

# **ORGANO CORPORATION**

## **Financial Report for Fiscal Year Ended March 31, 2019**

---

**May 15, 2019**

# Contents

---

1. FY ended 03/2019 Results
2. FY ending 03/2020 Plan
3. Medium-term Management Plan
4. Company Overview

# Contents

---

1. FY ended 03/2019 Results
2. FY ending 03/2020 Plan
3. Medium-term Management Plan
4. Company Overview

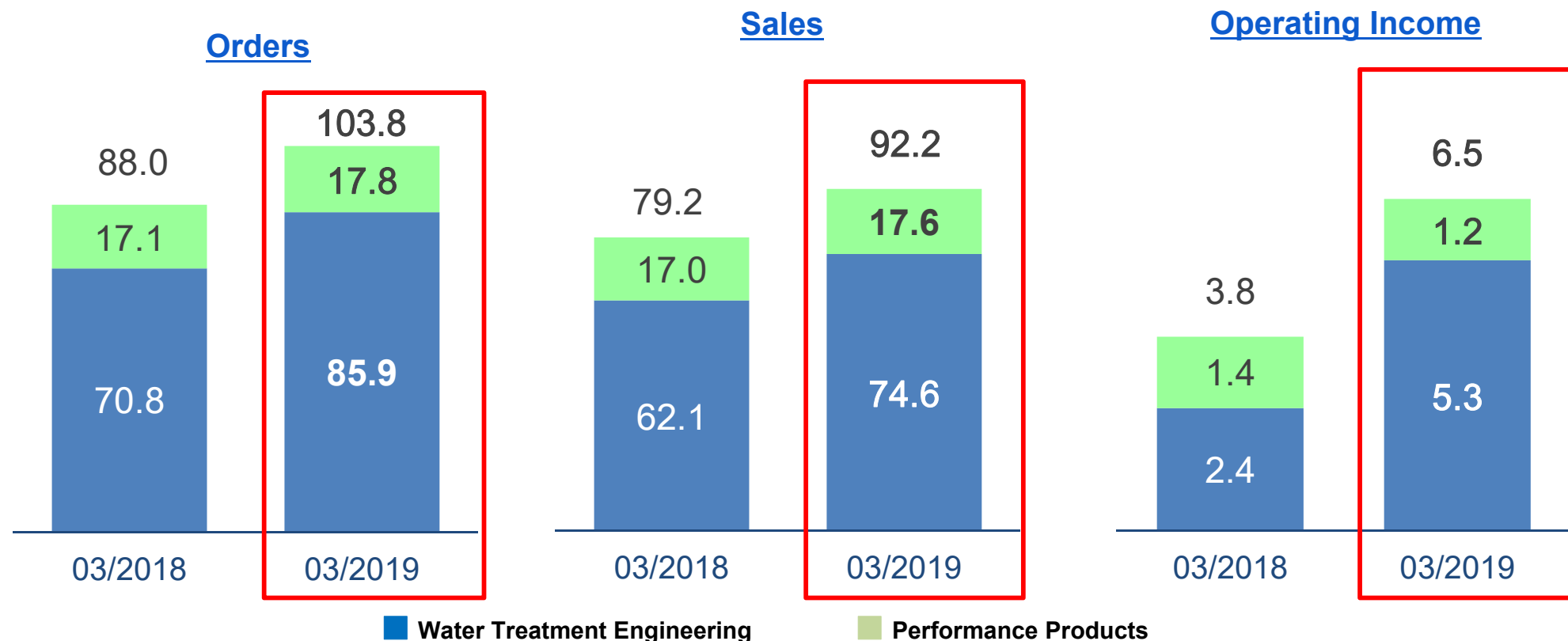
# Overview of FY ended 03/2019 Results

**Orders:** Expanded due to large-scale semiconductor projects in Japan, China, and Taiwan.

**Sales:** Plant and Service Solutions both increased, primarily in the electronics industry.

**Operating Income:** Improved plant-related earnings and expansion in solutions both contributed to the increase.

(Unit: Billion JPY)



# Results for Year Ending March 2019

Unit: Billion JPY	March 2018 Actual	March 2019 Forecast	March 2019 Actual	Year-on-Year	Actual-to-Forecast
Orders	88.0	98.0	103.8	+ 15.7	+ 5.8
Sales	79.2	91.0	92.2	+ 13.0	+ 1.2
Gross profit margin (%)	19.1 (24.2%)	21.2 (23.3%)	22.9 (24.8%)	+ 3.7 (+ 0.6 pt)	+ 1.7 (+ 1.5 pt)
SG&A <sup>1</sup>	15.3	15.7	16.3	+ 1.0	+ 0.6
Operating income ratio (%)	3.8 (4.8%)	5.5 (6.0%)	6.5 (7.1%)	+ 2.7 (+ 2.3 pt)	+ 1.0 (+ 1.1 pt)
Ordinary income	3.9	5.4	6.5	+ 2.6	+ 1.1
Profit attributable to owners of the parent company	2.7	3.7	4.4	+ 1.6	+ 0.7

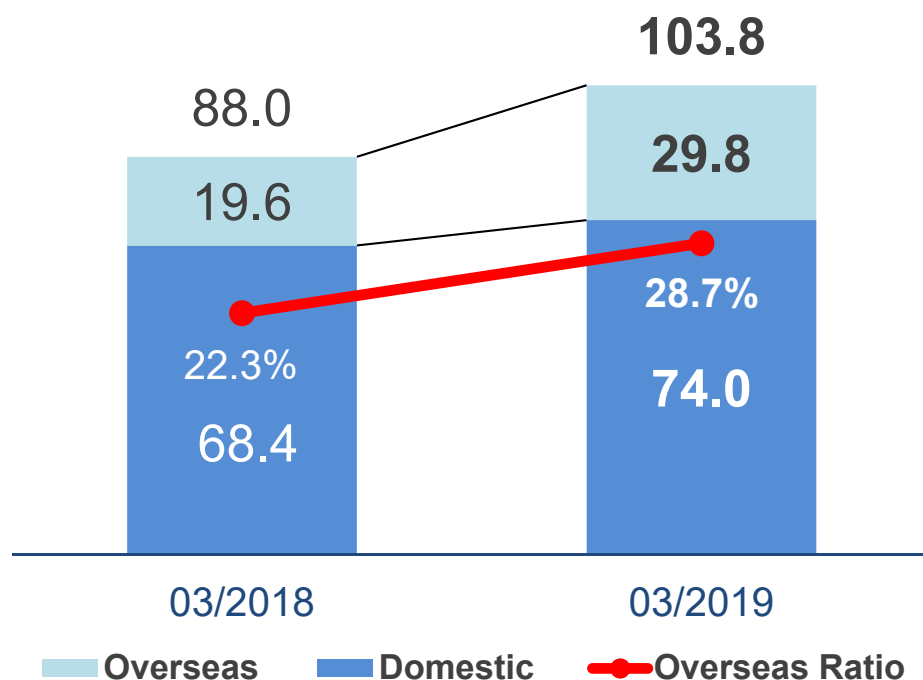
1: SG&A = Selling, General, and Administrative expenses

# Orders by Region

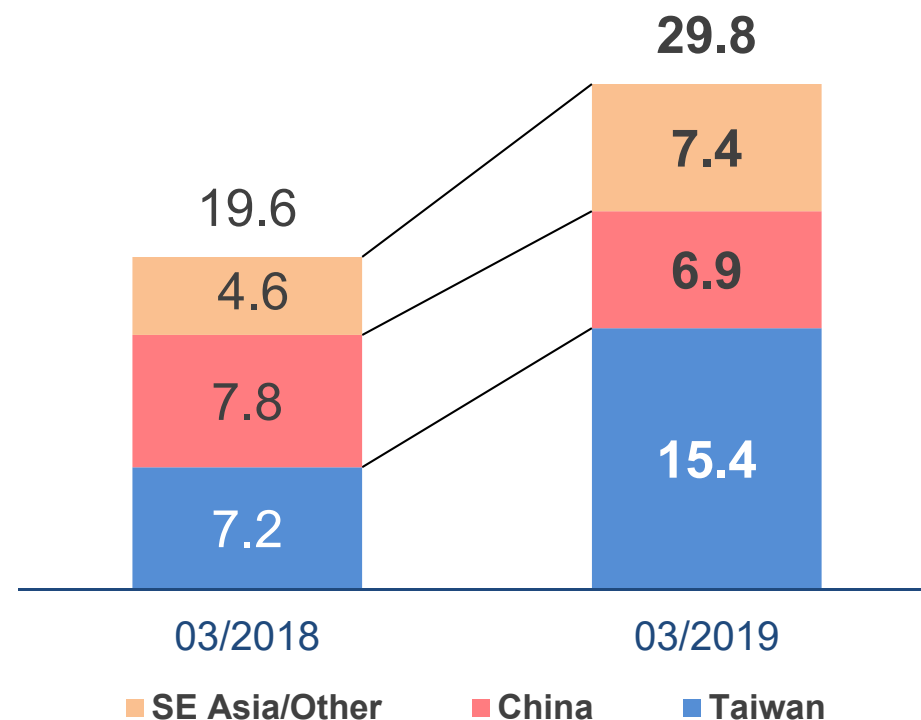
**Domestic:** There was significant growth, primarily in the Plant and Service Solutions businesses for the electronics industry, including semiconductors.

**Overseas:** Recovery in Taiwan, which placed orders for large-scale semiconductor-related projects, contributed significantly to the increase; also received orders from Southeast Asia related to electronics and electric power.

Orders  
(Domestic/Overseas)



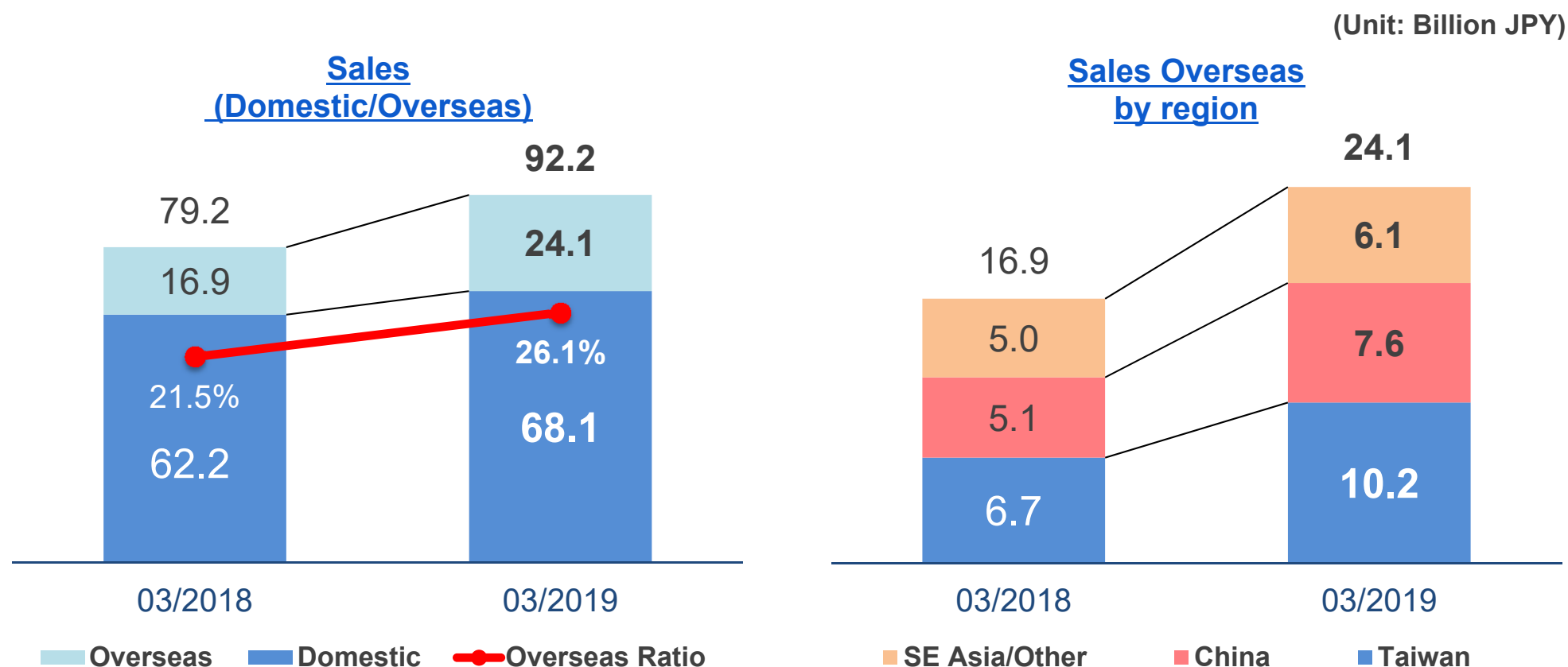
Orders Overseas  
by region (Unit: Billion JPY)



# Sales by Region

**Domestic:** Plant and Service Solutions businesses performed well in both the electronics industry and general industry.

**Overseas:** Progress in the sales of large-scale projects in Taiwan and China contributed significantly to the increase; sales to the electronics and electric power industries in Southeast Asia expanded.



