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## Consolidated Financial Results for the First Three Months of the Fiscal Year Ending March 31, 2021 <under Japanese GAAP>

July 30, 2020

Company name: ORGANO CORPORATION  
 Listing: Tokyo Stock Exchange  
 Securities code: 6368  
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 Scheduled date to file quarterly securities report: August 7, 2020  
 Scheduled date to commence dividend payments: –  
 Preparation of supplementary material on quarterly financial results: None  
 Holding of quarterly financial results presentation meeting: None

(Millions of yen with fractional amounts discarded, unless otherwise noted)

### 1. Consolidated financial results for the first three months of the fiscal year ending March 31, 2021 (from April 1, 2020 to June 30, 2020)

(1) Consolidated operating results (cumulative) (Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Three months ended								
June 30, 2020	19,585	(2.8)	339	(74.0)	382	(72.0)	(58)	–
June 30, 2019	20,149	19.0	1,305	–	1,367	–	807	–

Note: Comprehensive income: Three months ended June 30, 2020 ¥ (203) million [–%]  
 Three months ended June 30, 2019 ¥824 million [–%]

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Three months ended		
June 30, 2020	(5.12)	–
June 30, 2019	70.68	–

### (2) Consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio
	Millions of yen	Millions of yen	%
As of			
June 30, 2020	95,963	59,998	62.4
March 31, 2020	101,448	60,857	59.9

(Reference) Equity: As of June 30, 2020 ¥59,874 million As of March 31, 2020 ¥60,717 million

## 2. Cash dividends

	Annual dividends per share				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2020	–	47.00	–	57.00	104.00
Fiscal year ending March 31, 2021	–				
Fiscal year ending March 31, 2021 (Forecast)		52.00	–	52.00	104.00

Note: Revisions to the forecast of cash dividends most recently announced: None

## 3. Consolidated earnings forecasts for the fiscal year ending March 31, 2021 (from April 1, 2020 to March 31, 2021)

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Six months ending September 30, 2020	45,000	(3.6)	2,000	(63.3)	1,950	(63.3)	1,200	(67.0)	104.77
Fiscal year ending March 31, 2021	100,000	3.6	7,200	(27.3)	7,100	(28.5)	4,700	(34.4)	410.36

Note: Revisions to the earnings forecasts most recently announced: None

Any impact amount factored in for the impact arising due to the proliferation of novel coronavirus disease (COVID-19) is limited to the amount that can be assumed at this stage. We will accordingly revise our earnings outlook as developments unfold. Please refer to “(3) Explanation regarding consolidated earnings forecasts and other forward-looking statements” in “1. Qualitative information regarding financial results for the first three months” on page 3 of the attached material for the suppositions that form the assumptions for earnings forecasts and cautions concerning the use thereof.

**\* Notes**

(1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in the change in scope of consolidation): None

(2) Application of specific accounting for preparing the quarterly consolidated financial statements: Yes

Note: For more details, please refer to “Application of special accounting for preparing the quarterly consolidated financial statements” on page 8 of the attached material.

(3) Changes in accounting policies, changes in accounting estimates, and restatement

a. Changes in accounting policies due to revisions to accounting standards and other regulations: None

b. Changes in accounting policies due to other reasons: None

c. Changes in accounting estimates: None

d. Restatement: None

(4) Number of issued shares (common shares)

a. Total number of issued shares at the end of the period (including treasury shares)

As of June 30, 2020	11,589,925 shares
As of March 31, 2020	11,589,925 shares

b. Number of treasury shares at the end of the period

As of June 30, 2020	136,678 shares
As of March 31, 2020	136,593 shares

c. Average number of shares outstanding during the period (cumulative from the beginning of the fiscal year)

For the three months ended June 30, 2020	11,453,311 shares
For the three months ended June 30, 2019	11,423,035 shares

The Company has introduced an Officer Share Delivery Trust, and shares of the Company held by the Trust have been included in treasury shares excluded from the calculation of the number of treasury shares at the end of the period and the average number of shares outstanding during the period (cumulative from the beginning of the fiscal year).

\* Quarterly financial results reports are exempt from quarterly review conducted by certified public accountants or an audit corporation.

\* Proper use of earnings forecasts, and other special matters

The forward-looking statements, including earnings forecasts, contained in these materials are based on information currently available to the Company and on certain assumptions deemed to be reasonable. Consequently, any statements herein do not constitute assurances regarding actual results by the Company. Actual business and other results may differ substantially due to various factors. Please refer to “(3) Explanation regarding consolidated earnings forecasts and other forward-looking statements” in “1. Qualitative information regarding financial results for the first three months” on page 3 of the attached material for the suppositions that form the assumptions for earnings forecasts and cautions concerning the use thereof.

