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Consolidated Financial Results for the First Six Months of the Fiscal Year Ending March 31, 2024 <under Japanese GAAP>

November 1, 2023

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 Listing: Tokyo Stock Exchange
 Securities code: 6368
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 Scheduled date to file quarterly securities report: November 10, 2023
 Scheduled date to commence dividend payments: December 4, 2023
 Preparation of supplementary material on quarterly financial results: Yes
 Holding of quarterly financial results presentation meeting: Yes (for institutional investors and analysts)

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

1. Consolidated financial results for the first six months of the fiscal year ending March 31, 2024 (from April 1, 2023 to September 30, 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	%
Six months ended								
September 30, 2023	65,469	5.4	7,855	20.7	8,539	14.6	5,538	10.2
September 30, 2022	62,117	24.2	6,510	72.6	7,451	77.7	5,027	86.4

Note: Comprehensive income: Six months ended September 30, 2023 ¥6,615 million [6.2%]
 Six months ended September 30, 2022 ¥6,231 million [93.5%]

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Six months ended		
September 30, 2023	120.64	—
September 30, 2022	109.67	—

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
	Millions of yen	Millions of yen	%
As of			
September 30, 2023	170,628	91,564	53.5
March 31, 2023	164,854	86,371	52.3

(Reference) Equity: As of September 30, 2023 ¥91,330 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	20,000	31.5	20,700	29.2	14,000	19.3	304.95

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

*** 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 10 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 September 30, 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 September 30, 2023	415,367 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 six months ended September 30, 2023	45,908,622 shares
For the six months ended September 30, 2022	45,842,128 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 six months” on page 4 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 six 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 4
- 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) Consolidated statement of cash flows 9
 - (4) Notes to quarterly consolidated financial statements 10
 - Notes on premise of going concern..... 10
 - Notes on substantial changes in the amount of shareholders' equity..... 10
 - Application of special accounting for preparing the quarterly consolidated financial statements 10
 - Segment information, etc. 11
 - Significant subsequent events 12

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

(1) Explanation regarding operating results

During the six months ended September 30, 2023 (April 1, 2023 to September 30, 2023), the global economy was proceeding under conditions of a more pronounced shadow of weak growth amid observed slowing of economic activity in China and Europe, including declining volumes of global trade due to the expansion of U.S. restrictions on semiconductors from China, and protraction of the economic rift between the Western states and Russia.

With regard to the environment in which the Organo Group operates, the electronics industry, our main market, is currently seeing sluggish conditions in the semiconductor market, particularly for memory. Nevertheless, a high level of capital investment is expected, with multiple large-scale investments in the planning stage amid signs of a rebuilding of the global supply chain and a forecast for growing demand for semiconductors over the long term. The general industry field, 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 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 engaged in initiatives to enhance R&D aimed at the creation of the next-generation technology and new businesses, and worked on strengthening initiatives for governance and sustainability.

As a result, in the Group's financial results for the six months ended September 30, 2023, orders received decreased by 2.7% year on year to ¥76,150 million, net sales increased by 5.4% to ¥65,469 million, operating profit increased by 20.7% to ¥7,855 million, ordinary profit increased by 14.6% to ¥8,539 million, profit attributable to owners of parent increased by 10.2% to ¥5,538 million, and our carry-over balance for order backlog as of September 30, 2023 was up 23.6% to ¥132,833 million.

Results by segment are as follows.

[Water Treatment Engineering Business Unit]

■Orders received

Orders received decreased 4.2% year on year to ¥65,084 million. In the electronics field, we saw a decline in orders received in the Plant Division, 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 and China. However, the Service Solutions Division performed strongly, including various maintenance services and facility-owned services. In addition, in the general industry field, the social infrastructure field, which includes electronics peripherals and pharmaceuticals, saw increased orders received compared with the same period of the previous fiscal year, due to orders for plant projects, including those for power plants and water purification plants.

