

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, 2024 <under Japanese GAAP>

February 2, 2024

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, 2024
 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, 2024 (from April 1, 2023 to December 31, 2023)

(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, 2023	106,236	11.7	14,194	42.8	14,910	35.7	10,250	35.7
December 31, 2022	95,127	22.2	9,940	61.8	10,986	65.1	7,552	42.6

Note: Comprehensive income: Nine months ended December 31, 2023 ¥11,463 million [29.3%]
 Nine months ended December 31, 2022 ¥8,864 million [50.3%]

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Nine months ended		
December 31, 2023	223.22	–
December 31, 2022	164.71	–

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

As of	Total assets	Net assets	Equity-to-asset ratio
	Millions of yen	Millions of yen	%
December 31, 2023	178,969	94,525	52.7
March 31, 2023	164,854	86,371	52.3

(Reference) Equity: As of December 31, 2023 ¥94,282 million As of March 31, 2023 ¥86,170 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, 2023	–	116.00	–	33.00	–
Fiscal year ending March 31, 2024	–	41.00	–		
Fiscal year ending March 31, 2024 (Forecast)				41.00	82.00

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 second quarter-end dividend per share for the fiscal year ended March 31, 2023 was stated before taking into account the effect of this share split, and the total annual dividend for the year was stated as “–.” The annual dividend per share for the fiscal year ended March 31, 2023 that has been calculated based on post-share split figures is ¥62.

3. Consolidated earnings forecasts for the fiscal year ending March 31, 2024 (from April 1, 2023 to March 31, 2024)

(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, 2024	150,000	13.3	22,000	44.6	23,000	43.6	17,000	44.9	370.21

Note: Revisions to the earnings forecasts most recently announced: Yes

*** 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 9 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, 2023	46,359,700 shares
As of March 31, 2023	46,359,700 shares

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

As of December 31, 2023	415,524 shares
As of March 31, 2023	470,795 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, 2023	45,919,310 shares
For the nine months ended December 31, 2022	45,856,201 shares

1. The Company conducted a 4-for-1 common share split effective as of October 1, 2022. Average number of shares outstanding during the period is 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.

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** 5
 - (1) **Consolidated balance sheet** 5
 - (2) **Consolidated statement of income and consolidated statement of comprehensive income**..... 7
 - Consolidated statement of income (cumulative) 7
 - Consolidated statement of comprehensive income (cumulative) 8
 - (3) **Notes to quarterly consolidated financial statements** 9
 - Notes on premise of going concern 9
 - Notes on substantial changes in the amount of shareholders' equity 9
 - Application of special accounting for preparing the quarterly consolidated financial statements 9
 - Segment information, etc. 10

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

(1) Explanation regarding operating results

During the nine months ended December 31, 2023 (April 1, 2023 to December 31, 2023), in the electronics industry, the Organo Group's main market, there was stagnation in the market for semiconductor memory for smartphones and other devices. Nevertheless, against the backdrop of expectations for greater semiconductor demand for the fields of generative AI and electric vehicles and the move to rebuild the global supply chain, active capital investment continues, with multiple large-scale investments in the planning stage in many countries and regions. The general industry field and the social infrastructure field, such as electric power/water supply and sewage, remained strong mainly in Japan with plant projects and service solutions.

Under these conditions, the Organo Group proceeded to draw in orders and make deliveries for large-scale projects in Japan and overseas, while establishing engineering solutions frameworks and strengthening supply chains, etc. to increase our production and delivery capacity and improve the efficiency thereof. We also promoted R&D aimed at the creation of the next-generation technology and new businesses, and worked on initiatives to strengthen governance and sustainability.

As a result, in the Group's financial results for the nine months ended December 31, 2023, orders received decreased by 12.8% year on year to ¥108,884 million, net sales increased by 11.7% to ¥106,236 million, operating profit increased by 42.8% to ¥14,194 million, ordinary profit increased by 35.7% to ¥14,910 million, profit attributable to owners of parent increased by 35.7% to ¥10,250 million, and our carry-over balance for order backlog as of December 31, 2023 was up 3.7% to ¥125,260 million.

Results by segment are as follows.

[Water Treatment Engineering Business Unit]

■Orders received

Orders received decreased 15.7% year on year to ¥92,018 million. In the electronics field, we saw a decline in orders received due to a rebound from the orders we received in the same period of the previous fiscal year for large-scale semiconductor projects in countries including Japan, China, Taiwan, and Malaysia. However, we saw an increase in orders received in the general industry field due to orders for plant projects in electronics peripherals and pharmaceuticals, as well as in the social infrastructure field due to orders for construction of water purification plants and maintenance for power plants.

