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

November 1, 2021

Company name: ORGANO CORPORATION  
 Listing: Tokyo Stock Exchange  
 Securities code: 6368  
 URL: <https://www.organo.co.jp/english/>  
 Representative: Masaki Uchikura, Representative Director and President  
 Inquiries: Shigeru Sonobe, General Manager of Accounting Dept., Corporate Management and Planning  
 TEL: +81-3-5635-5111  
 Scheduled date to file quarterly securities report: November 12, 2021  
 Scheduled date to commence dividend payments: December 6, 2021  
 Preparation of supplementary material on quarterly financial results: Yes  
 Holding of quarterly financial results presentation meeting: Yes (for institutional investors and analysts)

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

### 1. Consolidated financial results for the first six months of the fiscal year ending March 31, 2022 (from April 1, 2021 to September 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                         | %      |
| Six months ended   |                 |       |                  |        |                 |        |   |        |
| September 30, 2021 | 50,001          | 10.3  | 3,771            | 18.5   | 4,193           | 28.0   | 2,696                                   | 29.6   |
| September 30, 2020 | 45,322          | (2.9) | 3,182            | (41.5) | 3,276           | (38.4) | 2,080                                   | (42.8) |

Note: Comprehensive income: Six months ended September 30, 2021 ¥3,220 million [55.4%]  
 Six months ended September 30, 2020 ¥2,072 million [(40.8)%]

|                    | Basic earnings per share | Diluted earnings per share |
|--------------------|--------------------------|----------------------------|
| Six months ended   | Yen                      | Yen                        |
| September 30, 2021 | 234.81                   | —                          |
| September 30, 2020 | 181.54                   | —                          |

#### (2) Consolidated financial position

|                    | Total assets    | Net assets      | Equity-to-asset ratio |
|--------------------|-----------------|-----------------|-----------------------|
| As of              | Millions of yen | Millions of yen | %                     |
| September 30, 2021 | 113,017         | 70,005          | 61.8                  |
| March 31, 2021     | 115,011         | 67,357          | 58.4                  |

(Reference) Equity: As of September 30, 2021 ¥69,852 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<br>March 31, 2021                | –                          | 52.00              | –                 | 62.00           | 114.00 |
| Fiscal year ending<br>March 31, 2022               | –                          | 72.00              |                   |                 |        |
| Fiscal year ending<br>March 31, 2022<br>(Forecast) |                            |                    | –                 | 72.00           | 144.00 |

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                      |
| Fiscal year ending<br>March 31, 2022 | 110,000         | 9.3 | 10,000           | 4.4 | 10,300          | 4.0 | 8,200                                   | 15.9 | 714.00                   |

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 11 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 11 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 September 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 September 30, 2021 | 86,418 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 six months ended September 30, 2021 | 11,484,642 shares |
| For the six months ended September 30, 2020 | 11,459,908 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 six months” on page 4 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 six months

### (1) Explanation regarding operating results

During the six months ended September 30, 2021 (from April 1, 2021 to September 30, 2021), vigorous production and investment activity in Japan and overseas persisted in the electronics industry, the Organo Group's main market, mainly driven by the shortage of semiconductor supply and efforts to restructure global supply chains. In the general industrial field, the Service Solutions Division, which handles mainly maintenance and equipment modification, and the Performance Products Business Unit, which handles mainly sales of expendable items and small-scale equipment, both experienced a recovery trend compared with the same period of the previous fiscal year, despite a hold-up in production activities due to prolonged restrictions on certain customers' activities because of COVID-19 and the impact of the semiconductor shortage. In addition, the electric power/water supply and sewage fields continued a firm trend.

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. At the same time, it moved forward with initiatives to streamline operations and strengthen the delivery framework. These included establishing a subsidiary in the United States to handle local semiconductor projects, starting operations at the global engineering center (GEC) in Vietnam, and promoting a shift to digitalization of engineering operations, largely by developing various tools and databases.