■Net sales

Net sales increased 4.5% year on year to ¥54,419 million. In the electronics field, despite construction schedule delays for certain projects in China and Taiwan, net sales remained on par with the same period of the previous fiscal year, owing to steady progress on the construction of the large-scale projects in Japan, and strong performance in the Service Solutions Division, including various maintenance services and facility-owned services. In the general industry field, net sales increased, mainly as a result of recording sales of a plant project ordered in the previous year, and growth in sales in the Service Solutions Division. On the other hand, in the social infrastructure field, such as electric power/water supply and sewage, net sales declined slightly mainly due to lower sales from plant projects.

■Operating profit

Operating profit increased 21.3% year on year to ¥6,585 million. In addition to the effects of greater revenue resulting from higher sales, in the electronics and general industry fields, we achieved improvements in the profitability rate of projects mainly through cost reductions in plant projects and various profitability improvement initiatives. The Service Solutions Division performed favorably in various maintenance services and facility-owned services, etc. As a result, gross profit grew, offsetting

risers in expenses such as personnel expenses, research and development expenses and outsourcing expenses, and resulting in an increase in operating profit.

[Performance Products Business Unit]

■Orders received/Net sales

Orders received increased 7.8% year on year to ¥11,065 million and net sales increased 10.1% year on year to ¥11,050 million. Strong sales were achieved in the water treatment chemicals field, mainly sales of various chemicals for the electronics industry, in the standard equipment and filters field, mainly sales of small-scale pure water production equipment and water purification filters for industrial use, and in the food products field, mainly sales of various food processing agents.

■Operating profit

Operating profit increased 17.6% year on year to ¥1,270 million. Operating profit increased as a result of the increased sales in the water treatment chemicals field, standard equipment and filters field and food products field covering for the impact of increased expenses, including rising costs such as raw material prices and personnel expenses.

(2) Explanation regarding financial position

Assets, liabilities and net assets

Assets

Assets as of September 30, 2023 amounted to ¥170,628 million, an increase of ¥5,774 million from the previous fiscal year end. This was mainly due to an increase of ¥19,140 million in investments in leases, despite a decrease of ¥13,872 million in work in process.

Liabilities

Liabilities as of September 30, 2023 amounted to ¥79,064 million, an increase of ¥581 million from the previous fiscal year end. This was mainly due to an increase of ¥4,814 million in contract liabilities, despite a decrease of ¥3,632 million in notes and accounts payable - trade.

Net Assets

Net assets as of September 30, 2023 amounted to ¥91,564 million, an increase of ¥5,192 million from the previous fiscal year end. This was mainly due to an increase of ¥4,019 million in retained earnings resulting from the recording of profit attributable to owners of parent.

Cash flows

Cash and cash equivalents (hereinafter, “cash”) as of September 30, 2023 decreased by ¥767 million from the previous fiscal year end to ¥14,790 million.

Cash flows from operating activities

Net cash provided by operating activities for the six months ended September 30, 2023 was ¥39 million. This was mainly because there was an increase in cash from the recording of profit before income taxes, etc. while there was a decrease in cash due to construction of contract water treatment facilities, etc. (Net cash of ¥10,848 million was used in the six months ended September 30, 2022.)

The increase in investments in leases of ¥19,140 million and the decrease in inventories of ¥12,016 million in the statement of cash flows were mainly due to the transfer from inventories to investments in leases due to the completion of contract water treatment facilities.

Cash flows from investing activities

Net cash used in investing activities for the six months ended September 30, 2023 was ¥808 million. This was mainly due to purchase of property, plant and equipment of ¥624 million. (Net cash of ¥779 million was used in the six months ended September 30, 2022.)

Cash flows from financing activities

Net cash used in financing activities for the six months ended September 30, 2023 was ¥455 million. This was mainly because there was a decrease in cash due to dividends paid of ¥1,518 million and repayments of long-term borrowings of ¥900 million while there was an increase in cash due to a net increase in short-term borrowings of ¥2,047 million. (Net cash of ¥3,162 million was provided in the six months ended September 30, 2022.)

