

Organo Corporation

Report on the Second Quarter Financial Results for the Term Ending March 31, 2015

November 10, 2014

Report on the Second Quarter Financial Results and Forecasts for FY2014

Hiroyuki Uchida,
President

The Consolidated Organo Group

Organo Corporation
Organo Plant Service Corporation
Organo Food Tech Corporation
Organo Acty Corporation
Organo Eco Tech Corporation
< Japan >

Organo (Suzhou) Water
Treatment Co., Ltd.
< China >

Organo (Thailand) Co., Ltd.
< Thailand >

Organo (Asia) Sdn. Bhd.
< Malaysia >

Ref ; Non-consolidated Companies
Organo (Singapore) Pte Ltd <Singapore>
Organo (Vietnam) Co., Ltd. <Vietnam>
PT Lautan Organo Water <Indonesia>

Organo Technology Co., Ltd.
< Taiwan >

Financial Results of the Second Quarter, FY2014

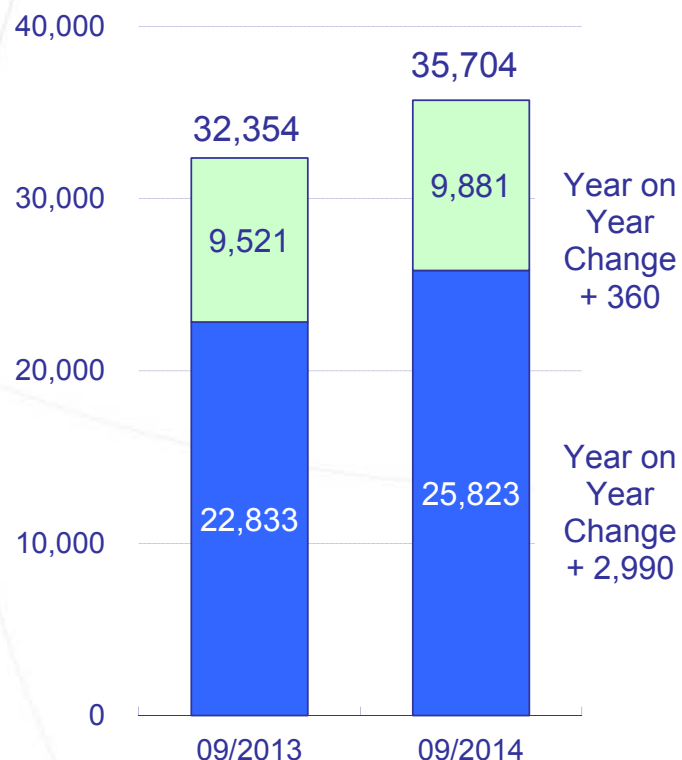
(millions of yen)

	09/2013 Result	09/2014 Plan	09/2014 Result	Year on Year Change	Change from Initial Plan
Orders Received	32,354	35,000	35,704	+ 3,350	+ 704
Net Sales	26,791	30,000	28,633	1,842	△ 1,367
Gross Profit	6,447	6,300	6,115	△ 332	△ 185
(%)	24.1	21.0	21.4	△ 2.7 pt	+ 0.4 pt
SG&A	6,877	6,800	6,547	△ 330	△ 253
Operating Income	△ 429	△ 500	△ 432	△ 3	+ 68
Ordinary Income	△ 229	△ 550	△ 444	△ 215	+ 106
Net Income	△ 134	△ 300	△ 583	△ 449	△ 283

Financial Results of the Second Quarter FY2014 (by Business Segment)

Orders Received

(millions of yen)



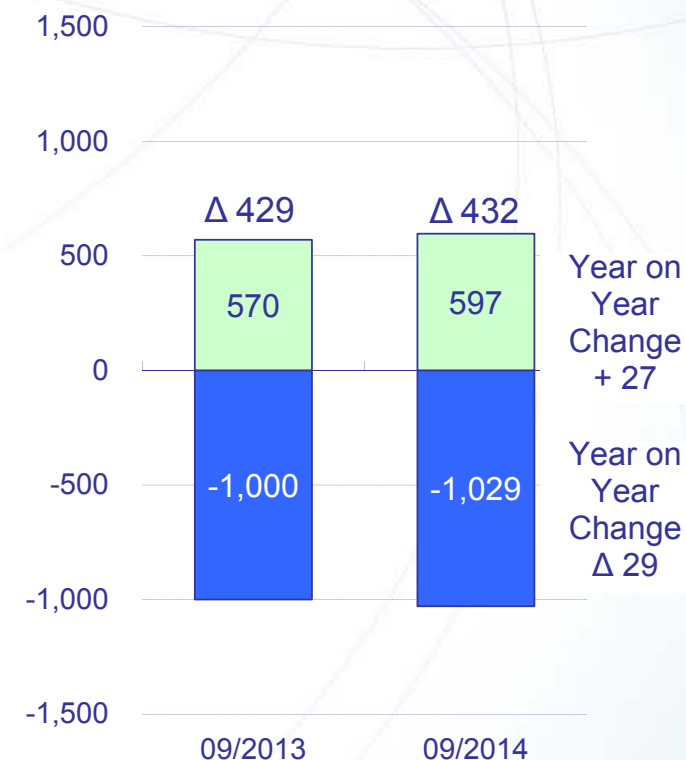
Net Sales

(millions of yen)



Operating Income

(millions of yen)



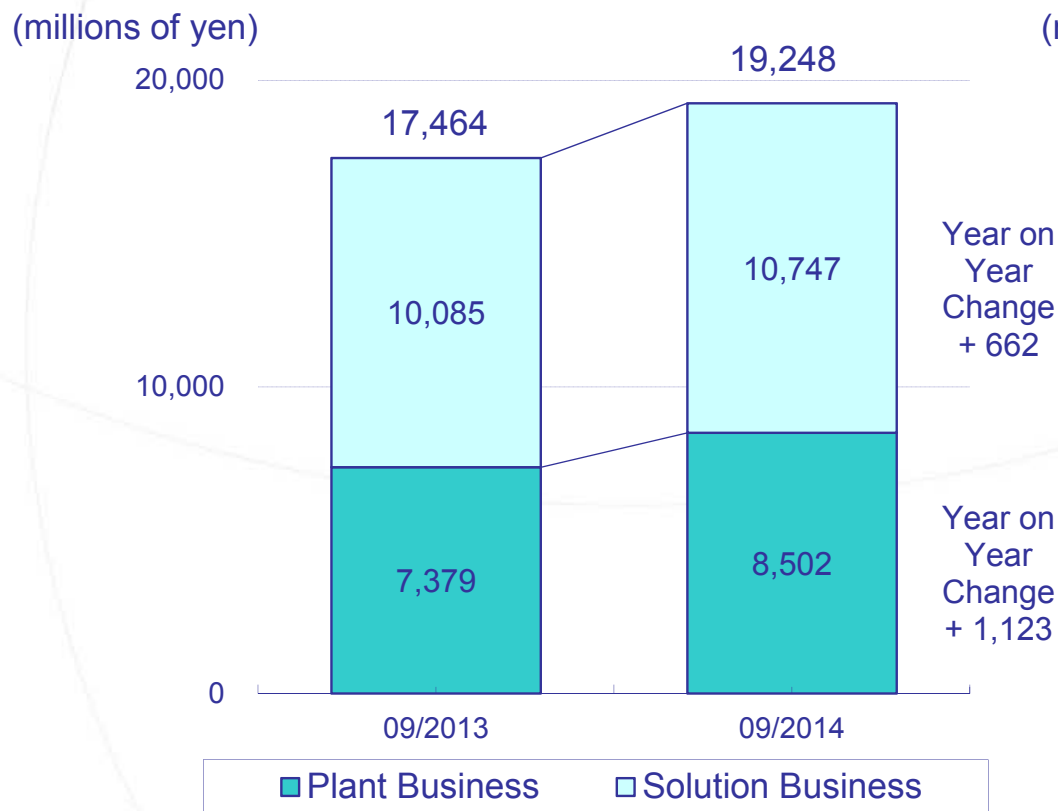
■ Water Treatment Engineering ■ Functional Product

[Water Treatment Engineering] Orders increased, primarily for plants in the domestic electronics industries and municipal water and sewage treatment. Sales climbed in the domestic electronics industries and general industries, despite a decline in the overseas electronics industries. Operating income decreased, mainly due to a decline in profitability, despite decreased SG&A expenses.

