

# **ORGANO CORPORATION**

## **Financial Report for First Half of Fiscal Year Ending March 31, 2020**

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**November 11, 2019**

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- 1 . First-Half Results for Fiscal Year Ending March 2020
- 2 . Full-Year Forecast for Fiscal Year Ending March 2020
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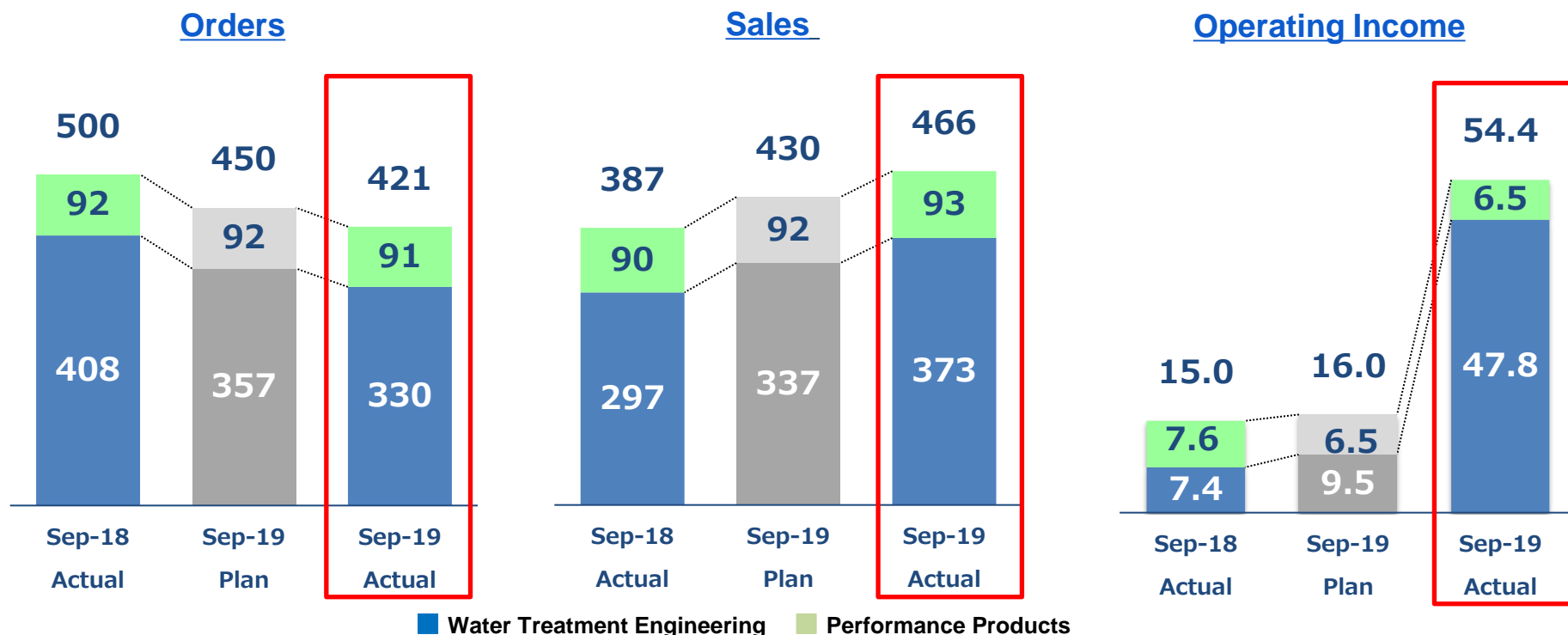
# Overview of First-Half Results

**Orders:** Declined due to decrease in electronics industry investment overseas, despite strong domestic performance.

**Sales:** Increased due to construction progress in Plant orders from preceding year and expansion in Service Solutions.

**Operating Income:** Increased significantly due to increased sales and improved Plant profitability.

(Unit: ¥100 million)



# Results for Year Ending March 2019

Unit: ¥100 million	September 2018 Actual	September 2019 Initial Plan	September 2019 Actual	Year-on-Year	Actual-to-Forecast
Orders	500	450	421	-78	-28
Sales	387	430	466	+78	+36
Gross profit margin (%)	93 (24.1%)	99 (23.0%)	137 (29.5%)	+44 (+5.4 pt)	+38 (+6.5 pt)
SG&A <sup>1</sup>	78	83	83	+4	+0
Operating income ratio (%)	15.0 (3.9%)	16.0 (3.7%)	54.4 (11.7%)	+39.3 (+7.8 pt)	+38.4 (+8.0pt)
Ordinary income	15.4	15.5	53.1	+37.6	+37.6
Profit attributable to owners of the parent company	9.1	8.0	36.4	+27.2	+28.4

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

# Orders by Region

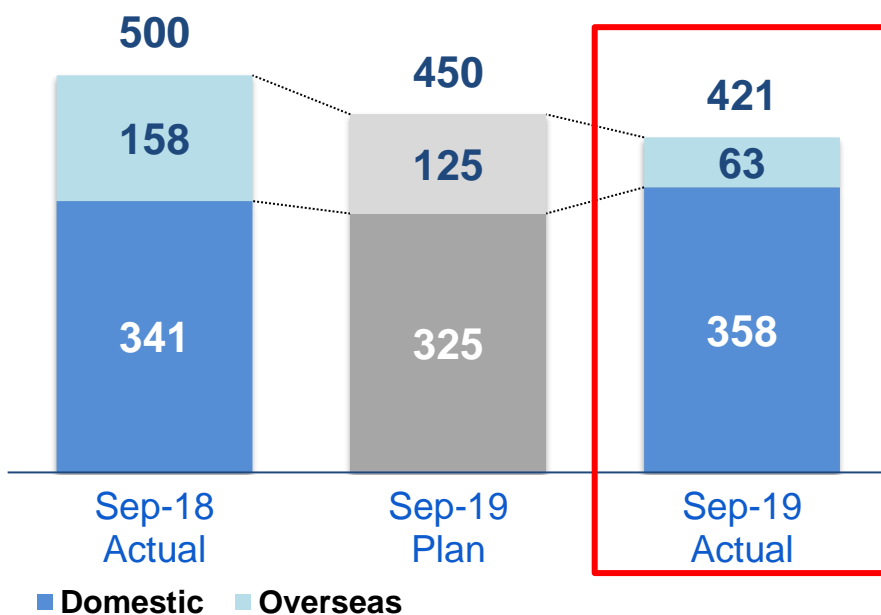
Despite strong domestic performance, investments slowed overseas, such as in Taiwan and China, affecting first-half orders.

**Domestic:** Service Solutions such as maintenance and facility renovation showed strong performance.

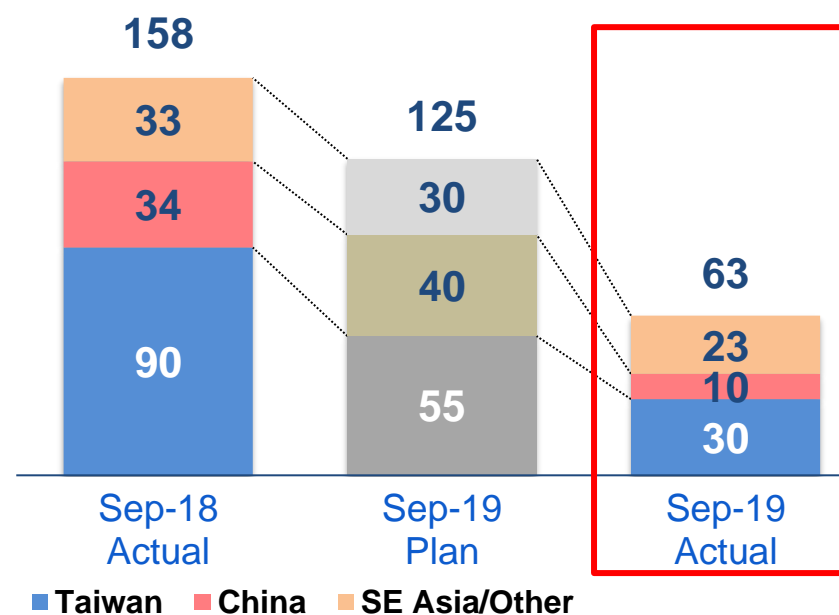
**Overseas:** Electronics industry-related large-scale investment slowed in Taiwan and China.

(Unit: ¥100 million)

Orders  
(Domestic/Overseas)



