

ORGANO CORPORATION

Financial Report for Fiscal Year Ended March 31, 2020

May 18, 2020

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1. FY ended 03/2020 Results
2. FY ending 03/2021 Plan
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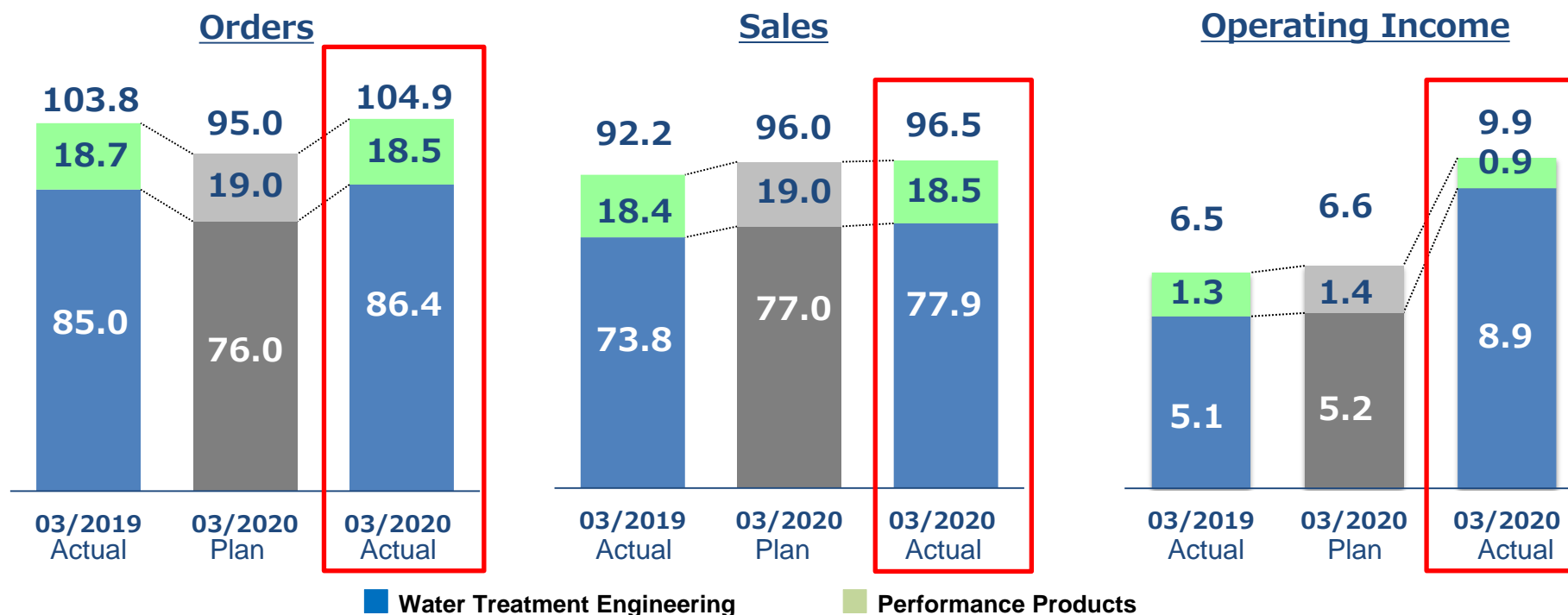
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Overview of FY ended 03/2020 Results

- Achieved all-time highs in orders, sales, and profit.
 - Large-scale investment in electronics manufacturing industry domestically and in Taiwan recovered in the second half.
 - Service Solutions was strong in the electric power and water supply and sewage fields and general industry.
 - Improved plant-related earnings and expansion in solutions both contributed to the increase.

(Unit: Billion JPY)



FY ended 03/2020: Impact of Spread of 2019 novel coronavirus Infection

Domestic

- Despite some issues regarding logistics and movement of people since February 2020, the impact has been limited.

- Despite a decrease in some customer factory operating rates due to decreases in exports and inbound demand, the impact on full-year results was negligible.

Overseas

- The results of overseas subsidiaries are calculated in December, so there was no impact on results for the year ended March 2020.

Results for Year Ending March 2020

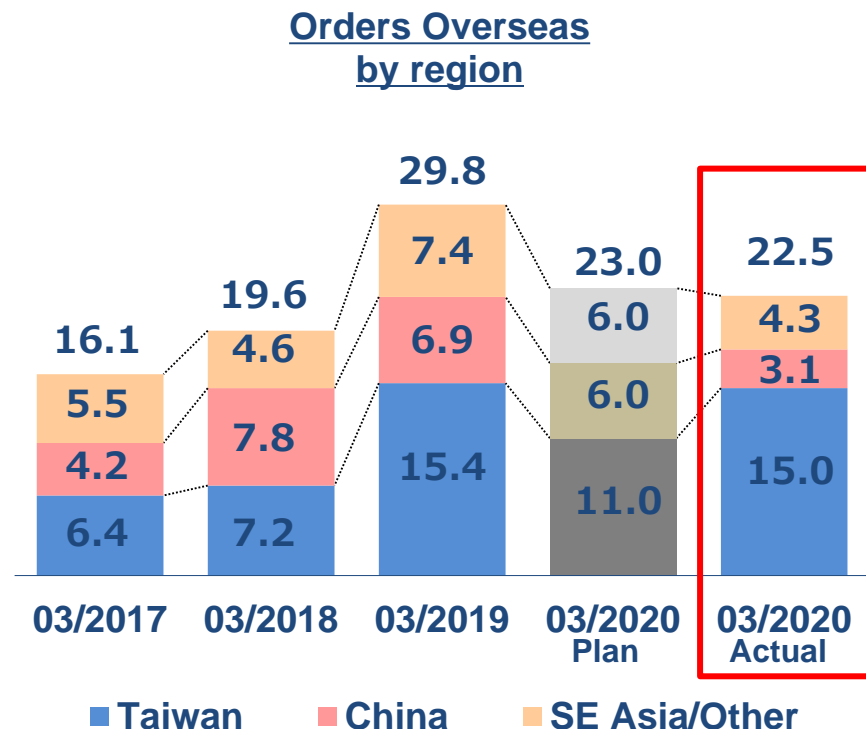
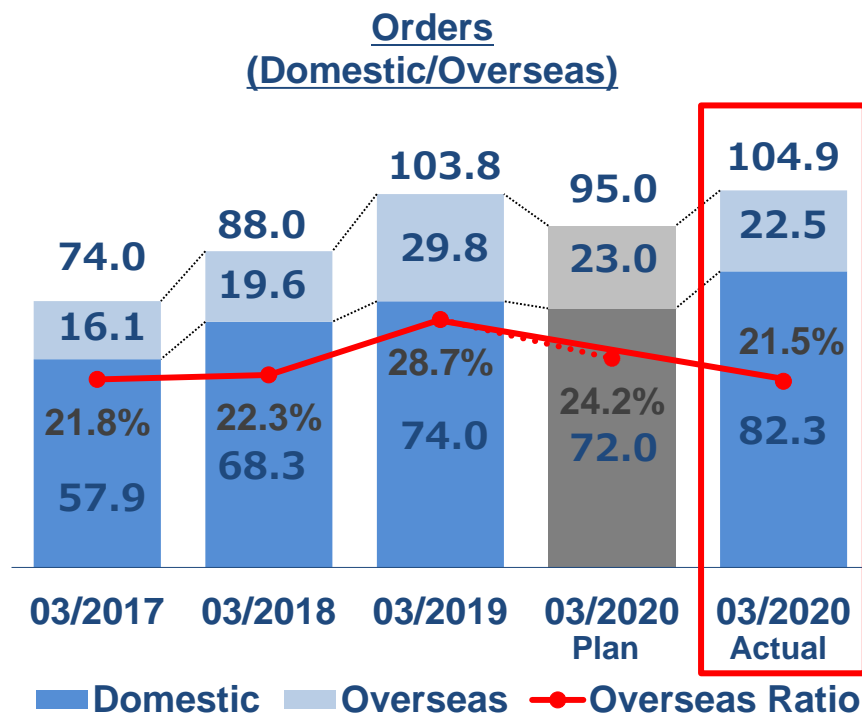
Unit: Billion JPY	March 2019 Actual	March 2020 Initial Plan	March 2020 Actual	Year-on-Year	Actual-to-Forecast
Orders	103.8	95.0	104.9	+ 1.1	+ 9.9
Sales	92.2	96.0	96.5	+ 4.2	+ 0.5
Gross profit margin (%)	22.9 (24.8%)	23.4 (24.4%)	27.2 (28.3%)	+4.3 (+ 3.4pt)	+ 3.8 (+ 3.9pt)
SG&A ¹	16.3	16.8	17.3	+ 1.0	+ 0.5
Operating income ratio (%)	6.5 (7.1%)	6.6 (6.9%)	9.9 (10.3%)	+ 3.3 (+ 3.2pt)	+ 3.3 (+ 3.4pt)
Ordinary income	6.5	6.5	9.9	+ 3.3	+ 3.4
Profit attributable to owners of the parent company	4.4	4.4	7.1	+ 2.7	+ 2.7

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

FY ended 03/2020: Orders by Region

- Despite slowdown in China, orders domestically and in Taiwan recovered in the second half.
 - Domestic large-scale semiconductor-related project, the largest in our company's history; order in second half for advanced investment project related to a foundry in Taiwan.
 - Semiconductor investment slowed down in China, impacted by trade friction with the US.

(Unit: Billion JPY)

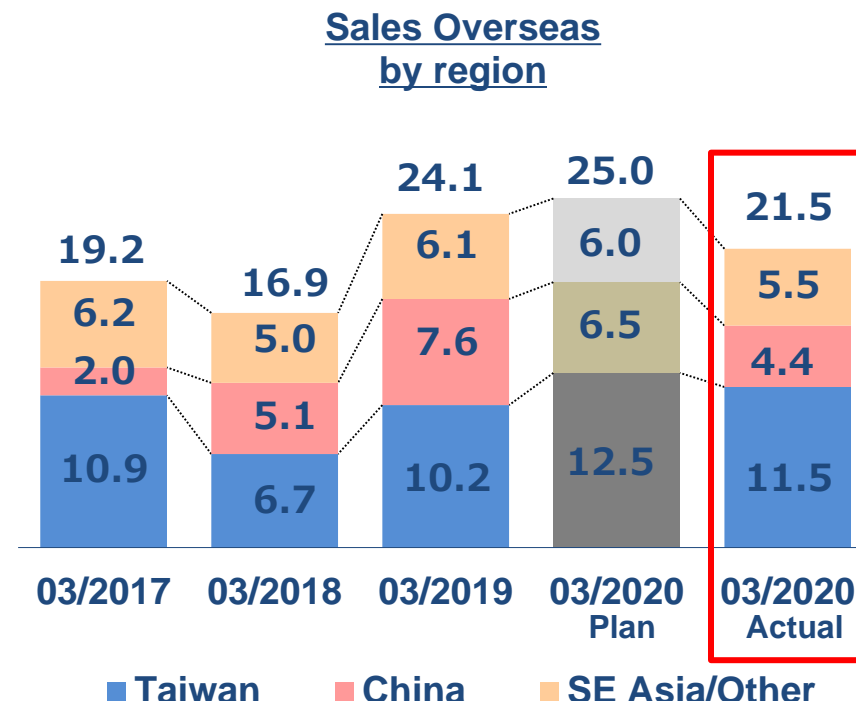
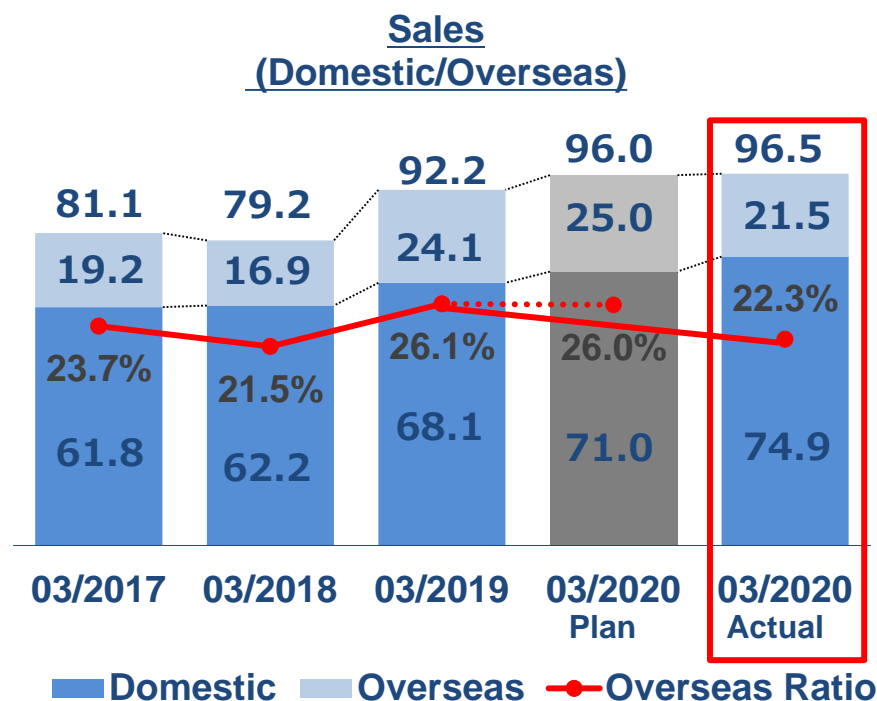


FY ended 03/2020: Sales by Region

■ Surpassed preceding year and plan on back of domestic sales expansion.

