kurita America Holdings Inc., a wholly owned subsidiary of the Company, in kind.

(iv) Name of the company after business combination

The company name after the business combination became Kurita America Inc. on April 1, 2020.

(v) Main reason of integration

To integrate sales and production systems, business models, products, technologies, and management systems, improve efficiency in business operation, and provide total solutions to customers

(2) Outline of accounting

The business combination under common control is a business combination in which all companies or businesses involved are ultimately controlled by the same company before and after the business combination. The control is not temporary. The Group continues to perform accounting treatment for all business combination transactions under common control based on book value.

(Per Share Information)

(Million yen)

	Year ended March 31, 2019	Year ended March 31, 2020
Net income attributable to common stockholders of parent company	12,050	18,287
Amount not attributed to common stockholders	–	–
Net income that is used for calculating basic net income per share	12,050	18,287
Average number of common shares outstanding	112,278,133	112,291,114

(Notes) 1. Because there are no dilutive shares, diluted earnings per share are not stated.

2. The Company's own shares posted as treasury shares remaining in trust are included in the treasury shares that are deducted in the calculation of the average number of shares outstanding for calculation for basic net income per share. (317,000 shares in the fiscal year ended March 31, 2020, 329,000 shares in the fiscal year ended March 31, 2019)

(Significant Subsequent Events)

Pentagon Technologies Group, Inc. becoming a consolidated subsidiary of the Group

(1) Outline of business combination

Kurita America Holdings Inc. ("Kurita America Holdings"), a wholly owned subsidiary of the Company, concluded an agreement to purchase an additional 26% stake in Pentagon Technologies Group, Inc. ("Pentagon Technologies") on December 26, 2019. Kurita America Holdings already had a 25% stock. The purchase of the shares under the agreement was completed on April 1, 2020. As a result, Kurita America Holdings holds a 51% stake in Pentagon Technologies, which became a consolidated subsidiary of Kurita Water Industries. An outline of the purchase is described below. IFRS 3 is applied for the business combination. Accounting for the business combination is not completed, and detailed information on the business combination is not stated.

Acquired company	Pentagon Technologies Group, Inc.
Business	Tool cleaning business, the development of surface particle detectors of semiconductor manufacturing equipment and the provision of clean room-related services
Main reason of business combination	The Company will make Pentagon Technologies its subsidiary to have a base for overseas service in the electronics industry, which the Company positions as a key business field, and to further increase its competitiveness in the market. The Company also aims to accelerate its business growth and offer new value by acquiring the cutting-edge tool cleaning technologies and expertise of Pentagon Technologies and creating synergies with the tool cleaning business that the Kurita Group has been developing in Japan.
Date of acquisition	April 1, 2020
Method for acquiring control of acquired company	Purchase of shares for cash
Shareholding ratio after acquisition	51.0%

(2) Acquisition cost and a breakdown

Consideration for acquisition

Fair value on the date of acquisition of the shares in the acquired company held immediately before the date of acquisition	5,380 million yen
Fair value of the additional shares in the acquired company acquired on the date of acquisition	5,595 million yen
Total	10,974 million yen

(3) Expense related to the acquisition and its account

They are not determined yet.

(4) Goodwill, identifiable assets acquired and liabilities assumed

The fair value of assets acquired and liabilities assumed on the date of acquisition is being calculated and has not been determined.

(5) Gain or loss related to phased acquisition

In the consolidated statement of profit or loss for the fiscal year ending March 31, 2021, gain or loss on step acquisition will be posted. The amount of the gain or loss has not been determined.

(6) Becoming a wholly owned subsidiary

Under the share acquisition agreement concluded on December 26, 2019, it has been agreed that Pentagon Technologies becomes a wholly owned subsidiary of Kurita America Holdings around June 30, 2022.

(Additional Information)

At a meeting of the Board of Directors held on January 30, 2020, the Company resolved to establish a new research and development base (new global technology center) in Akishima-shi, Tokyo in April 2022. The existing research and development base, the functions of Kurita Global Technology Center (Nogi-machi, Shimotsuga-gun, Tochigi), will be transferred to the new global technology center on March 31, 2022. A purchase agreement for the land and building for the research and development base was concluded on March 16, 2020.

(1) Purpose of the establishment of the new global technology center

The Company will establish the new base in response to the aging of the existing Kurita Global Technology Center. The project is aimed at building a development environment with state-of-the-art equipment and analytical instruments, so as to accelerate the creation of leading-edge technologies and total solutions related to “water and the environment.” The Company will position the new global technology center as the core of its global research and development system, aiming to make a research and development facility that is open to society, where new innovations are created through interactions with customers and other stakeholders.

