

Summary of Q&A on Financial Results Presentation Meeting
for the First Half of the Fiscal Year Ending March 31, 2024
(Held on November 7, 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 the electronics industry and the semiconductor market?
- A. Although market conditions remain sluggish especially for general purpose memory, supply and demand are beginning to tighten for products including DRAM, logic semiconductors, and power semiconductors, and demand is expected to grow over the long term. To seize these opportunities, we will strive to increase the efficiency of our engineering structure and strengthen our resources including our human resources.
- Q. Your full-year domestic order forecast has increased from ¥95 billion in the initial plan to ¥110 billion. Is this increase due to the addition of new projects?
- A. As project construction periods continue to lengthen in line with longer delivery times for raw materials, customers are continuing to bring forward their orders. In addition, the domestic order forecast has been increased due to the continued presence of new investment projects in semiconductor areas in Japan.
- Q. The Service Solutions Division is performing strongly. Please could you share some of the background and the situation by region?
- A. We are seeing growth in operational support services, conservation, maintenance, and development for facilities that we have delivered, in addition to replacement of expendable items such as functional materials. In addition, we are seeing growth also in new service solutions like those that help customers save energy. Japan accounts for a large share of Service Solutions sales.
- Q. You mention in relation to the Plant Division that the impact of cost reductions has been greater than expected, leading to improving profitability. Please provide your view on whether you expect the same level of margins in the future or whether it is temporary?
- A. We expect the share of sales to the electronics industry, especially semiconductors, in the Plant Division sales to remain high into the future. Although there continue to be concerns about increases in raw materials prices, there are only a limited number of companies that can stably provide the high level of ultrapure water demanded in this market, and the value of the Company is highly regarded by our customers. Moving forward factoring those into our business to the

extent possible, we believe we can expect the same level of margins in the future. Similarly, we are also expecting to be able to maintain the same level of margins in the pharmaceutical sector because of the high level of technology demanded.

Q. Please provide some of the background behind the slow progress on projects in China. In addition, please can you tell us about the risks of similar events occurring in China and elsewhere overseas in the future, and also about the Company's response to these?

A. The main factors in the background are the impact of U.S. export restrictions on China and supply chain disruptions due to residual effects of COVID-19 in the region at the beginning of this year. In response to longer delivery times for raw materials and increases in raw materials prices due to supply chain disruptions, generally including in China, we plan to strengthen our ability to respond with substitute materials and by diversifying our suppliers. Concerning China in particular, we will consider and respond with the use of Chinese domestic products and manufacturing in China among other considerations.

Q. Has the review of processes around customers' circumstances in China run its course, and is business as usual possible from the third quarter onward?

A. The business environment in China remains difficult in the third quarter and beyond. However, we are focused on making progress on the order backlog from the previous fiscal year where construction schedules are concentrated due to slow progress on projects.

Q. Orders are strong at the moment, and also going forward the busy market, including already visible projects, looks set to continue for the time being. But what is the Company's capacity in response to this situation? Please could you provide your views on factors including overall capacity in terms of specific measures, the pace of growth in personnel, as well as the impact of work style reforms starting next year?

A. We are considering increasing efficiency in engineering, reviewing the division of roles with partner companies, and strengthening personnel. Concerning the increasing of efficiency in engineering, we are looking at adopting a framework suitable for large projects and small and medium-sized projects, working to automate some of the planning and design of water treatment plants, and undertaking some significant man-hour reductions. Concerning the overtime caps from April next year, we are working to increase efficiency especially at construction sites in advance. It is a compliance issue and we must comply.

Q. Orders received in the electronics industry were partially brought forward into the first half of the fiscal year. For the full year, will orders received be in line with the initial plan? Does this also mean that domestic orders will be higher than the initial plan while overseas orders will be

lower? That is, will higher domestic orders offset the impact of lower overseas orders? In addition, while there is market sentiment that there will be few large orders in the next fiscal year, what is your view of the market?

A. Orders received in the electronics industry are as you suggest. Concerning the next fiscal year, we expect that it will continue to be difficult to respond to all the numerous inquiries from the electronics and general industries. We will be working on carefully monitoring the project schedule.

Q. Does the forecast for domestic orders include orders from foreign firms?

A. Yes, they are included.

Q. Concerning orders in Taiwan, the first half was almost in line with plan, but there were downward revisions in the second half. Was there any change in customer trends that caused this? Or have expectations of a second half recovery weakened?

A. Investment is being pushed back due to loose semiconductor supply and demand. On the other hand, because there also reports that the performance of major semiconductor manufacturing customers is trending towards recovery, we will expand proactively while watching that trend.

Q. Please could you provide us with some specifics about the factors behind the improvement in profit margin?

A. Raw materials prices have been increasing for the past several years, and this is factored in when working on projects. However, the improvement in profit margin is due to factors including the overall contribution from actual costs having been smaller than expected and general increases in efficiency in construction.

Q. Although the global semiconductor market is clearly entering a downcycle, orders received do not appear to have come down so significantly. Is there a risk of something like the orders for the next fiscal year being consumed ahead of time? Or are you expecting further expansion in the next fiscal year, following the market? Please tell us to the extent that is possible.

A. Overall, there is a trend towards customers bringing forward their orders, which could be said that we are consuming the orders ahead of time. However, we are expecting investment in semiconductor areas to continue to remain active. We are also expecting demand for new and additional work in the general industry and the electric power sector.

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.