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Consolidated Financial Results for the Fiscal Year Ended March 31, 2022 <under Japanese GAAP>

May 12, 2022

Company name: ORGANO CORPORATION
 Listing: Tokyo Stock Exchange
 Securities code: 6368
 URL: <https://www.organo.co.jp/english/>
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 Scheduled date of ordinary general meeting of shareholders: June 29, 2022
 Scheduled date to commence dividend payments: June 30, 2022
 Scheduled date to file annual securities report: June 29, 2022
 Preparation of supplementary material on financial results: Yes
 Holding of 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 fiscal year ended March 31, 2022 (from April 1, 2021 to March 31, 2022)

(1) Consolidated operating results (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	%
Fiscal year ended								
March 31, 2022	112,069	11.4	10,850	13.3	11,545	16.6	9,210	30.2
March 31, 2021	100,638	4.3	9,579	(3.3)	9,900	(0.3)	7,074	(1.2)

Note: Comprehensive income: Fiscal year ended March 31, 2022 ¥10,405 million [34.9%]
 Fiscal year ended March 31, 2021 ¥7,711 million [9.7%]

	Basic earnings per share	Diluted earnings per share	Return on equity	Ratio of ordinary profit to total assets	Operating profit ratio
Fiscal year ended	Yen	Yen	%	%	%
March 31, 2022	802.69	—	12.9	9.4	9.7
March 31, 2021	616.72	—	11.1	9.1	9.5

(Reference) Share of profit (loss) of entities accounted for using equity method

Fiscal year ended March 31, 2022 ¥160 million
 Fiscal year ended March 31, 2021 ¥153 million

(2) Consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio	Net assets per share
As of	Millions of yen	Millions of yen	%	Yen
March 31, 2022	130,506	76,004	58.1	6,620.54
March 31, 2021	115,011	67,357	58.4	5,856.25

(Reference) Equity: As of March 31, 2022 ¥75,836 million
 As of March 31, 2021 ¥67,214 million

(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
Fiscal year ended	Millions of yen	Millions of yen	Millions of yen	Millions of yen
March 31, 2022	10,787	(1,520)	(2,586)	20,198
March 31, 2021	(4,582)	(1,261)	4,927	12,804

2. Cash dividends

	Annual dividends per share					Total cash dividends (annual)	Payout ratio (consolidated)	Ratio of dividends to net assets (consolidated)
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Fiscal year ended March 31, 2021	–	52.00	–	62.00	114.00	1,311	18.5	2.0
Fiscal year ended March 31, 2022	–	72.00	–	88.00	160.00	1,840	19.9	2.6
Fiscal year ending March 31, 2023 (Forecast)	–	80.00	–	20.00	–		22.4	

Note: As the Company will conduct a 4-for-1 common share split effective as of October 1, 2022, the year-end dividend per share for the fiscal year ending March 31, 2023 (forecast) stated taking into account the effect of such share split, and the total annual dividend is stated as “-.” The year-end dividends per share for the fiscal year ending March 31, 2023 (forecast) that does not take the share split into account is ¥80, and the annual total of dividends per share is ¥160.

3. Consolidated earnings forecasts for the fiscal year ending March 31, 2023 (from April 1, 2022 to March 31, 2023)

(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, 2022 (cumulative)	60,000	20.0	4,000	6.1	4,000	(4.6)	2,800	3.8	244.44
Fiscal year ending March 31, 2023	125,000	11.5	11,700	7.8	11,700	1.3	8,200	(11.0)	178.97

Note: Basic earnings per share in the consolidated earnings forecasts for the fiscal year ending March 31, 2023 take into account the effect of the share split. The forecast for basic earnings per share that does not take the share split into account is ¥715.87.

*** Notes**

- (1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in the change in scope of consolidation): None
- (2) 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

For more details, please refer to “Changes in accounting policies” on page 17 of the attached material.

- (3) Number of issued shares (common shares)

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

As of March 31, 2022	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 March 31, 2022	135,255 shares
As of March 31, 2021	112,618 shares

- c. Average number of shares outstanding during the period

For the fiscal year ended March 31, 2022	11,474,579 shares
For the fiscal year ended March 31, 2021	11,470,941 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.

[Reference] Overview of non-consolidated financial results

**1. Non-consolidated financial results for the fiscal year ended March 31, 2022
(from April 1, 2021 to March 31, 2022)**

- (1) Non-consolidated operating results (Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Fiscal year ended								
March 31, 2022	70,063	(3.6)	6,772	7.3	8,667	11.5	7,480	27.2
March 31, 2021	72,661	2.5	6,311	(7.3)	7,770	(4.7)	5,879	(4.6)

Fiscal year ended	Basic earnings per share	Diluted earnings per share
	Yen	Yen
March 31, 2022	651.91	–
March 31, 2021	512.56	–

(2) Non-consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio	Net assets per share
As of	Millions of yen	Millions of yen	%	Yen
March 31, 2022	102,721	62,361	60.7	5,444.21
March 31, 2021	97,582	56,547	57.9	4,926.90

(Reference) Equity: As of March 31, 2022 ¥62,361 million
As of March 31, 2021 ¥56,547 million

* Financial results reports are exempt from audit 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 “(4) Future outlook” in “1. Overview of operating results, etc.” on page 6 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. Overview of operating results, etc.

(1) Overview of operating results for the fiscal year under review

During the fiscal year ended March 31, 2022 (from April 1, 2021 to March 31, 2022), the global economy was subject to mounting concerns of an economic slowdown despite a recovery trend overall even amid effects of COVID-19, in part given that Russia's military invasion of Ukraine during the latter half of the fiscal year culminated in progressing inflation particularly when it comes to energy and food prices, as well as adverse consequences of economic sanctions imposed on Russia.

