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## Consolidated Financial Results for the First Three Months of the Fiscal Year Ending March 31, 2022 <under Japanese GAAP>

July 30, 2021

Company name: ORGANO CORPORATION  
 Listing: Tokyo Stock Exchange  
 Securities code: 6368  
 URL: <https://www.organo.co.jp/english/>  
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 Scheduled date to file quarterly securities report: August 6, 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 three months of the fiscal year ending March 31, 2022 (from April 1, 2021 to June 30, 2021)

(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, 2021	22,307	13.9	1,338	294.5	1,630	326.5	818	–
June 30, 2020	19,585	(2.8)	339	(74.0)	382	(72.0)	(58)	–

Note: Comprehensive income: Three months ended June 30, 2021 ¥1,242 million [–%]  
 Three months ended June 30, 2020 ¥(203) million [–%]

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Three months ended		
June 30, 2021	71.30	–
June 30, 2020	(5.12)	–

### (2) Consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio
	Millions of yen	Millions of yen	%
As of			
June 30, 2021	110,707	67,914	61.2
March 31, 2021	115,011	67,357	58.4

(Reference) Equity: As of June 30, 2021 ¥67,761 million As of March 31, 2021 ¥67,214 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, 2021	–	52.00	–	62.00	114.00
Fiscal year ending March 31, 2022	–				
Fiscal year ending March 31, 2022 (Forecast)		57.00	–	57.00	114.00

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

## 3. Consolidated earnings forecasts for the fiscal year ending March 31, 2022 (from April 1, 2021 to March 31, 2022)

(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, 2021	50,000	10.3	2,600	(18.3)	2,550	(22.2)	1,500	(27.9)	130.70
Fiscal year ending March 31, 2022	103,000	2.3	8,250	(13.9)	8,150	(17.7)	6,500	(8.1)	566.35

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

**\* 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: Yes

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

c. Changes in accounting estimates: None

d. Restatement: None

Note: For more details, please refer to “Changes in accounting policies” on page 8 of the attached material.

(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, 2021	11,589,925 shares
As of March 31, 2021	11,589,925 shares

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

As of June 30, 2021	112,945 shares
As of March 31, 2021	112,618 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, 2021	11,477,081 shares
For the three months ended June 30, 2020	11,453,311 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  
(Caution regarding forward-looking statements and others)

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 2 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 three months

### (1) Explanation regarding operating results

During the three months ended June 30, 2021 (from April 1, 2021 to June 30, 2021), high levels of production and investment persisted in the electronics industry, the Organo Group's main market, amid a scenario of progress being made in restructuring supply chains for domestic production of semiconductors as the shortage of semiconductor supply intensified worldwide. On the other hand, in the general industrial field we continued to encounter a trend of companies curbing and delaying major capital investment, despite having experienced recovery in maintenance and sales of performance products relative to the same period of the previous fiscal year. In addition, the electric power/water supply and sewage fields trended firmly on the whole.

Under these conditions, the Organo Group has been focusing its efforts on gaining and delivering large-scale orders in the semiconductor markets of Japan, Taiwan, and China, where investment remains active, while also moving forward with initiatives taken to streamline operations and strengthen the delivery framework. To such ends, we have been promoting a shift to digitalization of engineering operations largely by developing various tools and databases, and have also established a global engineering center (GEC) in Vietnam.

As a result, in the Group's financial results for the three months ended June 30, 2021, orders received increased by 37.7% year on year to ¥37,256 million, net sales increased by 13.9% year on year to ¥22,307 million, and our carry-over balance for order backlog as of June 30, 2021 was up 1.6% to ¥76,194 million. On the profit side, operating profit increased by 294.5% to ¥1,338 million, ordinary profit increased by 326.5% to ¥1,630 million, and profit attributable to owners of parent was ¥818 million (compared with loss attributable to owners of parent of ¥58 million in the same period of the previous fiscal year).

Results by segment are as follows.

[Water Treatment Engineering Business Unit]

#### ■Orders received

Orders received increased 43.8% year on year to ¥32,453 million. In the electronics field, orders received benefitted from persistently active capital investment, largely amid factors that include: decisions to install large wastewater recovery facilities for semiconductor plants in Japan; high levels of investment in cutting-edge semiconductors in Taiwan, and; continued orders for semiconductor projects particularly for automotive applications in China. In addition, in the general industrial field, orders received held strong in the Service Solutions Division particularly with respect to maintenance, and despite having encountered a lull in large-scale capital investment. In the electric power/water supply and sewage fields, orders received increased relative to the same period of the previous fiscal year as a result of large-scale orders involving electric power.

