

Report on the First Half Financial Results for the Fiscal Year ending Mar.31 2018

Nov. 8, 2017

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- Forecasts for the Fiscal Year ending Mar.31 2018
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Corporate Outlines

Corporate Name	Organo Corporation		
Head Office	1-2-8, Shinsuna, Koto-ku, Tokyo 136-8631, JAPAN		
Establishment	May 1, 1946		
Representative	Yasuyuki Koie (President)		
Capital	¥ 8,225,499,312		
Number of Employees	2,172 (Consolidated) * as of the end of Sep. 2017		
Business Lineup	Water Treatment Engineering	Plant Business	Manufacturing and Sales of Large-scale Water Treatment Plants
		Solution Business	Maintenance, Operation, Refurbishment, etc. of Water Treatment Plants
	Functional Product		Manufacturing and Sales of Standardized Water Treatment Equipment, Water Treatment Chemicals, and Food Processing Materials
Major Business Offices	Head Office (Tokyo), R&D Center (Kanagawa), Tsukuba Factory (Ibaraki), Iwaki Factory (Fukushima), Hokkaido Branch (Hokkaido), Tohoku Branch (Miyagi), Kanto Branch (Tokyo), Chubu Branch (Aichi), Kansai Branch (Osaka), Chugoku Branch (Hiroshima), Kyushu Branch (Fukuoka)		



Scope of Consolidation

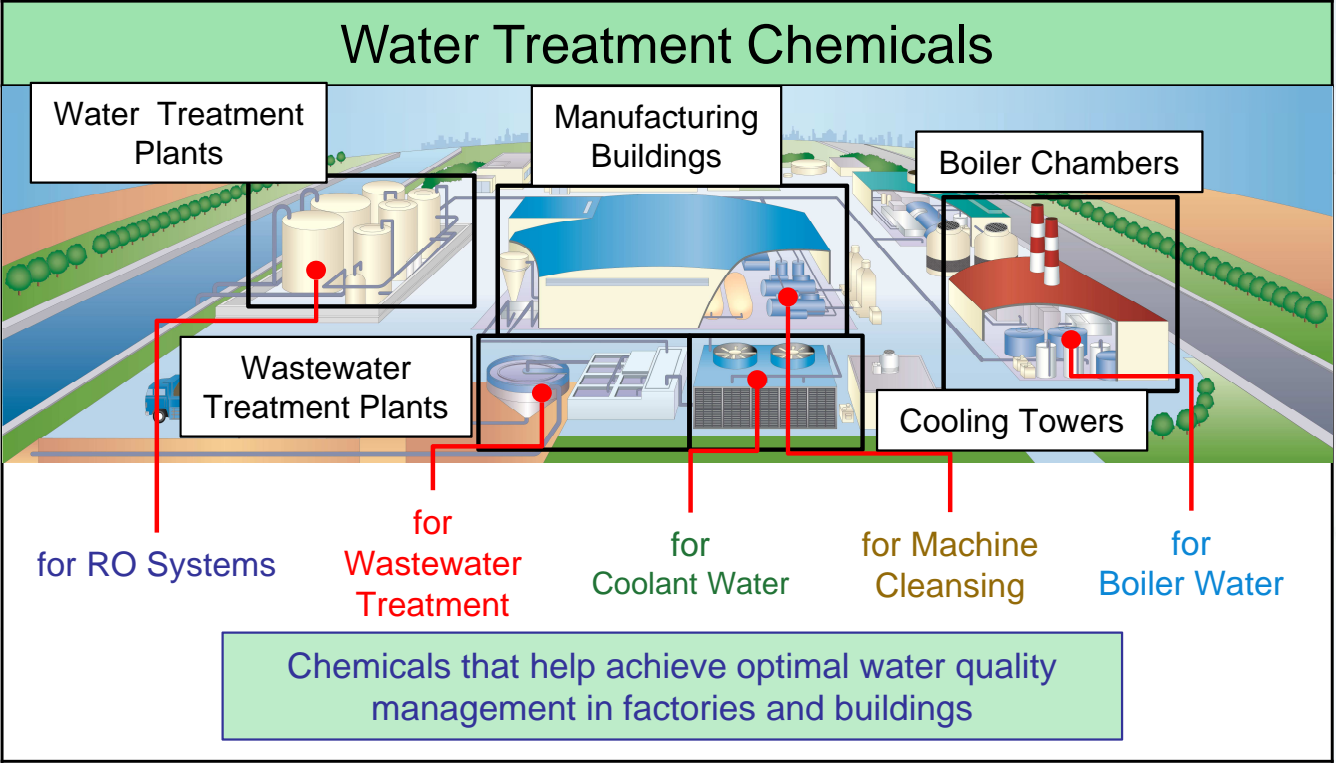
Area		Company Name	Major Business	
Consolidated	Japan	Organo Plant Service Corporation	Construction and Maintenance of Water Treatment Plants	
		Organo Food Tech Corporation	Manufacturing and Sales of Food Processing Materials	
		Organo Eco Tech Corporation	Design and Sales of Wastewater Treatment Plants	
		Organo Acty Corporation	Printing, Insurance Brokerage, etc.	
	Over-seas	China	Organo (Suzhou) Water Treatment Co., Ltd.	Water Treatment Engineering
		Taiwan	Organo Technology Co., Ltd.	
		South-east Asia	Organo (Asia) Sdn. Bhd. <Malaysia>	
			Organo (Thailand) Co., Ltd. <Thailand>	
			PT Lautan Organo Water <Indonesia>	
Non-Consolidated	Japan	Hostech Corporation	Manufacturing of Standardized Water Treatment Equipment	
		Tohoku Denki Tekko	Design and Construction of Various plants	
	Over-seas	South-east Asia	Organo (Singapore) Pte Ltd <Singapore>	Water Treatment Engineering
			Organo (Vietnam) Co., Ltd. <Vietnam>	
		South Asia	Murugappa Organo Water Solutions Private Limited <India>	