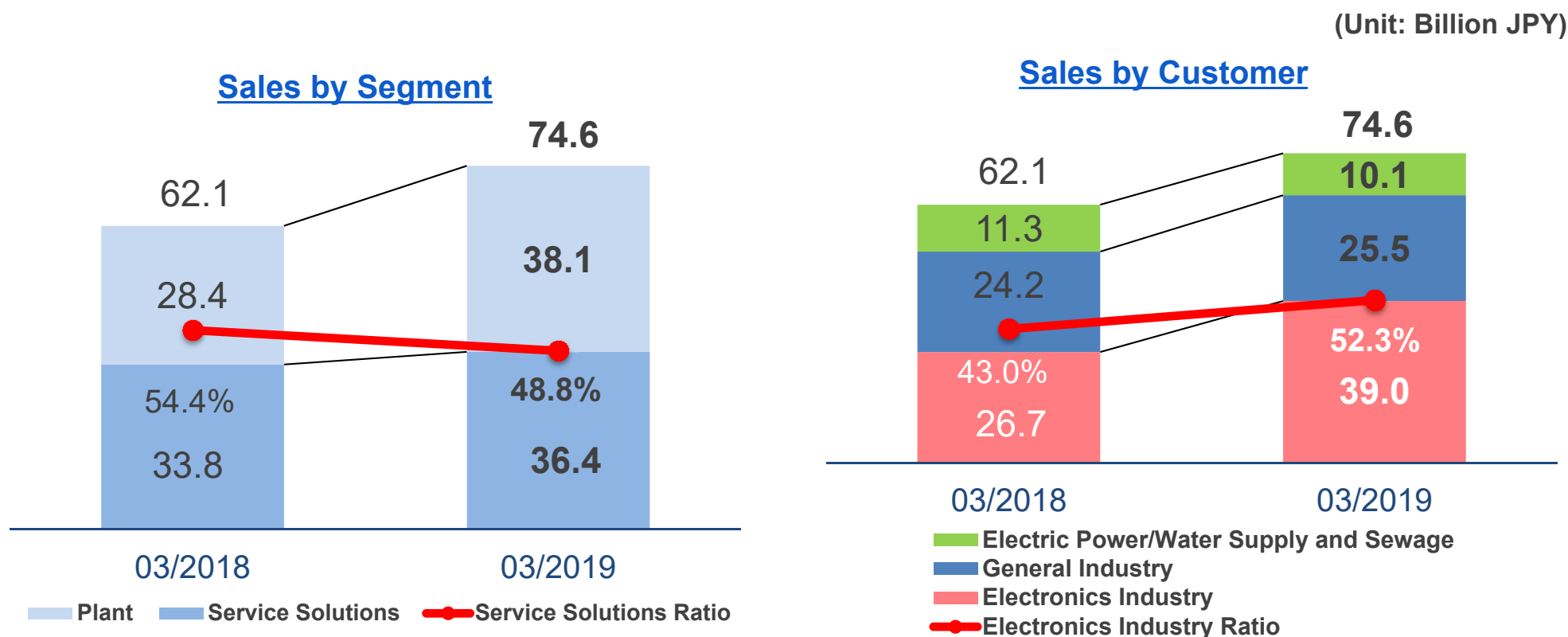
# Sales by Segment/Customer:

## Water Treatment Engineering

**Plant:** Sales of large-scale semiconductor-related projects to Japan, China and Taiwan expanded.

**Service Solutions:** In addition to the electronics industry, sales to domestic general industry were strong.

**Electric Power/Water Supply and Sewage:** Despite an increase overseas, domestic sales were sluggish.



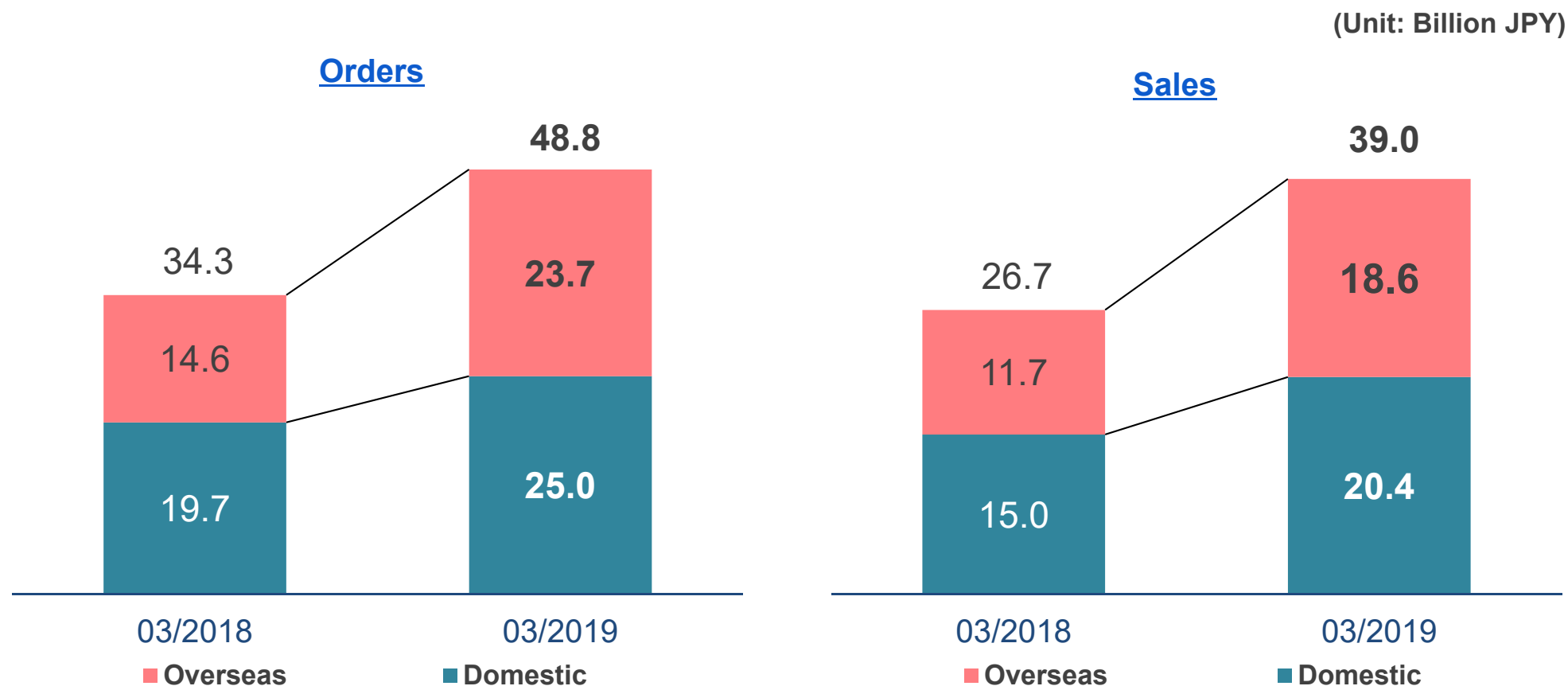


# Electronics Industry Orders/Sales:

## Water Treatment Engineering

**Orders:** Recovery of semiconductor-related investment in Taiwan contributed significantly to expansion overseas.

**Sales:** In addition to an increase in Plant sales, Service Solution sales also expanded domestically and overseas.

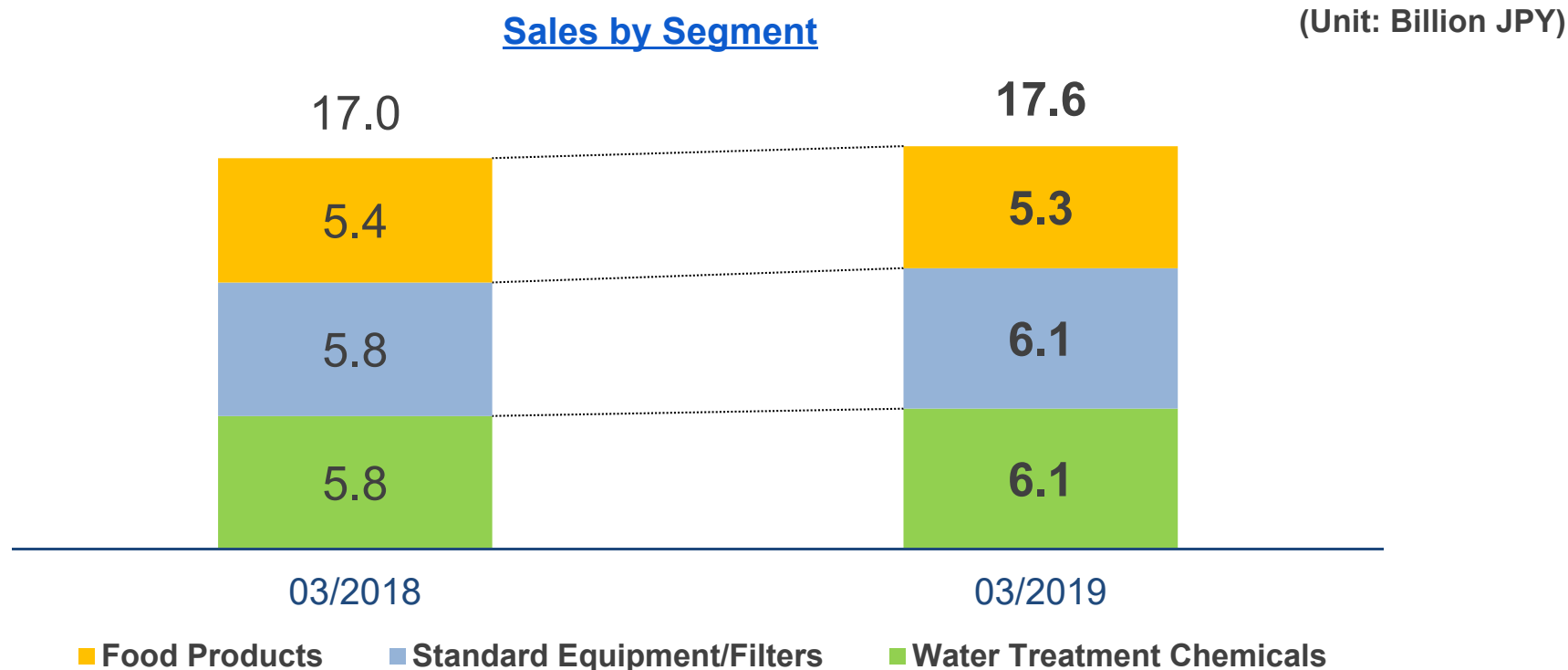


# Sales by Segment (Performance Products)

**Standard Equipment/Filters:** In addition to the introduction of new products domestically, the launch of sales in China contributed to the increase.

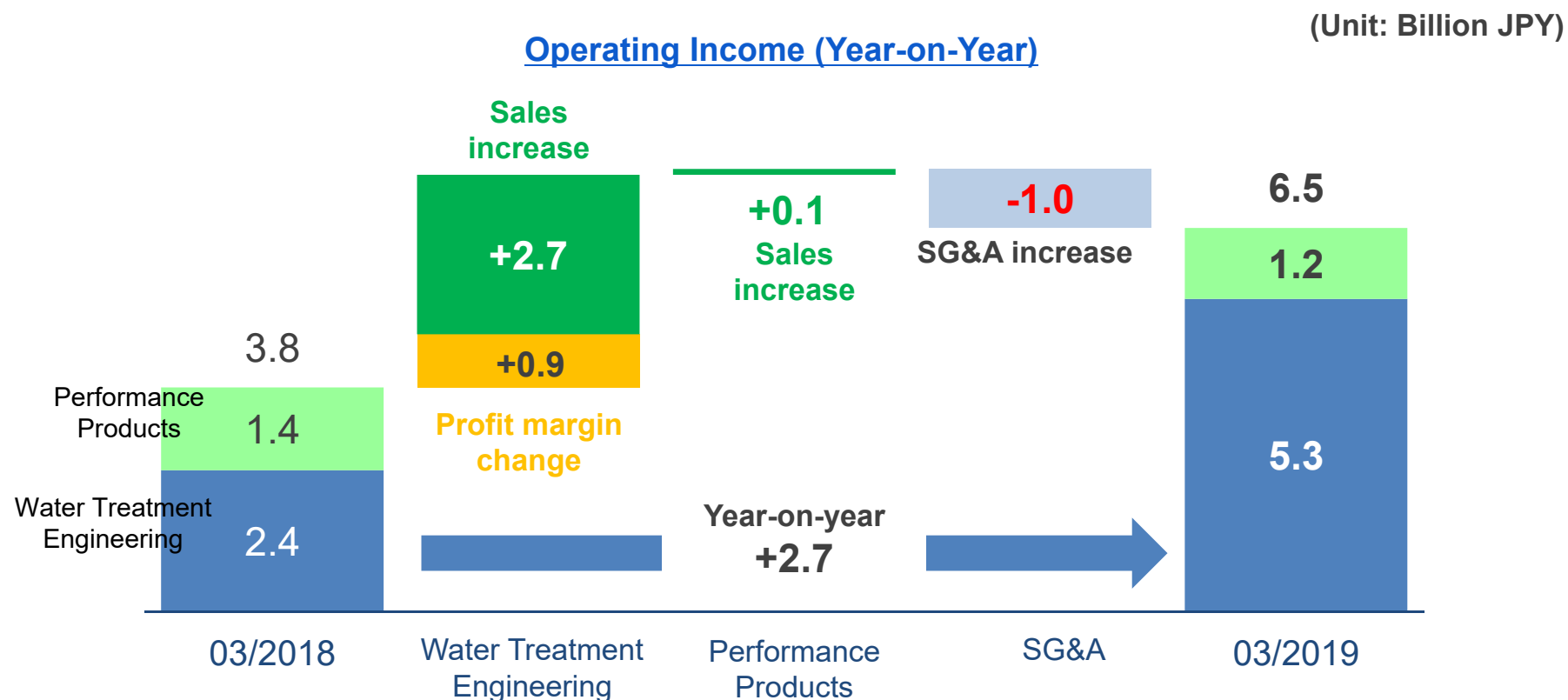
**Water Treatment Chemicals:** Growth is attributable to increased sales to the electronics industry and expansion of sales overseas.

**Food Products:** Performance was strong despite a slight decline in sales.



# Prospective Analysis of FY ended 03/2019 Operating Income

- In addition to the impact of sales from large-scale projects, improvement in project profitability and expansion in Service Solutions enabled an improved profit margin and significantly increased profits.
- SG&A increased due to new product development costs and the strengthening of the sales and manufacturing structures.



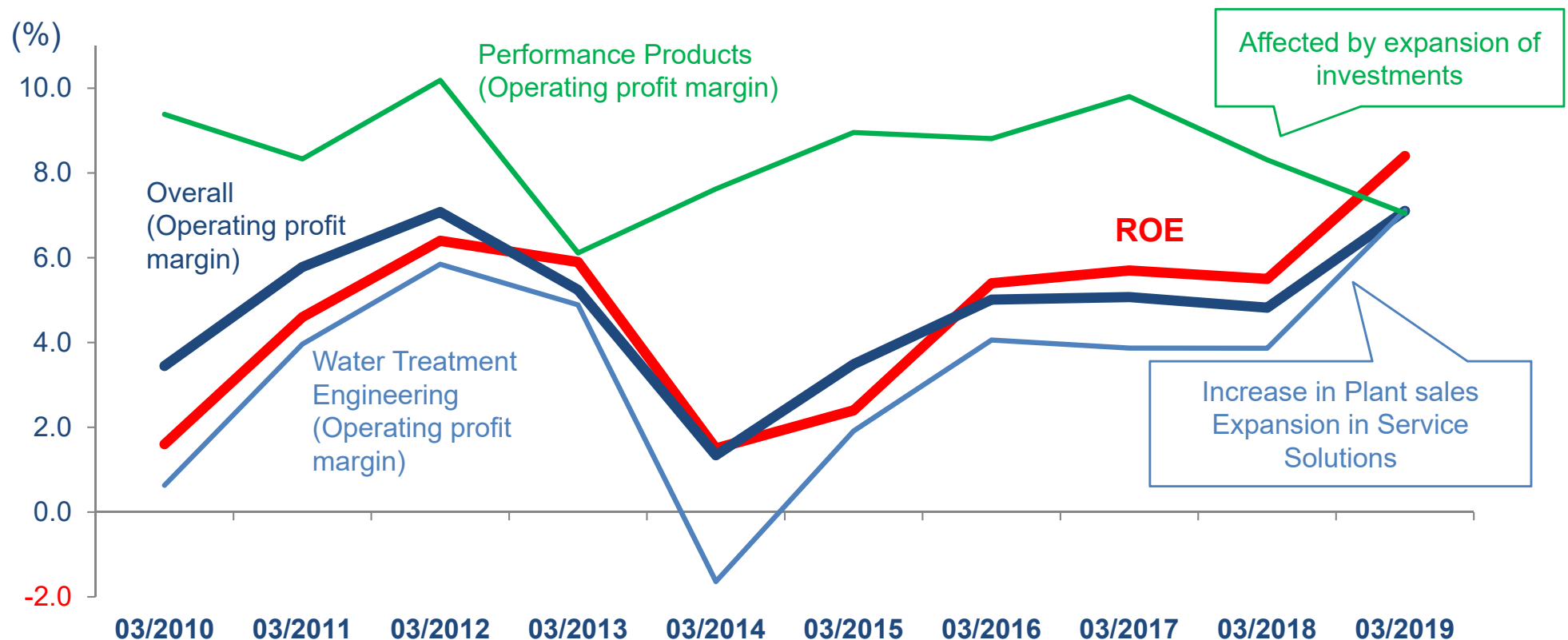
# FY ended 03/2019 Results: ROE Analysis (I)

- Achieved ROE of 8.4% through the expansion of sales and an improvement in profitability.
- Sales cash flow improved significantly through the continued collection of receivables (+¥5.6 billion) The reduction in interest-bearing debt also continued.