(2) Overview of the new global technology center

Name	New Research and Development Facility (tentative name), New Multi-Functional Facility (tentative name)
Location	Parts of 3993-1 and 3993-8 Aza Kohake, Haijima-cho, Akishima-shi, Tokyo
Site area	30,381.37 m^2
Total floor area	38,075 m^2
Construction of the buildings (planned)	New Research and Development Facility: A five-story building and other structures New Multi-Functional Facility: A three-story building
Construction cost	Approximately 30 billion yen (The Company’s own funds and debt financing)
Commencement of construction	May 2020
Completion of construction	March 2022 (planned)
Opening (commencement of operation)	April 2022 (planned)

(First-time Adoption)

The Group is disclosing consolidated financial statements complying with IFRS from this fiscal year. The most recent consolidated financial statements prepared under Japanese GAAP are those for the fiscal year ended March 31, 2019. The date of transition to IFRS is April 1, 2018.

(1) Exemptions set out in IFRS 1

In principle, an entity that applies IFRS for the first time (hereinafter "First-time Adopter") is requested to retrospectively apply IFRS. However, IFRS 1 - First-time Adoption of International Financial Reporting Standards (hereinafter "IFRS 1") sets out standards to which exemptions have to be applied mandatorily and standards to which exemptions are applied optionally. The effects of the applied exemptions are adjusted by retained earnings or other components of equity on the date of transition to IFRS. When the Group moved from Japanese GAAP to IFRS, it applied the following exemptions:

I. Business Combinations

The First-time Adopter is allowed to choose not to retrospectively apply IFRS 3 Business Combinations (hereinafter "IFRS 3") to business combinations before the date of transition to IFRS. The Group has applied the exemption and has chosen not to retrospectively apply IFRS 3 to business combinations before the date of transition. As a result, goodwill that resulted from business combinations before the date of transition is based on the book value on the date of transition under Japanese GAAP.

The Group conducted an impairment test related to goodwill on the date of transition regardless of the existence of signs of impairment.

II. Deemed Cost

IFRS 1 allows entities to use the fair value of property, plant and equipment, investment property and intangible assets on the date of transition to IFRS as a deemed cost on the date of transition. The Group uses the fair value of certain property, plant and equipment on the date of transition as deemed cost on the date of transition under IFRS.

III. Cumulative Translation Differences for Foreign Operations

IFRS 1 allows entities to choose to deem cumulative translation differences for foreign operations as of the date of transition to IFRS to be zero. The Group has chosen to deem cumulative translation differences for foreign operations to be zero as of the date of transition.

IV. Share-based Payment Transactions

The Group has chosen not to apply IFRS 2 to stock compensation that was vested before the date of transition.

V. Leases

IFRS 1 allows the First-time Adopter to determine whether contracts existing as of the date of transition to IFRS include leases, based on facts and circumstances existing on the date of transition. It also allows the First-time Adopter to measure lease liabilities at the present value of the remaining lease payments, which is calculated by discounting the remaining lease payments using the lessee's incremental borrowing rate on the date of transition, and to make the amount of right-of-use assets the same as the amount of lease liabilities. The First-time Adopter is allowed to recognize as expenses leases whose term expires within 12 months of the date of transition and leases whose underlying assets are of low value.

The Group applies the exemption to recognize and measure leases.

(2) Mandatory exceptions in retrospective application set out in IFRS 1

IFRS 1 prohibits retrospective application of IFRS in relation to estimates, derecognition of financial assets and financial liabilities, hedge accounting, non-controlling interests, classification and measurement of financial assets, etc. The Group has been applying these items from the date of transition onwards.

(3) Reconciliation from Japanese GAAP to IFRS

The tables below are reconciliation sheets required in IFRS 1.

The reclassification column is for the figures of items that do not affect retained earnings or comprehensive income. The difference due to changes in recognition, measurement and accounting period column is for the figures of items that affect retained earnings and comprehensive income.