The electronics industry, the Organo Group's main market, remained active amid factors that included successive instances of substantial semiconductor-related capital investment across different nations, being undertaken amid moves to rebuild global supply chains in response to the shortage of semiconductor supply, geopolitical risk, and other such developments. On the other hand, there were signs of turmoil in supply chains including logistics largely due to restrictions on economic activities brought about by a shortage of raw materials supply and the spread of COVID-19. Meanwhile, some customers, including those in the general industry field, encountered adverse effects particularly in terms of schedules for equipment construction and delivery, and manufacturing activity. However, the overall recovery trend has persisted. In addition, the electric power/water supply and sewage fields remained strong centered on renewed facilities demand in Japan and solutions projects.

Under these conditions, the Organo Group has been actively working to achieve more expansive business development, which has involved focusing its efforts on drawing in orders and deliveries involving major semiconductor-related projects in Japan, Taiwan, and China, while also gaining a new, major semiconductor order in the United States. We have also been making progress toward strengthening our delivery system which has involved establishing a subsidiary in the United States and setting up a global engineering center (GEC) in Vietnam, with the aim of addressing a growing number of orders. We have also been engaging in initiatives that include expanding our R&D Center to enhance our next-generation ultrapure water systems as well as new separation and purification technologies, and seeking to digitalize and streamline various operations such as those involving engineering.

As a result, for fiscal year ended March 31, 2022, orders received increased by 43.5% year on year to ¥135,698 million, net sales increased by 11.4% year on year to ¥112,069 million, operating profit increased by 13.3% to ¥10,850 million, ordinary profit increased by 16.6% to ¥11,545 million, profit attributable to owners of parent increased by 30.2% to ¥9,210 million, and our carry-over balance for order backlog as of March 31, 2022 was up 39.7% to ¥86,417 million. Orders received, net sales and the respective profit figures surpassed levels of the initial plan and earnings forecasts across the board and achieved record highs. Ordinary profit was affected by the Company having posted foreign exchange gains due to rapid depreciation of the yen heading toward fiscal year-end, and profit attributable to owners of parent was affected by the Company having posted extraordinary income from sale of real estate. In addition, we have secured a high balance with respect to carry-over backorder, which will form the basis for sales from next fiscal year onward, through orders received involving successive major projects in Japan and overseas.

(Millions of yen)

Category	76th term Fiscal year ended March 31, 2021	77th term (Fiscal year under review)		Year-on-year	Actual-to- forecast
		Fiscal year ended March 31, 2022			
		Initial plan	Actual result		
Orders received	94,563	100,000	135,698	43.5%	35.7%
Carry-over backorder	61,871	58,871	86,417	39.7%	46.8%
Net sales	100,638	103,000	112,069	11.4%	8.8%
Operating profit	9,579	8,250	10,850	13.3%	31.5%
Operating profit ratio (%)	9.5	8.0	9.7	—	—
Ordinary profit	9,900	8,150	11,545	16.6%	41.7%
Profit attributable to owners of parent	7,074	6,500	9,210	30.2%	41.7%
Return on equity (ROE) (%)	11.1	9.3	12.9	—	—

Results by segment are as follows.

[Water Treatment Engineering Business Unit]

Net sales ratio 82.7%	Orders received	¥116,116 million (Up 52.3% year-on-year)
	Net sales	¥92,723 million (Up 12.5% year-on-year)
	Operating profit	¥9,087 million (Up 7.3% year-on-year)

Major Business		Customers and Markets		
●Major Business and Products		Electronics industry	Electric power/ water supply and sewage	General industry
Plant Division	Service Solutions Division	Semiconductors	Power plants	Pharmaceuticals, cosmetics
Pure and ultrapure water production facilities	Replacement of expendable items	Flat panel display	Water purification plants	Food and beverage
Industrial process water treatment facilities	Maintenance	Electronic parts	Sewage treatment plants	Machinery and chemicals
Wastewater treatment and recovery facilities	Operational support services			
Valuable material recovery facilities	Renovation and reconditioning			
Production processing-related facilities	Contract water treatment			
	Comprehensive maintenance contracts			

■Orders received

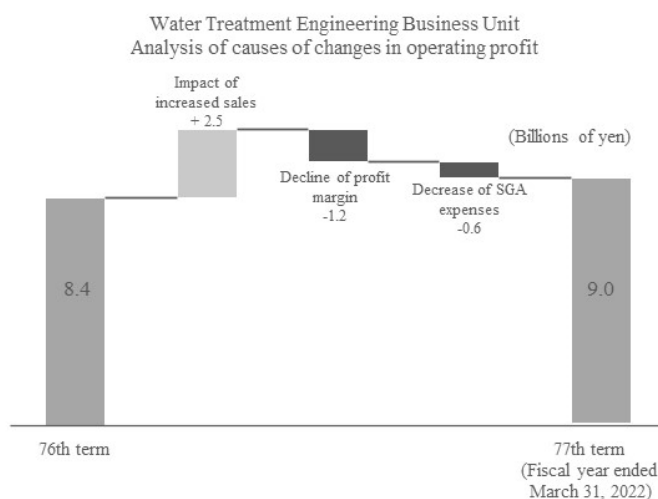
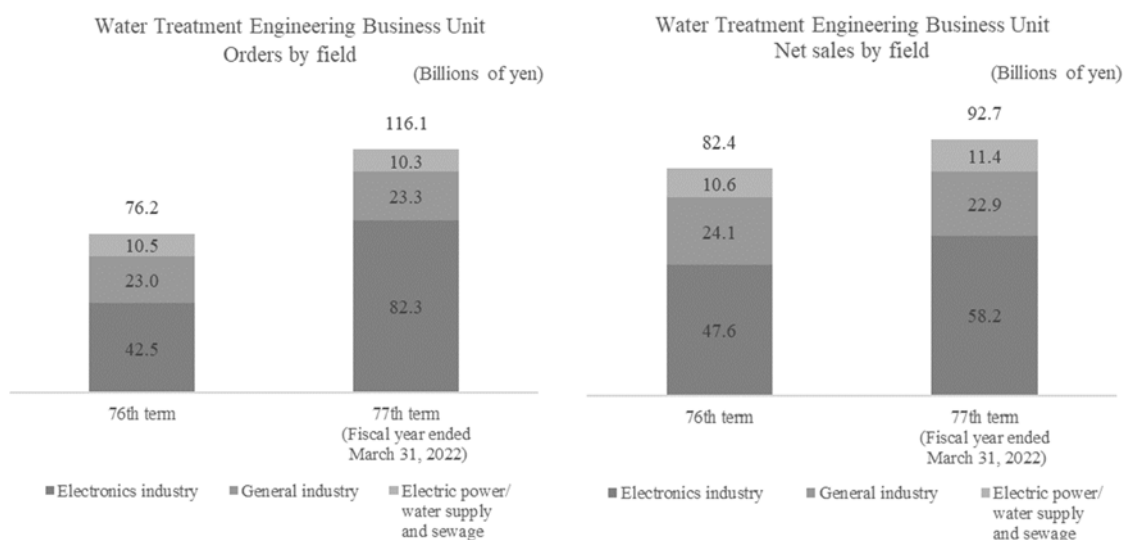
Orders received increased 52.3% year on year to ¥116,116 million. In the electronics field, which is the Group's main market, circumstances remained upbeat worldwide. This was a result of factors that include our having gained orders for water treatment facilities for major semiconductor plants from our major customers in Japan and Taiwan, our having expanded into more regions by drawing in orders from new customers against a backdrop of active capital investment in China for automotive semiconductors, power semiconductors, memory and other products, and our having successfully landed orders for major semiconductor projects in the United States. In addition, in the general industry field and the electric power/water supply and sewage fields, firm levels of orders continued in the Japanese market for equipment modification and renewal and various maintenance services.