Orders Overseas  
by region



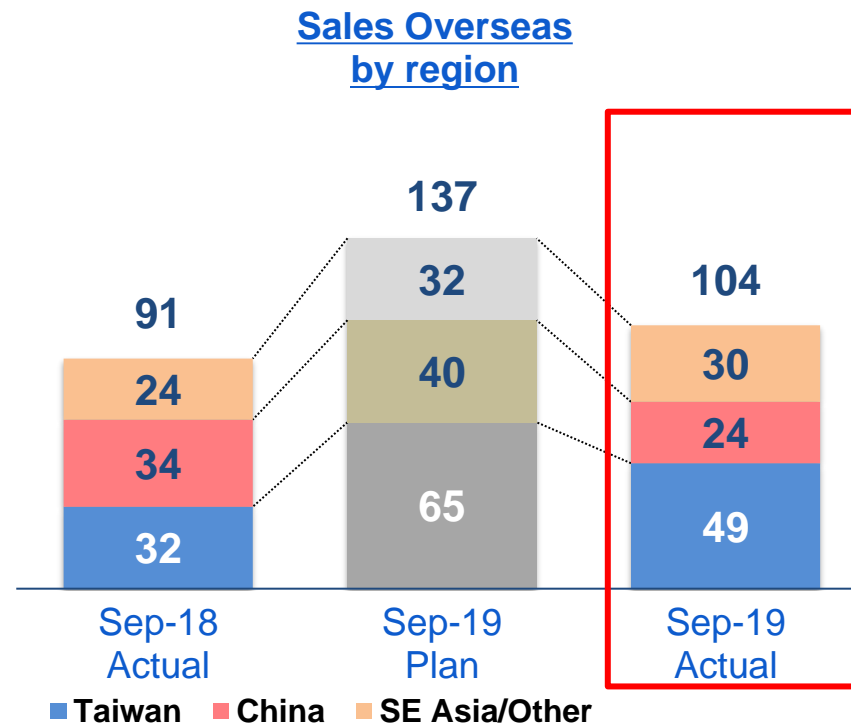
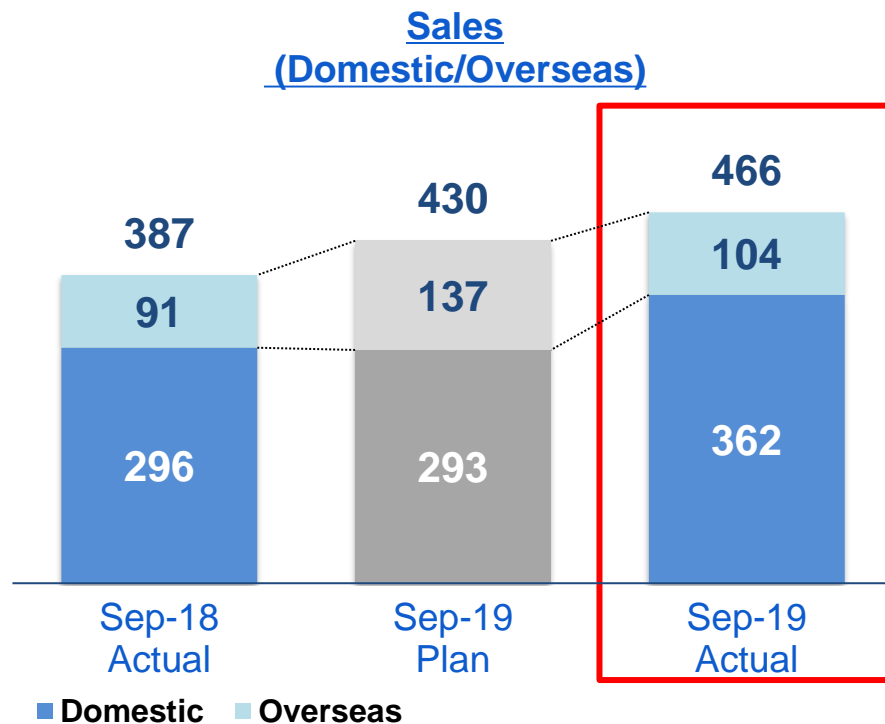
# Sales by Region

**Did not meet target overseas despite expanded sales domestically and abroad.**

**Domestic:** Construction progressed in Plant orders from preceding year, and Service Solutions showed strong performance.

**Overseas:** Negatively impacted by slowdown in large-scale electronics industry investment in Taiwan and China.

(Unit: ¥100 million)



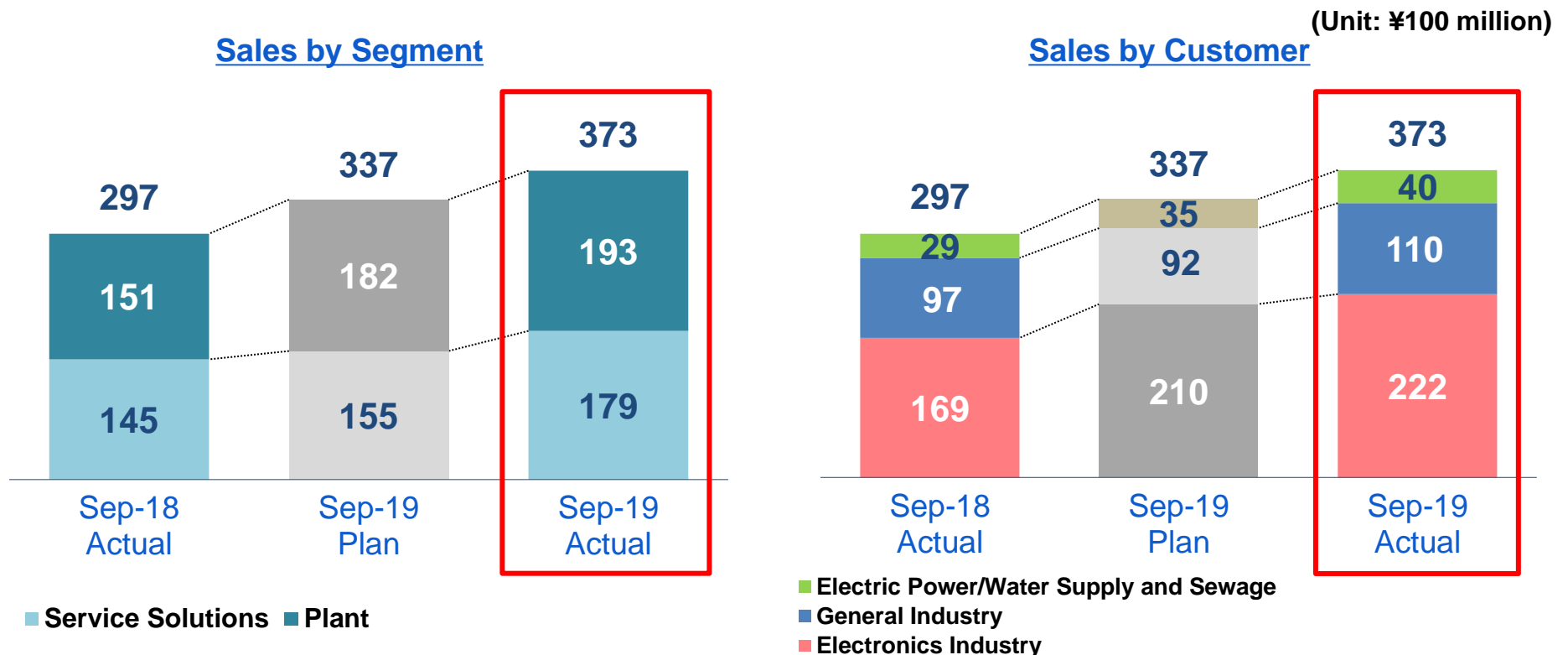
# Sales by Segment/Customer: Water Treatment Engineering

Sales in all divisions surpassed the corresponding period of the preceding year, and the initial first-half forecast.

**Plant:** While Plant sales to the electronics industry overseas decreased, construction progress on domestic projects was ahead of projections.

**Service Solutions:** Strong performance in areas such as facility renovation and maintenance.

**Electric Power/Water Supply and Sewage:** Sales increased to general industry, centered on solutions.





# Sales by Segment/Customer: Performance Products

## Strong performance in all divisions.

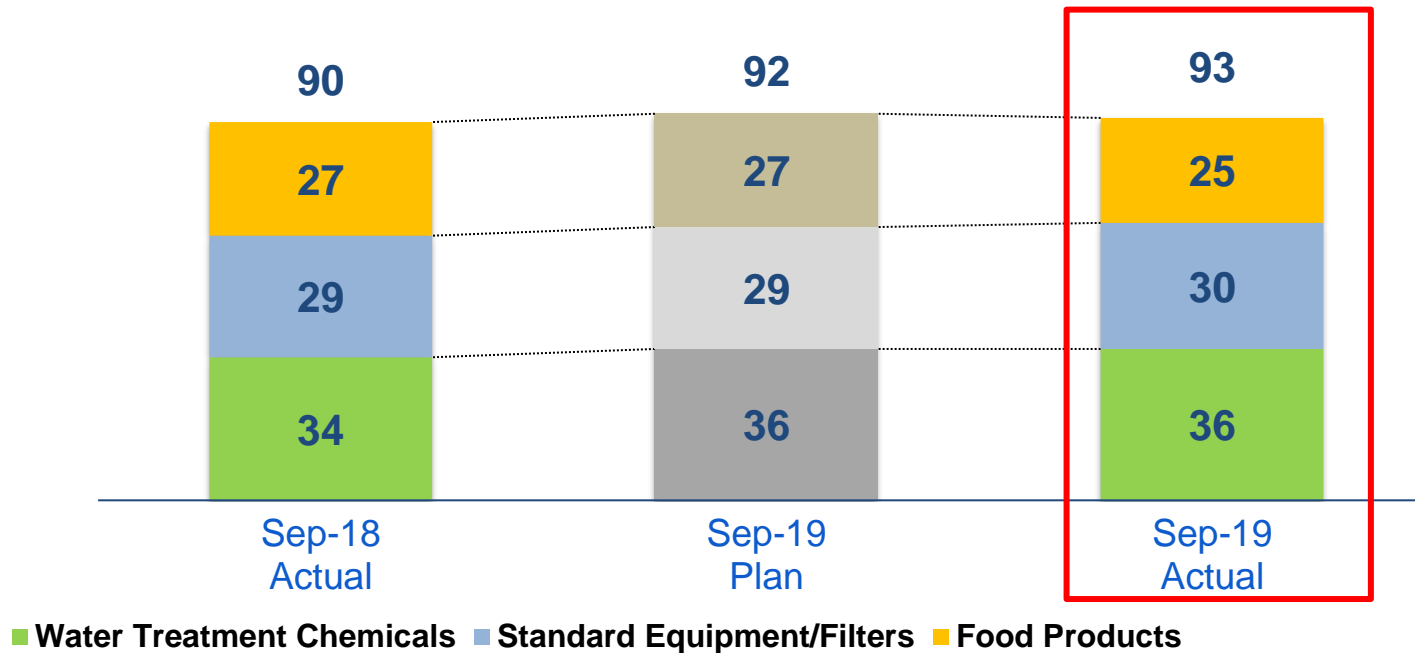
**Water Treatment Chemicals:** In addition to strong domestic performance, sales expanded overseas due to fortified sales activities.

**Standard Equipment/Filters:** In addition to the introduction of new products, business development in China was successful.

