

Financial Report of FY 2018

May. 15, 2018

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1. Corporate Outlines
2. Financial Result of FY 2018
3. Financial Forecasts for FY 2019
4. Company policy &
Long-term management vision
5. New Mid-term management plan (2018~2020)

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1. Corporate Outlines

2. Financial Result of FY 2018

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1-1. Corporate Outlines




Corporate Name	Organo Corporation		
Head Office	1-2-8, Shinsuna, Koto-ku, Tokyo 136-8631, JAPAN		
Establishment	May 1, 1946		
Representative	Yasuyuki Koie (President)		
Capital	JPY 8,225,499,312		
No. of Employee	2,179 (Consolidated) ※ as of the end of Mar. 2018		
Business Lineup	Water Treatment	Plant Business	Manufacturing and Sales of Large-scale Water Treatment Plants
	Engineering	Solution Business	Maintenance, Operation, Refurbishment of Water Treatment Plants
	Functional Product		Standard Water Treatment device Water Treatment Chemicals Food Processing Materials
Major Business Offices & Factries	Head Office (Tokyo), R&D Center (Kanagawa), Tsukuba Factory (Ibaraki), Iwaki Factory (Fukushima) Hokkaido Branch (Hokkaido), Tohoku Branch (Miyagi) Kanto Branch (Tokyo), Chubu Branch (Aichi), Kansai Branch (Osaka) Chugoku Branch (Hiroshima), Kyushu Branch (Fukuoka)		

1-2. Organo group


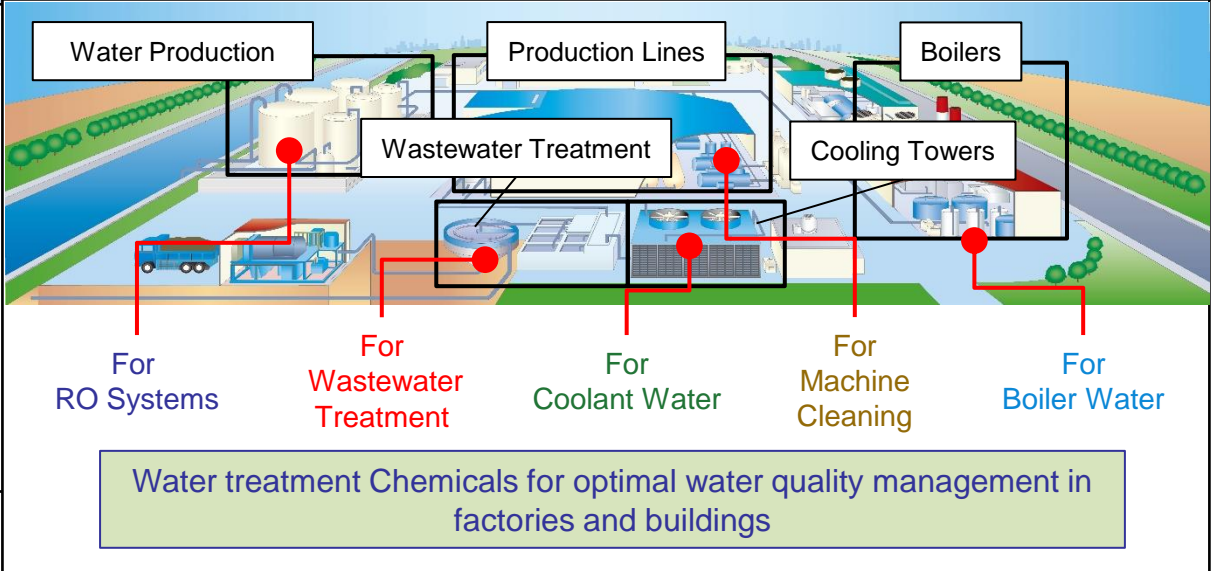

Area		Company Name	Major Business
Japan		Organo Plant Service Corp.	Water Treatment Engineering
		Organo Eco Tech Corp.	
		Organo Acty Corp.	
		Organo Food Tech Corp.	Functional Product (Food Processing Materials)
		Hostech Corp. (※)	Functional Product (Manufacturing Standard Equipment)
	Tohoku Denki Tekko Corp. (※)	Design & Construction of Chemical Plant	
Over- Seas	China	Organo (Suzhou) Water Treatment Co.,Ltd	Water Treatment Engineering
	Taiwan	Organo Technology Co.,Ltd.	
	ASEAN	Organo Asia Sdn.Bhd. <Malaysia>	
		Organo (Thailand) Co.,Ltd.	
		PT Lautan Organo Water <Indonesia>	
		Organo (Singapore) Pte Ltd	
		Organo (Vietnam) Co.,Ltd. (※)	
	India	Murugappa Organo Water Solutions Private Limited (※)	

※Non-Consolidated

1-3. Business Description – Water Treatment Engineering

Plant Business	Applied Areas
<div data-bbox="165 339 842 536" style="border: 1px solid black; padding: 5px; margin-bottom: 10px;"> <p>Water treatment plants appropriate for various uses based on combinations of the advanced technologies</p> </div> <div data-bbox="950 347 1310 532">  </div> <div data-bbox="1003 548 1234 746">  </div> <ul style="list-style-type: none"> ◆ Water Production (Pure/Ultra Pure Water) ◆ Wastewater Treatment and Recovery ◆ Recovery Plant for re-use resources ◆ Process Plant for purification (Sugar etc.) 	<p>Electronics (Semiconductors, FPD, Electronic devices etc.)</p> <p>Power Power Plants (Thermal & Nuclear)</p>
Solution Business	<p>City Water (Municipal water & Sewerage)</p> <p>General Industries (Food & beverages, Pharmaceuticals, Chemicals, Machinery etc.)</p>
<div data-bbox="153 933 1310 1019" style="border: 1px solid black; padding: 5px; margin-bottom: 10px;"> <p>Providing solutions for optimal operation of Water plant</p> </div> <ul style="list-style-type: none"> ◆ Maintenance ◆ Operation management ◆ Refurbishment ◆ Contract water treatment service <div data-bbox="981 1072 1283 1258">  </div>	

1-4. Business Description – Functional product

Standard Equipments & Filters		Water Treatment Chemicals	
Standard Equipments	<p>High-purify water production units for R&D and Medical use</p> <ul style="list-style-type: none"> ◆ Ultra pure water product ◆ Pure water product 		
	Filters	<p>Filters for Safe & Tasty water for drinking and beverages</p> <ul style="list-style-type: none"> ◆ Water purification filters for kitchens, vending machines, restaurants and stores 	<p>Food Processing Materials</p> <p>Various Materials for Food processing</p> <ul style="list-style-type: none"> ◆ Gelatinizing agents and thickeners for jellies, etc. ◆ Food ingredients such as protein, fibers, etc.

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2-1. Financial result of FY2018

(100 Millions of JPY)

	2017.3 Result	2018.3 Plan	2018.3 Result	Y/Y Diff.	Diff. from Plan
Orders Received	740	785	880	+ 140	+ 95
Net Sales	811	810	792	△ 19	△ 17
Gross Profit (%)	186 (23.0%)	176 (21.8%)	191 (24.2%)	+ 5 (+ 1.2pt)	+ 15 (+ 2.4pt)
SG&A	145	146	153	+ 8	+ 7
Operating Income (%)	41 (5.1%)	30 (3.8%)	38 (4.8%)	△ 3 (△ 0.3pt)	+ 8 (+ 0.9pt)
Ordinary Income	41	29	39	△ 2	+ 10
Net Income	27	20	27	+ 0	+ 7

2-2. Overview of FY2017 result

Orders
Increased
from
FY 2016 and Plans

Sales
Decreased
from
FY 2016 and Plans

Operating Income
Decreased from FY2016
Increased from Plans

Water Treatment Engineering

Orders received sharply increased in the electronics due to active investment in Japan and China. Net sales declined from FY2016 due to a decrease in Taiwan, despite strong orders in Japan and China.

Functional Product

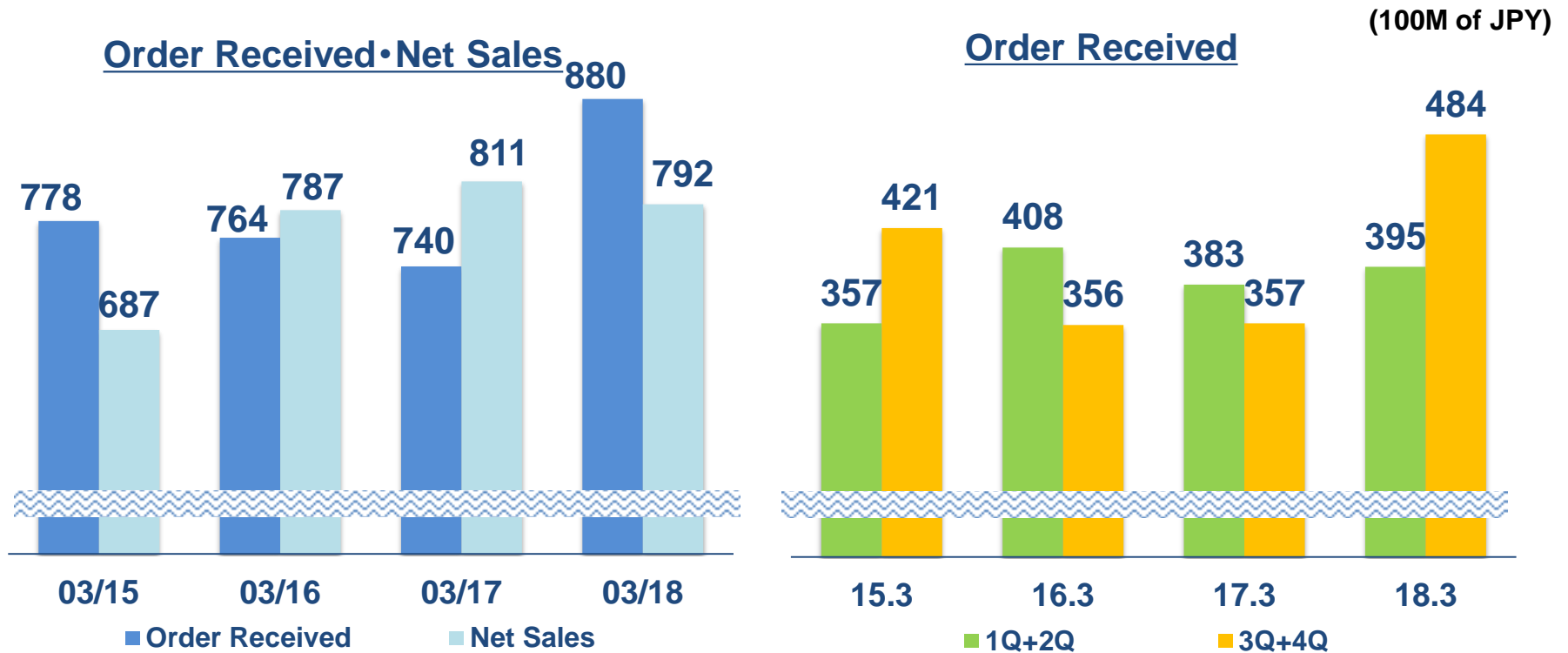
Orders received and net sales increased in the area of standardized equipment, where a new product was launched, and water treatment chemicals for the overseas market and for the electronics and general industries in Japan.

Total

SG&A increased from FY2016 due to the enhancement of the sales, technology and delivery system, overseas patent applications, and increased R&D investment.

2-3. Trend of Order Received and Net Sales

- Achieved a record level of Orders received in FY2017
- Despite of Orders received increasing, Net sales declined from FY2016 because the timing of many of the orders received was delayed into the second half.
- The amount of outstanding Orders received is at a high level and which will become sales in the next term or later



2-4. FY2017 Results by Segment

Order Received

Increased due to active investments in the electronics in Japan and China.

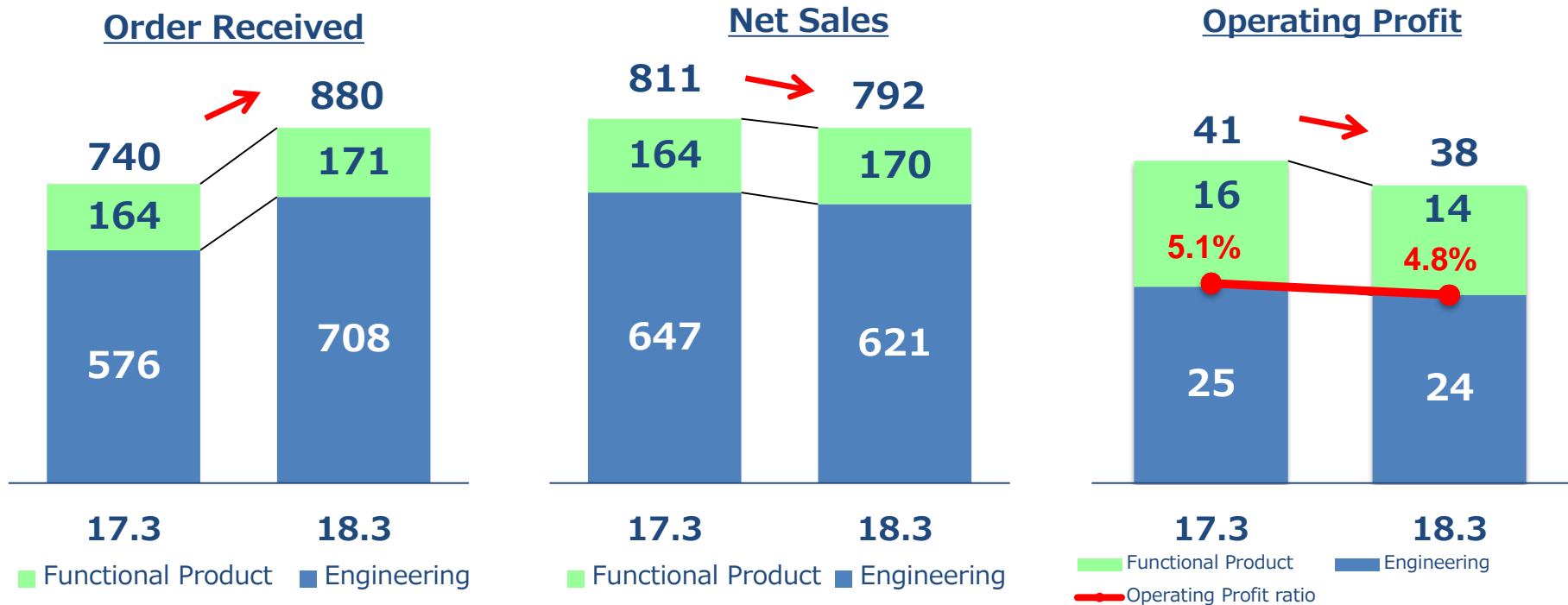
Net sales

Declined due to a slowdown of investment in the electronics in Taiwan.

