

Financial Report on the 1st Half for the FY ending Mar.31 2019

Nov. 7, 2018

Contents

1. Financial Result of 1st Half of FY 2019
& Financial Forecasts for FY 2019
2. Efforts in Mid-term plan
3. Corporate Outlines

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1. Financial Result of 1st Half of FY 2019
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Overviews

<1st Half Result>

- Orders, sales and operating profit all increased year on year.
- In Engineering segment, orders received were brisk in the electronics industry. Profit level of plant has also improved.
- Products segment showed firm results in each department.

<Full-year Forecast>

- Orders and sales are expected to hit record highs, due to strong performance of the electronics industry.
- Profit is expected to exceed the result for FY2017 and the plans.
- Products are expected to show firm results in each department.

<Efforts in the Mid-term Plan>

- Orders in the electronics industry exceeded the initial plans, so a review of the mid-term plan, which assumed a slowdown in large investments, is being considered.
- The development of new businesses and the strengthening of the Products business are being conducted as planned.

Outlook for 1st Half Result

Orders: Increased sharply due to the recovery of electronics investment in Taiwan.

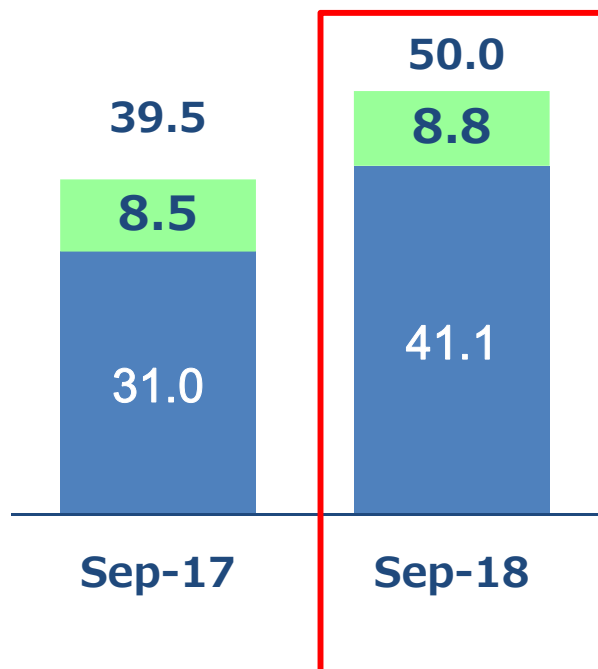
Sales: Sales for electronics increased including projects delays towards 2nd half.

O/P : Profit recovered due to sales increasing and profit ratio improving in Engineering sector.

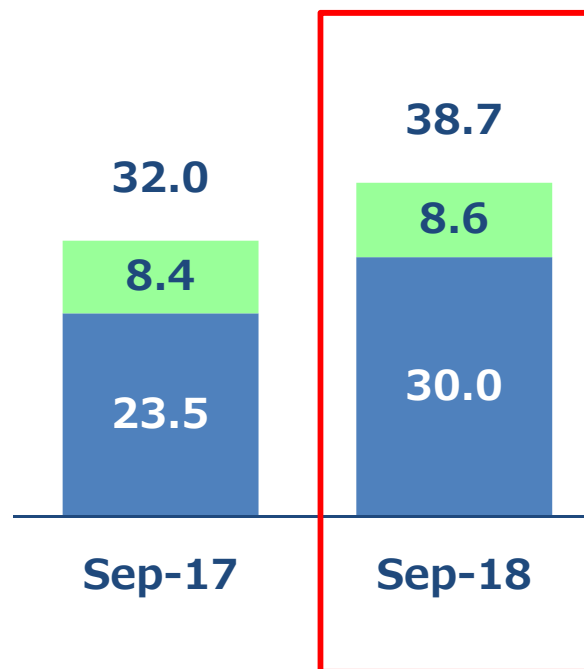
(Billions of JPY)

■ Engineering ■ Products

Orders Received



Net Sales



Operating Profit



Financial Result of 1st Half of FY2018

Millions of JPY	2017/09 Result	2018/09 Plan	2018/09 Result	Y/Y Diff.	Diff. From Plan
Orders Received	39,588	40,000	50,031	+ 10,043	+ 10,031
Net sales	32,003	40,000	38,782	+ 6,779	△1,218
Gross Profit (%)	7,212 (22.5%)	8,400 (21.0%)	9,361 (24.1%)	+ 2,149 (+ 1.6pt)	+ 961 (+ 3.1pt)
SG&A	7,448	7,800	7,851	+ 403	+ 51
Operating Profit (%)	△235 (△0.7%)	600 (1.5%)	1,509 (3.9%)	+ 1,744 (+ 4.6pt)	+ 909 (+ 2.4pt)
Ordinary Income	△182	550	1,549	+ 1,731	+ 999
Net Income	△253	320	916	+ 1,169	+ 596

Orders Received By Regions

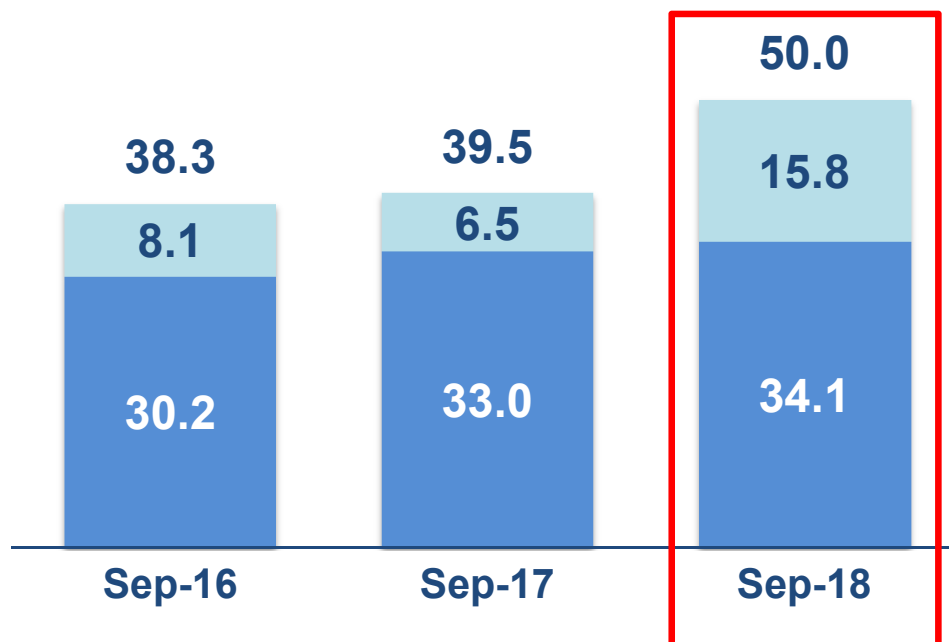
Orders received expanded sharply due to growth in Taiwan and China.

- ⇒ Taiwan's large investments for semiconductors recovered.
- ⇒ In China, large investments in electronics industry continued .
- ⇒ In Japan, investment in electronics and general industries are brisk.

(Billions of JPY)

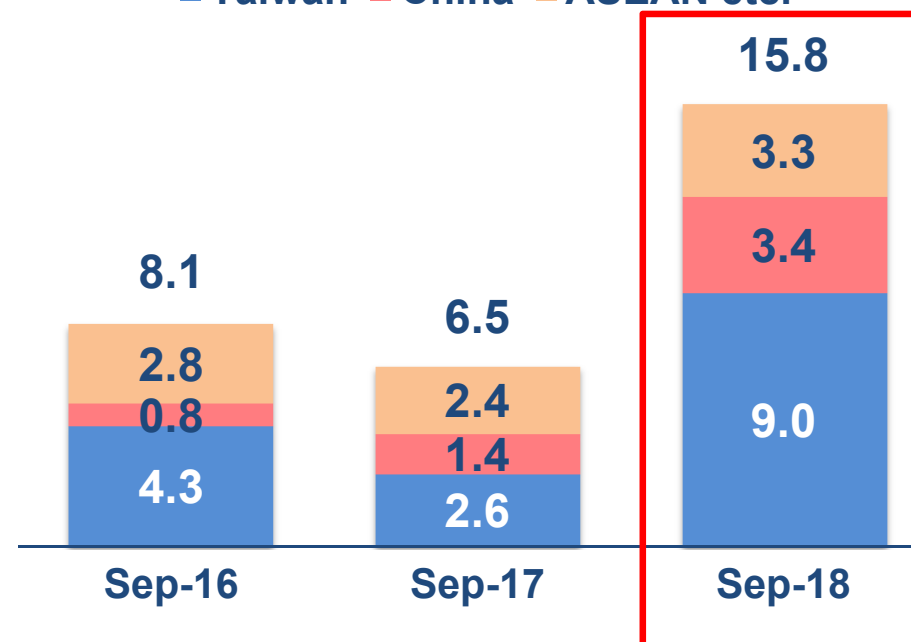
Orders Received (Domestic/Overseas)

■ Domestic ■ Overseas



Orders Received (Overseas)

■ Taiwan ■ China ■ ASEAN etc.



Net Sales By Regions

Net sales increased both in Japan and overseas at high level for 1st half.

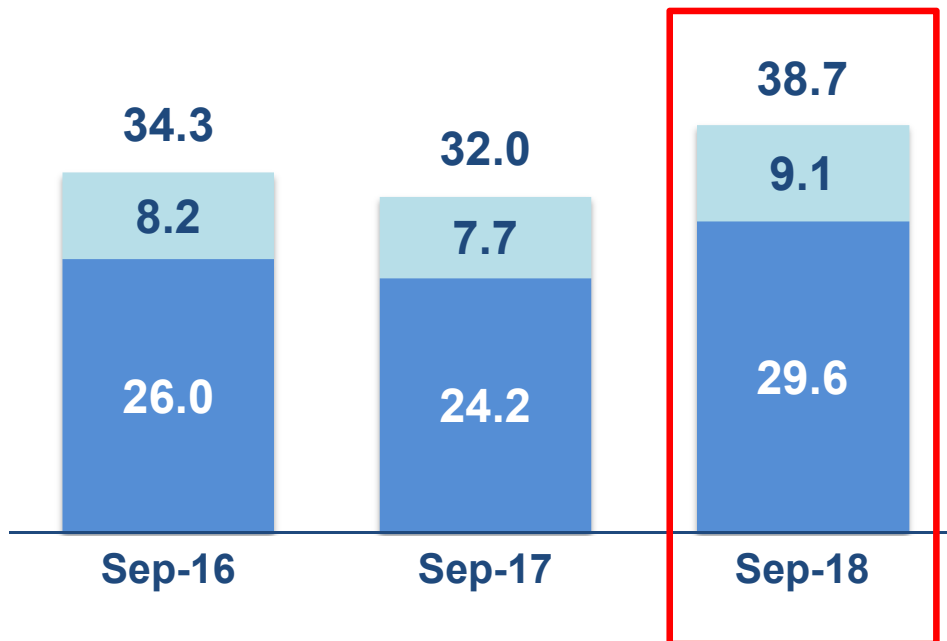
⇒ Large orders received in Taiwan contributes to the sales after 2nd half.

⇒ Sales in the electronics and general industries expanded in Japan.

(Billions of JPY)

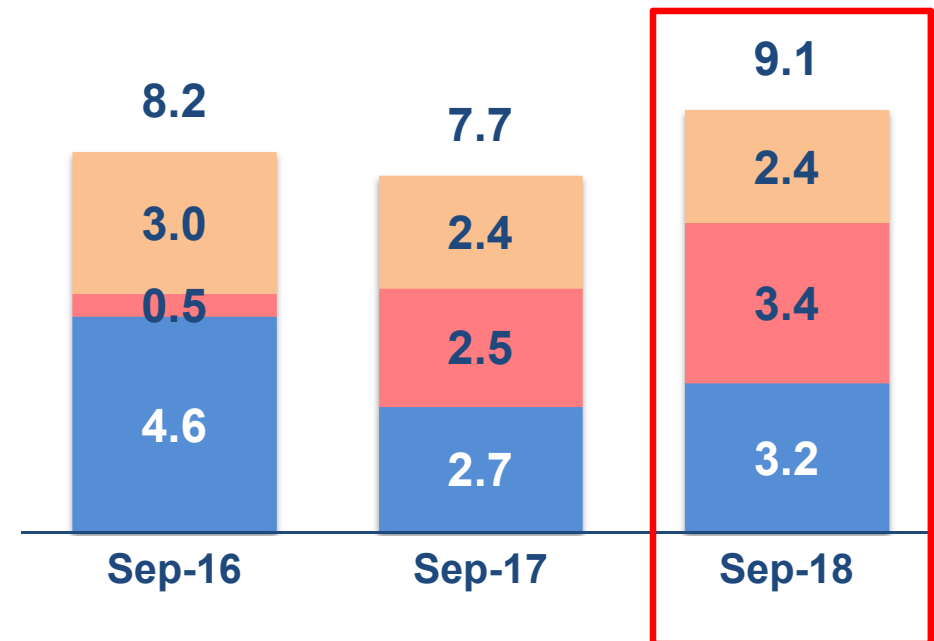
Net Sales (Domestic/Overseas)

■ Domestic ■ Overseas



Net Sales (Overseas)

■ Taiwan ■ China ■ ASEAN etc.



Net Sales (Water Engineering)

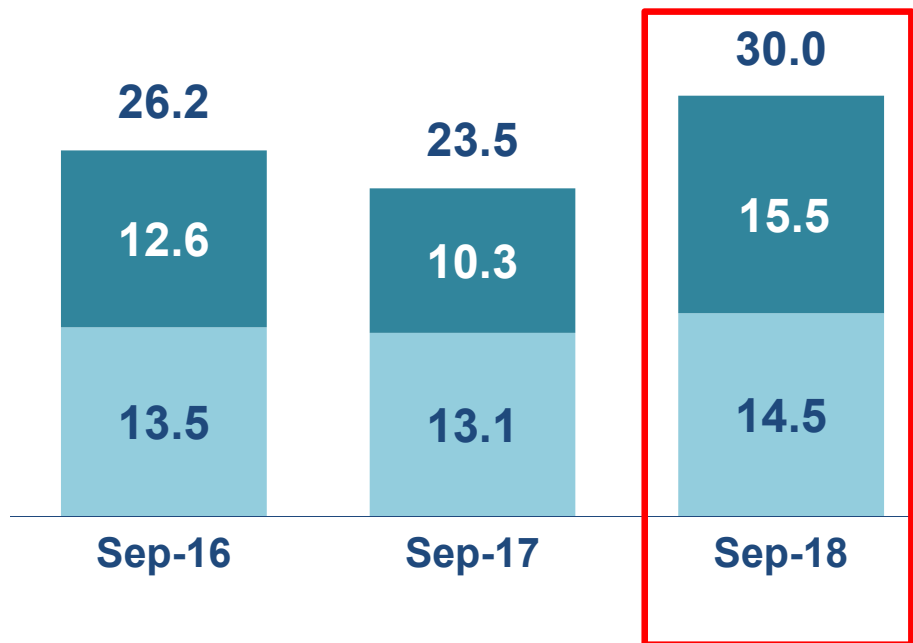
Plant sales expanded. Solution sales also recorded strong results.
Sales for Electronics and General industry were strong.

⇒ Plant sales in Electronics contributes to sales growth.