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

(Unit: ¥100 million)

Sales by Segment



# Comparative Analysis of First-Half Operating Profit

## First-half operating profit improved significantly, up ¥3.9 billion year on year.

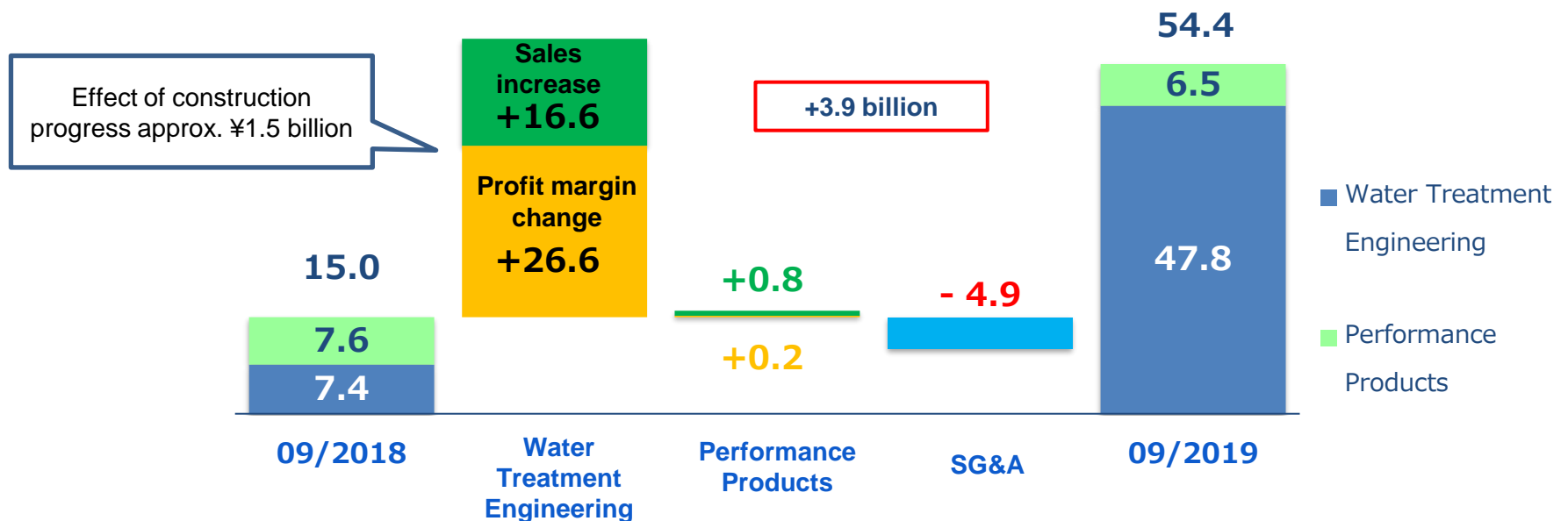
⇒ While sales and profit had declined somewhat in the second half of the preceding year, they leveled off due to the expansion of back orders. And, as construction progress surpassed expectations, the profit forecast for the second half of the preceding year was realized in the first half of this year.

⇒ Amidst a decline in overseas sales stemming from a decrease in orders, the profit margin was bolstered by growth in domestic projects with comparatively high profit margins and Service Solutions projects.

⇒ The planned reduction in less-profitable projects due to a profitability-focused order strategy was successful.

(Unit: ¥100 million)

### Operating Profit (year on year)



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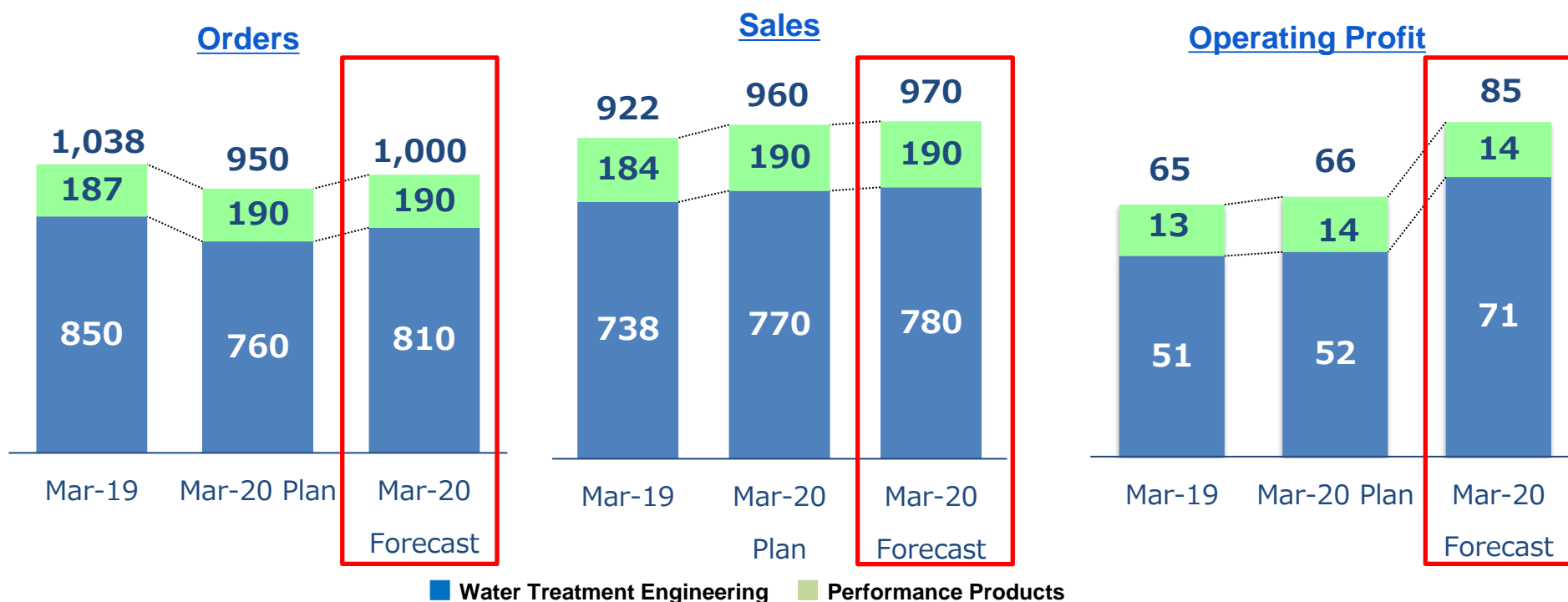
# Overview of Full-Year Forecast

**Orders:** Recovery expected in large-scale semiconductor-related investment in Taiwan and domestically in the second half.

**Sales:** Plant construction progress for orders from preceding year and expansion in Service Solutions contributed to the increase.

**Operating Profit:** Increased due to improved plant profitability and expansion in Service Solutions.

(Unit: ¥100 million)



## FY ending 03/2020 Plan

Unit: ¥100 million	March 2019 Actual	March 2020 Initial Plan	March 2020 Forecast	Year-on-Year	Actual-to-Forecast
Orders	1,038	950	1,000	- 38	+ 50
Sales	922	960	970	+ 47	+ 10
Gross profit margin (%)	229 (24.8%)	234 (24.4%)	259 (26.7%)	+ 29 (+ 1.9pt)	+ 25 (+ 2.3pt)
SG&A <sup>1</sup>	163	168	174	+ 10	+ 6
Operating income ratio (%)	65 (7.1%)	66 (6.9%)	85 (8.8%)	+ 19 (+ 1.7pt)	+ 19 (+ 1.9pt)
Ordinary income	65	65	83	+ 17	+ 18
Profit attributable to owners of the parent company	44	44	56	+ 11	+ 12

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

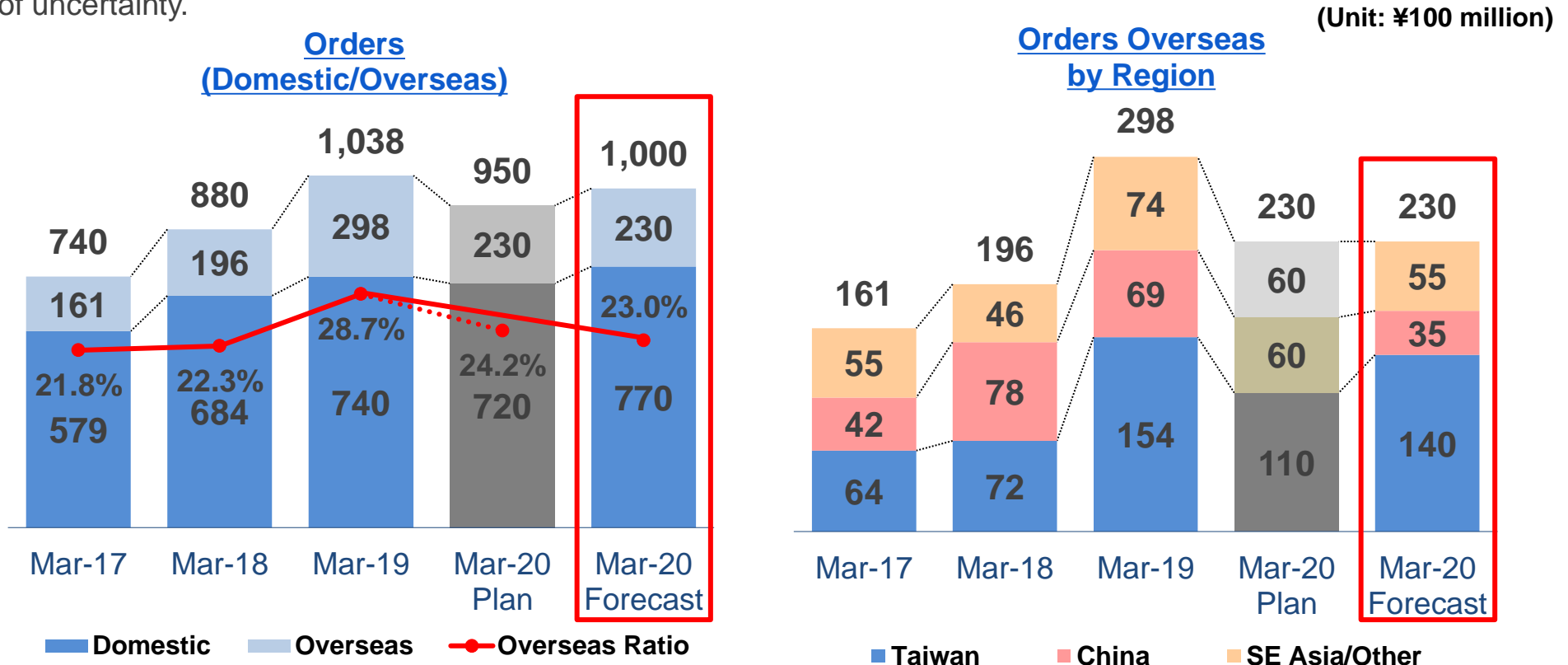
# Full-Year Forecast: Orders by Region

Domestic performance will be steady, while overseas performance, which slowed in the first half, is expected to recover in the second half bolstered by capital investment in Taiwan.