As a result, in the Group's financial results for the six months ended September 30, 2021, orders received increased by 33.7% year on year to ¥58,903 million, net sales increased by 10.3% year on year to ¥50,001 million, and our carry-over balance for order backlog as of September 30, 2021 was up 6.0% to ¥70,541 million. On the profit side, operating profit increased by 18.5% to ¥3,771 million, ordinary profit increased by 28.0% to ¥4,193 million, and profit attributable to owners of parent increased by 29.6% to ¥2,696 million.

Results by segment are as follows.

[Water Treatment Engineering Business Unit]

#### ■Orders received

Orders received increased 40.2% year on year to ¥48,998 million. In the electronics field, which is the Group's main market, the Group saw persistently active production and capital investment activity in Japan and overseas. This included receipt of an order for a large wastewater recovery facility for a semiconductor plant in Japan, a high level of capital investment in cutting-edge semiconductor manufacturing in Taiwan, and continued investment in China as well, mainly in semiconductors for automotive applications and power semiconductors. In addition, in the general industry field, as well as the electric power/water supply and sewage fields, firm levels of orders were seen in the Service Solutions Division in Japan, particularly for maintenance and equipment modification.

#### ■Net sales

Net sales increased 10.9% year on year to ¥40,378 million. In the electronics field, net sales increased as a result of steady progress in work on major projects in Japan and overseas that has been ordered to date. In addition, in the general industry field, although major capital investments are on the decrease, steady activity continued mainly in the Service Solutions Division in Japan, while in the electric power/water supply and sewage fields, net sales increased year on year, mainly due to progress on construction of major projects for which orders were received up until the previous fiscal year.

#### ■Operating profit

Operating profit increased 15.3% year on year to ¥3,040 million. As stated above, net sales expanded due to progress on construction of major projects in Japan, Taiwan, and China, mainly in the electronics industry field, driving a year-on-year increase in operating profit.

[Performance Products Business Unit]

■Orders received/Net sales

Orders received increased 8.8% year on year to ¥9,905 million and net sales increased 7.9% year on year to ¥9,623 million. In the Water Treatment Chemicals Division, sales of various water treatment chemicals for the electronics industry, which continues to experience brisk activity, were favorable both in Japan and overseas. The Standard Water Treatment Equipment and Filters Division saw a recovery in sales centered on small-scale pure water production equipment for medical institutions, which had slumped due to the impact of COVID-19. Meanwhile, in the Food Products Division, sales were about level with the previous fiscal year, as signs of recovery in sales of products for restaurants were offset by waning demand from people staying at home.

■Operating profit

Operating profit increased 34.0% year on year to ¥730 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 September 30, 2021 amounted to ¥113,017 million, a decrease of ¥1,994 million from the previous fiscal year end. This was mainly due to a decline of ¥6,635 million in cash and deposits, despite an increase of ¥5,579 million in notes and accounts receivable - trade, and contract assets, which was shown as notes and accounts receivable - trade at the previous fiscal year end.

#### *Liabilities*

Liabilities as of September 30, 2021 amounted to ¥43,012 million, a decrease of ¥4,642 million from the previous fiscal year end. This was mainly due to a decline of ¥2,216 million in trade payables and a decline of ¥1,517 million in short-term borrowings.

#### *Net Assets*

Net assets as of September 30, 2021 amounted to ¥70,005 million, an increase of ¥2,647 million from the previous fiscal year end. This was mainly due to an increase of ¥2,031 million in retained earnings resulting from the recording of profit attributable to owners of parent.

### Cash flows

Cash and cash equivalents (hereinafter, "cash") as of September 30, 2021 decreased by ¥6,635 million from the previous fiscal year end to ¥6,168 million.