Index

- 1. Qualitative information regarding financial results for the first three months.....2
  - (1) Explanation regarding operating results.....2
  - (2) Explanation regarding financial position .....3
  - (3) Explanation regarding consolidated earnings forecasts and other forward-looking statements .....3
- 2. Quarterly consolidated financial statements and significant notes thereto .....4
  - (1) Consolidated balance sheet.....4
  - (2) Consolidated statement of income and consolidated statement of comprehensive income.....6
    - Consolidated statement of income (cumulative) .....6
    - Consolidated statement of comprehensive income (cumulative).....7
  - (3) Notes to quarterly consolidated financial statements .....8
    - Notes on premise of going concern.....8
    - Notes on substantial changes in the amount of shareholders’ equity .....8
    - Application of special accounting for preparing the quarterly consolidated financial statements ...8
    - Additional information .....8
    - Segment information, etc. ....9

## 1. Qualitative information regarding financial results for the first three months

### (1) Explanation regarding operating results

Following the global spread of COVID-19, during the three months ended June 30, 2020 (from April 1, 2020 to June 30, 2020), the Japanese and global economies have been in a state of significant turmoil. Looking at the main markets in which the Organo Group operates, in the electronics field, semiconductor-related demand has been firm against a backdrop of expanding use of teleworking, and in Taiwan, especially, both capital investment and production have been at high levels with continued active investment in cutting-edge semiconductors. On the other hand, in the general industrial field, there have been moves to curb and delay capital investment in general, and an impact has been seen in sales of performance products in industries that have a major influence, such as the automotive and restaurant industries. Furthermore, in the electric power/water supply and sewage fields, although there has been a trend of curbing capital expenditure and large-scale maintenance programs in relation to electric power, no major impacts were observed in regard to water supply and sewage.

Consequently, the financial results for the three months ended June 30, 2020 are as follows. Orders received increased by 38.7% year on year to ¥27,057 million, net sales decreased by 2.8% year on year to ¥19,585 million, and our carry-over balance for order backlog as of June 30, 2020 increased by 27.5% year on year to ¥75,003 million. On the profit side, operating profit decreased by 74.0% to ¥339 million, ordinary profit decreased by 72.0% to ¥382 million, and loss attributable to owners of parent was ¥58 million (compared with profit attributable to owners of parent of ¥807 million in the same period of the previous fiscal year).

Results by segment are as follows.

#### [Water Treatment Engineering Business Unit]

In the Water Treatment Engineering Business Unit, orders received decreased for the Plant Division in Japan and Southeast Asia amid moves to curb and delay capital investment in the general industrial field. In the electronics field, however, the Plant Division and Service Solutions Division in Japan continued to perform solidly with orders expanding significantly, mainly due to aggressive capital investment in cutting-edge semiconductors in Taiwan and a recovery in semiconductor-related investment in China after a sharp drop in the previous fiscal year due to the impact of trade friction between the United States and China. In addition, in the electric power/water supply and sewage fields, orders remained about level year on year as delays in the timing of some orders for maintenance projects for electric power were offset by an order for a large project for water supply and sewage. Consequently, orders received increased by 49.7% year on year to ¥22,563 million.

Turning to net sales, in the electronics field net sales decreased year on year, as certain maintenance projects were delayed and a major semiconductor-related project whose order was carried over from the previous fiscal year did not get fully underway, in addition to which a major project had been recorded in the same period of the previous fiscal year. In the general industrial field, net sales results were about level year on year, as sales growth from a project in Japan that was ordered in the previous fiscal year was offset by a decrease in sales for Southeast Asia. Additionally, sales in the electric power/water supply and sewage fields increased slightly compared to the same period of the previous fiscal year, due to solid performance mainly in domestic solution projects. Consequently, net sales decreased by 2.0% year on year to ¥15,257 million.

Meanwhile, on the profit side, compared to the same period of the previous fiscal year, when there was a concentration of sales of comparatively profitable projects and projects with prominent cost reduction effects, the profit margin was lower due to the order environment, mainly in the electronics field. As a result, operating profit decreased by 81.8% year on year to ¥201 million.

#### [Performance Products Business Unit]

In the Performance Products Business Unit, sales decreased in fields such as the automotive and restaurant industries, which were heavily impacted by the spread of COVID-19, as well as the medical institution field, such as examinations and general care. On the other hand, water treatment chemicals for the electronics industry trended firmly, and the Company saw brisk sales of Orplus® slightly acidic

electrolyzed water for disinfecting and deodorizing. As a result, orders received increased by 1.2% year on year to ¥4,493 million and net sales decreased by 5.4% year on year to ¥4,327 million.

Meanwhile, on the profit side, as a result of impacts such as cost increases for strengthening the sales structures in Japan and overseas and increased investment for development of new products and technologies, operating profit decreased by 30.2% year on year to ¥138 million.