(Billions of JPY)

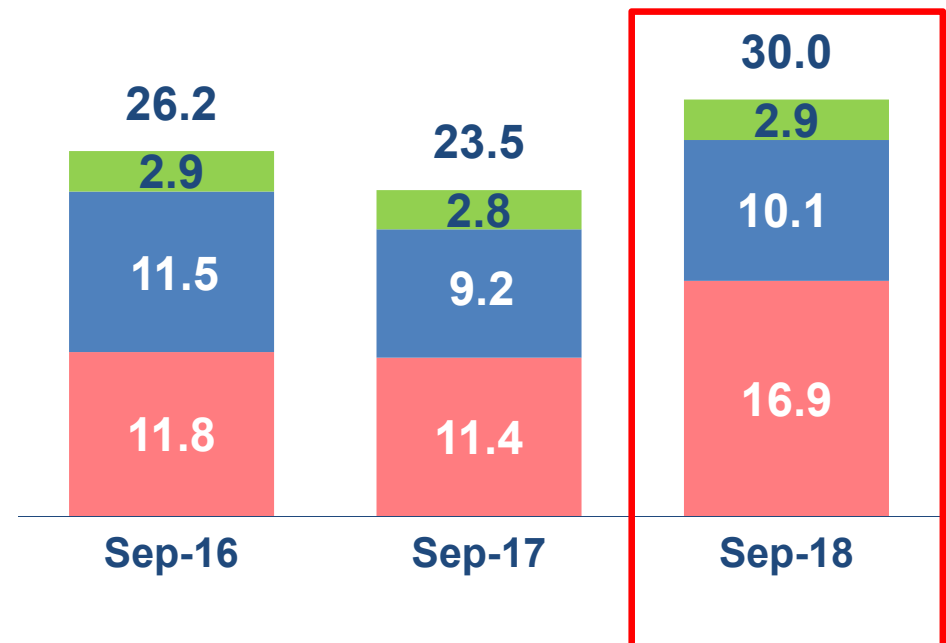
Net Sales (Plant/Solution)

■ Solution ■ Plant



Net Sales (By Market)

■ Electronics ■ General ■ Power+Water work

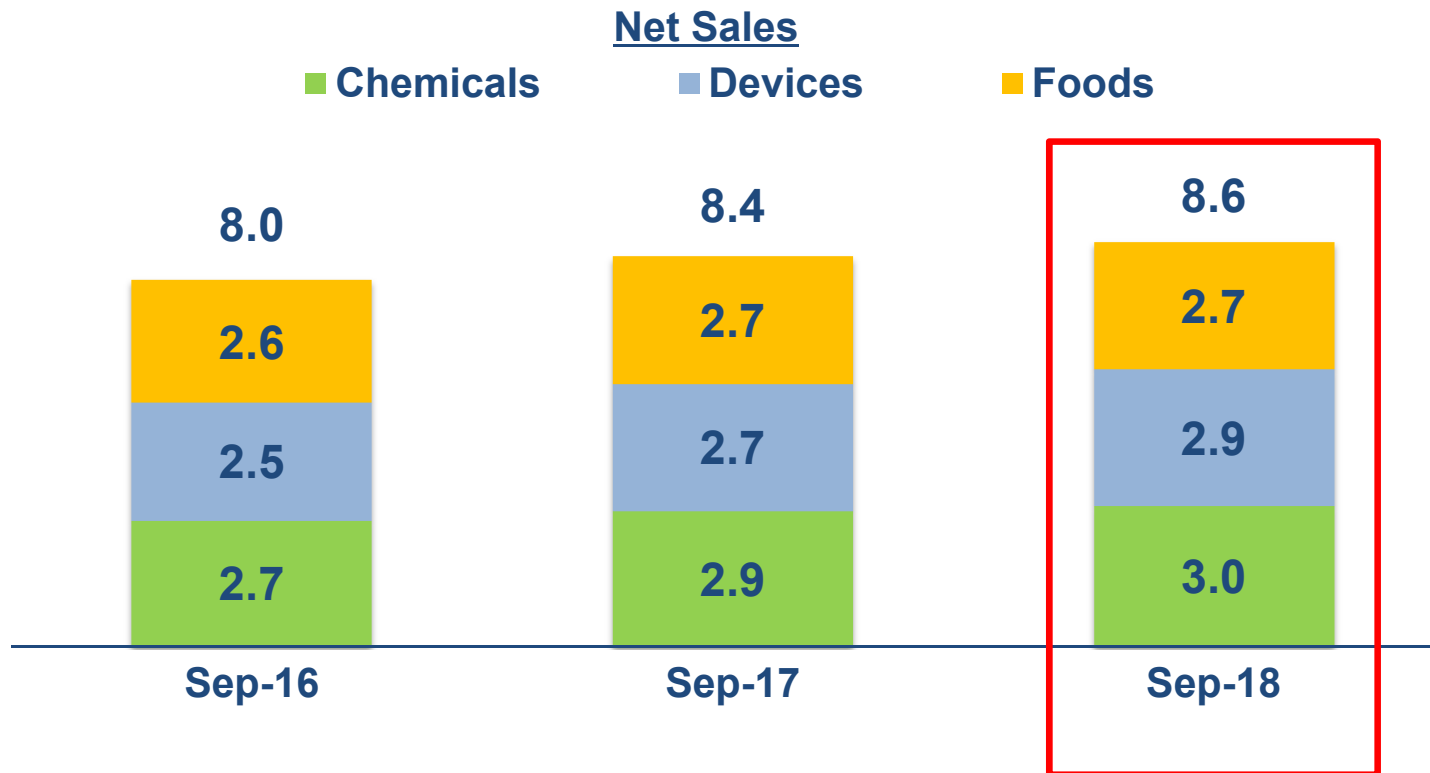


Net Sales (Functional Products)

Functional products business steadily expanded in each dept.

⇒ Due to the high-level capital investment and production in Japan, sales of Chemicals, Devices and foods were strong.

(Billions of JPY)

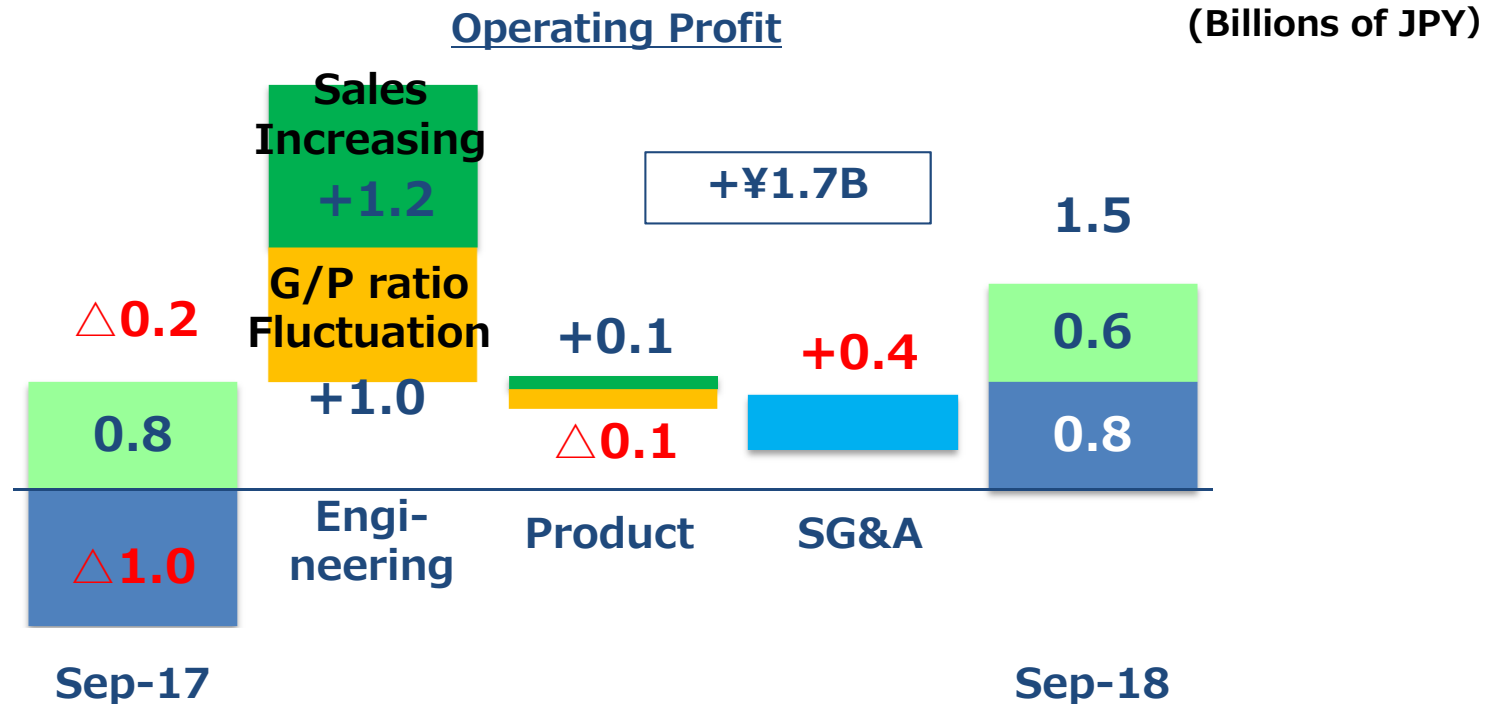


Operating Profit

Engineering: Increasing sales for Electronics and improved profit margin of plant contributed to profit growth.

Products: Profit remained at almost the same level due to an increase in manufacturing and other costs despite sales expansion.

SG&A: SG&A increased due to the strengthening of R&D and systems.

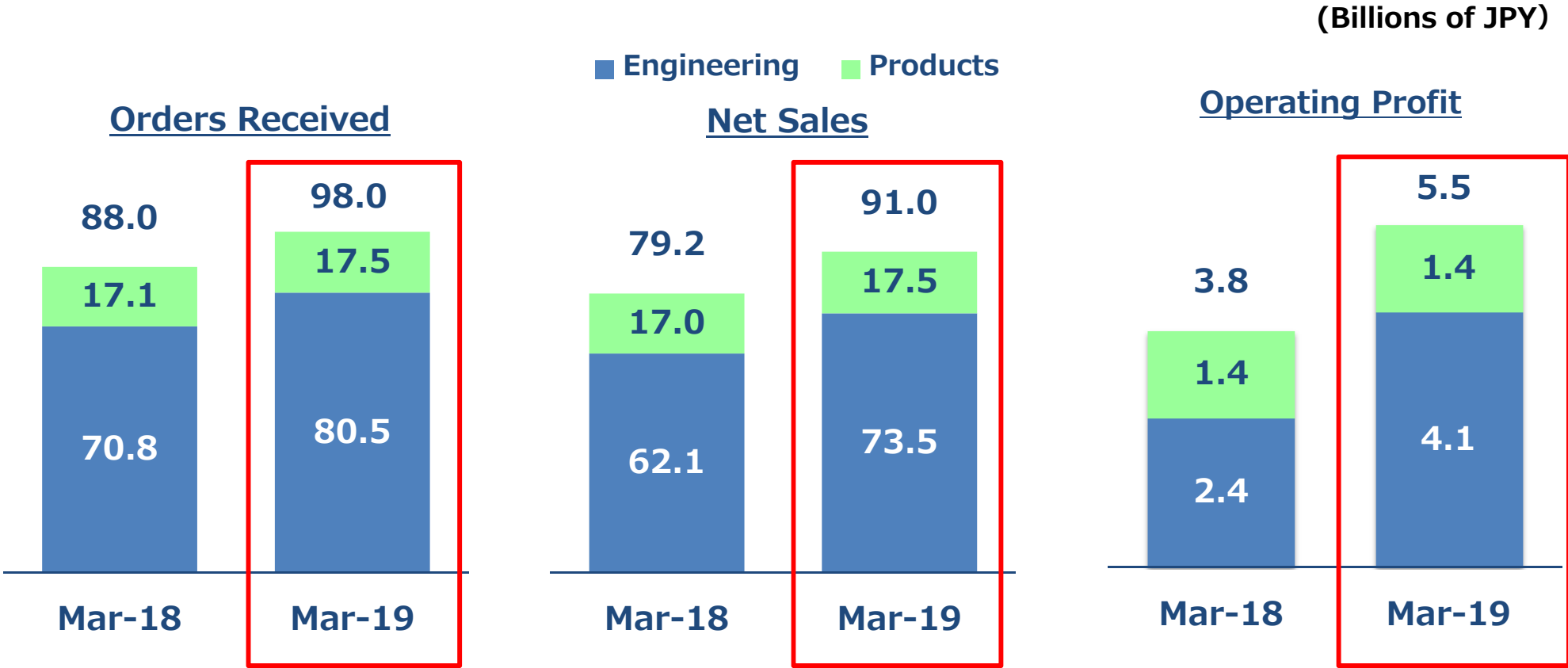


Outlook for Whole Year Forecast

Orders: expected to increase due to recovery of large investments in Taiwan.

Sales: expected to increase due to growth of Japan, China and Taiwan sales.

O/P: expected to increase due to sales increasing and recovering profit margin.



Financial Forecast for Mar-19

Millions of JPY	2018/03 Result	2019/03 Plan	2019/03 Forecast	Y/Y Diff.	Diff. From Plan
Orders Received	88,049	87,000	98,000	+9,951	+11,000
Net Sales	79,226	89,000	91,000	+11,774	+2,000
Gross Profit (%)	19,150 (24.2%)	19,900 (22.4%)	21,200 (23.3%)	+2,050 (Δ 0.9pt)	+1,300 (+0.9pt)
SG&A	15,328	15,700	15,700	+372	+0
Operating Profit (%)	3,821 (4.8%)	4,200 (4.7%)	5,500 (6.0%)	+1,679 (+1.2pt)	+1,300 (+1.3pt)
Ordinary Income	3,933	4,100	5,400	+1,467	+1,300
Net Income	2,780	2,800	3,700	+920	+900

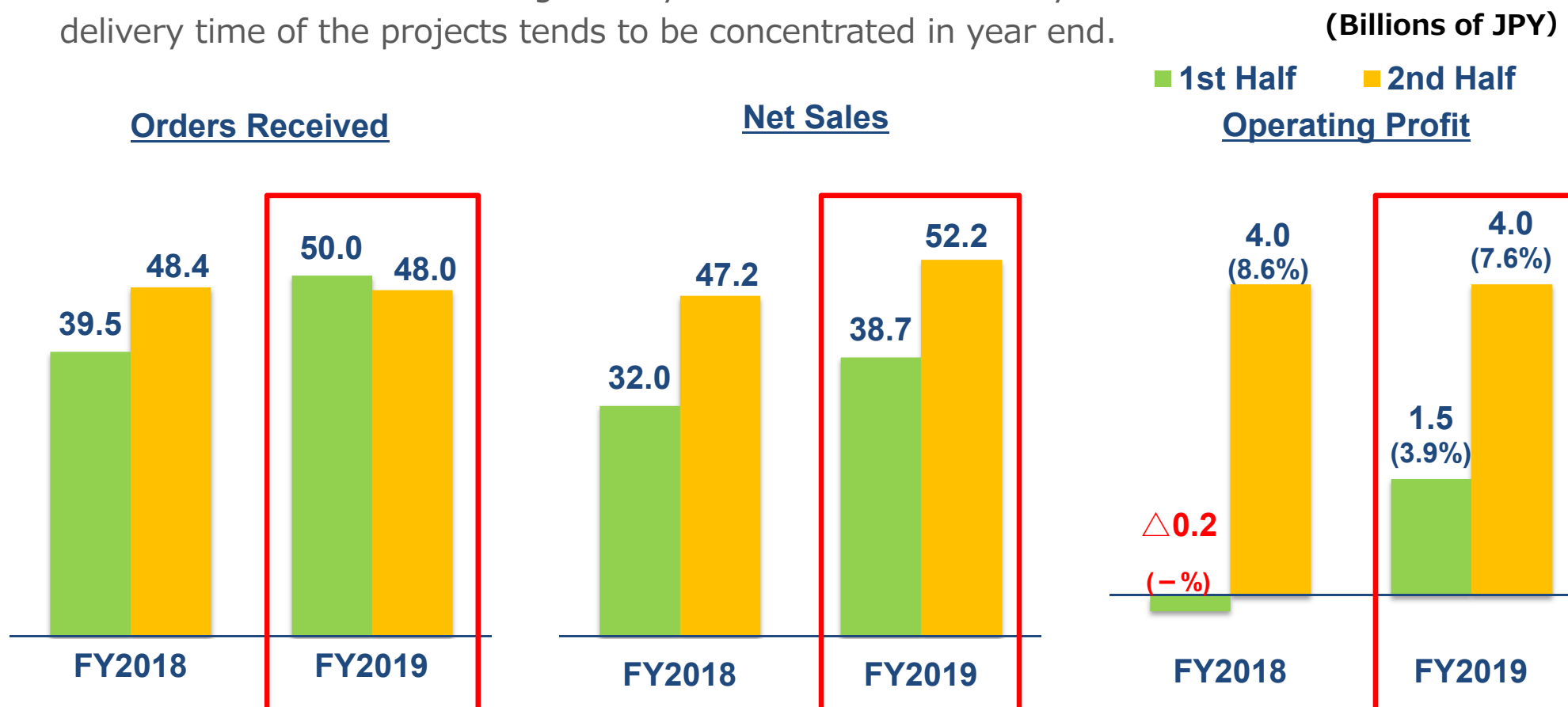
Trends of Orders/Sales/Profit

Orders received will remain at a high level from 2nd half of last year.