Operating Profit

Declined due to increased SG&A, while gross profit increased.

(100M of JPY)



2-5. Order Received By Regions

Domestic

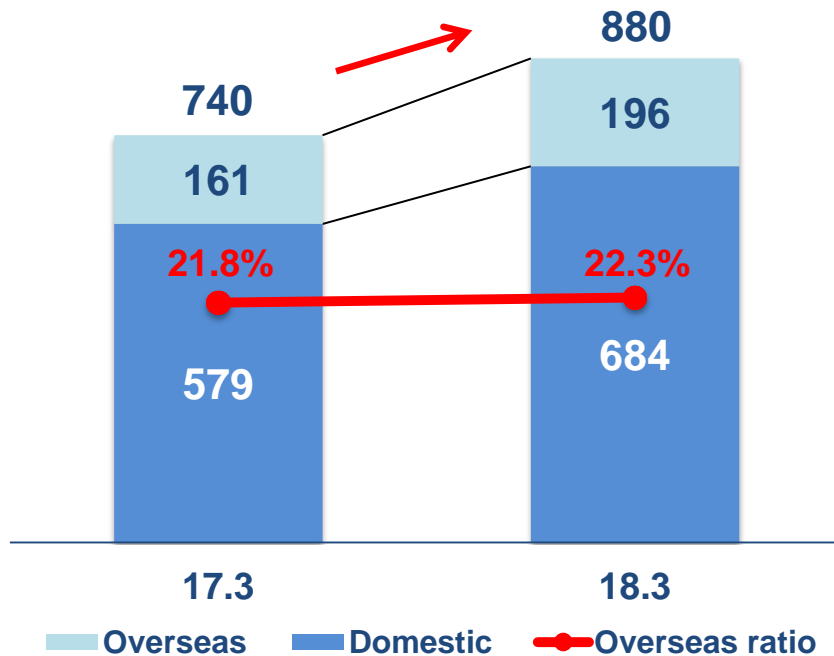
Orders rec. increased sharply in the electronics for semicon and electronic materials.

Overseas

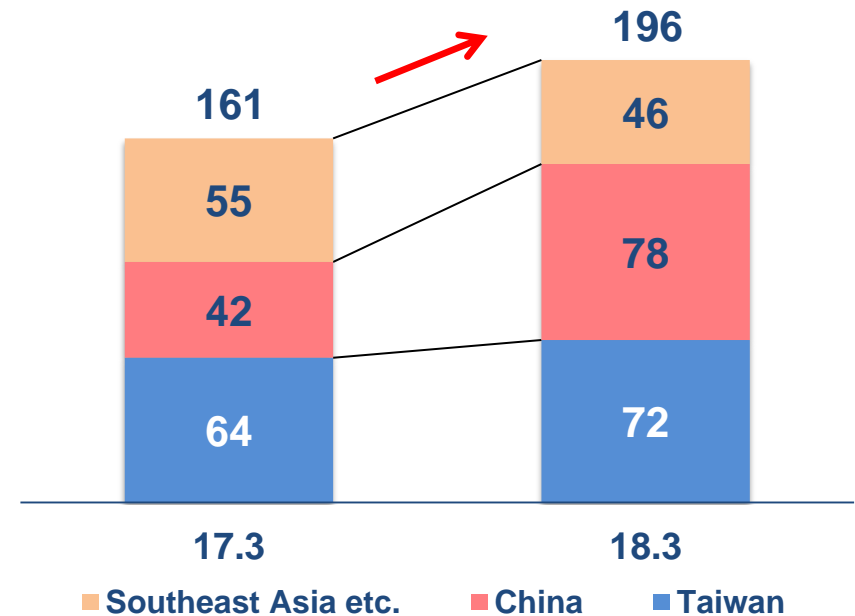
Increased significantly in China due to extensive investment in semicon continues, and on a recovery trend in Taiwan. Influenced by slumping orders in ASEAN.

(100M of JPY)

Order Received (Domestic/Overseas)



Order Received (Overseas)



2-6. Net Sales By regions

Domestic

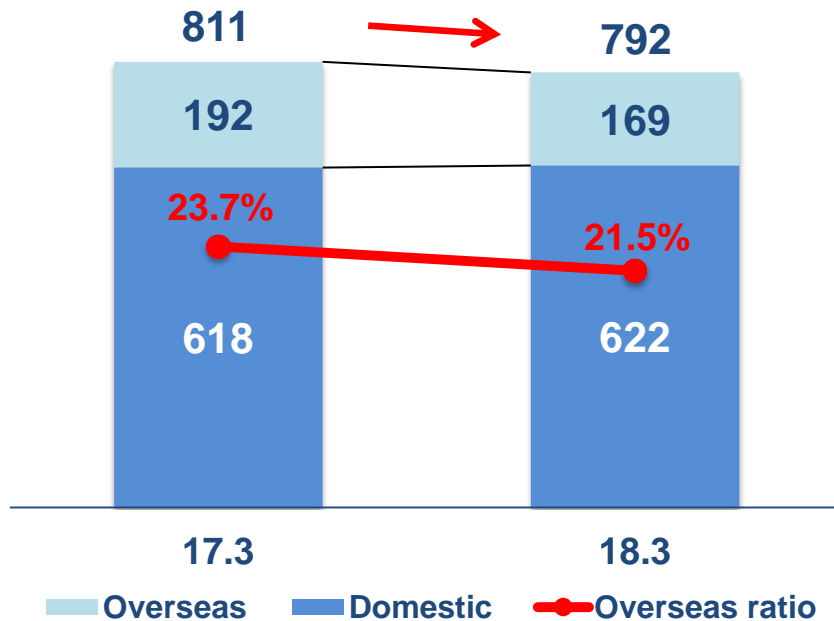
Sales increased mainly in the electronics for semiconductor and electronic materials.

Overseas

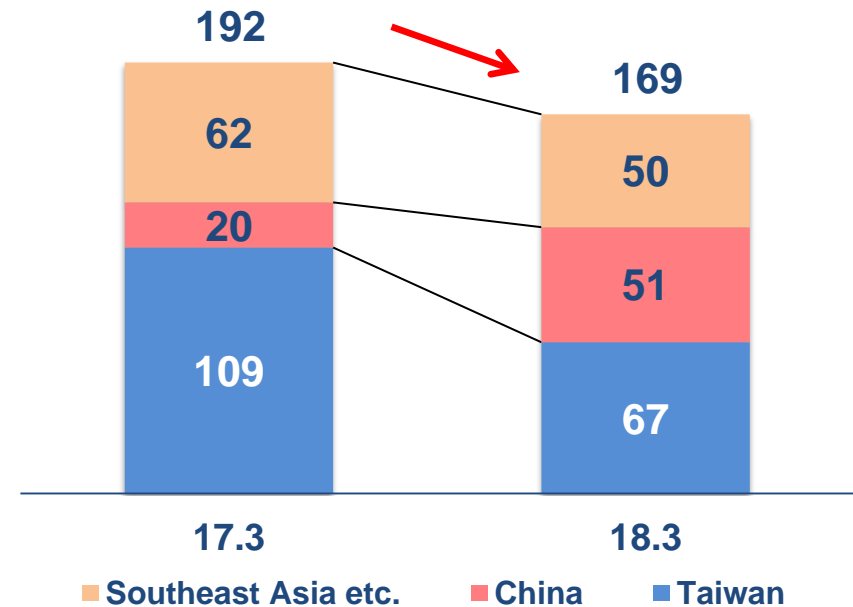
Increased significantly in China but declined in Taiwan, where investment slowdown, and momentum remains lacking in Southeast Asia.

(100 M of JPY)

Net Sales (Domestic/Overseas)



Overseas Net Sales

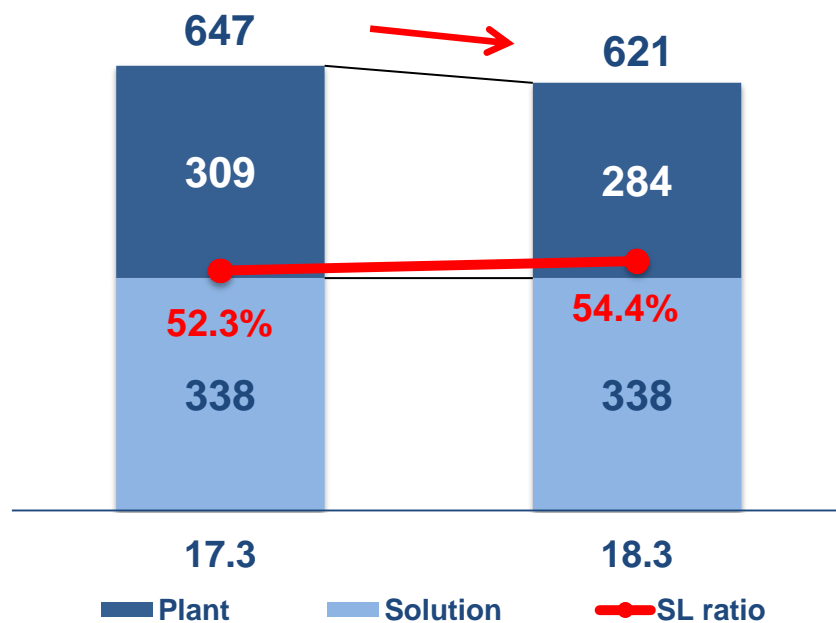


2-7. Net Sales(Water Engineering)

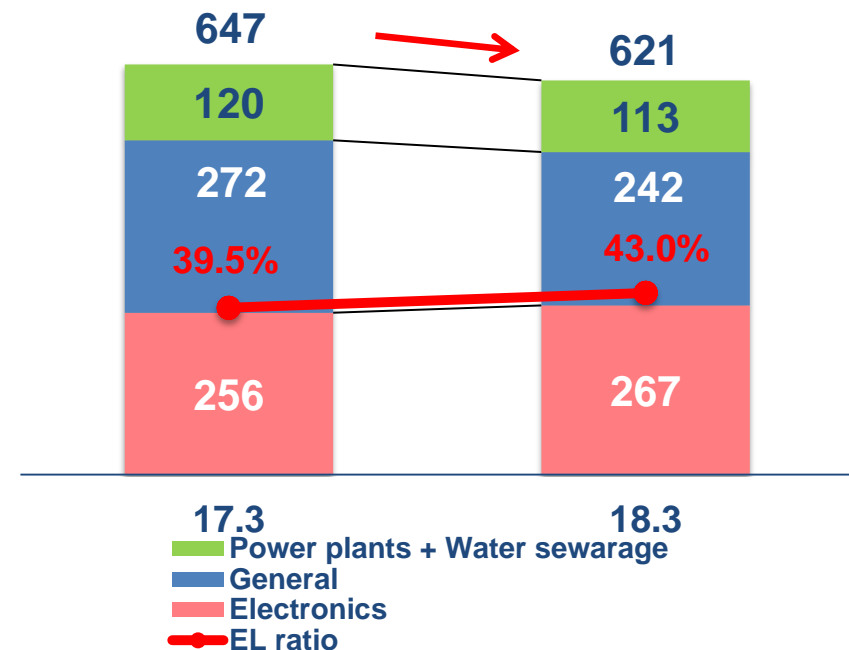
- Declined due to a decrease in the general industry in Japan, where sales of large orders were posted in FY2016, despite increased sales in the electronics industry in Japan and China.
- Sales in the solution business remained the same as those of the previous term, which contributes to profit in a stable manner.

(100M of JPY)

Net Sales(Plant, Solution)



Net Sales (By Market)



2-8. For Electronics market (Engineering)

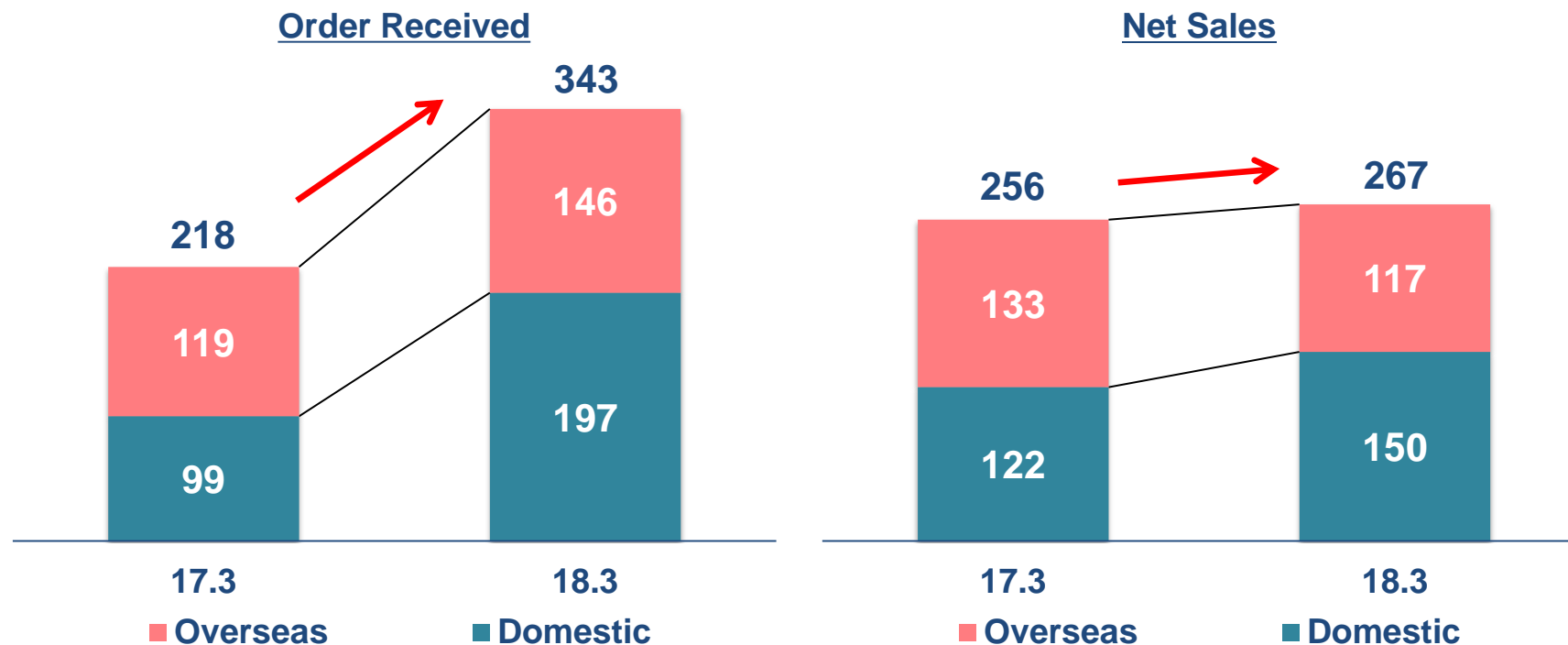
Orders Received

Large orders were received in Japan and China, which will produce sales after 2018.
Carry-forward orders increased significantly.