## **(2) Explanation regarding financial position**

### Assets, liabilities and net assets

#### *Assets*

Assets as of June 30, 2020 amounted to ¥95,963 million, a decrease of ¥5,485 million from the previous fiscal year end. This was due mainly to a decline of ¥4,439 million in cash and deposits and a decline of ¥2,519 million in notes and accounts receivable - trade, despite an increase of ¥2,041 million in inventories mainly in work in process.

#### *Liabilities*

Liabilities as of June 30, 2020 amounted to ¥35,964 million, a decrease of ¥4,625 million from the previous fiscal year end. This was due mainly to a decline of ¥3,216, million in notes and accounts payable - trade and a decline of ¥2,361 million in other current liabilities, despite an increase of ¥3,524 million in short-term borrowings.

#### *Net Assets*

Net assets as of June 30, 2020 amounted to ¥59,998 million, a decrease of ¥859 million from the previous fiscal year end. This was mainly due to a decline of ¥714 million in retained earnings resulting from the dividends paid, etc.

## **(3) Explanation regarding consolidated earnings forecasts and other forward-looking statements**

Looking at the current situation, earnings in the Water Treatment Engineering Business Unit are brisk in the electronics field, while there are curbs on capital investment projects in the general industrial field. However, there has not been a major impact on sales of service solutions such as maintenance. Meanwhile, in the Performance Products Business Unit, while there was a temporary drop in earnings, orders and sales are now recovering, and at this point the Company has decided to leave its forecasts for the cumulative second quarter and the full year unchanged from those announced on May 12, 2020. Any impact amount factored in for the impact arising due to the proliferation of COVID-19 is limited to the amount that can be assumed at this stage. We will accordingly revise our earnings outlook as developments unfold.

## 2. Quarterly consolidated financial statements and significant notes thereto

### (1) Consolidated balance sheet

(Millions of yen)

	As of March 31, 2020	As of June 30, 2020
<b>Assets</b>		
Current assets		
Cash and deposits	13,772	9,332
Notes and accounts receivable - trade	36,783	34,263
Electronically recorded monetary claims - operating	1,590	2,009
Investments in leases	11,752	11,262
Merchandise and finished goods	5,710	5,845
Work in process	2,728	4,632
Raw materials and supplies	1,392	1,394
Other	2,448	2,174
Allowance for doubtful accounts	(98)	(95)
Total current assets	76,078	70,818
Non-current assets		
Property, plant and equipment		
Buildings and structures	17,909	17,895
Accumulated depreciation	(12,562)	(12,635)
Buildings and structures, net	5,347	5,259
Machinery, equipment and vehicles	5,697	5,664
Accumulated depreciation	(4,974)	(4,993)
Machinery, equipment and vehicles, net	722	671
Land	12,284	12,273
Construction in progress	98	95
Other	5,088	5,124
Accumulated depreciation	(4,245)	(4,300)
Other, net	842	824
Total property, plant and equipment	19,296	19,124
Intangible assets	1,113	1,122
Investments and other assets		
Investment securities	1,553	1,531
Deferred tax assets	3,037	3,008
Other	780	768
Allowance for doubtful accounts	(411)	(411)
Total investments and other assets	4,959	4,897
Total non-current assets	25,369	25,144
<b>Total assets</b>	<b>101,448</b>	<b>95,963</b>

(Millions of yen)

	As of March 31, 2020	As of June 30, 2020
<b>Liabilities</b>		
<b>Current liabilities</b>		
Notes and accounts payable - trade	14,381	11,164
Short-term borrowings	7,644	11,168
Income taxes payable	1,959	371
Advances received	1,543	1,559
Provision for bonuses	1,339	536
Provision for product warranties	324	499
Provision for loss on construction contracts	64	108
Provision for share-based remuneration for directors (and other officers)	105	131
Other provisions	10	6
Other	4,866	2,505
<b>Total current liabilities</b>	<b>32,240</b>	<b>28,052</b>
<b>Non-current liabilities</b>		
Long-term borrowings	2,095	1,800
Deferred tax liabilities	9	-
Retirement benefit liability	6,153	6,033
Other	91	79
<b>Total non-current liabilities</b>	<b>8,349</b>	<b>7,912</b>
<b>Total liabilities</b>	<b>40,590</b>	<b>35,964</b>
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Share capital	8,225	8,225
Capital surplus	7,508	7,508
Retained earnings	46,081	45,367
Treasury shares	(537)	(538)
<b>Total shareholders' equity</b>	<b>61,277</b>	<b>60,562</b>
<b>Accumulated other comprehensive income</b>		
Valuation difference on available-for-sale securities	143	149
Foreign currency translation adjustment	(178)	(340)
Remeasurements of defined benefit plans	(525)	(497)
<b>Total accumulated other comprehensive income</b>	<b>(560)</b>	<b>(688)</b>
<b>Non-controlling interests</b>	<b>140</b>	<b>123</b>
<b>Total net assets</b>	<b>60,857</b>	<b>59,998</b>
<b>Total liabilities and net assets</b>	<b>101,448</b>	<b>95,963</b>