ROE		Improved profitability		Improved efficiency		Leverage	
		Current profit margin		Asset turnover rate		Financial leverage	
03/2018	03/2019	03/2018	03/2019	03/2018	03/2019	03/2018	03/2019
5.5%	8.4%	3.5%	4.8%	0.82	0.93	1.90	1.85
		Profitability improved, centered around Water Treatment Engineering.		Despite an increase in total assets, this was surpassed by growth in sales, and the turnover rate improved.		Interest-bearing debt was reduced by 11.8%.	

# FY ended 03/2019 Results: ROE Analysis (2)

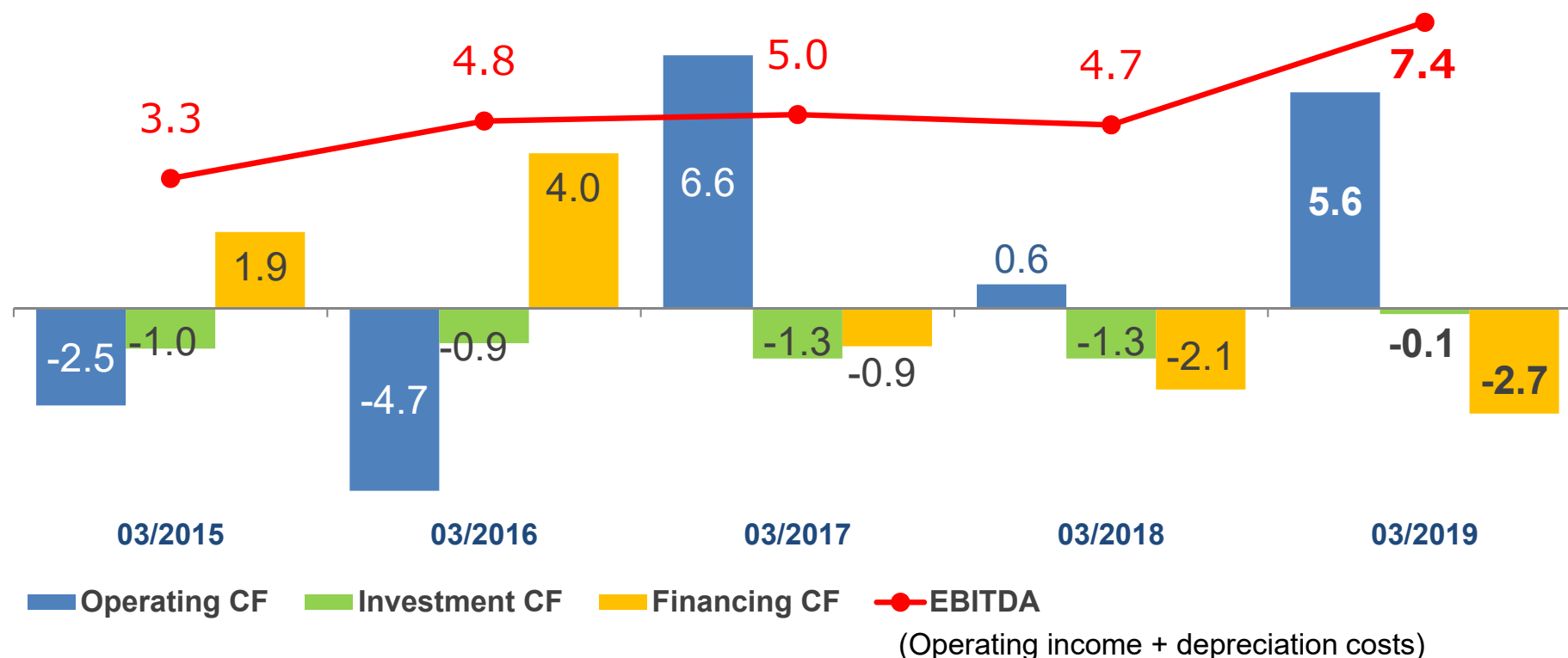
- ROE trends matched those of the operating profit margin.
- Water Treatment Engineering business operating profit margin increase due to increased Plant business sales and Service Solutions business expansion contributed to improvement in ROE in the year ended March 2019.



# FY ended 03/2019 Results: Cash Flow Situation

- In addition to performance, construction progress on large-scale projects and the collection for construction costs significantly affected cash flow fluctuation.
- Collection of construction costs proceeded during FY ended 03/2019, improving cash flow, and the reduction in interest-bearing debt also proceeded.

(Unit: Billion JPY)



# Key Indicators

	FY ended 03/2018	FY ended 03/2019
Capital expenditures (million yen)	644	635
R&D expenses (million yen)	1,776	1,823
Depreciation (million yen)	972	920
Interest-bearing debt (million yen)	15,484	13,659
No. of employees	2,179	2,186
Annual dividend (yen)	53	73
ROE (%)	5.5	8.4

# Contents

---

1. FY ended 03/2019 Results
- 2. FY ending 03/2020 Plan**
3. Medium-term Management Plan
4. Company Overview



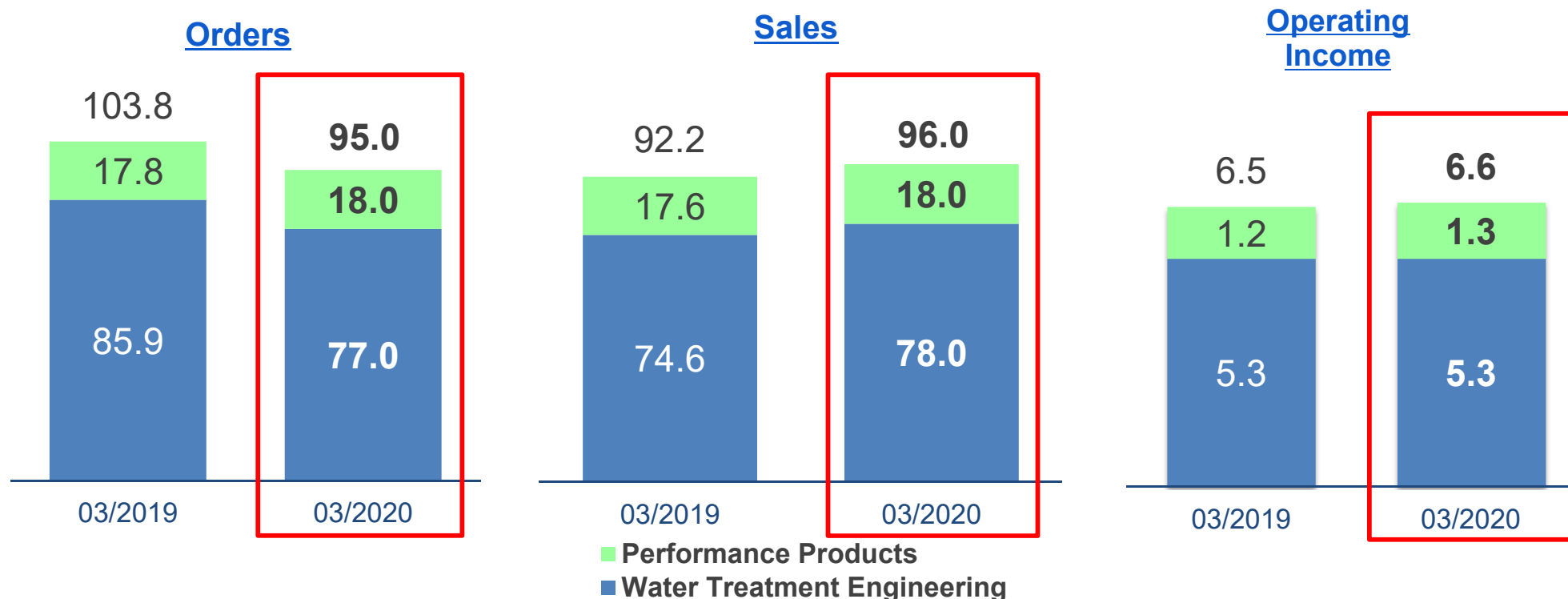
# Overview of FY ending 03/2020 Plan

**Orders:** Given a strong sense of uncertainty, a decrease is expected in the electronics industry.

**Sales:** Due to progress in the construction of projects for which orders were received in the previous fiscal year, an increase is expected.

**Operating Income:** With an increase in R&D and other costs, this is expected to remain unchanged from the previous fiscal year despite an increase in sales.

(Unit: Billion JPY)



# FY ending 03/2020 Plan

(Unit: Billion JPY)

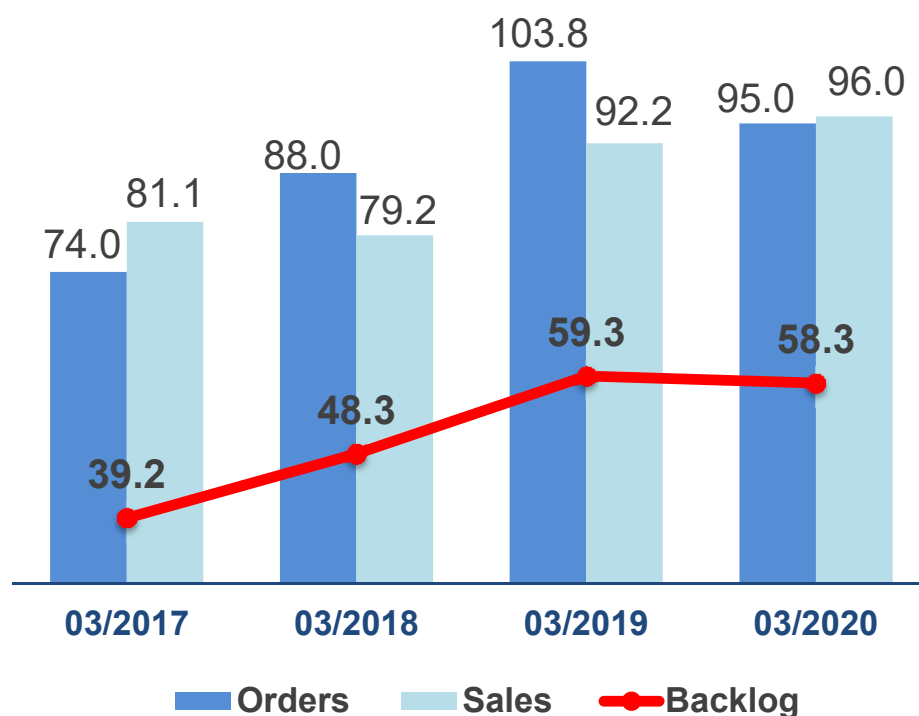
	FY ended 03/2019 Actual	FY ending 03/2020 Plan	Year-on-Year
Orders	103.8	95.0	-8.8
Sales	92.2	96.0	+3.7
Gross profit margin (%)	22.9 (24.8%)	23.4 (24.4%)	+0.4 (-0.4 pt.)
SG&A	16.3	16.8	+0.4
Operating income ratio (%)	6.5 (7.1%)	6.6 (6.9%)	+0.0 (-0.2 pt.)
Ordinary income	6.5	6.5	-0.0
Profit attributable to owners of the parent company	4.4	4.4	-0.0

# FY ending 03/2020 Plan: Order/Sales Trends

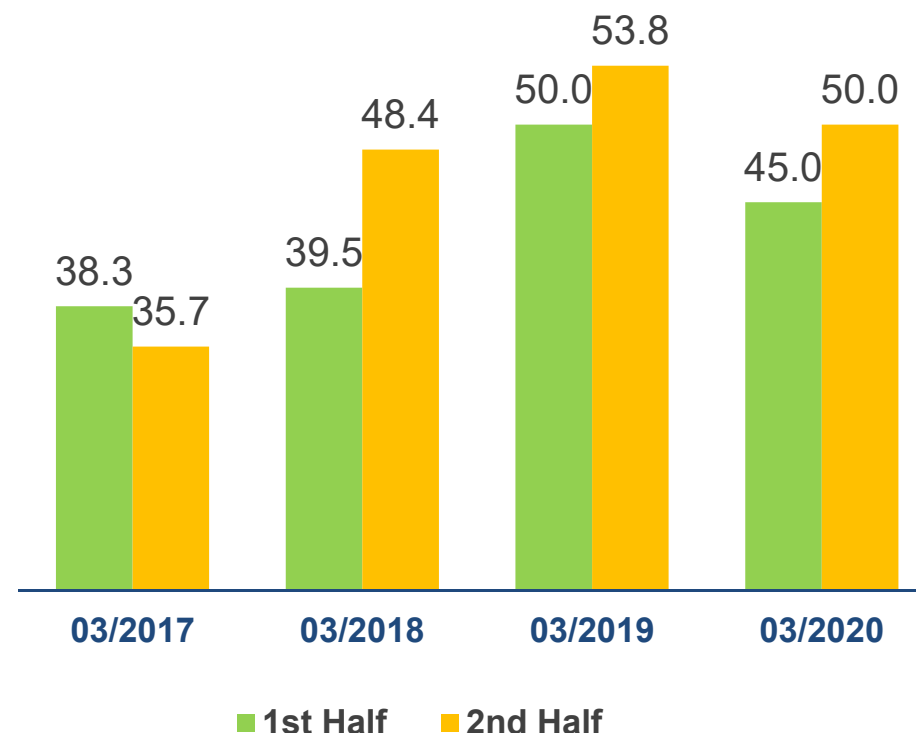
- Achieved new records in orders and sales during the year ended March 2019.
- Backlog of orders to be recorded as sales in subsequent periods are extremely high.
- Despite a decline in orders during the year ending March 2020, construction progress on carry-over orders is expected to result in increased sales.

