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Consolidated Financial Results for the First Three Months of the Fiscal Year Ending March 31, 2020 <under Japanese GAAP>

August 2, 2019

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 Listing: Tokyo Stock Exchange
 Securities code: 6368
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 Scheduled date to file quarterly securities report: August 9, 2019
 Scheduled date to commence dividend payments: –
 Preparation of supplementary material on quarterly financial results: None
 Holding of quarterly financial results presentation meeting: None

(Millions of yen with fractional amounts discarded, unless otherwise noted)

1. Consolidated financial results for the first three months of the fiscal year ending March 31, 2020 (from April 1, 2019 to June 30, 2019)

(1) Consolidated operating results (cumulative) (Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Three months ended								
June 30, 2019	20,149	19.0	1,305	–	1,367	–	807	–
June 30, 2018	16,926	25.8	33	–	25	–	(208)	–

Note: Comprehensive income: Three months ended June 30, 2019 ¥ 824 million [–%]
 Three months ended June 30, 2018 ¥ (357) million [–%]

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Three months ended		
June 30, 2019	70.68	–
June 30, 2018	(18.15)	–

(2) Consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio
	Millions of yen	Millions of yen	%
As of			
June 30, 2019	103,176	55,113	53.3
March 31, 2019	101,257	54,795	54.0

(Reference) Equity: As of June 30, 2019 ¥54,970 million As of March 31, 2019 ¥54,657 million

2. Cash dividends

	Annual dividends per share				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2019	–	29.00	–	44.00	73.00
Fiscal year ending March 31, 2020	–				
Fiscal year ending March 31, 2020 (Forecast)		39.00	–	39.00	78.00

Note: Revisions to the forecast of cash dividends most recently announced: None

3. Consolidated earnings forecasts for the fiscal year ending March 31, 2020 (from April 1, 2019 to March 31, 2020)

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Six months ending September 30, 2019	46,000	18.6	4,300	184.8	4,300	177.4	3,000	227.5	262.63
Fiscal year ending March 31, 2020	96,000	4.0	6,600	0.6	6,500	(0.6)	4,400	(1.2)	385.19

Note: Revisions to the earnings forecasts most recently announced: Yes

*** Notes**

(1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in the change in scope of consolidation): None

(2) Application of specific accounting for preparing the quarterly consolidated financial statements: Yes

Note: For more details, please refer to “Application of special accounting for preparing the quarterly consolidated financial statements” on page 8 of the attached material.

(3) Changes in accounting policies, changes in accounting estimates, and restatement

a. Changes in accounting policies due to revisions to accounting standards and other regulations: None

b. Changes in accounting policies due to other reasons: None

c. Changes in accounting estimates: None

d. Restatement: None

(4) Number of issued shares (common shares)

a. Total number of issued shares at the end of the period (including treasury shares)

As of June 30, 2019	11,589,925 shares
As of March 31, 2019	11,589,925 shares

b. Number of treasury shares at the end of the period

As of June 30, 2019	166,951 shares
As of March 31, 2019	166,788 shares

c. Average number of shares during the period (cumulative from the beginning of the fiscal year)

For the three months ended June 30, 2019	11,423,035 shares
For the three months ended June 30, 2018	11,510,150 shares

The Company has introduced an Officer Share Delivery Trust, and shares of the Company held by the Trust have been included in treasury shares excluded from the calculation of the number of treasury shares at the end of the period and the average number of shares during the period (cumulative from the beginning of the fiscal year).

* Quarterly financial results reports are exempt from quarterly review conducted by certified public accountants or an audit corporation.

* Proper use of earnings forecasts, and other special matters

The forward-looking statements, including earnings forecasts, contained in these materials are based on information currently available to the Company and on certain assumptions deemed to be reasonable. Consequently, any statements herein do not constitute assurances regarding actual results by the Company. Actual business and other results may differ substantially due to various factors. Please refer to “Explanation regarding consolidated earnings forecasts and other forward-looking statements” on page 3 of the attached material for the suppositions that form the assumptions for earnings forecasts and cautions concerning the use thereof.

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1. Qualitative information regarding financial results for the first three months

(1) Explanation regarding operating results

During the three months ended June 30, 2019, a state of extreme uncertainty over the future of the Japanese economy continued, against the backdrop of a slowdown in the Chinese and European economies and alarm over the deterioration of the global economy due to trade friction between the US and China and other factors.