Net Sales

Increased from the previous term. Although sales declined in Taiwan, the decline was covered by sales in Japan and China.

(100M of JPY)



2-9. Functional product (Net Sales)

Standard Equipment

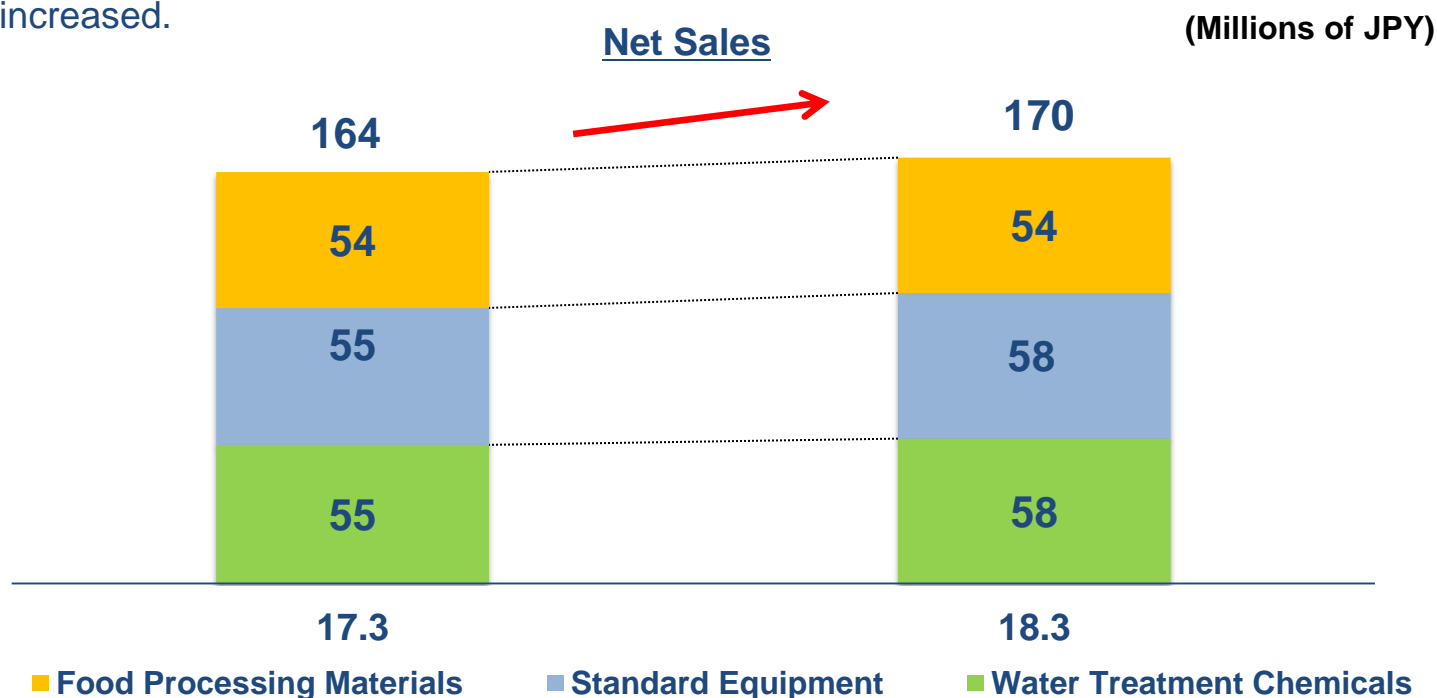
Increased due to a favorable start in sales of a new product.

Water treatment Chemicals

Increased due to continued favorable sales for the electronics in Japan and overseas.

Food Processing Materials

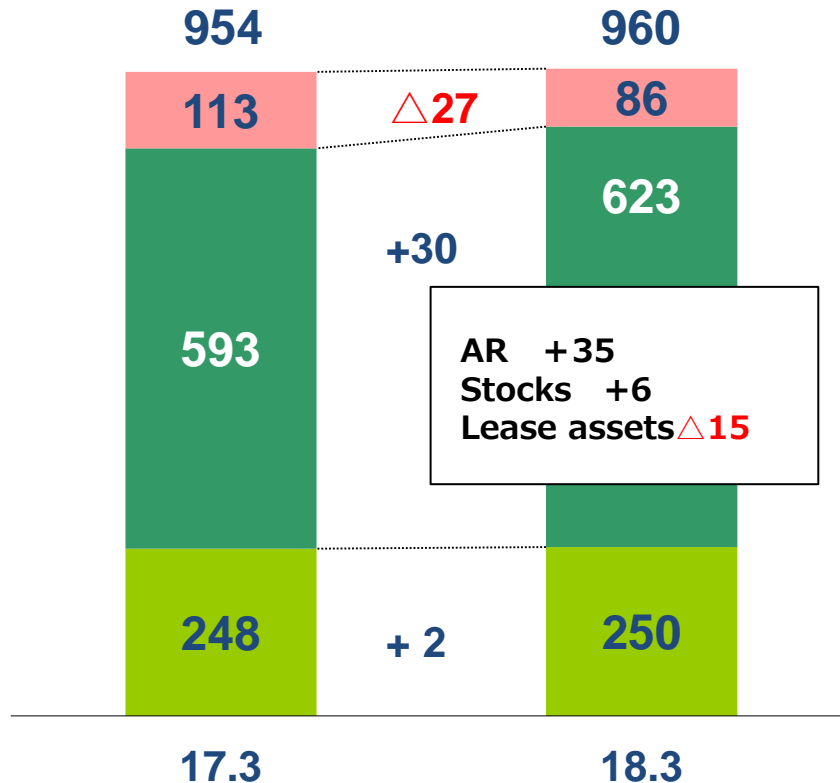
Sales remained at the same level as FY2016, but sales of granulated products for nursing care food increased.



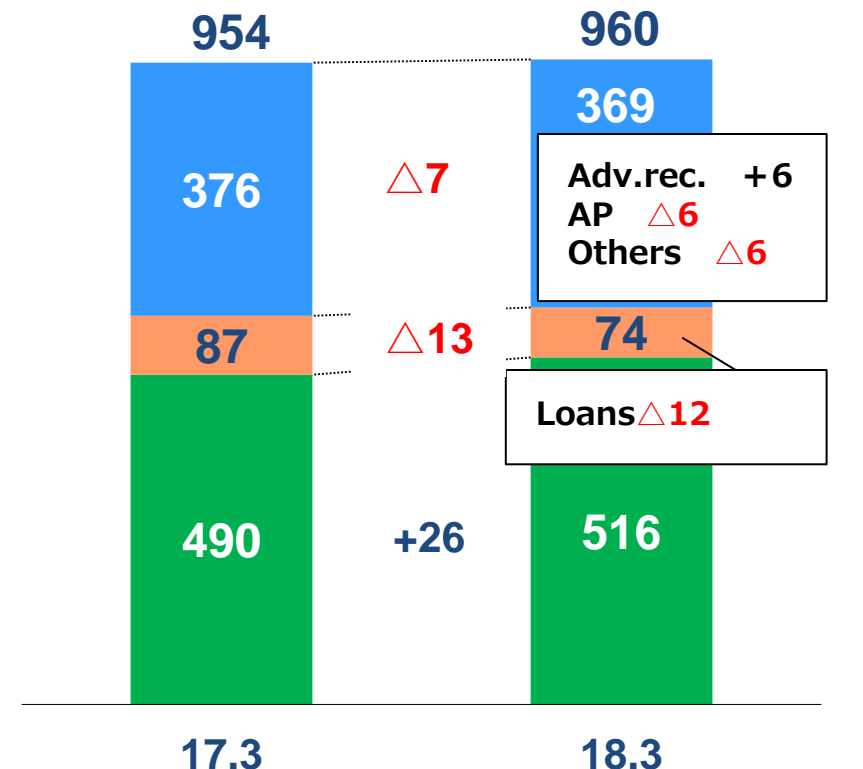
2-10. Balance sheet

(100M of JPY)

Assets



Liabilities and Net assets



■ Fixed Assets ■ Current assets ■ Cash

■ Net assets ■ Long-term Liabilities ■ Current liabilities

2-11. Major Indicators

	2017.3	2018.3
Capital Investment (M JPY)	903	644
R&D Expenses (M JPY)	1,495	1,776
Depreciation (M JPY)	950	972
Interest-bearing Debt (M JPY)	16,910	15,484
No.of Employee	2,100	2,179
Dividend (JPY/Year)	55	53
ROE (%)	5.7	5.5

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3-1. Plan for the fiscal year ending March 31, 2019

(100 M of JPY)

	03/2018 Results	03/2019 Plan	Y/Y Change
Order Received	880	870	△ 10
Net Sales	792	890	+ 98
Gross Profit (%)	191 (24.2%)	199 (22.4%)	+ 8 (△ 1.8pt)
SG&A	153	157	+ 4
Operating Income (%)	38 (4.8%)	42 (4.7%)	+ 4 (△ 0.1pt)
Ordinary Income	39	41	+ 2
Profit attributable to owners of parent	27	28	+ 1

3-2. Overview of the plan for FY 2018

Order Received

Decreased from
2017.4Q

Net Sales

Increased from
2017.4Q

Operating Income

Increased from
2017.4Q

Water Treatment Engineering

Expect sales from carry-forward orders and active capital investment in the electronics industry in China and Taiwan, etc. A solid recovery in the general industry is also anticipated.

Functional Product

Expect increases in orders and sales in the three areas of standardized equipment, water treatment chemicals and food by enhancing the lineup and overseas development.

Total

Continue the enhancement of the system for sales, technology and delivery in Japan and overseas, the preparation of an information system, and the enhancement of R&D. Expect an increase in SG&A.

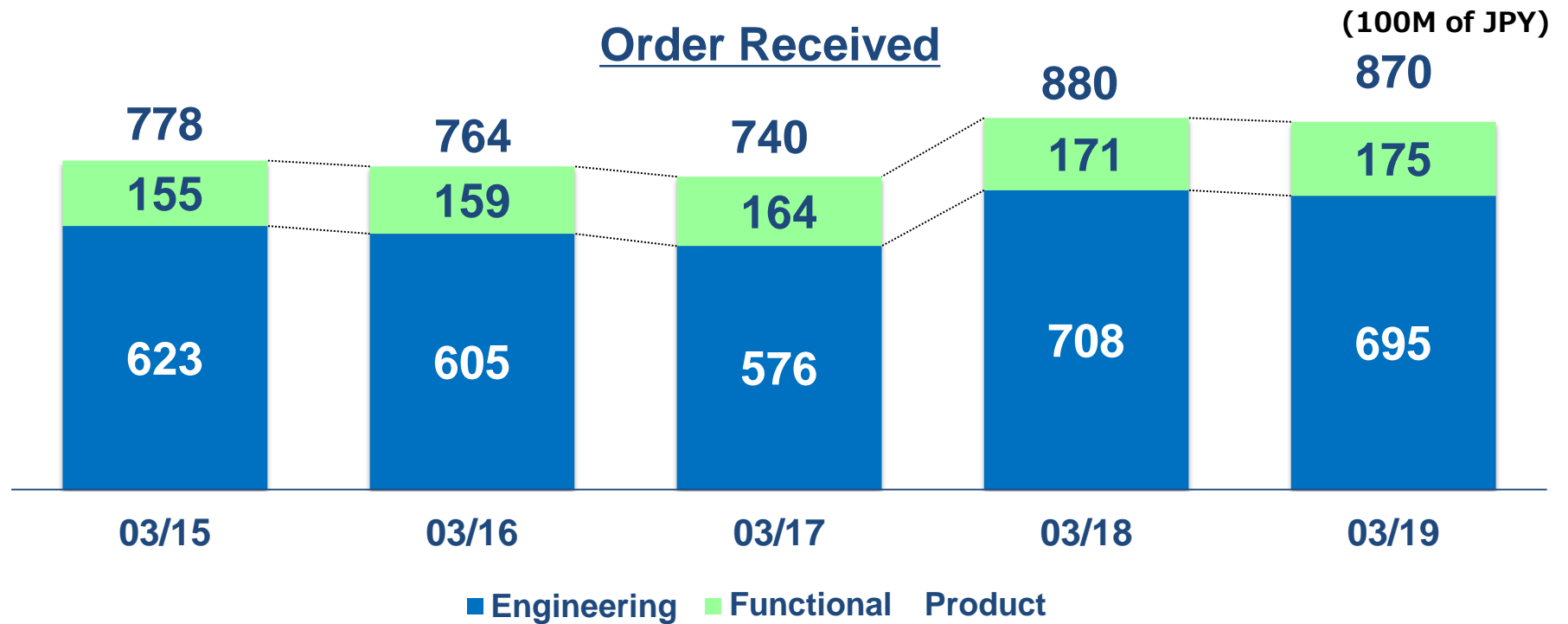
3-3. Order received Plan by Segment

Water Treatment Engineering

Expect a decrease in orders in the electronics industry in Japan, but expect a large investment in Taiwan and China, leading to a large number of orders.

Functional Product

Expect a stable increase in orders for functional products.