■Net sales

Net sales increased 12.5% year on year to ¥92,723 million. The increase in net sales centered on the electronics field amid steady progress in work achieved overall, despite having encountered situations involving procedural overhaul of some projects due to supply chain turmoil particularly in the form of a shortage of raw materials supply and logistical delays. In the general industry field, the Service Solutions Division performed well particularly in Japan, despite a downturn in sales of major plants due to factors that include the COVID-19 pandemic having caused a decrease in large-scale investment and concentration of resources in the electronics field. In the electric power/water supply and sewage fields, net sales increased year on year, mainly due to the Company having posted sales for major water supply and sewage-related projects for which orders were received up until the previous fiscal year.

■Operating profit

Operating profit increased 7.3% year on year to ¥9,087 million. The year-on-year increase in operating profit is a result of the Company having secured higher earnings amid an upturn in sales in the electronics field and the electric power/water supply and sewage fields, as well as profitability improvements achieved in the general industry field, despite an increase in the plant projects to net sales ratio including large semiconductor-related projects, and a slight decrease in the operating profit ratio largely brought about by higher selling, general and administrative expenses centered on personnel expenses and other such costs.



[Performance Products Business Unit]

Net sales ratio 17.3%	Orders received	¥19,581 million (Up 6.8% year-on-year)
	Net sales	¥19,346 million (Up 6.2% year-on-year)
	Operating profit	¥1,763 million (Up 58.4% year-on-year)

Major Business

●Major Business and Products

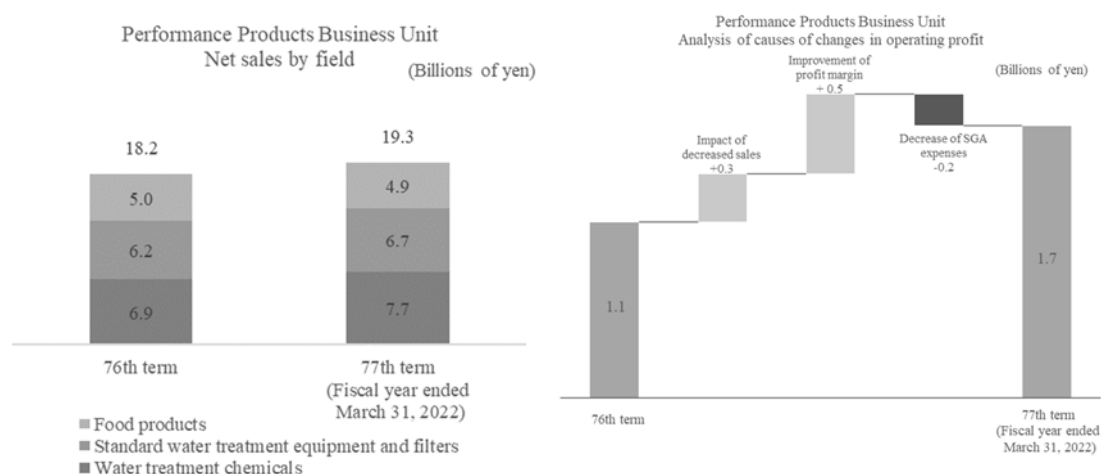
Water Treatment Chemicals Division	Standard Water Treatment Equipment and Filters Division	Food Products Division
RO membrane protection chemicals, Wastewater treatment chemicals, Cooling water treatment chemicals, Cleaning chemicals, Boilers water treatment chemicals ●Customers and Markets Various manufacturing industries Buildings and commercial facilities	Pure and ultrapure water production systems Water purification filters ●Customers and Markets Medical institutions, research institutions Various manufacturing industries Food and beverage, convenience stores	Food ingredients Food processing agents ●Customers and Markets Food factories, food processing industry Beverage manufacturing Nursing care food, health food manufacturing

■Orders received/Net sales

Orders received increased 6.8% year on year to ¥19,581 million and net sales increased 6.2% year on year to ¥19,346 million. In the Water Treatment Chemicals Division, sales for the electronics industry were favorable. The Standard Water Treatment Equipment and Filters Division saw a recovery in sales centered on small-scale pure water production equipment for medical institutions and research institutions, which had slumped last year. We are also seeing an increase in sales including a solid start to sales of the small-scale ultrapure water production equipment “Puric μ (mu).” Meanwhile, in the Food Products Division, sales were about level with the previous fiscal year as recovery in sales of products for the restaurant market were offset by lower sales to the household food products market.

■Operating profit

Operating profit increased 58.4% year on year to ¥1,763 million. Operating profit increased year on year amid factors that include higher net sales in the Water Treatment Chemicals Division and the Standard Water Treatment Equipment and Filters Division, higher sales involving relatively high-margin product categories, and better profit margins due to cost improvement efforts and other such initiatives.