[Functional Products] Both orders and sales remained unchanged from the same period of the previous year. Operating income increased due to decrease in SG&A expenses.

Sales by Business Segment and Customer (Water Treatment Engineering)

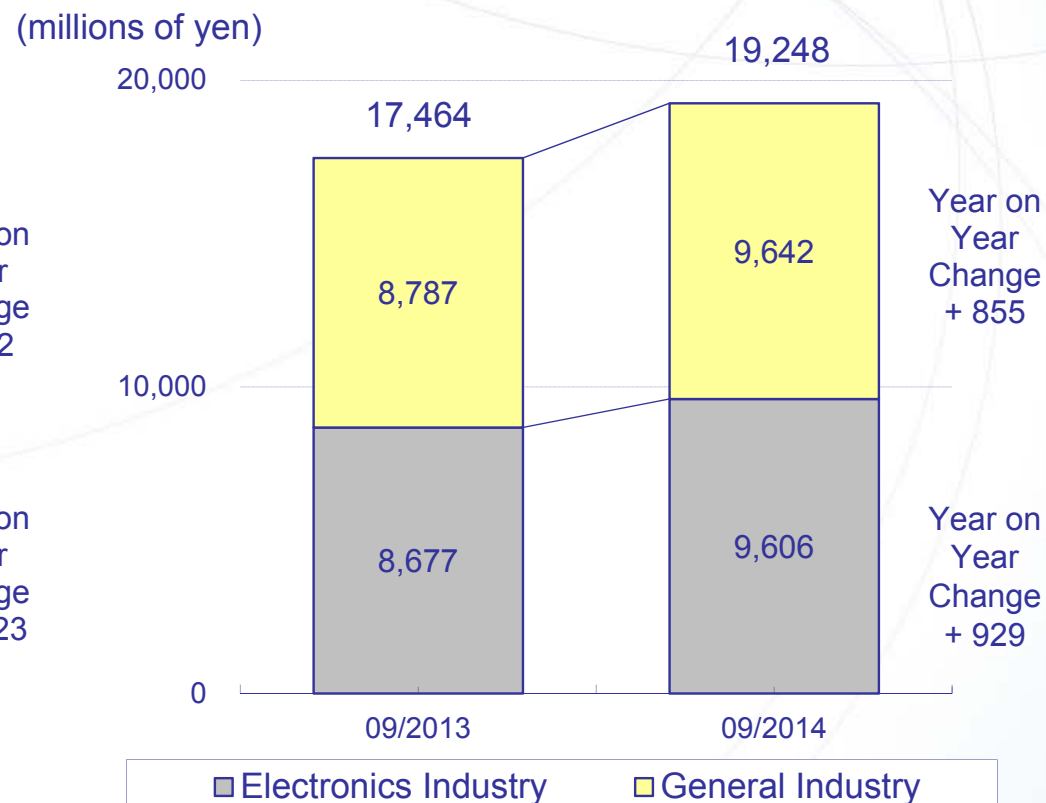
Sales by Business Segment



[Plant Business] Sales increased, primarily for plants in the domestic electronics industries.

[Solution Business] Sales grew in overall industries in Japan and overseas.

Sales by Customer



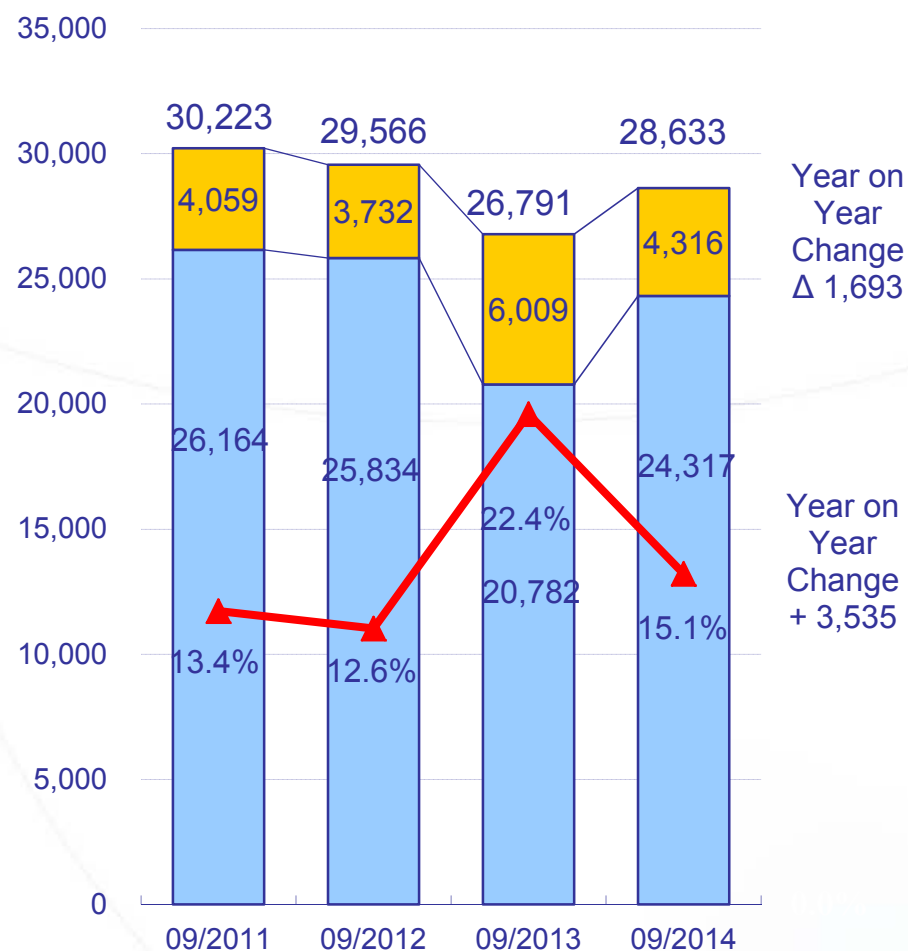
[Electronics Industry] Sales increased in both plants and maintenance business in Japan, despite declined in the overseas.

[General Industry] Sales increased, chiefly in plants for domestic pharmaceuticals industry and wastewater treatment plants in Japan.