3-4. Net Sales Plan by Segment

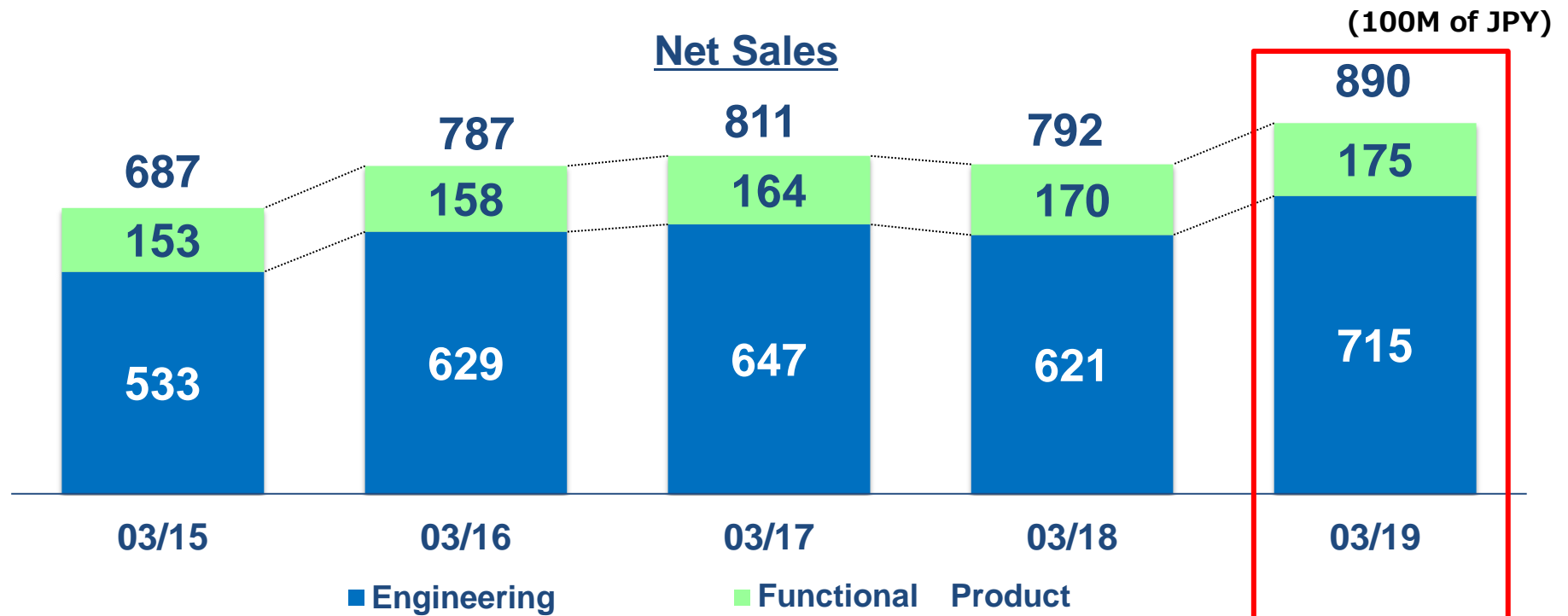
Water Treatment Engineering

Expect sales from large orders received in Japan and China in the previous term.

Aim to post record sales by achieving the target.

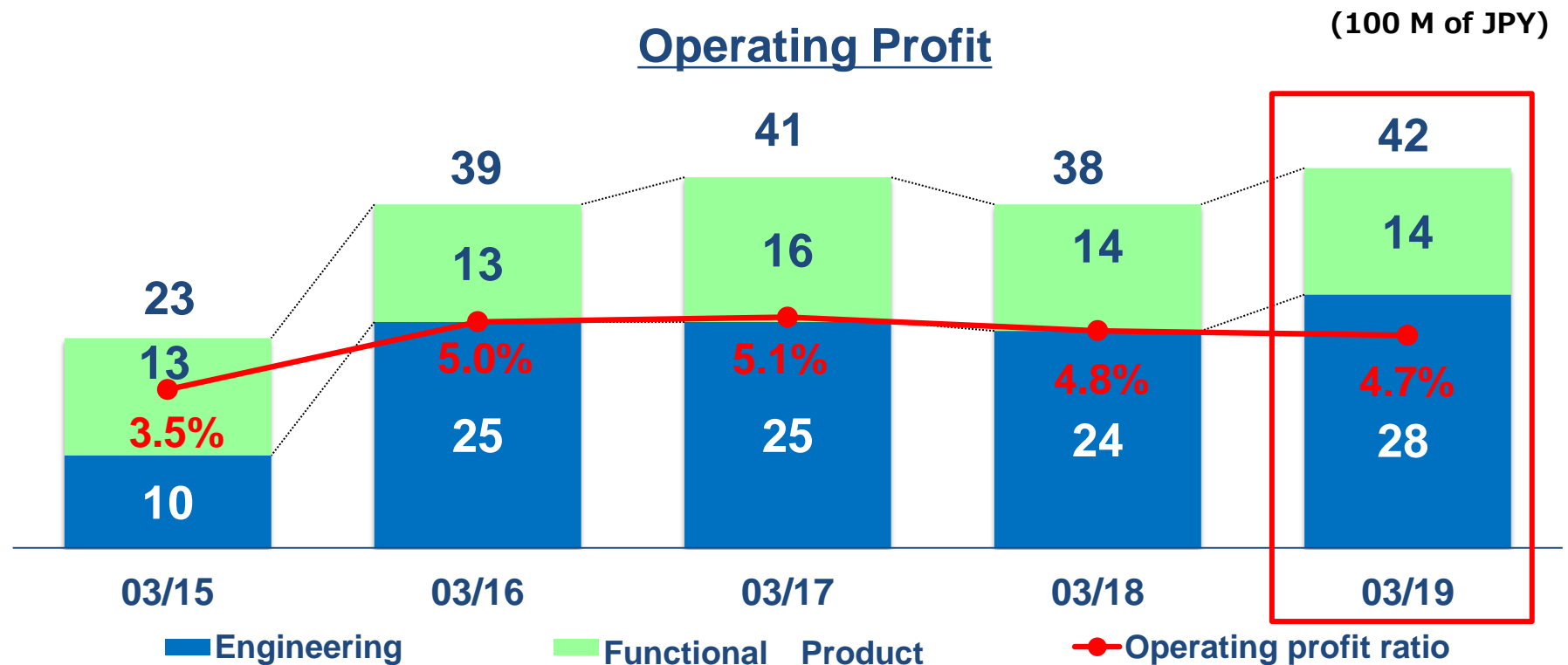
Functional Product

Expect a stable increase in sales of functional products.



3-5. Operating Profit Plan by Segment

- Expect an increase in operating profit from the previous term due to increased sales of water treatment engineering.
- Plan an increase in selling, general and administrative expenses for the investment in R&D and the enhancement of the R&D system for functional products.



3-6. Order received Plans by Regions

Domestic

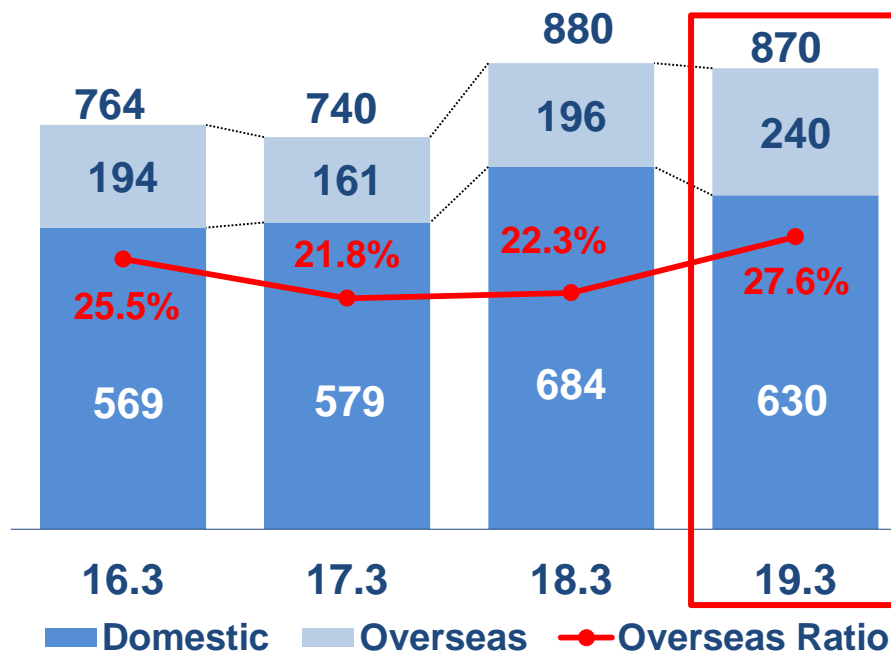
Expect a decrease in orders in the electronics industry in Japan, which were favorable in the previous term.

Overseas

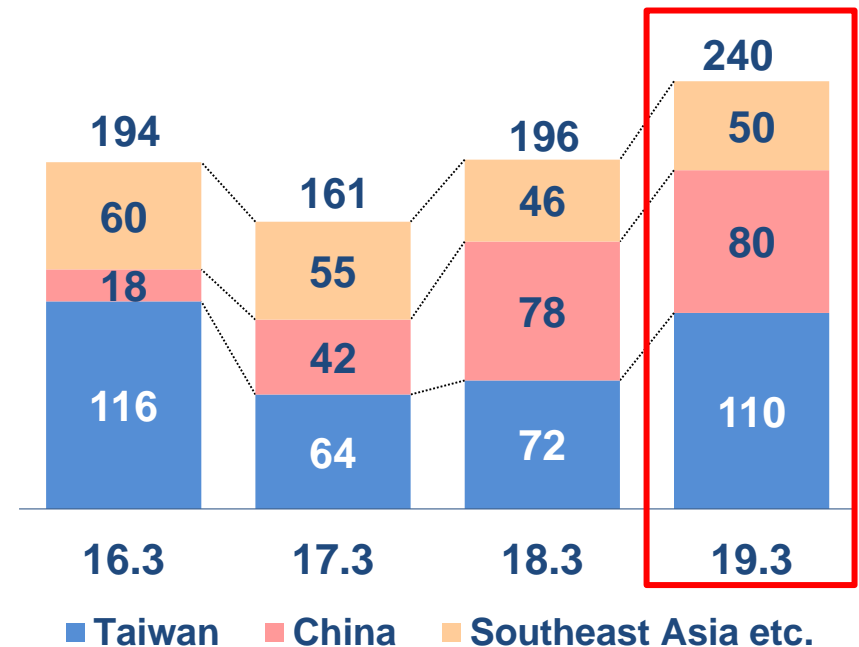
Plan a record level of orders of 24 billion yen overseas.

Expect a large investment in China and a recovery of investment in Taiwan.

Order Received(Domestic/Overseas)



(100M of JPY)
Overseas Order Received



3-7. Net Sales Plans by Regions

Domestic

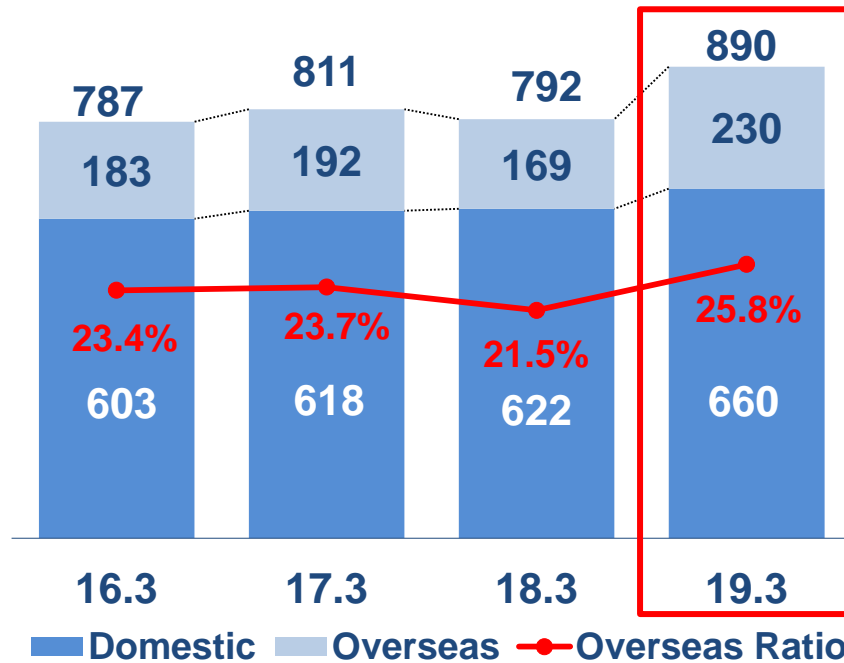
Plan sales from a large order received in the electronics industry in the previous term.

Overseas

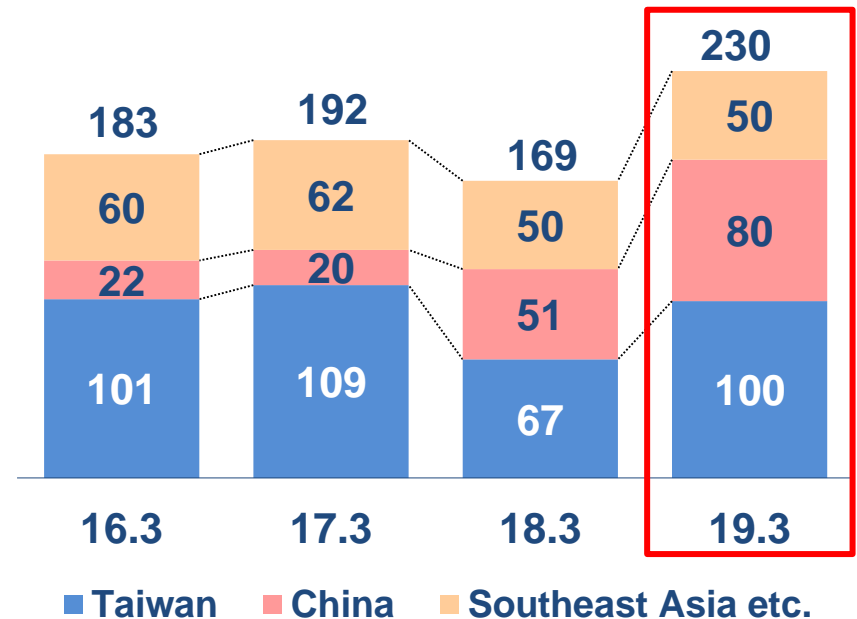
Plan record sales of 23 billion yen overseas.

Expect a recovery of investment in Taiwan in addition to an increase in China.

