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

February 1, 2021

Company name: ORGANO CORPORATION  
 Listing: Tokyo Stock Exchange  
 Securities code: 6368  
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 Scheduled date to file quarterly securities report: February 10, 2021  
 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 nine months of the fiscal year ending March 31, 2021 (from April 1, 2020 to December 31, 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	%
Nine months ended								
December 31, 2020	68,736	2.1	5,261	(29.6)	5,421	(26.9)	3,584	(30.4)
December 31, 2019	67,352	9.5	7,475	160.2	7,419	155.3	5,151	198.9

Note: Comprehensive income: Nine months ended December 31, 2020 ¥3,626 million [(27.9)%]  
 Nine months ended December 31, 2019 ¥5,029 million [208.8%]

	Basic earnings per share	Diluted earnings per share
Nine months ended	Yen	Yen
December 31, 2020	312.52	–
December 31, 2019	450.41	–

### (2) Consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio
As of	Millions of yen	Millions of yen	%
December 31, 2020	108,616	63,335	58.2
March 31, 2020	101,448	60,857	59.9

(Reference) Equity: As of December 31, 2020 ¥63,205 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	–	52.00	–		
Fiscal year ending March 31, 2021 (Forecast)				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
Fiscal year ending March 31, 2021	100,000	3.6	7,200	(27.3)	7,100	(28.5)	4,700	(34.4)	409.83

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 nine 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 December 31, 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 December 31, 2020	102,866 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 nine months ended December 31, 2020	11,468,057 shares
For the nine months ended December 31, 2019	11,436,336 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 nine months” on page 3 of the attached material for the suppositions that form the assumptions for earnings forecasts and cautions concerning the use thereof.

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

### (1) Explanation regarding operating results

During the nine months ended December 31, 2020 (from April 1, 2020 to December 31, 2020), following the global spread of COVID-19, the Japanese and global economies have been in a state of significant turmoil. Looking at the main markets in which the Organo Group operates, semiconductor demand is rising in the electronics field mainly due to the expanding use of teleworking and the full-scale adoption of 5G telecommunications, and while we saw effects from intensifying friction over semiconductors between the United States and China, we maintained high-level production and investment in Japan and overseas. In the general industrial field, there is a continuing trend to curb and delay capital investment, we saw a decline in production levels among some of our customers, which in turn affected sales of performance products such as water treatment chemicals, filters, and food processing materials. The electric power/water supply and sewage fields maintained around the same levels as the previous year, no major impacts were observed.

Under these conditions, the Group was affected in the areas of new business development, new customer acquisition, and strengthening our overseas systems by restrictions on domestic and overseas mobility and refraining from unnecessary outings. However, we promoted the shift to digital in our engineering and solutions services as well as supervision by introducing various communication tools and engineering tools using ICT technology and balanced preventing the spread of COVID-19 with our business activities. As a result, in the Group's financial results for the nine months ended December 31, 2020, orders received decreased by 11.2% year on year to ¥72,075 million, net sales increased by 2.1% year on year to ¥68,736 million, and our carry-over balance for order backlog as of December 31, 2020 was down 2.1% to ¥71,114 million. On the profit side, operating profit decreased by 29.6% to ¥5,261 million, ordinary profit decreased by 26.9% to ¥5,421 million, and profit attributable to owners of the parent decreased by 30.4% to ¥3,584 million.

Results by segment are as follows.

#### [Water Treatment Engineering Business Unit]

In the Water Treatment Engineering Business Unit, despite a decline in orders received in the electronics field by the Plant Division compared to the previous fiscal year when there were large-scale orders in Japan and overseas, steady progress in the construction of large projects for which orders were received in the previous fiscal year as well as growth in the Service Solutions Division backed by high production levels led to strong net sales. Furthermore, overseas, in addition to continued large-scale semiconductor investment centered on Taiwan and China, solution services including maintenance trended strongly, and both orders received and net sales grew significantly. Meanwhile, in the general industrial field, the continuing trend to curb and delay capital investment caused by COVID-19 has led to a decline in orders received and net sales centered on the Plant Division both in Japan and overseas. The electric power/water supply and sewage fields were mostly unchanged from the previous fiscal year as large-scale orders were received for water supply and sewage projects and maintenance work remained steady. Consequently, orders received decreased by 13.5% year on year to ¥58,254 million and net sales increased by 3.3% year on year to ¥55,169 million.