#### ■Net sales

Net sales increased 16.0% year on year to ¥17,691 million. In the electronics field, net sales increased as a result of having gained more orders in Taiwan, China and elsewhere overseas, in addition to a situation where steady progress was made in work on major projects in Japan for which orders were received up until the previous fiscal year. In addition, net sales in the general industrial field and the electric power/water supply and sewage fields remained largely unchanged from the previous fiscal year, due to business mainly involving domestic solution projects.

#### ■Operating profit

Operating profit increased 386.3% year on year to ¥977 million. Operating profit was affected by an increase in the gross profit margin largely as a result of the Company collecting additional funds and implementing cost reduction measures with respect to construction projects both in Japan and overseas, in addition to an increase in sales mainly in the electronics field. Moreover, selling, general and administrative expenses increased relative to the same period of the previous fiscal year, yet remain below plan levels at this point in time.

[Performance Products Business Unit]

■Orders received/Net sales

Orders received increased 6.9% year on year to ¥4,803 million and net sales increased 6.7% year on year to ¥4,616 million. In the Water Treatment Chemicals Division, results exceeded those of the same period of the previous fiscal year due to recovery in overseas, automotive-related and other such fields, in addition to strong performance in sales to the electronics industry where active production and investment persists. The Standard Water Treatment Equipment and Filters Division encountered a recovery in sales of water purification filters for maintenance, particularly with respect to various types of beverage dispensers and plants, in addition to sales of small-scale pure water production equipment for research institutions, medical institutions and other such entities in Japan and China. In the Food Products Division, results remained largely unchanged from the previous fiscal year due to recovery in sales of products for ready-to-eat meals such as take-out side dishes and products for the restaurant industry, and despite lower sales in the field of household food products, which expanded significantly in the previous year.

■Operating profit

Operating profit increased 161.0% year on year to ¥360 million. In the Water Treatment Chemicals Division and the Standard Water Treatment Equipment and Filters Division, operating profit was affected by an increase in the gross profit margin brought about by an increase in sales of products with relatively high added-value, in addition to a recovery in sales.

**(2) Explanation regarding financial position**

Assets, liabilities and net assets

*Assets*

Assets as of June 30, 2021 amounted to ¥110,707 million, a decrease of ¥4,304 million from the previous fiscal year end. This was mainly due to a decline of ¥2,763 million in cash and deposits and a decline of ¥872 million in other current assets.

*Liabilities*

Liabilities as of June 30, 2021 amounted to ¥42,792 million, a decrease of ¥4,861 million from the previous fiscal year end. This was mainly due to a decline of ¥2,904 million in trade payables and a decline of ¥1,397 million in income taxes payable.

*Net Assets*

Net assets as of June 30, 2021 amounted to ¥67,914 million, an increase of ¥557 million from the previous fiscal year end. This was mainly due to an increase of ¥375 million in foreign currency translation adjustment.

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

In terms of the future outlook, the first half and full year consolidated earnings forecasts for the fiscal year ending March 31, 2022, released on May 11, 2021, remain unchanged.

Under the prevailing circumstances, there is a possibility that proliferation of COVID-19 variants or other such developments could affect customer investment and production schedules. Nevertheless, as in our initial projection, we expect to generate orders with respect to semiconductor investment projects in Japan and overseas in the electronics field, and we furthermore expect to generate sales due to progress achieved in work on large-scale projects carried-over from the order backlog. On the profit side, we aim to achieve profits at the same level as those in the previous fiscal year in excess of initial plans, by attaining a higher construction project profit margin, particularly through various cost reduction measures.