(2) Overview of financial position for the fiscal year under review

Current assets

Current assets as of March 31, 2022 amounted to ¥102,862 million, an increase of ¥13,159 million from the previous fiscal year end. This was mainly due to an increase of ¥7,394 million in cash and deposits and an increase of ¥3,673 million in trade receivables and contract assets.

Non-current assets

Non-current assets as of March 31, 2022 amounted to ¥27,644 million, an increase of ¥2,335 million from the previous fiscal year end. This was mainly due to an increase of ¥1,183 million in buildings and structures, net, and an increase of ¥814 million in construction in progress.

Current liabilities

Current liabilities as of March 31, 2022 amounted to ¥43,072 million, an increase of ¥2,322 million from the previous fiscal year end. This was mainly due to an increase of ¥6,224 million in trade payables, despite a decline of ¥4,577 million in short-term borrowings.

Non-current liabilities

Non-current liabilities as of March 31, 2022 amounted to ¥11,429 million, an increase of ¥4,524 million from the previous fiscal year end. This was mainly due to an increase of ¥4,200 million in long-term borrowings.

Net Assets

Net assets as of March 31, 2022 amounted to ¥76,004 million, an increase of ¥8,647 million from the previous fiscal year end. This was mainly due to an increase of ¥7,716 million in retained earnings resulting from the recording of profit attributable to owners of parent.

(3) Overview of cash flows for the fiscal year under review

Cash and cash equivalents (hereinafter, “cash”) as of March 31, 2022 increased by ¥7,394 million from the previous fiscal year end to ¥20,198 million.

Cash flows from operating activities

Net cash provided by operating activities was ¥10,787 million. This was mainly because there was a decrease in cash due to income taxes refund (paid) of ¥3,664 million while there was an increase in cash due to profit before income taxes of ¥12,696 million. (Net cash of ¥4,582 million was used in the fiscal year ended March 31, 2021.)

Cash flows from investing activities

Net cash used in investing activities was ¥1,520 million. This was mainly because there was an increase in cash due to proceeds from sale of property, plant and equipment of ¥1,200 million while there was a decrease in cash due to purchase of property, plant and equipment of ¥2,492 million. (Net cash of ¥1,261 million was used in the fiscal year ended March 31, 2021.)

Cash flows from financing activities

Net cash used in financing activities was ¥2,586 million. This was mainly because there was an increase in cash due to proceeds from long-term borrowings of ¥6,000 million while there was a decrease in cash due to repayments of short-term borrowings of ¥5,979 million and dividends paid of ¥1,541 million. (Net cash of ¥4,927 million was provided in the fiscal year ended March 31, 2021.)

(4) Future outlook

In terms of the future outlook, we anticipate persistently high levels of capital investment particularly with respect to semiconductors in the electronics field, which is the Company’s main market, despite ongoing uncertainty particularly in terms of concerns concerning ramifications of Russia’s military invasion of Ukraine, amid hopes of economic recovery from the COVID-19 pandemic worldwide. Meanwhile, we hold to our concerns going forward with respect to progressing inflation particularly when it comes to energy and raw material prices, as well as supply chain issues in the form of raw material supply shortages and logistics turmoil. We find that this scenario serves as a risk factor that also affects the Organo Group’s business environment, albeit specific major issues in this regard have not emerged as of yet.

Regarding our financial results outlook for the fiscal year ending March 31, 2023, we are planning for orders received of ¥125,000 million (down 7.9% year on year), net sales of ¥125,000 million (up 11.5%), operating profit of ¥11,700 million (up 7.8%), ordinary profit of ¥11,700 million (up 1.3%), and profit attributable to owners of parent of ¥8,200 million (down 11.0%).

Orders received and net sales are forecast to remain at high levels, for one given that we anticipate multiple instances of large-scale semiconductor-related capital investment in Japan and overseas in the electronics field, and also given our high level of carry-over backorder and steady progress being achieved particularly in terms of work schedules. In terms of operating profit, we anticipate an increase in profits prompted by expansion of sales, despite the likelihood of higher selling, general and

administrative expenses particularly caused by increases in personnel expenses, R&D investment, and digital investment. We have lowered our target for profit attributable to owners of parent due to effects of having posted gain on sale of non-current assets under extraordinary income in the fiscal year ended March 31, 2022.

(Millions of yen, %)

Category	Fiscal year ended March 31, 2022	Fiscal year ending March 31, 2023 Initial plan	Change
Orders received	135,698	125,000	(7.9)%
Carry-over backorder	86,417	86,417	Unchanged
Net sales	112,069	125,000	11.5%
Operating profit	10,850	11,700	7.8%
Operating profit ratio (%)	9.7	9.4	–
Ordinary profit	11,545	11,700	1.3%
Profit attributable to owners of parent	9,210	8,200	(11.0)%
Return on equity (ROE) (%)	12.9	10.6	–

2. Basic policy regarding selection of accounting standards

The Organo Group will prepare its consolidated financial statements in accordance with Japanese GAAP for the time being.

Meanwhile, we will remain attentive to developments in Japan and overseas with respect to the International Financial Reporting Standards (IFRS).