Meanwhile, on the profit side, compared to the previous fiscal year, when there was concentration of sales of comparatively profitable projects, mainly in the electronics field, and projects with prominent cost reduction effects, the profit margin was lower. As a result, operating profit decreased by 32.4% year on year to ¥4,364 million.

#### [Performance Products Business Unit]

In the Performance Products Business Unit, while we saw some recovery in the second half of the year, investment and production are curbed in general. In particular, sales to general industries, such as automotive and restaurant fields, which were heavily impacted by COVID-19, and sales to medical institutions, such as the examinations and general care field, declined. On the other hand, sales were strong for water treatments chemicals to the electronics industry, which has maintained high production levels, and for Orplus® slightly acidic electrolyzed water for disinfecting and deodorizing. Consequently, orders received increased by 0.1% year on year to ¥13,821 million, net sales decreased by 2.6% year on year to ¥13,567 million, and operating profit decreased by 11.8% to ¥897 million.

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

### Assets, liabilities and net assets

#### *Assets*

Net assets as of December 31, 2020 amounted to ¥108,616 million, an increase of ¥7,168 million from the previous fiscal year end. This was due mainly to an increase of ¥6,145 million in notes and accounts receivable - trade and an increase of ¥4,871 million yen in inventories mainly in work in process, despite a decrease of ¥3,336 million in cash and deposits.

#### *Liabilities*

Liabilities as of December 31, 2020 amounted to ¥45,281 million, an increase of ¥4,690 million from the previous fiscal year end. This was due mainly to an increase of ¥6,439 million in short-term borrowings, despite a decline of ¥2,172 million in other current liabilities.

#### *Net Assets*

Net assets as of December 31, 2020 amounted to ¥63,335 million, an increase of ¥2,477 million from the previous fiscal year end. This was mainly due to an increase of ¥2,329 million in retained earnings resulting from the recording of profit attributable to owners of parent.

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

Turning to full-year earnings forecasts, there are concerns over the impact of COVID-19 as well as the impacts of trade friction over semiconductors between the United States and China in the electronics field, which has been trending favorably. However, at this stage, there has been no sign of significant delays or cancellation of planned projects, and construction on accepted projects in Japan and overseas is proceeding steadily. Therefore, the full-year earnings forecasts have been left unchanged from the previous announcement. Any impact amount factored in 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 December 31, 2020
<b>Assets</b>		
Current assets		
Cash and deposits	13,772	10,436
Notes and accounts receivable - trade	36,783	42,928
Electronically recorded monetary claims - operating	1,590	1,758
Investments in leases	11,752	10,273
Merchandise and finished goods	5,710	6,122
Work in process	2,728	7,209
Raw materials and supplies	1,392	1,370
Other	2,448	3,502
Allowance for doubtful accounts	(98)	(107)
Total current assets	76,078	83,494
Non-current assets		
Property, plant and equipment		
Buildings and structures	17,909	17,751
Accumulated depreciation	(12,562)	(12,730)
Buildings and structures, net	5,347	5,020
Machinery, equipment and vehicles	5,697	5,663
Accumulated depreciation	(4,974)	(5,026)
Machinery, equipment and vehicles, net	722	637
Land	12,284	12,277
Construction in progress	98	313
Other	5,088	5,117
Accumulated depreciation	(4,245)	(4,363)
Other, net	842	753
Total property, plant and equipment	19,296	19,002
Intangible assets	1,113	1,115
Investments and other assets		
Investment securities	1,553	1,708
Deferred tax assets	3,037	2,956
Other	780	745
Allowance for doubtful accounts	(411)	(406)
Total investments and other assets	4,959	5,004
Total non-current assets	25,369	25,122
<b>Total assets</b>	<b>101,448</b>	<b>108,616</b>

(Millions of yen)

