

Summary of Q&A on Financial Results Presentation Meeting
for the Fiscal Year Ended March 31, 2023
(Held on May 17, 2023)

ORGANO CORPORATION

Please note that this Q&A summary was summarized for simplicity based on the Company's judgment.

- Q. What is the outlook for business performance in the next fiscal year?
- A. In the electronics industry field, although multiple large-scale investments are being planned mainly in relation to semiconductors in Japan, Taiwan, China, Malaysia, and the U.S., uncertainty prevails in our future outlook because of memory market conditions and the effect of U.S. semiconductor regulations imposed on China. In terms of orders received, we expect to pass through a short lull after many consecutive years of growth. Considering the many factors contributing to fluctuation, we will continue to closely watch the trends of our markets and customers. In terms of sales and profits, our carry-over balance for order backlog, particularly in the electronics industry, is at a high level. Although we do believe it is possible that processing delays could occur in some projects due to longer delivery times for materials, we are expecting that construction work overall will continue to proceed according to plan, and in our plans, we are forecasting increased revenue and increased profits. Concerning our profit outlook for Plant projects, we have taken into account rising materials prices and construction work related risks in our plan, so we believe that it is possible that profitability will gradually improve as progress is made regarding cost reductions and revenue improvements.
- Q. You mention entry into the South Korean market in your Medium- to Long-term Management Plan, but it is understood that in the South Korean semiconductor market, other Japanese competitors have already developed businesses, and are building close relationships with customers. Please provide more details, such as the domain you are targeting, whether this will exacerbate the competitive environment, and the anticipated impact on profitability.
- A. Concerning our entry into South Korea, we will target the high-end electronics industry market while ensuring profitability. Whereas our operations in Taiwan, China, etc. are concentrated on ultra-pure water production equipment, for South Korea, we plan to develop our operations in functional materials for advanced purification of electronic materials such as various chemical solutions and solvents used in semiconductor manufacturing, as well as water treatment chemicals, standard equipment and other performance products.

Q. In China, our order backlog has significantly grown, and sales for that country in the fiscal year ending March 31, 2024 are forecasted at ¥20.0 billion. Please tell us about your current actual progress on projects, and the risks, such as the risk of future cancellations.

A. Although there are risks concerning schedule delays for some projects due to longer delivery times for materials and the impact of the U.S. tightening semiconductor regulations against China, we are not expecting any cancellations of projects currently underway. On the other hand, we believe it is important to closely watch the U.S.' regulations against China, and we will carry out our operations while continually conducting customer surveys and maintaining careful scrutiny regarding materials.

Q. In the fiscal year ended March 31, 2023, the “change in profit margin” was a factor for resulting better-than-planned performance. However, in the fiscal year ending March 31, 2024, “change in profit margin” is assumed to provide a decreasing effect. Concerning the environment surrounding your delivery such as procurement and construction, what factors do you envisage to be different in the next fiscal year from the fiscal year just ended?

A. When it comes to the delivery of our products and services, the environment is not expected to change much. However, material prices are continuing to rise. For this fiscal year, we have taken into account risks, including the risks of rising material and construction work prices and construction-work risk related to accidents and troubles arising from the execution of work. As construction work approaches completion, any difference between estimates and the actual cost will become clear. In addition, improvements in profit can be realized as a result of factors such as additional negotiations with customers in association with cost reduction measures and specification alterations, etc. Due to this, we may attract the view that our initial plan appears to be conservative. However, we believe it is important to take into consideration the collateral security necessary for qualitative risks in the engineering business.

Q. Amid the changing macro environment, the appetite for capital investment in the semiconductor market is currently in a lull. Considering this, how confident are you regarding your orders plan for this fiscal year? What downside risks are there? In addition, to the extent that you are able to, please tell us about the projects included in your plan.

A. Our orders plan is drawn up according to the information we obtain from detailed surveys conducted as part of our operating activities. Therefore, we have a high level of confidence regarding the plan's accuracy. Concerning the factors that pose downside risks to our plan, aside from market trends, we are concerned about the risk that investment plans will not proceed as we expect due to supply-side constraints, such as those associated with procurement of materials and construction work. We are unable to provide any details on the projects included in the plan, but we can say that in addition to projects in Japan, the U.S., China, Taiwan, etc. we expect projects

related to investments in areas such as semiconductors and silicon wafers in Malaysia, among other countries.

- Q. The procurement prices of materials, energy prices and personnel costs are all rising. Are you passing all these costs through to the prices of your products and services?
- A. The largest impact regarding costs is the rising prices of raw and other materials. In the Company's business, we determine the contractual price by factoring in the most recent prices for materials at the time we receive the order for a project. This structure makes it easy to conduct cost pass-through. For some projects, there may be cases where the profit margin declines below what was expected due to the material costs and business costs soaring at a higher-than-expected rate, but in general, we believe we can ensure cost pass-through for the amounts by which prices increase.
- Q. Please provide some details as background to why the profit margin in the Plant business has been improving in the fields of the electronics industry and the general industry.
- A. Concerning our profit margin in the Plant business, the largest factor for the improved profit margin in actual results compared with the plan was the conservative cost estimation that was used for the initial plan. In our year-on-year comparisons, we believe that one other factor for the improvement in profit was that while a busy market with active investment continues, it is necessary to be selective with projects ordered.

Forward-looking statements such as the forecasts in this document regarding business are based on information available at the time of preparation and are therefore subject to risk and uncertainty. Actual performance may differ from these projections.