- Domestically, Service Solutions performed well in the electronics and general industries, and in the water supply and sewage field.
- Overseas sales were impacted by the slowdown in semiconductor investment in China, in spite of year-on-year expansion in Taiwan.

(Unit: Billion JPY)



FY ended 03/2020: Sales by Segment/Customer

Water Treatment Engineering

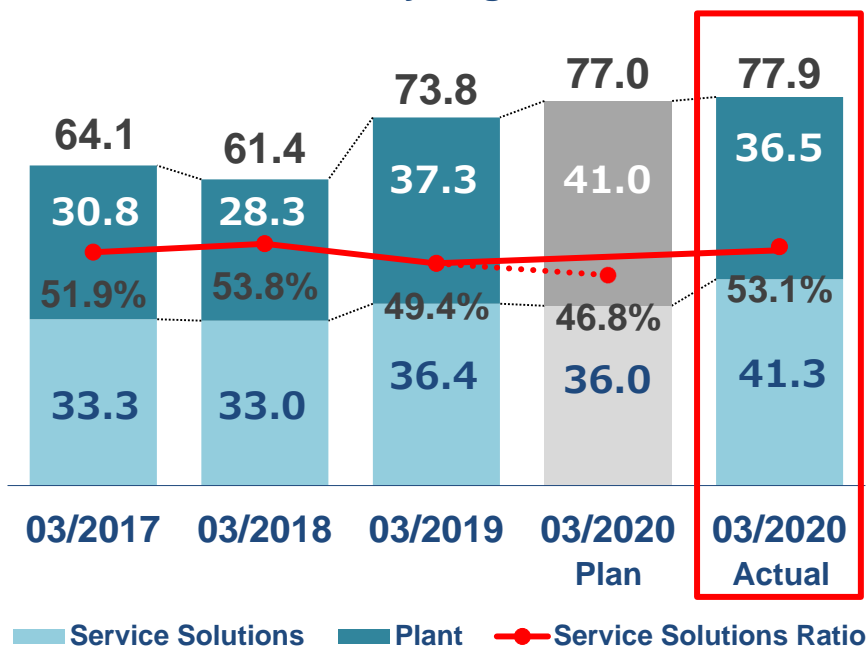
- **Service Solutions such as facility renovation were strong.**

Plant: Essentially the same as the preceding year in general industry due to strong performance in Service Solutions such as renovation projects.

Service Solutions: Strong performance in spite of delays in orders for large-scale electronics projects.

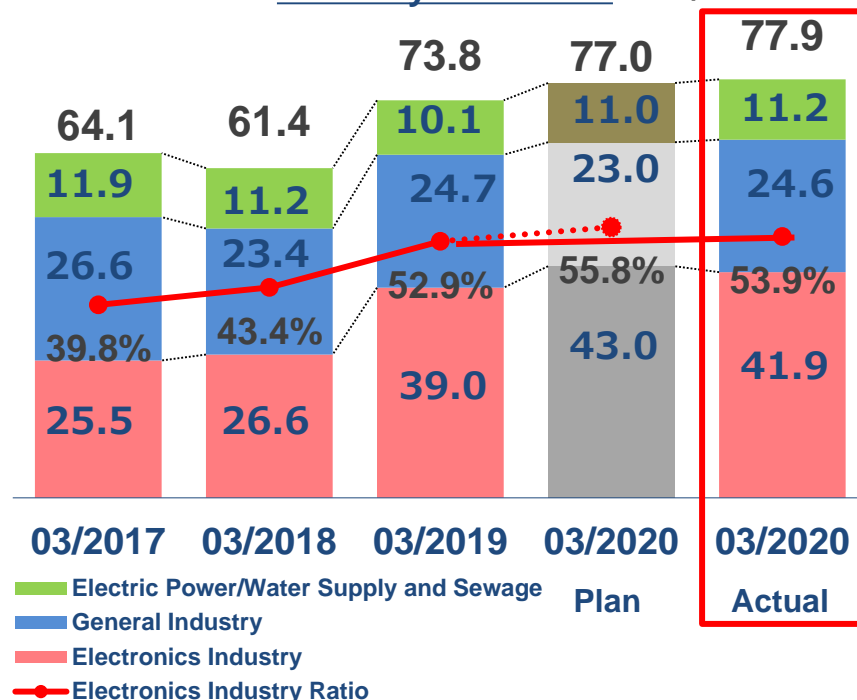
Electric Power/Water Supply and Sewage: Sales expanded, centered on domestic solutions.

Sales by Segment



Sales by Customer

(Unit: Billion JPY)



FY ended 03/2020: Sales by Segment

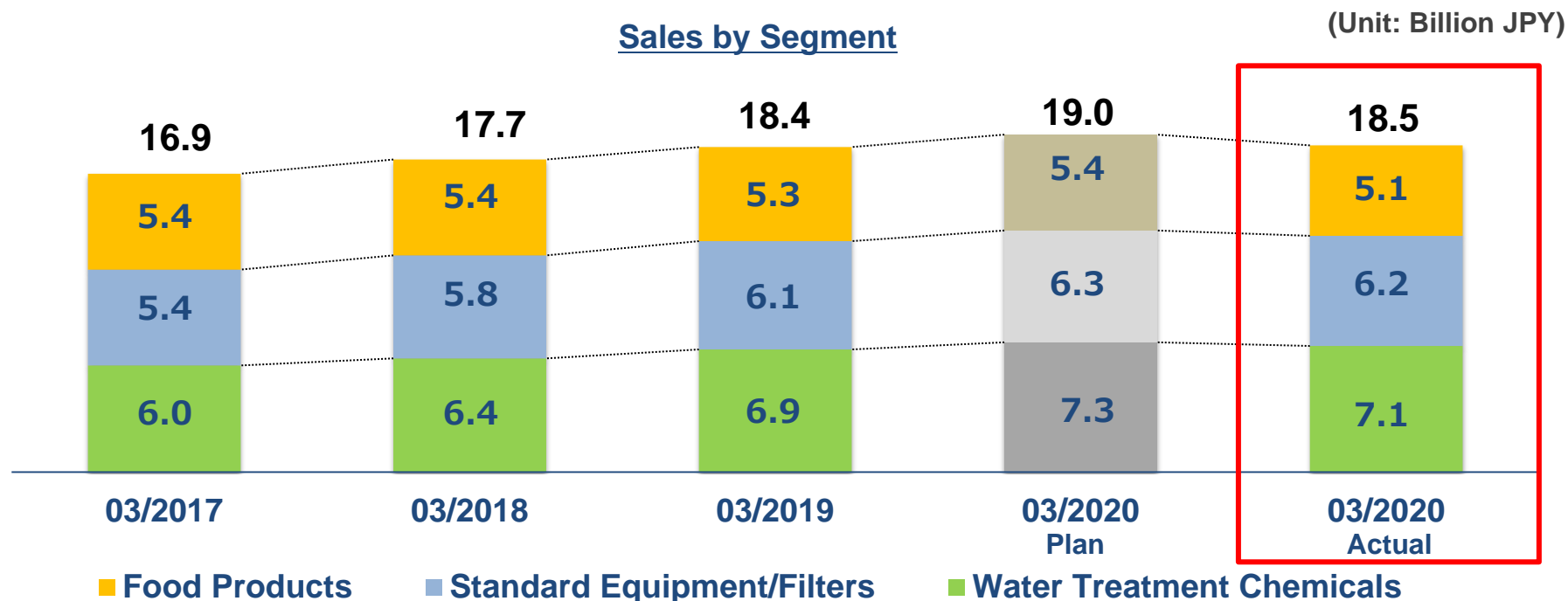
Performance Products

- Secured sales essentially the same as the preceding year despite falling short of the plan.

Standard Equipment/Filters: Product renewal was successful in spite of decreases in exports and factory operating rates.

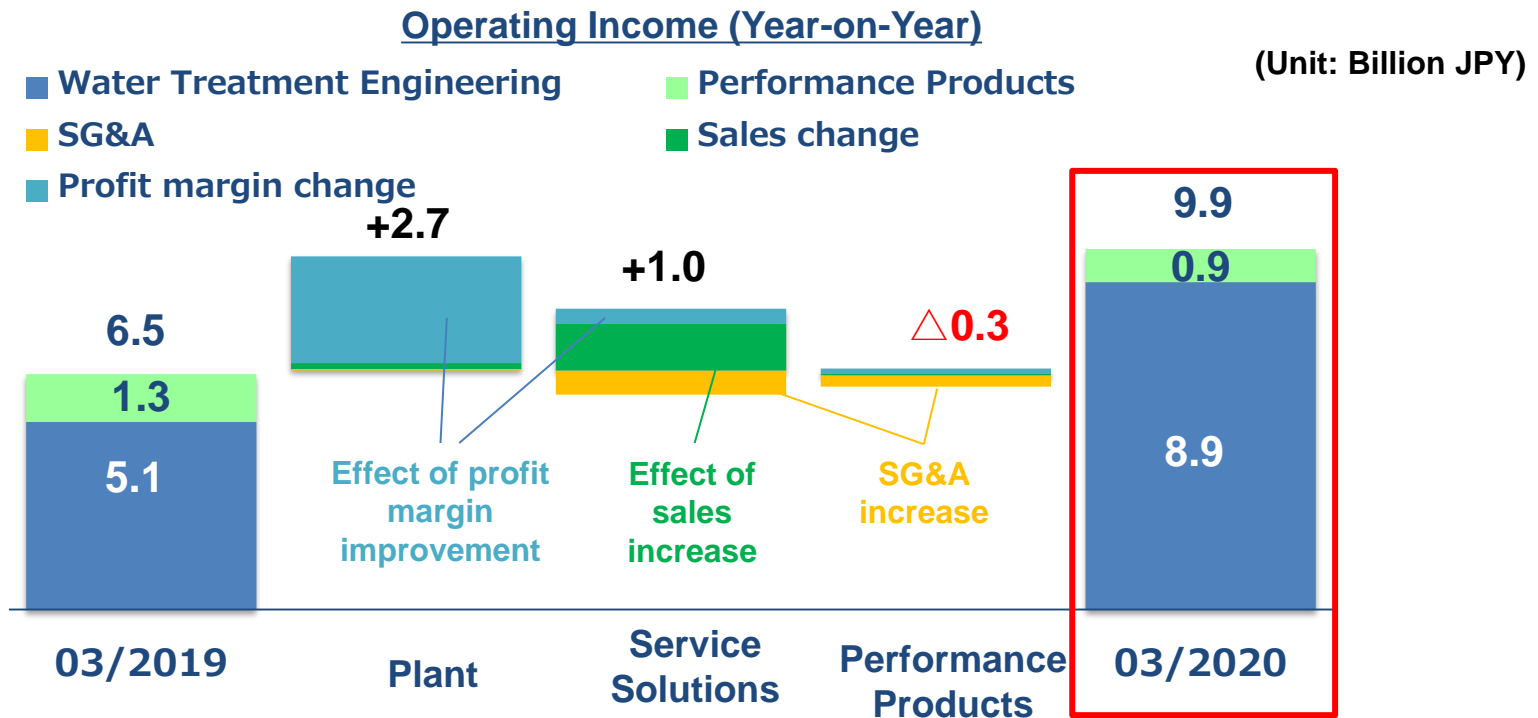
Water Treatment Chemicals: Sales overseas increased in spite of decreases in exports and factory operating rates.