**Domestic:** Large-scale semiconductor-related orders are expected in the second half.

**Taiwan:** Proactive investment in facilities is planned, centered on foundries.

**China:** Despite existence of investment plans, U.S.-China trade friction is causing a strong sense of uncertainty.



# Full-Year Forecast: Sales by Region

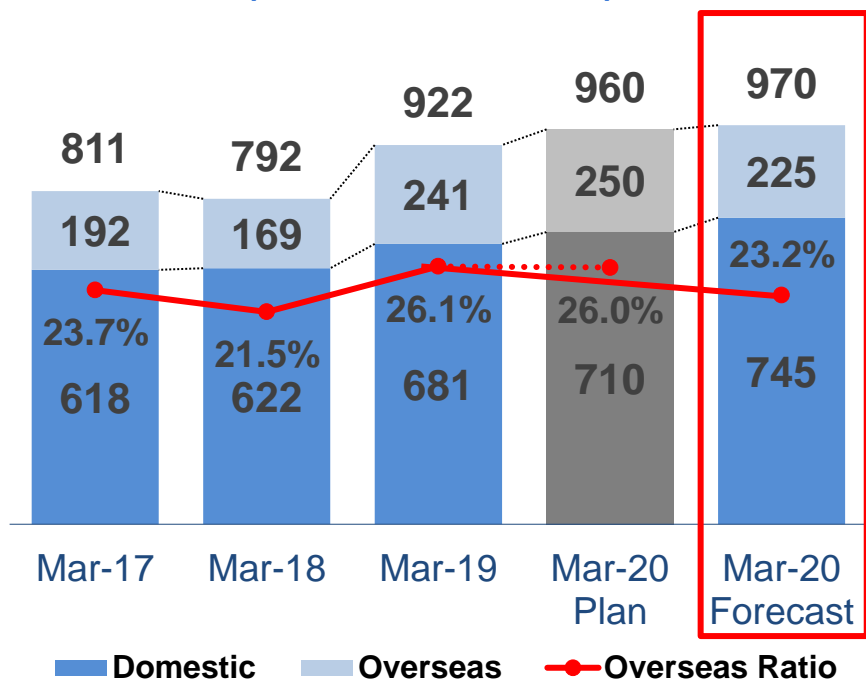
**We expect to achieve our target due to strong domestic performance.**

**Domestic:** In addition to construction progress on large-scale orders from the preceding year, strong performance is expected in Service Solutions such as facility renovation projects.

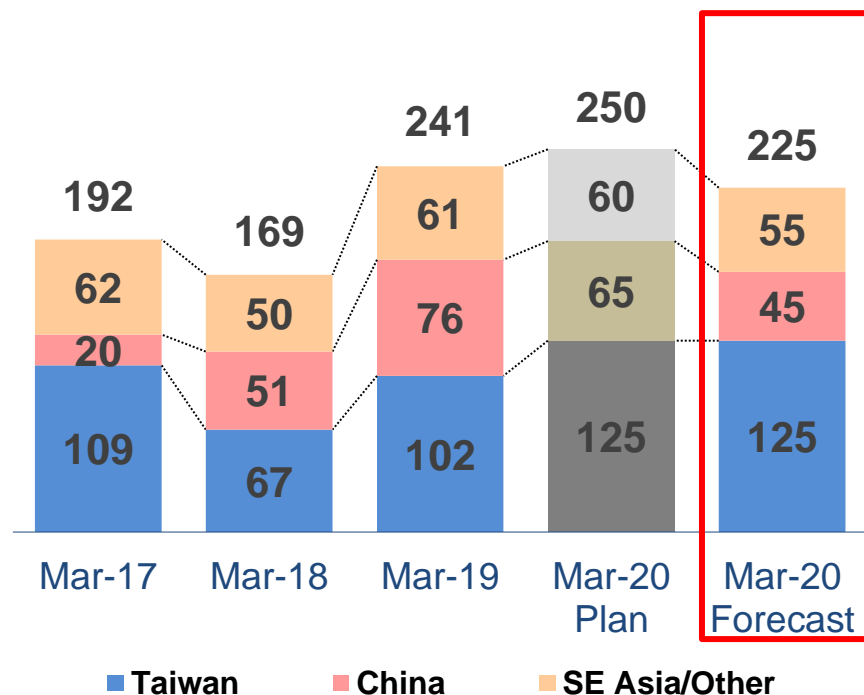
**Overseas:** Despite the slowdown in China, we expect to achieve our target due to sales from second-half orders in Taiwan.

(Unit: ¥100 million)

**Sales**  
(Domestic/Overseas)



**Sales Overseas**  
by Region



# Full-Year Forecast: Sales by Segment/Customer

## Water Treatment Engineering

**Service Solutions performance will be strong despite a delay in electronics industry investment recovery.**

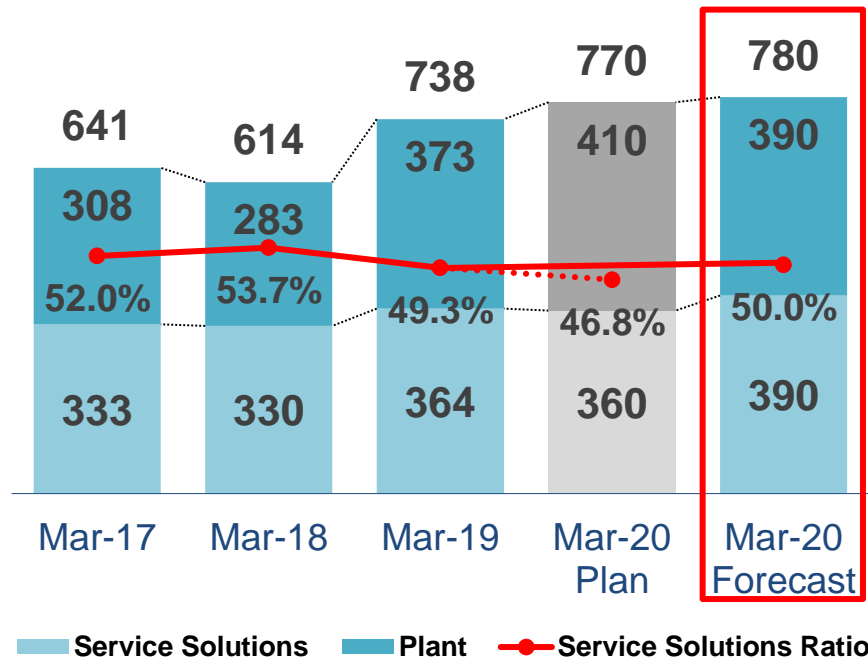
**Electronics Industry:** Year-on-year growth is expected for both Plant and Service Solutions, primarily domestically.

**General Industry:** Performance will be strong for large-scale Service Solutions projects, sparking a recovery surpassing the plan and essentially matching the level of the preceding year.

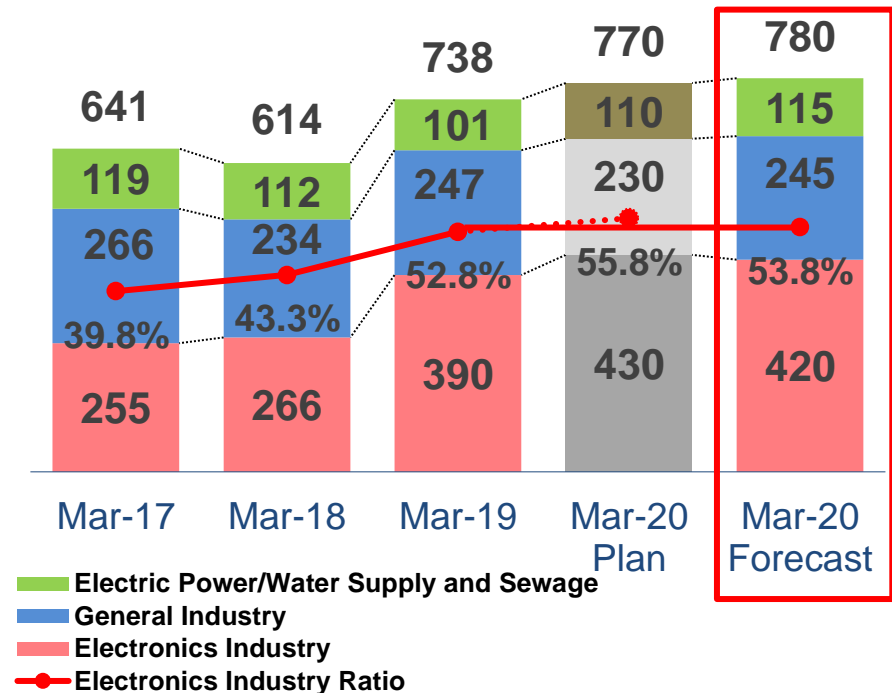
**Electric Power/Water Supply and Sewage:** Steady performance is expected, primarily for Service Solutions domestically.

