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Consolidated Financial Results for the First Three Months of the Fiscal Year Ending March 31, 2023 <under Japanese GAAP>

August 1, 2022

Company name: ORGANO CORPORATION
 Listing: Tokyo Stock Exchange
 Securities code: 6368
 URL: <https://www.organo.co.jp/english/>
 Representative: Masayuki Yamada, 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: August 8, 2022
 Scheduled date to commence dividend payments: –
 Preparation of supplementary material on quarterly financial results: None
 Holding of quarterly financial results presentation meeting: None

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

1. Consolidated financial results for the first three months of the fiscal year ending March 31, 2023 (from April 1, 2022 to June 30, 2022)

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

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Three months ended								
June 30, 2022	27,835	24.8	2,219	65.8	2,633	61.5	1,495	82.7
June 30, 2021	22,307	13.9	1,338	294.5	1,630	326.5	818	–

Note: Comprehensive income: Three months ended June 30, 2022 ¥1,831 million [47.4%]
 Three months ended June 30, 2021 ¥1,242 million [–%]

	Basic earnings per share	Diluted earnings per share
Three months ended	Yen	Yen
June 30, 2022	130.56	–
June 30, 2021	71.30	–

(2) Consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio
As of	Millions of yen	Millions of yen	%
June 30, 2022	129,665	76,821	59.1
March 31, 2022	130,506	76,004	58.1

(Reference) Equity: As of June 30, 2022 ¥76,636 million As of March 31, 2022 ¥75,836 million

2. Cash dividends

	Annual dividends per share				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2022	–	72.00	–	88.00	160.00
Fiscal year ending March 31, 2023	–				
Fiscal year ending March 31, 2023 (Forecast)		80.00	–	20.00	–

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

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	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: Revisions to the earnings forecasts most recently announced: None

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

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

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

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

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

c. Changes in accounting estimates: None

d. Restatement: None

(4) Number of issued shares (common shares)

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

As of June 30, 2022	11,589,925 shares
As of March 31, 2022	11,589,925 shares

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

As of June 30, 2022	135,496 shares
As of March 31, 2022	135,255 shares

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

For the three months ended June 30, 2022	11,454,551 shares
For the three months ended June 30, 2021	11,477,081 shares

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

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

* Proper use of earnings forecasts, and other special matters
(Caution regarding forward-looking statements and others)

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

Attached Material

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

(1) Explanation regarding operating results

During the three months ended June 30, 2022 (from April 1, 2022 to June 30, 2022), global economy brought about gradually mounting uncertainty regarding future trends, with widening inflation centered on energy and food prices and a further sharp decline in the value of the yen against a backdrop of Russia's military invasion of Ukraine and large-scale city lockdowns in China due to the spread of COVID-19.

The electronics industry, which is the Organo Group's main market, continues to progress with a high level of capital investment and production activity for now, but there are signs of concern over the future trend in market conditions, including a slowdown in demand for smartphones, PCs and others, and a fall in the price of semiconductor memory. On the other hand, in the general industry field and the social infrastructure field, such as electric power/water supply and sewage, activity in Japan trended firmly, particularly in the Service Solutions Division, for operations such as maintenance, while capital investment showed signs of gradual recovery after a halt due to the COVID-19 pandemic.

Under these conditions, the Organo Group proceeded to draw in orders and make deliveries for large-scale projects in Japan and overseas, while expanding the engineering systems and supply chains at bases in each country and promoting R&D on next-generation ultrapure water technology and new separation and purification technologies, and promoting initiatives to strengthen governance, such as developing risk management systems.

As a result, in the Group's financial results for the three months ended June 30, 2022, orders received increased by 39.3% year on year to ¥51,894 million, net sales increased by 24.8% to ¥27,835 million, operating profit increased by 65.8% to ¥2,219 million, ordinary profit increased by 61.5% to ¥2,633 million, profit attributable to owners of parent increased by 82.7% to ¥1,495 million, and our carry-over balance for order backlog as of June 30, 2022 was up 48.3% to ¥112,974 million.

Results by segment are as follows.

[Water Treatment Engineering Business Unit]

■Orders received

Orders received increased 44.2% year on year to ¥46,790 million. In the mainstay electronics field, the Group succeeded in capturing orders for large-scale projects in Japan, such as semiconductors and wafers. Overseas, such as Taiwan, China, and Malaysia, orders increased significantly year on year due to brisk investment in cutting-edge semiconductors and investments in automotive semiconductors and power semiconductors, among others. In the general industry field, orders increased, mainly for equipment modification and renewal projects, as well as maintenance. In the electric power/water supply and sewage fields trended firmly, mainly for the Service Solutions Division in Japan.

■Net sales

Net sales increased 29.3% year on year to ¥22,877 million. In the mainstay electronics field, net sales increased significantly year on year, driven by steady performance in construction in Japan and overseas, including large-scale semiconductor projects, which continue to see brisk investment, while the Service Solutions Division also performed strongly, mainly in contracted maintenance and processing services. In addition, in the general industry field, activities continued steadily mainly in the Service Solutions Division in Japan. Sales also increased year on year in the social infrastructure field, where progress on construction of large-scale water treatment facilities for a power station was made.

