

DISCLAIMER: This translation may be used for reference purposes only. This English version is not an official translation of the original Japanese document. In cases where any differences occur between the English version and the original Japanese version, the Japanese version shall prevail. This translation is subject to change without notice.

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

February 1, 2023

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: February 8, 2023
 Scheduled date to commence dividend payments: –
 Preparation of supplementary material on quarterly financial results: None
 Holding of quarterly financial results presentation meeting: None

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

1. Consolidated financial results for the first nine months of the fiscal year ending March 31, 2023 (from April 1, 2022 to December 31, 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	%
Nine months ended								
December 31, 2022	95,127	22.2	9,940	61.8	10,986	65.1	7,552	42.6
December 31, 2021	77,834	13.2	6,141	16.7	6,654	22.7	5,297	47.8

Note: Comprehensive income: Nine months ended December 31, 2022 ¥8,864 million [50.3%]
 Nine months ended December 31, 2021 ¥5,896 million [62.6%]

	Basic earnings per share	Diluted earnings per share
Nine months ended	Yen	Yen
December 31, 2022	164.71	–
December 31, 2021	115.36	–

The Company conducted a 4-for-1 common share split effective as of October 1, 2022. Basic earnings per share are calculated on the assumption that said share split was conducted at the beginning of the previous fiscal year.

(2) Consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio
As of	Millions of yen	Millions of yen	%
December 31, 2022	150,685	82,644	54.7
March 31, 2022	130,506	76,004	58.1

(Reference) Equity: As of December 31, 2022 ¥82,429 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	–	116.00	–		
Fiscal year ending March 31, 2023 (Forecast)				29.00	–

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

The Company conducted 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 dividend per share for the fiscal year ending March 31, 2023 (forecast) that does not take the share split into account is ¥116, and the annual total of dividends per share is ¥232.

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
Fiscal year ending March 31, 2023	140,000	24.9	14,500	33.6	15,200	31.6	11,500	24.9	250.78

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

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 ¥1,003.14.

*** Notes**

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

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

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

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

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

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

c. Changes in accounting estimates: None

d. Restatement: None

(4) Number of issued shares (common shares)

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

As of December 31, 2022	46,359,700 shares
As of March 31, 2022	46,359,700 shares

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

As of December 31, 2022	470,787 shares
As of March 31, 2022	541,020 shares

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

For the nine months ended December 31, 2022	45,856,201 shares
For the nine months ended December 31, 2021	45,922,196 shares

Notes:

1. The Company conducted a 4-for-1 common share split effective as of October 1, 2022. Total number of issued shares at the end of the period, number of treasury shares at the end of the period, and average number of shares outstanding during the period are calculated on the assumption that said share split was conducted at the beginning of the previous fiscal year.
2. 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 nine months” on page 3 of the attached material for the suppositions that form the assumptions for earnings forecasts and cautions concerning the use thereof.

Attached Material

Index

- 1. Qualitative information regarding financial results for the first nine months 2**
 - (1) Explanation regarding operating results 2**
 - (2) Explanation regarding financial position 3**
 - (3) Explanation regarding consolidated earnings forecasts and other forward-looking statements 3**
- 2. Quarterly consolidated financial statements and significant notes thereto 4**
 - (1) Consolidated balance sheet 4**
 - (2) Consolidated statement of income and consolidated statement of comprehensive income..... 6**
 - Consolidated statement of income (cumulative) 6**
 - Consolidated statement of comprehensive income (cumulative)..... 7**
 - (3) Notes to quarterly consolidated financial statements 8**
 - Notes on premise of going concern..... 8**
 - Notes on substantial changes in the amount of shareholders' equity..... 8**
 - Application of special accounting for preparing the quarterly consolidated financial statements**
..... 8
 - Additional information 8**
 - Segment information, etc. 9**

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

(1) Explanation regarding operating results

During the nine months ended December 31, 2022 (from April 1, 2022 to December 31, 2022), the electronics industry, the Organo Group's main market, saw a deterioration in conditions for semiconductors centered around memory due to slowing demand for smartphones, PCs and others, and there were signs that some customers were reducing production and decreasing/postponing capital investment mainly due to the impact of semiconductor-related restrictions imposed on China by the U.S. However, large-scale investments in cutting-edge semiconductors in Taiwan and elsewhere and capital investments in silicon wafers, automotive/power semiconductors, and others in Japan and overseas remained active. The general industry field saw recovering capital investments, which had been weak due to the COVID-19 pandemic these few years, and the social infrastructure field, such as electric power/water supply and sewage, remained strong.

Under these conditions, the Organo Group proceeded to draw in orders and make deliveries for large-scale semiconductor projects in Japan and overseas, while establishing supply chains and delivery frameworks in each country, and promoting a shift to digitalization such as of engineering operations and service solutions. We also engaged in initiatives to enhance R&D systems in such areas as next-generation ultrapure water systems and new separation and purification technologies, and to strengthen governance such as by developing risk management systems.