(Unit: Billion JPY)

Order/Sales Trends



1st Half/2nd Half Order Trends



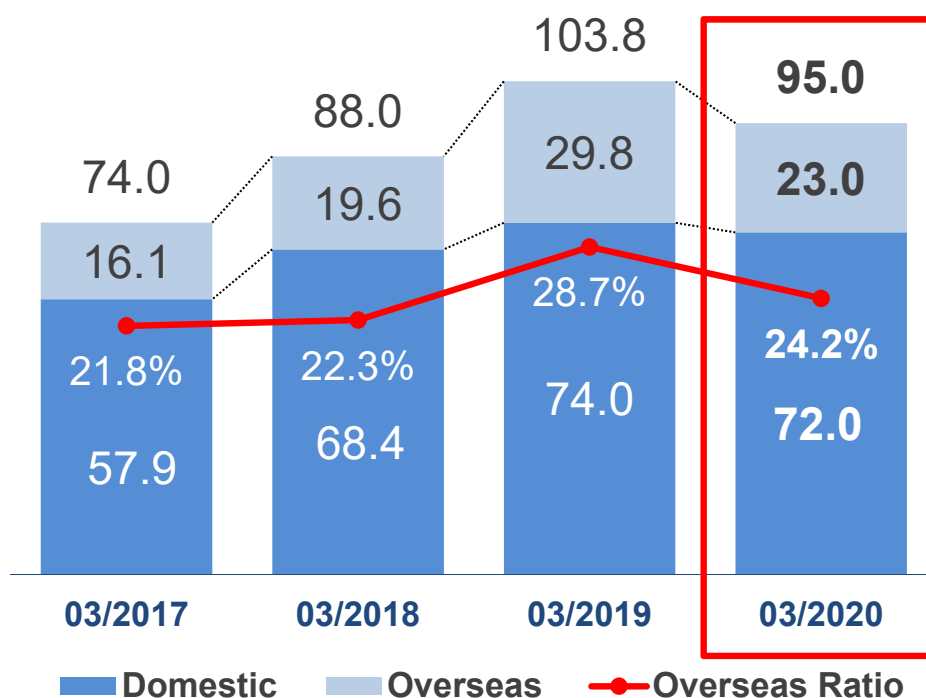
# FY ending 2020 Plan: Orders by Region

**Domestic:** A high level of orders will be maintained despite the forecast for a decrease due to slowdowns in investment and manufacturing.

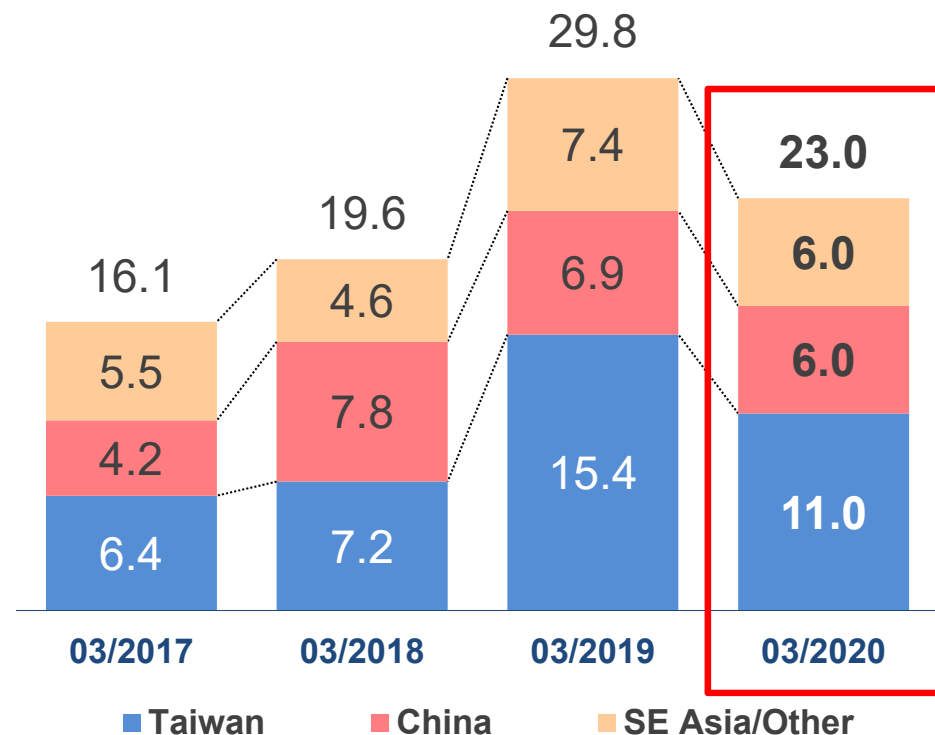
**Overseas:** A lull in orders is expected in Taiwan, which experienced significant expansion in the previous fiscal year.

(Unit: Billion JPY)

Orders  
(Domestic/Overseas)



Orders Overseas  
by Region



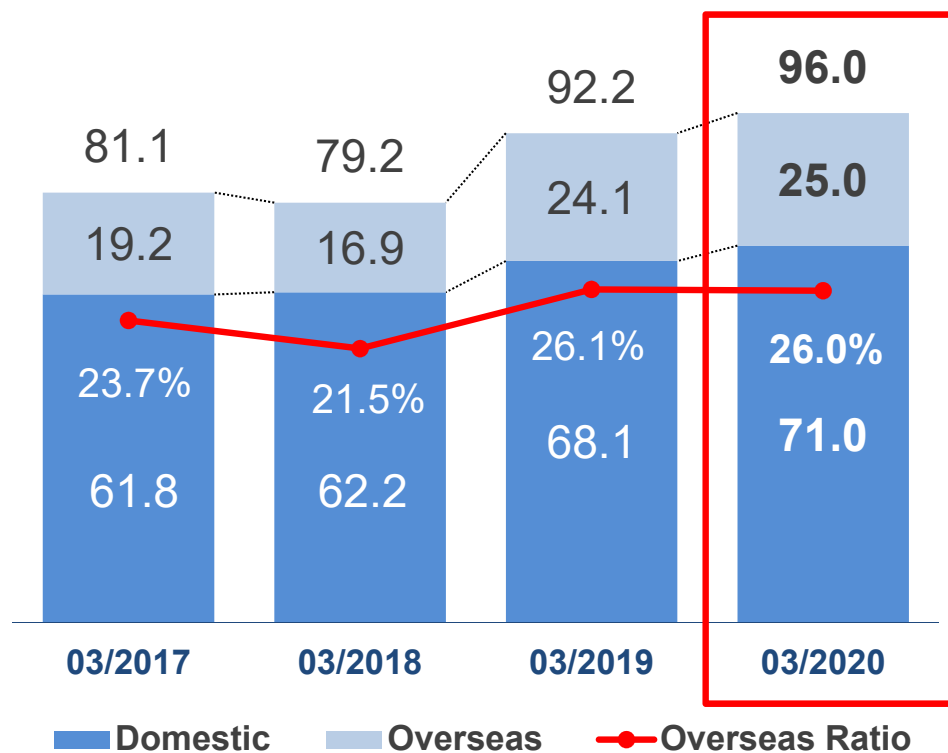
# FY ending 2020 Plan: Sales by Region

**Domestic:** Progress is expected in semiconductor-related carry-over order projects.

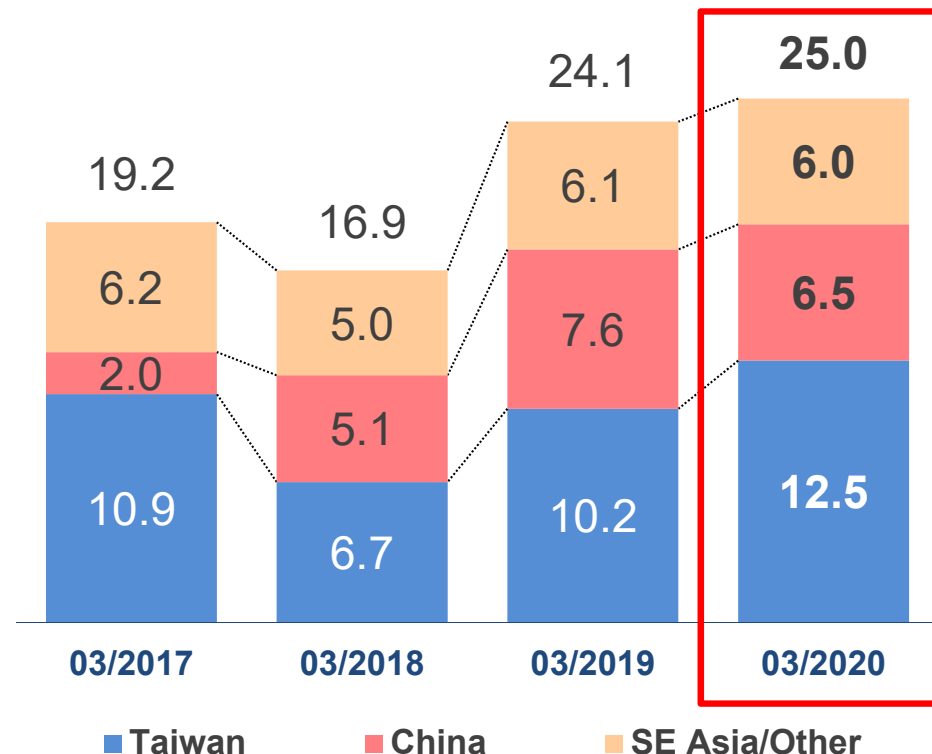
**Overseas:** Expansion is expected due to sales from carry-over order projects in China and Taiwan.

(Unit: Billion JPY)

Sales  
(Domestic/Overseas)



Sales Overseas  
by Region



# FY ending 2020 Plan: Sales by Segment/Customer :

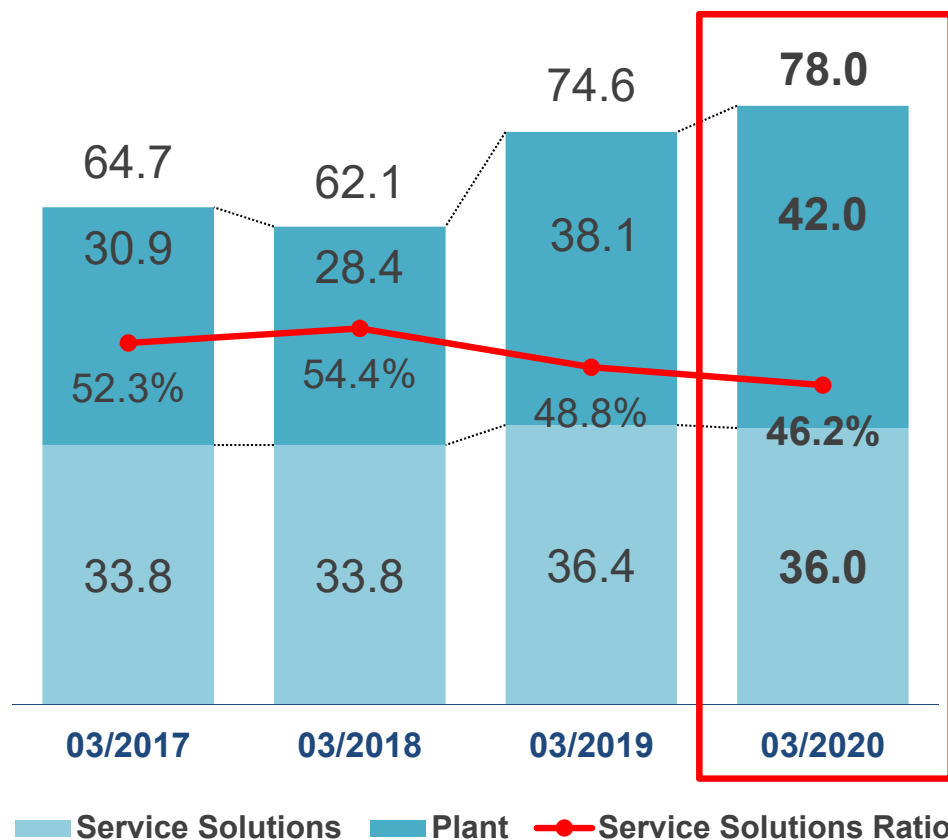
## (Water Treatment Engineering)

**Plant:** Expect sales progress for carry-over order projects, primarily for the electronics industry.

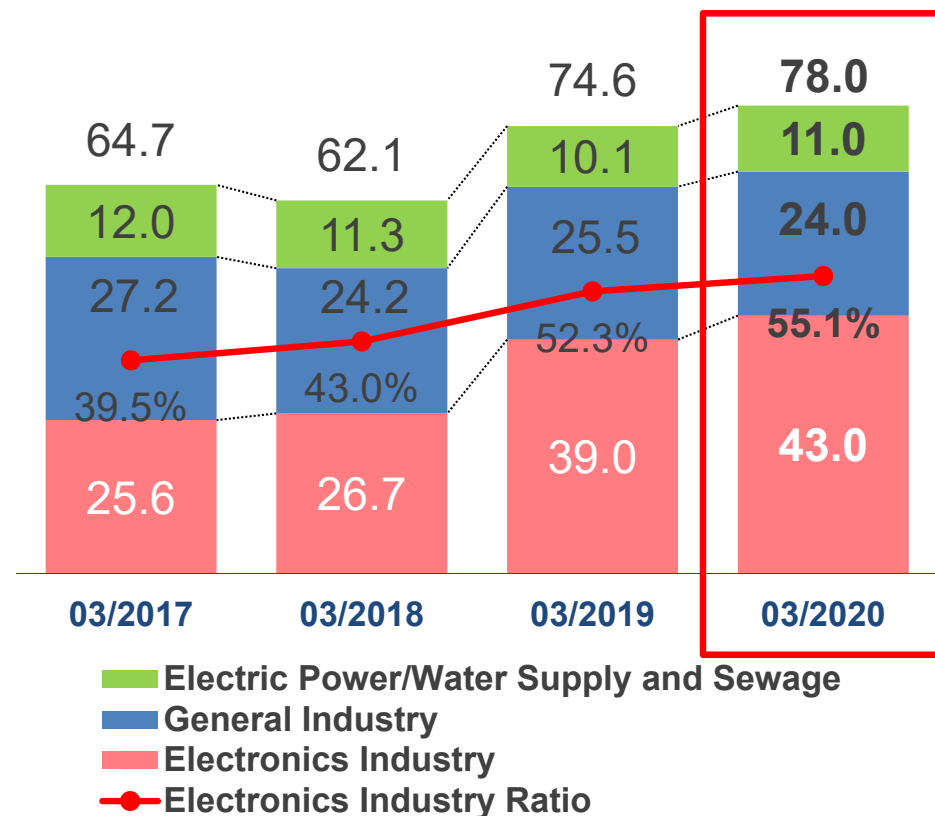
**Service Solutions:** A high level will be maintained despite a slight decline.