■Operating profit

Operating profit increased 71.7% year on year to ¥1,679 million. Operating profit increased due to a significant increase in gross profit due to the effect of sales expansion centered on the electronics industry field, despite increases in expenses, mainly for personnel expenses.

[Performance Products Business Unit]

■Orders received/Net sales

Orders received increased 6.3% year on year to ¥5,103 million and net sales increased 7.4% year on year to ¥4,957 million. In the water treatment chemicals field, sales of various chemicals centered on the electronics industry field performed steadily, while in the standard equipment and filters field, orders and sales increased mainly for small-scale pure water production equipment for medical institutions and research institutions, and in the food products field, mainly for various food additives.

■Operating profit

Operating profit increased 49.8% year on year to ¥540 million. Profit increased year on year as sales expansion in the water treatment chemicals field, the standard equipment and filters field, and the food products field absorbed the impact of the increase in raw materials prices and the increase in costs, such as personnel expenses.

(2) Explanation regarding financial position

Assets, liabilities and net assets

Assets

Assets as of June 30, 2022 amounted to ¥129,665 million, a decrease of ¥841 million from the previous fiscal year end. This was mainly due to a decline of ¥8,675 million in cash and deposits, despite an increase of ¥4,223 million in work in process and an increase of ¥3,163 million in trade receivables and contract assets.

Liabilities

Liabilities as of June 30, 2022 amounted to ¥52,844 million, a decrease of ¥1,657 million from the previous fiscal year end. This was mainly due to a decline of ¥1,186 million in trade payables.

Net Assets

Net assets as of June 30, 2022 amounted to ¥76,821 million, an increase of ¥816 million from the previous fiscal year end. This was mainly due to an increase of ¥482 million in retained earnings resulting from the recording of profit attributable to owners of parent and an increase of ¥357 million in foreign currency translation adjustment.

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

In terms of the earnings forecasts, the first half and full year consolidated earnings forecasts for the fiscal year ending March 31, 2023, released on May 12, 2022, remain unchanged.

For the time being, the situation remains steady overall, with regard to order trends for semiconductor investment projects in Japan and overseas, mainly in the electronics industry field, and the outlook for sales due to progress on large-scale construction projects. For the three months ended June 30, 2022, the level of earnings has been slightly higher than initially expected, but going forward there are concerns regarding risk factors such as the impact on customers' investment and construction schedules due to the status of the spread of COVID-19 in each country, market conditions in the electronics industry, such as semiconductors, and supply chain trends due to raw material shortages. The Company will revise its forecasts appropriately according to the situation, based on each business segment and the trends in each country and region.

2. Quarterly consolidated financial statements and significant notes thereto

(1) Consolidated balance sheet

(Millions of yen)

	As of March 31, 2022	As of June 30, 2022
Assets		
Current assets		
Cash and deposits	20,198	11,522
Notes and accounts receivable - trade, and contract assets	52,926	56,051
Electronically recorded monetary claims - operating	1,862	1,900
Investments in leases	11,293	10,689
Merchandise and finished goods	5,264	5,555
Work in process	6,735	10,958
Raw materials and supplies	1,456	1,616
Other	3,133	3,694
Allowance for doubtful accounts	(6)	(6)
Total current assets	102,862	101,982
Non-current assets		
Property, plant and equipment		
Buildings and structures	18,873	18,919
Accumulated depreciation	(12,707)	(12,840)
Buildings and structures, net	6,166	6,079
Machinery, equipment and vehicles	5,826	5,880
Accumulated depreciation	(5,117)	(5,160)
Machinery, equipment and vehicles, net	709	719
Land	12,257	12,262
Construction in progress	1,115	1,116
Other	5,346	5,451
Accumulated depreciation	(4,601)	(4,656)
Other, net	745	795
Total property, plant and equipment	20,995	20,973
Intangible assets	1,082	1,034
Investments and other assets		
Investment securities	2,058	2,027
Retirement benefit asset	624	682
Deferred tax assets	2,369	2,443
Other	979	991
Allowance for doubtful accounts	(464)	(470)
Total investments and other assets	5,566	5,674
Total non-current assets	27,644	27,682
Total assets	130,506	129,665

(Millions of yen)