The business environment surrounding the Organo Group showed strength in current production and capital investment mainly in Japan. However, in the electronics field, there is a growing view that conditions will worsen mainly due to the issue of trade friction between the US and China, stagnant smartphone demand, and deteriorating conditions in the memory and liquid-crystal panel market. As such, we saw a more cautious approach to large-scale semiconductor-related capital investment.

Amid these conditions, the Organo Group aims to enhance cost competitiveness, improve productivity and profitability, and create products and technologies differentiated from competitors. To this end, we are pursuing various efforts around the key issues of “expanding the electronics field,” “strengthening the performance products business” and “creating new businesses.”

Consequently, the financial results for the three months ended June 30, 2019 are as follows. Orders received increased by 0.4% year on year to ¥19,514 million, net sales increased by 19.0% year on year to ¥20,149 million, operating profit amounted to ¥1,305 million (compared with operating profit of ¥33 million in the same period of the previous fiscal year), ordinary profit amounted to ¥1,367 million (compared with ordinary profit of ¥25 million in the same period of the previous fiscal year), and profit attributable to owners of parent amounted to ¥807 million (compared with loss attributable to owners of parent of ¥208 million in the same period of the previous fiscal year).

Results by segment are as follows.

Starting from the first quarter ended June 30, 2019, we have changed the classification method, etc. of our reportable segments, and the comparisons and analysis of the three months ended June 30, 2019 are made based on the classifications following the changes.

[Water Treatment Engineering Business Unit]

In the Water Treatment Engineering Business Unit, the electric power/water supply and sewage fields maintained levels slightly above those in the same period of the previous fiscal year mainly due to orders received for water treatment facilities for thermal power stations. Orders received fell slightly in the electronics field due to a cautious approach to large-scale capital investment from uncertainty over the future and other factors. However, net sales increased year on year mainly due to steady progress in the construction of large projects in Japan, China, and Taiwan for which orders were received up until the previous fiscal year, as well as favorable performance by service solutions including maintenance services like expendable item replacement, and renovation and improvement construction of facilities. In addition, both orders received and net sales were strong in the general industrial field against the backdrop of solid production and capital investment mainly in Japan. Meanwhile, on the profit side, in addition to the effect of increased sales mainly in the electronics field, improvement in the profit ratio for the Plant Divisions from various cost-cutting measures as well as solid performance in service solutions led to a large-scale increase in profit year on year. Consequently, orders received increased by 1.3% year on year to ¥15,072 million, net sales increased by 25.1% to ¥15,573 million, and operating profit amounted to ¥1,107 million (compared with operating loss of ¥234 million in the same period of the previous fiscal year).

[Performance Products Business Unit]

In the Performance Products Business Unit, backed by strong production and capital investment mainly in Japan, sales were strong for standard equipment and filters for the general industrial field and electronics field, as well as for water treatment chemicals including wastewater treatment chemicals

and cooling water treatment chemicals. However, development investment in new products and technologies increased, as did expenses, etc. due to the expansion of our production and sales network aimed at enhancing overseas development. Consequently, orders received decreased by 2.2% year on year to ¥4,442 million, net sales increased by 2.3% to ¥4,575 million, and operating profit decreased by 26.2% to ¥197 million.

(2) Explanation regarding financial position

Assets, liabilities and net assets

Assets

Assets as of June 30, 2019 amounted to ¥103,176 million, an increase of ¥1,918 million from the previous fiscal year end. This was due mainly to an increase in inventories of ¥1,908 million mainly in work in process and an increase of ¥1,888 million in cash and deposits, despite a decline of ¥1,844 million in notes and accounts receivable - trade.

Liabilities

Liabilities as of June 30, 2019 amounted to ¥48,062 million, an increase of ¥1,600 million from the previous fiscal year end. This was due mainly to an increase in short-term borrowings of ¥3,263 million and an increase of ¥2,199 million in long-term borrowings, despite a decline of ¥3,014 million in notes and accounts payable - trade.

Net Assets

Net assets as of June 30, 2019 amounted to ¥55,113 million, an increase of ¥317 million from the previous fiscal year end. This was mainly due to an increase of ¥301 million in retained earnings resulting from the recording of profit attributable to owners of parent.