Domestic · Overseas Net Sales



Overseas Net Sales (100 M of JPY)



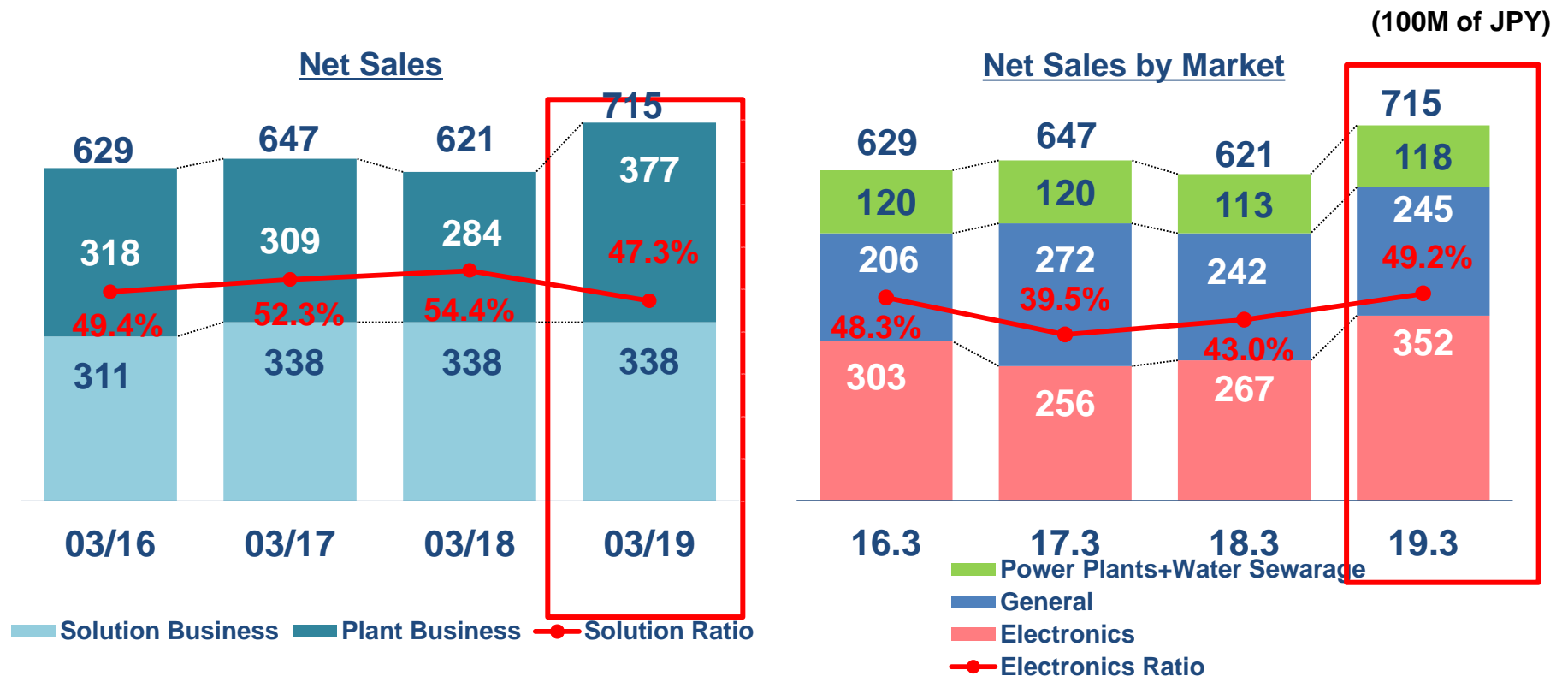
3-8. Sales plan by Category / Market (Water Treatment Engineering)

Plant business

Expect sales from a large order received in the electronics industry in the previous year.

Solution business

Plan sales at a similar level to those of the previous term. Work on the review of the system, enhancing the solution business.



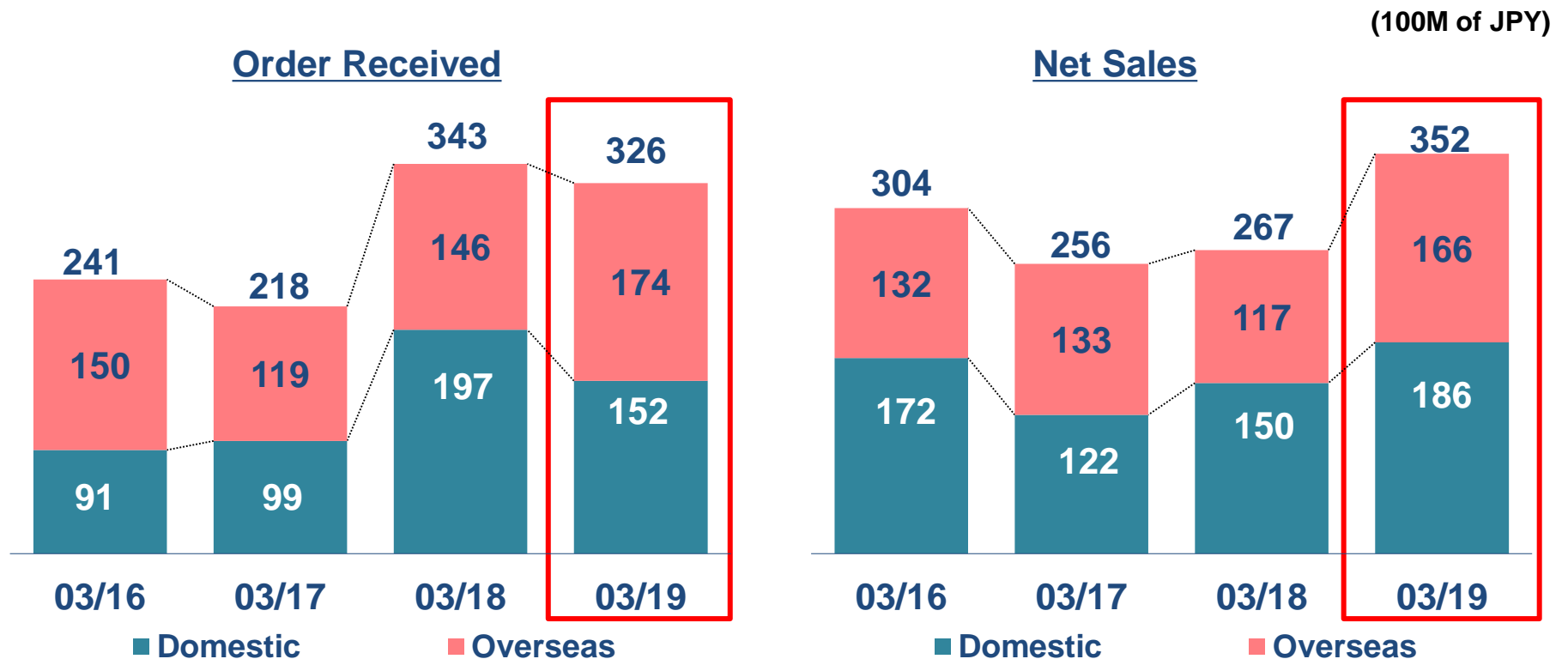
3-9. Orders Received and Net Sales for the Electronics Industry (Water Treatment Engineering)

Order Received

Expect a decrease in Japan, but expect large orders in China and Taiwan.

Net Sales

Expect sales from a remaining order in the previous term with a plan to increase sales in Japan and overseas.



3-10. Plans By Business Segments (Functional Product)

Standardized Water Treatment Equipments & Filters

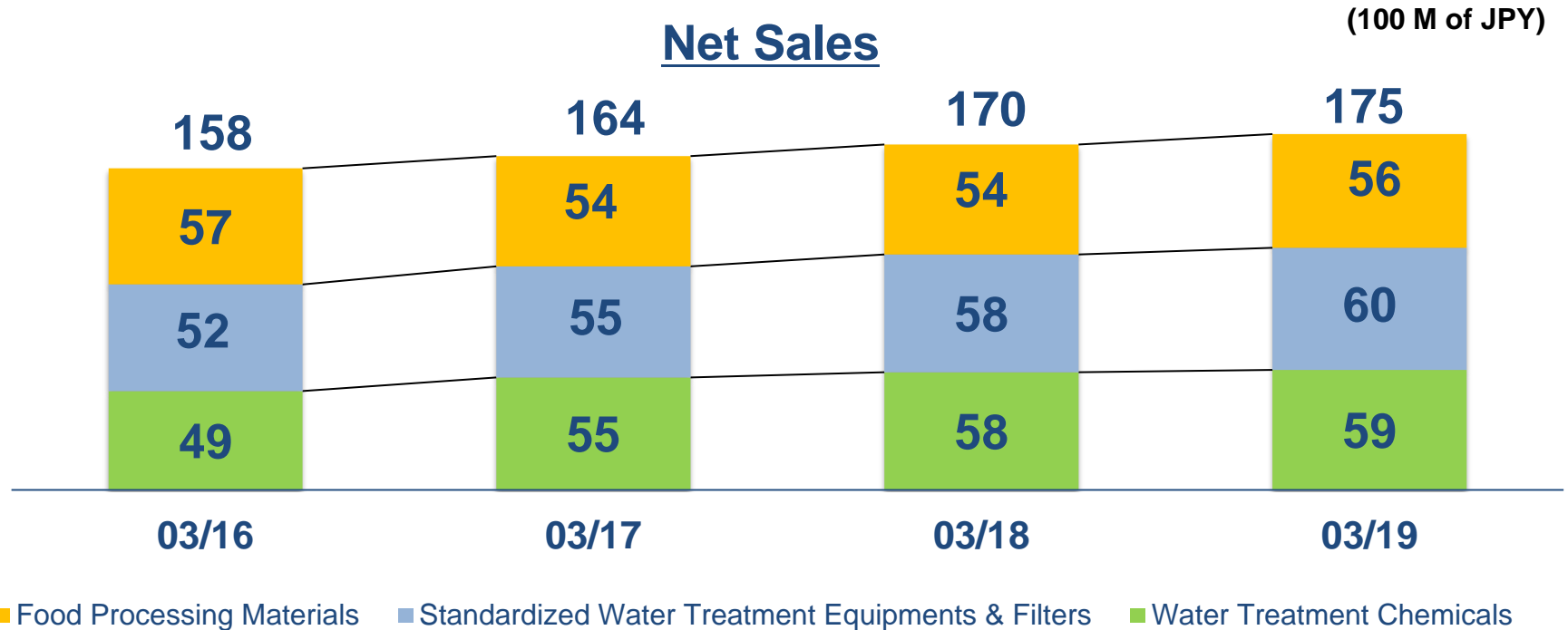
Plan to increase sales due to the enhancement of the lineup and overseas development.

Water Treatment Chemicals

Continue to enhance overseas development with the aim of increasing sales.

Food Processing Materials

Plan to increase sales of granulated products for nursing care food and other products.



3-11. Major Indicators

	03/2018	03/2019 (Plan)
Capital Investment (Millions of JPY)	644	900
R&D Expenses (Millions of JPY)	1,776	1,950
Depreciation (Millions of JPY)	972	1,100
Interest-bearing Debt (Millions of JPY)	15,484	16,000
Number of Employees	2,179	2,200
Dividend per Share (JPY/Year)	53	58
ROE (%)	5.5	5.2

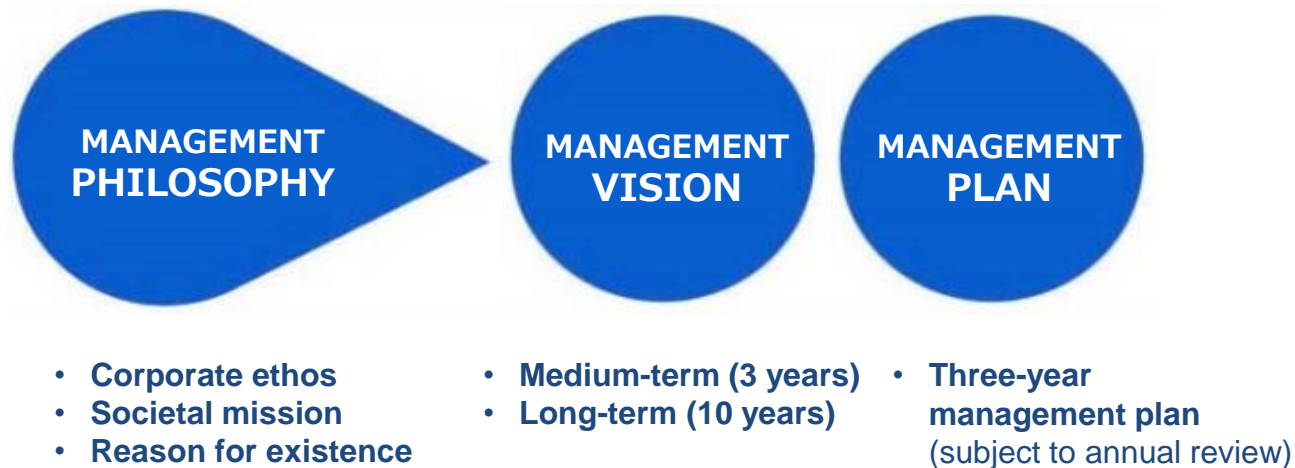
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4-1. New Organo Group Philosophy

Management Philosophy and Long-term Vision

Our new management philosophy encapsulates our corporate ethos, societal mission, and reason for existence. A new management vision focuses on medium- and long-term goals as the foundation of Organo's management plan.



4-2. Management philosophy

Statement

Organo serves as a valuable partner company by leveraging its advanced technologies cultivated through long experience with water treatment, by contributing to the industries that create the future, and by playing a key role in the development of societal infrastructure.

- ✓ Organo deploys its water-related technology and services across a wide range of fields, thereby contributing to the development and harmony of industry, environment, and life.
- ✓ Organo takes the advanced technologies cultivated through its involvement in the science of water and develops them in non-water fields, thereby contributing to industry development and the resolution of societal issues.
- ✓ Organo pursues the creation of economic and social value together with stakeholders, as a reliable and valued partner.