Sales by Region

Domestic and Overseas Sales

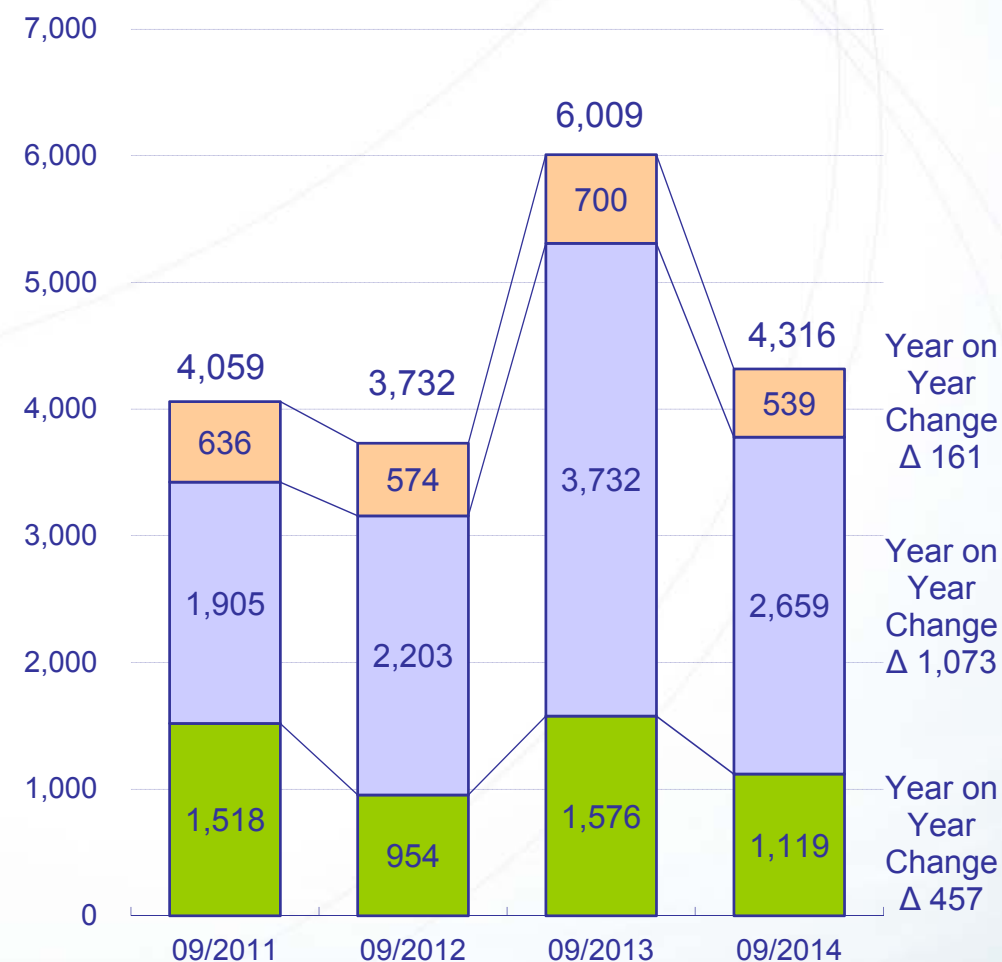
(millions of yen)



Domestic Overseas Overseas Ratio

Sales by Overseas Region

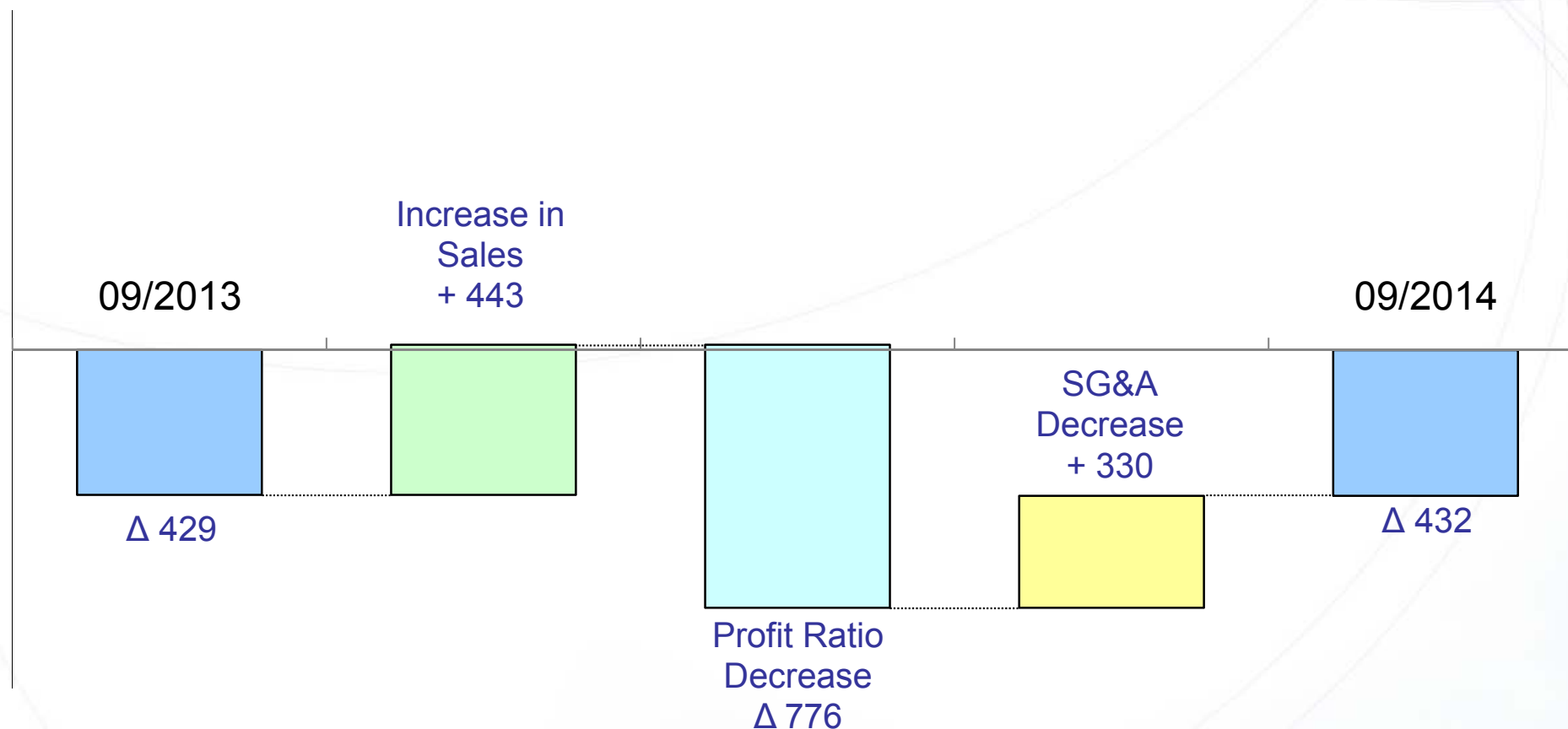
(millions of yen)



Southeast Asia Taiwan China

Analysis of Operating Income of the Second Quarter, FY 2014 (by Factor)

(millions of yen)



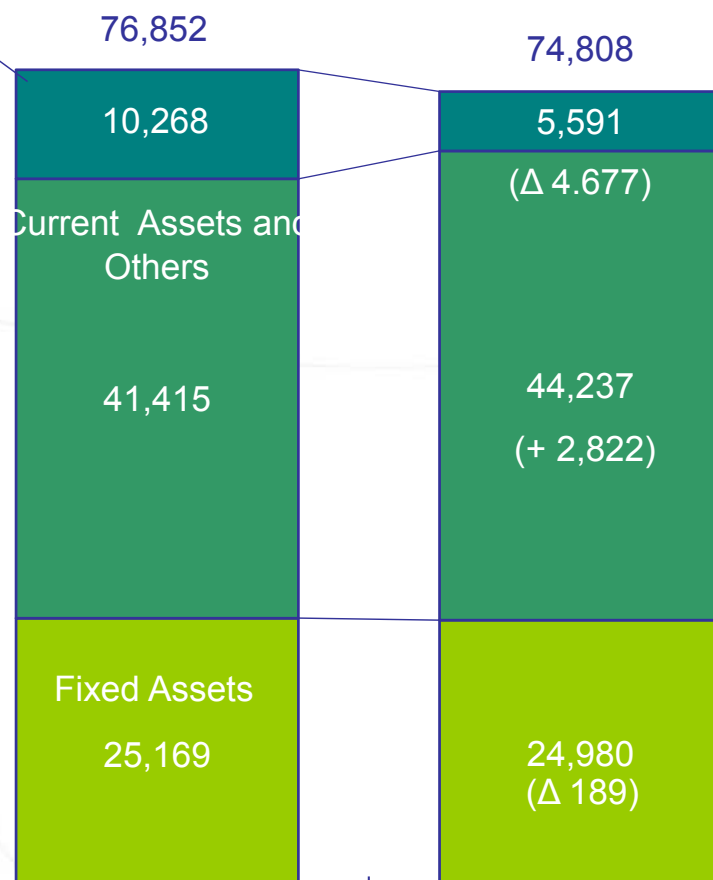
*The sales increase and profit ratio decrease are calculated using the gross profit margin.