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

With respect to the full-year earnings forecasts for the fiscal year ending March 31, 2024, although there have recently been delays in investment plans, construction schedules, etc. for some projects in the electronics industry, there have not been any suspensions or cancellations of ordered projects. Moreover, concerning future investment plans, our main customers in Japan and overseas are making multiple plans for investment, looking to break-up manufacturing bases for semiconductors and in anticipation of growth in demand for semiconductors in the medium to long term. With this in mind, we generally expect earnings to progress as originally forecasted. Accordingly, we are expecting orders received on par with the initial forecast of ¥150,000 million (down 13.5% year on year), and net sales of ¥150,000 million (up 13.3% year on year). Regarding profits, the Company is expecting to achieve a level of profits exceeding the initial forecast mainly due to the improvement in the profitability rate of plant projects and the strong performances from the Service Solutions Division and the Performance Products Business Unit. Accordingly, we expect operating profit of ¥20,000 million (up 31.5% year on year), ordinary profit of ¥20,700 million (up 29.2% year on year), and profit attributable to owners of parent of ¥14,000 million (up 19.3% 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.

2. Quarterly consolidated financial statements and significant notes thereto

(1) Consolidated balance sheet

(Millions of yen)

	As of March 31, 2023	As of September 30, 2023
Assets		
Current assets		
Cash and deposits	15,558	14,790
Notes and accounts receivable - trade, and contract assets	72,857	68,727
Electronically recorded monetary claims - operating	2,826	2,728
Investments in leases	9,853	28,994
Merchandise and finished goods	7,165	8,668
Work in process	21,886	8,013
Raw materials and supplies	1,744	2,239
Other	4,891	8,168
Allowance for doubtful accounts	(17)	(21)
Total current assets	136,765	142,309
Non-current assets		
Property, plant and equipment		
Buildings and structures	19,183	19,313
Accumulated depreciation	(13,104)	(13,365)
Buildings and structures, net	6,078	5,947
Machinery, equipment and vehicles	6,582	6,682
Accumulated depreciation	(5,452)	(5,654)
Machinery, equipment and vehicles, net	1,129	1,027
Land	12,296	12,308
Construction in progress	118	120
Other	5,955	6,217
Accumulated depreciation	(4,784)	(4,963)
Other, net	1,171	1,254
Total property, plant and equipment	20,795	20,658
Intangible assets	949	951
Investments and other assets		
Investment securities	2,430	2,777
Retirement benefit asset	815	907
Deferred tax assets	2,673	2,617
Other	596	590
Allowance for doubtful accounts	(171)	(183)
Total investments and other assets	6,343	6,709
Total non-current assets	28,088	28,319
Total assets	164,854	170,628

(Millions of yen)

	As of March 31, 2023	As of September 30, 2023
Liabilities		
Current liabilities		
Notes and accounts payable - trade	20,904	17,272
Electronically recorded obligations - operating	4,640	4,059
Short-term borrowings	29,124	31,633
Income taxes payable	3,014	2,706
Contract liabilities	3,007	7,822
Provision for bonuses	1,594	2,021
Provision for product warranties	548	1,051
Provision for loss on construction contracts	512	176
Provision for share awards for directors (and other officers)	105	51
Other	5,284	3,421
Total current liabilities	68,738	70,216
Non-current liabilities		
Long-term borrowings	3,895	3,000
Deferred tax liabilities	91	105
Retirement benefit liability	5,511	5,574
Other	245	168
Total non-current liabilities	9,744	8,848
Total liabilities	78,483	79,064
Net assets		
Shareholders' equity		
Share capital	8,225	8,225
Capital surplus	7,508	7,508
Retained earnings	69,002	73,021
Treasury shares	(613)	(517)
Total shareholders' equity	84,123	88,238
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	539	746
Deferred gains or losses on hedges	(2)	-
Foreign currency translation adjustment	1,191	2,042
Remeasurements of defined benefit plans	317	302
Total accumulated other comprehensive income	2,047	3,091
Non-controlling interests	201	233
Total net assets	86,371	91,564
Total liabilities and net assets	164,854	170,628