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



Prospective Analysis of FY ended 03/2020 Operating Income

- **Achieved all-time high of ¥9.9 billion in full-year operating income.**
 - Plant profitability improved due to cost reductions and higher order profitability.
 - Service Solutions saw increased profit due to increased sales and in spite of increased SG&A.
 - Increases in SG&A such as R&D investment and structural reinforcement contributed to decreased profit for Performance Products.



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Prerequisites for FY ending 03/2021 Plan

The plan reflects all impacts of the spread of infection from the coronavirus that can presently be anticipated.

Electronics Industry	<ul style="list-style-type: none">• Backorders on which sales for this period are based are at a high level.• Proactive investment plans are proceeding in Taiwan and China.• Concerns exist regarding expectations for investment into memory and 5G and the impact of declining demand for end products.
Other Markets	<ul style="list-style-type: none">• Based on the economic slowdown and concentration of resources into the electronics industry from the second half of fiscal 2019, expectations are that it will be essentially the same as the preceding year.
Profitability Trends	<ul style="list-style-type: none">• Expectations are for a decrease in profit margin due to declining Plant segment order profitability and increased costs.

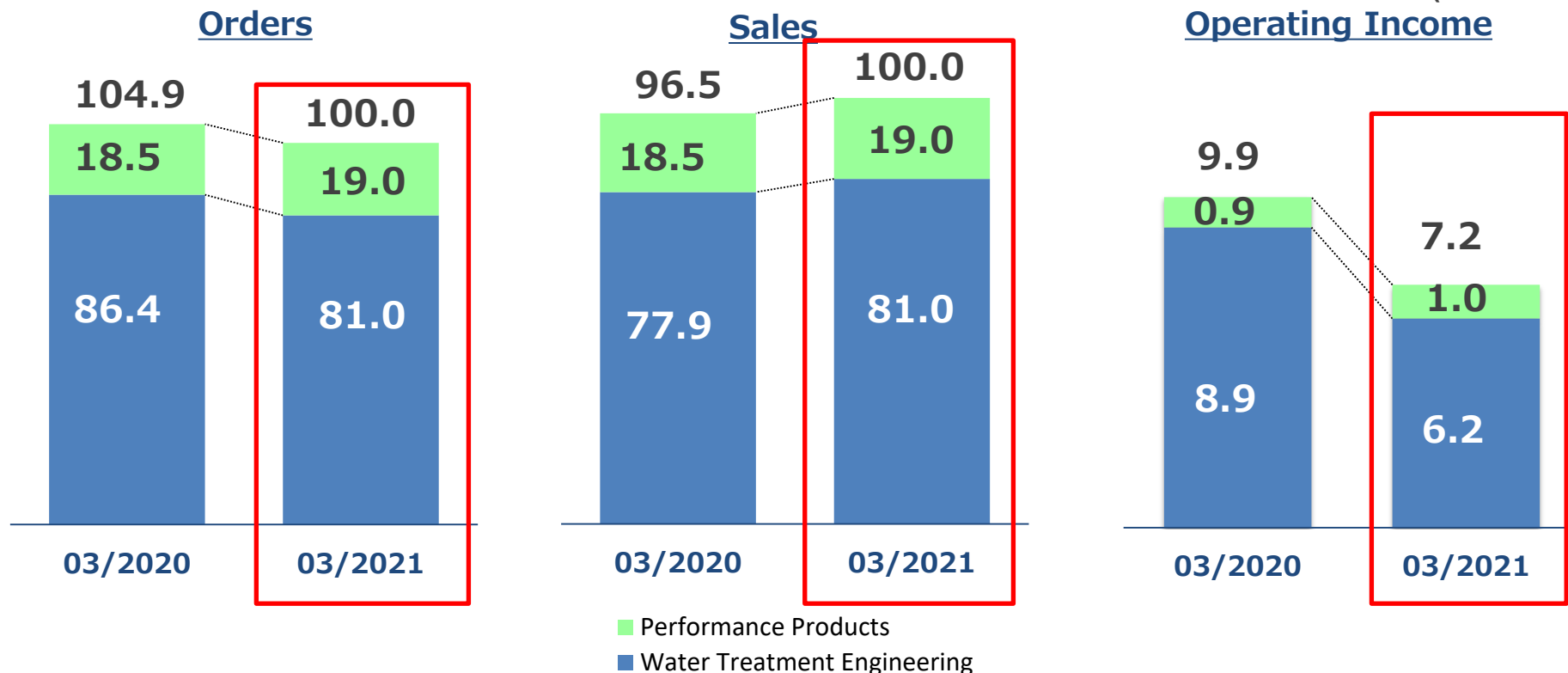
Overview of FY ending 03/2021 Plan

Orders: Large-scale electronics industry-related investments are expected in Taiwan and China.

Sales: Aiming to achieve ¥100 billion through sales from backordered projects domestically and in Taiwan.

Operating Income: Decreased profit margin and increased R&D and other costs in the Plant segment are expected.

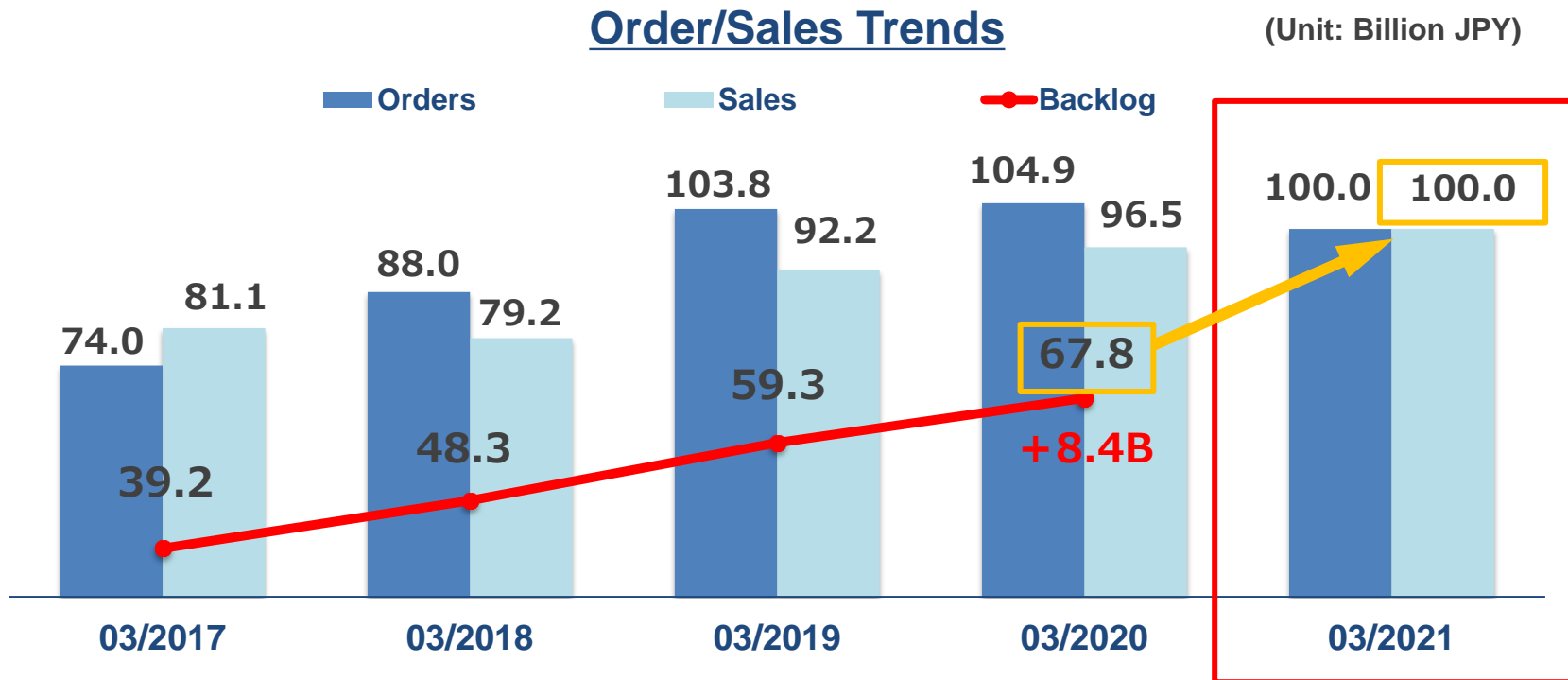
(Unit: Billion JPY)



Status of Carry-over Backorders for FY ending 03/2021

- Backorders on which sales for this period are based are the highest in the company's history.

Construction for backordered projects such as large-scale projects ordered the preceding year domestically and in Taiwan is presently proceeding essentially on schedule.

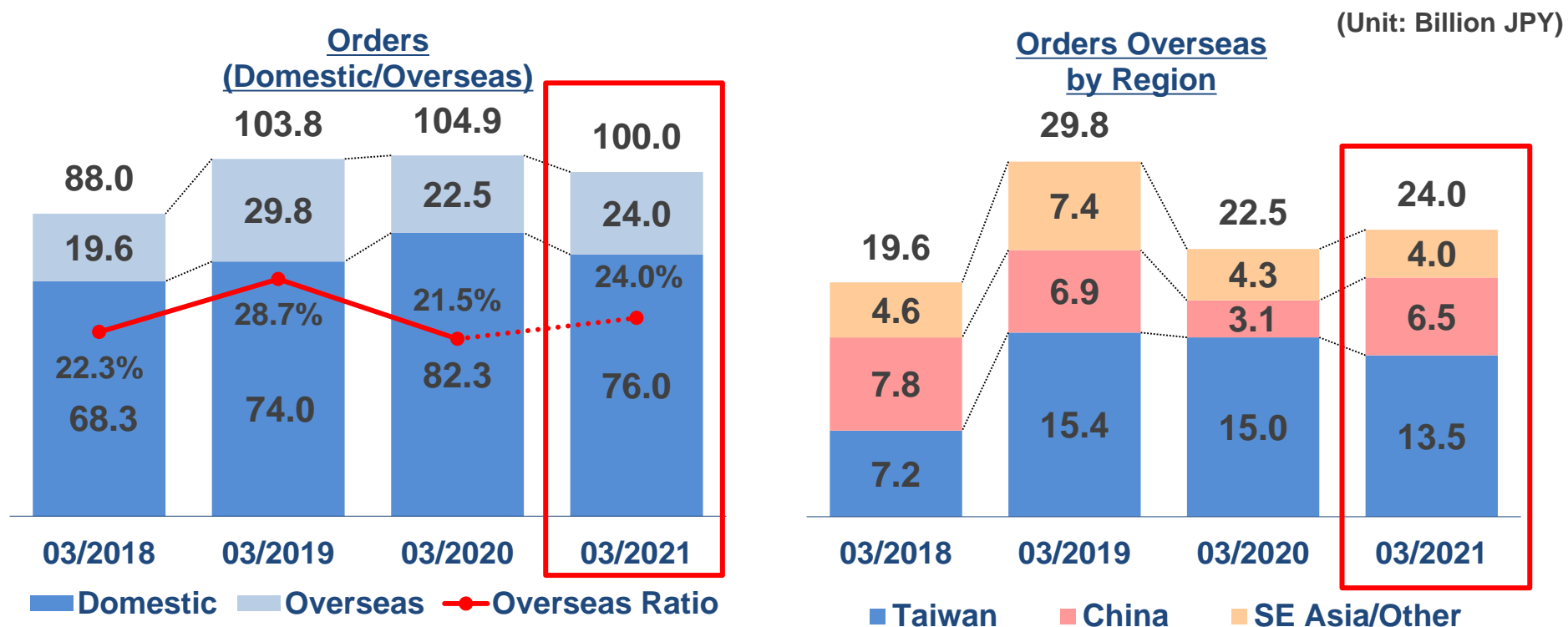


FY ending 03/2021 Plan

(Unit: Billion JPY)	FY ended 03/2020 Actual	FY ending 03/2021 Plan	Year-on-Year
Orders	104.9	100.0	-4.9
Sales	96.5	100.0	+ 3.4
Gross profit margin (%)	27.2 (28.3%)	25.6 (25.6%)	-1.6 (-2.7pt)
SG&A	17.3	18.4	+ 1.0
Operating income ratio (%)	9.9 (10.3%)	7.2 (7.2%)	-2.7 (-3.1pt)
Ordinary income	9.9	7.1	-2.8
Profit attributable to owners of the parent company	7.1	4.7	-2.4