(Unit: ¥100 million)

Sales by Segment



Sales by Customer





# Full-Year Forecast: Orders by Segment/Customer

## Electronics Industry

### Orders are expected to recover in the second half.

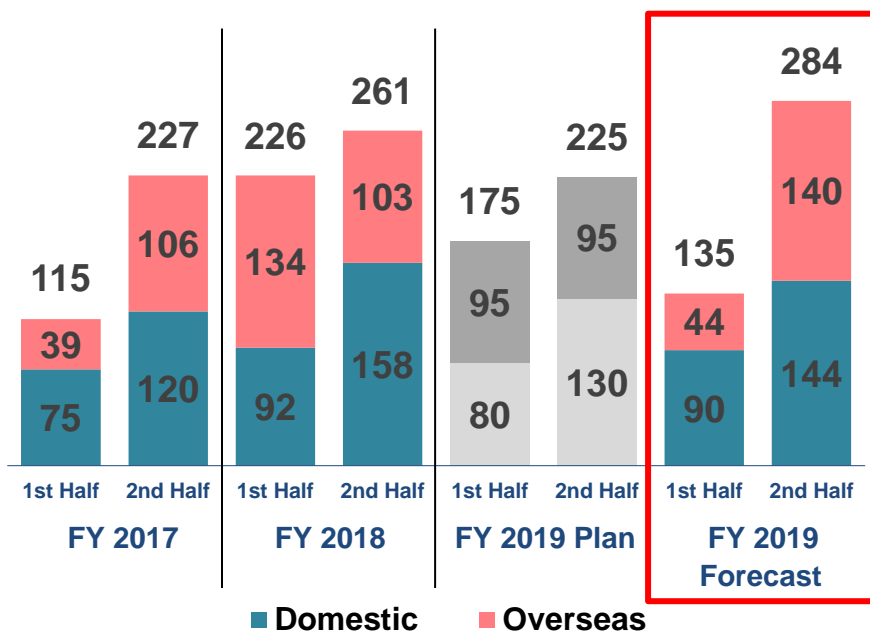
Orders slowed in the first half year on year, primarily overseas, and versus the plan.

With a recovery in the second half in large-scale investment domestically and in Taiwan, orders are expected to surpass the second-half peak of the preceding year.

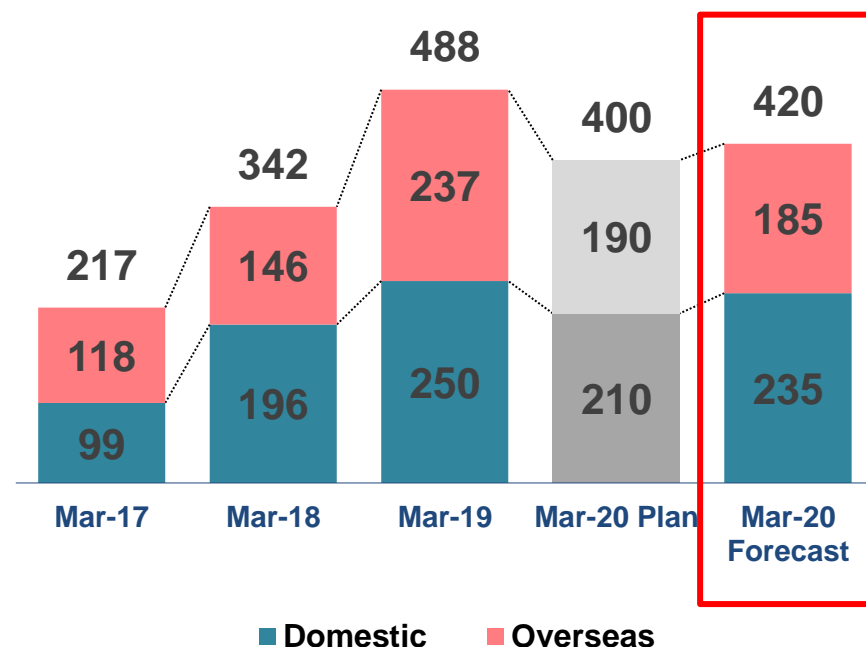
While orders are expected to fall short of the figures for the preceding year, they are forecast to surpass this year's initial plan.

(Unit: ¥100 million)

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



**Electronics Industry Orders**



# Full-Year Forecast: Sales by Segment/Customer

## Electronics Industry

Full-year sales are expected to essentially meet the initial plan.

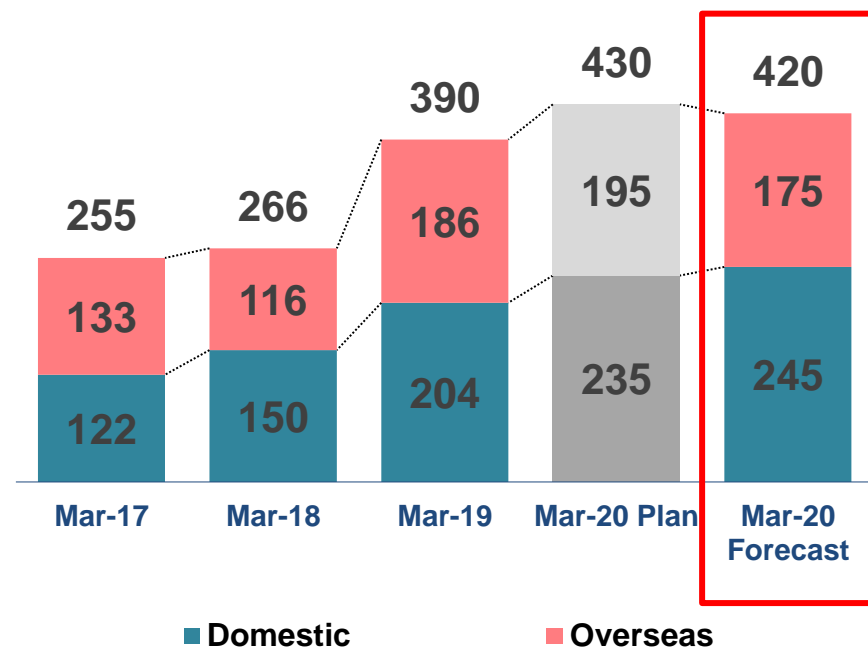
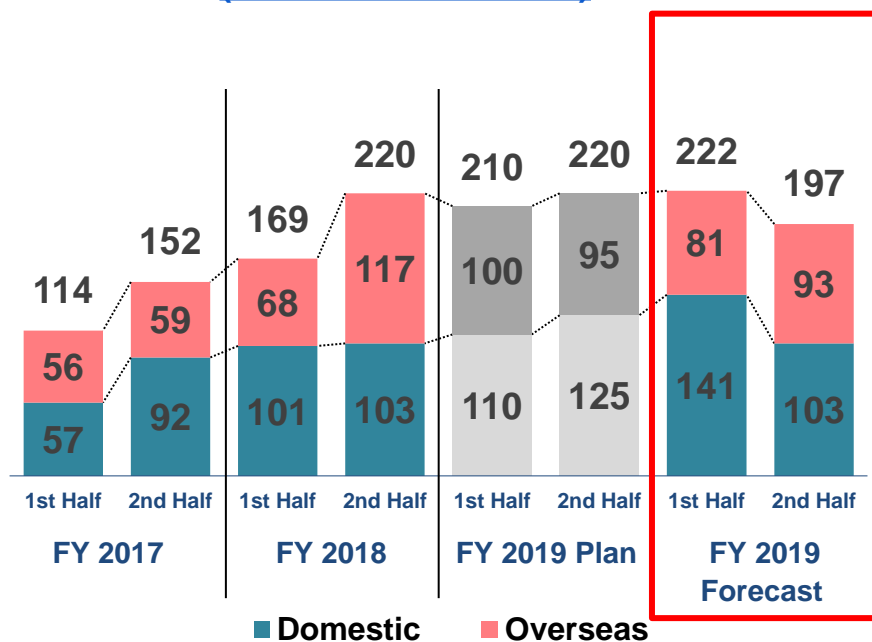
**Domestic:** In addition to Plant sales through orders from the preceding year, Service Solutions performance will be strong.

**Overseas:** In spite of a decrease in the first half due to a slowdown in investment, sales will improve in the second half due to a recovery in investment in Taiwan.

(Unit: ¥100 million)

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

Electronics Industry Sales



# Full-Year Forecast: Sales by Segment/Customer

## Performance Products

Performance in all divisions will be strong.

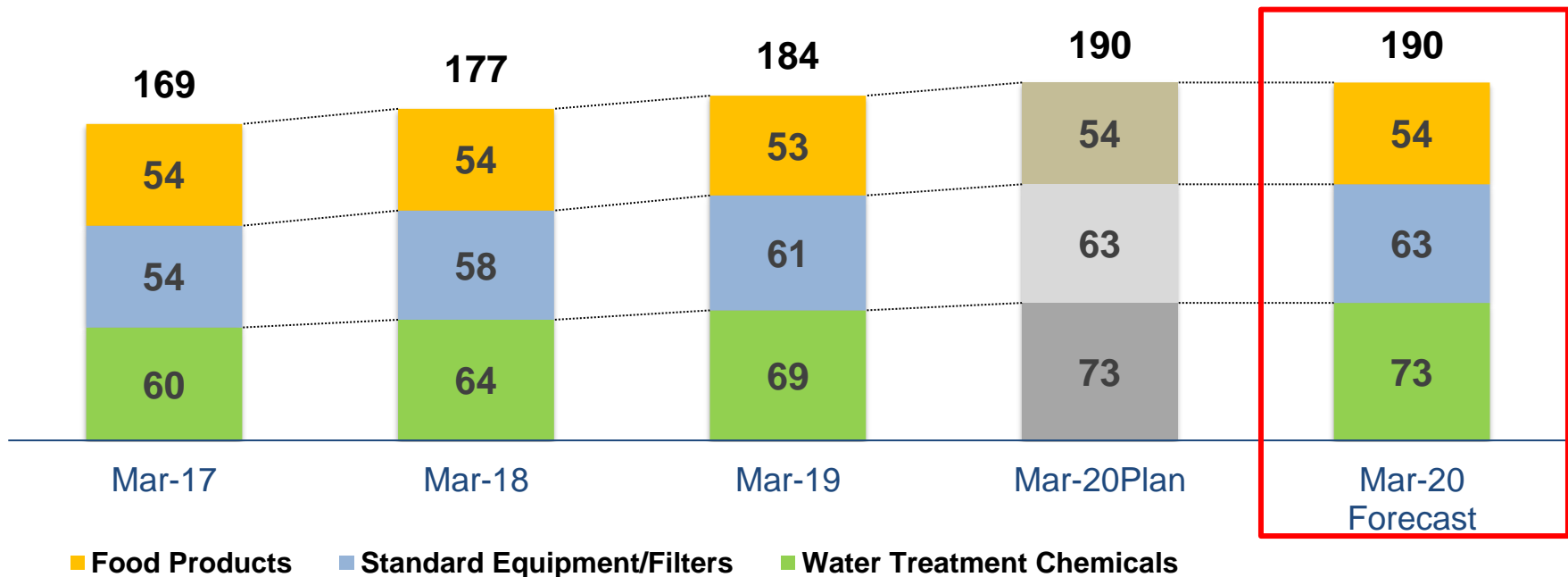
**Water Treatment Chemicals:** Increased sales are planned for the electronics industry due to fortified sales activities, primarily overseas.