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

### (1) Consolidated balance sheet

(Millions of yen)

	As of March 31, 2021	As of June 30, 2021
<b>Assets</b>		
Current assets		
Cash and deposits	12,804	10,041
Notes and accounts receivable - trade	49,517	–
Notes and accounts receivable - trade, and contract assets	–	49,084
Electronically recorded monetary claims - operating	1,598	2,013
Investments in leases	9,773	9,268
Merchandise and finished goods	5,448	5,503
Work in process	6,205	5,349
Raw materials and supplies	1,223	1,217
Other	3,172	2,299
Allowance for doubtful accounts	(39)	(37)
Total current assets	89,702	84,741
Non-current assets		
Property, plant and equipment		
Buildings and structures	17,792	17,901
Accumulated depreciation	(12,808)	(12,909)
Buildings and structures, net	4,983	4,992
Machinery, equipment and vehicles	5,671	5,823
Accumulated depreciation	(4,981)	(5,047)
Machinery, equipment and vehicles, net	690	775
Land	12,279	12,283
Construction in progress	300	743
Other	5,112	5,184
Accumulated depreciation	(4,391)	(4,460)
Other, net	720	723
Total property, plant and equipment	18,974	19,518
Intangible assets	1,105	1,086
Investments and other assets		
Investment securities	1,911	1,768
Retirement benefit asset	–	302
Deferred tax assets	2,977	2,952
Other	743	739
Allowance for doubtful accounts	(403)	(401)
Total investments and other assets	5,228	5,361
Total non-current assets	25,308	25,966
Total assets	115,011	110,707

(Millions of yen)

	As of March 31, 2021	As of June 30, 2021
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable - trade	13,556	10,810
Electronically recorded obligations - operating	4,589	4,431
Short-term borrowings	14,510	13,957
Income taxes payable	2,140	742
Advances received	1,226	-
Contract liabilities	-	1,466
Provision for bonuses	1,442	576
Provision for product warranties	241	252
Provision for loss on construction contracts	122	42
Provision for share awards for directors (and other officers)	109	138
Other	2,809	3,511
Total current liabilities	40,749	35,930
Non-current liabilities		
Long-term borrowings	1,495	1,200
Deferred tax liabilities	11	12
Retirement benefit liability	5,319	5,571
Other	79	78
Total non-current liabilities	6,905	6,862
Total liabilities	47,654	42,792
<b>Net assets</b>		
Shareholders' equity		
Share capital	8,225	8,225
Capital surplus	7,508	7,508
Retained earnings	51,902	52,055
Treasury shares	(495)	(498)
Total shareholders' equity	67,139	67,290
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	301	306
Foreign currency translation adjustment	(201)	173
Remeasurements of defined benefit plans	(25)	(9)
Total accumulated other comprehensive income	74	470
Non-controlling interests	143	153
Total net assets	67,357	67,914
Total liabilities and net assets	115,011	110,707



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

	(Millions of yen)	
	Three months ended June 30, 2020 (From April 1, 2020 to June 30, 2020)	Three months ended June 30, 2021 (From April 1, 2021 to June 30, 2021)
Net sales	19,585	22,307
Cost of sales	15,315	16,734
Gross profit	4,270	5,573
Selling, general and administrative expenses	3,930	4,234
Operating profit	339	1,338
Non-operating income		
Interest income	5	6
Dividend income	13	15
Foreign exchange gains	–	259
Insurance claim income	96	1
Share of profit of entities accounted for using equity method	–	17
Other	8	19
Total non-operating income	124	320
Non-operating expenses		
Interest expenses	22	25
Foreign exchange losses	31	–
Share of loss of entities accounted for using equity method	25	–
Other	1	2
Total non-operating expenses	81	27
Ordinary profit	382	1,630
Extraordinary income		
Gain on sale of non-current assets	2	–
Total extraordinary income	2	–
Extraordinary losses		
Loss on abandonment of non-current assets	0	3
Loss on sales of right to use facilities	–	0
Loss on valuation of right to use facilities	0	–
Total extraordinary losses	0	4
Profit before income taxes	383	1,626
Income taxes	437	805
Profit (loss)	(54)	820
Profit attributable to non-controlling interests	4	2
Profit (loss) attributable to owners of parent	(58)	818

## Consolidated statement of comprehensive income (cumulative)

(Millions of yen)

	Three months ended June 30, 2020 (From April 1, 2020 to June 30, 2020)	Three months ended June 30, 2021 (From April 1, 2021 to June 30, 2021)
Profit (loss)	(54)	820
Other comprehensive income		
Valuation difference on available-for-sale securities	6	6
Foreign currency translation adjustment	(183)	400
Remeasurements of defined benefit plans, net of tax	27	16
Share of other comprehensive income of entities accounted for using equity method	0	(1)
Total other comprehensive income	(149)	421
Comprehensive income	(203)	1,242
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(186)	1,232
Comprehensive income attributable to non-controlling interests	(16)	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

#### **Changes in significant subsidiaries during the period**

No items to report

Effective from the first quarter of the fiscal year ending March 31, 2022, Organo (Vietnam) Co., Ltd. has been included in the scope of consolidation due to its increased significance, although the inclusion does not constitute a change in specified subsidiaries.