4-3. Long-term Management Vision

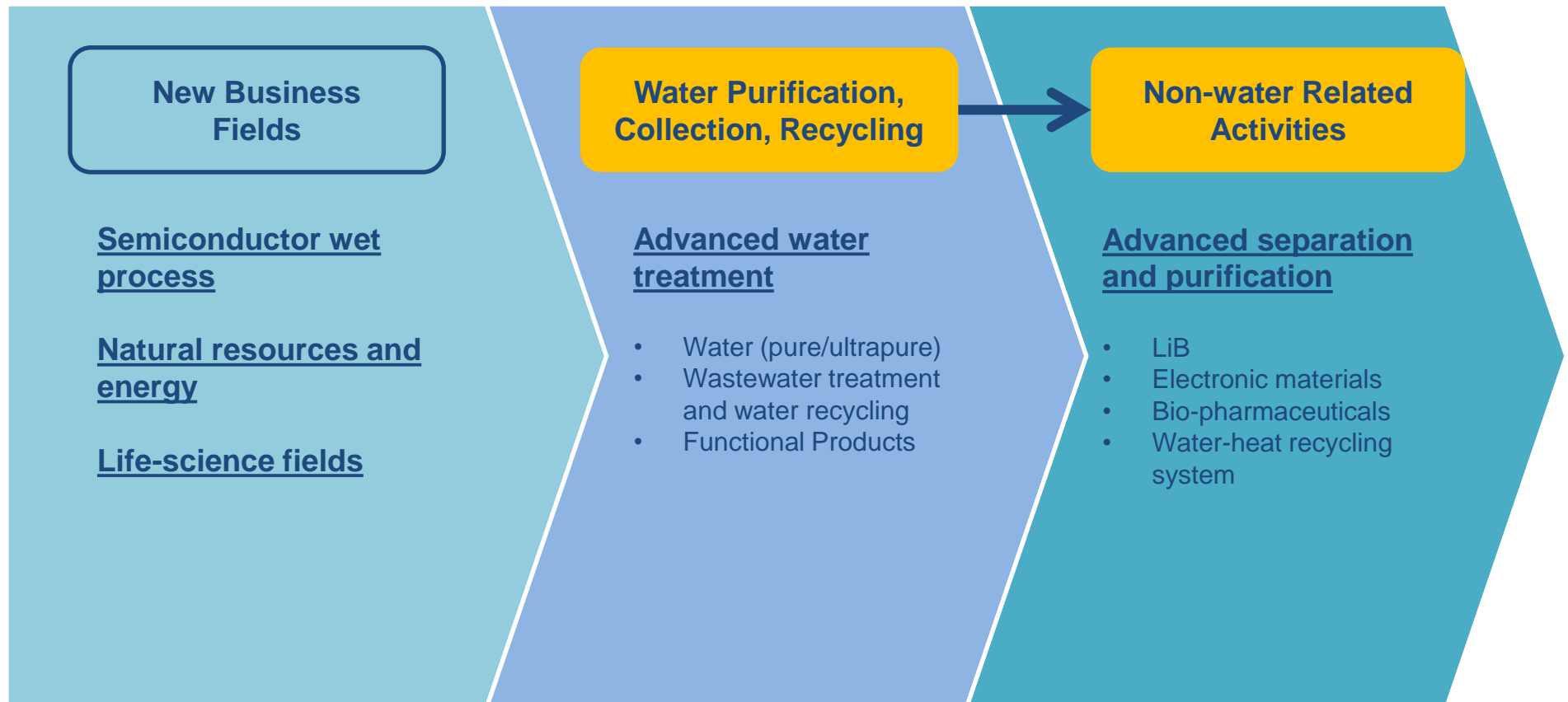
Statement

At Organo, we seek to expand our business through high value-added separation and purification as well as analysis and manufacturing technologies, and by providing products and services that promote the creation of value and which resolve the challenges that confront industry and society.

We proactively contribute to a better tomorrow by cultivating people today who will improve upon the way things were done yesterday, as a company where we all are energetic and passionate about their work.

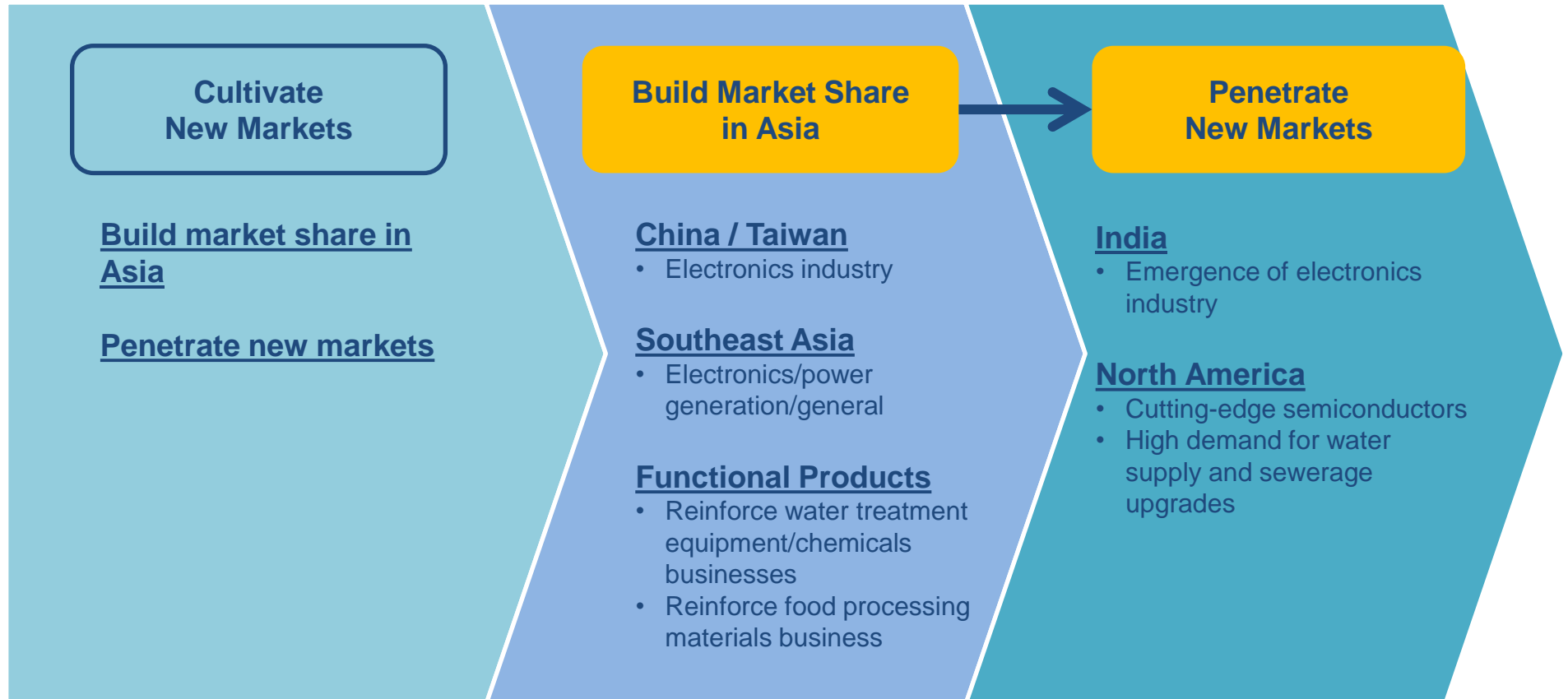
4-4. Long-Term Management Vision

Expansion of Business Activities



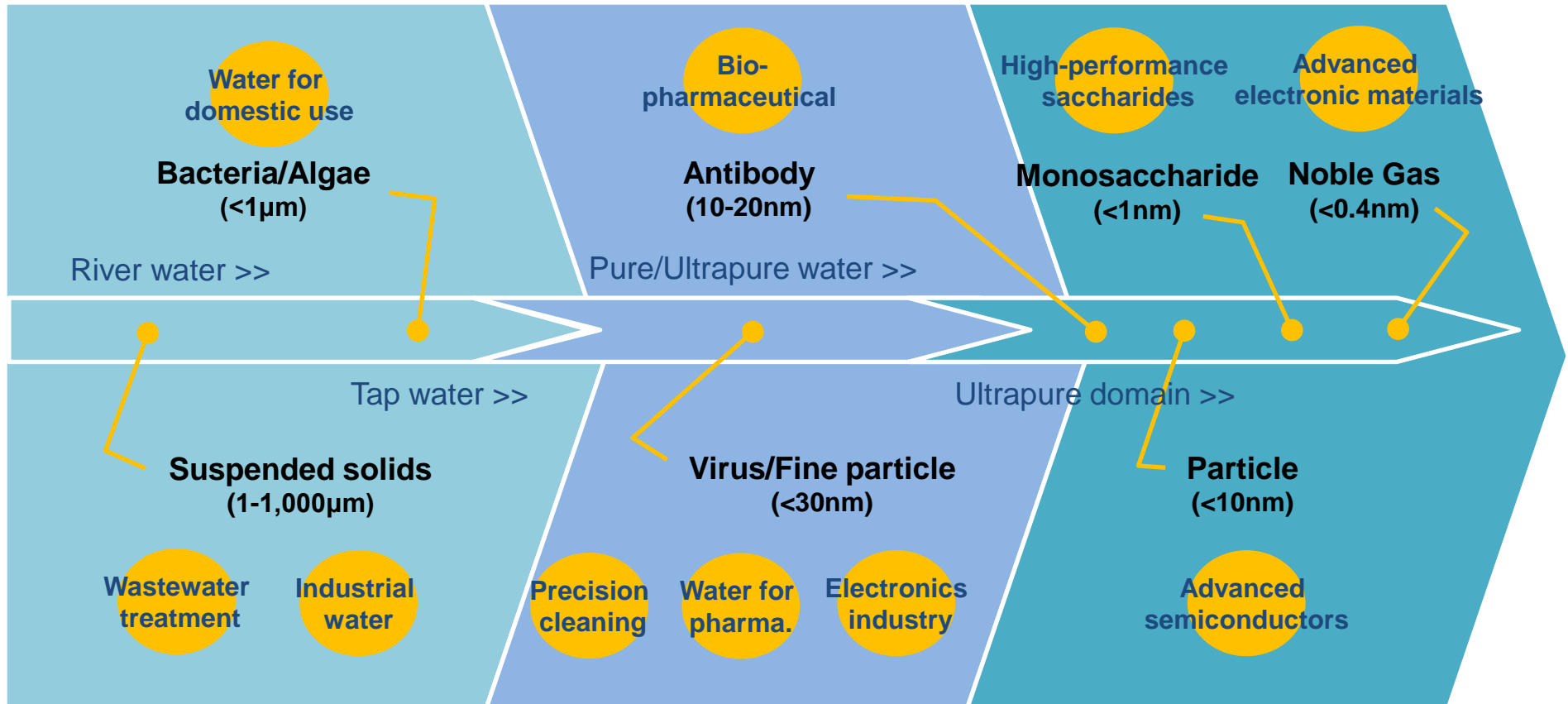
4-5. Long-Term Management Vision

Expansion of Areas of Operation



4-6. Long-Term Management Vision

Microorganism Technology Development



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5-1. Medium-term Management Vision

Statement

To become a profitable engineering company that provides water of the highest quality, at a reasonable cost and in a timely fashion, to customers in electronics manufacturing and other industries in key Asian economies.

To use our proprietary separation and purification processes to generate new businesses in support of next-generation industry.

To continuously create and deliver high value-added Functional Products to the global market.

5-2. Medium-term Management Plan (2017-2019)

Key Management Targets

Achieve 90 billion yen in net sales, 5 billion yen in operating income, and ROE and operating margin of 5% or better by 2020, with continued efforts to increase ROE to 8%.

(Unit: 100 million yen)

	03/2018	03/2019	03/2020	03/2021
Orders Received	880	870	880	900
Net Sales	792	890	880	900
Operating Income (%)	38 (4.8%)	42 (4.7%)	43 (4.9%)	50 (5.6%)
ROE (%)	5.5%	5.2%	5.2%	5.6%

5-3. Medium-term Management Plan (2017-2019)

Increasing ROE

	ROE	Profitability	Efficiency	Financial Leverage
Organo	5.5%	3.5	82.5	191.3
Competitors (avg.)	7.2%	5.3	80.0	169.5

ROE = Profitability x Efficiency x Financial Leverage

- Profitability is inferior to competitors
- Efficiency is essentially average
- Financial leverage is within acceptable range