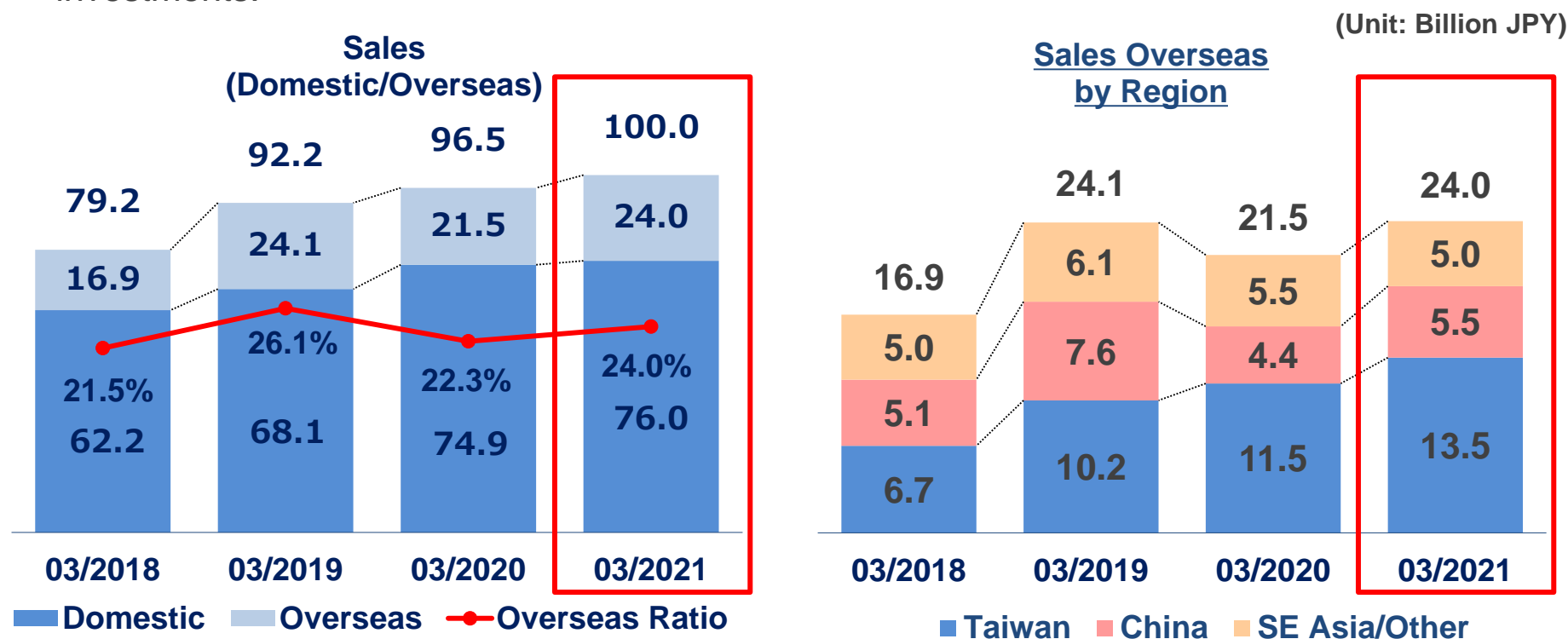
FY ending 03/2021 Plan: Order/Sales Trends

- **Proactive investment into the electronics industry is expected in Taiwan and China.**
 - At present, Taiwan and China are strong, and further proactive investment is planned.
 - To date, no investment plans have been cancelled or delayed.
 - Large-scale investment is foreseen domestically in the electronics industry in the second half.



FY ending 2021 Plan: Sales by Region

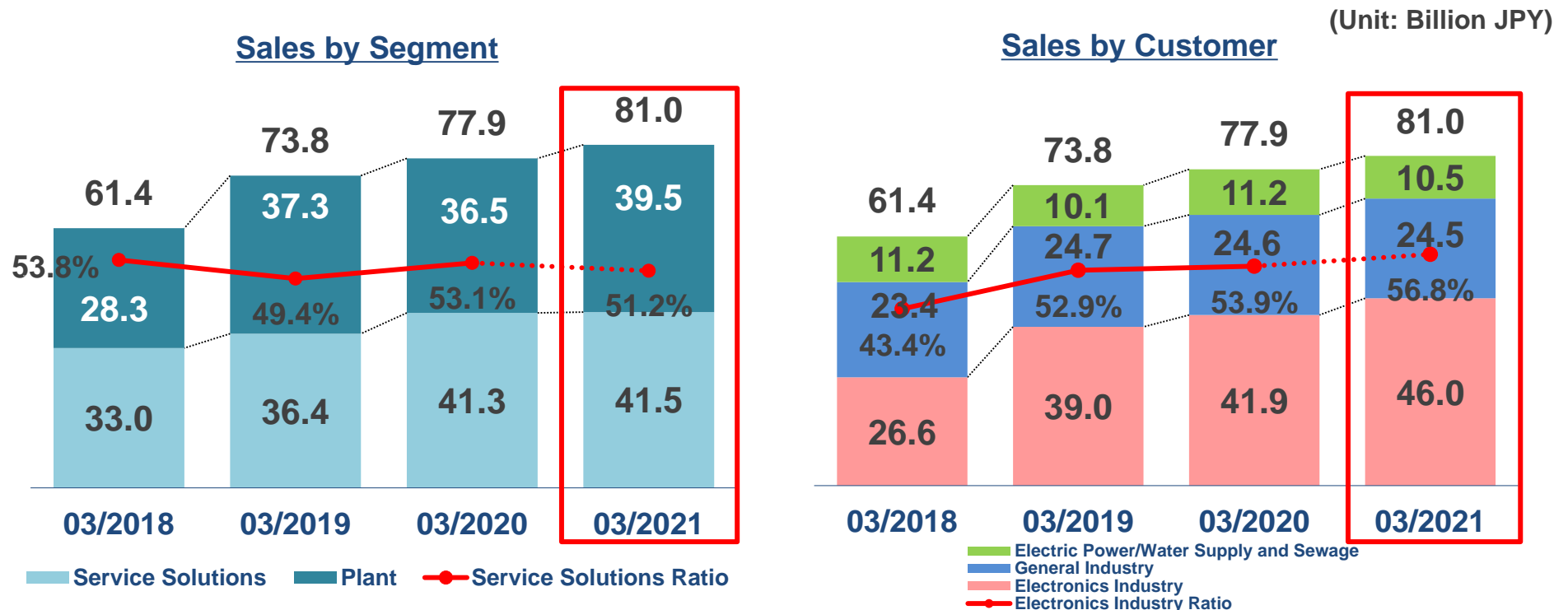
- **Aiming to reach ¥100 billion for the first time ever driven primarily by sales in Japan and Taiwan.**
 - Growth in sales is expected domestically and in Taiwan due to progress in construction of large-scale semiconductor projects ordered the preceding year.
 - Growth in sales is also planned in China through recovery in large-scale semiconductor-related investments.



FY ending 2021 Plan: Sales by Segment/Customer

(Water Treatment Engineering)

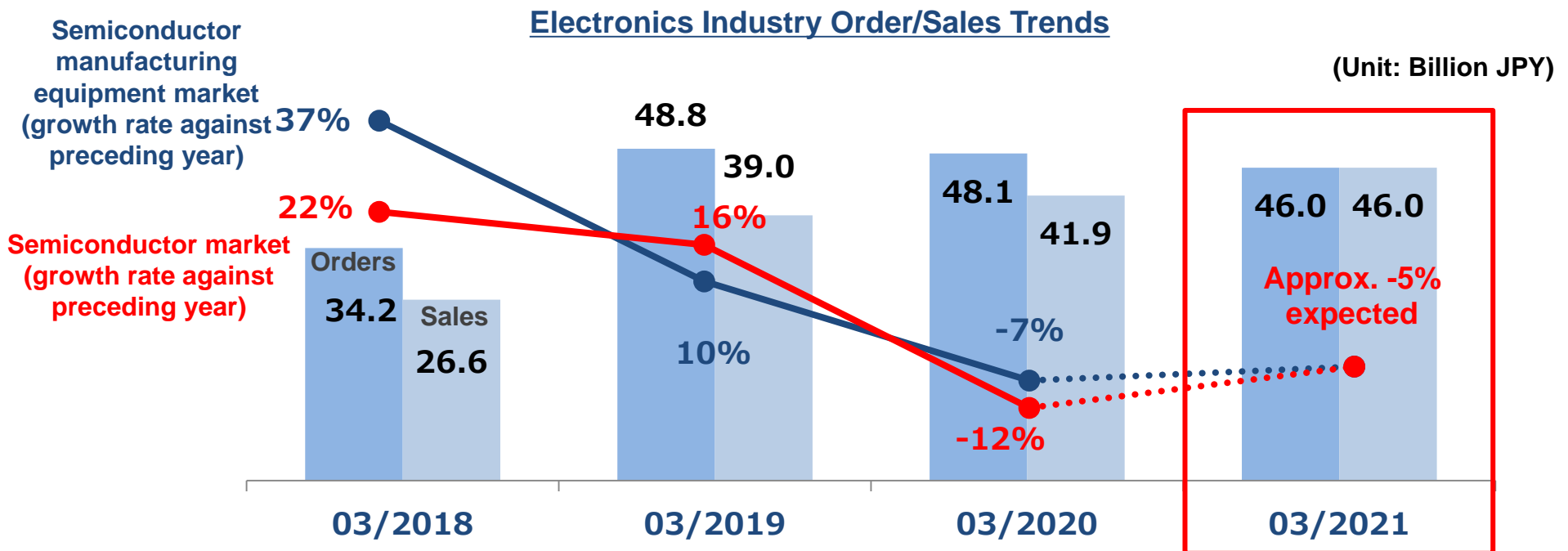
- **Growth in sales is expected due to growth in Plant sales to the electronics industry.**
 - Service Solutions sales are expected to be essentially the same as the preceding year, centered on the electronics industry.
 - Steady progress in construction is expected for Plant projects domestically and overseas.
 - A decline in electric power and water supply and sewage projects is expected, while sales to general industry are anticipated to be essentially the same as the preceding year.



FY ending 2021 Plan: Electronics Industry Outlook

■ Concerns exist about the future in spite of a high level of backorders and proactive investment in Taiwan and China.