#### **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, 2021. 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.

#### **Changes in accounting policies**

##### *Application of Accounting Standard for Revenue Recognition, etc.*

The Company has applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020) and relevant revised ASBJ regulations effective from the beginning of the first quarter of the fiscal year ending March 31, 2022, and it has recognized revenue at the time the control of promised goods or services is transferred to the customer at the amount expected to be received upon exchange of said goods or services. With respect to construction contracts, the Company previously had applied the percentage-of-completion method to construction work whose outcome from the completed portion was deemed definite, and had applied the completed-contract method to other construction work. As a result of this application, however, the Company has changed the method to recognize revenue over a certain period of time in alignment with its satisfaction of performance obligations to transfer goods or services to customers when control over a good or service is to be transferred to the customer over a certain period of time. In measuring progress made in satisfying a performance obligation, construction costs incurred as of the last day of each reporting period are to be calculated based on the ratio of the total estimated construction costs. In addition, the Company is to recognize revenue using the cost recovery method in cases where it expects to recover costs incurred but is unable to reasonably estimate the extent of progress made toward satisfying performance obligations.

The application of the Accounting Standard for Revenue Recognition and relevant revised ASBJ regulations is subject to the transitional treatment provided for in the proviso to paragraph 84 of the Accounting Standard for Revenue Recognition. The cumulative effect of the retrospective application, assuming the new accounting policy had been applied to periods prior to the beginning of the first quarter of the current fiscal year was added to or deducted from the opening balance of retained earnings of the first quarter of the current fiscal year, and thus the new accounting policy was applied from such opening balance.

As a result, for the three months ended June 30, 2021, net sales increased by ¥906 million, cost of sales increased by ¥860 million, while operating profit increased by ¥45 million, and ordinary profit and profit before income taxes each increased by ¥46 million. In addition, the opening balance of retained earnings increased by ¥11 million.

Due to the application of the Accounting Standard for Revenue Recognition and relevant revised ASBJ regulations, "Notes and accounts receivable - trade" under current assets of the consolidated balance sheet as of March 31, 2020 has been included in "Notes and accounts receivable - trade, and contract assets" under current assets from the quarterly consolidated balance sheet as of June 30, 2021. In addition,

“Advances received” under current liabilities has been included in “Contract liabilities” from the quarterly consolidated balance sheet as of June 30, 2021. In accordance with the transitional treatment provided for in paragraph 89-2 of the Accounting Standard for Revenue Recognition, figures for the previous fiscal year have not been restated in accordance with the new approach to presentation.

*Application of Accounting Standard for Fair Value Measurement, etc.*

The Company has applied the “Accounting Standard for Fair Value Measurement” (ASBJ Statement No. 30, July 4, 2019) and relevant revised ASBJ regulations effective from the beginning of the first quarter of the fiscal year ending March 31, 2022, and in the future will accordingly apply new accounting policy stipulated by the Accounting Standard for Fair Value Measurement, etc. in accordance with the transitional treatment provided for in paragraph 19 of the Accounting Standard for Fair Value Measurement and paragraph 44-2 of the “Accounting Standard for Financial Instruments” (ASBJ Statement No. 10, July 4, 2019). This will not affect the quarterly consolidated financial statements.

**Additional information**

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 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.

II Three months ended June 30, 2021 (From April 1, 2021 to June 30, 2021)

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	17,691	4,616	22,307	–	22,307
Intersegment sales or transfers	0	87	87	(87)	–
Total	17,691	4,703	22,394	(87)	22,307
Segment profit	977	360	1,338	–	1,338

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.

2. Disclosure of changes, etc. in reportable segments

As stated under changes in accounting policies, the Company will apply the Accounting Standard for Revenue Recognition and relevant ASBJ regulations, and will accordingly change its method for calculating business segment profit or loss given that it has changed accounting methods for revenue recognition. In comparison with the previous method, this change increases net sales and segment profit in the Water Treatment Engineering Business Unit by ¥916 million and ¥42 million, respectively. Meanwhile, it decreases net sales by ¥10 million and increases segment profit by ¥2 million in the Performance Products Business Unit.