Business Description of Water Treatment Engineering Segment

Plant Business	Applied Areas
<ul style="list-style-type: none">◆ Water production (pure water, ultrapure water, etc.)◆ Wastewater treatment and recovery◆ Valuable resource recovery◆ Process-related (sugar purification, etc.) <div data-bbox="1131 472 1440 667"></div> <div data-bbox="1160 703 1402 916"></div> <div data-bbox="116 748 1025 855"><p>Water treatment plants appropriate for various uses based on combinations of the advanced technologies</p></div>	<p>Electronics industries Semiconductors, liquid crystal, electronic components, etc.</p> <p>Power plants Thermal power plants, nuclear power plants, etc.</p> <p>Municipal water and sewerage Water and sewerage treatment</p> <p>General industries Food, beverages, pharmaceuticals, chemicals, machinery, etc.</p>
Solution Business	
<ul style="list-style-type: none">◆ Maintenance◆ Operation management◆ Refurbishment◆ Contract water treatment service <div data-bbox="1106 1094 1440 1378"></div> <div data-bbox="116 1370 1025 1477"><p>Provides solutions to achieve optimal operation of water treatment plants</p></div>	

Business Description of Functional Product Segment

Standardized Water Treatment Equipments & Filters	
Standardized Water Treatment Equipments	<p>Pure water/ultrapure water production units for experiments, analyses, and inspections undertaken at research institutions, hospitals and other organizations.</p>  <p>High-purity water optimal for use in experiments and analyses</p>
Filters	<p>Water purification filters for convenience stores, kitchens, cup-type vending machines, etc.</p>  <p>Safe and tasty water appropriate for drinking water, coffee, etc.</p>



Food Processing Materials

- ◆ Gelatinizing agents and thickeners for jellies, etc.
- ◆ Food ingredients such as protein, fibers, etc.

Materials that meet the need of the times such as food for the elderly and nursing care (prevention for aspiration, etc.)

First Half Financial Results of the Fiscal Year Ending March 31, 2018

- Financial Results
- Outlook for 1st half financial results
- Trends of Business Results (Sales and Operating Income)
- Results by Business Segments (Orders, Sales and Operating Income)
- Sales by Regions
- Sales for Water Treatment Engineering Segment
 - ; Sales by Business Areas and Customers
- Sales for Functional Product Segment
 - ; Sales by Business Areas
- Balance Sheet

1st Half Financial Results

(Millions of JPY)