- Sales from backordered large-scale projects domestically and in Taiwan are expected.
- Taiwan and China are presently strong, and there are high expectations for memory and 5G investment from the second half forward.
- Concerns exist over the impact of declining demand for end products such as smartphones and automobiles.



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

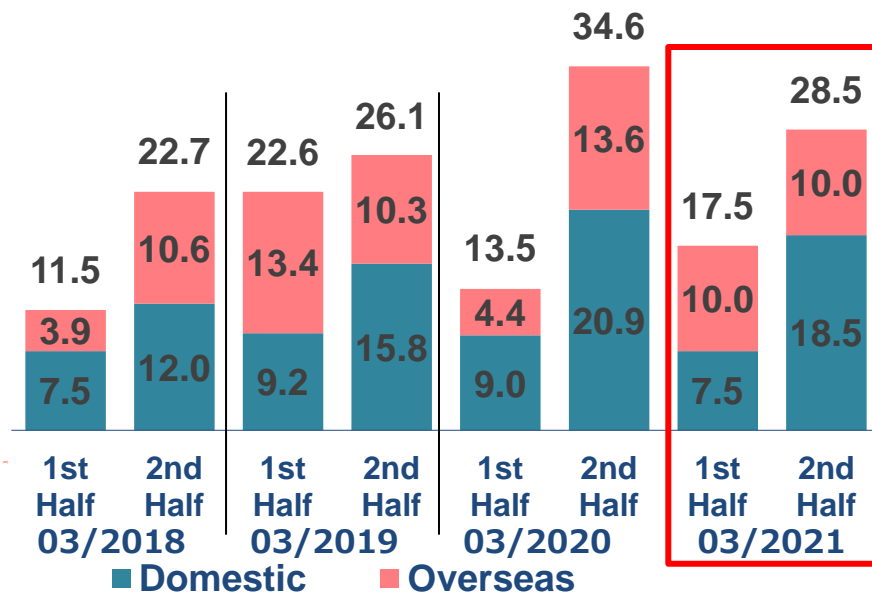
FY ending 2021 Plan: Electronics Industry (Orders)

■ Taiwan and China are presently strong, and large-scale investment is foreseen domestically in the second half.

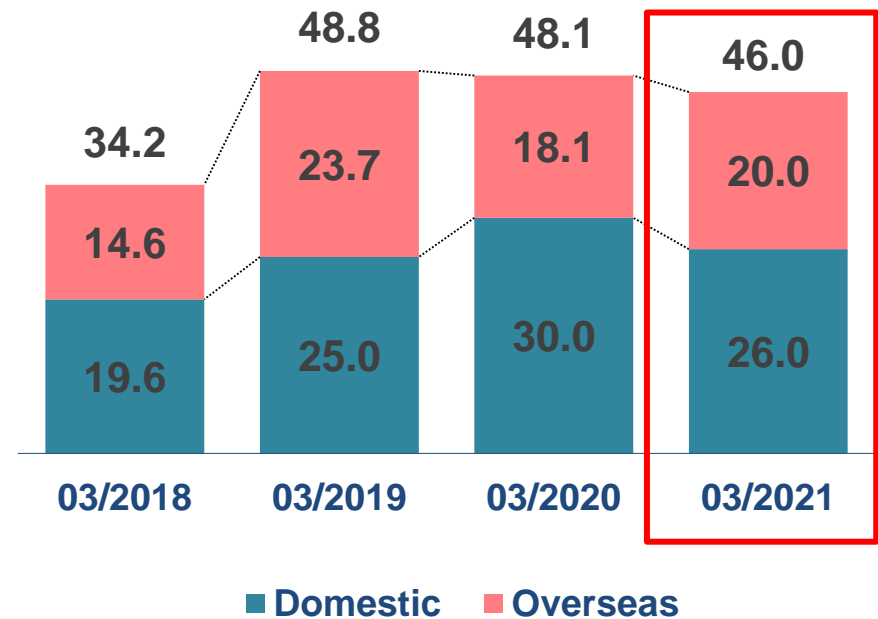
- A high level of proactive investment such as advanced investment will continue in Taiwan.
- There will be movement in China to resume large-scale investment into semiconductors, which had declined the preceding year.
- Large-scale investment is expected domestically into memory and 5G in the second half.

(Unit: Billion JPY)

Electronics Industry Orders
(1st half vs. 2nd half)



Electronics Industry Orders



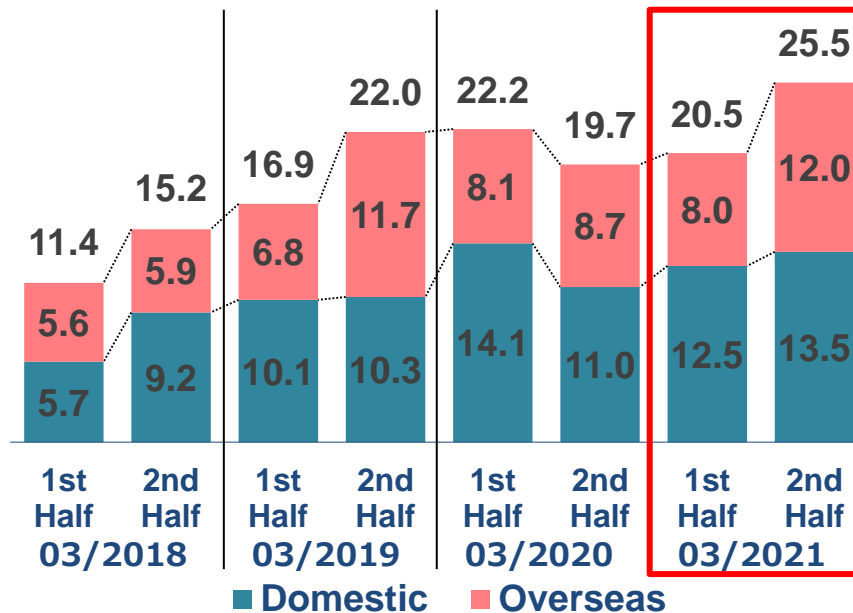
FY ending 2021 Plan: Electronics Industry (Sales)

■ Sales will expand domestically and overseas, centered on the Plant segment.

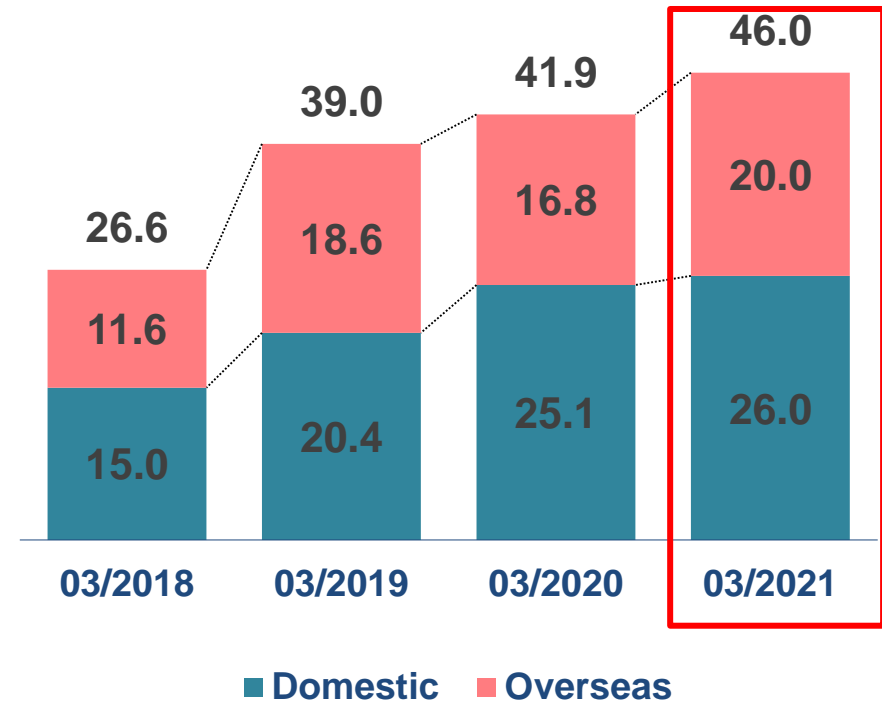
- Domestic sales are expected to increase due to progress in construction on large-scale projects ordered the preceding year.
- Sales in Taiwan are expected to increase due to continued proactive investment during this period
- Sales are planned to increase in China from the second half forward due to a resumption in large-scale investment.

(Unit: Billion JPY)

Electronics Industry Sales
(1st half vs. 2nd half)



Electronics Industry Sales



FY ending 2021 Plan: Sales by Segment

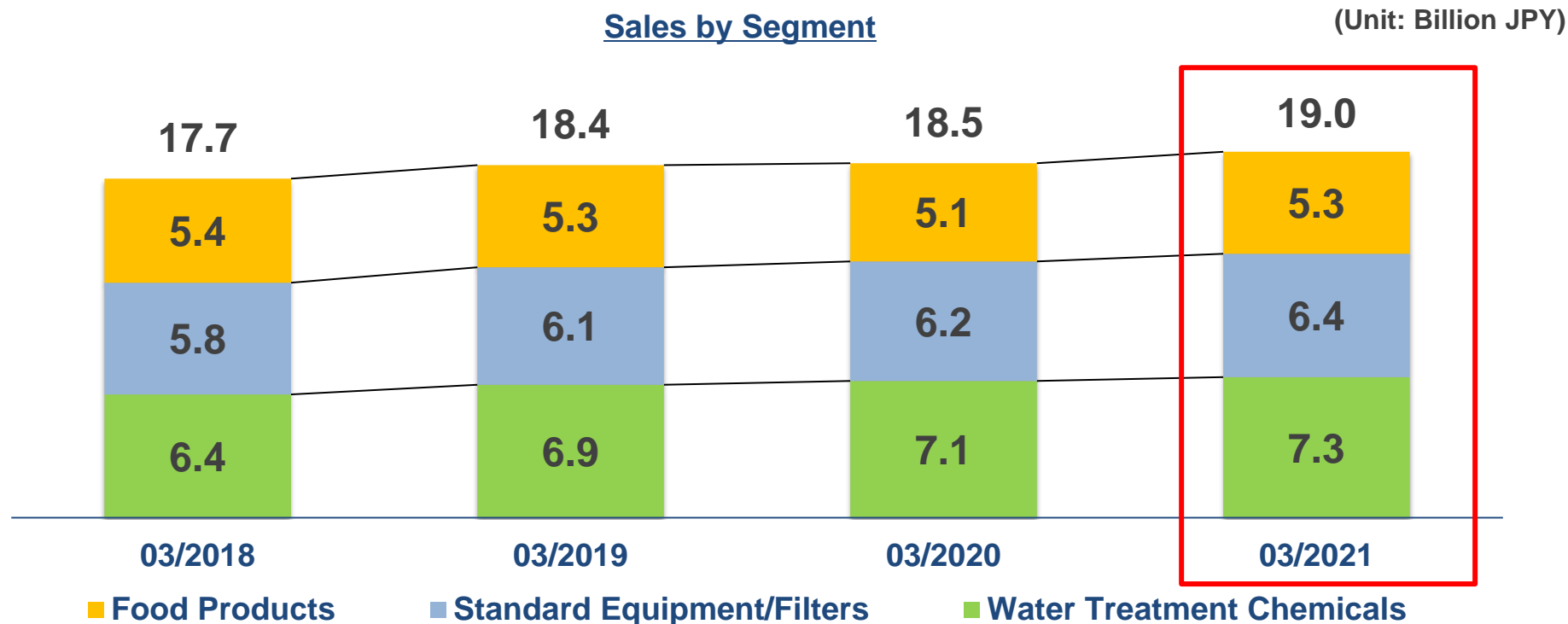
(Performance Products)

■ Sales planned to increase 2.2% year-on-year to ¥19 billion.