Balance Sheet

Assets

(millions of yen)

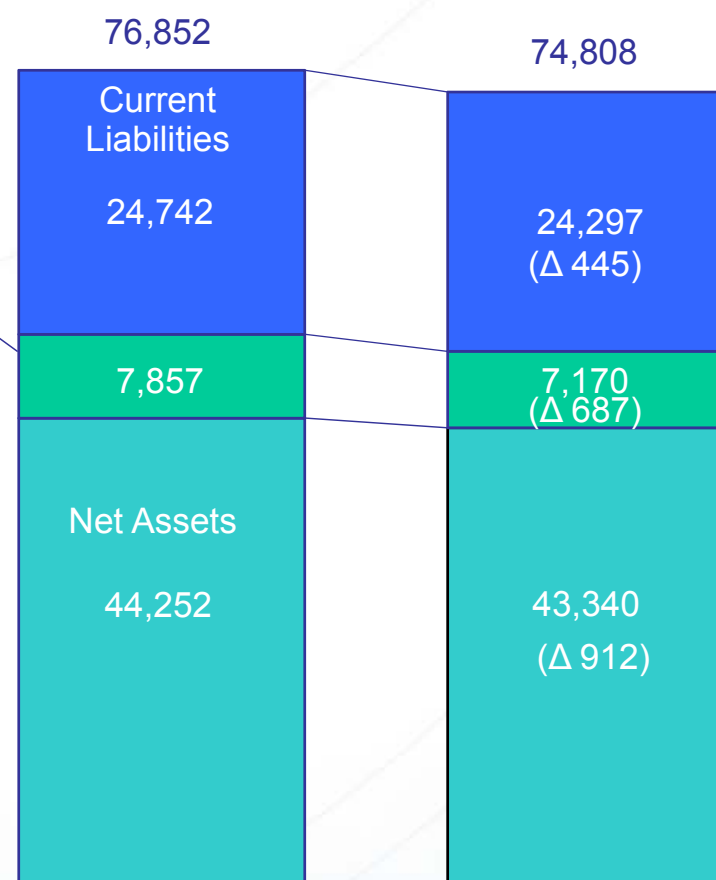
Cash on Hand
and Deposits



Liabilities and Net Assets

(millions of yen)

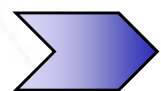
Long-term
Liabilities



Major Efforts in the First Half of FY2014

◆ Launched new slime control chemical containing non-chlorinated oxidant (sales commenced in July 2014)

- Contains oxidant uniquely developed by the Company
- High safety
- Superb disinfect and algicidal effect
- Low-level metal corrosiveness and degradation effect to RO membranes
- High stability
- Low environmental impact



- For Cooling water;
ORBLADE J Series
- For RO membrane;
ORPERSION E Series

Major Efforts in the First Half of FY2014

◆ Succeeded in developing technology that continuously purifies ceramide from rice bran

“New Simulated Moving-Bed System”

- Organo’s unique chromatographic separation technology that can separate more than three ingredients
- Used in numerous production facilities for processing sugar



Development of technology that continuously purifies ceramide

(Joint development with the National Agriculture and Food Research Organization (NARO) and Nippon Flour Mills Co., Ltd.)

Conventional natural ceramide

- Material with low purity of approx. 10%
- Uses are limited due to its color and smell inherent in impurities



- Continuous production of highly refined materials with purity of 95% or higher is possible
- New applications are expected for cosmetics, pharmaceuticals, and R&D

Major Efforts in the First Half of FY2014

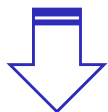
◆ Reinforcement of business of soil and groundwater investigation and remediation

- Businesses were consolidated into Organo (from October 2014)
Soil and Groundwater Group was set up in the Plant Division, and dedicated staffs were deployed in all domestic branches.
⇒ Strengthen sales capabilities leveraging the network of the Organo Group

Objectives

Outlook for market expansion

- ◆ Work for the improvement of circular routes in Tokyo
- ◆ Tokyo Olympics in 2020
- ◆ Maglev train project



Strengthen sales and technical organizations to deal appropriately with projects that are expected to increase

Strengthen and promote
“One Stop Solutions” to respond to
customers’ diverse needs in relation
to water treatment

Forecasts for the Term Ending March 2015

(millions of yen)

	03/2014 Result	03/2015 Initial Plan	03/2015 Revised Plan	Year on Year Change	Change from Initial Plan
Orders Received	65,501	75,000	75,000	+ 9,499	-
Net Sales	62,096	70,000	70,000	+ 7,904	-
Gross Profit (%)	14,553 (23.4)	15,400 (22.0)	14,700 (21.0)	+ 147 Δ 2.4pt	Δ 700 Δ 1.0pt
SG&A	13,720	13,900	13,200	Δ 520	Δ 700
Operating Income	833	1,500	1,500	+ 667	-
Ordinary Income (%)	1,170 (1.9)	1,400 (2.0)	1,400 (2.0)	+ 230 + 0.1pt	- -
Net Income	664	900	900	+ 236	-

Forecasts for the Term Ending March 2015 (by Business Segment)