(3) Explanation regarding consolidated earnings forecasts and other forward-looking statements

Regarding results for the six months ending September 30, 2019, we have revised the forecast announced on May 9, 2019 based on results trends in the Water Treatment Engineering Business Unit. Construction of large projects mainly in the electronics field in Japan, Taiwan, and China are expected to progress ahead of initial forecasts. Additionally, our service solutions such as maintenance, which are predominantly Japan based, are trending strongly, and the profit ratio in the Plant Divisions is expected to improve due to cost-cutting and other factors. Consequently, our forecast for net sales increased from our previous forecast by 7.0% to ¥46,000 million, operating profit by 168.8% to ¥4,300 million, ordinary profit by 177.4% to ¥4,300 million, and profit attributable to owners of parent by 275.0% to ¥3,000 million.

Regarding our full-year earnings forecast, while we are seeing a cautious approach to capital investment in the electronics field, there are also proactive investment plans depending on the region and product. As cautious decisions must be made on future investment trends, at present we have left our full-year earnings forecast unchanged from our previously announced forecast.

2. Quarterly consolidated financial statements and significant notes thereto

(1) Consolidated balance sheet

(Millions of yen)

	As of March 31, 2019	As of June 30, 2019
Assets		
Current assets		
Cash and deposits	11,276	13,165
Notes and accounts receivable - trade	40,256	38,411
Investments in leases	13,574	13,104
Merchandise and finished goods	4,717	4,818
Work in process	2,717	4,539
Raw materials and supplies	1,426	1,411
Other	2,206	2,634
Allowance for doubtful accounts	(139)	(138)
Total current assets	76,037	77,947
Non-current assets		
Property, plant and equipment		
Buildings and structures	17,850	17,873
Accumulated depreciation	(12,339)	(12,420)
Buildings and structures, net	5,511	5,452
Machinery, equipment and vehicles	5,576	5,582
Accumulated depreciation	(4,879)	(4,915)
Machinery, equipment and vehicles, net	696	667
Land	12,288	12,290
Construction in progress	45	111
Other	4,968	4,944
Accumulated depreciation	(4,236)	(4,219)
Other, net	731	724
Total property, plant and equipment	19,272	19,246
Intangible assets	1,209	1,144
Investments and other assets		
Investment securities	1,621	1,650
Deferred tax assets	2,628	2,711
Other	767	749
Allowance for doubtful accounts	(278)	(274)
Total investments and other assets	4,739	4,836
Total non-current assets	25,220	25,228
Total assets	101,257	103,176

(Millions of yen)

	As of March 31, 2019	As of June 30, 2019
Liabilities		
Current liabilities		
Notes and accounts payable - trade	18,516	15,502
Short-term borrowings	13,458	16,722
Income taxes payable	1,546	661
Advances received	1,499	2,306
Provision for bonuses	1,165	499
Provision for product warranties	321	337
Provision for loss on construction contracts	84	92
Provision for share-based remuneration for directors (and other officers)	95	126
Other	3,242	3,086
Total current liabilities	39,930	39,334
Non-current liabilities		
Long-term borrowings	200	2,400
Deferred tax liabilities	8	10
Retirement benefit liability	6,209	6,236
Other	111	80
Total non-current liabilities	6,531	8,727
Total liabilities	46,462	48,062
Net assets		
Shareholders' equity		
Share capital	8,225	8,225
Capital surplus	7,508	7,508
Retained earnings	39,967	40,268
Treasury shares	(629)	(629)
Total shareholders' equity	55,071	55,372
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	273	247
Deferred gains or losses on hedges	(0)	(0)
Foreign currency translation adjustment	(193)	(175)
Remeasurements of defined benefit plans	(494)	(472)
Total accumulated other comprehensive income	(414)	(401)
Non-controlling interests	138	142
Total net assets	54,795	55,113
Total liabilities and net assets	101,257	103,176

(2) Consolidated statement of income and consolidated statement of comprehensive income**Consolidated statement of income (cumulative)**

(Millions of yen)