Standard Equipment/Filters: Continue to introduce new products and strengthen the sales expansion in China.

Water Treatment Chemicals: Expand sales overseas, centered on the electronics industry.

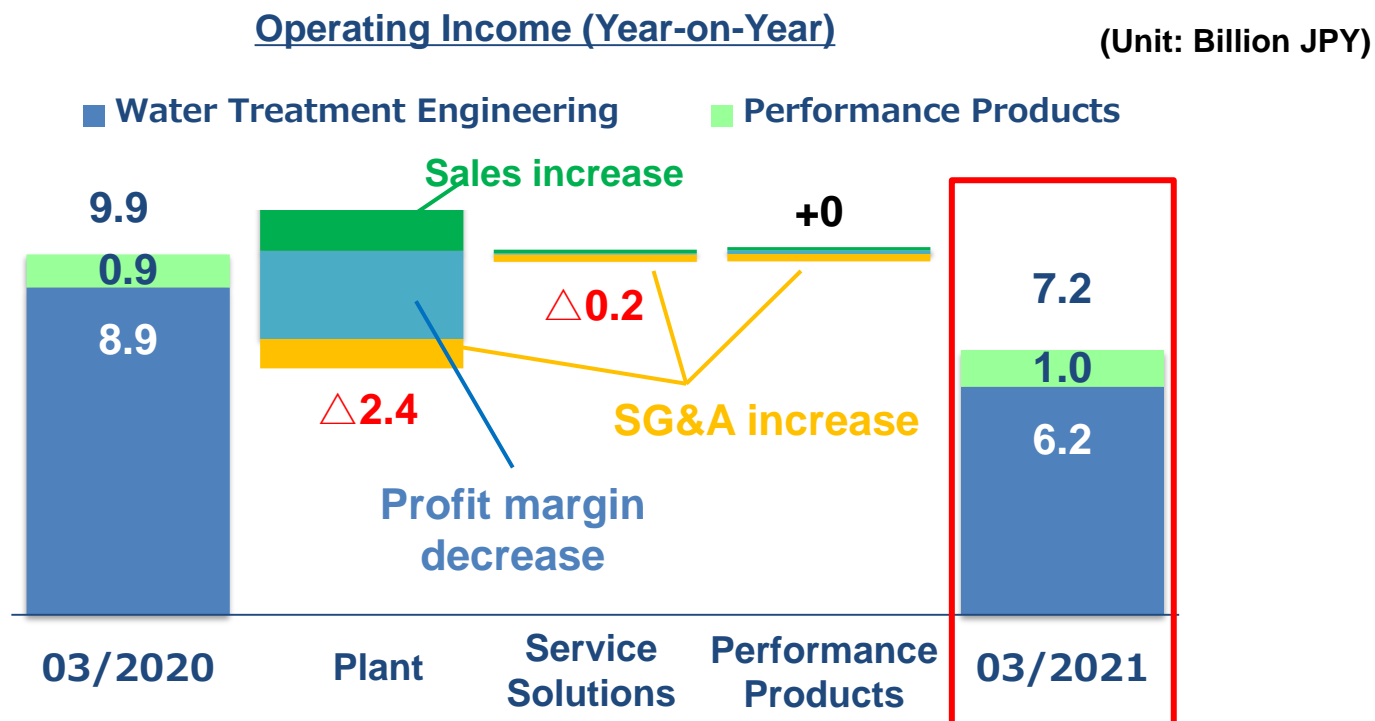
Food Products: Plan to expand sales volume, centered on granulation technology.



FY ending 2021 Plan: Operating Income

■ Expected to decrease year on year to ¥7.2 billion.

- While Plant sales are expected to increase, profitability is forecast to decline due to worsening order profitability and increased costs.
- SG&A increase planned toward operational efficiency, R&D, and structural reinforcement.



FY ending 2021 Plan: Impact of Spread of 2019 novel coronavirus Infection

Overall Impression

■ At present, no cancellations or delays in investment projects or factory closures have occurred that have significantly impacted results.

■ Impact on results for this period

- Concern exists over cost increases and impact on sales progress in the Plant segment due to restrictions on movement of people, turmoil in procurement, and work schedule delays.
- Concern exists over a decrease in sales in Service Solutions and Performance Products due to declines in factory operating rates and decreased levels of production.

■ Impact next period and beyond

- Concern exists over significant impact on results of suppressed capital investment for the next period and beyond due to prolonged economic stagnation.
- Concern exists that order profitability will be impacted and profitability will decline due to intensified competition and budget reductions caused by suppressed capital investment.

FY ending 2021 Plan: Impact of Spread of 2019 novel coronavirus Infection

Electronics Industry Market

- Steady progress is expected in construction of large-scale backordered projects domestically and in Taiwan.

- Investment and production will be at a high level in the Taiwanese and Chinese markets, and proactive investment is planned, so the impact is limited at present.

- At present, semiconductor demand is strong, and production and investment levels are expected to be maintained domestically and overseas. However, it is possible that results will be impacted from next period forward due to prolonged stagnation.

Other Markets

- General Industry/Performance Products
 - Full-fledged impact of suppressed capital investment will be felt from the second half into the next period and beyond.
 - Concern exists that declining factory operating rates and production levels will impact Service Solution and Performance Product sales and lead to a decrease in overall sales.

- Electric Power/Water Supply and Sewage
 - At present, a significant impact is not expected.

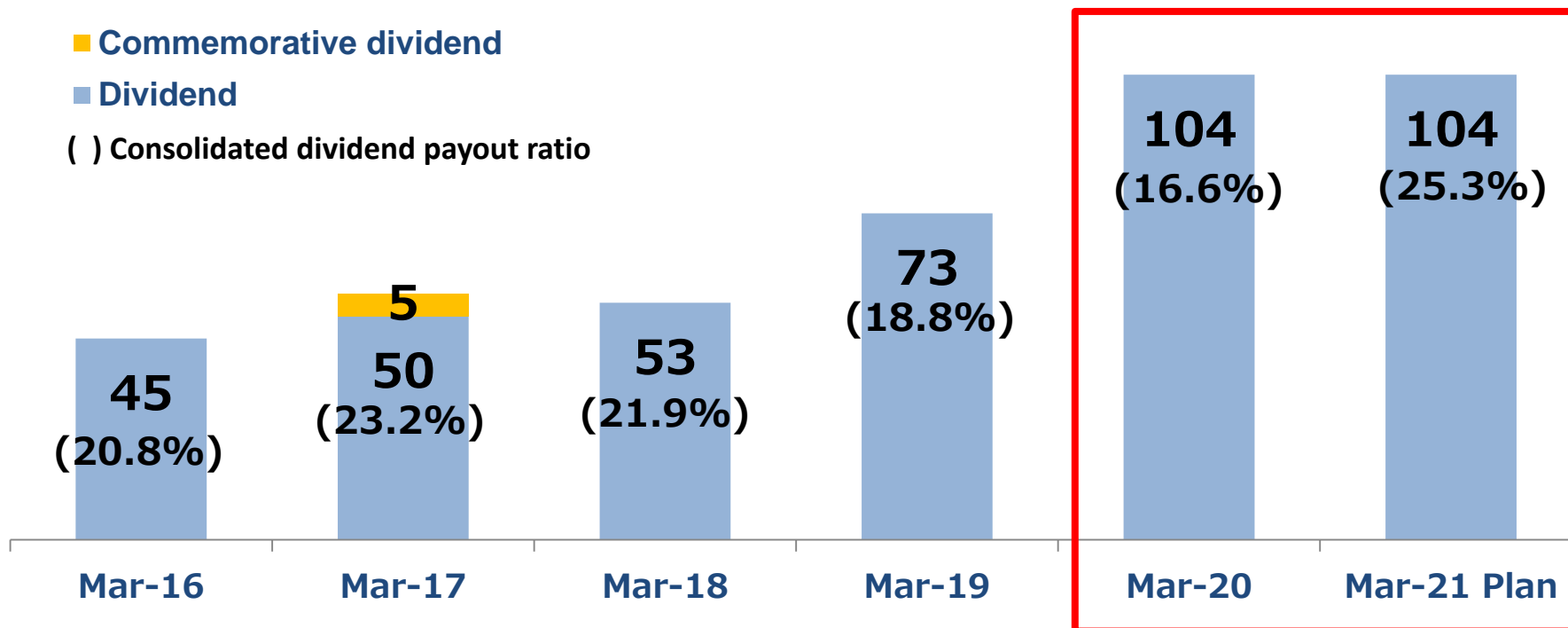
Plan for Year Ending March 2021: Key Indicators

	FY ended 03/2019	FY ended 03/2020 Plan	FY ended 03/2020 Actual	FY ending 03/2021 Plan
Capital expenditures (million yen)	635	800	965	1,400
R&D expenses (million yen)	1,823	2,100	2,178	2,350
Depreciation (million yen)	920	1,100	1,189	1,200
Interest-bearing debt (million yen)	13,659	15,000	9,740	20,000
No. of employees	2,186	2,200	2,249	2,275
Annual dividends (yen)	73	78	104	104
ROE (%)	8.4	7.8	12.4	7.5

Dividend Trends

- Given the earnings situation for the year ended March 2020, mid-year and year-end dividends will increase.
- Distribute profits in accordance with the earnings situation with the aim of achieving stable, continuous dividends.

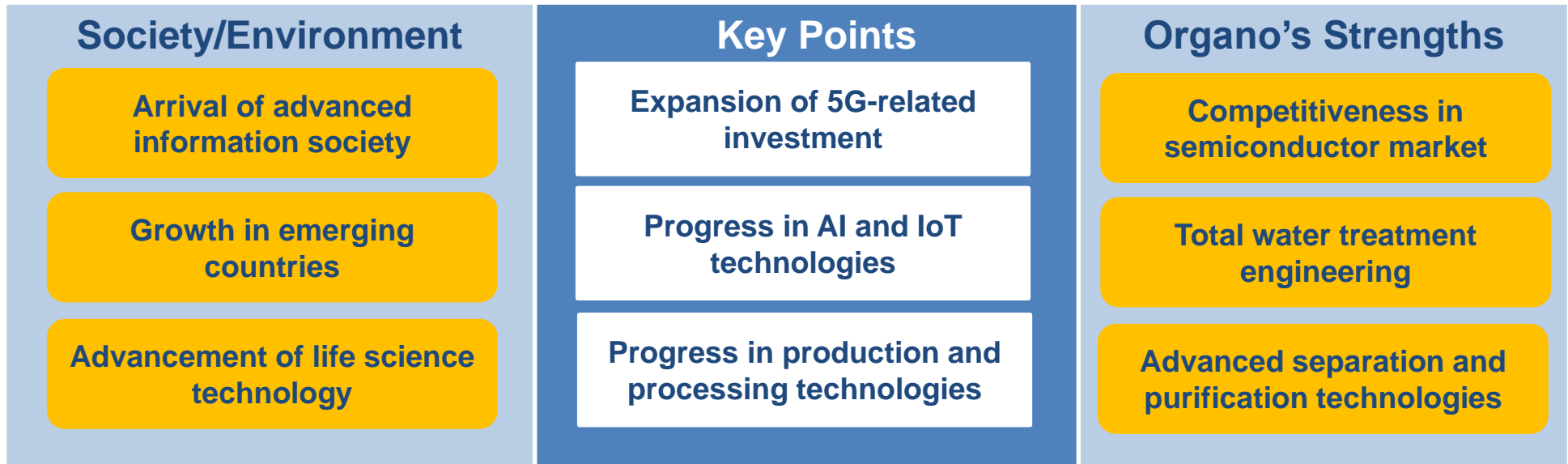
(Unit: JPY)



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Medium-term Management Plan: Medium-term Vision



- Provide the highest-quality water at the most reasonable cost and in the most timely fashion, centered on the Asian region and the electronics industry.
- Globally deploy Service Solutions utilizing high added-value functional materials and advanced ICT and AI technologies.
- Create businesses to support value creation in next-generation industry through proprietary separation and purification processes.