As a result, in the Group's financial results for the nine months ended December 31, 2022, orders received increased by 24.6% year on year to ¥124,810 million, net sales increased by 22.2% to ¥95,127 million, operating profit increased by 61.8% to ¥9,940 million, ordinary profit increased by 65.1% to ¥10,986 million, profit attributable to owners of parent increased by 42.6% to ¥7,552 million, and our carry-over balance for order backlog as of December 31, 2022 was up 43.4% to ¥120,840 million.

Results by segment are as follows.

[Water Treatment Engineering Business Unit]

■Orders received

Orders received increased 28.1% year on year to ¥109,208 million. In the mainstay electronics field, the Organo Group succeeded in capturing orders for large-scale projects in Japan and Taiwan, and large-scale investments mainly in legacy semiconductors such as automotive/power semiconductors were also robust in China and Malaysia. As a result, orders received expanded significantly. In addition, in the general industry field, there was also a recovery in large-scale investments in areas related to the pharmaceutical, food and electronics industries, and orders received increased. The field of social infrastructure, which includes electric power/water supply and sewage, orders received were about the same level as the same period in the previous fiscal year, mainly in solutions projects in Japan.

■Net sales

Net sales increased 25.8% year on year to ¥79,787 million. In the mainstay electronics field, net sales increased mainly due to steady progress on the construction of major projects ordered, as well as a rise in net sales overseas resulting from the effect of the weakening yen, and strength in maintenance, renovation/reconditioning, facility-owned projects/contracted processing, etc. of the Service Solutions Division. On the other hand, in the general industry field, net sales decreased year on year, mainly because the construction of major projects ordered in the current period has not progressed on a full scale, and the recording of sales of small and medium-sized equipment was delayed until the fourth quarter due to a delay in supply of materials. In addition, the social infrastructure field, such as electric power/water supply and sewage, showed strong performance mainly in solutions projects in Japan.

■Operating profit

Operating profit increased 67.1% year on year to ¥8,290 million. Due to greater revenue resulting from sales expansion in the electronics industry field, the significant growth in gross profit exceeded that of expenses, the bulk of which were related to personnel and other items, and resulted in a year-on-year increase in operating profit.

[Performance Products Business Unit]

■Orders received/Net sales

Orders received increased 5.1% year on year to ¥15,601 million and net sales increased 6.4% year on year to ¥15,340 million. In the water treatment chemicals field, sales of various treatment chemicals for the electronics industry field increased, while in the standard equipment and filters field, sales of small-scale pure water production equipment such as Puric μ (mu), which was launched in the previous fiscal year, were strong. In the food products field, sales of various food additives and other products increased. As seen above, sales were steady in all areas.

■Operating profit

Operating profit increased 39.9% year on year to ¥1,649 million. The Organo Group recorded year-on-year growth in operating profit mainly due to sales expansion in each of the water treatment chemical, standard equipment and filters, and food products fields, as well as progress made in passing on costs in the form of price increases in all areas in response to the increase in costs such as raw materials prices.

(2) Explanation regarding financial position

Assets, liabilities and net assets

Assets

Assets as of December 31, 2022 amounted to ¥150,685 million, an increase of ¥20,179 million from the previous fiscal year end. This was mainly due to increases of ¥14,686 million in notes and accounts receivable - trade, and contract assets and ¥12,116 million in work in process, despite a decline of ¥10,079 million in cash and deposits.

Liabilities

Liabilities as of December 31, 2022 amounted to ¥68,041 million, an increase of ¥13,539 million from the previous fiscal year end. This was mainly due to an increase of ¥12,624 million in short-term borrowings.

Net Assets

Net assets as of December 31, 2022 amounted to ¥82,644 million, an increase of ¥6,639 million from the previous fiscal year end. This was mainly due to an increase of ¥5,205 million in retained earnings resulting from the recording of profit attributable to owners of parent.

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

In terms of the full year earnings forecasts, consolidated earnings forecasts for the fiscal year ending March 31, 2023, released on October 24, 2022, remain unchanged. For the time being, with regard to order trends for large-scale investment projects in Japan and overseas, progress in construction, etc., while there are changes in individual projects, the situation remains steady overall. Turning to full-year earnings forecast, we expect orders received of ¥170,000 million (up 25.3% year on year), net sales of ¥140,000 million (up 24.9%), operating profit of ¥14,500 million (up 33.6%), ordinary profit of ¥15,200 million (up 31.6%), and profit attributable to owners of parent of ¥11,500 million (up 24.9%), all of which will surpass levels of the initial plan and achieve new record highs for the second consecutive year.