3. Consolidated financial statements and significant notes thereto

(1) Consolidated balance sheet

(Millions of yen)

	As of March 31, 2021	As of March 31, 2022
Assets		
Current assets		
Cash and deposits	12,804	20,198
Notes and accounts receivable - trade	49,517	-
Notes receivable - trade	-	1,703
Electronically recorded monetary claims - operating	1,598	1,862
Accounts receivable - trade	-	25,639
Contract assets	-	25,584
Investments in leases	9,773	11,293
Merchandise and finished goods	5,448	5,264
Work in process	6,205	6,735
Raw materials and supplies	1,223	1,456
Other	3,172	3,133
Allowance for doubtful accounts	(39)	(6)
Total current assets	89,702	102,862
Non-current assets		
Property, plant and equipment		
Buildings and structures	17,792	18,873
Accumulated depreciation	(12,808)	(12,707)
Buildings and structures, net	4,983	6,166
Machinery, equipment and vehicles	5,671	5,826
Accumulated depreciation	(4,981)	(5,117)
Machinery, equipment and vehicles, net	690	709
Land	12,279	12,257
Construction in progress	300	1,115
Other	5,112	5,346
Accumulated depreciation	(4,391)	(4,601)
Other, net	720	745
Total property, plant and equipment	18,974	20,995
Intangible assets	1,105	1,082
Investments and other assets		
Investment securities	1,911	2,058
Retirement benefit asset	-	624
Deferred tax assets	2,977	2,369
Other	743	979
Allowance for doubtful accounts	(403)	(464)
Total investments and other assets	5,228	5,566
Total non-current assets	25,308	27,644
Total assets	115,011	130,506

(Millions of yen)

	As of March 31, 2021	As of March 31, 2022
Liabilities		
Current liabilities		
Notes and accounts payable - trade	13,556	18,795
Electronically recorded obligations - operating	4,589	5,575
Short-term borrowings	14,510	9,933
Income taxes payable	2,140	1,444
Advances received	1,226	–
Contract liabilities	–	1,820
Provision for bonuses	1,442	1,477
Provision for product warranties	241	296
Provision for loss on construction contracts	122	46
Provision for share awards for directors (and other officers)	109	123
Other	2,809	3,559
Total current liabilities	40,749	43,072
Non-current liabilities		
Long-term borrowings	1,495	5,695
Deferred tax liabilities	11	53
Retirement benefit liability	5,319	5,512
Other	79	168
Total non-current liabilities	6,905	11,429
Total liabilities	47,654	54,501
Net assets		
Shareholders' equity		
Share capital	8,225	8,225
Capital surplus	7,508	7,508
Retained earnings	51,902	59,619
Treasury shares	(495)	(734)
Total shareholders' equity	67,139	74,617
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	301	434
Deferred gains or losses on hedges	–	(0)
Foreign currency translation adjustment	(201)	575
Remeasurements of defined benefit plans	(25)	208
Total accumulated other comprehensive income	74	1,218
Non-controlling interests	143	168
Total net assets	67,357	76,004
Total liabilities and net assets	115,011	130,506

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

(Millions of yen)

	Fiscal year ended March 31, 2021 (From April 1, 2020 to March 31, 2021)	Fiscal year ended March 31, 2022 (From April 1, 2021 to March 31, 2022)
Net sales	100,638	112,069
Cost of sales	74,311	83,556
Gross profit	26,326	28,512
Selling, general and administrative expenses	16,746	17,662
Operating profit	9,579	10,850
Non-operating income		
Interest income	27	26
Dividend income	27	33
Foreign exchange gains	39	573
Share of profit of entities accounted for using equity method	153	160
Other	207	129
Total non-operating income	454	924
Non-operating expenses		
Interest expenses	117	127
Loss on valuation of derivatives	–	92
Other	16	9
Total non-operating expenses	133	229
Ordinary profit	9,900	11,545
Extraordinary income		
Gain on sale of non-current assets	7	1,150
Gain on sale of investment securities	14	23
Gain on sale of right to use facilities	–	11
Total extraordinary income	22	1,185
Extraordinary losses		
Loss on sale of non-current assets	0	–
Loss on abandonment of non-current assets	161	21
Loss on valuation of investment securities	59	–
Loss on sale of right to use facilities	4	13
Loss on valuation of right to use facilities	0	–
Total extraordinary losses	227	35
Profit before income taxes	9,695	12,696
Income taxes - current	2,839	2,984
Income taxes - deferred	(230)	485
Total income taxes	2,608	3,470
Profit	7,086	9,226
Profit attributable to non-controlling interests	12	15
Profit attributable to owners of parent	7,074	9,210

Consolidated statement of comprehensive income

(Millions of yen)

	Fiscal year ended March 31, 2021 (From April 1, 2020 to March 31, 2021)	Fiscal year ended March 31, 2022 (From April 1, 2021 to March 31, 2022)
Profit	7,086	9,226
Other comprehensive income		
Valuation difference on available-for-sale securities	155	135
Deferred gains or losses on hedges	-	(0)
Foreign currency translation adjustment	(34)	809
Remeasurements of defined benefit plans, net of tax	500	235
Share of other comprehensive income of entities accounted for using equity method	3	(2)
Total other comprehensive income	624	1,178
Comprehensive income	7,711	10,405
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	7,709	10,371
Comprehensive income attributable to non-controlling interests	2	33

(3) Consolidated statement of changes in equity**Fiscal year ended March 31, 2021 (From April 1, 2020 to March 31, 2021)**

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	8,225	7,508	46,081	(537)	61,277
Changes during period					
Dividends of surplus			(1,254)		(1,254)
Profit attributable to owners of parent			7,074		7,074
Increase in retained earnings due to increase in consolidated subsidiaries					
Purchase of treasury shares				(65)	(65)
Disposal of treasury shares		0		107	107
Net changes in items other than shareholders' equity					
Total changes during period	–	0	5,820	41	5,861
Balance at end of period	8,225	7,508	51,902	(495)	67,139

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	143	(178)	(525)	(560)	140	60,857
Changes during period						
Dividends of surplus						(1,254)
Profit attributable to owners of parent						7,074
Increase in retained earnings due to increase in consolidated subsidiaries						–
Purchase of treasury shares						(65)
Disposal of treasury shares						107
Net changes in items other than shareholders' equity	158	(23)	499	635	2	637
Total changes during period	158	(23)	499	635	2	6,499
Balance at end of period	301	(201)	(25)	74	143	67,357

Fiscal year ended March 31, 2022 (From April 1, 2021 to March 31, 2022)

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	8,225	7,508	51,902	(495)	67,139
Cumulative effects of changes in accounting policies			11		11
Restated balance	8,225	7,508	51,913	(495)	67,151
Changes during period					
Dividends of surplus			(1,541)		(1,541)
Profit attributable to owners of parent			9,210		9,210
Increase in retained earnings due to increase in consolidated subsidiaries			36		36
Purchase of treasury shares				(354)	(354)
Disposal of treasury shares				115	115
Net changes in items other than shareholders' equity					
Total changes during period			7,705	(238)	7,466
Balance at end of period	8,225	7,508	59,619	(734)	74,617