I. Reconciliation of Assets on Date of Transition to IFRS (April 1, 2018)

(Million yen)

Account under Japanese GAAP	Japanese GAAP	Reclassification	Difference due to changes in recognition, measurement and accounting period	IFRS	Notes	Account under IFRS
Assets						Assets
Current assets						Current assets
Cash and deposits	61,086	(1,652)	1,097	60,531	(1)	Cash and cash equivalents
Notes and accounts receivable – trade	86,865	(464)	2,954	89,354	(1), (2)	Trade and other receivables
	–	2,769	40	2,809	(1)	Other financial assets
Finished products	3,968	(3,968)	–	–		
Work in process	3,621	(3,621)	–	–		
Raw materials and supplies	2,800	(2,800)	–	–		
	–	10,390	(2,312)	8,078	(1), (2)	Inventories
Other	2,531	(1,119)	1,206	2,619	(1)	Other current assets
Allowance for doubtful accounts	(464)	464	–	–		
Total current assets	160,409	–	2,984	163,393		Total current assets
Non-current assets						Non-current assets
Property, plant and equipment	86,028	(86,028)	–	–		
	–	81,603	(266)	81,336	(1), (3)	Property, plant and equipment
	–	4,455	6,875	11,331	(1), (4)	Right-of-use assets
Intangible fixed assets	31,003	(31,003)	–	–		
	–	20,362	(396)	19,966	(1), (5)	Goodwill
	–	10,610	(412)	10,197	(1)	Intangible assets
Investments and other assets						
Investment securities	35,683	(35,683)	–	–		
	–	1,147	(48)	1,098	(1)	Investments accounted for using equity method
	–	38,630	1,473	40,103	(1), (6)	Other financial assets
Deferred tax assets	4,860	(1,119)	840	4,581	(1), (7)	Deferred tax assets
Other	5,238	(5,238)	–	–		
	–	967	(690)	277	(1)	Other non-current assets
Allowance for doubtful accounts	(176)	176	–	–		
Total non-current assets	162,637	(1,119)	7,376	168,893		Total non-current assets
Total assets	323,046	(1,119)	10,360	332,287		Total assets

(Million yen)

Account under Japanese GAAP	Japanese GAAP	Reclassification	Difference due to changes in recognition, measurement and accounting period	IFRS	Notes	Account under IFRS
Liabilities						Liabilities and equity
Current liabilities						Current liabilities
Notes and accounts payable – trade	28,875	(28,875)	–	–		
Accounts payable – other	10,995	(10,995)	–	–		
	–	38,575	1,564	40,139	(1)	Trade and other payables
	–	1,337	1,625	2,963	(1)	Borrowings
	–	635	2,322	2,958	(1), (4)	Lease liabilities
	–	–	12	12	(1)	Other financial liabilities
Income taxes payable	4,806	–	(68)	4,737	(1)	Income taxes payable
Provision for bonuses	2,420	(2,420)	–	–		
Other provision	695	(695)	–	–		
	–	549	23	572	(1)	Provisions
Other	8,355	1,888	486	10,729	(1), (8), (9)	Other current liabilities
Total current liabilities	56,149	–	5,964	62,113		Total current liabilities
Non-current liabilities						Non-current liabilities
Lease obligations	4,038	(4,038)	–	–		
	–	2,388	(56)	2,331	(1)	Borrowings
	–	4,038	5,359	9,397	(1), (4)	Lease liabilities
	–	1,644	(522)	1,122	(1)	Other financial liabilities
Net defined benefit liability	16,610	–	(235)	16,374	(1), (10)	Retirement benefit liability
Provision	191	(190)	330	331	(1)	Provisions
Deferred tax liabilities related to revaluation	1,119	(492)	(79)	547	(1), (7)	Deferred tax liabilities
Other	4,084	(4,469)	1,146	761	(1)	Other non-current liabilities
Total non-current liabilities	26,044	(1,119)	5,943	30,868		Total non-current liabilities
Total liabilities	82,193	(1,119)	11,907	92,981		Total liabilities
Net assets						Equity
Shareholders' equity						
Common stock	13,450	–	–	13,450		Share capital
Capital surplus	10,959	–	–	10,959		Capital surplus
Treasury stock	(10,943)	–	–	(10,943)		Treasury shares
Accumulated other comprehensive income	16,187	–	597	16,785	(1), (12), (13)	Other components of equity
Retained earnings	209,149	–	(2,144)	207,005	(1), (12), (13)	Retained earnings
	238,803	–	(1,546)	237,257		Total equity attributable to owners of parent
Non-controlling interests	2,049	–	(1)	2,048	(1), (13)	Non-controlling interests
Total net assets	240,853	–	(1,547)	239,305		Total equity
Total liabilities and net assets	323,046	(1,119)	10,360	332,287		Total liabilities and equity