**Standard Equipment/Filters:** Increased sales are planned through product renewal and the development of the Chinese market.

**Food Products:** Sales are expected to be strong, primarily domestically.

(Unit: ¥100 million)

Sales by Segment

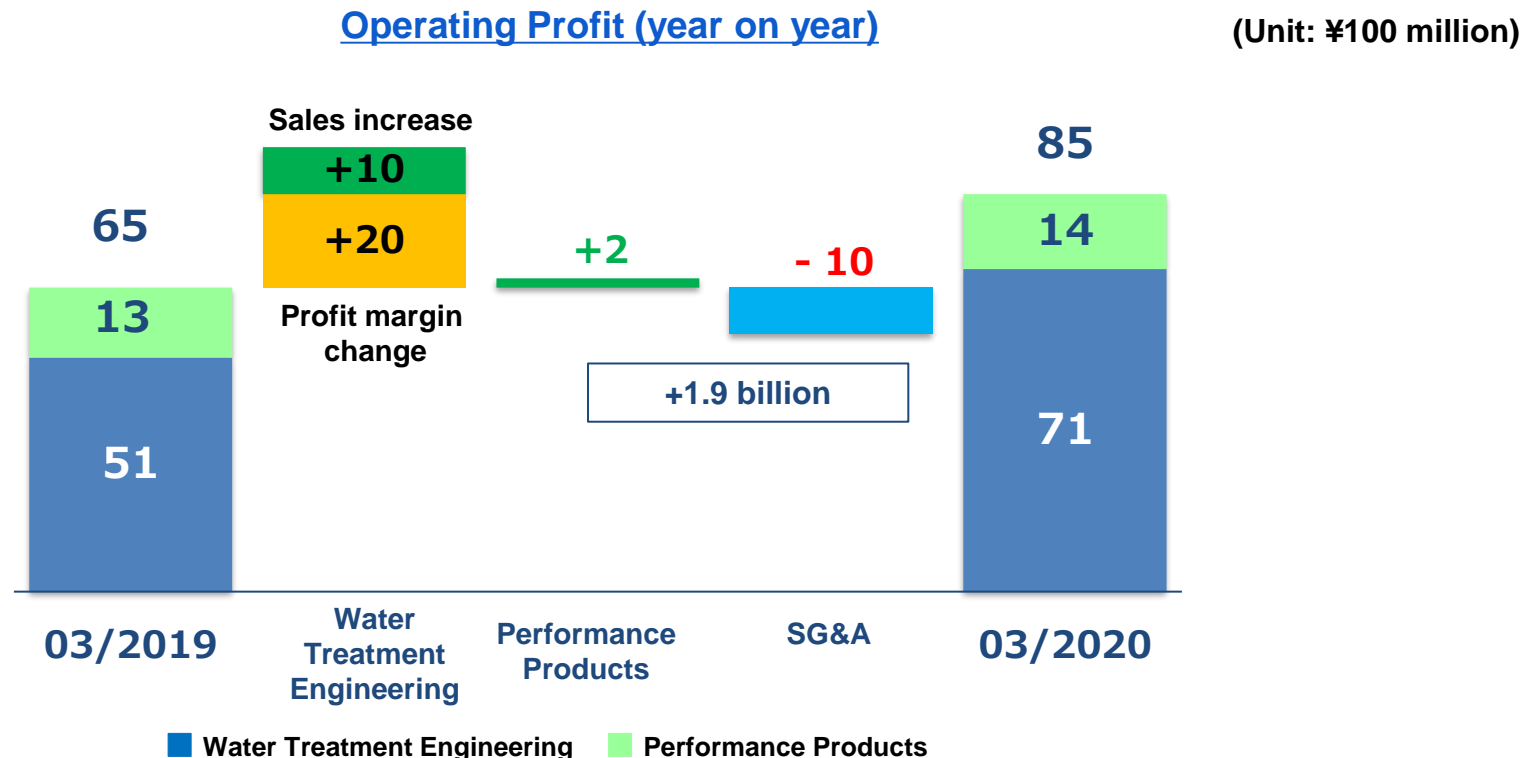


# Comparative Analysis of Full-Year Operating Profit Forecast

Full-year operating profit is expected to increase ¥1.9 billion year-on-year to ¥8.5 billion.

Profit is expected to improve, centered on Water Treatment Engineering, due to improved Plant profitability and expansion in Service Solutions.

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



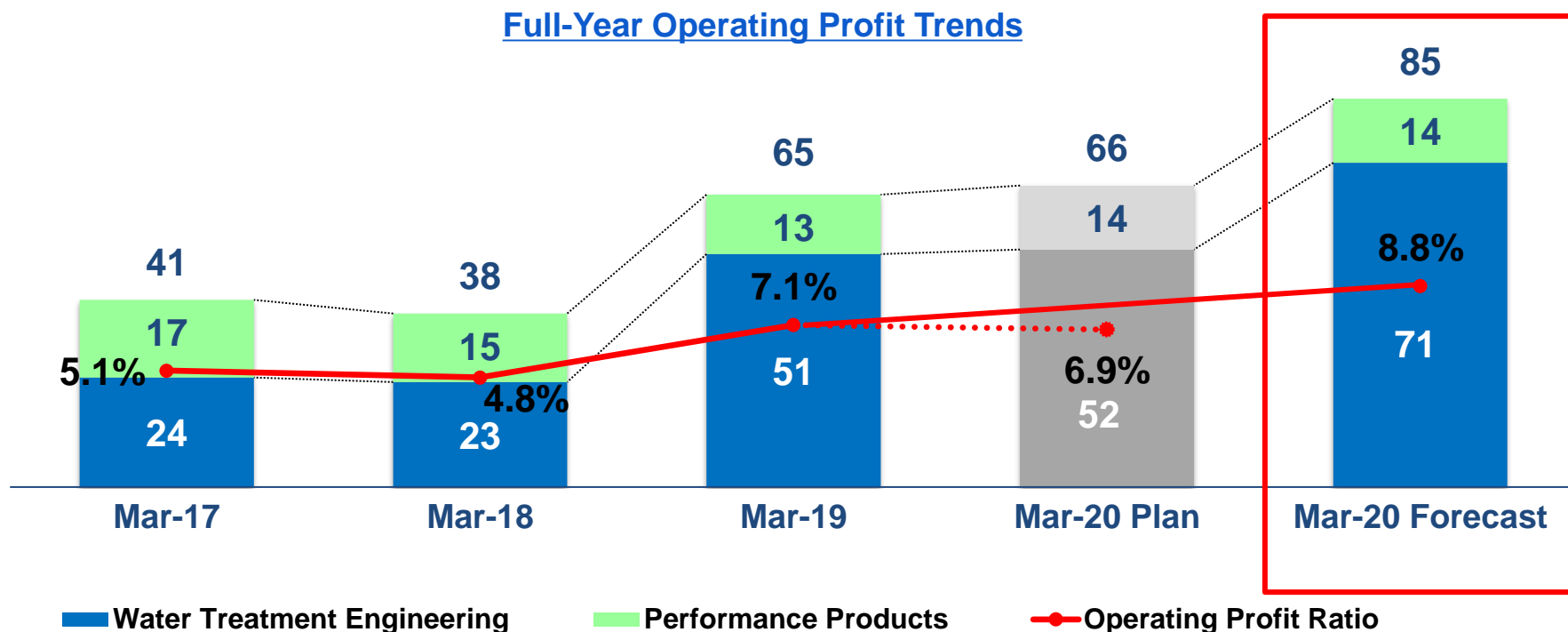
# Full-Year Operating Profit Trends

**Aim to achieve record high through expansion of sales and improvement in profitability.**

In addition to the effect of the increase driven by sales recorded from Plant orders from the preceding year and expansion in Service Solutions, improvement in Plant profitability will also contribute.

We will attempt to achieve our highest full-year profit in 13 years.

(Unit: ¥100 million)