■Net sales

Net sales increased 12.2% year on year to ¥89,561 million. In the electronics field, net sales increased due to mostly steady progress in the construction of large-scale projects for which orders were received and strong sales in the Service Solutions Division in various maintenance services and facility-owned services, etc. In the general industry field, net sales increased due to progress in the construction of plant projects for which orders were received and growth in the Service Solutions Division. On the other hand, in the social infrastructure field, such as electric power/water supply and sewage, net sales decreased slightly from the same period of the previous fiscal year due to a decrease in the number of on-hand plant projects.

■Operating profit

Operating profit increased 47.0% year on year to ¥12,189 million. Operating profit increased due to sales growth in plant projects in the electronics field and the general industry field, improved profitability due to earnings improvement and cost-cutting initiatives in our individual projects, and strong sales in the Service Solutions Division, including various maintenance services and facility-owned services.

[Performance Products Business Unit]

■Orders received/Net sales

Orders received increased 8.1% year on year to ¥16,865 million and net sales increased 8.7% year on year to ¥16,675 million. Strong sales were achieved in the water treatment chemicals field, mainly sales of various water treatment chemicals such as chemicals for RO membrane treatment and wastewater treatment chemicals for the electronics industry, in the standard equipment and filters field, mainly sales

of small-scale pure water production equipment for medical and research institutions and small water purification filters for coffee machines, and in the food products field, mainly sales of various food processing agents for processed foods.

■ Operating profit

Operating profit increased 21.5% year on year to ¥2,004 million. Operating profit increased as a result of increased sales in each field and the impact of price increases in line with soaring raw materials prices covering the increase in expenses such as personnel expenses.

(2) Explanation regarding financial position

Assets, liabilities and net assets

Assets

Assets as of December 31, 2023 amounted to ¥178,969 million, an increase of ¥14,114 million from the previous fiscal year end. This was mainly due to an increase of ¥18,919 million in investments in leases, despite a decrease of ¥12,048 million in work in process.

Liabilities

Liabilities as of December 31, 2023 amounted to ¥84,443 million, an increase of ¥5,960 million from the previous fiscal year end. This was mainly due to an increase of ¥6,807 million in short-term borrowings, despite a decrease of ¥1,495 million in long-term borrowings.

Net Assets

Net assets as of December 31, 2023 amounted to ¥94,525 million, an increase of ¥8,153 million from the previous fiscal year end. This was mainly due to an increase of ¥6,844 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

The full-year earnings forecasts for the fiscal year ending March 31, 2024 have been reduced by ¥6,500 million from the previous forecasts released on October 25, 2023 to ¥143,500 million (down 17.3% year on year), due to the order balance for certain projects for which we had envisioned investing this fiscal year now being expected next fiscal year. Furthermore, regarding net sales, despite delays in the construction schedules for certain projects in Japan and overseas, overall expectations for construction to progress mostly according to schedule and strength in the Service Solutions Division lead us to expect ¥150,000 million in net sales (up 13.3% year on year), unchanged from our previous announcement. Regarding profits, the Company is expecting to achieve a level of profits exceeding the previous forecast mainly due to the improvement in the profitability rate of plant projects and the performance at a level higher than expected from the Service Solutions Division and the Performance Products Business Unit. Accordingly, we expect operating profit of ¥22,000 million (up 44.6% year on year), ordinary profit of ¥23,000 million (up 43.6% year on year), and profit attributable to owners of parent of ¥17,000 million (up 44.9% year on year).

The Company will revise its forecasts appropriately according to the situation, based on each business segment and the trends in each country and region.

Revisions to the consolidated earnings forecasts for the fiscal year ending March 31, 2024 (April 1, 2023 to March 31, 2024)

	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
Previous forecast (A)	150,000	20,000	20,700	14,000	304.95
Revised forecast (B)	150,000	22,000	23,000	17,000	370.21
Change (B-A)	0	2,000	2,300	3,000	
Change (%)	0.0	10.0	11.1	21.4	
Reference: Full-year results ended March 31, 2023	132,426	15,212	16,020	11,730	255.77

2. Quarterly consolidated financial statements and significant notes thereto

(1) Consolidated balance sheet

(Millions of yen)