Medium-term Management Plan: Priority Fields

Expansion in Electronics industry



- Medium-term market expansion is expected due to expansion of 5G and AI/IoT technology utilization in business, medical care, and education.
- Development of advanced separation and purification technologies for cutting-edge fields.
- Expansion of production capacity and profitability through enhanced operational and cost efficiency in engineering.

Strengthening of Service Solutions Business

- Integrated strengthening of Service Solutions and Performance Products.
- Enhancement of customer value through combination with ICT and AI technologies.
- Strengthening of Service Solutions structure overseas.

Creation of New Businesses

- Deployment of advanced separation and purification technologies to lithium-ion batteries and the biopharmaceutical and cutting-edge semiconductor fields.
- Proceed with preparation for deployment to cutting-edge semiconductor and advanced sewage treatment fields in the US.

Medium-term Management Plan: Strengthening Service Solutions (1)

■ Deployment of New Service Solutions

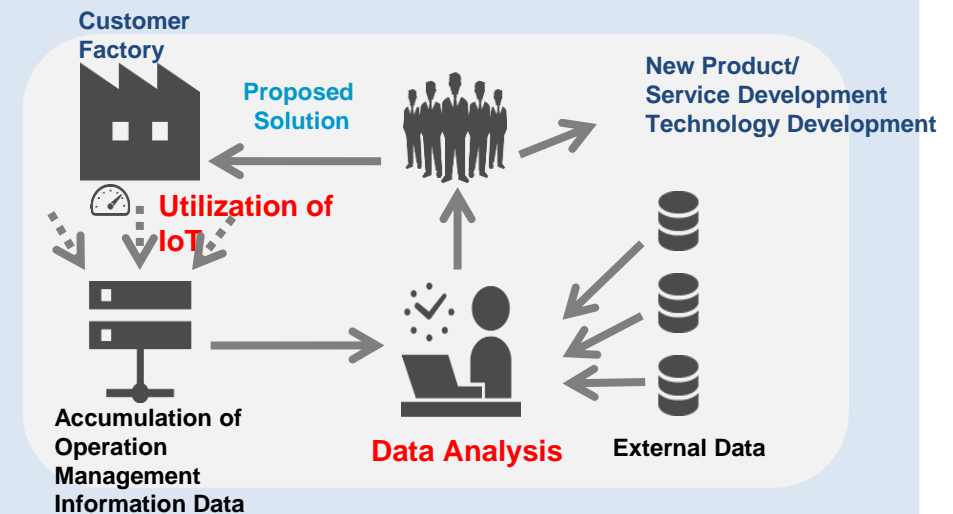
Deploy new Service Solutions combining Plant and Performance Products utilizing ICT and AI technologies to enhance customer value.

New Service Solutions



- Deploy new Service Solutions in Plant and Performance Products combining sensors and IoT
- Strengthen proposal-type solutions through data collection and analysis
- Strengthen solution structure in China and elsewhere overseas

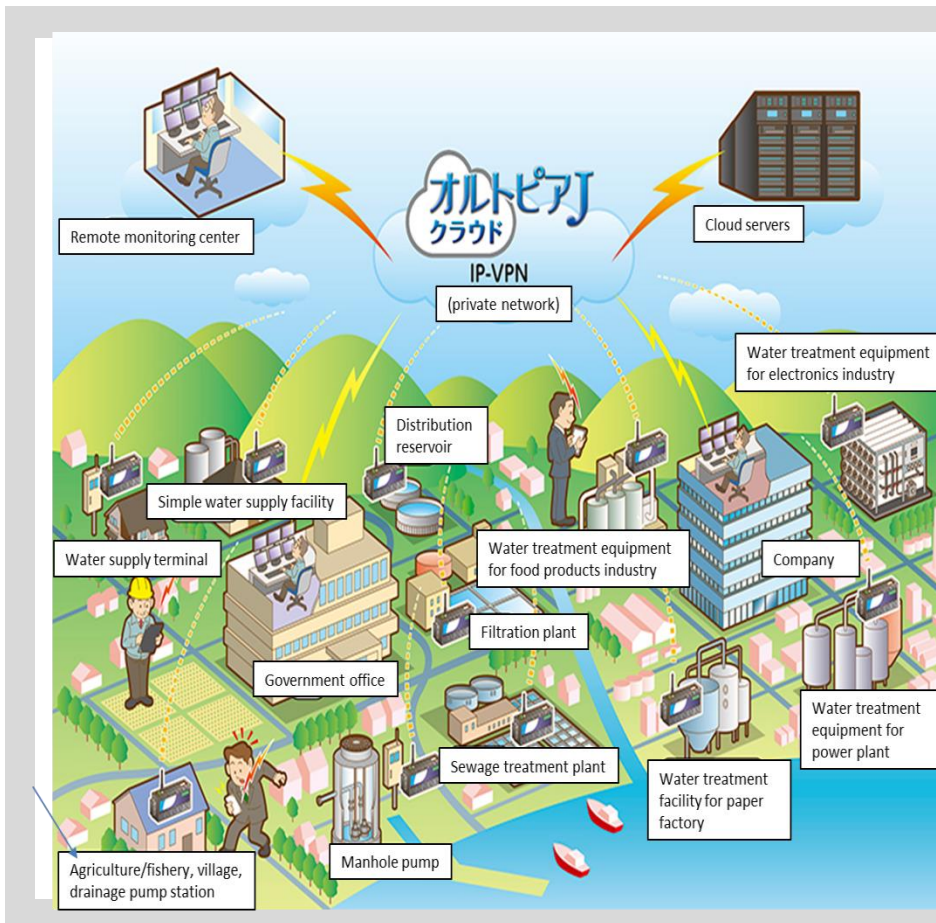
Establishment of Data Center



- Establish data center for collection and analysis of customer facility and operational data using ICT and AI technologies
- Deploy new proposal-type Service Solutions

Medium-term Management Plan: Strengthening Service Solutions (2)

Deployment of ORTOPIA J Remote Monitoring System



Sales of ORTOPIA J Cloud, a cloud-based remote monitoring system for the water supply and sewage field, are strong.

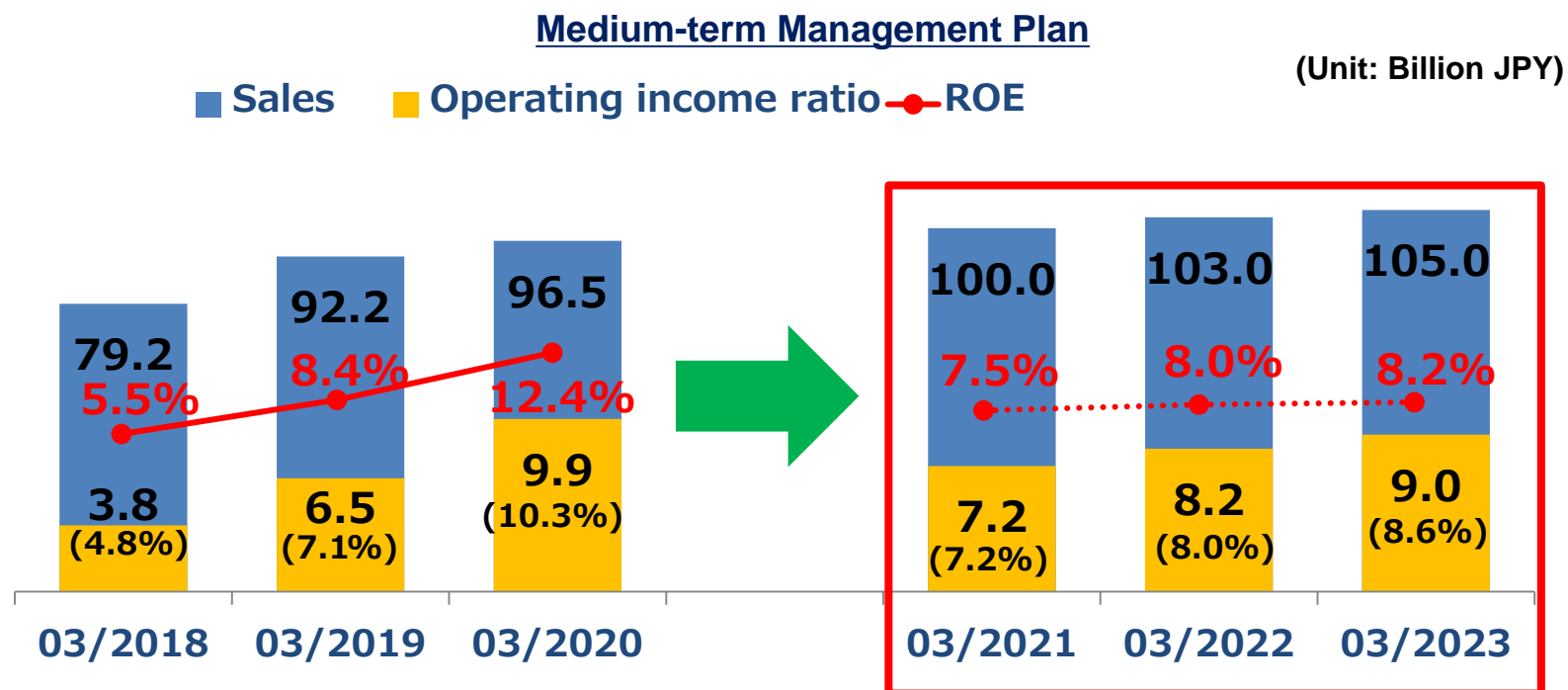


Strengthening deployment of services to electronics and general industry such as pharmaceutical and food products.

Strengthening proposal-type Service Solutions including enhanced operational efficiency through use of operational data, energy-saving proposals, and renovation proposals in line with facility status.

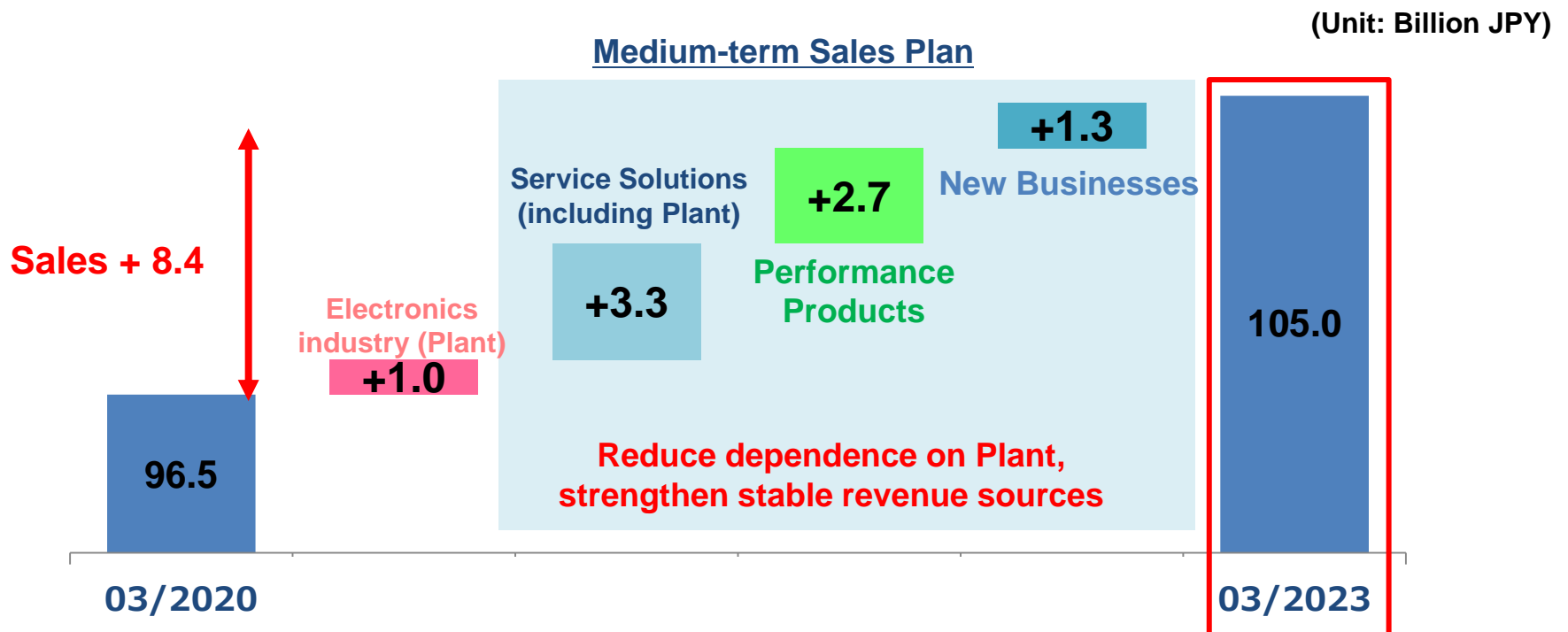
Medium-term Management Plan: 03/2021 – 03/2023

- Aim for sales of ¥105 billion or more and operating income of ¥9 billion or more in the final year.
- Establish an earnings structure that enables the stable, continuous achievement of operating margin and ROE of 8.0% or better.