#### *Cash flows from operating activities*

Net cash used in operating activities for the six months ended September 30, 2021 was ¥3,435 million. This was mainly because there was an increase in cash due to profit before income taxes of ¥4,202 million while there was a decrease in cash due to an increase in trade receivables and contract assets of ¥2,939 million and an increase in investments in leases of ¥2,772 million. (Net cash of ¥6,054 million was used in the six months ended September 30, 2020.)

#### *Cash flows from investing activities*

Net cash used in investing activities for the six months ended September 30, 2021 was ¥1,056 million. This was mainly due to purchase of property, plant and equipment of ¥974 million. (Net cash of ¥647 million was used in the six months ended September 30, 2020.)

#### *Cash flows from financing activities*

Net cash used in financing activities for the six months ended September 30, 2021 was ¥2,658 million. This was mainly due to repayments of short-term borrowings of ¥1,628 million and dividends paid of ¥713 million. (Net cash of ¥1,184 million was provided in the six months ended September 30, 2020.)

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

Turning to full-year earnings forecast, orders received, net sales, and profits have all exceeded initial plans, and are expected to achieve new record highs. Orders received are expected to reach ¥120,000 million, an increase of 26.9% year on year, mainly due to investment exceeding the initial forecasts in the electronics industry, the Company's main market, in Taiwan, along with a large scale semiconductor project in the United States and brisk investment in semiconductors and other devices in Japan and China. Net sales are expected to be ¥110,000 million, an increase of 9.3% year on year, expected sales expansion in the electronics industry in Japan, Taiwan, and China, mainly driven by brisk investment primarily in semiconductors, along with forecasts for net sales surpassing the initial plan in the Performance Products Business Unit. On the profit side, operating profit is expected to be ¥10,000 million, up 4.4% year on year, and ordinary profit ¥10,300 million, up 4.0%, because selling, general and administrative expenses are expected to fall below plans, mainly reflecting the impact of expanded sales centered on the electronic industry field, as well as the impact of an extension on the period of movement restrictions due to COVID-19. In addition, with plans to sell certain non-current assets during the second half, profit attributable to owners of parent is expected to be ¥8,200 million, up 15.9% year on year.

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

### (1) Consolidated balance sheet

(Millions of yen)

|  | As of March 31, 2021 | As of September 30, 2021 |
|--|----------------------|--------------------------|
| <b>Assets</b>  |                      |                          |
| Current assets   |                      |                          |
| Cash and deposits  | 12,804               | 6,168                    |
| Notes and accounts receivable - trade                      | 49,517               | –                        |
| Notes and accounts receivable - trade, and contract assets | –                    | 55,096                   |
| Electronically recorded monetary claims - operating        | 1,598                | 1,654                    |
| Investments in leases                                      | 9,773                | 12,545                   |
| Merchandise and finished goods                             | 5,448                | 5,531                    |
| Work in process  | 6,205                | 2,437                    |
| Raw materials and supplies                                 | 1,223                | 1,270                    |
| Other  | 3,172                | 2,223                    |
| Allowance for doubtful accounts                            | (39)                 | (6)                      |
| Total current assets                                       | 89,702               | 86,922                   |
| Non-current assets   |                      |                          |
| Property, plant and equipment                              |                      |                          |
| Buildings and structures                                   | 17,792               | 17,928                   |
| Accumulated depreciation                                   | (12,808)             | (13,001)                 |
| Buildings and structures, net                              | 4,983                | 4,927                    |
| Machinery, equipment and vehicles                          | 5,671                | 5,804                    |
| Accumulated depreciation                                   | (4,981)              | (5,016)                  |
| Machinery, equipment and vehicles, net                     | 690                  | 788                      |
| Land   | 12,279               | 12,282                   |
| Construction in progress                                   | 300                  | 915                      |
| Other  | 5,112                | 5,212                    |
| Accumulated depreciation                                   | (4,391)              | (4,493)                  |
| Other, net   | 720                  | 718                      |
| Total property, plant and equipment                        | 18,974               | 19,632                   |
| Intangible assets  | 1,105                | 1,114                    |
| Investments and other assets                               |                      |                          |
| Investment securities                                      | 1,911                | 1,754                    |
| Retirement benefit asset                                   | –                    | 360                      |
| Deferred tax assets  | 2,977                | 2,903                    |
| Other  | 743                  | 791                      |
| Allowance for doubtful accounts                            | (403)                | (462)                    |
| Total investments and other assets                         | 5,228                | 5,347                    |
| Total non-current assets                                   | 25,308               | 26,095                   |
| Total assets   | 115,011              | 113,017                  |