⇒ Besides strong performance of Japan and China, the recovery of large investments in Taiwan will also contribute to good results.

Net sales and Profit tend to be concentrated in 2nd half.

⇒ The effects of cost down are gradually realized toward delivery time and delivery time of the projects tends to be concentrated in year end.



Orders Received Forecast

Orders received will remain at a high level due to strong electronics sector

⇒ Besides strong performance of Japan and China, the recovery of large investments in Taiwan will also contribute to good results.

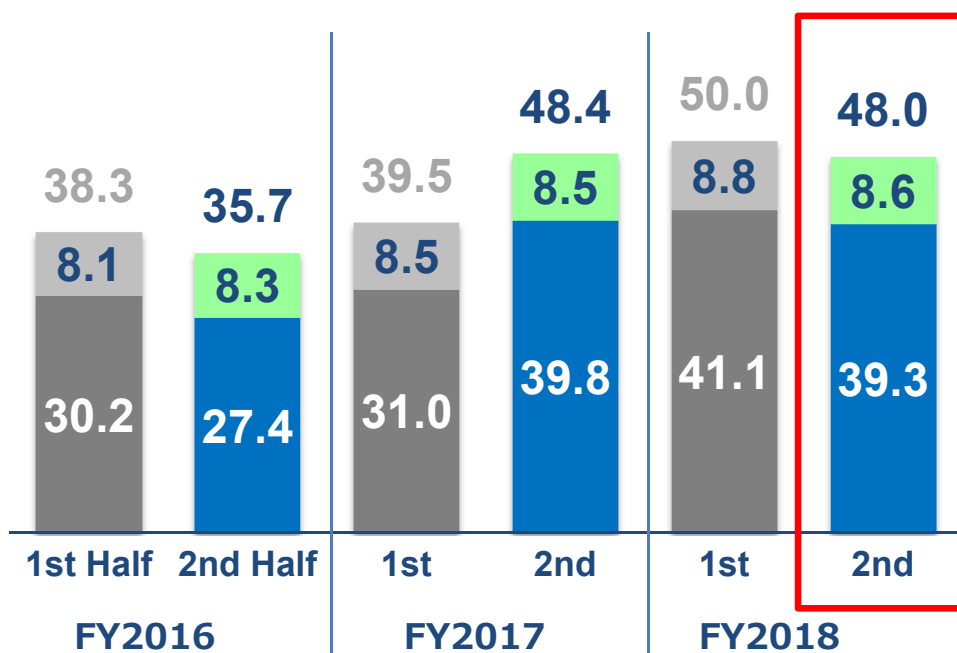
Challenge to achieve record high orders as 98.0B

⇒ Investment in Electronics has been still active with uncertainty over the outlook.

(Billions of JPY)

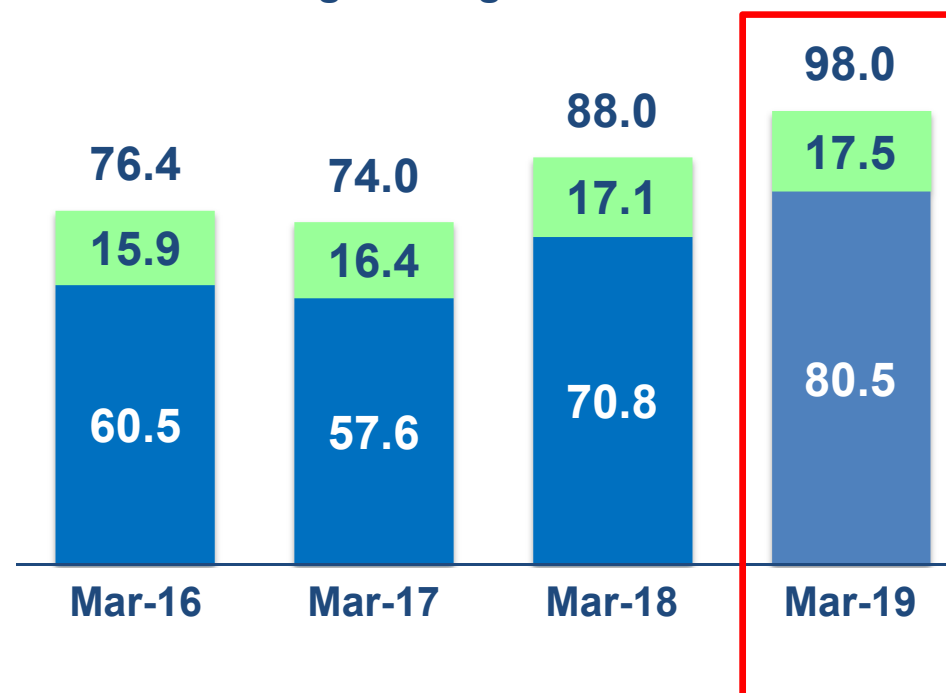
Received Orders Half Year Trends

■ Engineering ■ Products



Received Orders FY Trends

■ Engineering ■ Products



Orders Received Forecast By Regions

In the domestic business, high-level orders will continue.

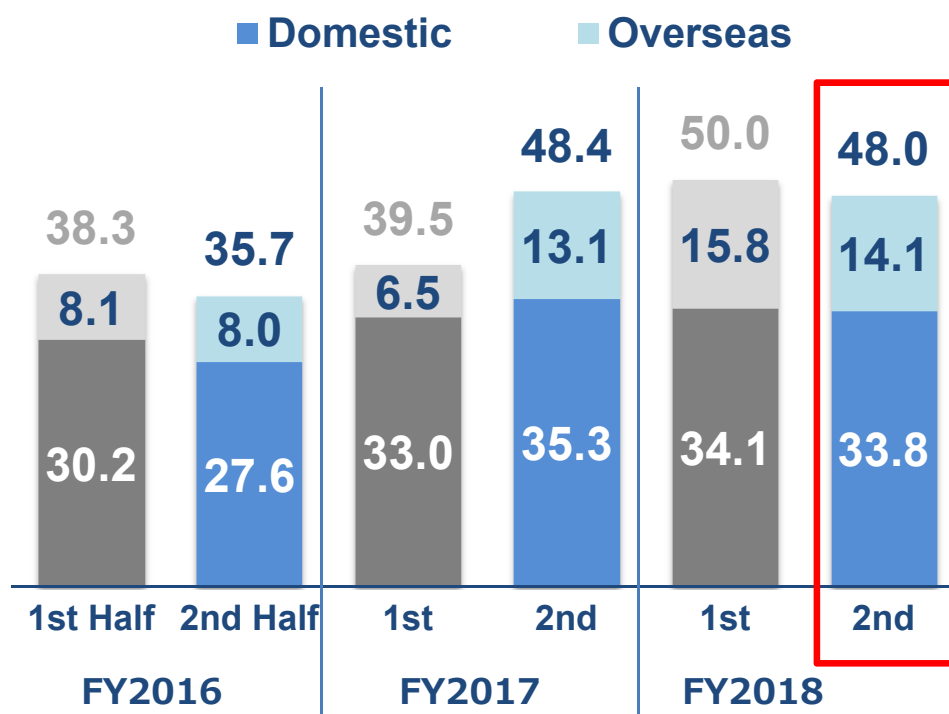
⇒ Investment in Electronics will be active. Strong performance is also expected in the general industry and the Solution Business.

In the overseas business, recovery of Taiwan will contribute to growth.

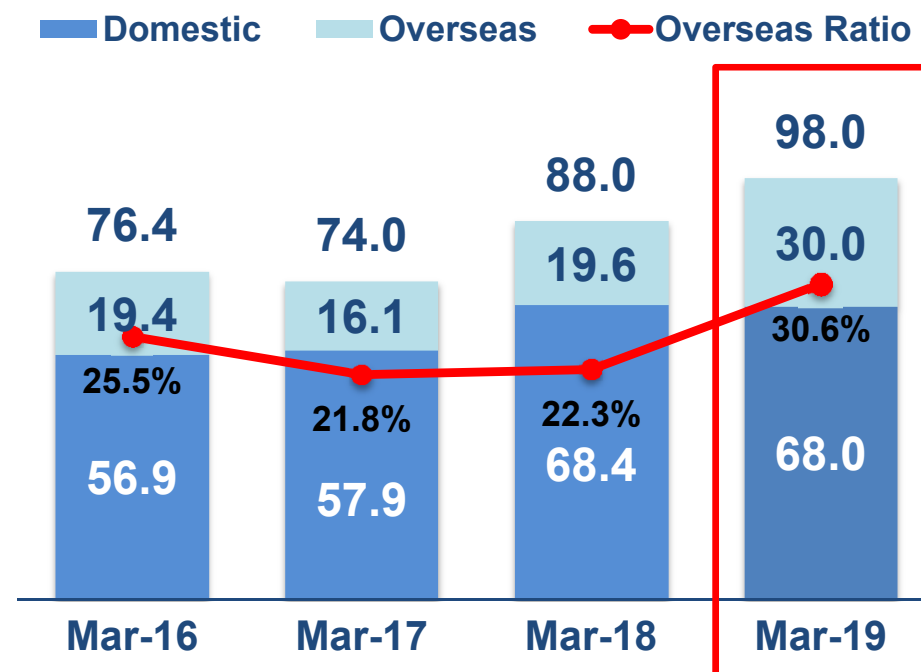
⇒ Continuing strong performance in China and Taiwan's recovery will contribute to strong orders.

(Billions of JPY)

Orders Received (Domestic/Overseas)
Half Year Trends



Orders Received (Domestic/Overseas)
FY Trends



Overseas Orders Received Forecast By Regions

Orders received in Taiwan are expected to increase significantly.

⇒ Large investments in Taiwan, which had been somewhat stagnant, will recover.
 Several projects are also expected to be secured in 2nd half.

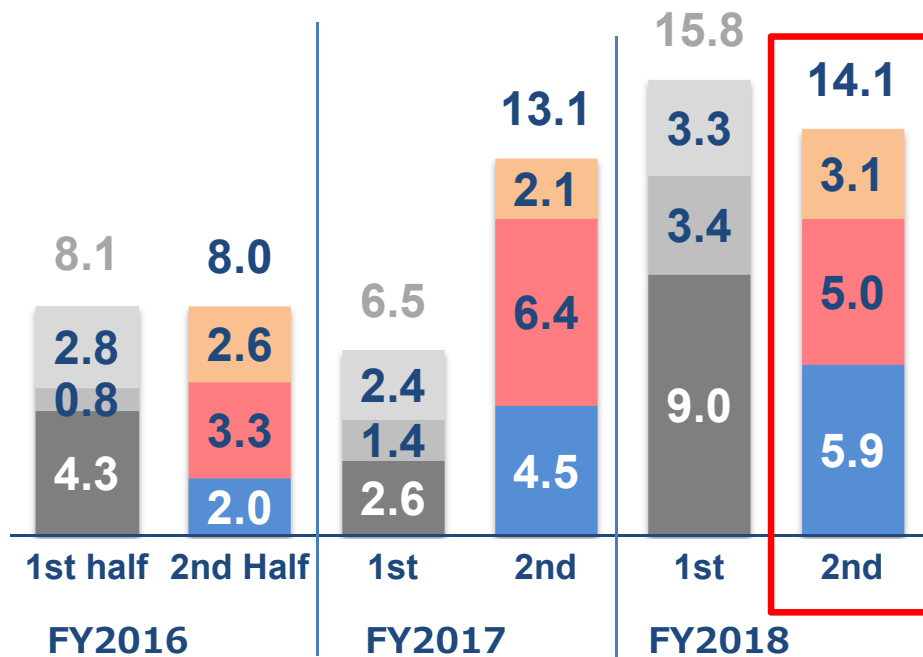
Active capital investment is expected to continue in China.

⇒ Chinese Electronics, mainly semiconductors, will continue large capital investment.

(Billions of JPY)

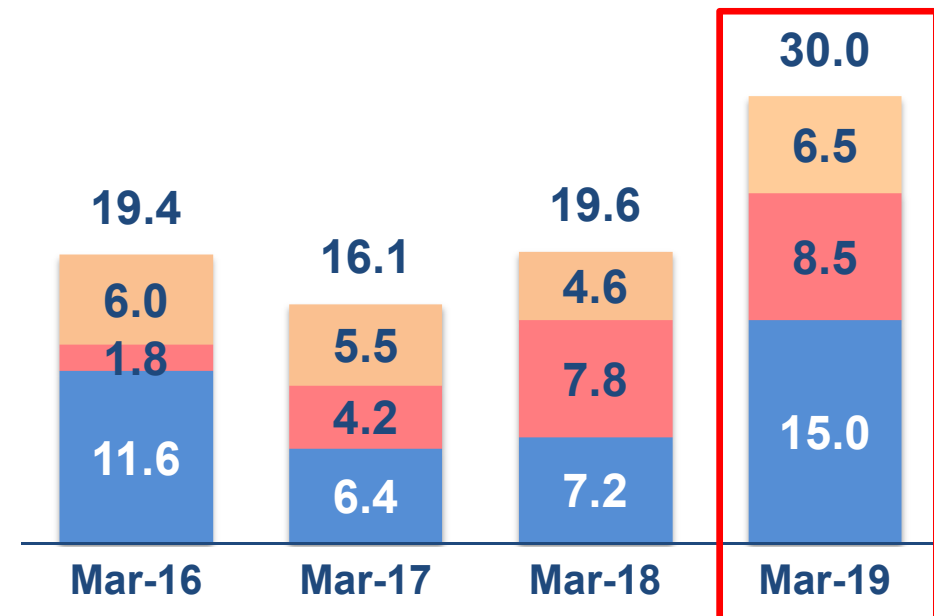
Orders Received (Overseas)
Half Year Trends

■ Taiwan ■ China ■ ASEAN etc.



Orders Received (Overseas)
FY Trends

■ Taiwan ■ China ■ ASEAN etc.



Net Sales Forecast

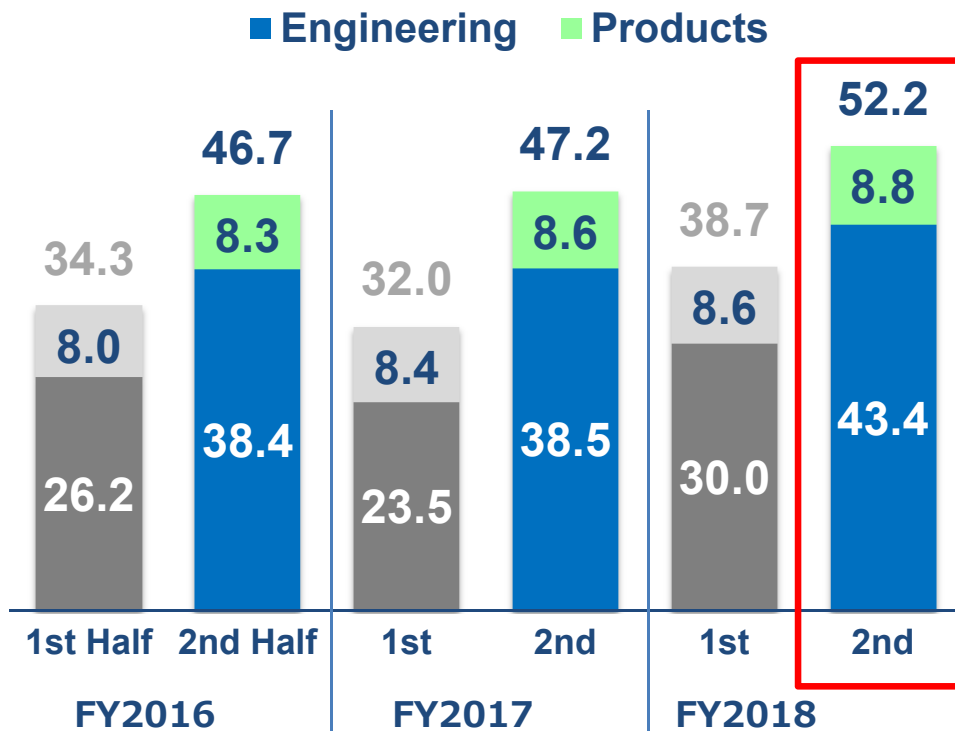
Sales will grow, due to orders received increasing in 1st half, mainly in Electronics.