Orders Received

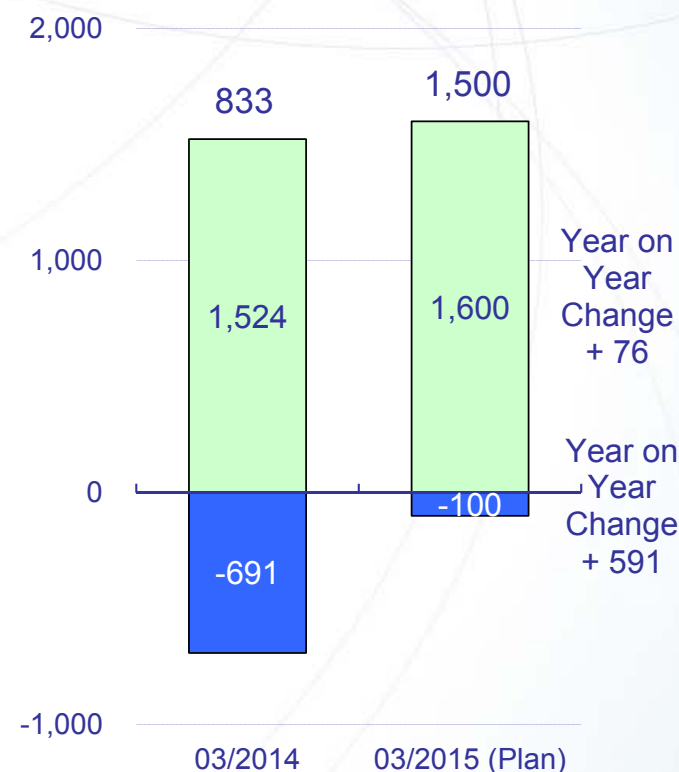
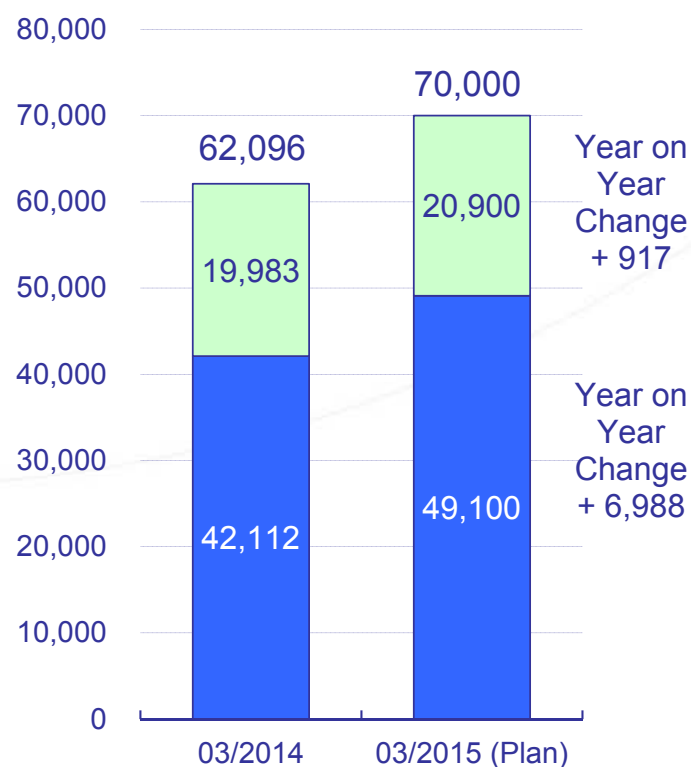
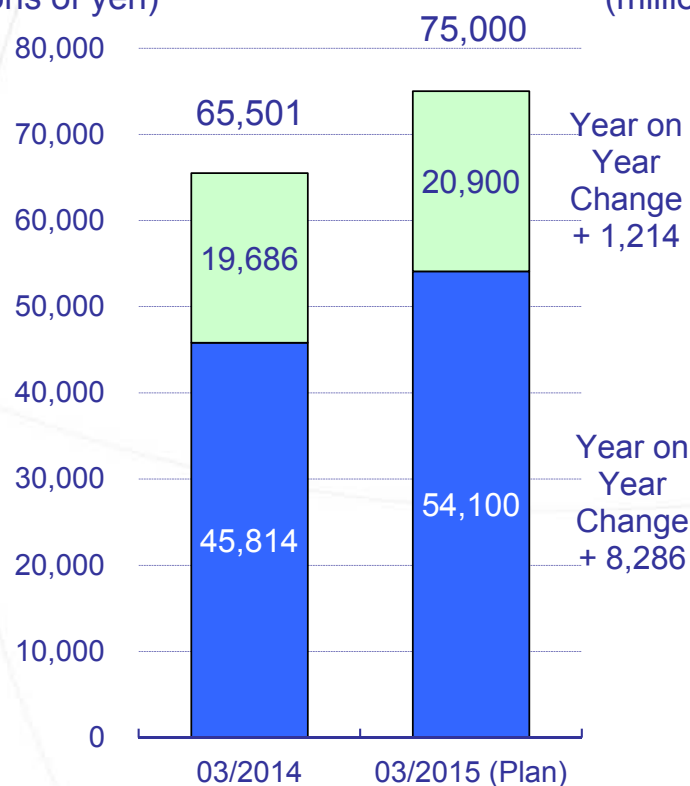
Net Sales

Operating Income

(millions of yen)

(millions of yen)

(millions of yen)



■ Water Treatment Engineering ■ Functional Product

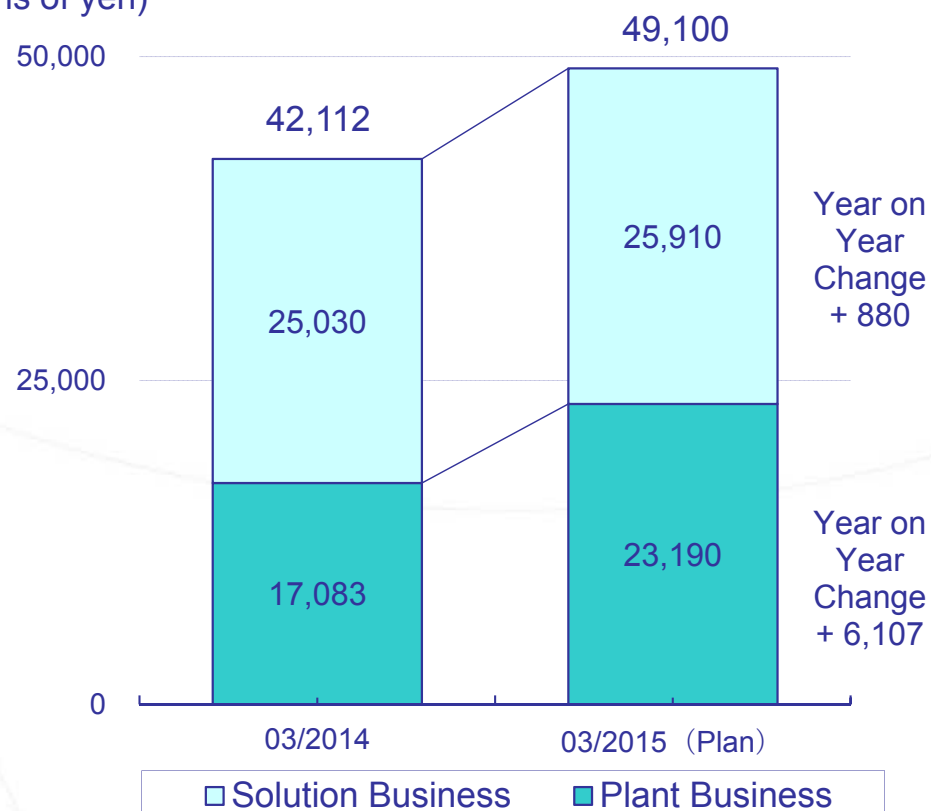
[Water Treatment Engineering] Orders are expected to increase in plants in the general industries, both in Japan and overseas, and the domestic electronics industries. Sales are expected to increase, mainly due to the growth of plants in the domestic electronics industries, the pharmaceuticals industries, and the wastewater treatment business. Operating income is expected to improve due to sales expansion.

[Functional Products] Sales are expected to grow based on development and renewal of products.