	As of March 31, 2022	As of June 30, 2022
Liabilities		
Current liabilities		
Notes and accounts payable - trade	18,795	16,589
Electronically recorded obligations - operating	5,575	6,594
Short-term borrowings	9,933	10,947
Income taxes payable	1,444	1,160
Contract liabilities	1,820	2,279
Provision for bonuses	1,477	648
Provision for product warranties	296	259
Provision for loss on construction contracts	46	35
Provision for share awards for directors (and other officers)	123	162
Other	3,559	3,559
Total current liabilities	43,072	42,237
Non-current liabilities		
Long-term borrowings	5,695	4,800
Deferred tax liabilities	53	76
Retirement benefit liability	5,512	5,565
Other	168	164
Total non-current liabilities	11,429	10,606
Total liabilities	54,501	52,844
Net assets		
Shareholders' equity		
Share capital	8,225	8,225
Capital surplus	7,508	7,508
Retained earnings	59,619	60,102
Treasury shares	(734)	(737)
Total shareholders' equity	74,617	75,098
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	434	390
Deferred gains or losses on hedges	(0)	0
Foreign currency translation adjustment	575	932
Remeasurements of defined benefit plans	208	214
Total accumulated other comprehensive income	1,218	1,538
Non-controlling interests	168	184
Total net assets	76,004	76,821
Total liabilities and net assets	130,506	129,665

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

(Millions of yen)

	Three months ended June 30, 2021 (From April 1, 2021 to June 30, 2021)	Three months ended June 30, 2022 (From April 1, 2022 to June 30, 2022)
Net sales	22,307	27,835
Cost of sales	16,734	21,049
Gross profit	5,573	6,786
Selling, general and administrative expenses	4,234	4,567
Operating profit	1,338	2,219
Non-operating income		
Interest income	6	5
Dividend income	15	20
Foreign exchange gains	259	511
Share of profit of entities accounted for using equity method	17	43
Other	21	16
Total non-operating income	320	597
Non-operating expenses		
Interest expenses	25	33
Loss on valuation of derivatives	0	149
Other	2	0
Total non-operating expenses	27	183
Ordinary profit	1,630	2,633
Extraordinary income		
Gain on sale of non-current assets	–	4
Total extraordinary income	–	4
Extraordinary losses		
Loss on abandonment of non-current assets	3	0
Loss on sale of right to use facilities	0	–
Total extraordinary losses	4	0
Profit before income taxes	1,626	2,636
Income taxes	805	1,134
Profit	820	1,502
Profit attributable to non-controlling interests	2	6
Profit attributable to owners of parent	818	1,495

Consolidated statement of comprehensive income (cumulative)

(Millions of yen)

	Three months ended June 30, 2021 (From April 1, 2021 to June 30, 2021)	Three months ended June 30, 2022 (From April 1, 2022 to June 30, 2022)
Profit	820	1,502
Other comprehensive income		
Valuation difference on available-for-sale securities	6	(43)
Deferred gains or losses on hedges	–	0
Foreign currency translation adjustment	400	365
Remeasurements of defined benefit plans, net of tax	16	6
Share of other comprehensive income of entities accounted for using equity method	(1)	(0)
Total other comprehensive income	421	328
Comprehensive income	1,242	1,831
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,232	1,815
Comprehensive income attributable to non-controlling interests	10	15

(3) Notes to quarterly consolidated financial statements

Notes on premise of going concern

No items to report

Notes on substantial changes in the amount of shareholders' equity

No items to report

Application of special accounting for preparing the quarterly consolidated financial statements

Calculation of tax expenses

The Company and some of its consolidated subsidiaries have reasonably estimated the effective tax rate after the application of tax effect accounting to the profit before income taxes for the fiscal year including the first quarter ended June 30, 2022, and tax expenses are calculated by multiplying profit before income taxes by this estimated effective tax rate. However, in cases where the calculation of tax expenses using such estimated effective tax rate yields a result that is not reasonable to a significant extent, the amount of significant difference other than temporary differences, etc. is added to or deducted from the profit before income taxes, and the result is multiplied by the statutory income tax rate.

Additional information

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. The resolution will take effect on October 1, 2022.

(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.

	Three months ended June 30, 2021 (From April 1, 2021 to June 30, 2021)	Three months ended June 30, 2022 (From April 1, 2022 to June 30, 2022)
Basic earnings per share	¥17.83	¥32.64

(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</u> shares.	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</u> shares.

(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.

Impact arising due to the proliferation of COVID-19

There has been no material change in the assumptions regarding the impact of COVID-19 described in the annual securities report (Additional information) (Impact arising due to the proliferation of COVID-19) for the previous fiscal year.

Segment information, etc.

[Segment information]

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

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

(Millions of yen)

	Reportable Segment			Adjustment	Amount recorded in the consolidated statement of income (Note)
	Water Treatment Engineering Business Unit	Performance Products Business Unit	Total		
Net sales					
Sales to external customers	17,691	4,616	22,307	–	22,307
Intersegment sales or transfers	0	87	87	(87)	–
Total	17,691	4,703	22,394	(87)	22,307
Segment profit	977	360	1,338	–	1,338

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

II Three months ended June 30, 2022 (From April 1, 2022 to June 30, 2022)

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	22,877	4,957	27,835	–	27,835
Intersegment sales or transfers	0	93	93	(93)	–
Total	22,877	5,051	27,929	(93)	27,835
Segment profit	1,679	540	2,219	–	2,219

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.