

Summary of Q&A on Financial Results Presentation Meeting
for the First Half of the Fiscal Year Ending March 31, 2025
(Held on November 5, 2024)

ORGANO CORPORATION

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

Q: Operating profit increased by more than ¥2 billion in both the first half and full year due to improvement in the profit margin. Please could you explain how much of this was due to improvement profitability of Plant orders and how much was due to improvement in the sales mix resulting from increases in Service Solutions?

A: While I do not have the specific figures to hand, the split would be around 50-50.

Q: The U.S. continues to impose strict restrictions on exports of semiconductor technology and manufacturing equipment to China. Please could you explain the impact on your business in China and the outlook for your company?

A: Our activities in the semiconductor sector in China are centered on the legacy sector, which is not subject to the U.S. export restrictions, so we do not currently anticipate any significant impact. However, we will closely monitor future regulatory developments.

Q: Please could you give us a view on orders by region for the next fiscal year? Also, could you please provide a comment concerning Korea and the U.S. in relation to the upsurge in the HBM market?

A: The plan for the next fiscal year is not finalized, and so this is an indicative view. However, we are assuming high levels of investment continue in Japan, China, and Taiwan just as in the prior year and the current year. Concerning Malaysia, with the expansion of Chinese companies, we recognize that one issue is how to maintain and further develop our presence. Concerning Korea, we are currently not working on business development. The U.S. is a top priority region for our overseas expansion, and we will continue our efforts focused on projects for the Taiwanese semiconductor majors.

Q: Are order enquiries in China decreasing?

A: There is no sense that enquiries are currently decreasing. We continue to receive many enquiries in the legacy sector. On the other hand, as it is a difficult market to predict, we continue to monitor developments closely.

Q: Your profit margin has improved in both the first-half results and the full-year plan. Is that dependent on the projects and is it temporary?

A: With our customers actively investing, we cannot respond on every project out there. That kind of supply-demand environment is making a significant contribution to the improvement in profit margins of the entire company. We believe that investment in the semiconductor sector will remain strong until at least around 2030.

Q: Are you expecting the upward trend in improvement in profit margins in Plant to continue into the future?

A: The supply-demand environment is favorable, and we are factoring in some necessary cost increases. However, we are not assuming further increases in profit margins. We are assuming that we will be able to maintain an operating profit margin similar to the current operating profit margin in the next fiscal year and beyond.

Q: Your Medium-term Management Plan forecasts ROE declining in the next fiscal year and beyond. Please could you explain whether you forecast a decline in the profitability of the projects you are currently taking orders for?

A: Concerning the decline in ROE, the increase in equity due to the accumulation of profits is having some impact. How to use that equity for further growth investment is an issue that we are grappling with.

Q: Please provide some of the background on the significant growth in net sales for Service Solutions. Would that relate to the steady increase in the utilization rate by your major customers and strong demand for maintenance?

A: One aspect is that there is growth in facility-owned services that we have been actively growing investment for over recent years. Another aspect is that there is growth in demand for maintenance and the consumable replacement due to growth in utilization rates of our major customers.

Q: Please could you give us a view on the competitive situation in the advanced separation and purification business? In addition, you have a target of ¥5 billion in net sales by 2030, but could you provide a view on the long-term potential market size?

A: At present, we do not see any major competitors. The long-term potential market size is difficult to know. However, we believe that demand for ultra-advanced purification including for electronic materials will grow in line with growth of the electronics industry. We believe that amid the move towards CO₂ reduction, in the future, the recovery, purification, and reuse of energy efficient materials will be more highly valued and growth can be expected.

Q: Please could you provide an update on the increase in engineering personnel and the progress on engineering automation to achieve net sales growth in the future?

A: The issue for future growth is how to increase delivery capacity. One aspect is systematically increasing personnel and developing human resources. We are considering not only domestic graduates and experienced hires but also actively recruiting and hiring engineers from overseas. At the same time, we also need to lift the efficiency of engineering work. We are working together with the start-up company LIGHTz on methods to use the know-how of veteran engineers in a versatile way. We are also advancing our efforts on increasing efficiency through various other methods.

Q: In the context of suppressed investment in semiconductor pre-process like EUV, it is expected that there will be more active investment in post-process in the future. In post-process, there is new technology appearing and cleaning needs are increasing. Please could you provide a view on the level of expectation regarding the contribution to business performance for post-process?

A: Amid increasing demand for semiconductors for AI, cleaning needs for post-process are also increasing. As we have been receiving an increasing number of enquiries about facilities, we are also optimistic about the expansion of demand in the future.

Q: Major Taiwanese foundries are also expanding in Europe. How do you see the outlook for orders there?

A: We do not currently have a presence in Europe, but we will be considering it in the future. We will consider the possibilities for business models based on our technologies and products outside ultrapure water for semiconductors, and we will also consider expansion into the European market.

Q: You have continued to grow via organic growth up until now, but have you considered means such as M&A?

A: We are considering M&A as one means of achieving future growth. There are various aspects, such as the launch and growth of overseas business, acquisition of new technology and a sales network, which we are considering.

Q: In the context of the restarting of nuclear plants gradually progressing, please could you provide your business outlook for the electric power sector?

A: We maintain a high share of the water treatment market in the domestic electric power sector, including nuclear plants. With the restarting of nuclear plants progressing, we believe that demand will grow for maintenance and the consumable replacement. We believe that nuclear plants are an indispensable element in Japan, for now, in the energy balance. We believe that

while the share of renewable energy in the power supply grid will probably continue to increase, we will nonetheless continue to see strong demand for water treatment and Service Solutions in the electric power sector, where we maintain high market share.

Q: The vendor market share by customer in the semiconductor industry appears relatively unchanged. Do you think there is any possibility of that changing in the future?

A: We do not think that customers are going to quickly change the ultrapure water supply facilities they use in the important cleaning process, which accounts for about 30% of the semiconductor manufacturing process. Therefore, we believe it would be difficult for any significant change in market share to occur for ourselves or our competitors in the Taiwan and Korea markets where our major customers are.

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.