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

(Millions of yen)

	Six months ended September 30, 2022 (From April 1, 2022 to September 30, 2022)	Six months ended September 30, 2023 (From April 1, 2023 to September 30, 2023)
Net sales	62,117	65,469
Cost of sales	46,009	47,340
Gross profit	16,108	18,129
Selling, general and administrative expenses	9,597	10,274
Operating profit	6,510	7,855
Non-operating income		
Interest income	14	46
Dividend income	21	22
Foreign exchange gains	909	575
Share of profit of entities accounted for using equity method	100	62
Other	95	112
Total non-operating income	1,140	819
Non-operating expenses		
Interest expenses	72	107
Other	127	27
Total non-operating expenses	200	134
Ordinary profit	7,451	8,539
Extraordinary income		
Gain on sale of non-current assets	4	6
Gain on sale of investment securities	2	3
Total extraordinary income	6	10
Extraordinary losses		
Loss on abandonment of non-current assets	11	22
Total extraordinary losses	11	22
Profit before income taxes	7,446	8,527
Income taxes	2,410	2,985
Profit	5,035	5,541
Profit attributable to non-controlling interests	7	3
Profit attributable to owners of parent	5,027	5,538

Consolidated statement of comprehensive income (cumulative)

(Millions of yen)

	Six months ended September 30, 2022 (From April 1, 2022 to September 30, 2022)	Six months ended September 30, 2023 (From April 1, 2023 to September 30, 2023)
Profit	5,035	5,541
Other comprehensive income		
Valuation difference on available-for-sale securities	(33)	205
Deferred gains or losses on hedges	0	2
Foreign currency translation adjustment	1,215	879
Remeasurements of defined benefit plans, net of tax	13	(15)
Share of other comprehensive income of entities accounted for using equity method	(0)	1
Total other comprehensive income	1,195	1,073
Comprehensive income	6,231	6,615
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	6,199	6,583
Comprehensive income attributable to non-controlling interests	31	32

(3) Consolidated statement of cash flows

(Millions of yen)

	Six months ended September 30, 2022 (From April 1, 2022 to September 30, 2022)	Six months ended September 30, 2023 (From April 1, 2023 to September 30, 2023)
Cash flows from operating activities		
Profit before income taxes	7,446	8,527
Depreciation	798	955
Increase (decrease) in provisions	35	632
Increase (decrease) in retirement benefit liability	140	57
Decrease (increase) in retirement benefit asset	(121)	(120)
Interest and dividend income	(35)	(69)
Interest expenses	72	107
Foreign exchange losses (gains)	(385)	(97)
Share of loss (profit) of entities accounted for using equity method	(100)	(62)
Loss (gain) on sale of property, plant and equipment	(4)	(6)
Loss on abandonment of non-current assets	11	22
Loss (gain) on sale of investment securities	(2)	(3)
Decrease (increase) in trade receivables and contract assets	(7,328)	6,082
Decrease (increase) in investments in leases	1,206	(19,140)
Decrease (increase) in inventories	(10,412)	12,016
Increase (decrease) in trade payables	(223)	(5,027)
Other, net	(356)	(574)
Subtotal	(9,258)	3,299
Interest and dividends received	48	81
Interest paid	(77)	(103)
Income taxes refund (paid)	(1,628)	(3,311)
Other, net	66	73
Net cash provided by (used in) operating activities	(10,848)	39
Cash flows from investing activities		
Purchase of property, plant and equipment	(687)	(624)
Proceeds from sale of property, plant and equipment	5	7
Purchase of intangible assets	(96)	(201)
Purchase of investment securities	(299)	(1)
Proceeds from sale of investment securities	6	9
Proceeds from collection of loans receivable	300	–
Other, net	(7)	2
Net cash provided by (used in) investing activities	(779)	(808)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	5,256	2,047
Repayments of long-term borrowings	(1,000)	(900)
Dividends paid	(1,012)	(1,518)
Other, net	(81)	(85)
Net cash provided by (used in) financing activities	3,162	(455)
Effect of exchange rate change on cash and cash equivalents	813	457
Net increase (decrease) in cash and cash equivalents	(7,652)	(767)
Cash and cash equivalents at beginning of period	20,198	15,558
Cash and cash equivalents at end of period	12,545	14,790