(Unit: Billion JPY)

Sales by Segment

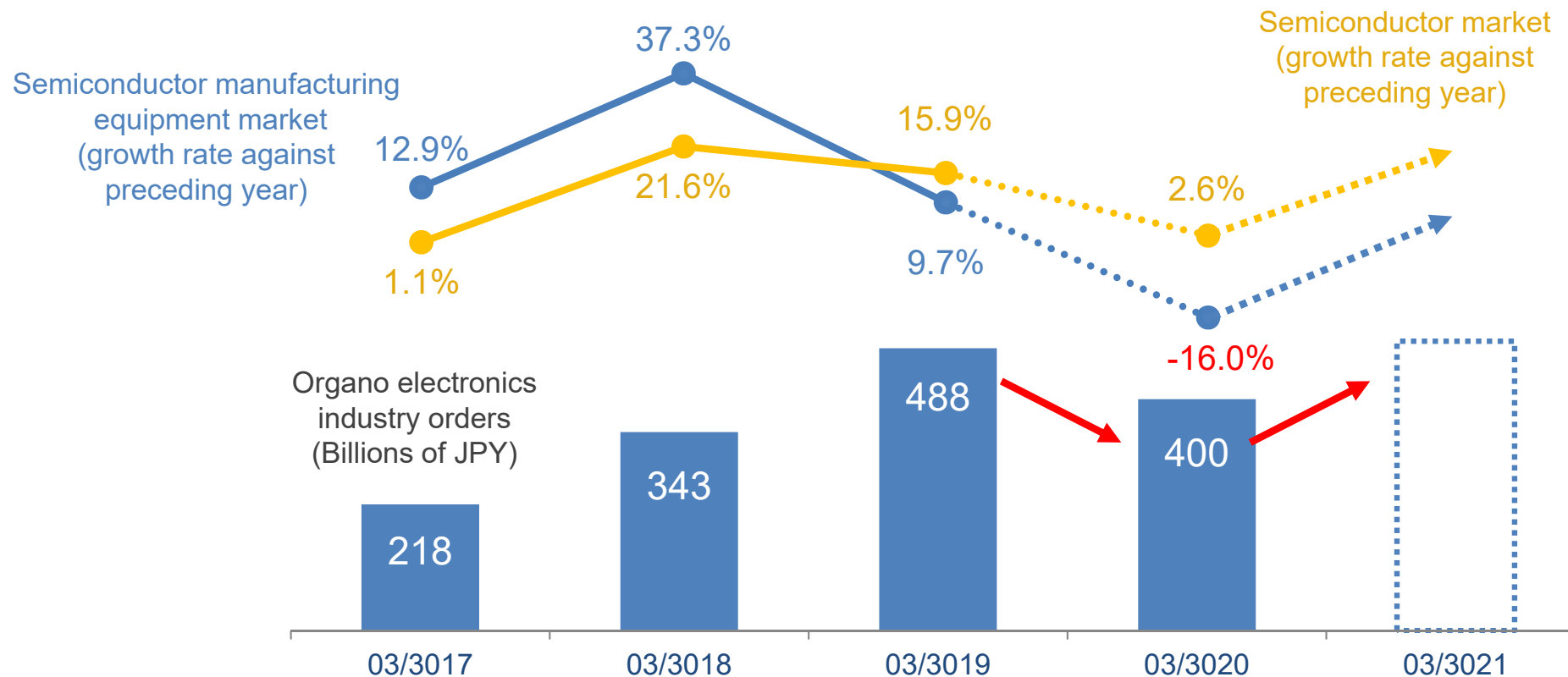


Sales by Customer



# Electronics Industry Market Trends

- Deceleration is forecast in the semiconductor and semiconductor manufacturing equipment markets during the year ending March 2020.
- Recovery is expected in the second half of FY ending March 2020 due to a recovery in the memory market and investment in 5G.



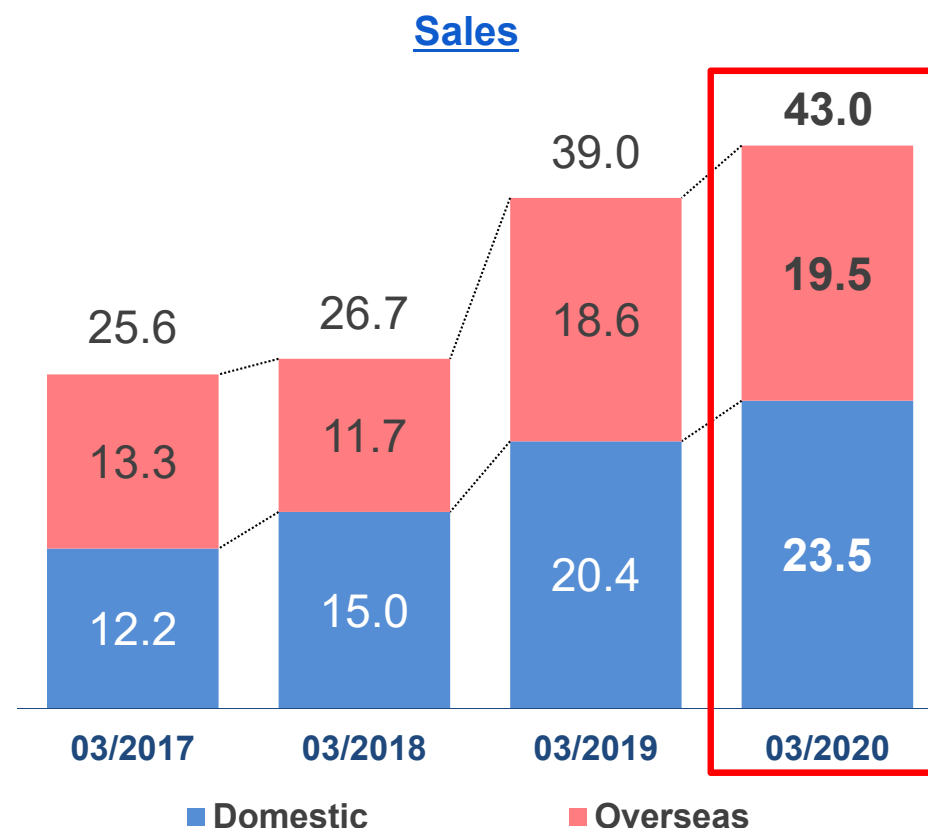
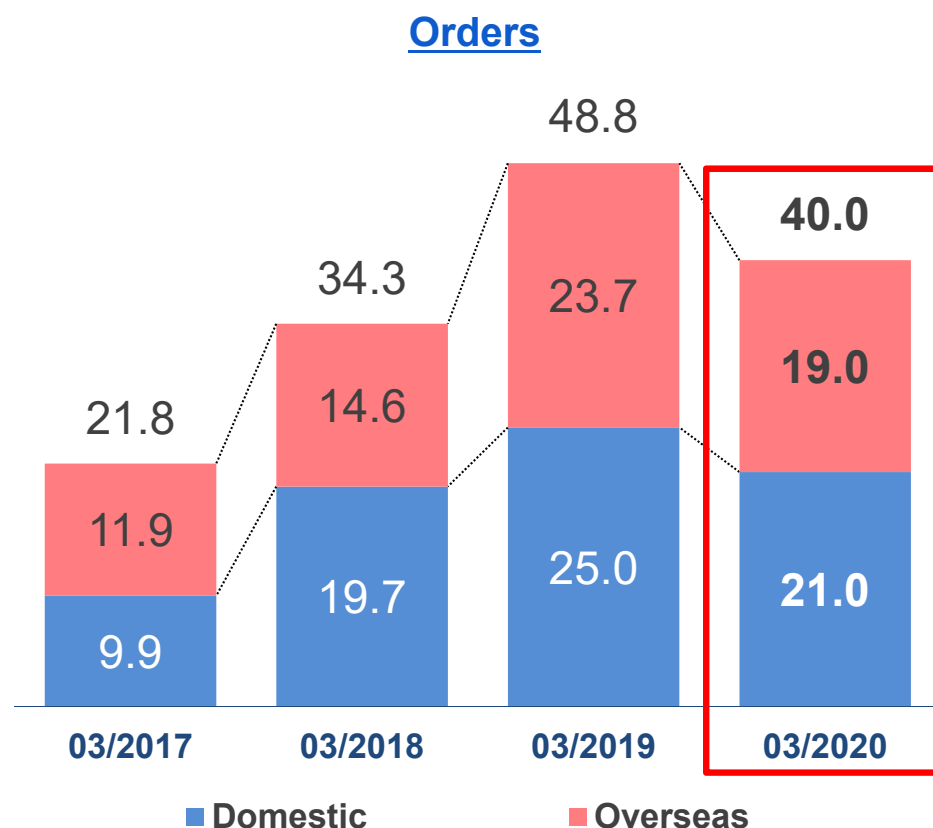
Source: Created by Organo based on World Semiconductor Trade Statistic (WSTS), Semiconductor Equipment Association of Japan (SEAJ) materials

# FY ending 2020 Plan: Electronics Industry Orders/Sales (Water Treatment Engineering)

**Orders:** Deceleration is expected in investments in the electronics industry domestically and overseas.

**Sales:** Sales progress is expected for carry-over order projects, primarily domestically.

(Unit: Billion JPY)





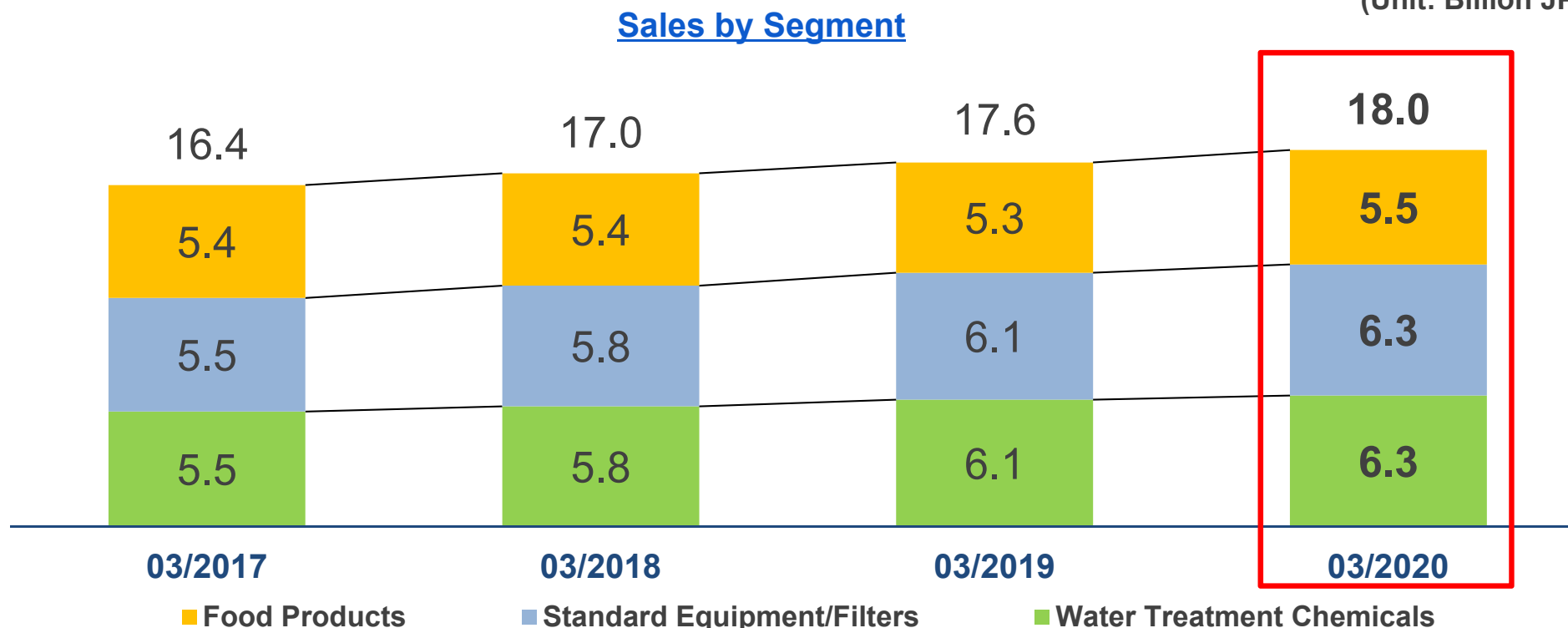
# FY ending 03/2020 Plan: Sales by Segment (Performance Products)

**Standard Equipment/Filters:** Continue introducing new products domestically and promote business development in China.

**Water Treatment Chemicals:** Expand sales measures overseas, primarily to the electronics industry.

**Food Products:** Expansion is expected in sales volume, centered on granulation technology.

(Unit: Billion JPY)



# Plan for Year Ending March 2020: Key Indicators

	FY ended 03/2019 Actual	FY ending 03/2020 Plan
Capital expenditures (million yen)	635	800
R&D expenses (million yen)	1,823	2,100
Depreciation (million yen)	920	1,100
Interest-bearing debt (million yen)	13,659	15,000
No. of employees	2,186	2,200
Annual dividends (yen)	73	78
ROE (%)	8.4	7.8

# Contents

---

1. FY ended 03/2019 Results
2. FY ending 03/2020 Plan
- 3. Medium-term Management Plan**
4. Company Overview

# Corporate Philosophy and Management Vision and Plan

## Management Philosophy

- Corporate ethos
- Societal mission, reason for existence

Development and harmony of industry, environment, and life

Creation of economic and social value

## Management Vision

- Medium-term (3 years)
- Long-term (10 years)

Expand areas of operation

Electronics industry, separation and purification, and Performance Products

## Management Plan

- Three-year management plan (subject to annual review)

Medium-term:  
¥100 billion in net sales,  
¥7 billion in operating income

Long-term:  
¥120 billion in sales,  
¥9.6 billion in operating income

# Group Goals

## Challenges & Tasks

### Society

Sustainable development and growth globally

- Efficient reuse of water and energy
- Advancement of life sciences
- Development of advanced IT technologies

### Organo

- Long-term growth stagnation
- Unfavorable profitability
- Stock price stagnation

- Optimization of portfolio
- Expansion of business domains and development areas
- Enhancement of shareholder value

## Strengths

Extensive track record in industry and daily life



Total water treatment engineering



Advanced technology cultivated through water treatment



Separation technologies



Purification technologies

## Goals

### Areas of Contribution

Development and harmony of industry, environment, and life

Providing optimal water for industry and life

Contributing to development and advancement of industry and technology

### What Organo Wants to Be

Partner company to all stakeholders

Creator of economic and social value

Creator of corporate and shareholder value

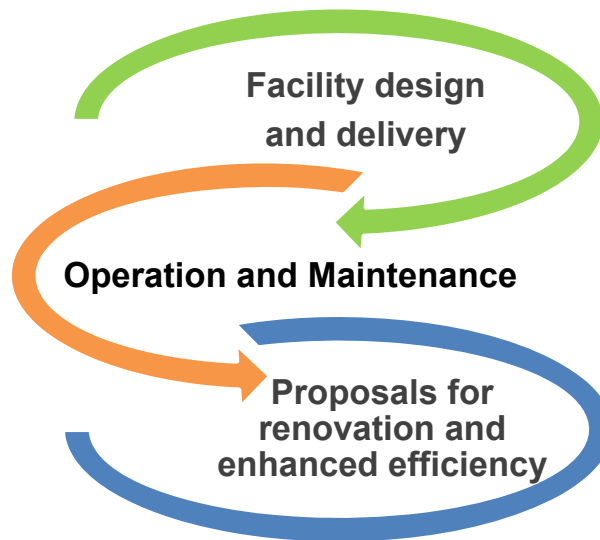
# Group Strengths

## Extensive track record in industry/daily life



Organo technologies and products are successful in a wide variety of fields related to industry and daily life. They encompass manufacturing industries such as electronics, social infrastructure including electric power and water supply and sewage, medical and research institutes, and restaurants and convenience stores.