	As of March 31, 2020	As of December 31, 2020
<b>Liabilities</b>		
<b>Current liabilities</b>		
Notes and accounts payable - trade	14,381	12,464
Electronically recorded obligations - operating	–	4,464
Short-term borrowings	7,644	14,084
Income taxes payable	1,959	990
Advances received	1,543	1,885
Provision for bonuses	1,339	643
Provision for product warranties	324	334
Provision for loss on construction contracts	64	53
Provision for share-based remuneration for directors (and other officers)	105	72
Other provisions	10	–
Other	4,866	2,694
<b>Total current liabilities</b>	<b>32,240</b>	<b>37,687</b>
<b>Non-current liabilities</b>		
Long-term borrowings	2,095	1,545
Deferred tax liabilities	9	0
Retirement benefit liability	6,153	5,971
Other	91	75
<b>Total non-current liabilities</b>	<b>8,349</b>	<b>7,593</b>
<b>Total liabilities</b>	<b>40,590</b>	<b>45,281</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	48,411
Treasury shares	(537)	(432)
<b>Total shareholders' equity</b>	<b>61,277</b>	<b>63,712</b>
<b>Accumulated other comprehensive income</b>		
Valuation difference on available-for-sale securities	143	198
Foreign currency translation adjustment	(178)	(263)
Remeasurements of defined benefit plans	(525)	(442)
<b>Total accumulated other comprehensive income</b>	<b>(560)</b>	<b>(507)</b>
Non-controlling interests	140	130
<b>Total net assets</b>	<b>60,857</b>	<b>63,335</b>
<b>Total liabilities and net assets</b>	<b>101,448</b>	<b>108,616</b>



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

(Millions of yen)

	Nine months ended December 31, 2019 (From April 1, 2019 to December 31, 2019)	Nine months ended December 31, 2020 (From April 1, 2020 to December 31, 2020)
Net sales	67,352	68,736
Cost of sales	47,490	51,174
Gross profit	19,861	17,562
Selling, general and administrative expenses	12,386	12,300
Operating profit	7,475	5,261
Non-operating income		
Interest income	30	22
Dividend income	26	25
Insurance claim income	23	100
Share of profit of entities accounted for using equity method	150	99
Other	47	35
Total non-operating income	278	283
Non-operating expenses		
Interest expenses	104	86
Foreign exchange losses	94	30
Provision of allowance for doubtful accounts	78	–
Other	56	6
Total non-operating expenses	334	123
Ordinary profit	7,419	5,421
Extraordinary income		
Gain on sales of non-current assets	0	4
Gain on sales of investment securities	4	14
Gain on sales of right of using facilities	0	–
Total extraordinary income	5	19
Extraordinary losses		
Loss on abandonment of non-current assets	10	113
Loss on valuation of investment securities	–	13
Loss on sales of right to use facilities	–	4
Loss on valuation of right to use facilities	–	0
Total extraordinary losses	10	131
Profit before income taxes	7,414	5,309
Income taxes	2,270	1,721
Profit	5,143	3,587
Profit (loss) attributable to non-controlling interests	(7)	3
Profit attributable to owners of parent	5,151	3,584

## Consolidated statement of comprehensive income (cumulative)

(Millions of yen)

	Nine months ended December 31, 2019 (From April 1, 2019 to December 31, 2019)	Nine months ended December 31, 2020 (From April 1, 2020 to December 31, 2020)
Profit	5,143	3,587
Other comprehensive income		
Valuation difference on available-for-sale securities	18	55
Deferred gains or losses on hedges	0	–
Foreign currency translation adjustment	(198)	(99)
Remeasurements of defined benefit plans, net of tax	65	82
Share of other comprehensive income of entities accounted for using equity method	1	(0)
Total other comprehensive income	(113)	38
Comprehensive income	5,029	3,626
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	5,037	3,637
Comprehensive income attributable to non-controlling interests	(7)	(10)

### **(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 third quarter ended December 31, 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) (Impact arising due to the proliferation of COVID-19) for the previous fiscal year.

## Segment information, etc.

[Segment information]

I Nine months ended December 31, 2019 (from April 1, 2019 to December 31, 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	53,425	13,926	67,352	–	67,352
Intersegment sales or transfers	0	249	250	(250)	–
Total	53,426	14,176	67,602	(250)	67,352
Segment profit	6,458	1,017	7,475	–	7,475

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 Nine months ended December 31, 2020 (from April 1, 2020 to December 31, 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	55,169	13,567	68,736	–	68,736
Intersegment sales or transfers	0	247	248	(248)	–
Total	55,169	13,814	68,984	(248)	68,736
Segment profit	4,364	897	5,261	–	5,261

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.