(4) 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 second quarter ended September 30, 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 Six months ended September 30, 2022 (From April 1, 2022 to September 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	52,083	10,034	62,117	–	62,117
Intersegment sales or transfers	0	179	179	(179)	–
Total	52,083	10,214	62,297	(179)	62,117
Segment profit	5,430	1,080	6,510	–	6,510

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 Six months ended September 30, 2023 (From April 1, 2023 to September 30, 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	54,419	11,050	65,469	–	65,469
Intersegment sales or transfers	0	195	195	(195)	–
Total	54,419	11,246	65,665	(195)	65,469
Segment profit	6,585	1,270	7,855	–	7,855

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.

Significant subsequent events

Absorption-type merger with a consolidated subsidiary

The Company, at its Board of Directors meeting held on October 25, 2023, resolved to conduct an absorption-type merger (the “Merger”) with an effective date of April 1, 2024 (scheduled), under which the Company shall be the surviving company in the absorption-type merger and the Company’s consolidated subsidiary ORGANO ECO TECH CORPORATION shall be the disappearing company in the absorption-type merger, and concluded a merger agreement with the said company on the same date.

1. Purpose of the Merger

To strengthen the engineering structure as set forth in the Medium-Term Management Plan, concentrate management resources and build an efficient delivery system, the Company decided to conduct the absorption-type merger with the consolidated subsidiary.

2. Overview of the Merger

(1) Name of the disappearing company of the Merger and its business description (as of March 31, 2023)

Name of the disappearing company of the Merger: ORGANO ECO TECH CORPORATION
Business description: Manufacture, sale and maintenance of water treatment facilities and systems, and sale of water treatment chemicals

Share capital: ¥50 million
Net assets: ¥1,195 million
Total assets: ¥4,389 million
Net sales: ¥6,689 million
Profit: ¥745 million

(2) Schedule of the Merger

Board of Directors resolution approving the merger agreement: October 25, 2023
Date of conclusion of the merger agreement: October 25, 2023
Effective date of the Merger: April 1, 2024 (scheduled)

Note: For the Company, the Merger is a simplified merger pursuant to the provisions of Article 796, paragraph (2) of the Companies Act. For ORGANO ECO TECH CORPORATION, the Merger is a short-form merger pursuant to the provision of Article 784, paragraph (1) of the Companies Act. Therefore, neither company will hold a general meeting of shareholders concerning the approval of the merger agreement.

(3) Method of the Merger

In the absorption-type merger, the Company will be the surviving company and ORGANO ECO TECH CORPORATION will be dissolved.

(4) Details of allotments concerning the Merger

As the Merger is an absorption-type merger with a wholly owned subsidiary, it will not involve allotments of shares, money, etc.

(5) Overview of the surviving company in the Merger

Name: ORGANO CORPORATION
Share capital: ¥8,225 million
Business description: Manufacture, sale and maintenance of water treatment facilities and systems, and sale of water treatment chemicals and food processing materials

3. Situation after the Merger

After the Merger, there will be no changes to the Company’s name, location, name and title of representative, business description, share capital and fiscal year-end.

4. Future outlook

As the Merger is an absorption-type merger with a wholly owned consolidated subsidiary of the Company, it will have a negligible impact on consolidated operating results.