## Total water treatment engineering



Organo offers total water treatment engineering – design and delivery of various types of facilities to customer specs, operation and maintenance support services, functional materials, and proposals for renovation and increased facility efficiency.

## Advanced technology cultivated through water treatment



### Separation technologies

- |Polymer membrane
- |Inorganic separation membrane



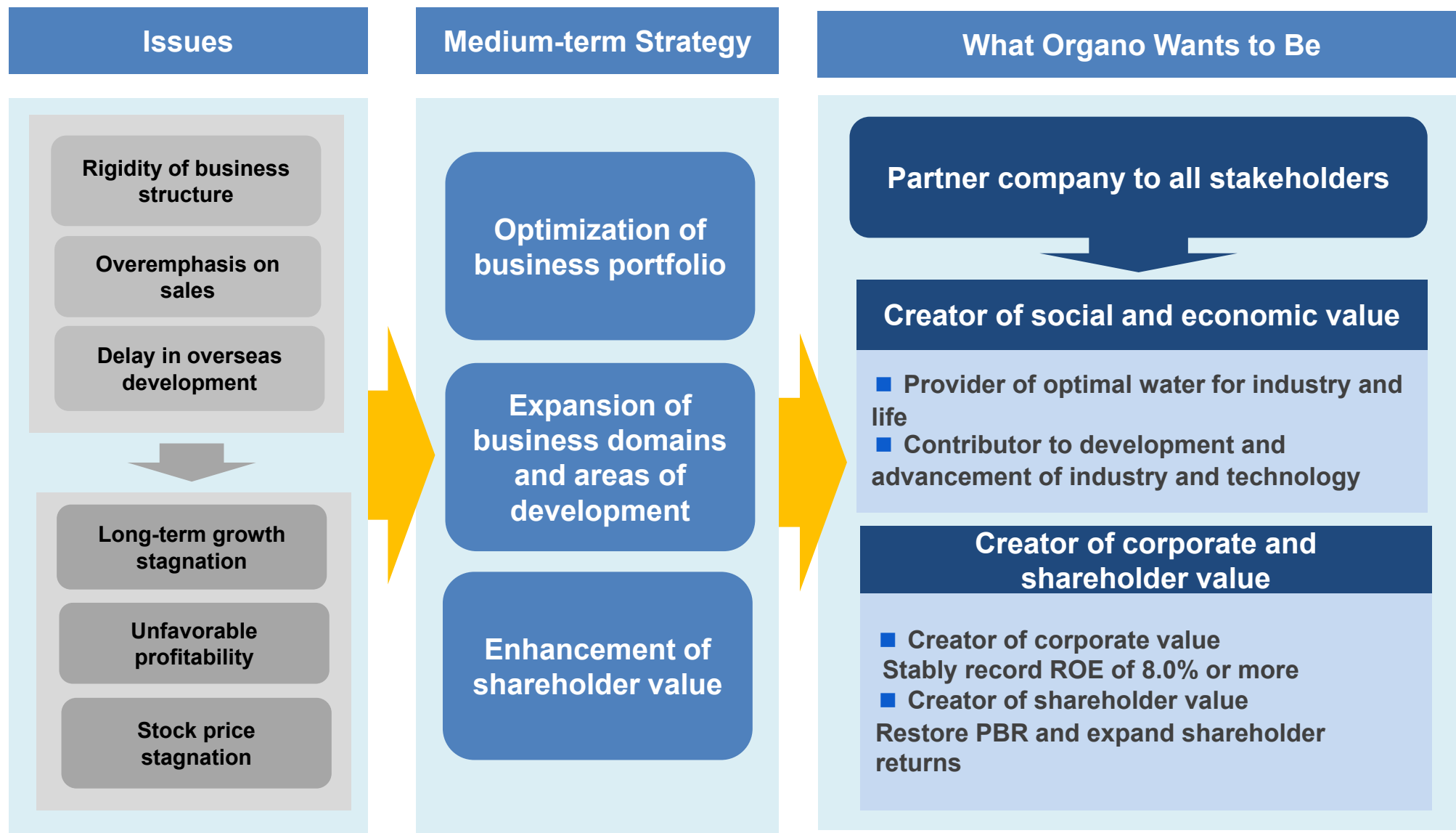
### Purification technologies

- |Ion exchange resin
- |Chelating resin
- |Zeolite



Producing result not only in pure water production and wastewater treatment, but in the purification of sugar solutions and all types of solvents, and in the recovery of valuable materials (fluorine, metals, others) from wastewater.

# What Organo Wants to Be

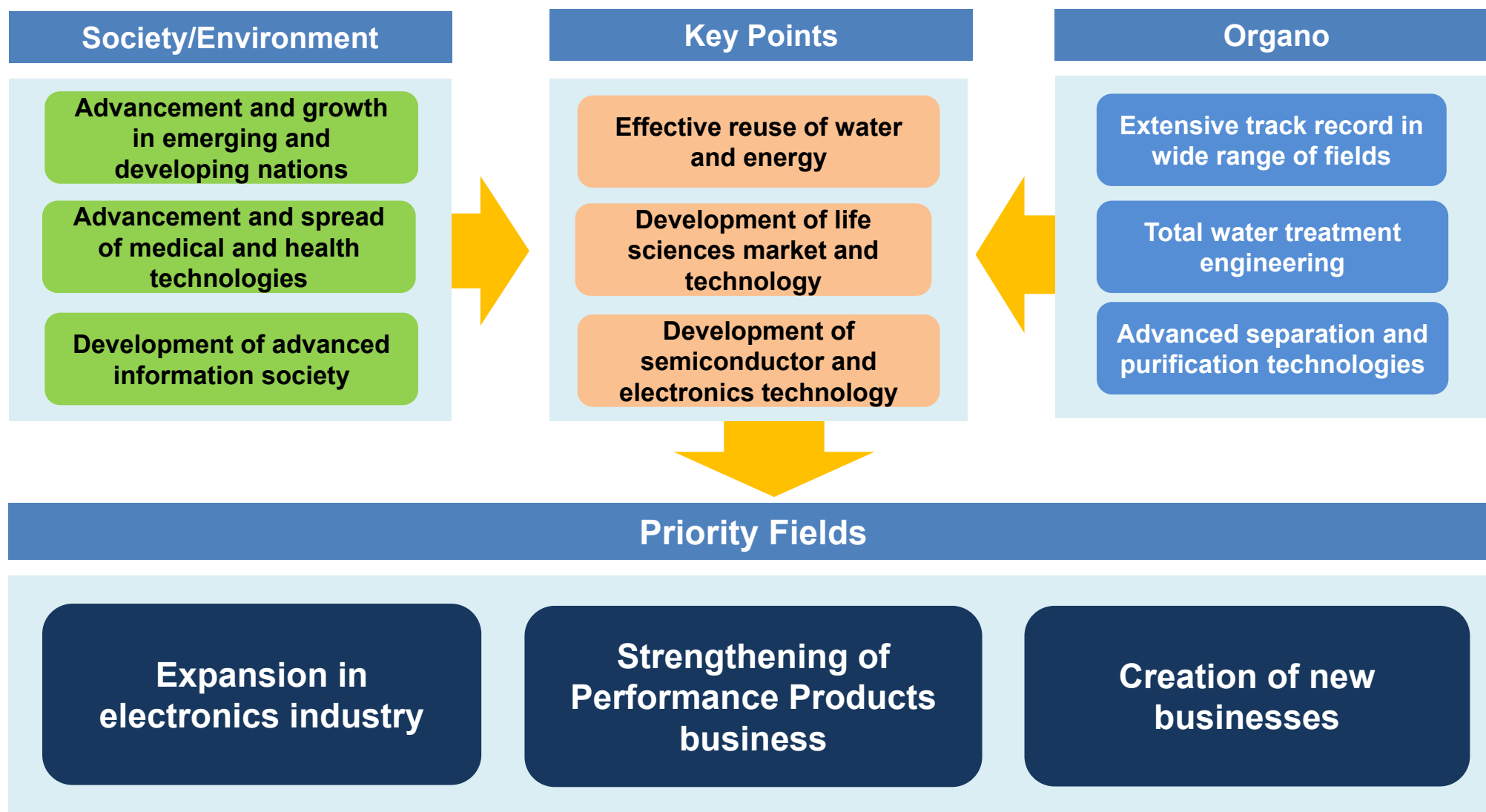


# Areas of Contribution





# Medium- and Long-term Plans: Selection of Priority Fields



# Direction of Medium- and Long-term Plans

Priority Fields	Medium-term (~FY ending 03/2022)	Long-term (~FY ending 03/2029)
Expansion in electronics industry	<ul style="list-style-type: none"> <li>Securing of share in Chinese market</li> <li>Strengthening of solution lineup and structure</li> </ul>	<ul style="list-style-type: none"> <li>Establishment of Indian market</li> <li>Entry into US market</li> <li>Business development in semiconductor wet process field</li> </ul>
Strengthening of Performance Products business	<ul style="list-style-type: none"> <li>Development in Chinese and Taiwanese markets</li> <li>Expansion of standard equipment for medical and research institutes</li> </ul>	<ul style="list-style-type: none"> <li>Development in Indian and SE Asian markets</li> <li>Development in life sciences market</li> </ul>
Creation of new businesses	<ul style="list-style-type: none"> <li>NMP and electrolyte purification for LiB</li> <li>Advanced purification for electronic materials</li> </ul>	<ul style="list-style-type: none"> <li>Advanced purification and recycling of secondary battery materials</li> <li>Development of chromatography equipment for biopharmaceutical purification process</li> </ul>

# Medium- and Long-term Management Plans: Targets

## Medium-term (~FY ending 03/2022)

Achieve ¥100 billion in net sales, ¥7 billion in operating income, and operating income ratio of 7%, and establish an earnings structure that enables consistent **ROE at 8% or more.**

## Long-term (~FY ending 03/2029)

Achieve ¥120 billion in net sales, ¥9.6 billion in operating income, and an operating income ratio of 8%.

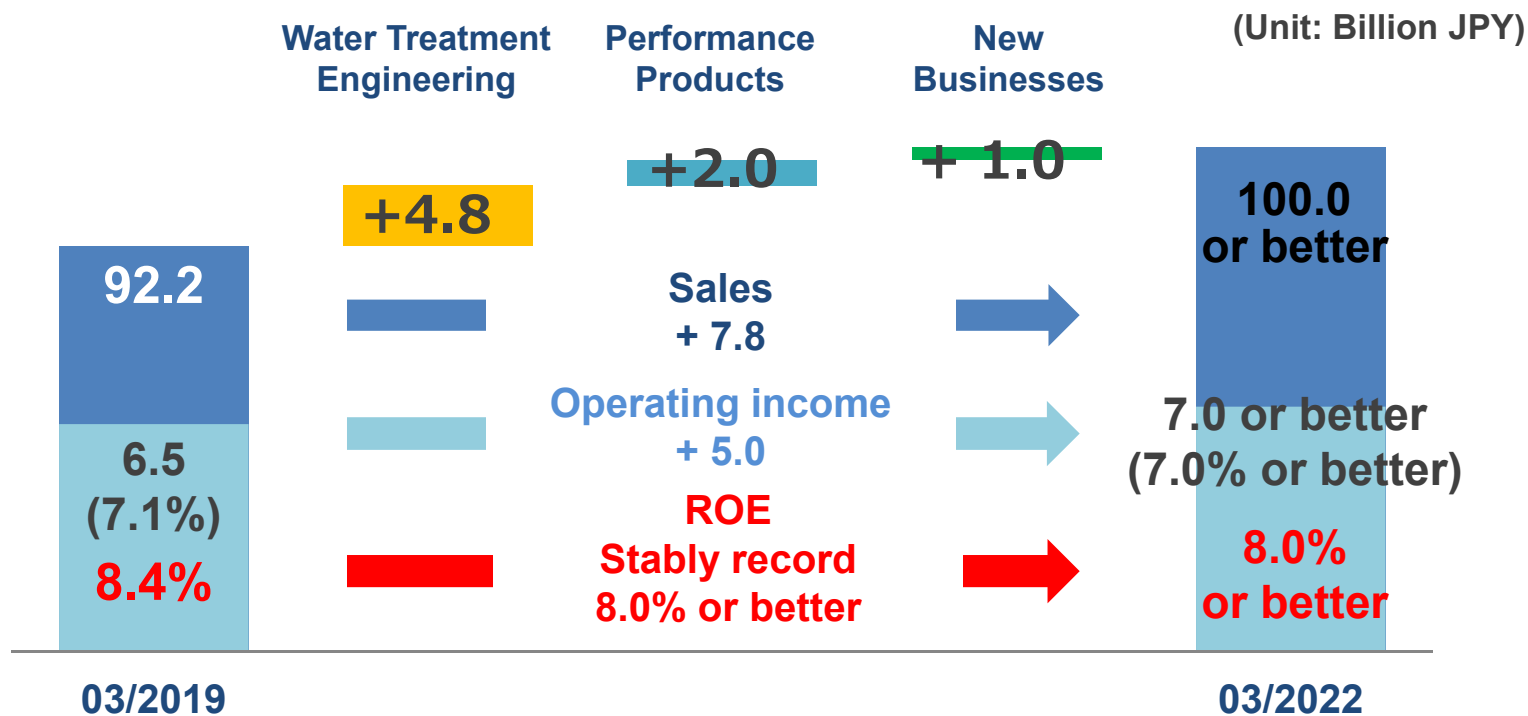
Unit: Billions of JPY	March 2019 Actual	March 2020 Plan	March 2022 Medium-term	March 2029 Long-term
Orders	103.8	95.0	100 or more	120.0
Sales	92.2	96.0	100 or more	120.0
Operating income ratio (%)	6.5 (7.1%)	6.6 (6.9%)	7.0 or more (7.0% or more)	9.6 (8.0%)
ROE (%)	8.4%	7.8%	8.0% or more	8.0% or more