⇒Sales will expand in China and Japan. Firm sales of the general industry and Products are also expected.

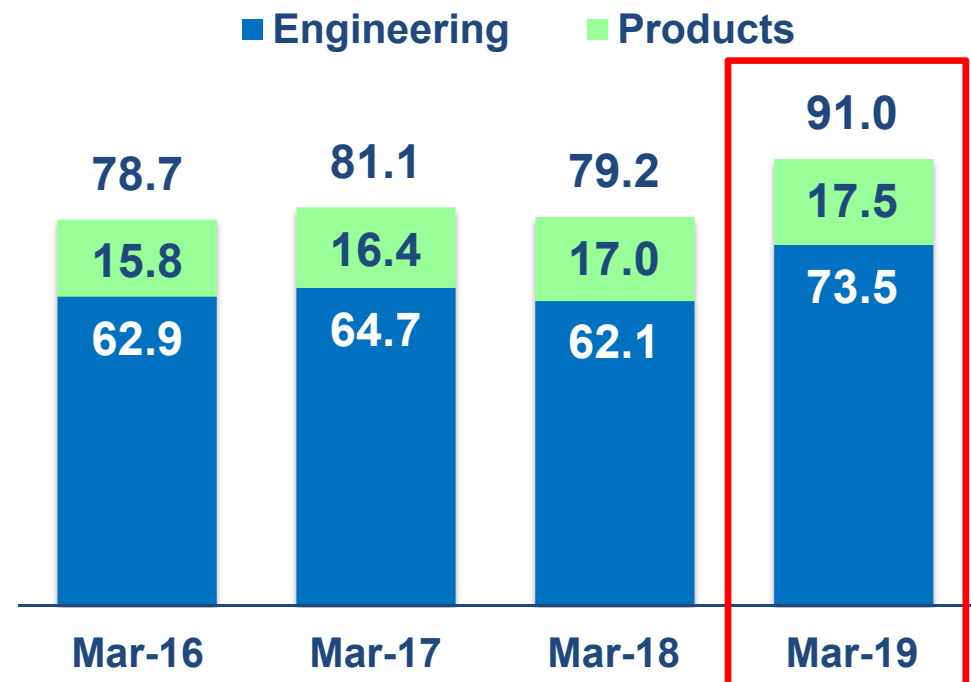
Challenge to achieve record-high net sales as 91B.

⇒Taiwan's sales which secured in 1st half will contribute to the challenge for sales record.

Net Sales Half Year Trends



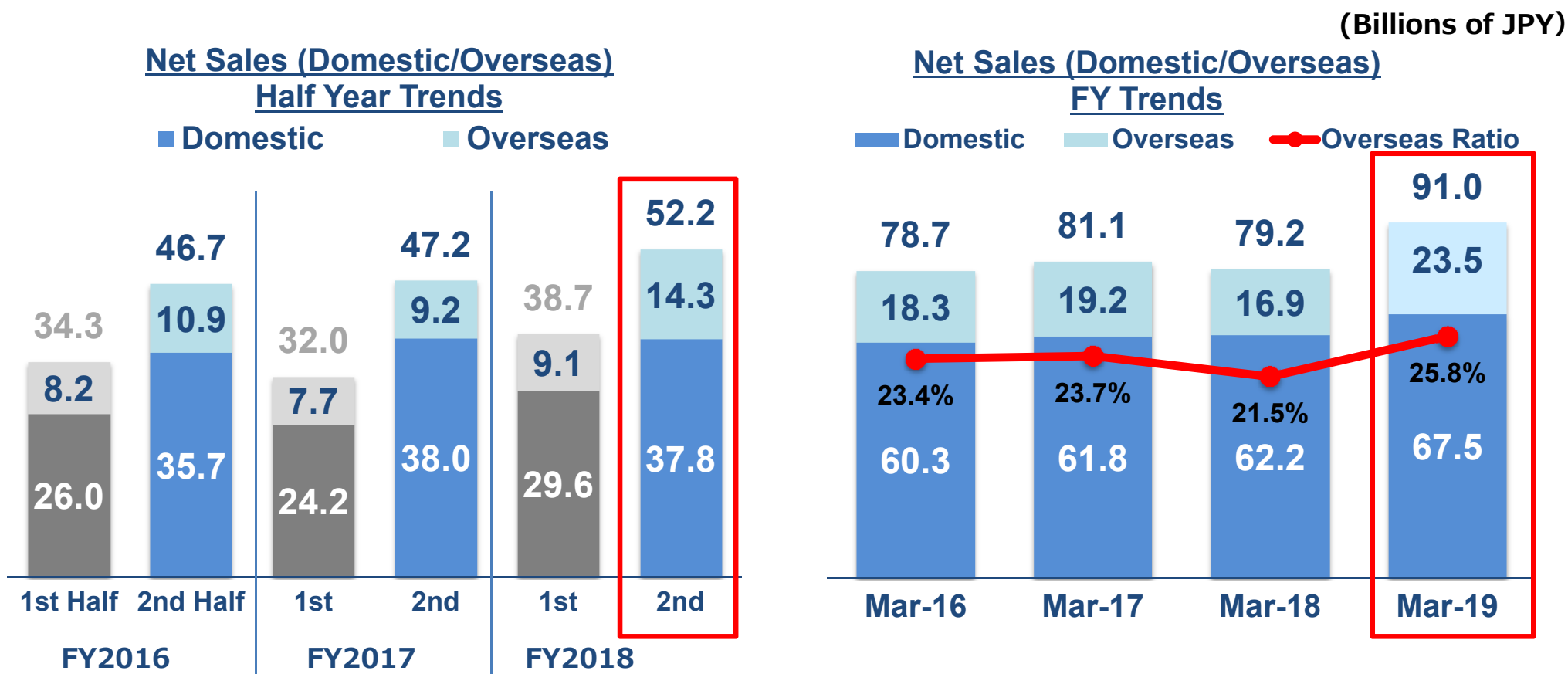
Net Sales FY Trends (Billions of JPY)



Net Sales Forecast By Regions

Sales expansion is expected in both the domestic and overseas.

- ⇒ Overseas sales expansion is expected in the electronics industry in China and Taiwan.
- ⇒ Domestic sales expansion is expected in the electronics and general industries.



Overseas Net Sales Forecast By Regions

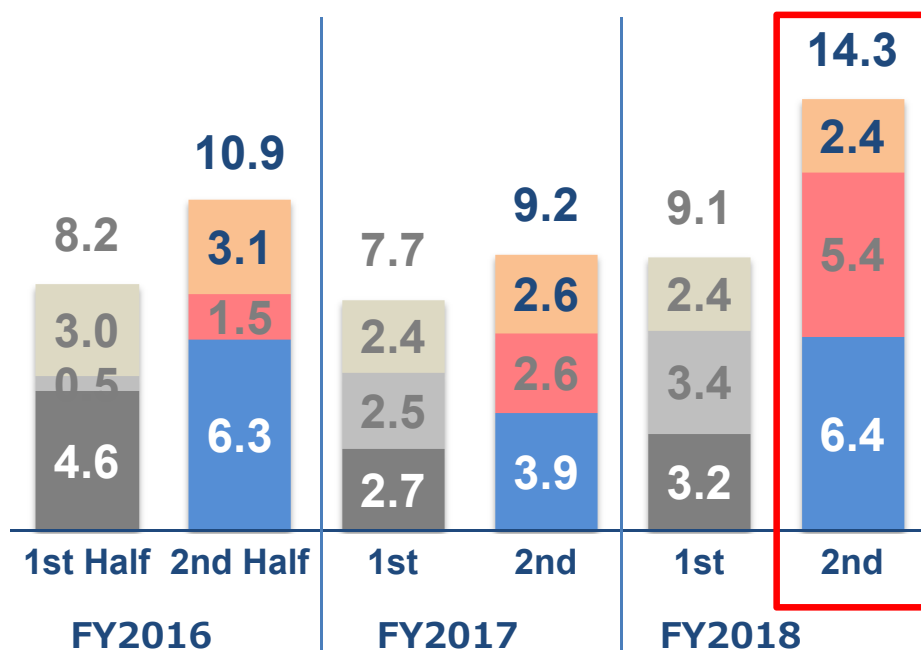
Overseas sales expansion is expected in Taiwan and China.

- ⇒ Sales expansion is expected due to the recovery of Taiwan's Electronics.
- ⇒ In China, active capital investment in Electronics will contribute to sales growth.

(Billions of JPY)

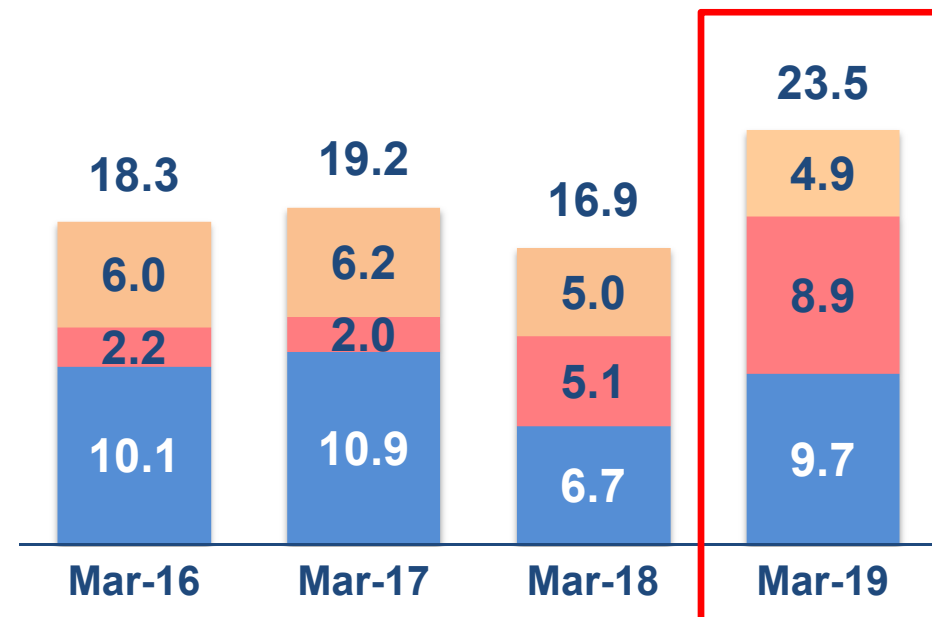
Net Sales (Overseas)
Half Year Trends

■ Taiwan ■ China ■ ASEAN etc.



Net Sales (Overseas)
FY Trends

■ Taiwan ■ China ■ ASEAN etc.



Net Sales Forecast (Water Engineering)

Sales expansion is expected, mainly in plant and also strong performance in the Solution business is expected.

⇒Sales of plant will expand in Electronics in Japan, China and Taiwan and the domestic general industry.

⇒Strong net sales of solutions are expected in Electronics and General industries.

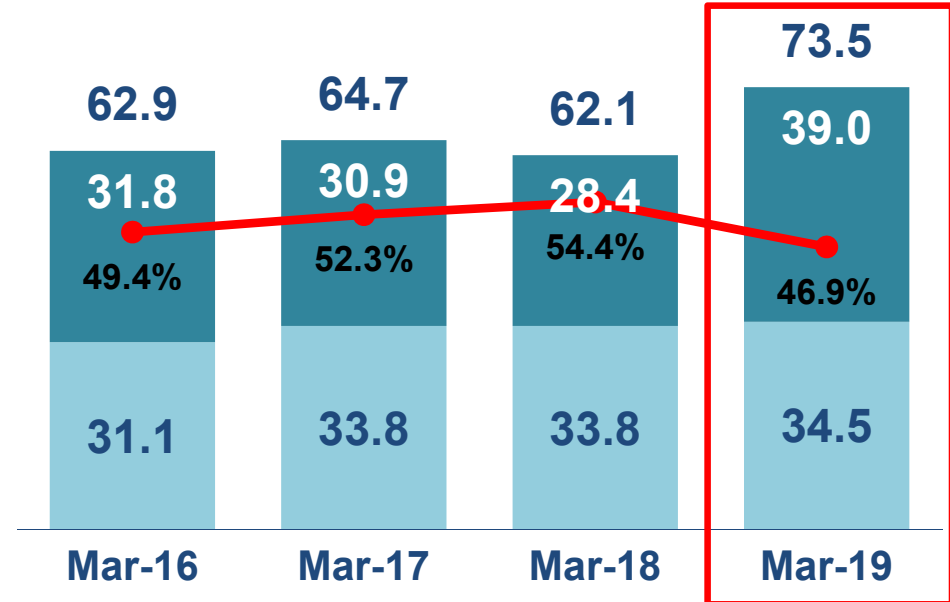
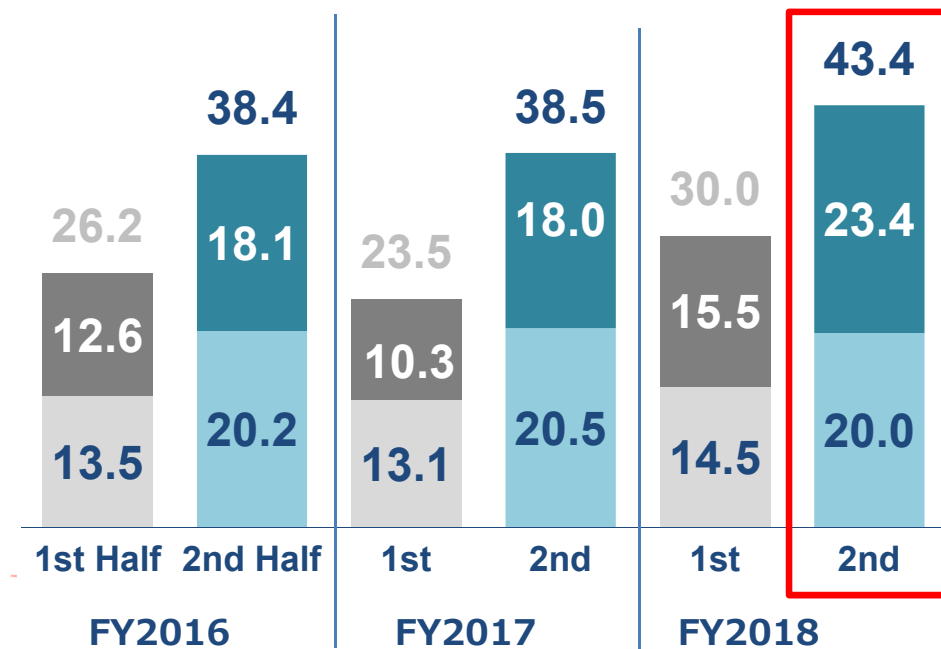
(Billions of JPY)

Net Sales (Plant/Solution)
Half Year Trends

■ Solution ■ Plant

Net Sales (Plant/Solution)
FY Trends

■ Solution ■ Plant ● SL Ratio



Net Sales Forecast (Water Engineering)

Sales expansion in Electronics and General industries is expected and weaker forecast in power and water work.