(Millions of yen)

|   | As of March 31, 2021 | As of September 30, 2021 |
|---|----------------------|--------------------------|
| <b>Liabilities</b>  |                      |                          |
| Current liabilities   |                      |                          |
| Notes and accounts payable - trade                            | 13,556               | 11,970                   |
| Electronically recorded obligations - operating               | 4,589                | 3,959                    |
| Short-term borrowings   | 14,510               | 12,992                   |
| Income taxes payable  | 2,140                | 1,278                    |
| Advances received   | 1,226                | –                        |
| Contract liabilities  | –                    | 1,321                    |
| Provision for bonuses   | 1,442                | 1,608                    |
| Provision for product warranties                              | 241                  | 282                      |
| Provision for loss on construction contracts                  | 122                  | 53                       |
| Provision for share awards for directors (and other officers) | 109                  | 57                       |
| Other   | 2,809                | 2,594                    |
| Total current liabilities                                     | 40,749               | 36,119                   |
| Non-current liabilities                                       |                      |                          |
| Long-term borrowings  | 1,495                | 1,195                    |
| Deferred tax liabilities                                      | 11                   | 12                       |
| Retirement benefit liability                                  | 5,319                | 5,609                    |
| Other   | 79                   | 76                       |
| Total non-current liabilities                                 | 6,905                | 6,892                    |
| Total liabilities   | 47,654               | 43,012                   |
| <b>Net assets</b>   |                      |                          |
| Shareholders' equity  |                      |                          |
| Share capital   | 8,225                | 8,225                    |
| Capital surplus   | 7,508                | 7,508                    |
| Retained earnings   | 51,902               | 53,933                   |
| Treasury shares   | (495)                | (385)                    |
| Total shareholders' equity                                    | 67,139               | 69,281                   |
| Accumulated other comprehensive income                        |                      |                          |
| Valuation difference on available-for-sale securities         | 301                  | 295                      |
| Foreign currency translation adjustment                       | (201)                | 268                      |
| Remeasurements of defined benefit plans                       | (25)                 | 6                        |
| Total accumulated other comprehensive income                  | 74                   | 571                      |
| Non-controlling interests                                     | 143                  | 152                      |
| Total net assets  | 67,357               | 70,005                   |
| Total liabilities and net assets                              | 115,011              | 113,017                  |

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

(Millions of yen)

|  | Six months ended<br>September 30, 2020<br>(From April 1, 2020 to<br>September 30, 2020) | Six months ended<br>September 30, 2021<br>(From April 1, 2021 to<br>September 30, 2021) |
|--|---|---|
| Net sales  | 45,322  | 50,001  |
| Cost of sales  | 33,963  | 37,597  |
| Gross profit   | 11,359  | 12,404  |
| Selling, general and administrative expenses                     | 8,176   | 8,632   |
| Operating profit   | 3,182   | 3,771   |
| Non-operating income   |   |   |
| Interest income  | 14  | 11  |
| Dividend income  | 14  | 16  |
| Foreign exchange gains   | –   | 381   |
| Insurance claim income   | 98  | 2   |
| Share of profit of entities accounted for using<br>equity method | 18  | 60  |
| Other  | 17  | 46  |
| Total non-operating income                                       | 163   | 520   |
| Non-operating expenses   |   |   |
| Interest expenses  | 53  | 53  |
| Foreign exchange losses  | 12  | –   |
| Loss on valuation of derivatives                                 | –   | 38  |
| Other  | 3   | 5   |
| Total non-operating expenses                                     | 68  | 97  |
| Ordinary profit  | 3,276   | 4,193   |
| Extraordinary income   |   |   |
| Gain on sale of non-current assets                               | 2   | –   |
| Gain on sale of investment securities                            | 11  | 22  |
| Gain on sale of right to use facilities                          | –   | 11  |
| Total extraordinary income                                       | 14  | 34  |
| Extraordinary losses   |   |   |
| Loss on abandonment of non-current assets                        | 2   | 12  |
| Loss on sale of right to use facilities                          | –   | 13  |
| Loss on valuation of right to use facilities                     | 0   | –   |
| Total extraordinary losses                                       | 2   | 25  |
| Profit before income taxes                                       | 3,288   | 4,202   |
| Income taxes   | 1,207   | 1,501   |
| Profit   | 2,081   | 2,700   |
| Profit attributable to non-controlling interests                 | 0   | 3   |
| Profit attributable to owners of parent                          | 2,080   | 2,696   |