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	301	–	(201)	(25)	74	143	67,357
Cumulative effects of changes in accounting policies							11
Restated balance	301	–	(201)	(25)	74	143	67,369
Changes during period							
Dividends of surplus							(1,541)
Profit attributable to owners of parent							9,210
Increase in retained earnings due to increase in consolidated subsidiaries							36
Purchase of treasury shares							(354)
Disposal of treasury shares							115
Net changes in items other than shareholders' equity	132	(0)	777	234	1,144	25	1,169
Total changes during period	132	(0)	777	234	1,144	25	8,635
Balance at end of period	434	(0)	575	208	1,218	168	76,004

(4) Consolidated statement of cash flows

(Millions of yen)

	Fiscal year ended March 31, 2021 (From April 1, 2020 to March 31, 2021)	Fiscal year ended March 31, 2022 (From April 1, 2021 to March 31, 2022)
Cash flows from operating activities		
Profit before income taxes	9,695	12,696
Depreciation	1,212	1,332
Increase (decrease) in provisions	105	127
Increase (decrease) in retirement benefit liability	(104)	150
Decrease (increase) in retirement benefit asset	–	(250)
Interest and dividend income	(54)	(60)
Interest expenses	117	127
Foreign exchange losses (gains)	19	(178)
Share of loss (profit) of entities accounted for using equity method	(153)	(160)
Loss (gain) on valuation of derivatives	(2)	92
Loss (gain) on sale of non-current assets	(6)	(1,150)
Loss on abandonment of non-current assets	161	21
Loss (gain) on sale of investment securities	(14)	(23)
Loss (gain) on valuation of investment securities	59	–
Loss (gain) on sale of right to use facilities	4	1
Loss on valuation of right to use facilities	0	–
Decrease (increase) in trade receivables	(12,728)	–
Decrease (increase) in trade receivables and contract assets	–	(320)
Decrease (increase) in investments in leases	1,979	(1,518)
Decrease (increase) in inventories	(3,047)	(2,244)
Increase (decrease) in trade payables	3,752	5,451
Other, net	(3,004)	403
Subtotal	(2,008)	14,497
Interest and dividends received	66	73
Interest paid	(110)	(129)
Proceeds from insurance income	132	11
Compensation paid for damage	(6)	(0)
Income taxes refund (paid)	(2,654)	(3,664)
Net cash provided by (used in) operating activities	(4,582)	10,787
Cash flows from investing activities		
Purchase of property, plant and equipment	(965)	(2,492)
Proceeds from sale of property, plant and equipment	74	1,200
Purchase of intangible assets	(289)	(306)
Purchase of investment securities	(58)	(8)
Proceeds from sale of investment securities	25	65
Loan advances	(250)	–
Proceeds from collection of loans receivable	250	–
Proceeds from sale of right to use facilities	0	32
Other, net	(47)	(10)
Net cash provided by (used in) investing activities	(1,261)	(1,520)

(Millions of yen)

	Fiscal year ended March 31, 2021 (From April 1, 2020 to March 31, 2021)	Fiscal year ended March 31, 2022 (From April 1, 2021 to March 31, 2022)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	7,075	(5,979)
Proceeds from long-term borrowings	–	6,000
Repayments of long-term borrowings	(800)	(600)
Purchase of treasury shares	(65)	(354)
Dividends paid	(1,254)	(1,541)
Dividends paid to non-controlling interests	–	(7)
Other, net	(27)	(101)
Net cash provided by (used in) financing activities	4,927	(2,586)
Effect of exchange rate change on cash and cash equivalents	(52)	398
Net increase (decrease) in cash and cash equivalents	(968)	7,079
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	12,804	20,198

(5) Notes to consolidated financial statements

Notes on premise of going concern

No items to report

Changes in significant subsidiaries during the period

No items to report

Effective from the first quarter of the fiscal year ended 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. Furthermore, in the third quarter of the fiscal year ended March 31, 2022, the newly established Organo USA, Inc. has been included in the scope of consolidation.

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 fiscal year ended 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 current fiscal year, was added to or deducted from the opening balance of retained earnings of the current fiscal year, and thus the new accounting policy was applied from such opening balance.

As a result, for the fiscal year ended March 31, 2022, net sales increased by ¥1,320 million, cost of sales increased by ¥1,220 million, while operating profit increased by ¥99 million, and ordinary profit and profit before income taxes each increased by ¥92 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, 2021 has been included in “Notes receivable - trade,” “Accounts receivable - trade,” and “Contract assets” from the fiscal year ended March 31, 2022. In addition, “Advances received” under current liabilities has been included in “Contract liabilities” from the fiscal year ended March 31, 2022. “Decrease (increase) in trade receivables” under “Cash flows from operating activities” of the consolidated statement of cash flows for the previous fiscal year has been included in “Decrease (increase) in trade receivables and contract assets” from the fiscal year ended March 31, 2022. 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 fiscal year ended 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 consolidated financial statements.

Changes in presentation

Consolidated statement of income

“Insurance claim income,” which had been presented separately under “non-operating income” in the previous fiscal year, is below 10% of total non-operating income and is included in “other” beginning in the fiscal year under review. The consolidated financial statements for the previous fiscal year have been reclassified to reflect this change in presentation.

Consequently, ¥132 million in “insurance claim income” and ¥74 million in “other” that were presented in the consolidated statement of income for the previous fiscal year have been reclassified as ¥207 million in “other.”

Consolidated statement of cash flows

“Insurance claim income,” which had been presented separately under “cash flows from operating activities” in the previous fiscal year, is to be included in “other, net” beginning in the fiscal year under review because it is no longer material. In addition, “loss (gain) on valuation of derivatives,” which had been included in “other, net” under “cash flows from operating activities” is to be presented separately beginning in the fiscal year under review because it became material. The consolidated financial statements for the previous fiscal year have been reclassified to reflect this change in presentation.