II. Reconciliation of Assets at End of Previous Fiscal Year (March 31, 2019)

(Million yen)

Account under Japanese GAAP	Japanese GAAP	Reclassification	Difference due to changes in recognition, measurement and accounting period	IFRS	Notes	Account under IFRS
Assets						Assets
Current assets						Current assets
Cash and deposits	35,351	196	–	35,547		Cash and cash equivalents
Notes and accounts receivable – trade	99,247	113	1,137	100,497	(2)	Trade and other receivables
	–	1,599	109	1,709		Other financial assets
Finished products	5,106	(5,106)	–	–		
Work in process	1,235	(1,235)	–	–		
Raw materials and supplies	3,059	(3,059)	–	–		
	–	9,400	(126)	9,273	(2)	Inventories
Other	6,150	(2,570)	456	4,036		Other current assets
Allowance for doubtful accounts	(659)	659	–	–		
Total current assets	149,490	–	1,575	151,065		Total current assets
Non-current assets						Non-current assets
Property, plant and equipment	109,808	(109,808)	–	–		
	–	103,369	(3)	103,366	(3)	Property, plant and equipment
	–	6,439	5,835	12,274	(4)	Right-of-use assets
Intangible fixed assets	54,601	(54,601)	–	–		
	–	42,105	1,652	43,758	(5)	Goodwill
	–	12,496	(140)	12,355		Intangible assets
Investments and other assets						
Investment securities	22,203	(22,203)	–	–		
	–	1,100	(144)	956		Investments accounted for using equity method
	–	26,887	1,742	28,629	(6)	Other financial assets
Deferred tax assets	8,003	(1,119)	(6)	6,877	(7)	Deferred tax assets
Other	6,761	(6,761)	–	–		
	–	829	(613)	216		Other non-current assets
Allowance for doubtful accounts	(149)	149	–	–		
Total non-current assets	201,229	(1,119)	8,324	208,434		Total non-current assets
Total assets	350,719	(1,119)	9,899	359,500		Total assets

(Million yen)

Account under Japanese GAAP	Japanese GAAP	Reclassification	Difference due to changes in recognition, measurement and accounting period	IFRS	Notes	Account under IFRS
Liabilities						Liabilities and equity
Current liabilities						Current liabilities
Notes and accounts payable – trade	27,145	(27,145)	–	–		
Accounts payable – other	19,356	(19,356)	–	–		
	–	50,536	(558)	49,977		Trade and other payables
	–	385	–	385		Borrowings
	–	1,176	2,641	3,818	(4)	Lease liabilities
	–	–	1	1		Other financial liabilities
Income taxes payable	5,890	–	(3)	5,887		Income taxes payable
Provision for bonuses	2,520	(2,520)	–	–		
Other provision	1,158	(1,158)	–	–		
	–	1,026	–	1,026		Provisions
Other	12,400	(2,942)	2,966	12,424	(8), (9)	Other current liabilities
Total current liabilities	68,471	–	5,050	73,521		Total current liabilities
Non-current liabilities						Non-current liabilities
Lease obligations	5,250	(5,250)	–	–		
	–	1,717	–	1,717		Borrowings
	–	5,250	4,377	9,628	(4)	Lease liabilities
	–	1,663	108	1,771	(11)	Other financial liabilities
Net defined benefit liability	16,648	–	(68)	16,580	(10)	Retirement benefit liability
Provision	359	(358)	490	491		Provisions
Deferred tax liabilities related to revaluation	1,119	4	95	1,219	(7)	Deferred tax liabilities
Other	19,326	(4,146)	205	15,385		Other non-current liabilities
Total non-current liabilities	42,704	(1,119)	5,208	46,793		Total non-current liabilities
Total liabilities	111,176	(1,119)	10,258	120,315		Total liabilities
Net assets						Equity
Shareholders' equity						
Common stock	13,450	–	–	13,450		Share capital
Capital surplus	10,665	–	(400)	10,265	(11)	Capital surplus
Treasury stock	(10,932)	–	–	(10,932)		Treasury shares
Accumulated other comprehensive income	4,187	–	651	4,838	(12), (13)	Other components of equity
Retained earnings	220,303	–	(643)	219,660	(12), (13)	Retained earnings
	237,674	–	(392)	237,282		Total equity attributable to owners of parent
Non-controlling interests	1,868	–	33	1,902	(13)	Non-controlling interests
Total net assets	239,543	–	(358)	239,184		Total equity
Total liabilities and net assets	350,719	(1,119)	9,899	359,500		Total liabilities and equity