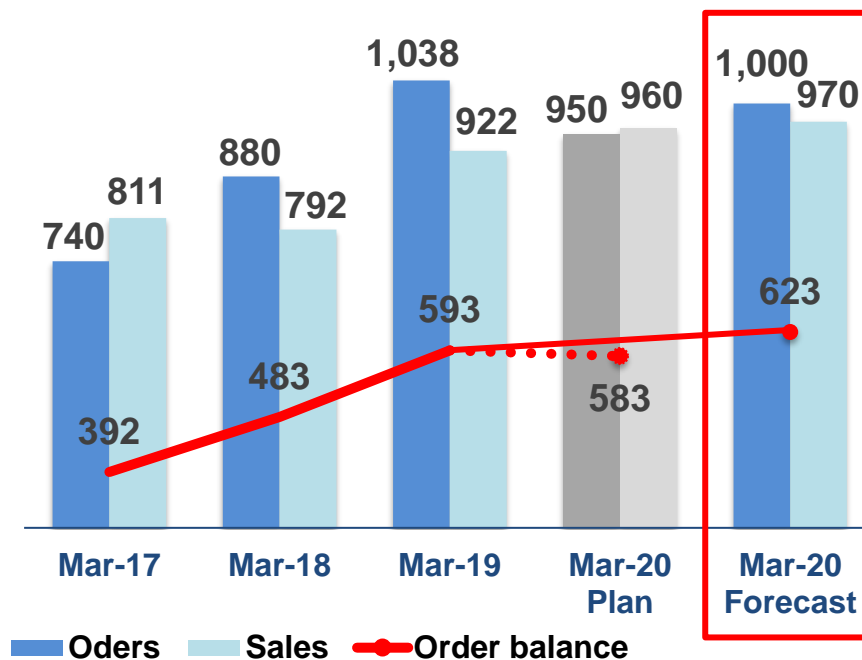


# Full-Year Order and Sales Trends

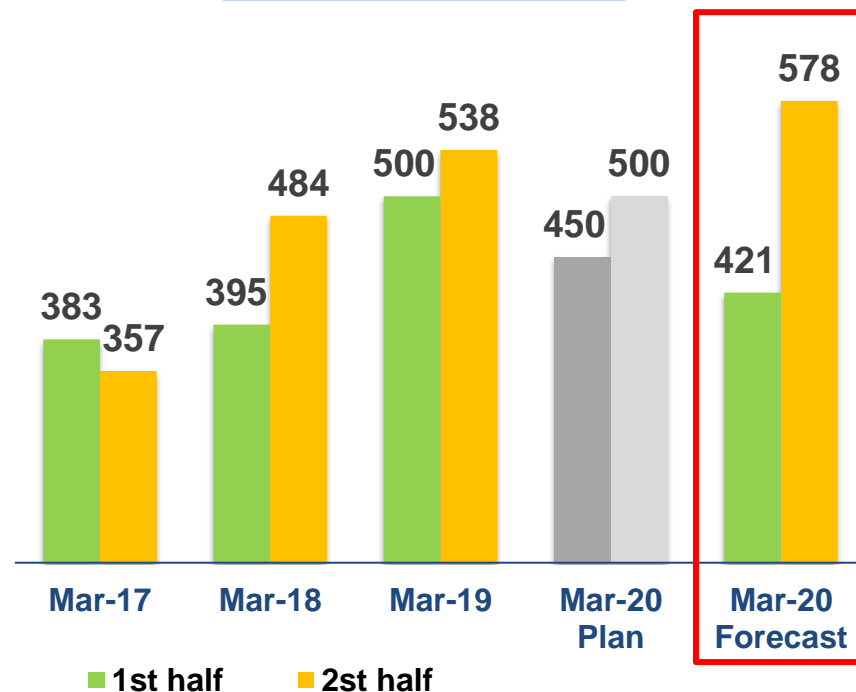
- Despite the first-half slowdown, sales will improve in the second half due to the recovery in electronic industry investment.
- Despite orders surpassing expectations, the effect of second-half sales will be limited.
- Orders for which sales will be reflected from next period onward will surpass figures from the preceding period.

(Unit: ¥100 million)

### Order and Sales Trends



### Full-Year Order Trends

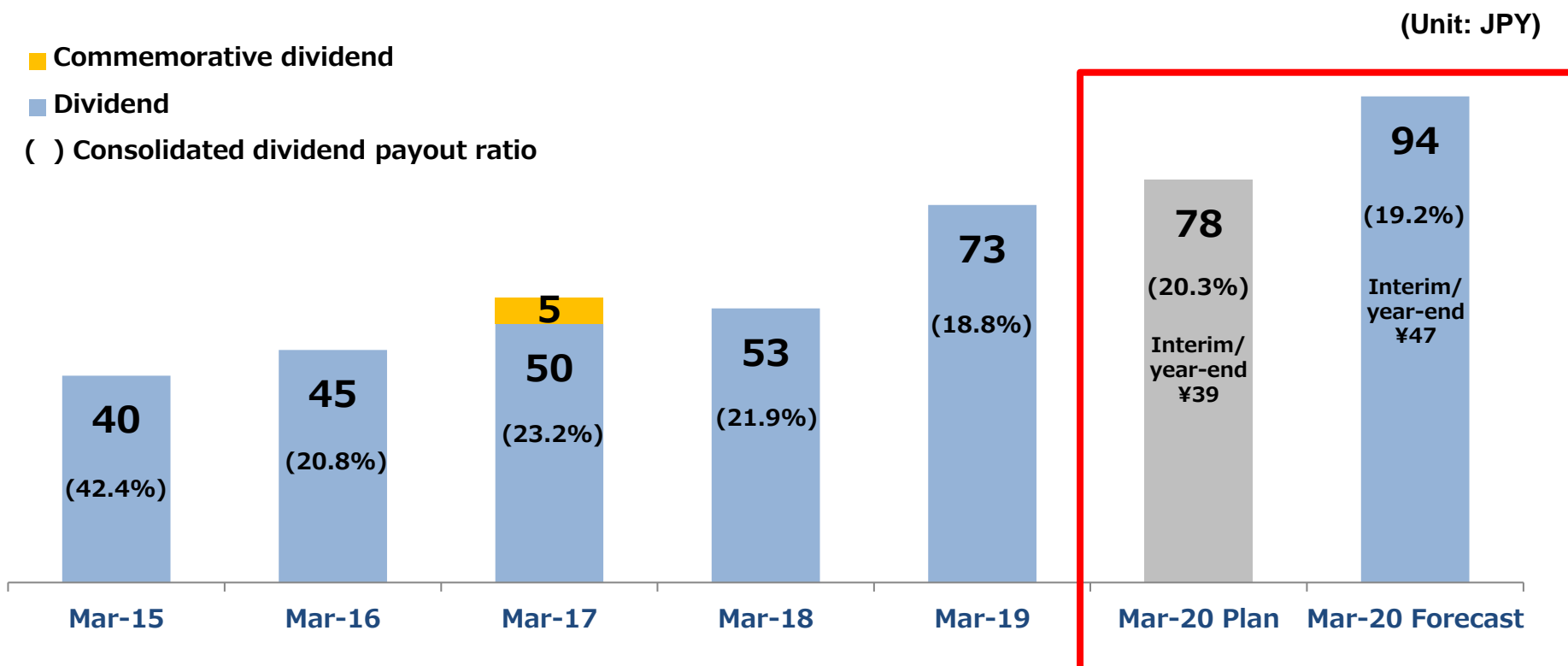


# Key Indicators

Unit: ¥100 million	FY ended 03/2019	March 2020 Plan	March 2020 Forecast
Capital expenditures (million yen)	635	800	800
R&D expenses (million yen)	1,823	2,100	2,100
Depreciation (million yen)	920	1,100	1,100
Interest-bearing debt (million yen)	13,659	15,000	15,000
No. of employees	2,186	2,200	2,250
Annual dividend (yen)	73	78	94
ROE (%)	8.4	7.8	9.8

# Interim and Year-End Dividends

- Given the first-half earnings situation, interim and year-end dividends will increase.
- While maintaining our basic policy of delivering stable, continuous dividends, we will work to distribute profits in accordance with our earnings situation.





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# Medium-Term Management Plan: Earnings Outlook

**Profit is expected to continue improving, and profit for March 2020 is forecast to surpass the medium-term management plan target.**

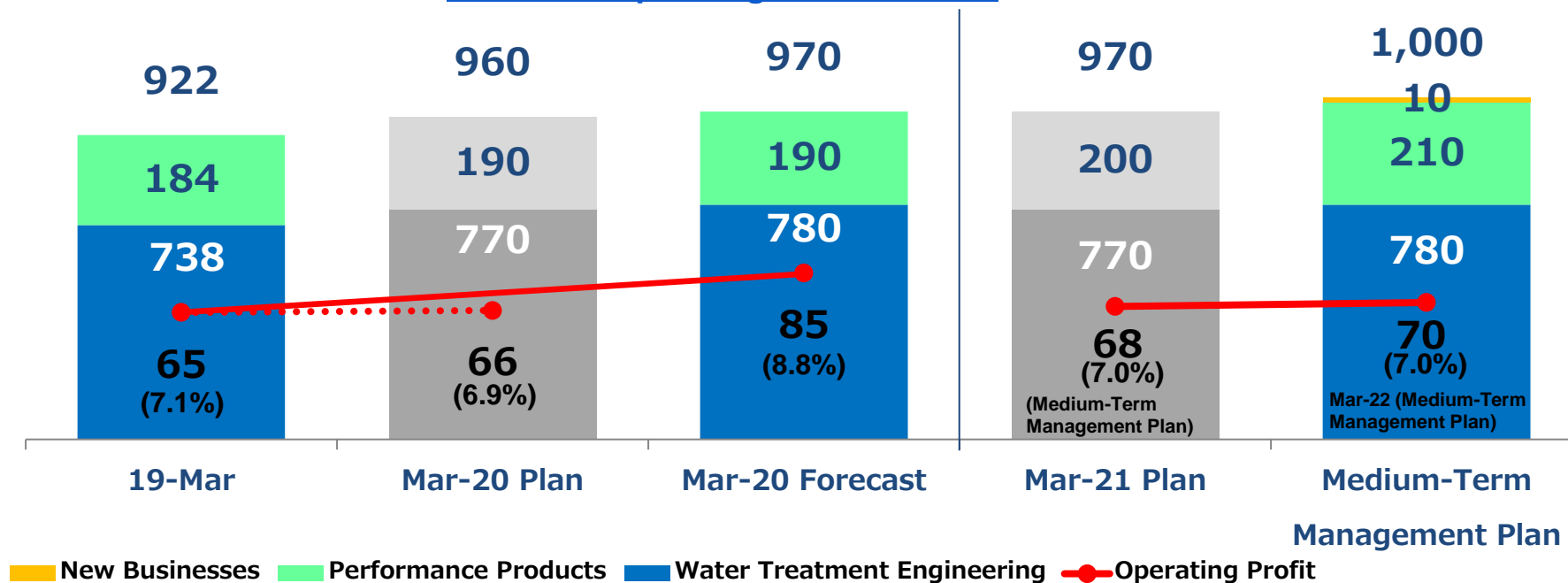
Strong performance in orders is expected to support profit, and earnings improvement measures are seen bearing fruit.

Electronics industry performance is forecast to surpass expectations. Sales will increase, centered on Plant business.

The performance of Service Solutions and Performance Products will be steady, and new businesses are in the preparation stage.

(Unit: ¥100 million)

Sales and Operating Profit forecast



# Medium-Term Management Plan: Progress

## Expansion of Electronics Industry



- Large-scale capital investment activity driven by expectations for recovery in demand for smartphones and data centers in line with the development of 5G
- Expectations for investment recovery in China from next year onward due to movement in some investment plans, despite uncertainty
- Fortification of R&D investment for cutting-edge semiconductors as miniaturization proceeds

## Strengthening of Performance Products

- Continued product renewal, new product development
- Fortification of development of Chinese market (Standard Products), and Taiwanese, Chinese, and Asian markets (Water Treatment Chemicals)



## Creation of New Businesses

- Demand expands for solvent purification for cutting-edge semiconductors
- Undertake demonstration testing for purification facilities for biopharmaceuticals and lithium-ion batteries with customers and research institutes
- Continue preparation for development in U.S. of cutting-edge semiconductors and advanced sewage treatment



# Medium-Term Management Plan: Additional Initiatives

In addition to priority issues – Electronics Industry, Performance Products and New Businesses – initiatives will be strengthened to enhance production efficiency and Service Solutions.