Sales by Business Area and Customer (Water Treatment Engineering)

Sales by Business Area

(millions of yen)

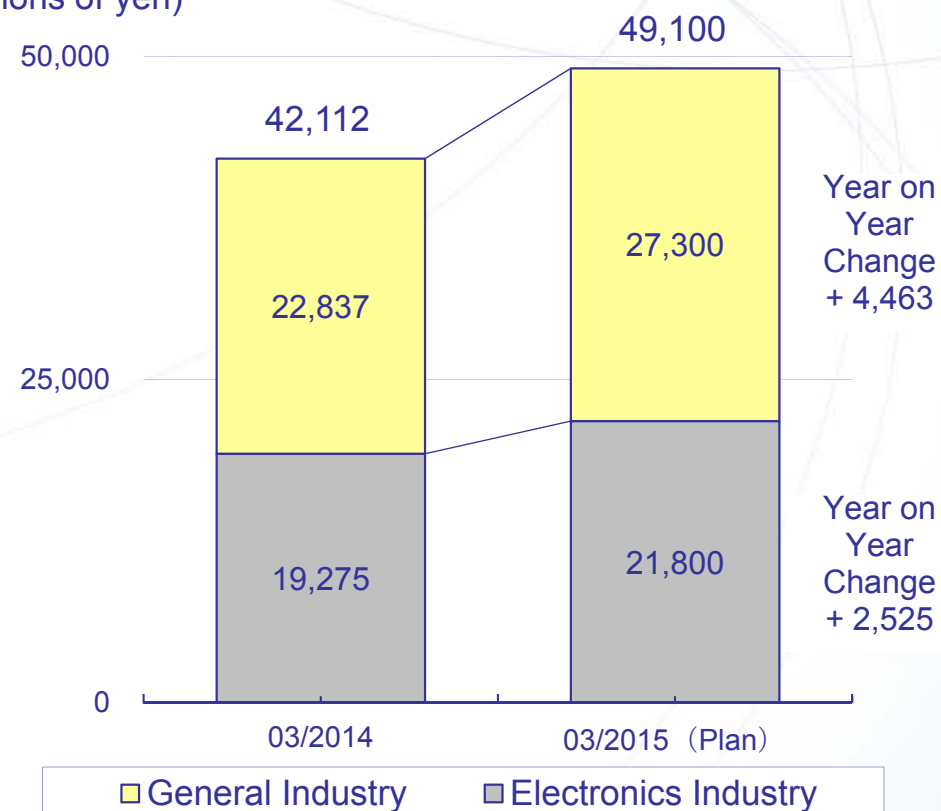


[Plant Business] Sales are expected to increase, mainly as a result of the growth of plants in the domestic electronics industries, pharmaceuticals and food industries, and the wastewater treatment business.

[Solution Business] Sales are predicted to increase, largely due to the growth of maintenance in overall industries in Japan.

Sales by Customer

(millions of yen)



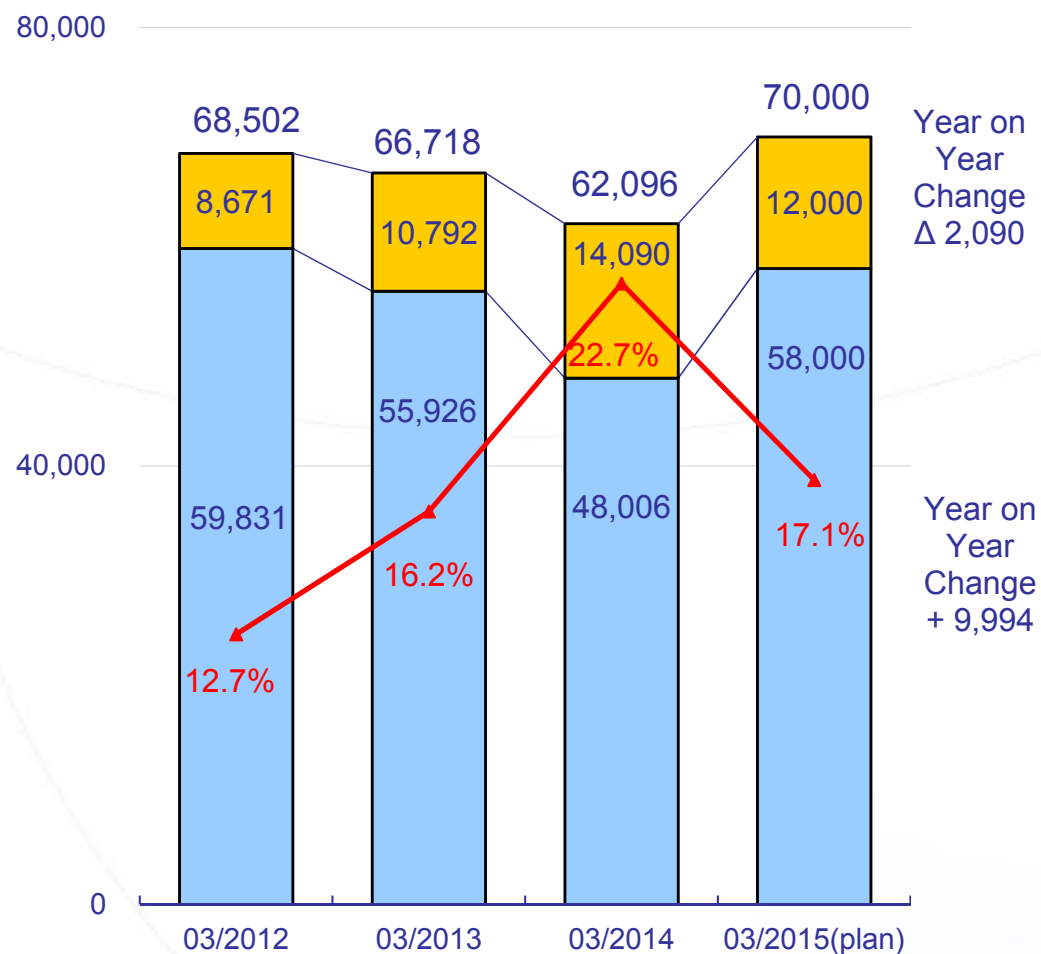
[Electronics Industry] Sales are expected to increase due to the growth of plant business in Japan.

[General Industry] Sales are expected to increase, primarily due to the growth of plants in the domestic pharmaceuticals industry and wastewater treatment business, and the growth of plants for overseas thermal power stations.

Sales by Region

Domestic and Overseas Sales

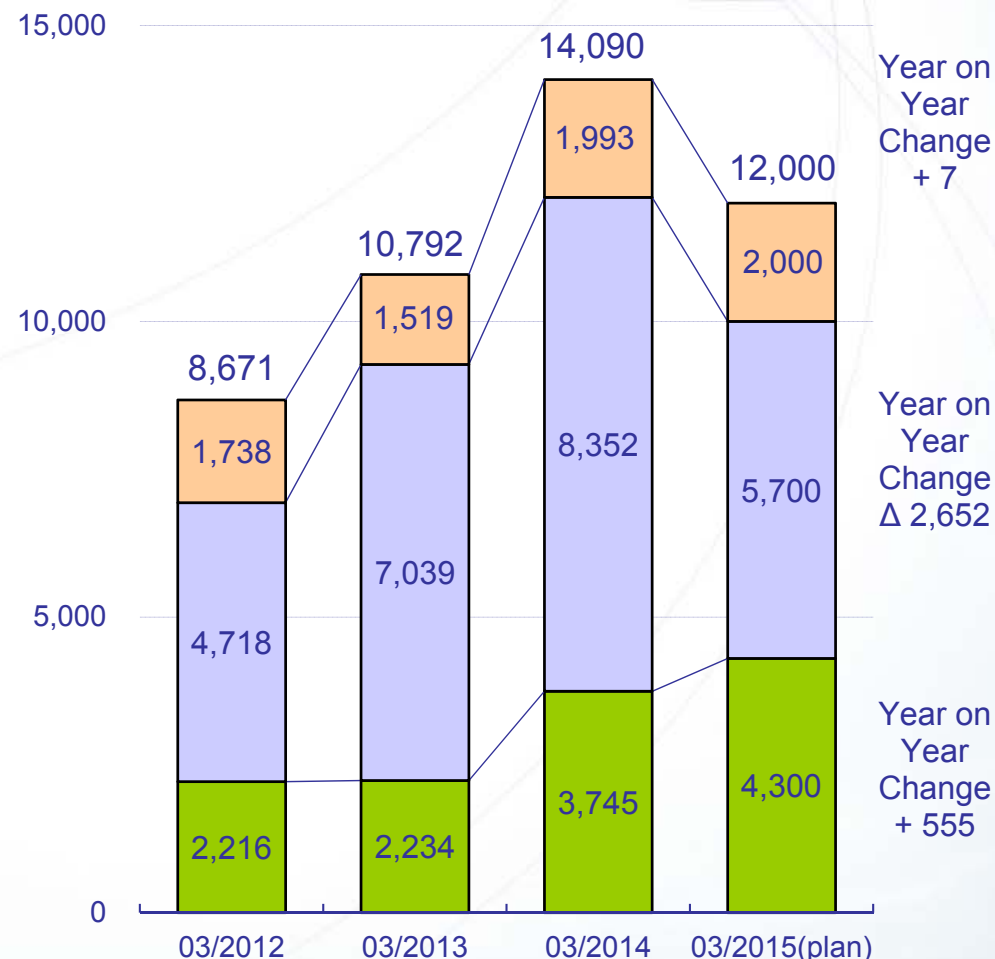
(millions of yen)