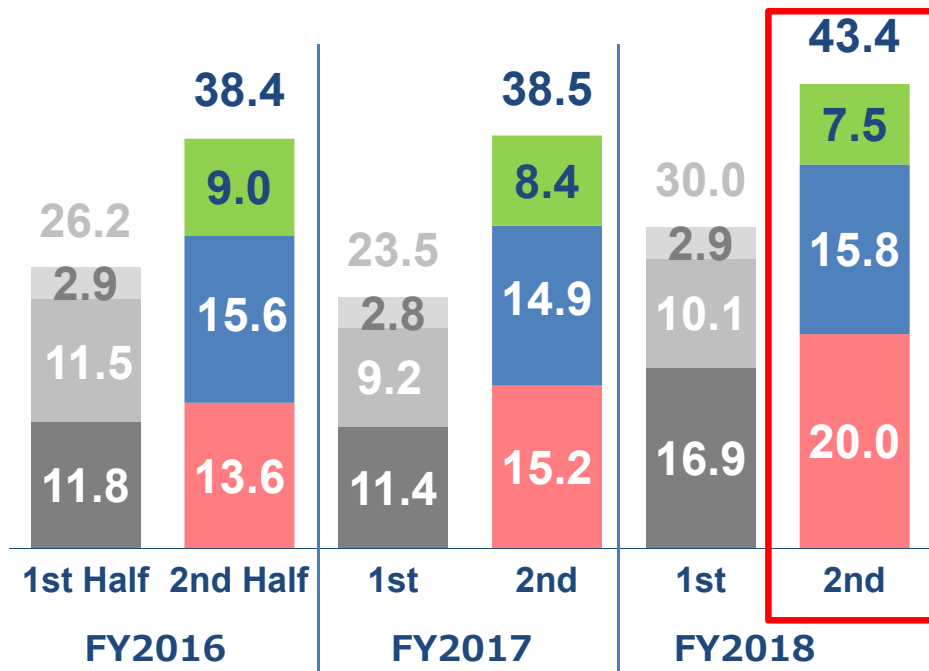
⇒ In Electronics, sales of plant and solutions will expand in Japan, China and Taiwan.

⇒ In General industry, the sales recovery in Japan will contribute to business performance.

(Billions of JPY)

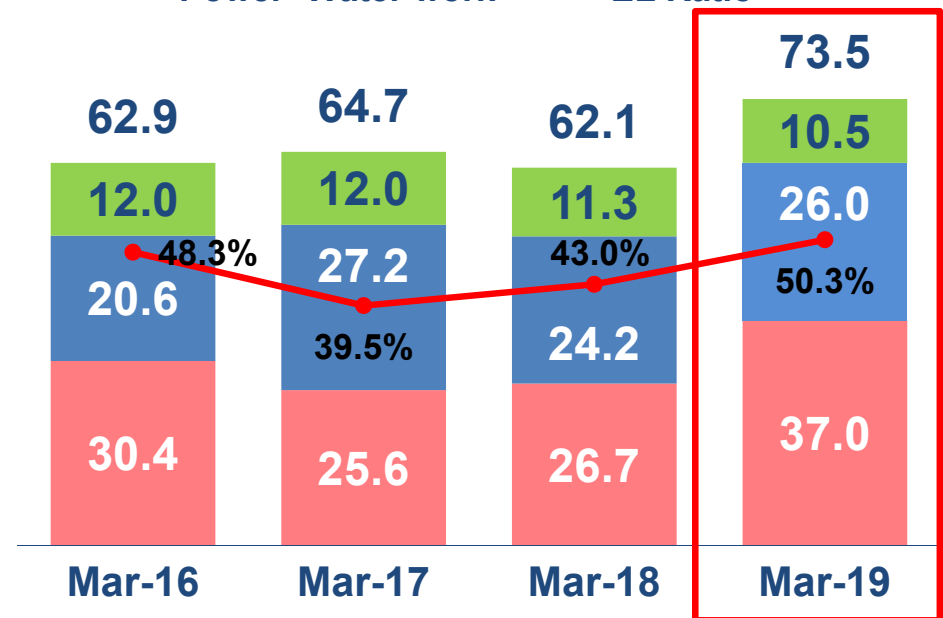
Net Sales By Market Half Year Trends

■ Electronics ■ General ■ Power+Water work



Net Sales By Market FY Trends

■ Electronics ■ General ■ Power+Water work ● EL Ratio



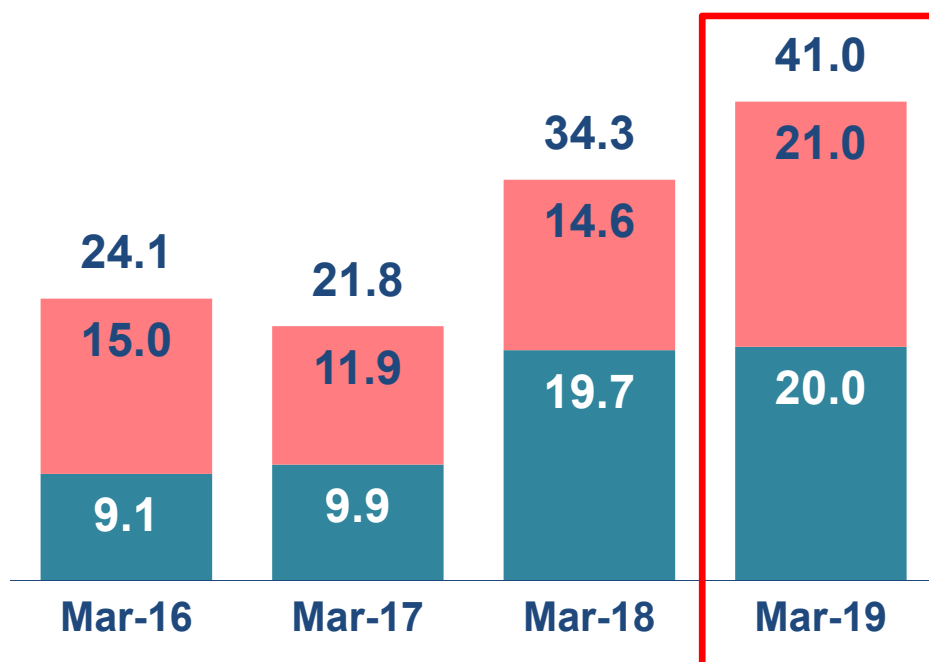
For Electronics Market (Water Engineering)

- Orders received will keep growing at a high level in the domestic and overseas which Taiwan's recovery contributed
- Net sales in Japan, China and Taiwan are expected to increase.
⇒ Besides the sales of large plants, the performance of the Solution Business will also be strong.

(Billions of JPY)

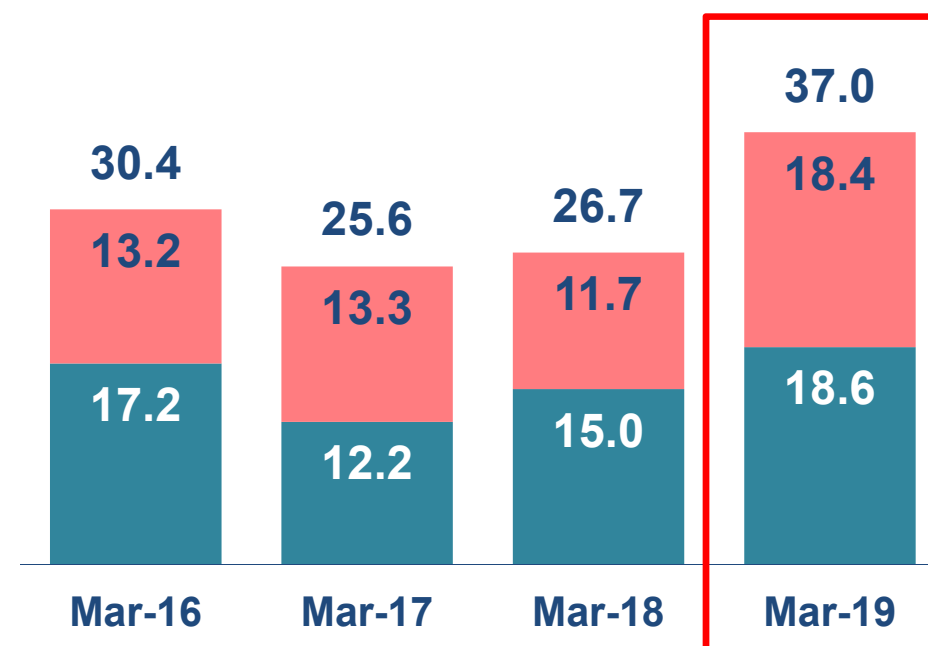
Orders Received For Electronics

■ Domestic ■ Overseas



Net Sales For Electronics

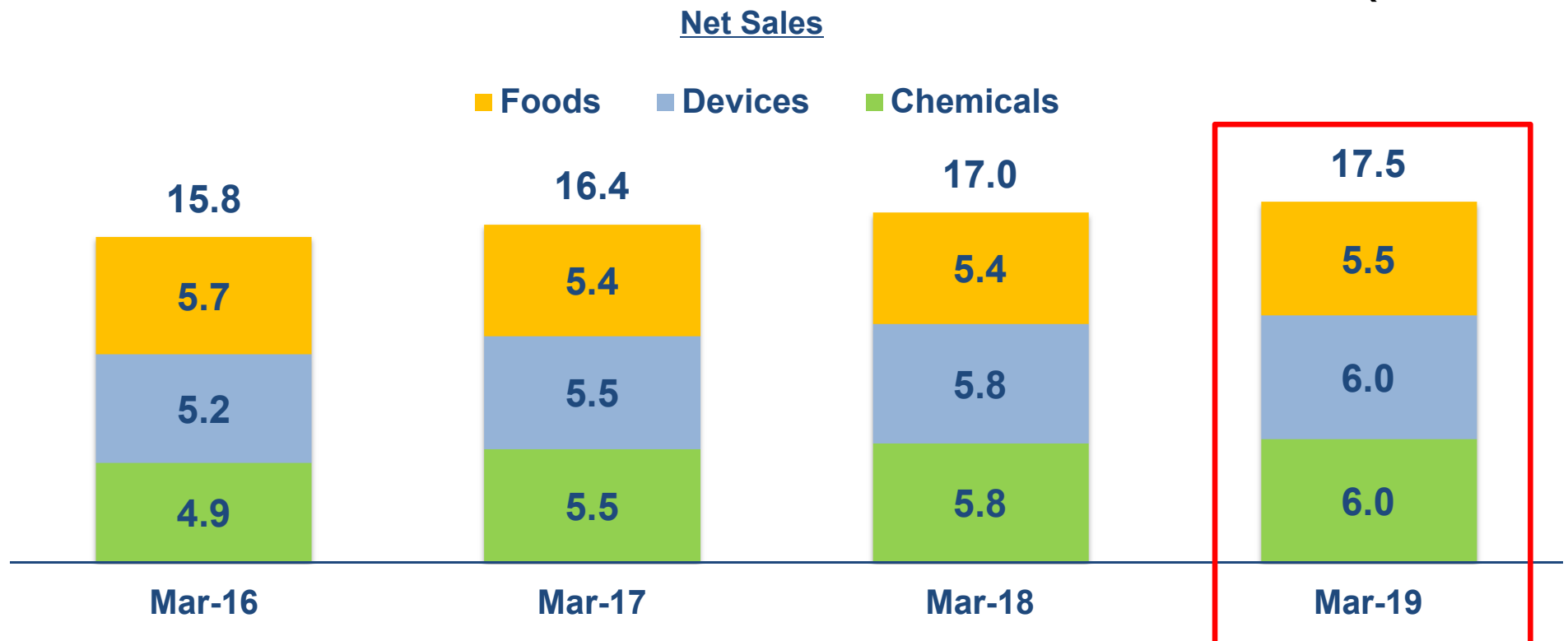
■ Domestic ■ Overseas



Net Sales Forecast (Functional Products)

- The steady growth of the Products business is expected in each dept.
- Strengthen overseas business for sales expansion.
⇒Sales network for Chemicals and Devices will be built up in China, Taiwan and ASEAN.

(Billions of JPY)



Operating Profit Forecast

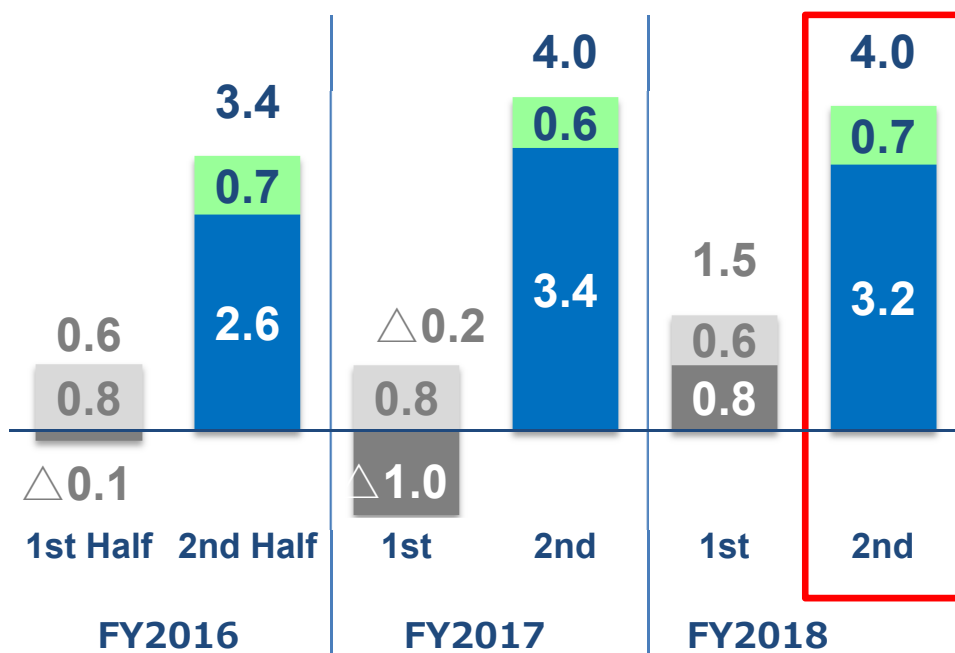
Profit expansion in Engineering will contribute to growth of profit.

⇒ Besides sales expansion, the improvement of the profit ratio of plant will contribute.