**(2) Consolidated statement of income and consolidated statement of comprehensive income****Consolidated statement of income (cumulative)**

(Millions of yen)

	Three months ended June 30, 2019 (From April 1, 2019 to June 30, 2019)	Three months ended June 30, 2020 (From April 1, 2020 to June 30, 2020)
Net sales	20,149	19,585
Cost of sales	14,791	15,315
Gross profit	5,358	4,270
Selling, general and administrative expenses	4,053	3,930
Operating profit	1,305	339
Non-operating income		
Interest income	9	5
Dividend income	12	13
Insurance claim income	9	96
Share of profit of entities accounted for using equity method	73	–
Other	6	8
Total non-operating income	111	124
Non-operating expenses		
Interest expenses	34	22
Foreign exchange losses	11	31
Provision of allowance for doubtful accounts	1	–
Share of loss of entities accounted for using equity method	–	25
Other	1	1
Total non-operating expenses	48	81
Ordinary profit	1,367	382
Extraordinary income		
Gain on sales of non-current assets	0	2
Total extraordinary income	0	2
Extraordinary losses		
Loss on abandonment of non-current assets	1	0
Loss on valuation of right to use facilities	–	0
Total extraordinary losses	1	0
Profit before income taxes	1,366	383
Income taxes	558	437
Profit (loss)	807	(54)
Profit attributable to non-controlling interests	0	4
Profit (loss) attributable to owners of parent	807	(58)

## Consolidated statement of comprehensive income (cumulative)

(Millions of yen)

	Three months ended June 30, 2019 (From April 1, 2019 to June 30, 2019)	Three months ended June 30, 2020 (From April 1, 2020 to June 30, 2020)
Profit (loss)	807	(54)
Other comprehensive income		
Valuation difference on available-for-sale securities	(25)	6
Deferred gains or losses on hedges	0	–
Foreign currency translation adjustment	21	(183)
Remeasurements of defined benefit plans, net of tax	21	27
Share of other comprehensive income of entities accounted for using equity method	(1)	0
Total other comprehensive income	16	(149)
Comprehensive income	824	(203)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	820	(186)
Comprehensive income attributable to non-controlling interests	4	(16)

### **(3) Notes to quarterly consolidated financial statements**

#### **Notes on premise of going concern**

No items to report

#### **Notes on substantial changes in the amount of shareholders' equity**

No items to report

#### **Application of special accounting for preparing the quarterly consolidated financial statements**

##### *Calculation of tax expenses*

Tax expenses are calculated by multiplying the profit before income taxes by the reasonably estimated effective tax rates after the application of tax effect accounting to the profit before income taxes for the fiscal year including the first quarter ended June 30, 2020. However, in cases where the calculation of tax expenses using such estimated effective tax rate yields a result that is not reasonable to a significant extent, the amount of significant difference other than temporary differences, etc. is added to or deducted from the profit before income taxes, and the result is multiplied by the statutory income tax rate.

#### **Additional information**

##### *Impact arising due to the proliferation of COVID-19*

There has been no material change in the assumptions regarding the impact of COVID-19 described in the annual securities report (additional information) for the previous fiscal year.

## Segment information, etc.

[Segment information]

I Three months ended June 30, 2019 (from April 1, 2019 to June 30, 2019)

1. Information relating to net sales and profit by each reportable segment

(Millions of yen)

	Reportable Segment			Adjustment	Amount recorded in the consolidated statement of income (Note)
	Water Treatment Engineering Business Unit	Performance Products Business Unit	Total		
Net sales					
Sales to external customers	15,573	4,575	20,149	–	20,149
Intersegment sales or transfers	0	80	80	(80)	–
Total	15,574	4,656	20,230	(80)	20,149
Segment profit	1,107	197	1,305	–	1,305

Note: The figures for segment profit are based on operating profit, and there are no discrepancies with the operating profit shown in the consolidated statement of income.

II Three months ended June 30, 2020 (from April 1, 2020 to June 30, 2020)

1. Information relating to net sales and profit by each reportable segment

(Millions of yen)

	Reportable Segment			Adjustment	Amount recorded in the consolidated statement of income (Note)
	Water Treatment Engineering Business Unit	Performance Products Business Unit	Total		
Net sales					
Sales to external customers	15,257	4,327	19,585	–	19,585
Intersegment sales or transfers	0	79	80	(80)	–
Total	15,257	4,407	19,665	(80)	19,585
Segment profit	201	138	339	–	339

Note: The figures for segment profit are based on operating profit, and there are no discrepancies with the operating profit shown in the consolidated statement of income.