Summary of Q&A on Financial Results Presentation Meeting for the Fiscal Year Ended March 31, 2024 (Held on May 15, 2024)

ORGANO CORPORATION

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

Q: Please could you explain how sales increased despite orders declining compared to the previous fiscal year?

A: The lead time on large-scale projects is from 18 to 24 months, and so the progress on construction for projects ordered in the previous fiscal year or before contributed to sales increasing in the context of a decline in orders compared to the previous fiscal year.

Q: Please could you explain the main reasons why SG&A expenses increased?

A: The main drivers included an increase in personnel costs, including returns to employees, an increase in research and development expenses, and investments to drive operational efficiencies.

Q: Please could you explain why operating profit increased significantly compared to the previous fiscal year and to plan?

A: That is due to the increased revenue compared to the previous fiscal year, and, another factor which explains the positive movement compared to both the previous fiscal year and plan, the impact of higher than assumed price pass-through of materials and raw materials price increases.

Q: What if any risks are you assuming regarding sales prices and the cost side in your plan for operating profit for the fiscal year ending March 31, 2025?

A: Our plan is incorporating rising materials and raw materials prices as well as rising personnel costs including construction unit costs. In the current state, we are not considering downside risk to profit.

Q: Regarding the investment in facility-owned services expected of ¥18 billion in this fiscal year, which we believe occurs not only in this fiscal year but continues into the next fiscal year, please could you share some detail on the total investment?

A: The ¥18 billion of planned investment is the expected total amount for several projects. Each of these projects is expected to proceed in multiple phases, and this is the investment expected at present. The total investment beyond that is difficult to ascertain.

Q: Is the large year-on-year decline in the value of orders from China in the fiscal year ended March 31, 2024, due to the lack of large-scale projects or discrepancies in the timing of projects? Or is it due to the semiconductor manufacturing equipment market in China not expanding?

A: Up until the end of the fiscal year ended March 31, 2023, we had a large backlog of orders and were very busy, restricting receiving orders, and factors such as discrepancies in the timing of investments in large-scale projects due to the tightening of U.S. export restrictions to China are having some impact.

Q: You have already achieved your operating profit ratio target for FY2030. What factors hadn't been incorporated when you formulated your plan? Also, please could you give us your view on the continuity of this profitability and the possibility for further upside? Furthermore, are there any upward revisions to your Medium-term Management Plan in view during the period?

A: Both the delivery times and the prices of materials have increased considerably. There was some difficulty in determining how much of the price pass-through could be expected to be factored into earnings. This was also due to ongoing, active semiconductor-related capital investment both domestically and overseas which led us to be more selective in receiving orders for projects than initially assumed, and our operating profit ratio was higher than expected. We were able to achieve our operating profit ratio target for FY2030 ahead of schedule, and given active capital investment for semiconductors is expected to continue, we believe that we can maintain the current level of operating profit ratio for the time being.

Our Medium-term Management Plan is a rolling three-year plan that is updated every year, and there is the possibility that our targets for each fiscal year may be revised depending on the performance trends and outlook.

Q: You mentioned M&A. Do you have any specific views on target areas or geographies?

A: We are considering a variety of area such as sales networks to promote overseas development, and companies with technology that can complement our technology, or companies with digital technology that can be used to strengthen our engineering capabilities. We are assuming this would include both domestic and overseas regions.

Q: Your Service Solutions business is expected to increase by ¥20 billion over the next three years. How much of this growth is attributable to facility-owned services? Also, since maintenance and replacement of expendable items are linked to the operations of semiconductor plants, would we be correct to think that plan forecasts are easier to make for these than for plants?

A: We are assuming the facility-owned services projects will be domestic projects. It is difficult for us to provide an outlook, as the type and length of contracts will vary depending on customers' financing strategies. However, since we can expect stable earnings from facility-owned services and since they will lead to the accumulation of new knowledge in facility operational support services and maintenance management, we intend to seize opportunities and proactively promote their expansion. Regarding maintenance and replacement of expendable items, it is easier to forecast revenues compared to plants.

Q: Orders from China are expected to recover this fiscal year. What types of projects are you assuming? Please could you share your view on the development of orders from China, including political risks?

A: Due to U.S. export restrictions on the cutting-edge semiconductor sector, we are assuming projects in the legacy sector, where technology development and investment are actively continuing. In the actual handling of projects, we will proceed with caution, checking for any infringements of export restrictions and their trends.

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.