Consequently, ¥(132) million in “insurance claim income” and ¥(2,874) million in “other, net” that were presented under “cash flows from operating activities” in the consolidated statement of cash flows for the previous fiscal year have been reclassified as ¥(2) million in “loss (gain) on valuation of derivatives” and ¥(3,004) million in “other, net.”

Additional information

Impact arising due to the proliferation of COVID-19

Regarding COVID-19, although there are signs of a gradual slowdown of pandemic as the spread of infection continues to repeat cycles of expansion and convergence, we expect that it will take a considerable amount of time before the disease is completely contained. However, the Company has made accounting estimates based on the assumption that the impact of the infection on the Group’s performance will be limited, taking into account our customers’ current capital investment plans, the operating status of plants and other facilities, and the expected progress of construction work on projects for which the Company has received orders.

However, the assumptions mentioned above contain a high degree of uncertainty, and depending on the situation of the spread of the infection and the impact of that on the economy, COVID-19 may have a material impact on the consolidated financial statements in the next fiscal year and beyond.

Segment information, etc.

[Segment information]

1. Overview of reportable segments

The reportable segments of the Company are the business units for which the Company is able to obtain respective financial information separately in order for the Board of Directors to conduct periodic review to determine distribution of management resources and evaluate their business results.

Based on a system of separate business units according to the product and service, the Company formulates comprehensive strategies for Japan and overseas for products and services handled by each business unit, etc. and carries out its business activities.

Therefore, the Company is comprised of product and service segments based on the business units, etc., and the two reportable segments, Water Treatment Engineering Business Unit and Performance Products Business Unit, handle products with similar qualities and economic characteristics and services with similar contents.

Each reportable segment and the major products and business in the segments are as follows.

Reportable Segment	Major Products and Business	
Water Treatment Engineering Business Unit	Plant Division	Pure and ultrapure water production facilities, Industrial process water treatment facilities, Wastewater treatment and wastewater recovery facilities, Valuable material recovery facilities, Production processing-related facilities
	Service Solutions Division	Replacement of expendable items, Maintenance, Operational support services, Renovation/Reconditioning, Contract water treatment, Comprehensive maintenance contracts
Performance Products Business Unit	Water Treatment Chemicals Division	RO membrane protection chemicals, Wastewater treatment chemicals, Cooling water treatment chemicals, Cleaning chemicals, Boiler water treatment chemicals
	Standard Water Treatment Equipment and Filters Division	Pure and ultrapure water production facilities, Water purification filters
	Food Products Division	Food ingredients, Food processing agents

2. Calculation of net sales, profit (loss), assets, liabilities, and other items by reportable segment

The accounting methods used for reportable segments are the same as the accounting adopted for the preparation of consolidated financial statements.

Intersegment sales or transfers are determined by referencing general trading conditions in consideration of market prices, etc.

Moreover, 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.

As stated under “Changes in accounting policies,” the Company has applied the Accounting Standard for Revenue Recognition and relevant revised ASBJ regulations starting with the consolidated financial statements for the current fiscal year, 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 ¥1,441 million and ¥97 million, respectively. Meanwhile, it decreases net sales by ¥120 million and increases segment profit by ¥2 million in the Performance Products Business Unit.

3. Net sales, profit (loss), assets, liabilities, and other items by reportable segment
Fiscal year ended March 31, 2021 (From April 1, 2020 to March 31, 2021)

(Millions of yen)

	Reportable Segment			Adjustment (Note 1)	Reported in consolidated financial statements
	Water Treatment Engineering Business Unit	Performance Products Business Unit	Total		
Net sales					
Sales to external customers	82,424	18,213	100,638	–	100,638
Intersegment sales or transfers	0	342	342	(342)	–
Total	82,425	18,555	100,981	(342)	100,638
Segment profit	8,466	1,113	9,579	–	9,579
Segment assets	91,968	17,415	109,383	5,627	115,011
Other items					
Depreciation	924	287	1,212	–	1,212
Investment in entities accounted for using equity method	964	–	964	–	964
Increase in property, plant and equipment and intangible assets	791	223	1,015	–	1,015

- Notes: 1. The adjustments of ¥5,627 million for segment assets are mainly deferred tax assets and long-term investment funds (investment securities).
2. “Depreciation” and “Increase in property, plant and equipment and intangible assets” include amortization of and an increase in long-term prepaid expenses.

Fiscal year ended March 31, 2022 (From April 1, 2021 to March 31, 2022)

(Millions of yen)

	Reportable Segment			Adjustment (Note 1)	Reported in consolidated financial statements
	Water Treatment Engineering Business Unit	Performance Products Business Unit	Total		
Net sales					
Sales to external customers	92,723	19,346	112,069	–	112,069
Intersegment sales or transfers	0	331	332	(332)	–
Total	92,724	19,678	112,402	(332)	112,069
Segment profit	9,087	1,763	10,850	–	10,850
Segment assets	107,150	17,763	124,914	5,592	130,506
Other items					
Depreciation	1,042	290	1,332	–	1,332
Investment in entities accounted for using equity method	1,109	–	1,109	–	1,109
Increase in property, plant and equipment and intangible assets	2,676	711	3,387	–	3,387

- Notes: 1. The adjustments of ¥5,592 million for segment assets are mainly deferred tax assets and long-term investment funds (investment securities).
2. “Depreciation” and “Increase in property, plant and equipment and intangible assets” include amortization of and an increase in long-term prepaid expenses.

[Related information]

Fiscal year ended March 31, 2021 (From April 1, 2020 to March 31, 2021)

1. Information by product and service

This information has been omitted, as identical information is disclosed in segment information.

2. Information by region

(1) Net sales

(Millions of yen)

Japan	Taiwan	China	Southeast Asia	Other	Total
75,676	16,083	5,251	3,311	316	100,638

Note: Net sales are classified into countries or regions based on customers' location.

(2) Property, plant and equipment

This information has been omitted as the amount of property, plant and equipment located in Japan is more than 90% of property, plant and equipment in the consolidated balance sheet.