**Consolidated statement of comprehensive income (cumulative)**

(Millions of yen)

|   | Six months ended<br>September 30, 2020<br>(From April 1, 2020 to<br>September 30, 2020) | Six months ended<br>September 30, 2021<br>(From April 1, 2021 to<br>September 30, 2021) |
|---|---|---|
| Profit  | 2,081   | 2,700   |
| Other comprehensive income  |   |   |
| Valuation difference on available-for-sale securities                             | 21  | (5)   |
| Deferred gains or losses on hedges  | 0   | –   |
| Foreign currency translation adjustment   | (86)  | 493   |
| Remeasurements of defined benefit plans, net of tax                               | 55  | 32  |
| Share of other comprehensive income of entities accounted for using equity method | 0   | (1)   |
| Total other comprehensive income  | (9)   | 520   |
| Comprehensive income  | 2,072   | 3,220   |
| Comprehensive income attributable to  |   |   |
| Comprehensive income attributable to owners of parent                             | 2,076   | 3,210   |
| Comprehensive income attributable to non-controlling interests                    | (4)   | 9   |

### (3) Consolidated statement of cash flows

(Millions of yen)

|   | Six months ended<br>September 30, 2020<br>(From April 1, 2020 to<br>September 30, 2020) | Six months ended<br>September 30, 2021<br>(From April 1, 2021 to<br>September 30, 2021) |
|---|---|---|
| <b>Cash flows from operating activities</b>                             |   |   |
| Profit before income taxes  | 3,288   | 4,202   |
| Depreciation  | 586   | 594   |
| Increase (decrease) in provisions                                       | 166   | 188   |
| Increase (decrease) in retirement benefit liability                     | (79)  | 101   |
| Decrease (increase) in retirement benefit asset                         | –   | (128)   |
| Interest and dividend income  | (29)  | (28)  |
| Insurance claim income  | (98)  | (2)   |
| Interest expenses   | 53  | 53  |
| Foreign exchange losses (gains)   | 25  | (37)  |
| Share of loss (profit) of entities accounted for<br>using equity method | (18)  | (60)  |
| Loss (gain) on valuation of derivatives                                 | (2)   | 38  |
| Loss (gain) on sale of non-current assets                               | (2)   | –   |
| Loss on abandonment of non-current assets                               | 2   | 12  |
| Loss (gain) on sale of investment securities                            | (11)  | (22)  |
| Loss (gain) on sale of right to use facilities                          | –   | 1   |
| Loss on valuation of right to use facilities                            | 0   | –   |
| Decrease (increase) in trade receivables                                | (4,282)   | –   |
| Decrease (increase) in trade receivables and<br>contract assets         | –   | (2,939)   |
| Decrease (increase) in investments in leases                            | 981   | (2,772)   |
| Decrease (increase) in inventories                                      | (2,839)   | 1,902   |
| Increase (decrease) in trade payables                                   | 776   | (2,679)   |
| Other, net  | (2,639)   | 447   |
| Subtotal  | (4,122)   | (1,127)   |
| Interest and dividends received   | 39  | 40  |
| Interest paid   | (49)  | (63)  |
| Proceeds from insurance income  | 98  | 2   |
| Income taxes refund (paid)  | (2,019)   | (2,286)   |
| Other, net  | (0)   | (0)   |
| Net cash provided by (used in) operating activities                     | (6,054)   | (3,435)   |
| <b>Cash flows from investing activities</b>                             |   |   |
| Purchase of property, plant and equipment                               | (510)   | (974)   |
| Proceeds from sale of property, plant and<br>equipment                  | 2   | –   |
| Purchase of intangible assets   | (147)   | (166)   |
| Purchase of investment securities                                       | (7)   | (7)   |
| Proceeds from sale of investment securities                             | 15  | 63  |
| Proceeds from collection of loans receivable                            | 0   | –   |
| Proceeds from sale of right to use facilities                           | –   | 32  |
| Other, net  | (0)   | (4)   |
| Net cash provided by (used in) investing activities                     | (647)   | (1,056)   |