Medium-term Management Plan: Sales Plan

- Plan expansion in electronics industry centered on the Plant business; the Medium-term Management Plan presumes limited expansion in electronics plants for the year ending 03/2021.
- Improve the earnings structure by strengthening stable revenue sources such as Service Solutions, Performance Products, and new businesses.



Medium-term Management Plan: Other Initiatives

Promotion of Operational Reform	<ul style="list-style-type: none">■ Further upgrade ERP system introduced in the preceding period, and proceed with digitizing and utilization of ICT tools toward achieving improved productivity and work style reform. ⇒ Respond to teleworking under the emergency declaration
Construction of Global Engineering System	<ul style="list-style-type: none">■ Establish Global Engineering Center (GEC) in the Asian region to strengthen the engineering system domestically and overseas. ⇒ From the perspective of BCP, aim for establishment in 2021■ Promote enhanced engineering efficiency through the utilization of ICT technologies.■ Restructure system domestically and overseas to strengthen Service Solutions.
Strengthening of Corporate Governance	<ul style="list-style-type: none">■ Begin disclosing proxy statements and summaries of financial results in English.■ Begin work on Integrated Report, aim to issue in the fall of 2020. ⇒ Work to improve dialogue with institutional and retail investors domestically and overseas.

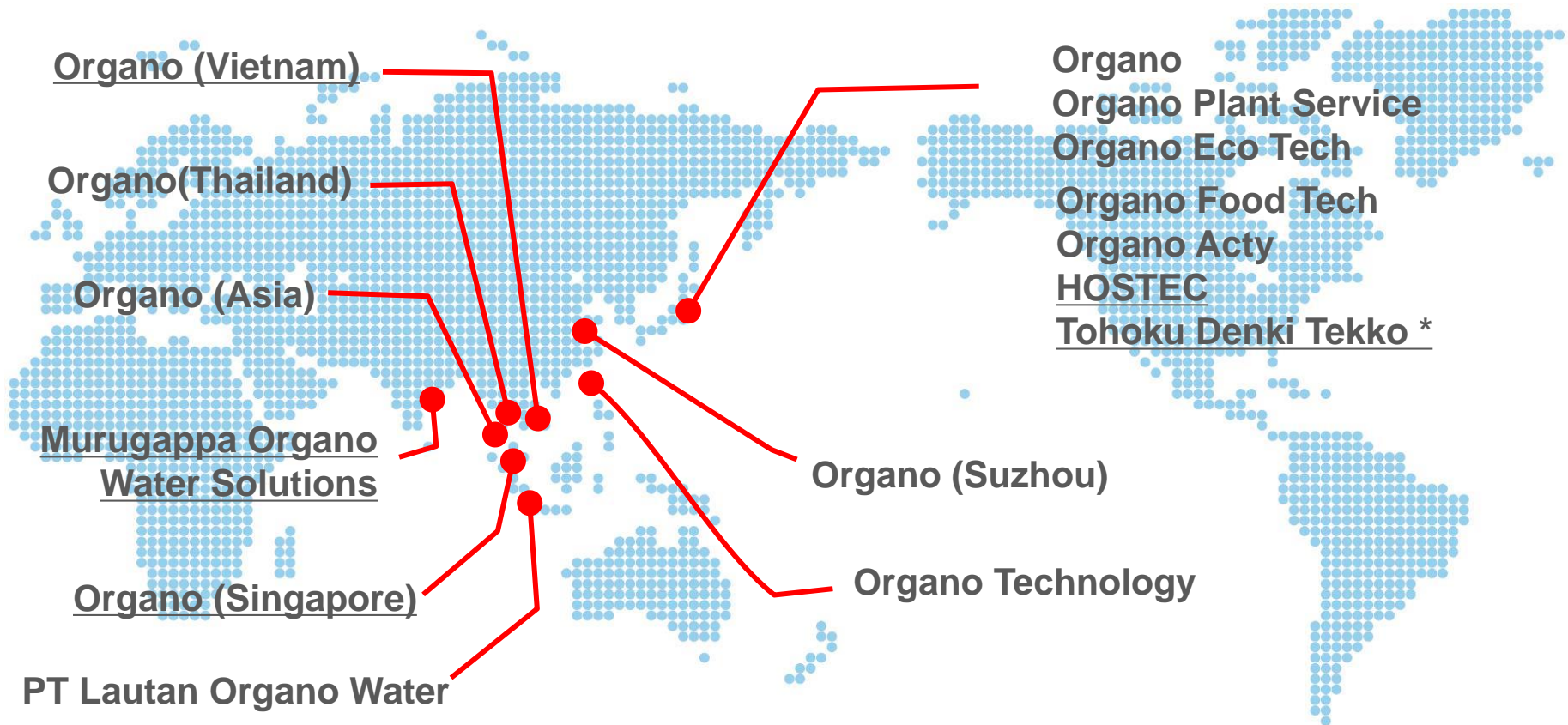
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Company Overview

Corporate name	ORGANO CORPORATION		
Head office	1-2-8 Shinsuna, Koto-ku, Tokyo 136-8631		
Established	May 1, 1946		
Representative	Masaki Uchikura, President		
Capitalization	¥8,225,499,312		
No. of employees	2,249 (consolidated) as of March 31, 2020		
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

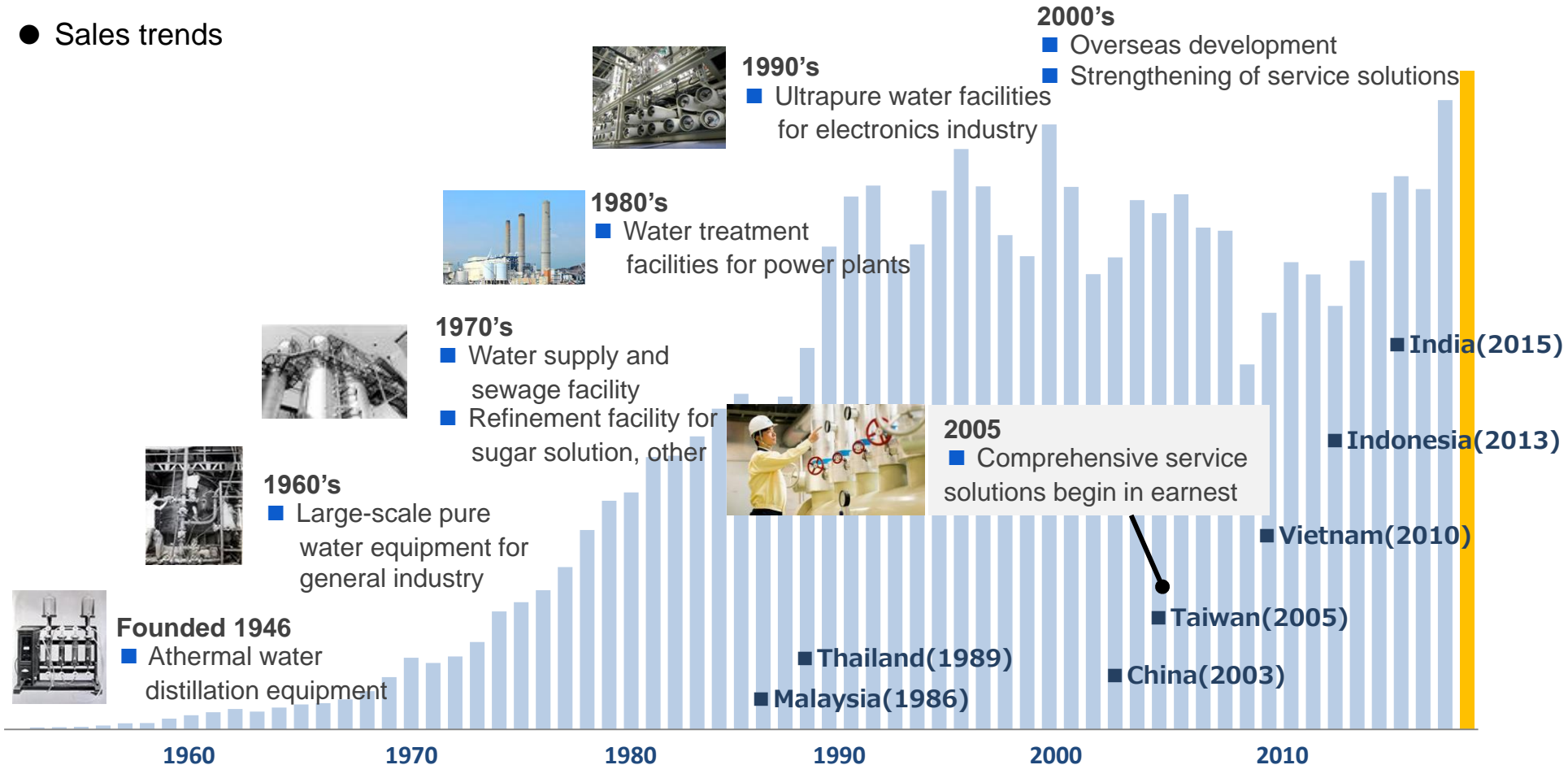
Development

Growth

Evolution

Expansion

● Sales trends



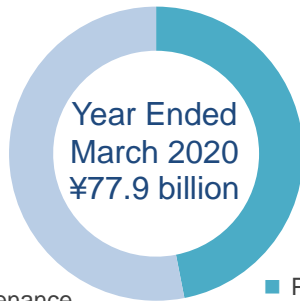
Organo Group Businesses

Water Treatment Engineering

Service Solutions
¥41.3 billion



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



Plant
¥36.5 billion



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

Performance Products

Food Processing Agents
¥5.1 billion

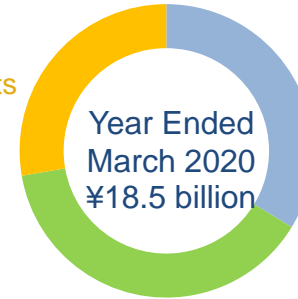


- Food processing agents
- Food ingredients



Water Treatment Chemicals
¥7.1 billion

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

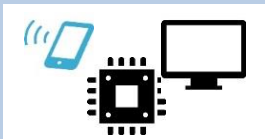


Standard Equipment/Filters
¥6.2 billion



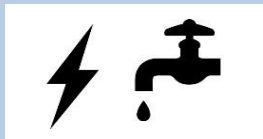
- Pure and ultrapure water equipment
- Water purification filters

Electronics



- Semiconductors
- FPD
- Electronic parts

Electric Power/Water Supply and



- 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

SUSTAINABLE DEVELOPMENT GOALS

17 GOALS TO TRANSFORM OUR WORLD



ORGANO CORPORATION

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

DISCLAIMER

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