## Enhancement of Production Efficiency

- Begin hiring and cultivating foreign engineers toward the establishment of a global engineering center which would aim to enhanced production capacity and strengthen technological capability
- Promote enhanced work efficiency companywide, including the operation of a new ERP system\*

\*A backbone system that enables centralized management of information on management resources.

## Strengthening of Service Solutions

- Promote the strengthening of the Service Solutions structure overseas
  - ⇒ China: Establish a Service Solutions structure for electronics industry
  - ⇒ ASEAN: Strengthen Service Solutions for general industry and electric power

# Medium-Term Management Plan: Progress Topics

## Promoting Production and Work Efficiency

### • Use of Information and Communications Technology (ICT)



We have introduced tablet computers to enhance the efficiency of work performed at customers' factories such as the construction of water treatment facilities and facility diagnosis. Drawings, technical information, and system status can be shared instantly, reducing the time required to perform work.

### • Introduction of Smart Glass



We have introduced smart glass for use in plant construction and facility diagnosis. The ability to share local information with remote locations enables rapid on-site support. We will expand the range of application to include sharing information with customers and usage overseas.

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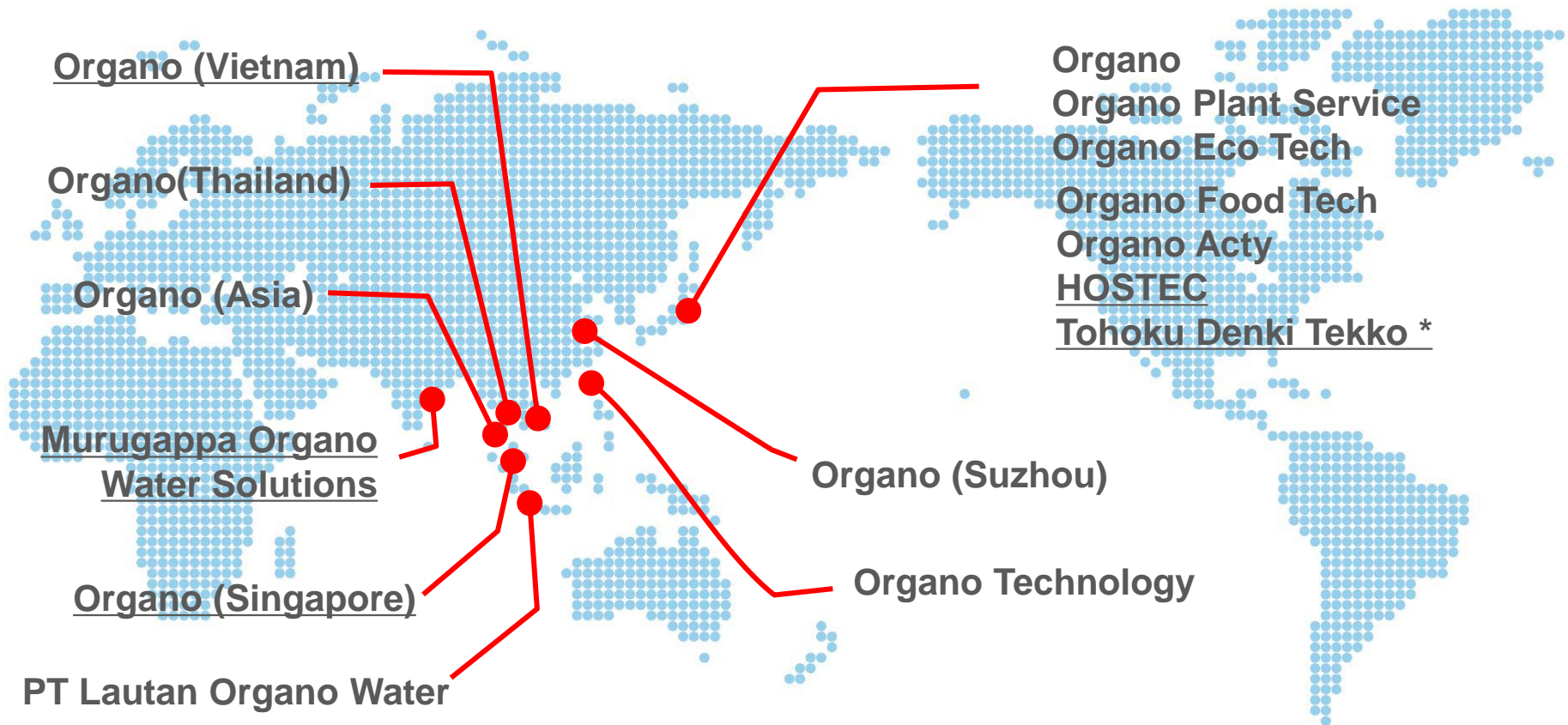
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# Company Overview

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 September 30, 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

2000's

- Overseas development
- Strengthening of service solutions

1990's

- Ultrapure water facilities for electronics industry



1980's

- Water treatment facilities for power plants



1970's

- Water supply and sewage facility
- Refinement facility for sugar solution, other



1960's

- Large-scale pure water equipment for general industry



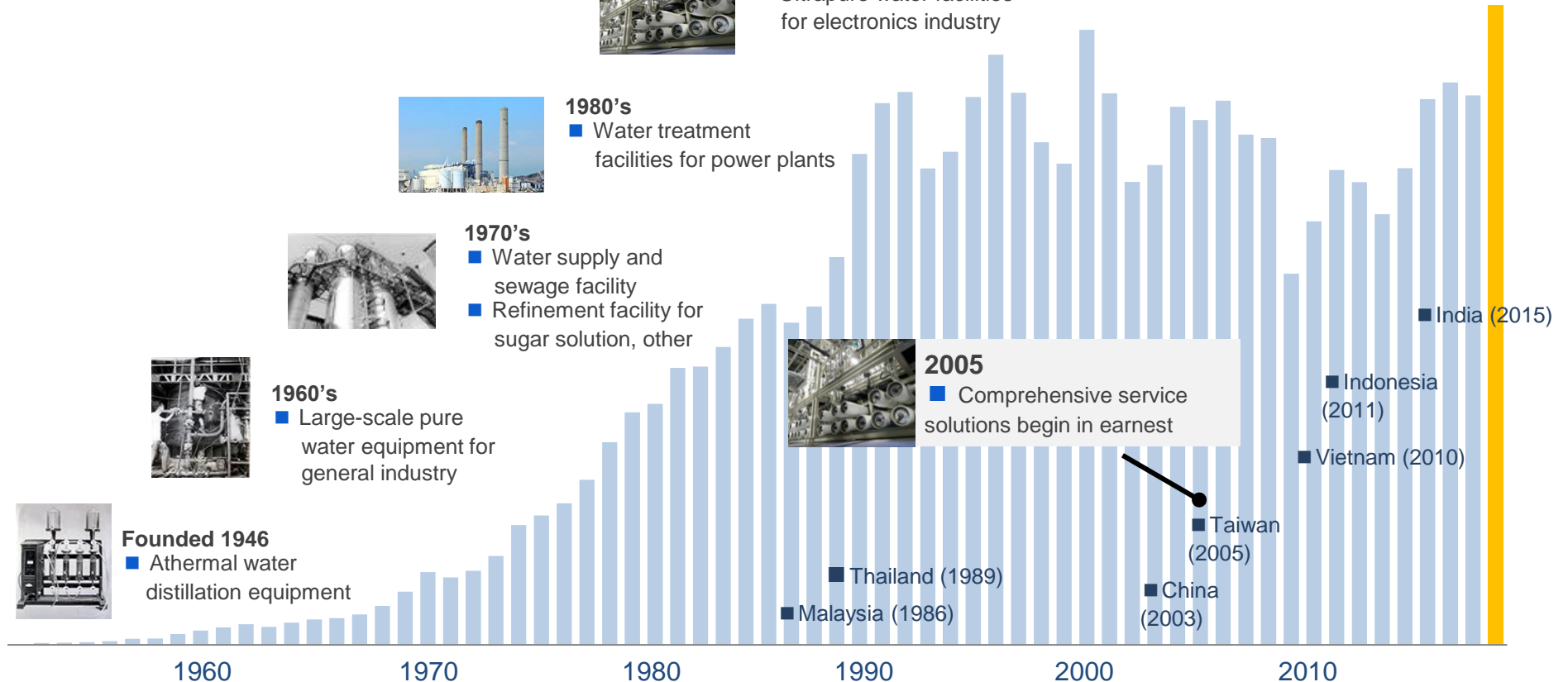
Founded 1946

- Athermal water distillation equipment



2005

- Comprehensive service solutions begin in earnest



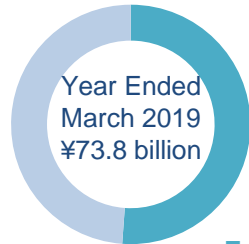
# Organo Group Businesses

## 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  
¥37.3 billion



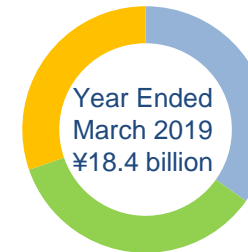
- Pure and ultrapure water facilities
- Wastewater treatment and recovery facilities
- Valuable material recovery facilities
- Production processing-related facilities

## Performance Products

Food Processing Agents  
¥5.3 billion



- Food processing agents
- Food ingredients



Standard Equipment/Filters  
¥6.1 billion



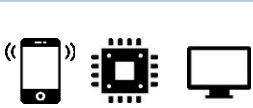
- Pure and ultrapure water equipment
- Water purification filters



Water Treatment Chemicals  
¥6.9 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

# SUSTAINABLE DEVELOPMENT GOALS

17 GOALS TO TRANSFORM OUR WORLD



# ORGANO CORPORATION

## Contact

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

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