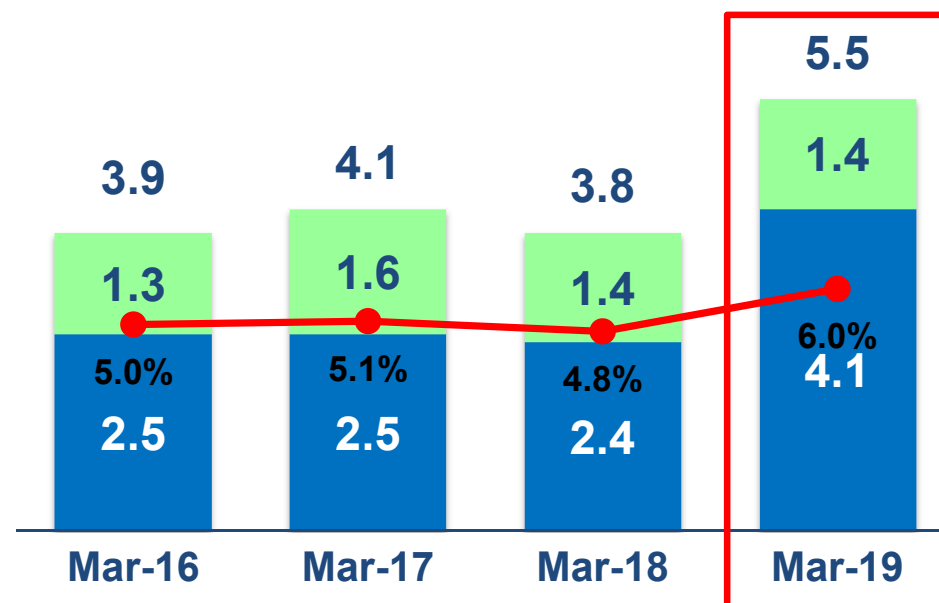
(Billions of JPY)

■ Engineering ■ Products ● O/P Ratio

Operating Profit Half Year Trends



Operating Profit FY Trends



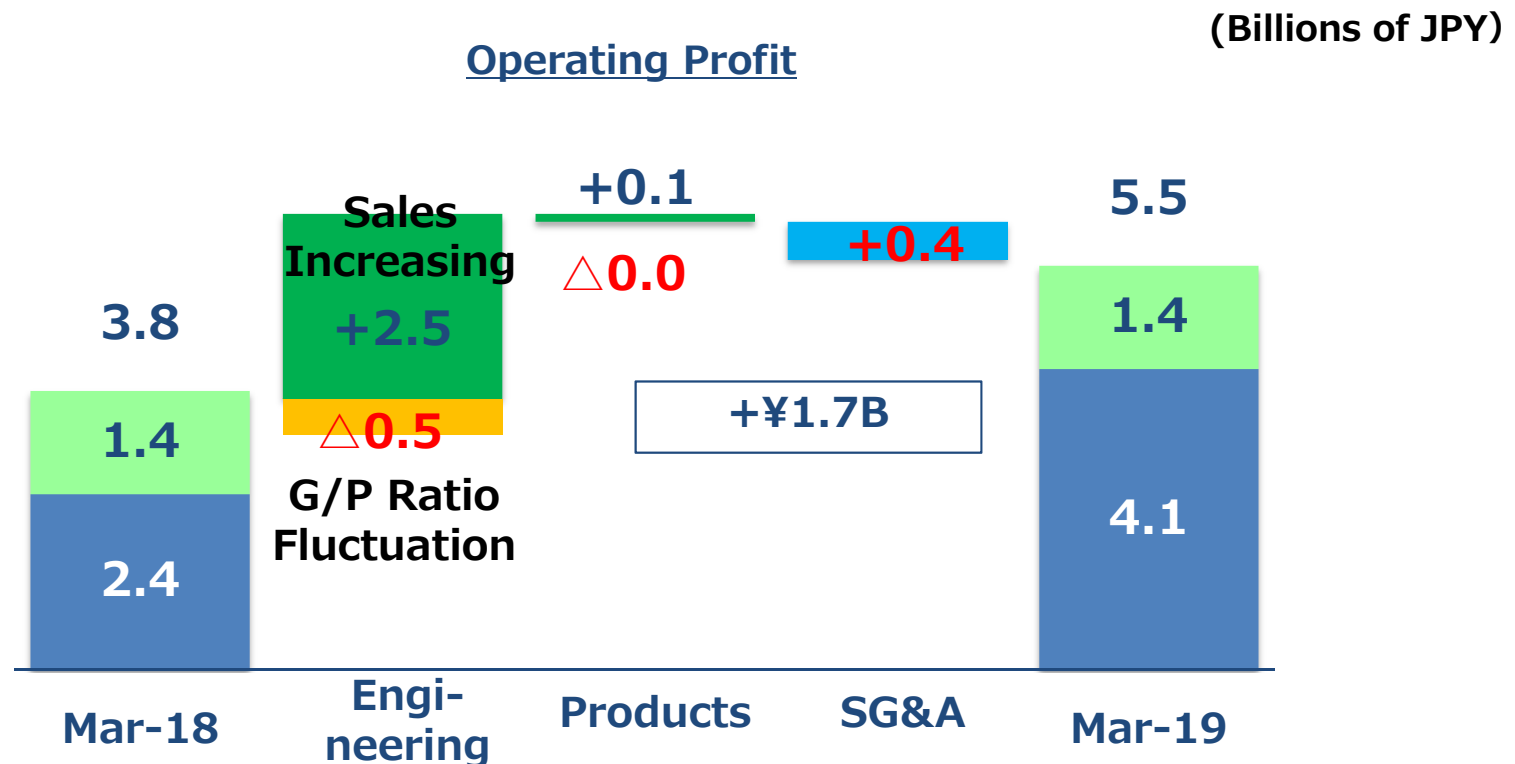
Analyzing Operating Profit Forecast

Engineering: Sales expansion in the electronics industry will contribute.

And because of changes in the sales components, the profit ratio of the segment will fall despite improved profitability of plant.

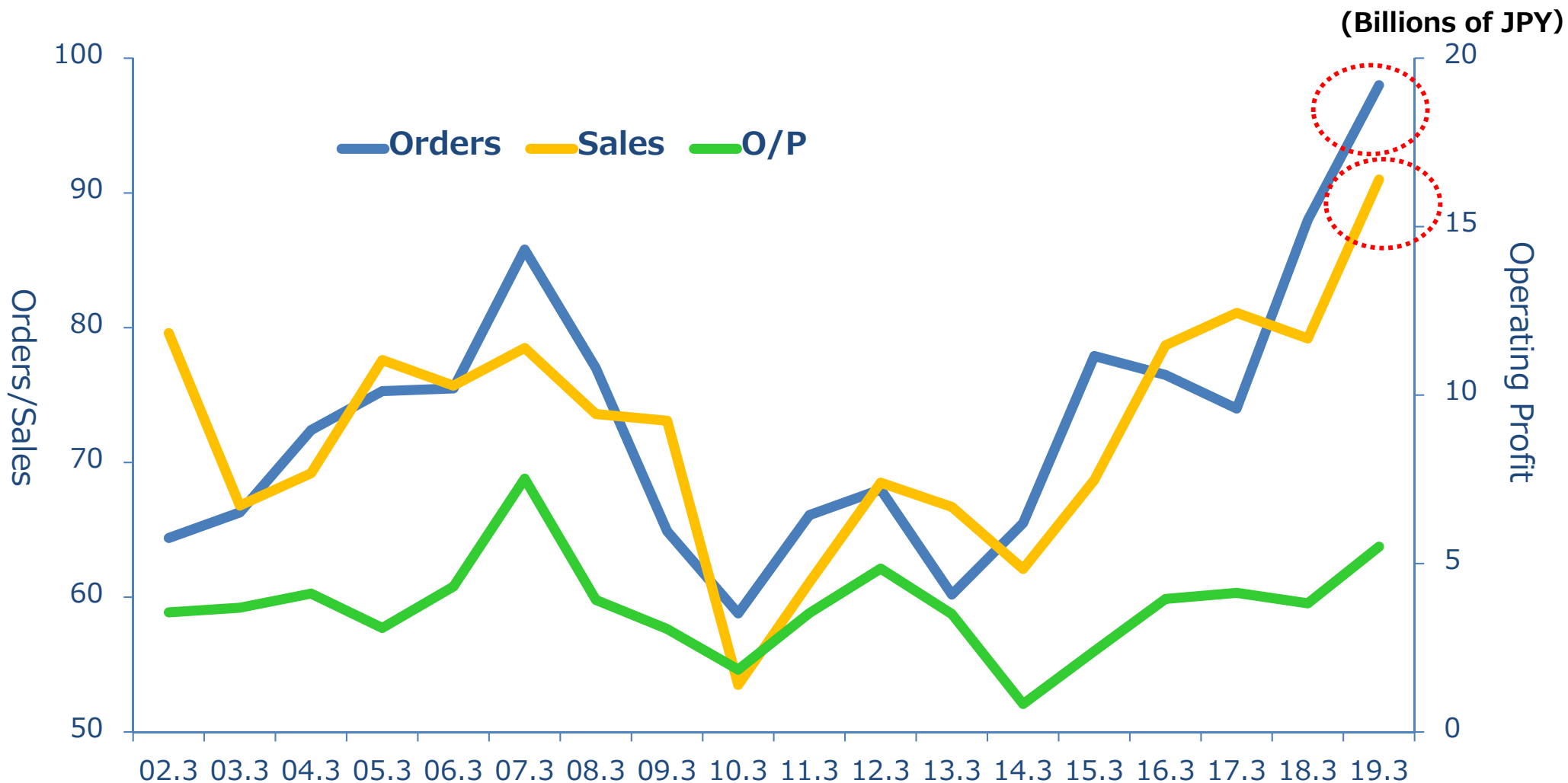
Products: Due to an increase in manufacturing and other costs, profits will remain almost the same level of previous year.

SG&A: SG&A will increase due to the strengthening of R&D and systems.



Trends of Key Financial Indicator

We're opening the door for New Stage of the growth.



Major Indicators

	Mar-2018	Mar-2019 (Plan)	Mar-2019 (Forecast)
Capital Investment (M JPY)	644	900	900
R&D Expenses (M JPY)	1,776	1,950	1,950
Depreciation Cost (M JPY)	972	1,100	950
Interest-bearing Debt (M JPY)	15,484	16,000	15,500
Number of Employees	2,179	2,200	2,200
Dividend/Share (JPY)	53	58	58
ROE (%)	5.5	5.2	6.8

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Mid-term Plan (FY2018~FY2020)

Targets

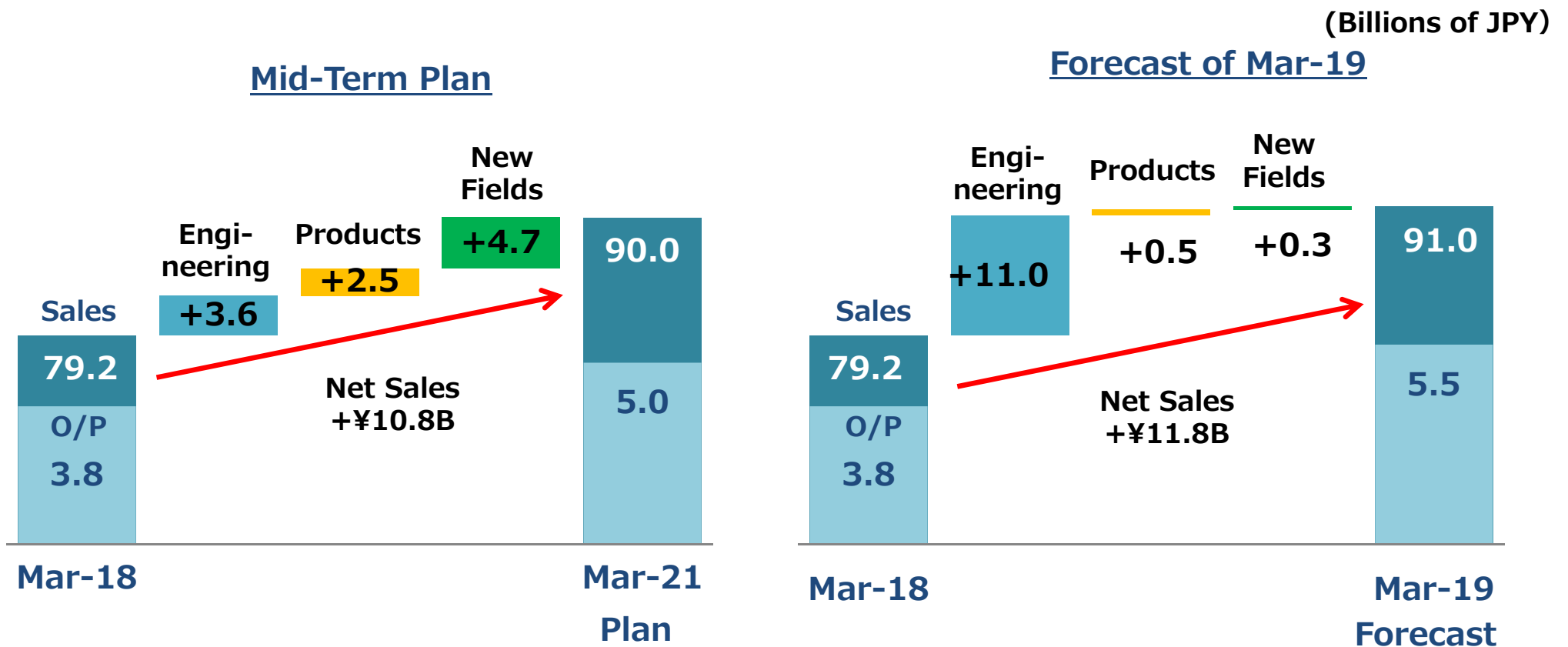
**Sales: 90B, O/P: 5B, ROE&O/P ratio: over 5% for FY2020
And 8% of ROE for Next Stage**

B JPY	Mar-18	Mar-19 Plan	Mar-19 Forecast	Mar-20 Plan	Mar-21 Plan
Order Received	88.0	87.0	98.0	88.0	90.0
Net Sales	79.2	89.0	91.0	88.0	90.0
Operating Profit(%)	3.8 (4.8%)	4.2 (4.7%)	5.5 (6.0%)	4.3 (4.9%)	5.0 (5.6%)
ROE (%)	5.5%	5.2%	6.8%	5.2%	5.6%

Current Situation of Mid-term Plan

The targets under the Medium-term Plan are expected to be achieved ahead of schedule.

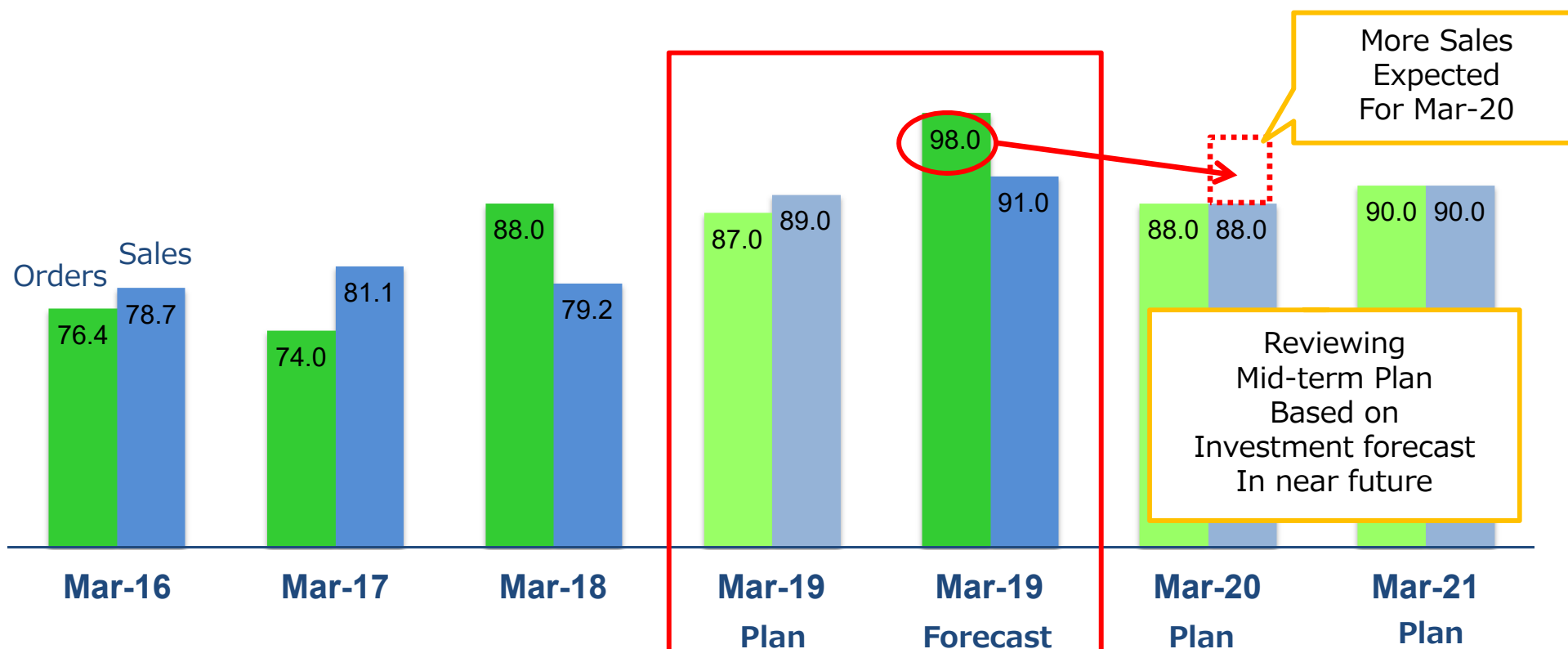
- ⇒ At the beginning of this fiscal year, slowdown in Electronics after 2020 was expected.
- ⇒ The expansion of Products/New Fields positioned as growth areas is halfway through.