Domestic Overseas Overseas Ratio

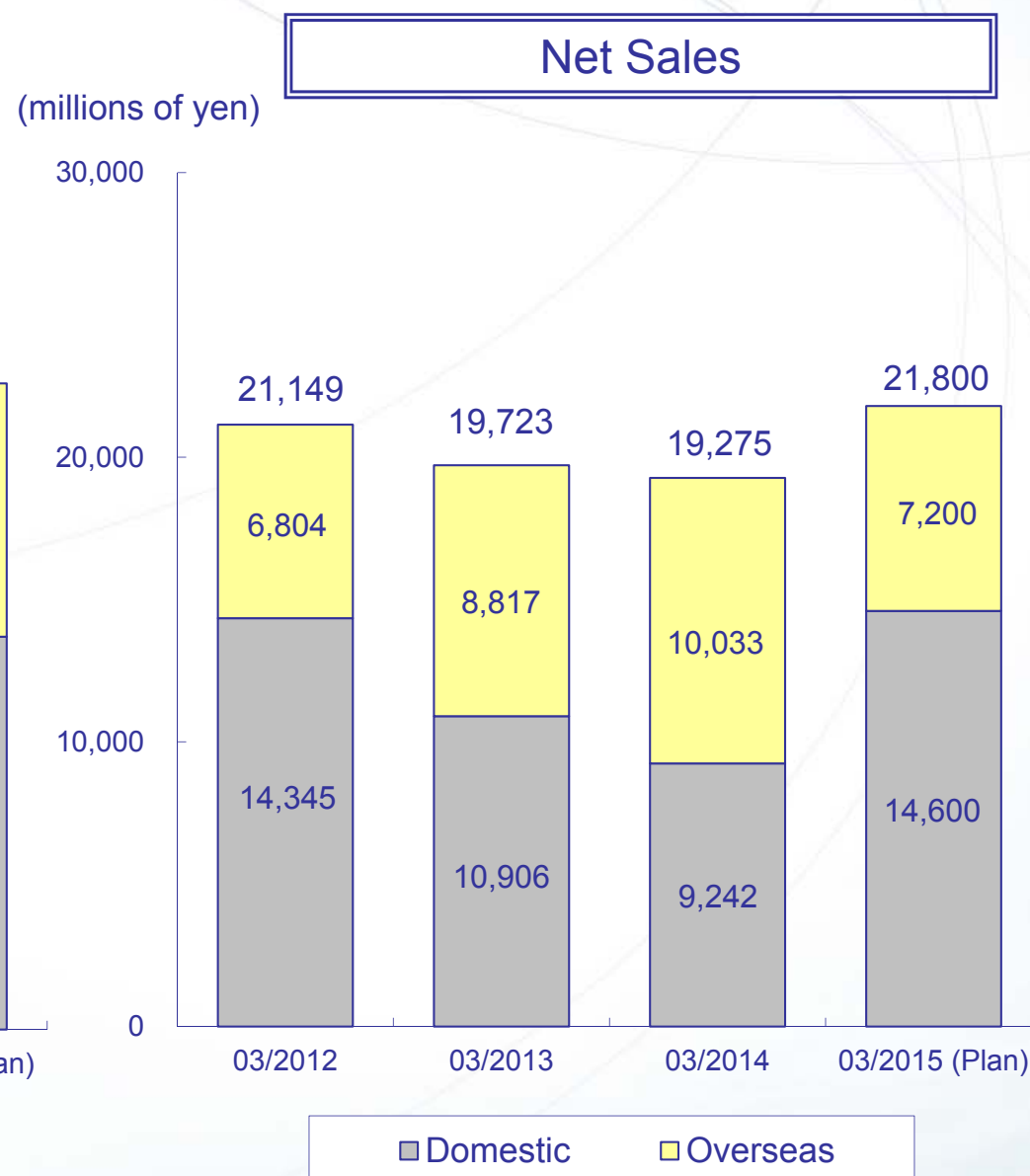
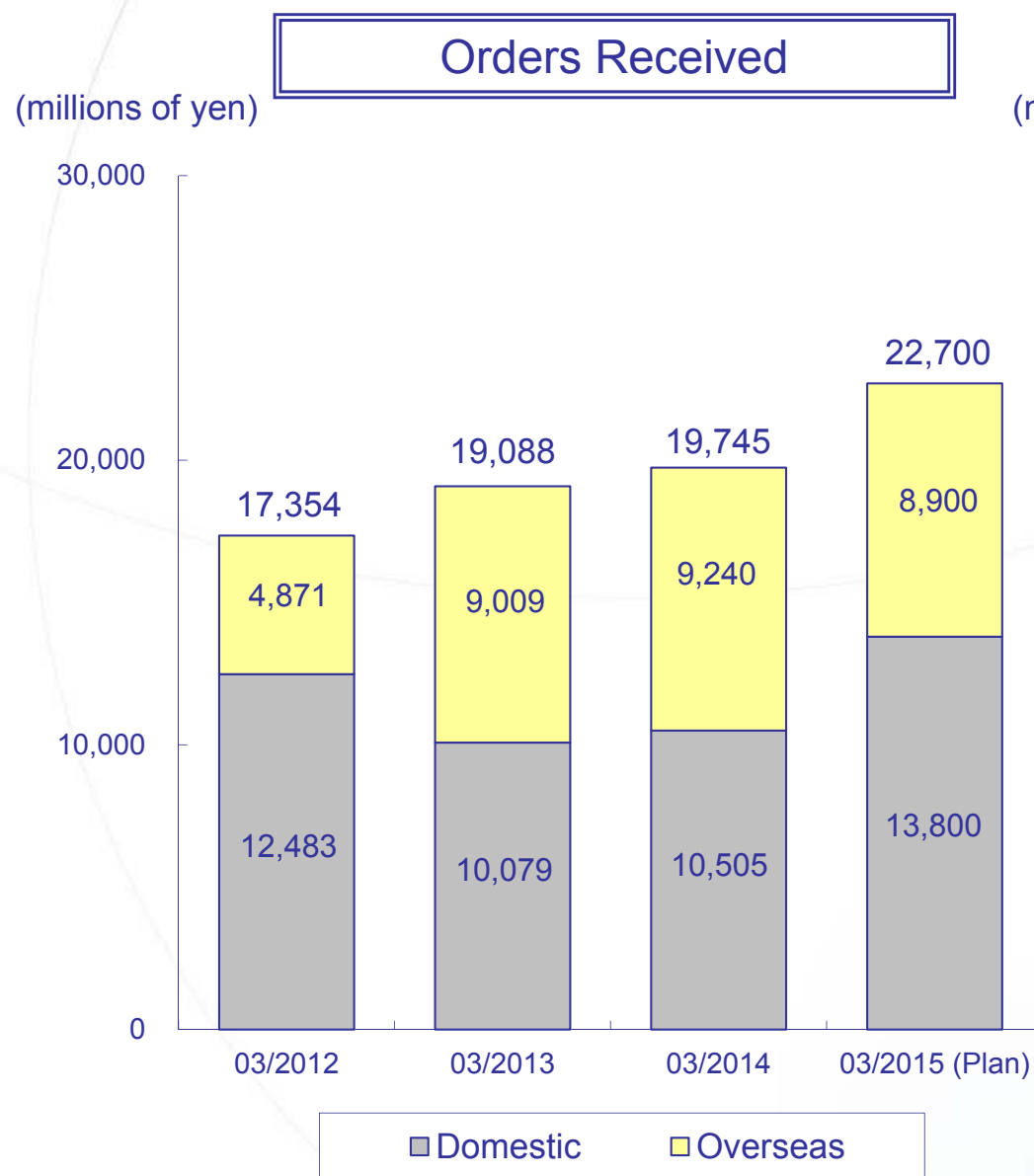
Sales by Overseas Region