3. Information by major customer

(Millions of yen)

Customer name	Net sales	Related segment
Sony Semiconductor Manufacturing Corporation	12,371	Water Treatment Engineering Business Unit
Taiwan Semiconductor Manufacturing Company, Ltd.	10,820	Water Treatment Engineering Business Unit

Fiscal year ended March 31, 2022 (From April 1, 2021 to March 31, 2022)

1. Information by product and service

This information has been omitted, as identical information is disclosed in segment information.

2. Information by region

(1) Net sales

(Millions of yen)

Japan	Taiwan	China	Southeast Asia	Other	Total
73,082	19,523	13,325	4,874	1,263	112,069

Note: Net sales are classified into countries or regions based on customers' location.

(2) Property, plant and equipment

This information has been omitted as the amount of property, plant and equipment located in Japan is more than 90% of property, plant and equipment in the consolidated balance sheet.

3. Information by major customer

(Millions of yen)

Customer name	Net sales	Related segment
Taiwan Semiconductor Manufacturing Company, Ltd.	15,472	Water Treatment Engineering Business Unit

[Information relating to impairment loss of non-current assets by each reportable segment]

No items to report

[Information relating to amortization of goodwill and unamortized balance by each reportable segment]

No items to report

[Information relating to gain on bargain purchase by each reportable segment]

No items to report

Per share information

	Fiscal year ended March 31, 2021 (From April 1, 2020 to March 31, 2021)	Fiscal year ended March 31, 2022 (From April 1, 2021 to March 31, 2022)
Net assets per share	¥5,856.25	¥6,620.54
Basic earnings per share	¥616.72	¥802.69

- Notes: 1. Diluted earnings per share is not presented since no potential shares exist.
2. When calculating net assets per share in the fiscal year ended March 31, 2022, common shares of the Company held by the Officer Share Delivery Trust have been included in treasury shares excluded from the total number of issued shares at the end of the period (29 thousand shares at the end of the fiscal year ended March 31, 2021; 51 thousand shares at the end of the fiscal year ended March 31, 2022). Moreover, when calculating basic earnings per share, they have been included in treasury shares excluded from the calculation of the average number of shares outstanding during the period (35 thousand shares in the fiscal year ended March 31, 2021; 31 thousand shares in the fiscal year ended March 31, 2022).
3. The basis for calculation of basic earnings per share is as follows.

	Fiscal year ended March 31, 2021 (From April 1, 2020 to March 31, 2021)	Fiscal year ended March 31, 2022 (From April 1, 2021 to March 31, 2022)
Profit attributable to owners of parent (millions of yen)	7,074	9,210
Amounts not attributable to common shareholders (millions of yen)	–	–
Profit attributable to owners of parent related to common shares (millions of yen)	7,074	9,210
Average number of common shares outstanding during the period (thousands of shares)	11,470	11,474

4. The basis for calculation of net assets per share is as follows.

	As of March 31, 2021	As of March 31, 2022
Total net assets (millions of yen)	67,357	76,004
Amount subtracted from total net assets (millions of yen)	143	168
[Of which non-controlling interests (millions of yen)]	[143]	[168]
Net assets at the end of period attributable to common share (millions of yen)	67,214	75,836
Number of common shares at the end of period used to calculate net assets per share (thousands of shares)	11,477	11,454

5. As described in “Changes in accounting policies,” the Company has applied the “Accounting Standard for Revenue Recognition” etc. As a result, net assets per share and basic earnings per share increased by ¥6.43 and ¥5.39, respectively.

Significant subsequent events

(Share Split and Partial Amendments to the Articles of Incorporation in Accordance with the Share Split)

The Company resolved at a meeting of its Board of Directors held on May 12, 2022, to implement a share split and make partial amendments to the Articles of Incorporation in relation to the share split.

(1) Purpose of the share split

The purpose of the share split is to create a more investment-friendly environment and broaden the investment base by reducing the price per investment unit of the Company's shares.

(2) Outline of the share split

(i) Method of share split

The Company will implement a 4-for-1 share split of common shares owned by shareholders recorded in the closing register of shareholders with a record date of September 30, 2022.

(ii) Increase in the number of shares due to the share split

Total number of issued shares before the share split	11,589,925 shares
Increase in the number of shares due to the share split	34,769,775 shares
Total number of issued shares after the share split	46,359,700 shares
Total number of shares authorized to be issued after the share split	101,568,000 shares

(iii) Schedule of the share split

Public notice of record date: September 14, 2022 (scheduled)
Record date: September 30, 2022 (scheduled)
Effective date: October 1, 2022 (scheduled)

(iv) Effect on per share information

Per share information on the premise that the share split was conducted at the beginning of the previous fiscal year is as follows.

	Fiscal year ended March 31, 2021 (From April 1, 2020 to March 31, 2021)	Fiscal year ended March 31, 2022 (From April 1, 2021 to March 31, 2022)
Net assets per share	¥1,464.06	¥1,655.14
Basic earnings per share	¥154.18	¥200.67

(3) Partial amendments to the Articles of Incorporation in relation to the share split

(i) Reason for the amendments to the Articles of Incorporation

In conjunction with the share split, pursuant to Article 184, paragraph 2 of the Companies Act, the Company will amend the total number of authorized shares prescribed in Article 6 (Total Number of Shares Authorized to Be Issued) of the current Articles of Incorporation on October 1, 2022.

(ii) Details of the amendments to the Articles of Incorporation

The details of the amendments are as follows.

(Underlines indicate amended sections)

Current Articles of Incorporation	Proposed Amendments
Article 6. (Total Number of Shares Authorized to Be Issued) The total number of shares authorized to be issued by the Company shall be <u>25,392,000 shares</u> .	Article 6. (Total Number of Shares Authorized to Be Issued) The total number of shares authorized to be issued by the Company shall be <u>101,568,000 shares</u> .

(iii) Schedule for the amendments to the Articles of Incorporation

Date of Board of Directors resolution: May 12, 2022
Effective date: October 1, 2022 (scheduled)

(4) Other

The amount of the Company's share capital will not change as a result of the share split.