2. Quarterly consolidated financial statements and significant notes thereto

(1) Consolidated balance sheet

(Millions of yen)

	As of March 31, 2022	As of December 31, 2022
Assets		
Current assets		
Cash and deposits	20,198	10,118
Notes and accounts receivable - trade, and contract assets	52,926	67,612
Electronically recorded monetary claims - operating	1,862	2,578
Investments in leases	11,293	10,475
Merchandise and finished goods	5,264	6,197
Work in process	6,735	18,851
Raw materials and supplies	1,456	1,861
Other	3,133	5,398
Allowance for doubtful accounts	(6)	(6)
Total current assets	102,862	123,086
Non-current assets		
Property, plant and equipment		
Buildings and structures	18,873	19,235
Accumulated depreciation	(12,707)	(13,085)
Buildings and structures, net	6,166	6,149
Machinery, equipment and vehicles	5,826	6,621
Accumulated depreciation	(5,117)	(5,374)
Machinery, equipment and vehicles, net	709	1,246
Land	12,257	12,273
Construction in progress	1,115	85
Other	5,346	5,795
Accumulated depreciation	(4,601)	(4,741)
Other, net	745	1,054
Total property, plant and equipment	20,995	20,810
Intangible assets	1,082	950
Investments and other assets		
Investment securities	2,058	2,337
Retirement benefit asset	624	773
Deferred tax assets	2,369	2,281
Other	979	585
Allowance for doubtful accounts	(464)	(138)
Total investments and other assets	5,566	5,839
Total non-current assets	27,644	27,599
Total assets	130,506	150,685

(Millions of yen)

	As of March 31, 2022	As of December 31, 2022
Liabilities		
Current liabilities		
Notes and accounts payable - trade	18,795	16,676
Electronically recorded obligations - operating	5,575	8,721
Short-term borrowings	9,933	22,557
Income taxes payable	1,444	1,655
Contract liabilities	1,820	2,760
Provision for bonuses	1,477	850
Provision for product warranties	296	492
Provision for loss on construction contracts	46	39
Provision for share awards for directors (and other officers)	123	78
Other	3,559	4,255
Total current liabilities	43,072	58,087
Non-current liabilities		
Long-term borrowings	5,695	3,945
Deferred tax liabilities	53	154
Retirement benefit liability	5,512	5,659
Other	168	195
Total non-current liabilities	11,429	9,954
Total liabilities	54,501	68,041
Net assets		
Shareholders' equity		
Share capital	8,225	8,225
Capital surplus	7,508	7,508
Retained earnings	59,619	64,824
Treasury shares	(734)	(613)
Total shareholders' equity	74,617	79,945
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	434	491
Deferred gains or losses on hedges	(0)	(0)
Foreign currency translation adjustment	575	1,764
Remeasurements of defined benefit plans	208	228
Total accumulated other comprehensive income	1,218	2,484
Non-controlling interests	168	214
Total net assets	76,004	82,644
Total liabilities and net assets	130,506	150,685

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

(Millions of yen)

	Nine months ended December 31, 2021 (From April 1, 2021 to December 31, 2021)	Nine months ended December 31, 2022 (From April 1, 2022 to December 31, 2022)
Net sales	77,834	95,127
Cost of sales	58,732	70,622
Gross profit	19,102	24,505
Selling, general and administrative expenses	12,960	14,565
Operating profit	6,141	9,940
Non-operating income		
Interest income	22	21
Dividend income	31	41
Foreign exchange gains	455	828
Share of profit of entities accounted for using equity method	92	156
Other	73	113
Total non-operating income	674	1,161
Non-operating expenses		
Interest expenses	88	108
Loss on valuation of derivatives	66	–
Other	7	6
Total non-operating expenses	162	115
Ordinary profit	6,654	10,986
Extraordinary income		
Gain on sale of non-current assets	1,150	5
Gain on sale of investment securities	23	2
Gain on sale of right to use facilities	11	–
Total extraordinary income	1,185	7
Extraordinary losses		
Loss on abandonment of non-current assets	13	21
Loss on sale of investment securities	–	1
Loss on sale of right to use facilities	13	–
Total extraordinary losses	27	23
Profit before income taxes	7,813	10,970
Income taxes	2,511	3,401
Profit	5,301	7,569
Profit attributable to non-controlling interests	3	16
Profit attributable to owners of parent	5,297	7,552

Consolidated statement of comprehensive income (cumulative)

(Millions of yen)

	Nine months ended December 31, 2021 (From April 1, 2021 to December 31, 2021)	Nine months ended December 31, 2022 (From April 1, 2022 to December 31, 2022)
Profit	5,301	7,569
Other comprehensive income		
Valuation difference on available-for-sale securities	41	56
Deferred gains or losses on hedges	(0)	(0)
Foreign currency translation adjustment	506	1,218
Remeasurements of defined benefit plans, net of tax	49	20
Share of other comprehensive income of entities accounted for using equity method	(1)	0
Total other comprehensive income	595	1,295
Comprehensive income	5,896	8,864
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	5,883	8,818
Comprehensive income attributable to non-controlling interests	13	46

(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 third quarter ended December 31, 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

Impact arising due to the proliferation of COVID-19

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

Segment information, etc.

[Segment information]

I Nine months ended December 31, 2021 (From April 1, 2021 to December 31, 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	63,424	14,410	77,834	–	77,834
Intersegment sales or transfers	0	242	243	(243)	–
Total	63,424	14,653	78,078	(243)	77,834
Segment profit	4,962	1,179	6,141	–	6,141

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

II Nine months ended December 31, 2022 (From April 1, 2022 to December 31, 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	79,787	15,340	95,127	–	95,127
Intersegment sales or transfers	0	255	255	(255)	–
Total	79,788	15,595	95,383	(255)	95,127
Segment profit	8,290	1,649	9,940	–	9,940

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.