	As of March 31, 2023	As of December 31, 2023
Assets		
Current assets		
Cash and deposits	15,558	18,394
Notes and accounts receivable - trade, and contract assets	72,857	70,448
Electronically recorded monetary claims - operating	2,826	3,760
Investments in leases	9,853	28,773
Merchandise and finished goods	7,165	8,566
Work in process	21,886	9,838
Raw materials and supplies	1,744	4,288
Other	4,891	6,664
Allowance for doubtful accounts	(17)	(21)
Total current assets	136,765	150,713
Non-current assets		
Property, plant and equipment		
Buildings and structures	19,183	19,362
Accumulated depreciation	(13,104)	(13,465)
Buildings and structures, net	6,078	5,896
Machinery, equipment and vehicles	6,582	6,704
Accumulated depreciation	(5,452)	(5,752)
Machinery, equipment and vehicles, net	1,129	951
Land	12,296	12,308
Construction in progress	118	211
Other	5,955	6,349
Accumulated depreciation	(4,784)	(5,097)
Other, net	1,171	1,251
Total property, plant and equipment	20,795	20,620
Intangible assets	949	987
Investments and other assets		
Investment securities	2,430	2,712
Retirement benefit asset	815	926
Deferred tax assets	2,673	2,574
Other	596	618
Allowance for doubtful accounts	(171)	(183)
Total investments and other assets	6,343	6,648
Total non-current assets	28,088	28,255
Total assets	164,854	178,969

(Millions of yen)

	As of March 31, 2023	As of December 31, 2023
Liabilities		
Current liabilities		
Notes and accounts payable - trade	20,904	23,015
Electronically recorded obligations - operating	4,640	3,479
Short-term borrowings	29,124	35,932
Income taxes payable	3,014	2,192
Contract liabilities	3,007	5,481
Provision for bonuses	1,594	994
Provision for product warranties	548	923
Provision for loss on construction contracts	512	93
Provision for share awards for directors (and other officers)	105	79
Other	5,284	4,039
Total current liabilities	68,738	76,230
Non-current liabilities		
Long-term borrowings	3,895	2,400
Deferred tax liabilities	91	73
Retirement benefit liability	5,511	5,579
Other	245	160
Total non-current liabilities	9,744	8,213
Total liabilities	78,483	84,443
Net assets		
Shareholders' equity		
Share capital	8,225	8,225
Capital surplus	7,508	7,508
Retained earnings	69,002	75,847
Treasury shares	(613)	(518)
Total shareholders' equity	84,123	91,063
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	539	714
Deferred gains or losses on hedges	(2)	-
Foreign currency translation adjustment	1,191	2,210
Remeasurements of defined benefit plans	317	295
Total accumulated other comprehensive income	2,047	3,219
Non-controlling interests	201	242
Total net assets	86,371	94,525
Total liabilities and net assets	164,854	178,969

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

(Millions of yen)

	Nine months ended December 31, 2022 (From April 1, 2022 to December 31, 2022)	Nine months ended December 31, 2023 (From April 1, 2023 to December 31, 2023)
Net sales	95,127	106,236
Cost of sales	70,622	76,446
Gross profit	24,505	29,790
Selling, general and administrative expenses	14,565	15,596
Operating profit	9,940	14,194
Non-operating income		
Interest income	21	97
Dividend income	41	44
Foreign exchange gains	828	480
Share of profit of entities accounted for using equity method	156	131
Other	113	147
Total non-operating income	1,161	901
Non-operating expenses		
Interest expenses	108	172
Other	6	12
Total non-operating expenses	115	184
Ordinary profit	10,986	14,910
Extraordinary income		
Gain on sale of non-current assets	5	13
Gain on sale of investment securities	2	31
Gain on liquidation of subsidiaries	–	57
Total extraordinary income	7	102
Extraordinary losses		
Loss on abandonment of non-current assets	21	25
Loss on sale of investment securities	1	–
Total extraordinary losses	23	25
Profit before income taxes	10,970	14,987
Income taxes	3,401	4,722
Profit	7,569	10,265
Profit attributable to non-controlling interests	16	15
Profit attributable to owners of parent	7,552	10,250

Consolidated statement of comprehensive income (cumulative)

(Millions of yen)

	Nine months ended December 31, 2022 (From April 1, 2022 to December 31, 2022)	Nine months ended December 31, 2023 (From April 1, 2023 to December 31, 2023)
Profit	7,569	10,265
Other comprehensive income		
Valuation difference on available-for-sale securities	56	173
Deferred gains or losses on hedges	(0)	2
Foreign currency translation adjustment	1,218	1,044
Remeasurements of defined benefit plans, net of tax	20	(22)
Share of other comprehensive income of entities accounted for using equity method	0	1
Total other comprehensive income	1,295	1,198
Comprehensive income	8,864	11,463
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	8,818	11,422
Comprehensive income attributable to non-controlling interests	46	40

(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, 2023, 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.

Segment information, etc.

[Segment information]

I 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.

II Nine months ended December 31, 2023 (From April 1, 2023 to December 31, 2023)

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	89,561	16,675	106,236	–	106,236
Intersegment sales or transfers	0	295	296	(296)	–
Total	89,562	16,971	106,533	(296)	106,236
Segment profit	12,189	2,004	14,194	–	14,194

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.