# Overview of Medium-term Management Plan

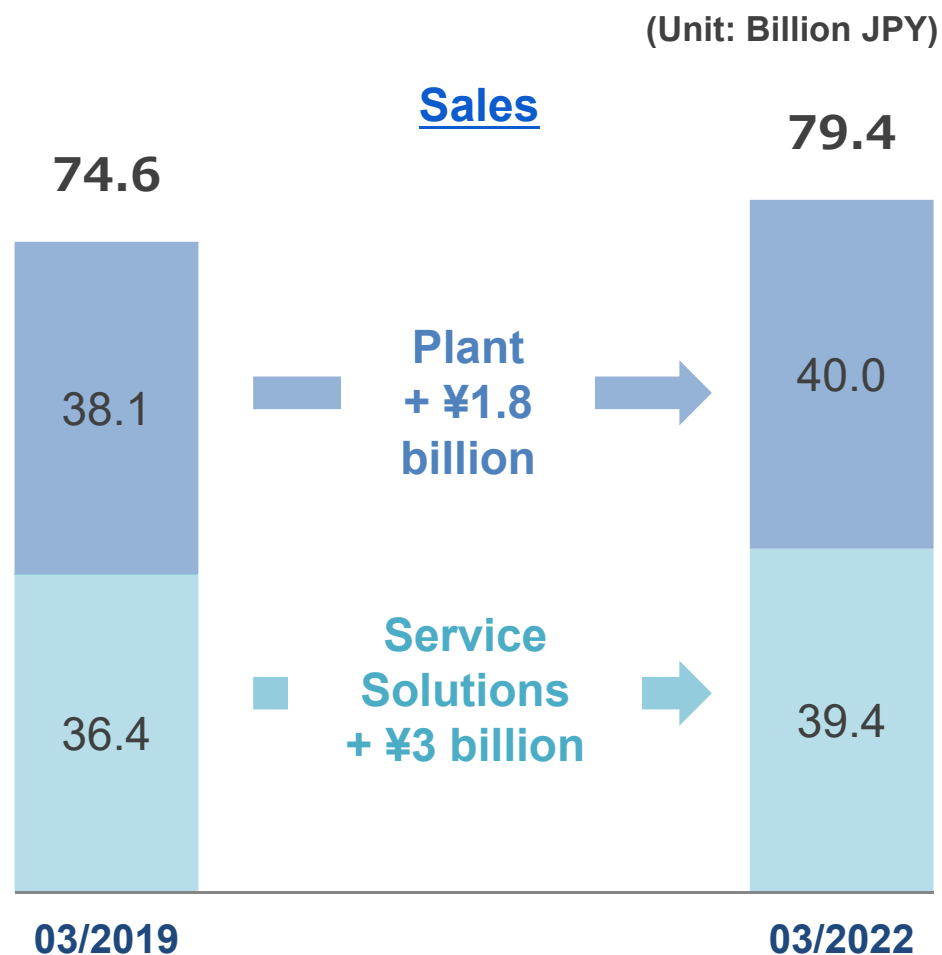
**Water Treatment Engineering:** Promotion of expansion measures for Service Solutions, particularly for the electronics industry.

**Performance Products:** Sales overseas of Standard Equipment/Filters and Water Treatment Chemicals.

**New Businesses:** Development of separation and purification technologies for secondary batteries, biopharmaceuticals, and electronic materials.



# Overview of Medium-term Management Plan : Water Treatment Engineering



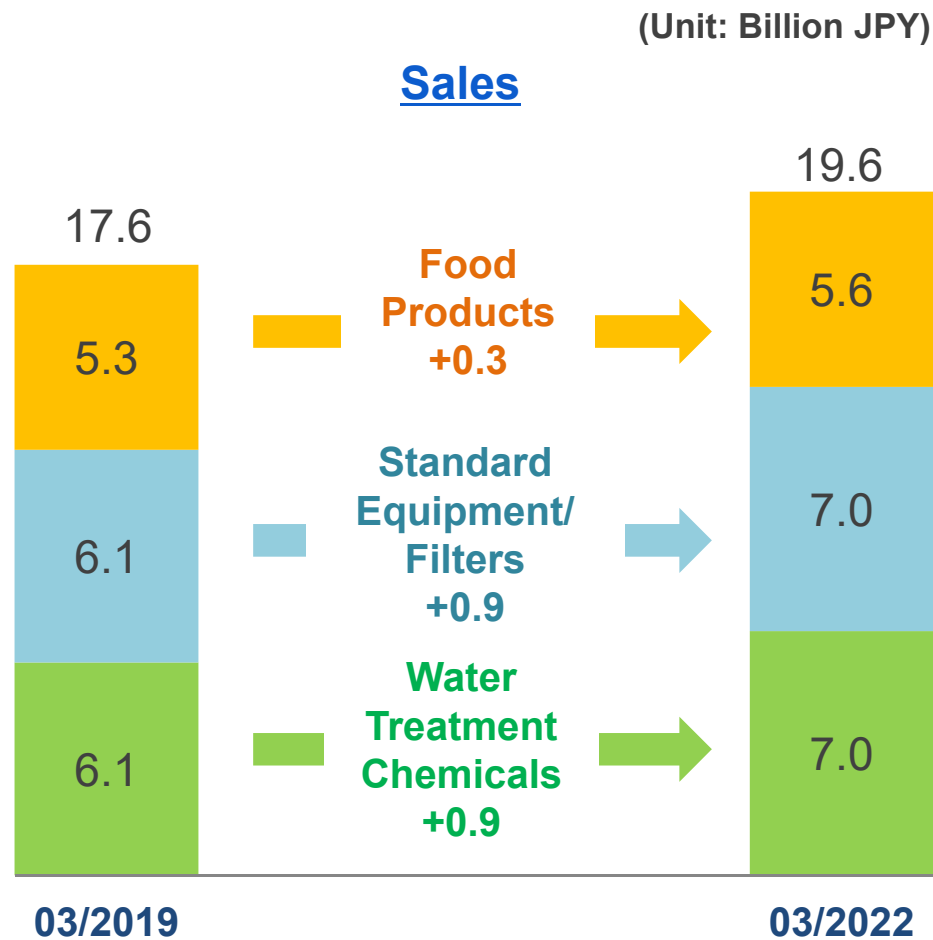
## Plant

- Attempt to **expand overseas market share**, particularly in the electronics industry in China and elsewhere
- Undertake strengthening of business foundation by strengthening overseas technology structure and enhancing engineering productivity

## Service Solutions

- Promote **strengthening of structure overseas**, with a focus on upgrading structure in China where demand for maintenance is gaining momentum
- Upgrade solution service lineup using IoT and other technologies
- Strengthen proposals for facility renovation and efficiency enhancement to realize reductions in energy use, labor, and waste

# Overview of Medium-term Management Plan: Performance Products



## Water Treatment Chemicals

- Construct sales network for water treatment chemicals for Taiwan's electronics industry
- Strengthen sales activity for large-scale electronics industry plants in Korea, SE Asia, elsewhere
- Promote development of new chemicals by strengthening collaboration with external entities

## Standard Equipment/Filters

- Launch sales of small pure water equipment to Chinese medical and inspection institutes
- Develop sales network in China
- Undertake structural consolidation of production overseas

## Food Products

- Strengthen processing technologies such as granulation for nursing care, health food, other fields
- Consider development in aging Chinese market



# Overview of Medium-term Management Plan: New Businesses

Purification Facilities for Lithium-ion Batteries	
<ul style="list-style-type: none"><li>■ <b>NMP recycling facilities</b></li></ul> <p>Schedule verification test at actual plant in China, continue to develop sales activity primarily in <b>Chinese market</b></p>	<ul style="list-style-type: none"><li>■ <b>Electrolyte purification technology</b></li></ul> <p>Pass laboratory testing at manufacturers, shift to production line evaluation; develop business primarily in <b>Chinese, Korean markets</b></p>
Advanced Purification Equipment for Biopharmaceuticals	Advanced Purification Treatment for Electronic Materials
<ul style="list-style-type: none"><li>■ <b>Continuous chromatography equipment for biopharmaceuticals</b></li></ul> <p><b>Confirm enhanced production efficiency</b> through continuous chromatography equipment being developed for biopharmaceutical (antibody) purification process. Accelerate total system development through collaboration with research institutes overseas toward industrialization for mass production.</p>	<ul style="list-style-type: none"><li>■ <b>Separation and purification for semiconductor manufacturing solvents and gases</b></li></ul> <p>Develop advanced purification technology (dehydration and metal removal) for resist, IPA, and other semiconductor manufacturing solvents. <b>Target US, Taiwan, and other leading semiconductor markets.</b></p> <p>In line with expanded demand for purification in electronic materials, capacity increase in progress at Organo resin manufacturing facilities</p>

# FEATURE: Cutting-edge Semiconductor Technology

## Technology Contributing to Semiconductor Miniaturization



Hydrogen peroxide monitor

- Organo has developed a **hydrogen peroxide monitor** featuring a proprietary catalyst for cutting-edge semiconductor factories.

Real-time measurement of hydrogen peroxide, which can cause wiring faults on semiconductor chips, is possible.

- Organo has developed and rolled out a **particle measurement service**, which greatly enhances the measurement level. Shape measurement and composition analysis of particles can be performed at the 10nm level.

Organo is working urgently to develop and commercialize 7nm-level particle measurement technology.



# Overview of Medium-term Management Plan: Strengthening of Business Foundation

## Strengthening of Overseas Business Foundation

- Establish global engineering center to serve as technological foundation for overseas business
- Strengthen cooperation among representative offices in Southeast Asia; strengthen management and technological structure in India

## Evolution of Technology

- Further evolve core technologies in existing businesses
- Search for innovative technologies toward creating new businesses

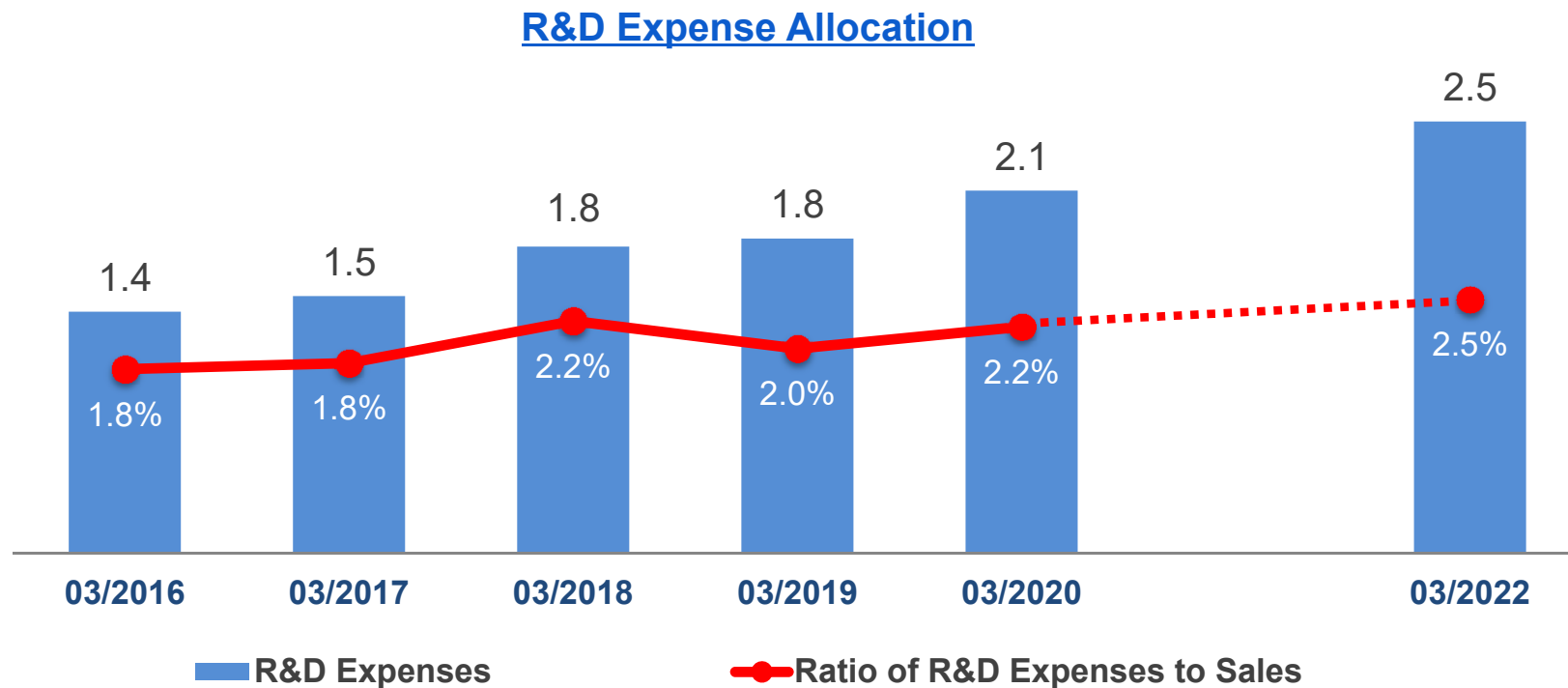
## Enhancement of Productivity

- Enhance productivity and reform work style
- Review information systems and work processes utilizing engineering systems, RPA, others

# Overview of Medium-term Management Plan: Strengthen R&D Investment

- Strengthen investment in R&D, the driving force behind growth.
- Continue expanding investment with the goal of a ratio of R&D expenses to sales of 2.5%.
- Strengthen separation, purification, and analysis technologies in line with advanced refinement and ultra-high purity

(Unit: Billion JPY)