(Millions of yen)

|   | Six months ended<br>September 30, 2020<br>(From April 1, 2020 to<br>September 30, 2020) | Six months ended<br>September 30, 2021<br>(From April 1, 2021 to<br>September 30, 2021) |
|---|---|---|
| Cash flows from financing activities  |   |   |
| Net increase (decrease) in short-term borrowings  | 2,354   | (1,628)   |
| Repayments of long-term borrowings  | (500)   | (300)   |
| Dividends paid  | (655)   | (713)   |
| Other, net  | (13)  | (16)  |
| Net cash provided by (used in) financing activities   | 1,184   | (2,658)   |
| Effect of exchange rate change on cash and cash equivalents                                     | (63)  | 199   |
| Net increase (decrease) in cash and cash equivalents  | (5,580)   | (6,950)   |
| Cash and cash equivalents at beginning of period  | 13,772  | 12,804  |
| Increase in cash and cash equivalents resulting from inclusion of subsidiaries in consolidation | –   | 314   |
| Cash and cash equivalents at end of period  | 8,192   | 6,168   |

#### **(4) 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 second quarter ended September 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 six months ended September 30, 2021, net sales increased by ¥1,358 million, cost of sales increased by ¥1,218 million, while operating profit increased by ¥139 million, and ordinary profit and profit before income taxes each increased by ¥138 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. “Decrease (increase) in trade receivables” under “Cash flows from operating activities” of the consolidated statement of cash flows for the six months ended September 30, 2020 has been included in “Decrease (increase) in trade receivables and contract assets” from the six-months ended September 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 Six months ended September 30, 2020 (From April 1, 2020 to September 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     | 36,402                                    | 8,920                              | 45,322 | –          | 45,322   |
| Intersegment sales or transfers | 0   | 159                                | 159    | (159)      | –  |
| Total                           | 36,402                                    | 9,079                              | 45,481 | (159)      | 45,322   |
| Segment profit                  | 2,636                                     | 545                                | 3,182  | –          | 3,182  |

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 Six months ended September 30, 2021 (From April 1, 2021 to September 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     | 40,378                                    | 9,623                              | 50,001 | –          | 50,001   |
| Intersegment sales or transfers | 0   | 166                                | 166    | (166)      | –  |
| Total                           | 40,378                                    | 9,789                              | 50,168 | (166)      | 50,001   |
| Segment profit                  | 3,040                                     | 730                                | 3,771  | –          | 3,771  |

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 has applied the Accounting Standard for Revenue Recognition and relevant revised ASBJ regulations from the beginning of the first quarter, and accordingly changed 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 ¥1,416 million and ¥139 million, respectively. Meanwhile, it decreases net sales by ¥57 million in the Performance Products Business Unit.