Reviewing Mid-term Plan

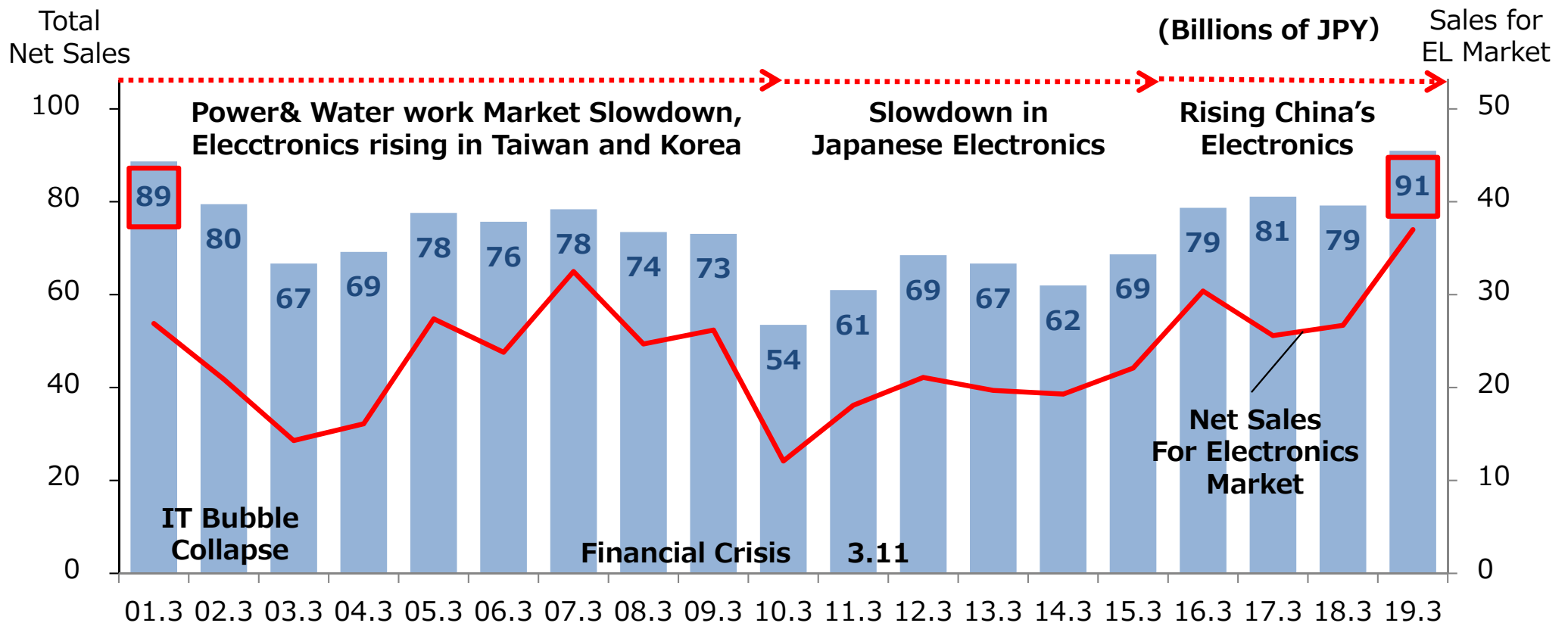
- Orders in this year are expected to exceed the initial plan.
- Sales for the fiscal year ending March 31, 2020 are expected to expand.
- Mid-term plan will be reviewed based on the outlook for 2019.
- Efforts to strengthen Products and develop New fields will be continued.

(Billions of JPY)



Long-term Financial trends

- Record high sales is expected in this year after long growth stagnation since FY2000.
 - Trends of Electronics market significantly affected our sales increase/decrease.
 - Business results were relatively stable; however, the business structure became rigid.
- ⇒ **A growth strategy centered on but not relying on Electronics is needed.**

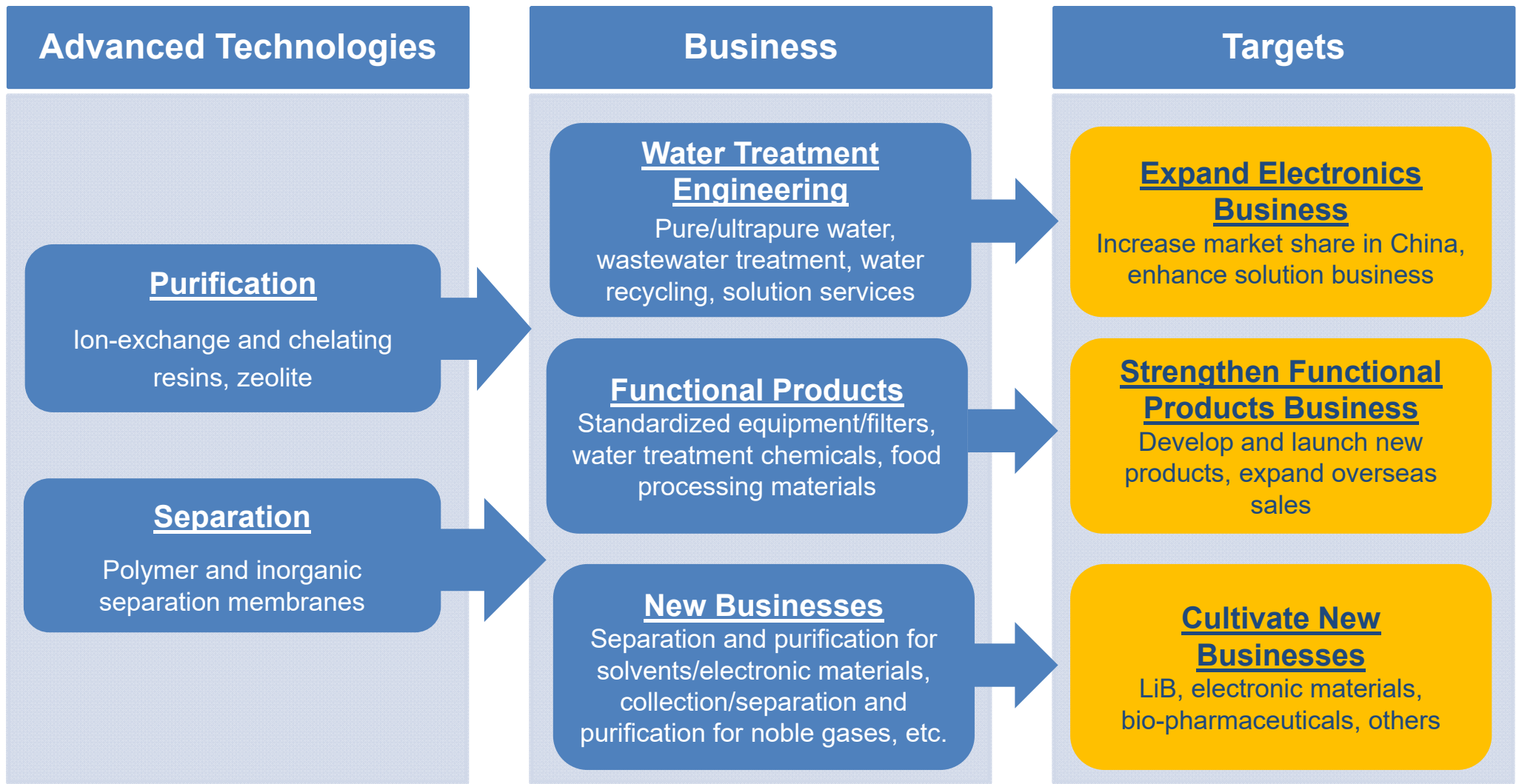


Understanding of Risks

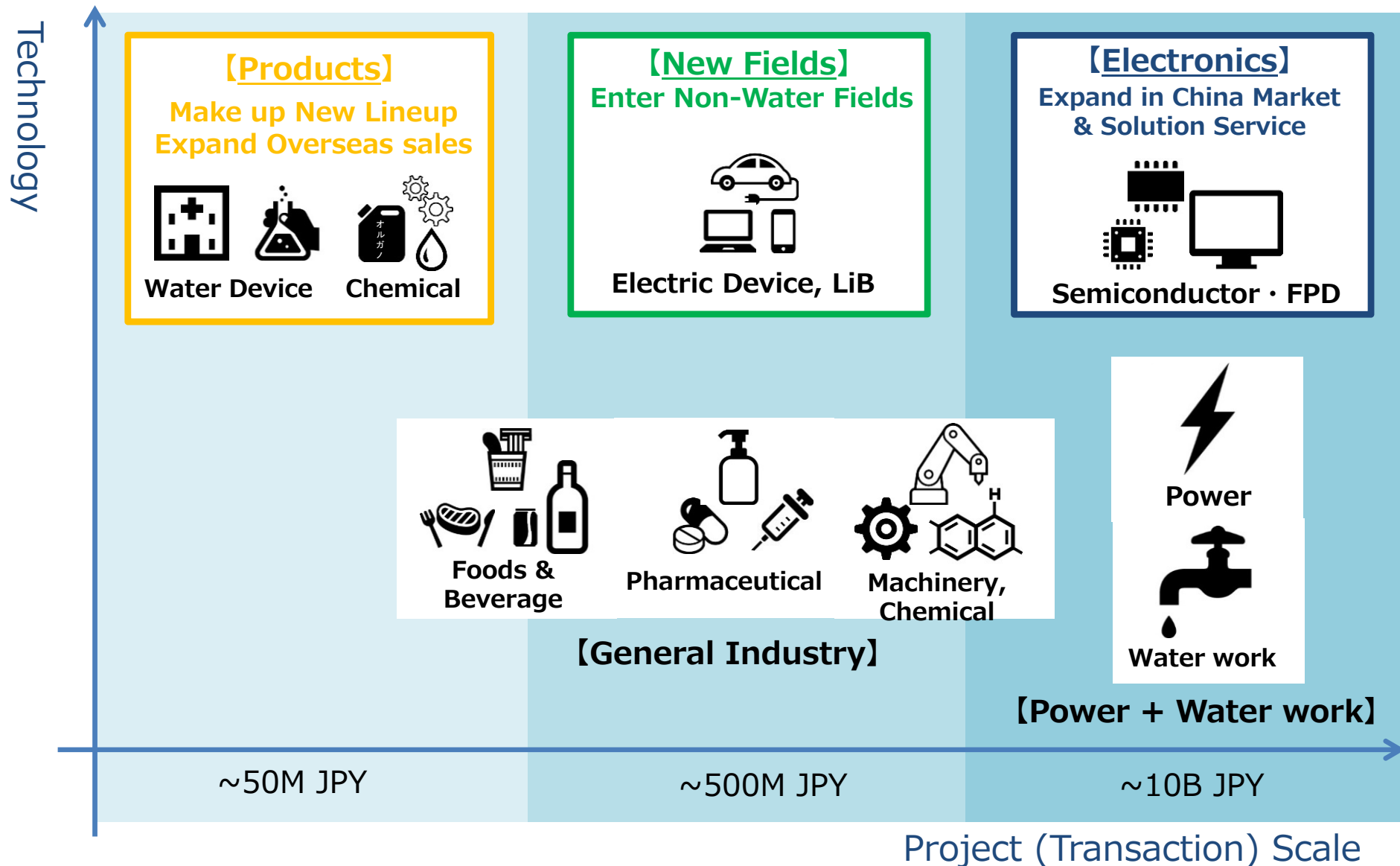
- **Current our outcome relies significantly on Electronics, with concerning about the outlook of uncertainty for Electronics.**
- **Products business need to extend overseas market for growth due to matured Japanese market.**
- **Establishment of development and production systems that can catch up with the rapid emergence of an industry and the advancement of technologies in the areas of Li secondary battery materials/electronic materials, etc.**

Medium-term Plan

Growth in Electronics, Functional Products, New Businesses

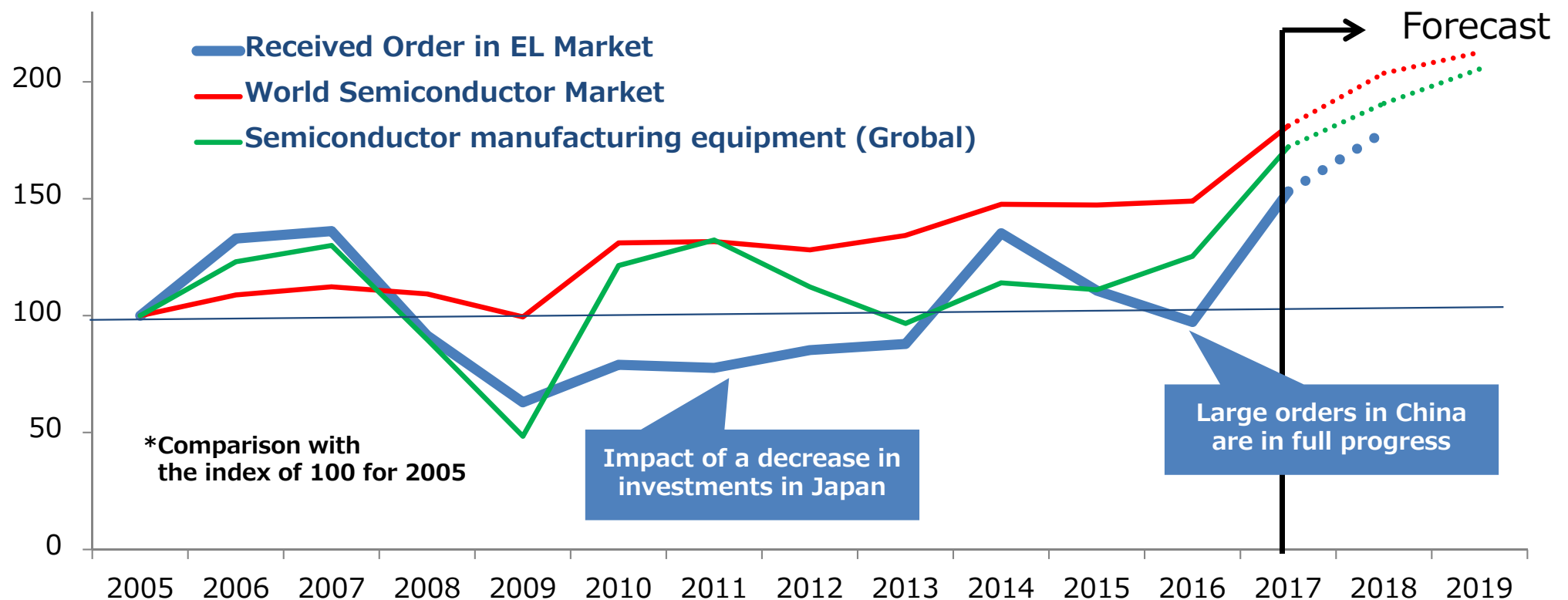


Target for Growth in Mid-term Plan



Trends of Electronics Market

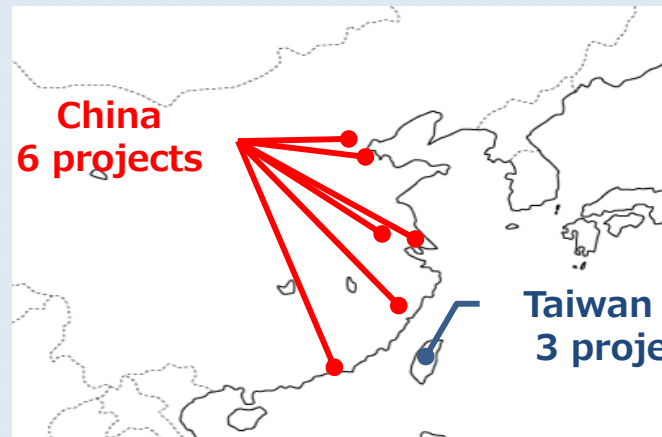
- Organo's operating results in Electronics show a trend similar to that of semiconductor manufacturing equipment.
- The trend of semiconductor manufacturing equipment fluctuates significantly. Expansion is forecast at now.



Source: created by the Company based on the materials for the semiconductor market (WSTS) and the semiconductor manufacturing equipment market (SEAJ).

Progress of Mid-term Plan for Electronics

Large Projects in China and Taiwan



■ Investment in China and Taiwan still strong

Large capital investment for semiconductor/FPD have still strong in China and Taiwan since 2017.

More other projects are planned from 2nd half onward.