(millions of yen)



Southeast Asia Taiwan China

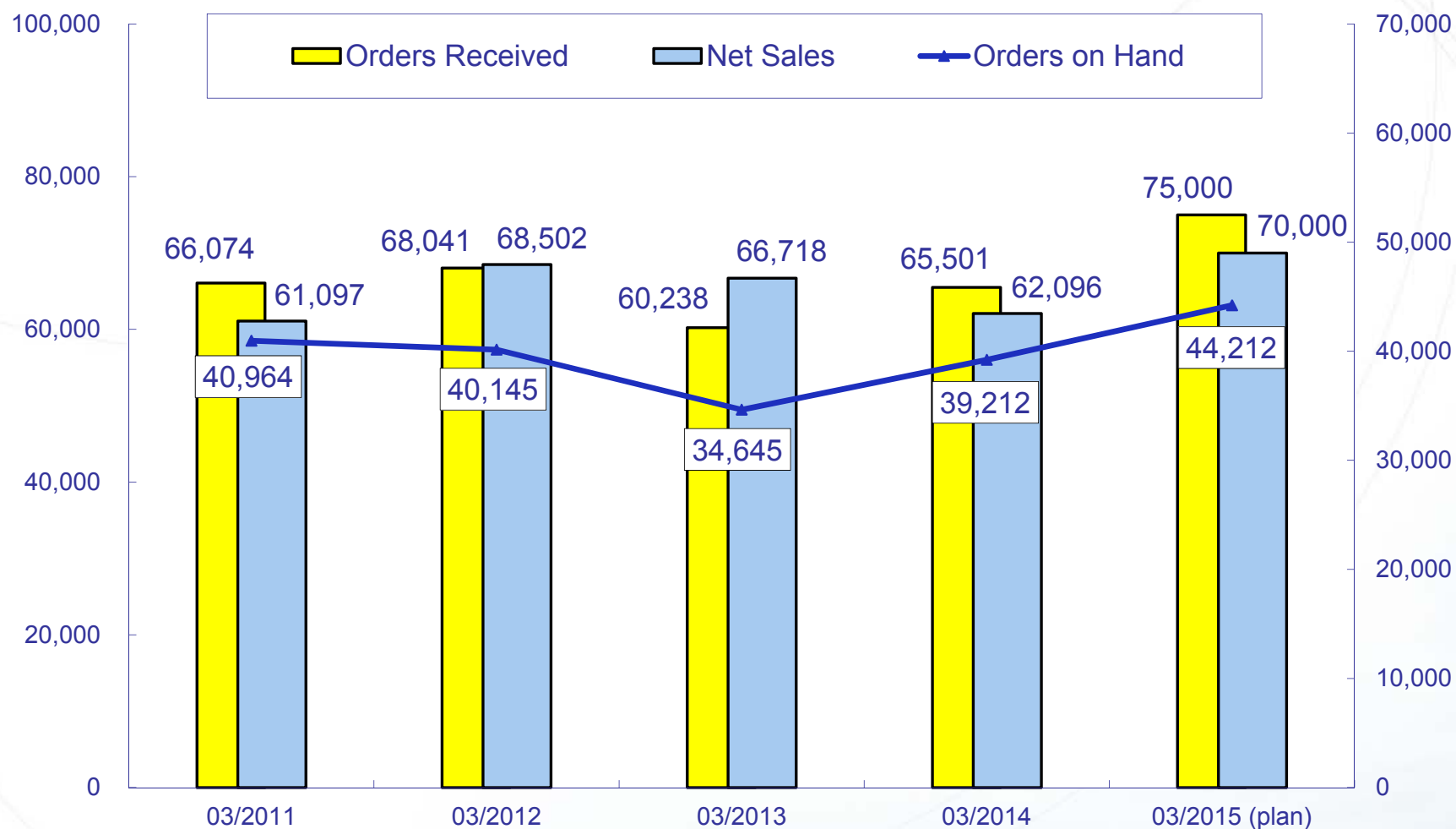
Progress of Orders Received and Net Sales from the Electronics Industry



Progress of Orders Received, Net Sales and Orders on Hand

Orders received / Net sales
(millions of yen)

Orders on Hand
(millions of yen)



Major Indicators

(millions of yen)

	FY2013 Full Year	FY2014 Full Year (Initial Plan)	FY2014 Full Year (Revised Plan)
Capital Investment	358	800	700
Technological Development Costs	1,490	1,600	1,550
Depreciation	1,065	1,000	1,000
Interest-bearing Borrowings	10,230	11,200	12,000
Number of Employees	1,896	1,910	1,920
Dividend per Share (yen/year)	8	8	8

Major Efforts for Expansion of Domestic Business

Water Treatment Engineering

Electronics Industry

- ✓ Secure orders in the electronics industry segment

General Industries

- ✓ Pharmaceuticals, food, chemicals: Strengthen the pure water/wastewater business
- ✓ Water supply business: Increase orders through cooperation with Meidensha Corporation
- ✓ Power plant: Strengthen the responsiveness to coal and LNG thermal plant projects
- ✓ Expand the soil and groundwater investigation and remediation business

Solution Business

- ✓ Further expand sales for reconstruction and maintenance

Functional Products

**Continuation of new products
development and product renewal**

Standard Water Treatment Equipments

Water Treatment Chemicals

- ✓ Promote sales of new products
- ✓ Collaboration with Katayama Nalco Inc.

Food Processing Materials

Strengthen cost reduction and construction capabilities

Major Efforts for Expansion of Overseas Business

Acceleration of Globalization

- ✓ Strengthen business promotion targeting non-Japanese customers
- ✓ Leverage the ASEAN Engineering Center (Thailand) to promote technology and product development according to the market characteristics of the region
- ✓ Leverage the ASIA Procurement Center (Thailand) to strengthen purchasing capability and promote cost reduction

Strengthen sales capabilities to address projects for power plants

Enhance responsiveness to the projects for the electronics industries

Strengthen the structure of overseas business bases

Organo Corporation

Corporate Planning Department

1-2-8, Shinsuna, Koto-ku, Tokyo 136-8631, Japan

TEL +81-3-5635-5111

FAX +81-3-3699-7240

URL <http://www.organo.co.jp>

This document includes forecasts of future developments made by management based on their assumptions, forecasts and plans at the time of writing. Actual performance may differ materially from the above projections due to a variety of factors.