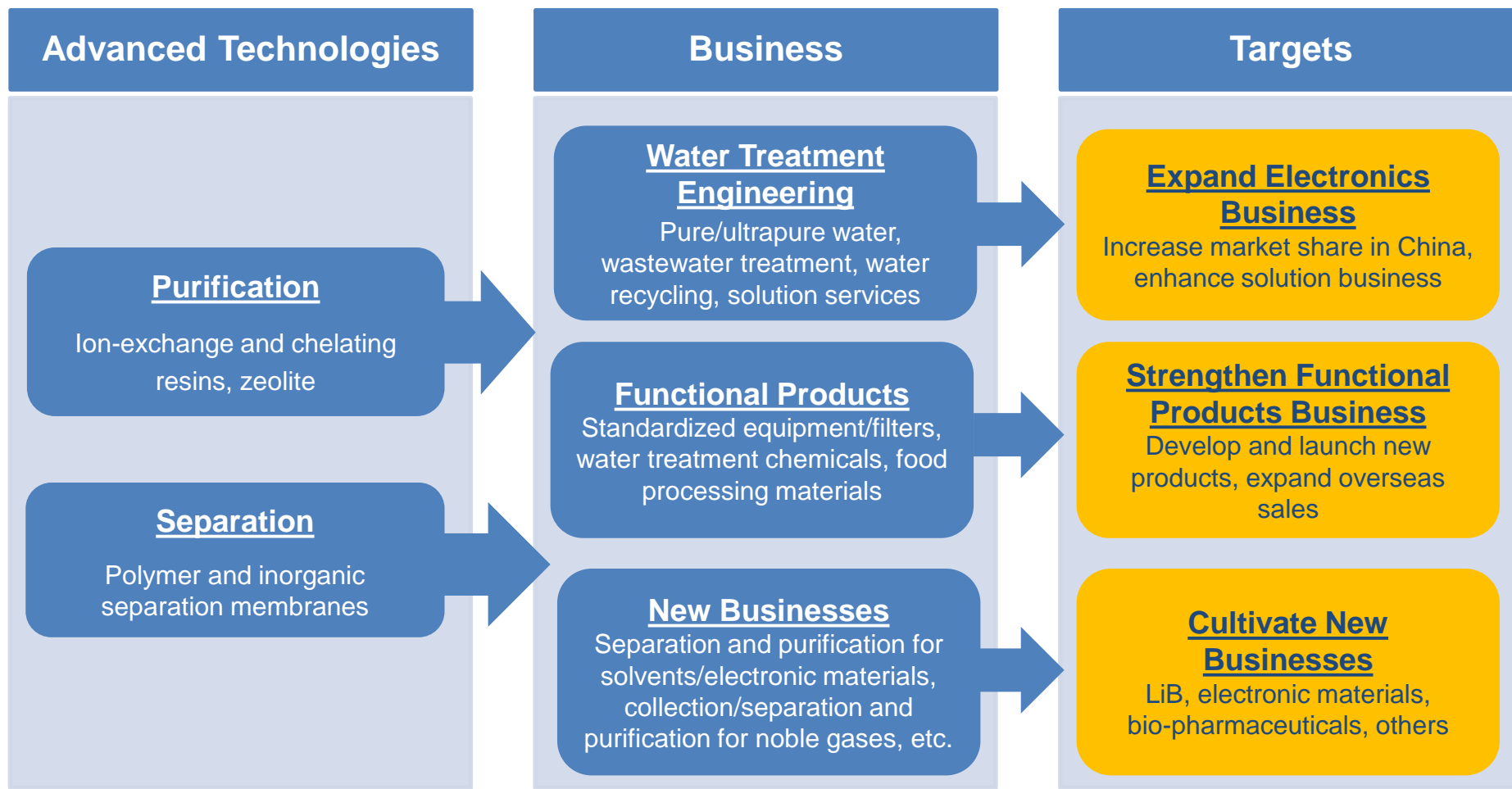


Improve ROE by improving profitability

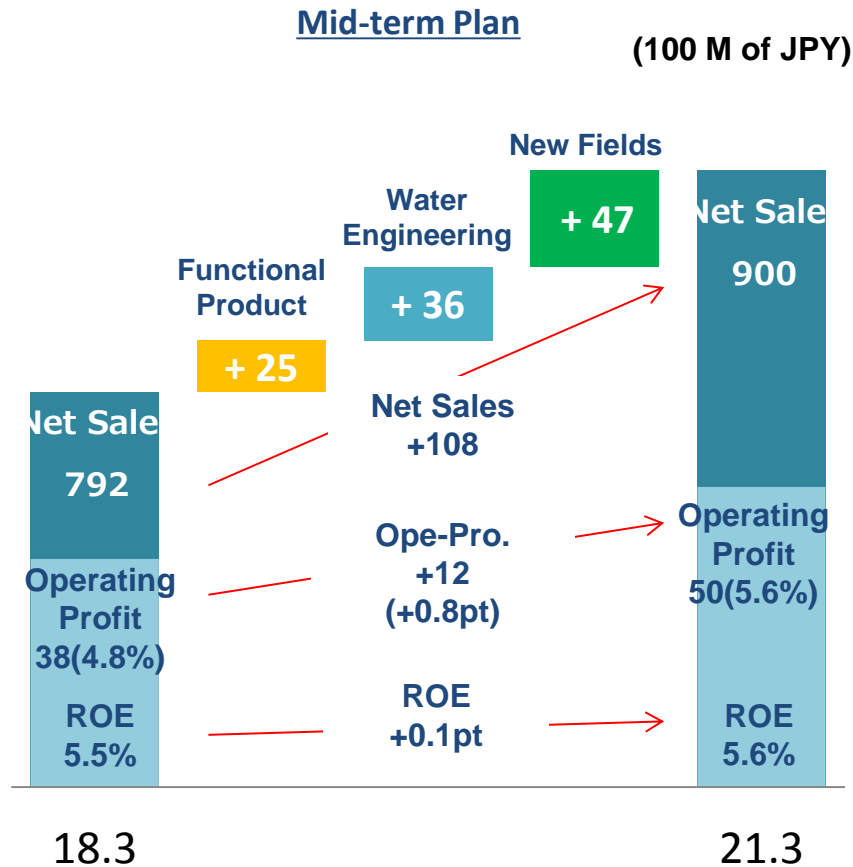
- ✓ Reform cost structure
- ✓ Strengthen Functional Products
- ✓ Expand Solution Business

5-4. Medium-term Management Plan (2017-2019)

Growth in Electronics, Functional Products, New Businesses



5-5. Outlines of Mid-term Plan



Functional Product

Aim to expand the business through the enhancement of the new product development of standardized water treatment equipment, water treatment chemicals and overseas expansion, and the enhancement of manufacturing technology in the food area.

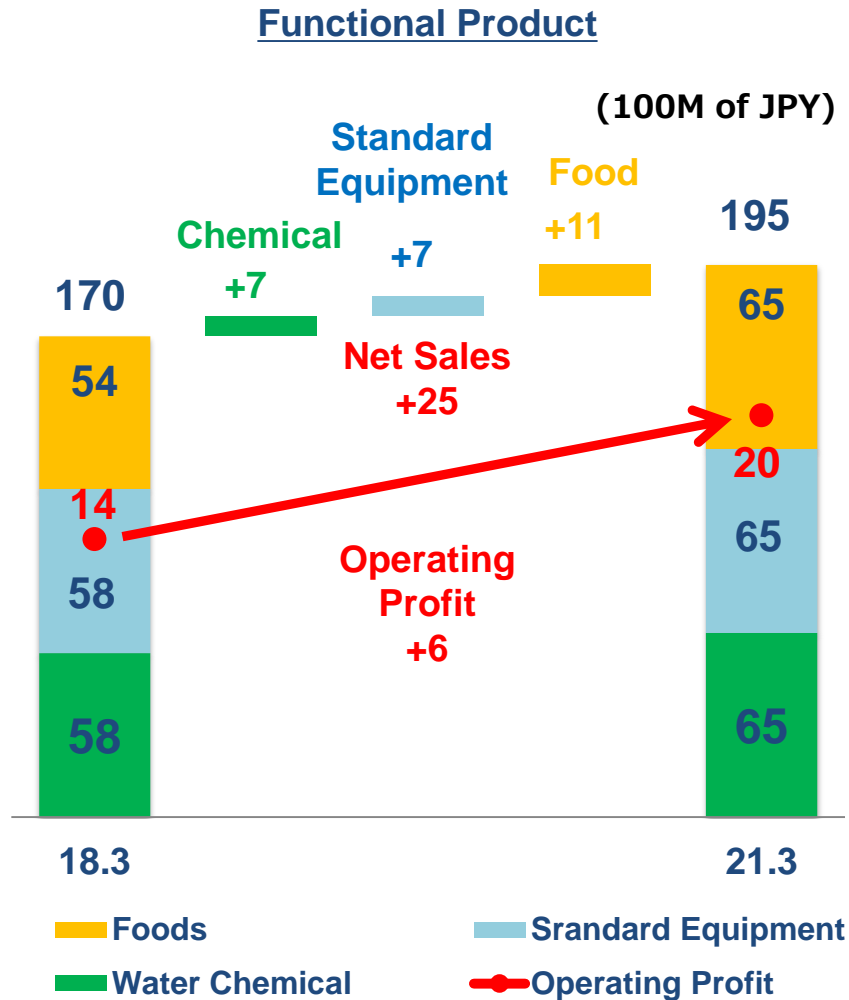
Water Engineering

Aim to increase market share and the solution business in China, where active capital investment continues, and in the electronics industry.

New Fields

Use our separation and purification technologies in the LiB market, where increased sales are expected for EVs, in the area of electronic materials, which is related to the manufacture of increasingly miniaturized semiconductors, and in the area of bio-pharmaceuticals for the extraction of active ingredients.

5-6. Mid-term Plan Functional Product



Water Treatment Chemicals

- Development of new water treatment chemicals
- Overseas expansion of sales of chemicals for effluent treatment and the electronics industry
- Development and deployment of a solution service using IoT and AI

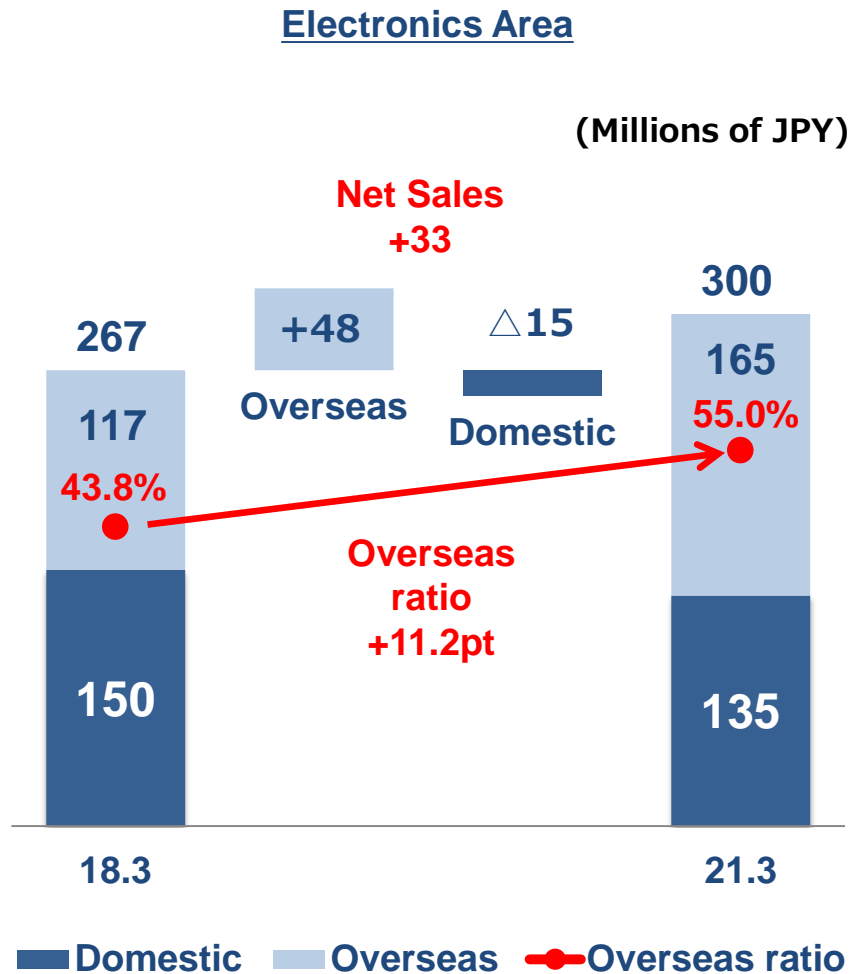
Standard Equipment & Filter

- Enhancement of a lineup of standardized pure water/ultra pure water supply system Purelite/Puric-α series
- Developing a system for sales and maintenance in China
- Preparation and promotion of an efficient production system

Food Processing Materials

- Enhancement of processing technologies including granulation technology
- Establishment of a production system with higher safety
- Enhancement of the marketing function overseas

5-7. Mid-term Plan Expanding Electronics



Developing New Market

- Increase in market share and preparation of a maintenance system in China
⇒ A sense of uncertainty regarding the investment plan in 2019 and thereafter
- Deployment of advanced technology for extensive investment in Japan and Taiwan
- Preparation of a system in India as a future market

Competitiveness

- Reforming of the cost system
⇒ Overhaul of the engineering system
- Differentiation by promoting a joint experiment with a customer

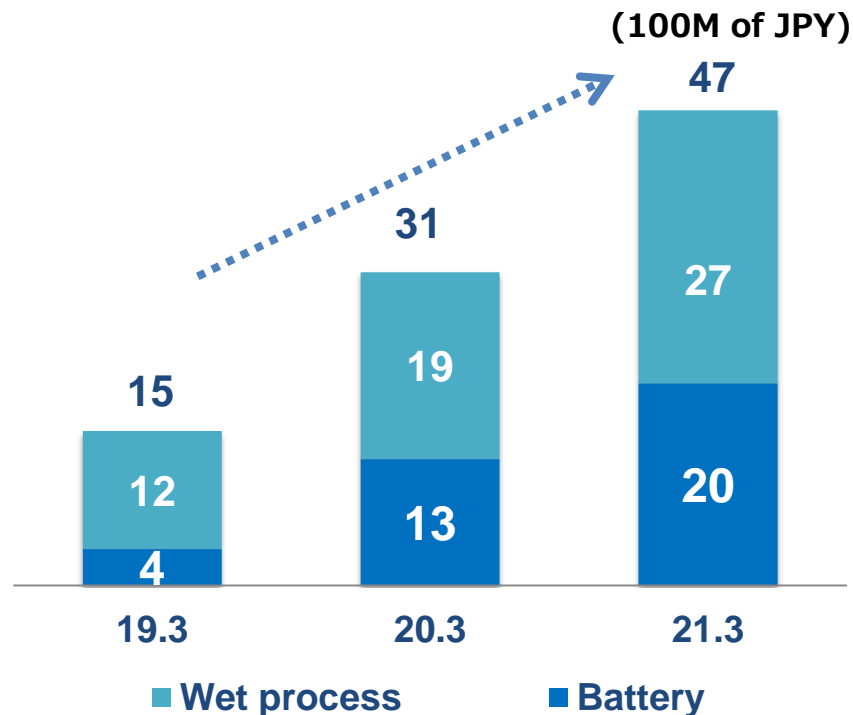
Solution Business

- Preparation of a system for the improvement of profitability and the expansion of the solution business overseas
⇒ Overhaul of the maintenance engineering system in Japan and overseas

5-8. Mid-term Plan New Fields

- Deployment of own separation and purification technologies in areas other than water, including solvent mediums and solvents
- Work on discovering a market for secondary batteries and electronic materials

New Fields



Lithium Ion Battery Market

- Purification System for NMP(solvent for manufacturing electrodes)
 - Purification for electrolytes
- ⇒ Focusing on growing China Market



Wet/Cleaning Process of semicon

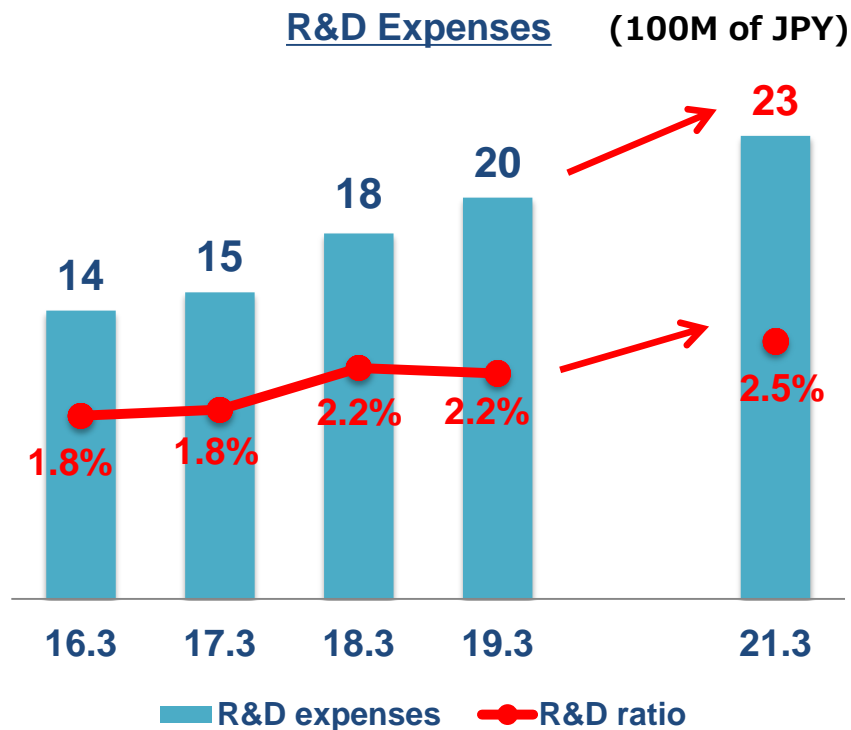
Separation, purification, and collection of organic solvent, photoresist, rare gas, etc., which are used in manufacturing semiconductors (wet process)