# Corporate Governance Reform

## Initiatives

### ■ Issues in evaluating effectiveness of board of directors

#### • Effectiveness of board of directors

Management strategy/policy direction

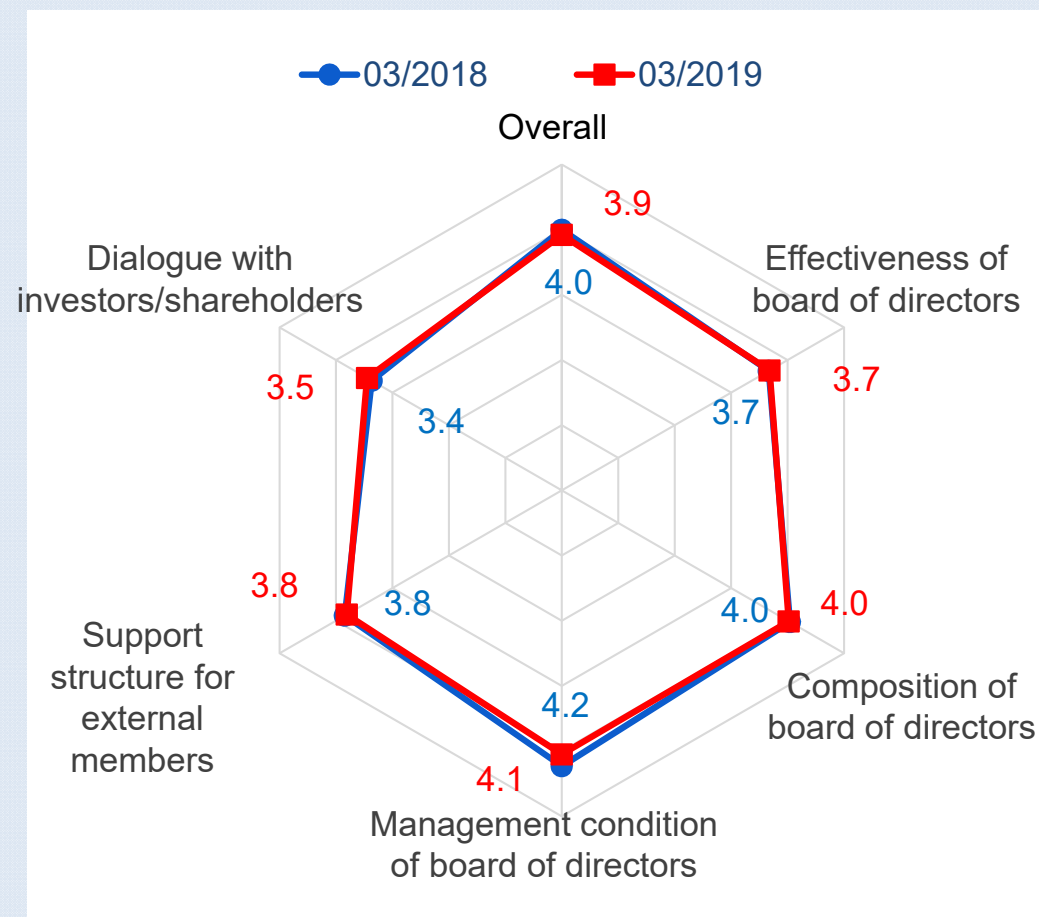
Selection of members/succession plan

#### • Composition of board of directors







Number/proportion of external directors

#### • Dialogue with investors/shareholders

IR activities



# Corporate Governance Reform Initiatives

Issues	FY ended 03/2017	FY ended 03/2018	FY ended 03/2019	FY ending 03/2020
<b>Management strategy/policy direction</b>		Review philosophy structure, formulate new management philosophy and vision	Formulate long-term management plan	
<b>Selection of members/succession plan</b>	Stipulate caliber and capability of president, directors, and executive officers		Establish examination criteria for dismissal	Appoint and reorganize compensation committee (scheduled)
<b>Director compensation system</b>	Establish compensation committee; review performance-based ratio		Introduce stock compensation system	
<b>Number/composition of external directors</b>				Expand external directors to 3 (scheduled)
<b>IR activities</b>	Hold shareholder briefing session	Increase IR personnel	Translate materials into English	Translate convocation notice and financial report into English

# Toward Further Evolution (from June 27, 2019)

## Establishment of Selection/Compensation Committee

Restructuring of the Compensation Committee into the **Selection/ Compensation Committee** to improve the objectivity and transparency of the selection and compensation decision-making processes for directors and upgrade the corporate governance structure.

## Strengthening of Board of Directors Oversight Function

Attempt to **strengthen the board of directors oversight function** by appointing a non-executive director to the position of board chairman.

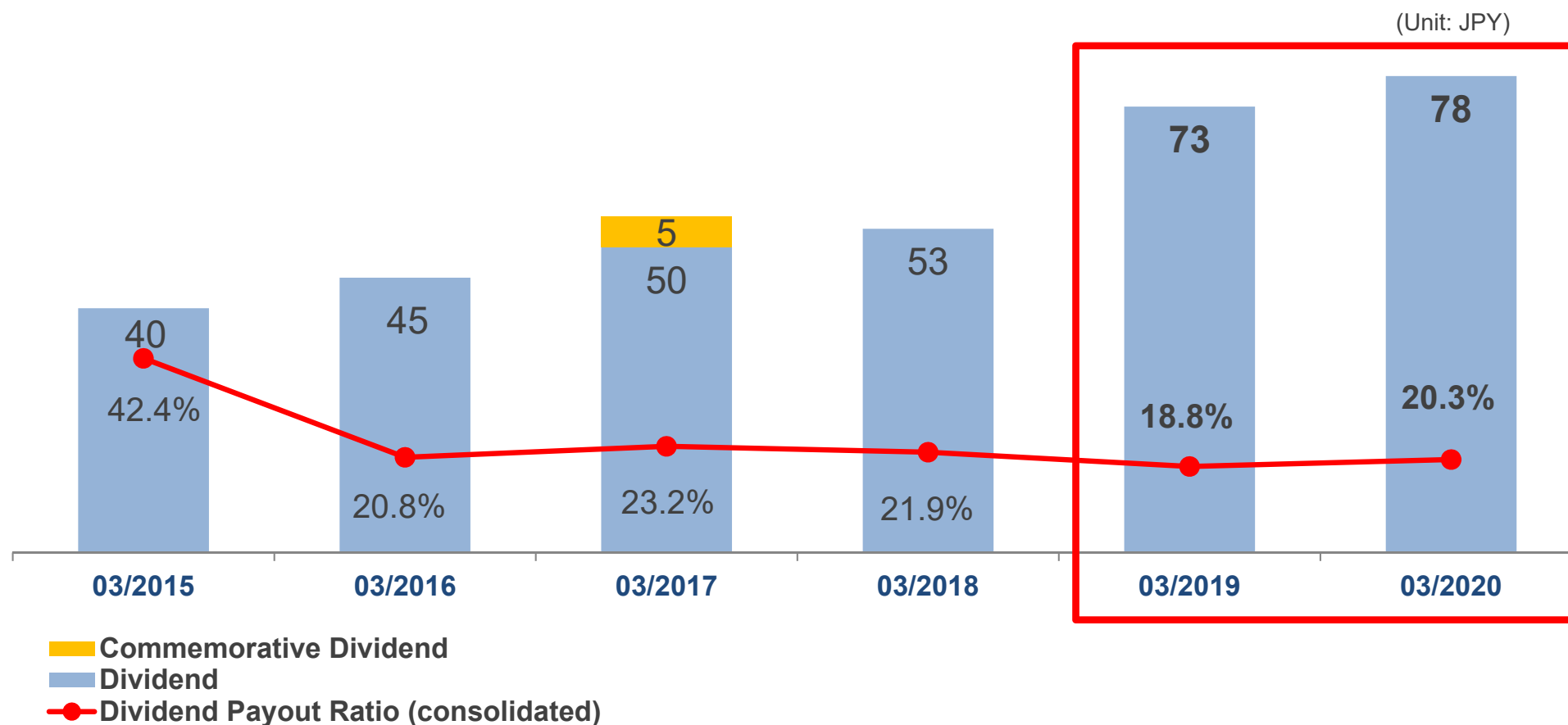
## Composition of Board of Directors

- Strengthen the structure from a corporate governance perspective by increasing the number of **external directors to three** from two, bringing the number of board members to 10.

- Achieve a board of directors composed of six members with experience in scientific disciplines (biology, bioactive compounds, biotechnology, functional materials, organic synthesis) and four advanced specialists with overseas business experience.

# Expand Shareholder Returns

- Increased dividends for consecutive terms (five consecutive terms, excluding commemorative dividends)
- Distribute profits in accordance with earnings situation with the aim of achieving stable, continuous dividends



# Contents

---

1. FY ended 03/2019 Results
2. FY ending 03/2020 Plan
3. Medium-term Management Plan
4. Company Overview

# Company Overview

Corporate name	Organo Corporation		
Head office	1-2-8 Shinsuna, Koto-ku, Tokyo 136-8631		
Established	May 1, 1946		
Representative	Yasuyuki Koie, President		
Capitalization	¥8,225,499,312		
No. of employees	2,186 (consolidated) as of March 31, 2019		
Main areas of business	Water treatment engineering	Plant	Manufacturing and sales of large-scale water treatment facilities
		Service solutions	Facility maintenance, operational support services, renovation and reconditioning, etc.
	Performance products		Manufacturing and sales of standard water treatment equipment, water treatment chemicals, food processing agents
Main offices	Head Office (Koto-ku, Tokyo), R&D Center (Sagamihara), Tsukuba Factory (Tsukuba), Iwaki Factory (Iwaki), Hokkaido Branch Sales Office (Sapporo), Tohoku Branch Sales Office (Sendai), Kanto Branch Sales Office (Koto-ku, Tokyo), Chubu Branch Sales Office (Nagoya), Kansai Branch Sales Office (Suita), Chugoku Branch Sales Office (Hiroshima), Kyushu Branch Sales Office (Fukuoka)		



# Organo Subsidiaries and Affiliates



\* Indicates subsidiaries accounted for using the equity method;  
underline indicates non-consolidated subsidiaries or affiliated companies

# Organo Group History

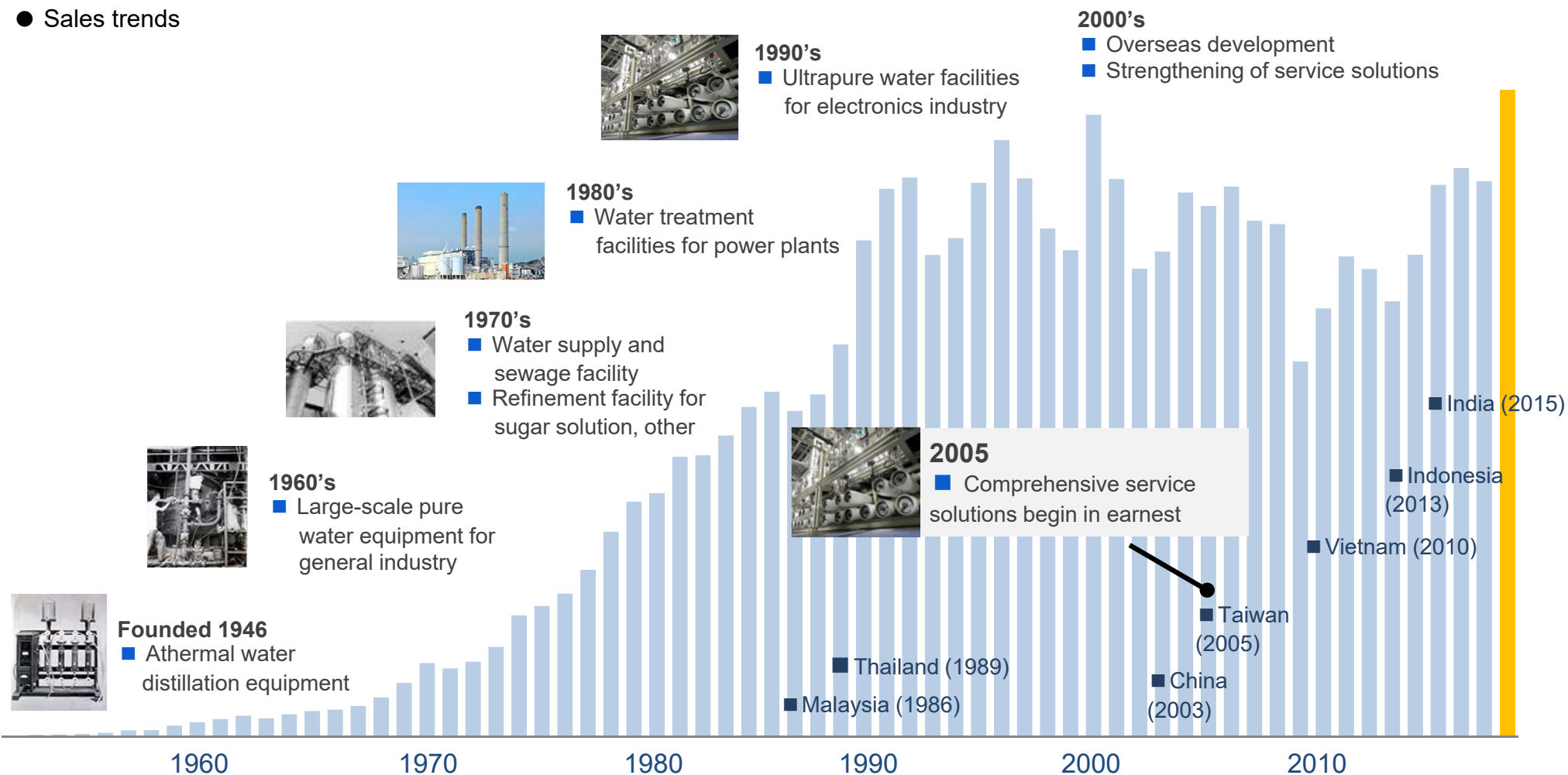
Development

Growth

Evolution

Expansion

## ● Sales trends



# Organo Group Businesses

## Water Treatment Engineering

Service Solutions  
¥36.4 billion



- Replacement of expendable items and maintenance
- Operational support services and comprehensive maintenance
- Renovation and reconditioning
- Contract water treatment



Plant  
¥38.1 billion



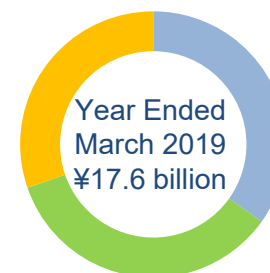
- Pure and ultrapure water facilities
- Wastewater treatment and recovery facilities
- Valuable material recovery facilities
- Production processing-related facilities

## Performance Products

Food Processing Agents  
¥5.3 billion



- Food processing agents
- Food ingredients



Standard Equipment/Filters  
¥6.1 billion



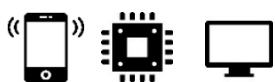
- Pure and ultrapure water equipment
- Water purification filters



Water Treatment Chemicals  
¥6.1 billion

- Treatment chemicals for wastewater, cooling water, cleaning and RO membranes, boilers

### Electronics



- Semiconductors
- FPD
- Electronic parts

### Electric Power/Water Supply and Sewage



- Power plants
- Water purification plants
- Sewage treatment plants

### General Industry



- Pharmaceuticals, cosmetics
- Food and beverage
- Machinery and chemicals

### Equipment/Filters



- Pharmaceuticals, research
- Various manufacturing industries
- Food and beverage, convenience stores

### Water Treatment Chemicals



- Various manufacturing industries
- Buildings and commercial facilities

### Food Processing Agents



- Food processing
- Beverage manufacturing
- Nursing care and health food



# ORGANO CORPORATION

## Contact

Organo Corporation Corporate Planning Dept.

TEL: 03-5635-5111

FAX: 03-3699-7240

<https://www.organo.co.jp/english>

<https://www.organo.co.jp/english/contact/input/>

## DISCLAIMER

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.