III. Reconciliation of Income in Previous Fiscal Year (from April 1, 2018 to March 31, 2019)

(Million yen)

Account under Japanese GAAP	Japanese GAAP	Reclassification	Difference due to changes in recognition, measurement and accounting period	IFRS	Notes	Account under IFRS
Net sales	259,409	–	(2,078)	257,331	(2)	Net sales
Cost of sales	176,663	–	(1,993)	174,670	(2), (4), (8)	Cost of sales
Gross profit	82,746	–	(84)	82,661		Gross profit
Selling, general and administrative expenses	58,420	–	(1,425)	56,994	(4), (5), (8)	Selling, general and administrative expenses
	–	1,091	(67)	1,024		Other income
	–	6,908	(77)	6,831		Other expenses
Operating income	24,326	(5,816)	1,350	19,860		Operating profit
Non-operating income	2,006	(2,006)	–	–		
Non-operating expenses	2,413	(2,162)	(251)	–		
Extraordinary income	8,676	–	(8,676)	–	(6)	
Extraordinary losses	5,063	(5,063)	–	–		
	–	776	5	781		Finance income
	–	316	205	521	(4)	Finance costs
	–	136	10	146		Share of profit of investments accounted for using equity method
Income before income taxes	27,532	–	(7,264)	20,267		Profit before tax
Income taxes	10,207	–	(1,927)	8,279	(6), (7)	Income tax expense
Net income	17,325	–	(5,337)	11,987		Profit for the period
Profit attributable to owners of parent	17,323	–	(5,273)	12,050		Owners of parent
Profit attributable to non-controlling interests	1	–	(64)	(63)		Non-controlling interests
Other comprehensive income						Other comprehensive income
Unrealized gains (losses) on available-for-sale securities	(7,904)	7,904	–	–		
Deferred gains (losses) on hedges	315	(315)	–	–		
Foreign currency translation adjustments	(2,208)	2,208	–	–		
Remeasurements of defined benefit plans, net of tax	(3)	3	–	–		
Share of other comprehensive income of associates accounted for using equity method	(46)	46	–	–		
						Items that will not be reclassified to profit or loss
	–	(7,904)	6,860	(1,044)	(6)	Net change in the fair value of financial assets measured through other comprehensive income
	–	(3)	(69)	(72)	(10)	Remeasurements of defined benefit plans
						Items that may be reclassified to profit or loss
	–	(2,208)	(2,384)	(4,593)		Exchange differences on translation of foreign operations

(Million yen)

Account under Japanese GAAP	Japanese GAAP	Reclassification	Difference due to changes in recognition, measurement and accounting period	IFRS	Notes	Account under IFRS
	–	315	(6)	308		Cash flow hedges
	–	(46)	(106)	(153)		Share of other comprehensive income of investments accounted for using equity method
Total other comprehensive income	(9,848)	–	4,293	(5,554)		Other comprehensive income, net of tax
Comprehensive income	7,476	–	(1,044)	6,432		Comprehensive income for the period

IV. Notes on Reconciliation

(i) Reclassification

Of the items that were included in Non-operating income, Non-operating expenses, Extraordinary income, and Extraordinary losses under Japanese GAAP, finance-related items are reclassified as Finance income or Finance costs under IFRS, and the other items are reclassified as Other income, Other expenses or Share of profit of investments accounted for using equity method under IFRS.

(ii) Differences due to changes in recognition, measurement and accounting period

(1) Reconciliation related to the unification of reporting periods

Under Japanese GAAP, if the reporting date of a subsidiary and that of the Company are different, consolidated financial statements were prepared based on the financial statements of the subsidiary on the reporting date of the subsidiary. Under IFRS, the reporting date of a subsidiary is made the same as that of the Company or a provisional financial closing is conducted on the same reporting date as that of the Company unless that is impossible practically. This has resulted in a difference in each account.

(2) Reconciliation of revenue recognition

Under Japanese GAAP, if reliable estimates are available for the work completed in construction work, the percentage of completion method is used, and the completed-contract method is used for other construction work. Under IFRS, under a contract where control over goods or services is transferred to the customer over a certain period of time, revenue is recognized over the period regardless of the legal form of the contract.

(3) Reconciliation of property, plant and equipment

For certain property, plant and equipment, the Group applies an optional exemption where the fair value on the date of transition to IFRS is used as a deemed cost.