⇒ Deployment in advanced markets in Japan, Taiwan, and the US



5-9. Mid-term Plan R&D

- Enhancement of R&D investment as a driving force for growth
- Increase investment, targeting a sale-to-research expense ratio of 2.5%
- Enhancement of separation, purification and analysis technologies to respond to the needs for advanced miniaturization and ultra purity



Purification and Separation

■ Highly advanced semiconductors

Development of advanced water treatment technology to respond to further miniaturization (X nano)



■ Biological pharmaceuticals

Development of a nano-scale separation and purification process of protein to improve the efficiency of the drug manufacturing process

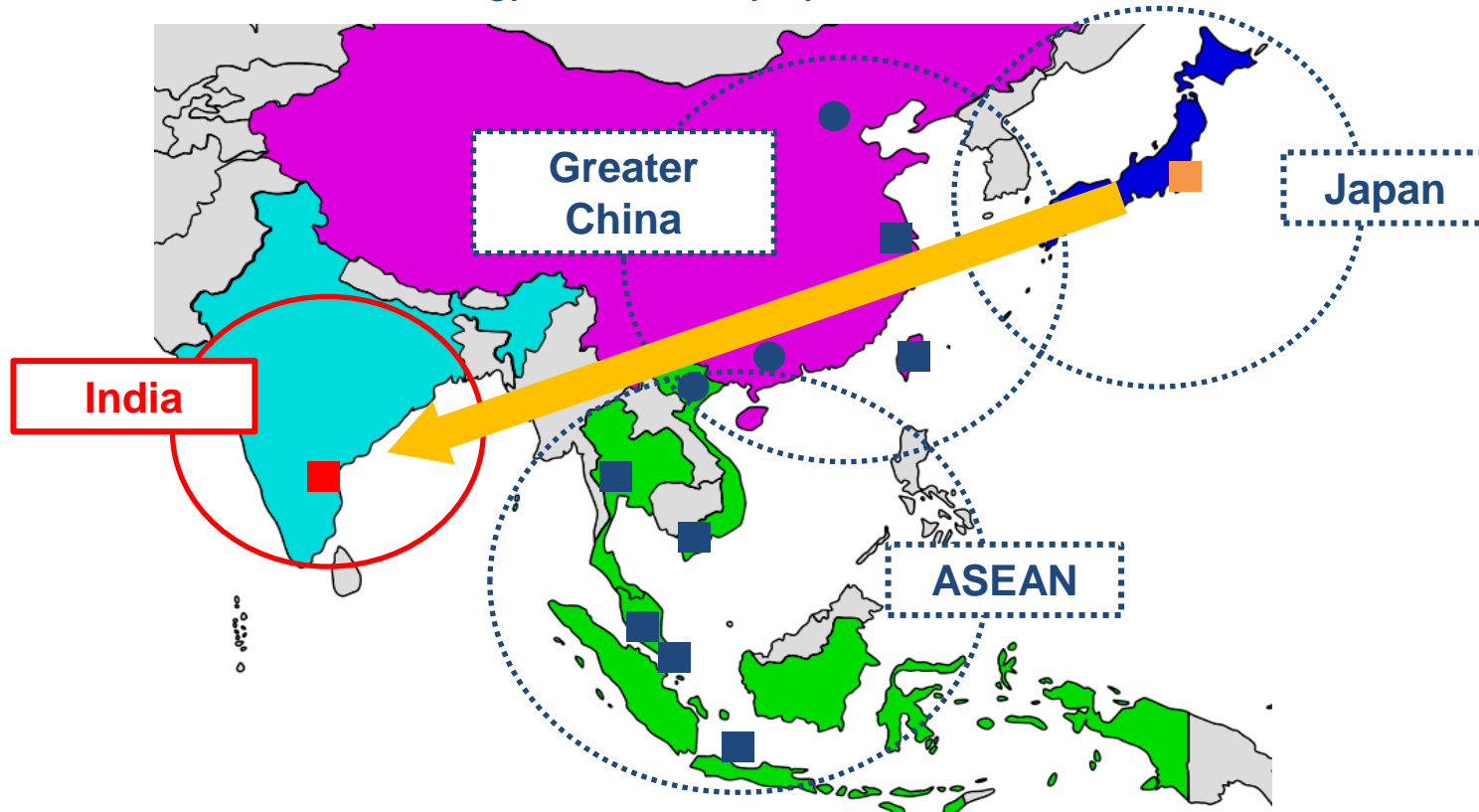
■ Functional product



Enhancement of the lineup of a compact pure water/ultra pure water supply system for laboratories and medical facilities and medical use, a variety of filters, and water treatment chemicals

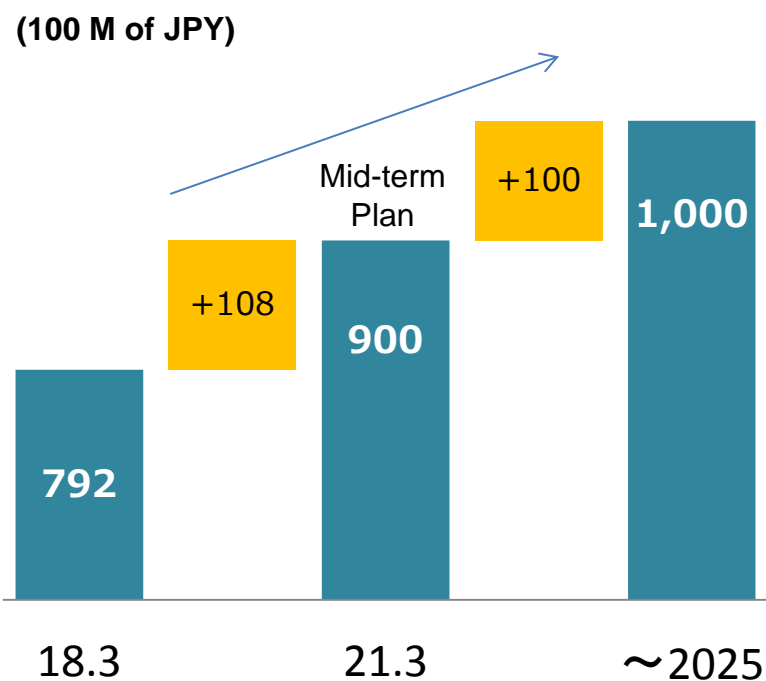
5-10. India Market

- Enhancement of expansion into India as a market following Asia market
- Expect further development due to the growth of the market and production related to the electronics industry
- Enhancement of a technology and delivery system based on a local affiliate



5-11. For further development

- Aim to produce sales of 100 billion yen by 2025
- Expand into North America again, in addition to expansion into India
- Actively explore the possibility of M&A for function complementation



Re-entry into USA

Sell advanced technology, targeting demand for the most advanced manufacturing process of semiconductors and the replacement of municipal water and sewerage systems in large cities

M&A/Aliance

Actively explore the possibility of M&A, alliances and the introduction of technology mainly overseas for function complementation

5-12. Mid-term plan restructuring organization

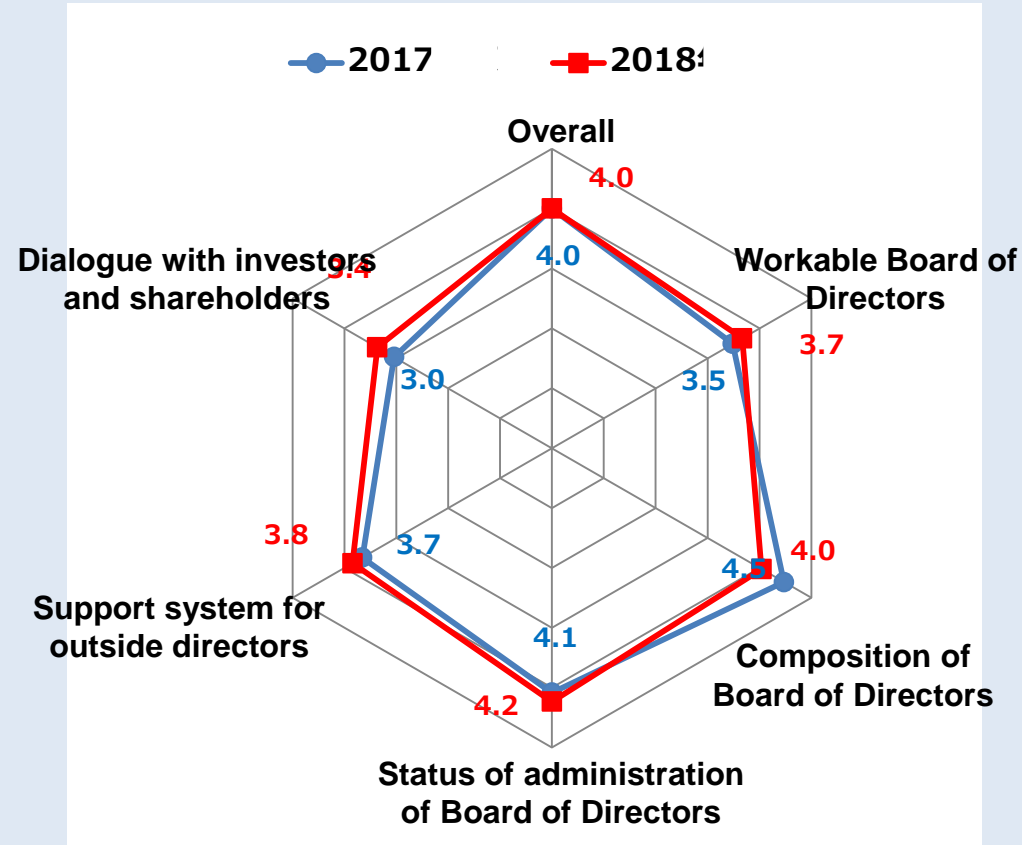
Technology and Development	Establish the Technology Development Headquarters . Integrate R&D and engineering functions, and also promote a system for cost reductions and an engineering system overseas.
Overseas Business	Establish the Overseas Business Promotion Headquarters . Adjust the overseas strategy of each business area, and enhance M&A and the introduction of technology overseas.
Solution Business	Establish the Solution Promotion Office . Enhance the business system in Japan and overseas, and promote the expansion of business under a cross-sectional strategy.
New Field	Establish the Separation and Purification Business Unit . Promote the development and commercialization of the area of secondary batteries and electronic materials.
Productivity	Establish the Operational Reform Promotion Division . Work on operational reform and the improvement of productivity collectively with the overhaul of the information system.

5-13. Corporate Governance

Corporate Governance

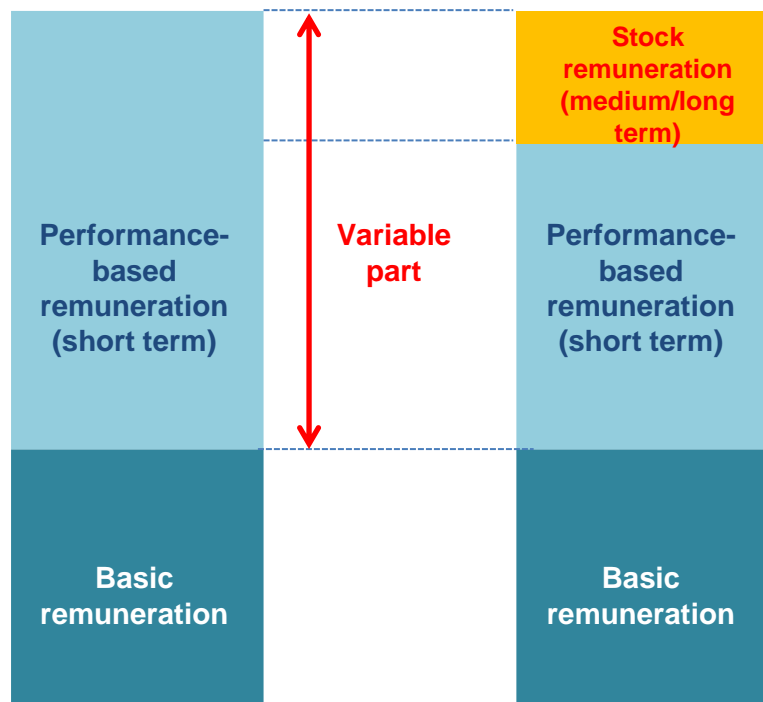
■ Overview of the assessment of the workability of the Board of Directors in the past and the status of response

- Reconsideration of company objectives and social significance
⇒ Create a new corporate philosophy and a long-term management vision
- Standard for compensation for directors and decision process
⇒ Review of compensation system for directors (described later)
- Enhancement of dialogue with investors and shareholders
- Discussion on selection of directors and the role of the Board of Directors
⇒ Proceed with improvement efforts



5-14. Corporate Governance

Stock remuneration Plan



Current

Planned revision

■ Introduction of stock remuneration plan

- Aim to improve the medium- to long-term performance of the Group and enhance officers' awareness of contributing to the increase in corporate value
 - Part of the remuneration for officers is replaced with a performance-based stock remuneration plan starting in FY2018
- Shares are issued as remuneration according to the achievement ratio on the basis of the standard of return on equity (ROE)
- Shares are issued every year. It is prohibited to sell the shares for three years from their issuance.

ORGANO CORPORATION

SUSTAINABLE DEVELOPMENT GOALS 17 GOALS TO TRANSFORM OUR WORLD



Contact

Organo Corporation Corporate Planning Dept.
TEL : +81-3-5635-5111 / FAX : +81-3-3699-7240
E-mail : info@organo.co.jp
<https://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 variety of factors.