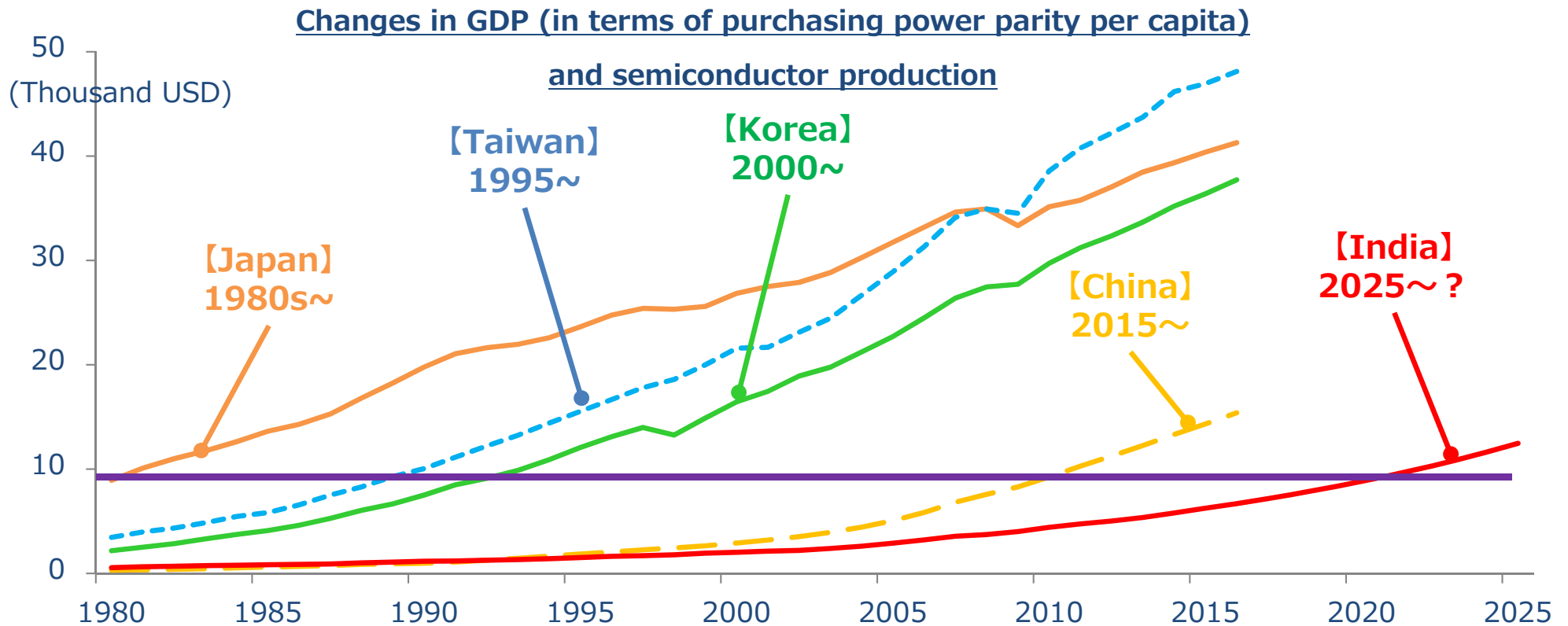
Risks for Electronics Market

■ Risks of trade issues, market fluctuations and overcapacity

- Risk of a slowdown in semiconductor investments in China due to trade frictions between the U.S. and China
- Risk of a slowdown in semiconductor production due to a gap between demand and supply for memories
- Concern about overcapacity in China, where large semiconductor investments have continued.

Emerging Electronics Market in India

- In East Asia, production of semiconductors will commence on a full scale when GDP per capita exceeds 10,000 dollars.
- In India we expect the start of semiconductor production after 2025.
 - ⇒ Strengthen the technical capabilities and delivery system in India.



Progress of Mid-term Plan for Products

New Line Up Puric UP- α

- **Desktop-type ultra pure water system “PURIC UP- α ” launched**
With our original ion-exchange resins technology, high-purity ultra pure water is achieved by connecting directly to tap water for the organic analysis and biological experiments markets.



Extension for Overseas Market

- **Sales expansion for functional products in China, Taiwan and ASEAN**
 - **Start of sales of water devices for clinical examination in China**
⇒ Establishment of sales/maintenance networks
 - **Expansion of sales of chemicals in China, Taiwan and Vietnam**
⇒ Strengthening of sales of water treatment chemicals for production facilities in the electronics industry

Progress of Mid-term Plan for New Fields

NMP Recycle system

■ NMP recycling facilities

Development of facilities for onsite recycling of solvent (NMP) for manufacturing lithium-ion batteries(LiB). Sales activities mainly in China where the market for LiB grows remarkably.



Purification of electrolytes for secondary batteries

■ Purification of electrolytes

Development of the technology for the purification of electrolytes used for secondary batteries, including lithium-ion batteries. The evaluation of constituents of purified electrolytes and the performance of batteries using purified electrolytes is conducted at a research institute in China.

Progress of Mid-term Plan for New Fields

Development of the market for electronic materials

■ Separation and purification of solvents/gas for semiconductor

For the needs for increased purity of various solvents, such as resist and IPA, which are required due to the miniaturization of semiconductors, conduct experiments to establish the technologies for separation and purification, including dehydration and the removal of metals.

Development of the market for biological pharmaceuticals

■ For biological pharmaceuticals

Chromatographic equipment for continuous purification is being developed, targeting the needs for cost reduction in the purification process of biological pharmaceuticals (antibodies).

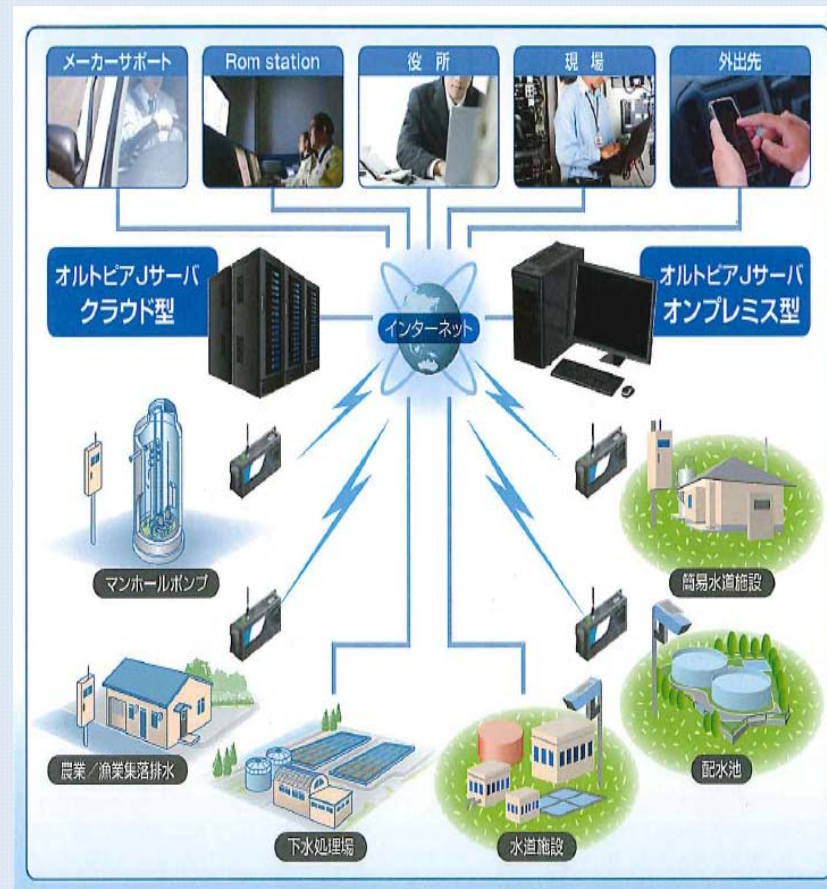
Joint research with a research institute in Singapore is planned.

Progress of Mid-term Plan for Solution Service

Launching New Cloud Net Work Service

■ Start of remote monitoring cloud service for water supply and sewerage systems

Start of offering the **Ortopia J** cloud cloud-type remote monitoring service that achieves management cost reduction and the efficient operation of the water supply and sewerage systems to Yonago city. It is a flat-rate service based on the number of monitoring points for water quality. The service achieves the efficient monitoring of water quality at a low price.



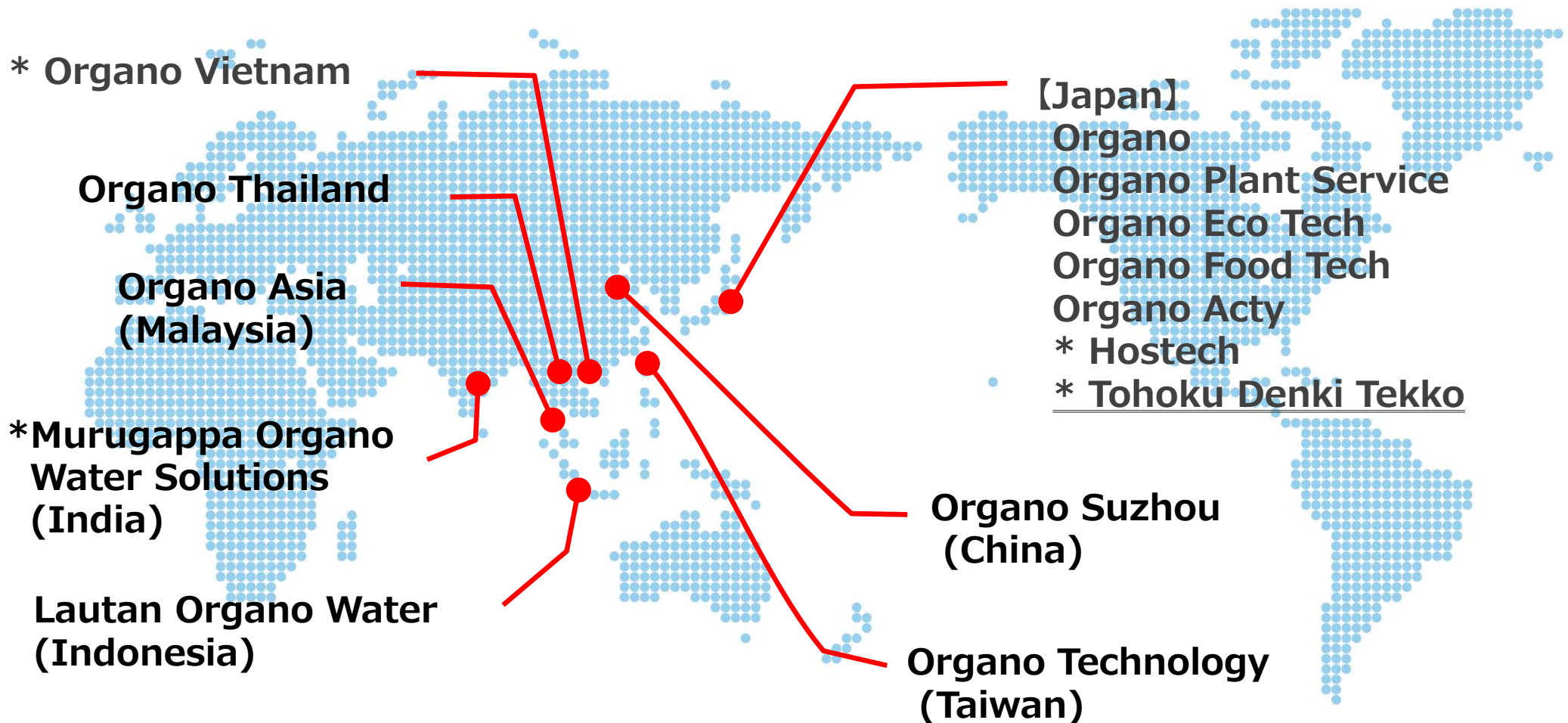
Contents

1. Financial Result of 1st Half of FY 2019
& Financial Forecasts for FY 2019
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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	2,189 (Consolidated) ※ as of the end of Sep. 2018		
Business Lineup	Water Treatment Engineering	Plant Business	Manufacturing and Sales of Large-scale Water Treatment Plants
		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)		

Our Global Net Work


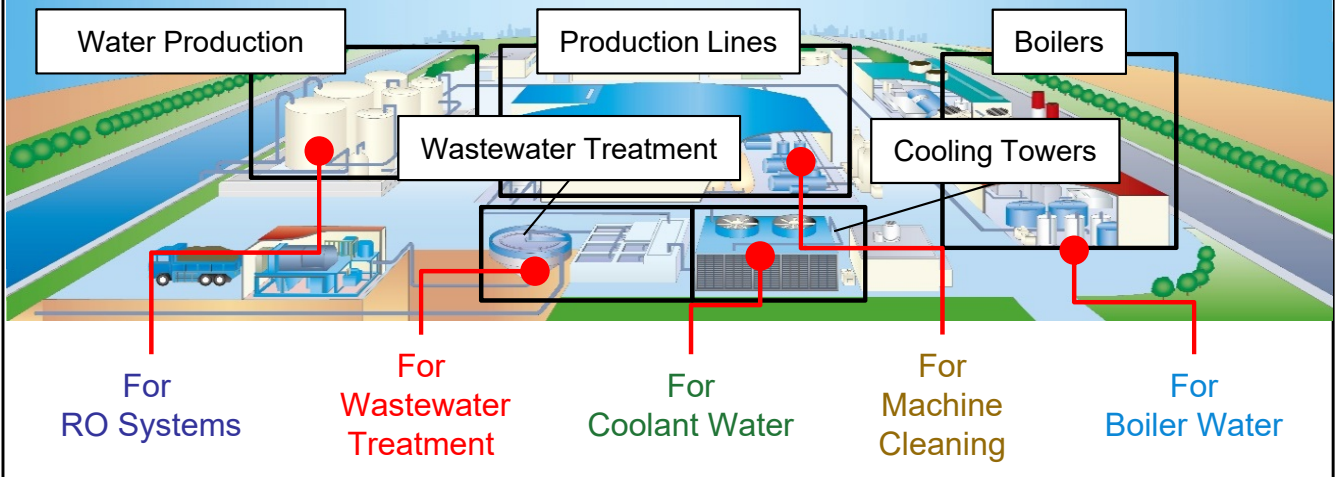



* Non-Consolidated

Business Description – Water Treatment Engineering

Plant Business	Applied Areas
<div data-bbox="181 379 925 600" 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="1039 386 1435 596">  </div> <div data-bbox="1099 612 1352 836">  </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 style="text-align: center;">Electronics (Semiconductors, FPD, Electronic devices etc.)</p> <p style="text-align: center;">Power Power Plants (Thermal & Nuclear)</p>
Solution Business	<p style="text-align: center;">City Water (Municipal water & Sewerage)</p> <p style="text-align: center;">General Industries (Food & beverages, Pharmaceuticals, Chemicals, Machinery etc.)</p>
<div data-bbox="170 1043 1435 1139" 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="1077 1198 1406 1406">  </div>	

Business Description – Functional product

Standard Equipments & Filters		Water Treatment Chemicals	
Standard Equipments	<p data-bbox="237 389 790 539">High-purify water production units for R&D and Medical use</p> <ul data-bbox="237 560 719 651" style="list-style-type: none"> ◆ Ultra pure water product ◆ Pure water product 	 <p data-bbox="947 847 2072 954">Water treatment Chemicals for optimal water quality management in factories and buildings</p>	
	Filters	<p data-bbox="262 927 790 1077">Filters for Safe & Tasty water for drinking and beverages</p> <ul data-bbox="237 1145 611 1385" style="list-style-type: none"> ◆ Water purification filters for kitchens, vending machines, restaurants and stores 	<p data-bbox="837 979 2170 1070">Food Processing Materials</p> <p data-bbox="947 1121 2072 1228">Various Materials for Food processing</p> <ul data-bbox="1025 1278 1966 1369" style="list-style-type: none"> ◆ Gelatinizing agents and thickeners for jellies, etc. ◆ Food ingredients such as protein, fibers, etc.

ORGANO CORPORATION

SUSTAINABLE DEVELOPMENT GOALS
17 GOALS TO TRANSFORM OUR WORLD



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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.