(4) Reconciliation of leases

Under Japanese GAAP, an operating lease was expensed. Under IFRS, due to the adoption of IFRS 16, right-of-use assets and lease liabilities are posted.

(5) Reconciliation of goodwill

Under Japanese GAAP, goodwill was amortized over a certain period of time. Under IFRS, goodwill is not amortized. Goodwill amortized under Japanese GAAP on or after the date of transition to IFRS is reversed.

(6) Reconciliation of other financial assets (non-current)

Under Japanese GAAP, unlisted shares were posted based on acquisition cost and impairment losses were recorded in accordance with deterioration in the financial position of the issuing company. Under IFRS, unlisted shares are measured at fair value through other comprehensive income. Loss (gain) on sale and impairment loss of financial instruments recognizable as capital are recognized as profit or loss under Japanese GAAP. Under IFRS, changes in fair value are recognized as other comprehensive income, and loss (gain) on sale and impairment loss are not recognized as profit or loss.

(7) Reconciliation of deferred tax assets and deferred tax liabilities

Under Japanese GAAP, the deferred method was employed for tax effects associated with the elimination of unrealized intercompany profits. Under IFRS, the asset and liability method is employed. The recoverability of deferred tax assets is examined under IFRS. Temporary differences have occurred due to adjustments associated to the transition from Japanese GAAP to IFRS, and deferred tax assets and deferred tax liabilities have been adjusted accordingly.

(8) Reconciliation of unused paid leave

Under Japanese GAAP, no accounting process were required for unused paid leave. Under IFRS, the Group has recorded liabilities related to unused paid leave.

(9) Reconciliation of other current liabilities

Under Japanese GAAP, expenses were recognized throughout a fiscal year when fixed assets tax etc. was paid. Under IFRS, the amount expected to be paid is recognized as liabilities when debts to the government are determined.

(10) Reconciliation of employees' retirement benefits

Under Japanese GAAP, the Group recorded actuarial differences as expenses in a year or two, on a pro-rata basis, from the fiscal year when the differences occurred. Under IFRS, actuarial differences are recognized in other comprehensive income when they occur and are transferred to retained earnings immediately. Prior service cost is recognized as profit or loss at the time of occurrence.

(11) Liabilities related to put option contracts for non-controlling interests

If the Group is required to buy the non-controlling interests of certain subsidiaries under certain conditions at the request of the shareholders of the non-controlling interests, financial liabilities are recognized and capital surplus is reduced under IFRS.

(12) Reconciliation of other components of equity

The Group has chosen an exemption set out in IFRS 1 and transferred all cumulative translation differences related to foreign subsidiaries to retained earnings on the date of transition to IFRS, April 1, 2018.

(13) Reconciliation of retained earnings

(Million yen)

		Date of transition to IFRS (April 1, 2018)	As of March 31, 2019
Reconciliation due to the unification of reporting periods	(Refer to (1))	(123)	—
Reconciliation of property, plant and equipment	(Refer to (3))	(380)	(200)
Reconciliation of goodwill	(Refer to (5))	—	1,643
Reconciliation of other financial assets	(Refer to (6))	(207)	(52)
Reconciliation of unused paid leave	(Refer to (8))	(1,875)	(1,908)
Reconciliation of other current liabilities	(Refer to (9))	(161)	(154)
Reconciliation of employees' retirement benefits	(Refer to (10))	225	104
Reconciliation of other components of equity	(Refer to (12))	(193)	(193)
Other		(6)	(462)
Sum of reconciliations		(2,720)	(1,222)
Tax effect related to the adjustments above and increase (decrease) in non-controlling interests		576	579
Reconciliation of retained earnings		(2,144)	(643)

VII. Reconciliation of Cash Flows

There is no significant difference between the consolidated statement of cash flows under the Japanese GAAP and the consolidated statement of cash flows under IFRS.

Disclaimer

- This document is an English translation of the Earnings Report for the Year Ended March 31, 2020 as reference information primarily for overseas investors. If there are any discrepancies between the Japanese version and the English version, the Japanese version shall take precedence in all cases.
- This document is not subject to audit.
- The forward-looking statements such as performance forecasts contained in this document are based on information currently available to the Company and certain assumptions deemed to be reasonable, and are not intended to be a commitment by the Company.
  Actual performance, etc. may differ due to a variety of factors.
  See "Outlook for Overall Business, Including Production, Sales, and Profits and Losses" on page 5 of this document for the conditions assumed in the performance forecasts and the precautions concerning the use of performance forecasts.