	Three months ended June 30, 2018 (From April 1, 2018 to June 30, 2018)	Three months ended June 30, 2019 (From April 1, 2019 to June 30, 2019)
Net sales	16,926	20,149
Cost of sales	13,128	14,791
Gross profit	3,798	5,358
Selling, general and administrative expenses	3,764	4,053
Operating profit	33	1,305
Non-operating income		
Interest income	4	9
Dividend income	12	12
Share of profit of entities accounted for using equity method	20	73
Other	19	15
Total non-operating income	57	111
Non-operating expenses		
Interest expenses	17	34
Foreign exchange losses	31	11
Provision of allowance for doubtful accounts	16	1
Other	1	1
Total non-operating expenses	66	48
Ordinary profit	25	1,367
Extraordinary income		
Gain on sales of non-current assets	0	0
Total extraordinary income	0	0
Extraordinary losses		
Loss on abandonment of non-current assets	0	1
Total extraordinary losses	0	1
Profit before income taxes	25	1,366
Income taxes	242	558
Profit (loss)	(217)	807
Profit (loss) attributable to non-controlling interests	(8)	0
Profit (loss) attributable to owners of parent	(208)	807

Consolidated statement of comprehensive income (cumulative)

(Millions of yen)

	Three months ended June 30, 2018 (From April 1, 2018 to June 30, 2018)	Three months ended June 30, 2019 (From April 1, 2019 to June 30, 2019)
Profit (loss)	(217)	807
Other comprehensive income		
Valuation difference on available-for-sale securities	13	(25)
Deferred gains or losses on hedges	(1)	0
Foreign currency translation adjustment	(182)	21
Remeasurements of defined benefit plans, net of tax	30	21
Share of other comprehensive income of entities accounted for using equity method	(0)	(1)
Total other comprehensive income	(140)	16
Comprehensive income	(357)	824
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(338)	820
Comprehensive income attributable to non- controlling interests	(18)	4

(3) Notes to quarterly consolidated financial statements

Notes on premise of going concern

No items to report

Notes on substantial changes in the amount of shareholders' equity

No items to report

Application of special accounting for preparing the quarterly consolidated financial statements

Calculation of tax expenses

Tax expenses are calculated by multiplying the profit before income taxes by the reasonably estimated effective tax rates after the application of tax effect accounting to the profit before income taxes for the fiscal year including the first quarter ended June 30, 2019. However, in cases where the calculation of tax expenses using such estimated effective tax rate yields a result that is not reasonable to a significant extent, the amount of significant difference other than temporary differences, etc. is added to or deducted from the profit before income taxes, and the result is multiplied by the statutory income tax rate.

Segment information, etc.

[Segment information]

I Three months ended June 30, 2018 (from April 1, 2018 to June 30, 2018)

1. Information relating to net sales, profit (loss) by each reportable segment

(Millions of yen)

	Reportable Segment			Adjustment	Amount recorded in the quarterly consolidated statement of income (Note)
	Water Treatment Engineering Business Unit	Performance Products Business Unit	Total		
Net sales					
Sales to external customers	12,453	4,473	16,926	–	16,926
Intersegment sales or transfers	0	81	82	(82)	–
Total	12,453	4,555	17,008	(82)	16,926
Segment profit (loss)	(234)	267	33	–	33

Note: The figures for segment profit (loss) are based on operating profit or operating loss, and there are no discrepancies with the operating profit shown in the quarterly consolidated statement of income.

II Three months ended June 30, 2019 (from April 1, 2019 to June 30, 2019)

1. Information relating to net sales and profit by each reportable segment

(Millions of yen)

	Reportable Segment			Adjustment	Amount recorded in the quarterly consolidated statement of income (Note)
	Water Treatment Engineering Business Unit	Performance Products Business Unit	Total		
Net sales					
Sales to external customers	15,573	4,575	20,149	–	20,149
Intersegment sales or transfers	0	80	80	(80)	–
Total	15,574	4,656	20,230	(80)	20,149
Segment profit	1,107	197	1,305	–	1,305

Note: The figures for segment profit are based on operating profit, and there are no discrepancies with the operating profit shown in the quarterly consolidated statement of income.

2. Matters relating to changes, etc. in reportable segments

The Organo Group has positioned the Performance Products Business Unit as one of its key business fields in its Medium-term Management Plan and is carrying out initiatives to develop new products and establish a production and sales system for the overseas market. Starting from the first quarter ended June 30, 2019, we revised our financial results management classifications as part of strengthening the Performance Products Business Unit. As a result of these revisions, we changed the classification of the equipment and chemical business of overseas businesses from inclusion in the “Water Treatment Engineering Business Unit” to inclusion in the “Performance Products Business Unit.” Furthermore, to more appropriately evaluate the financial results of the Performance Products Business Unit, our key business field, on a consolidated basis, we have changed the measurement method of intersegment sales or transfers.

Moreover, segment information for the three months ended June 30, 2018 has been prepared according to the classification method after the changes.