	09/2016 Result	09/2017 Plan	09/2017 Result	Y/Y Diff.	Diff. from Plan
Orders Received	38,332	36,500	39,588	+ 1,256	+ 3,088
Net Sales	34,364	33,500	32,003	△ 2,361	△ 1,497
Gross Profit (%)	7,744 (22.5%)	7,400 (22.1%)	7,212 (22.5%)	△ 532 (± 0.0pt)	△ 188 (+ 0.4pt)
SG&A	7,057	7,100	7,448	+ 391	+ 348
Operating Income (%)	687 (2.0%)	300 (0.9%)	△235 (△0.7%)	△ 922 (△ 2.7pt)	△ 535 (△ 1.6pt)
Ordinary Income	533	250	△182	△ 715	△ 432
Net Income	89	55	△253	△ 342	△ 308

Outlook for 1st half financial results

【Engineering Segment】

Orders : Growing up in Japan(EL) and China(EL), Slowing down in Taiwan(EL)

Sales : Growing up in China(EL), Slowing down in Japan(General) and Taiwan(EL)

【Functional Products Segment】

Growing up Orders and Sales in all segments

【Total】

R&D and HR expenses increased



Orders
Increased against
2016.2Q and Plans

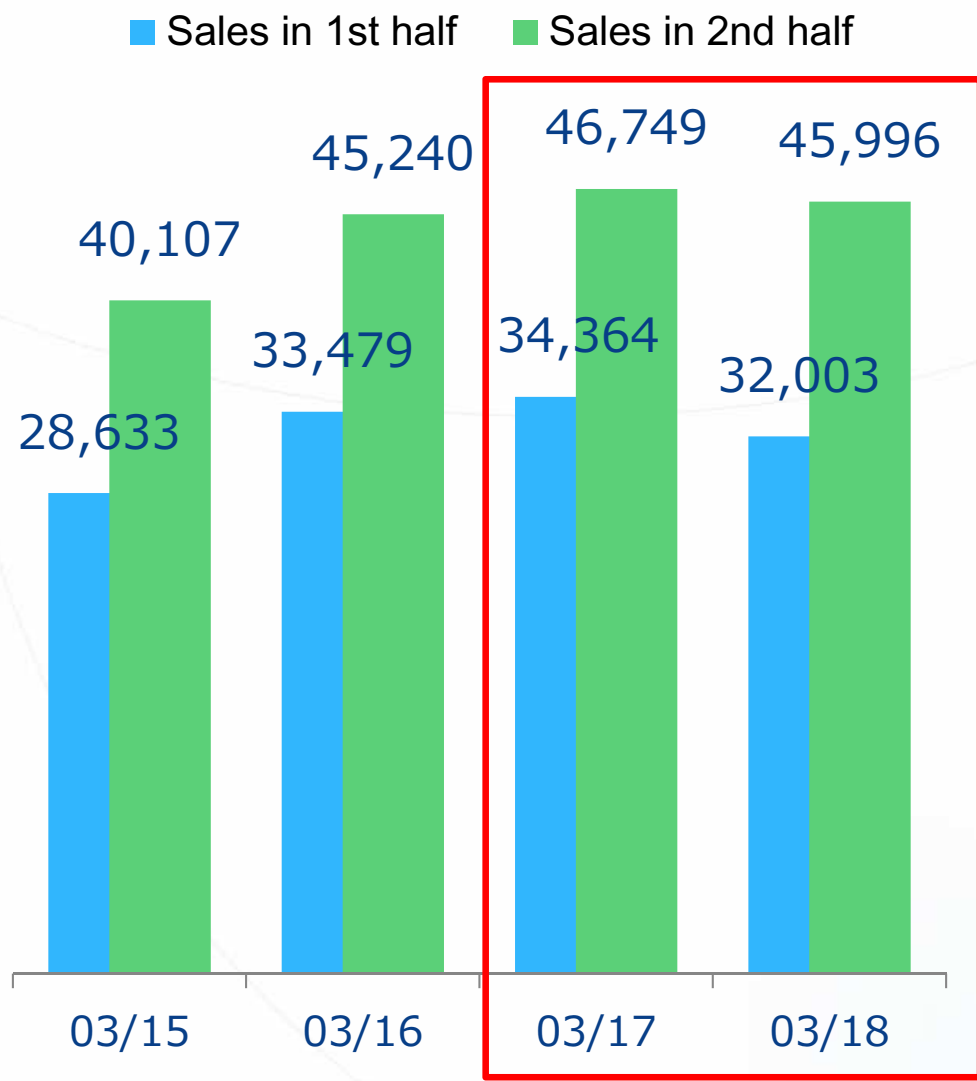
Sales
Decreased against
2016.2Q and Plans

Operating Income
Decreased against
2016.2Q and Plans

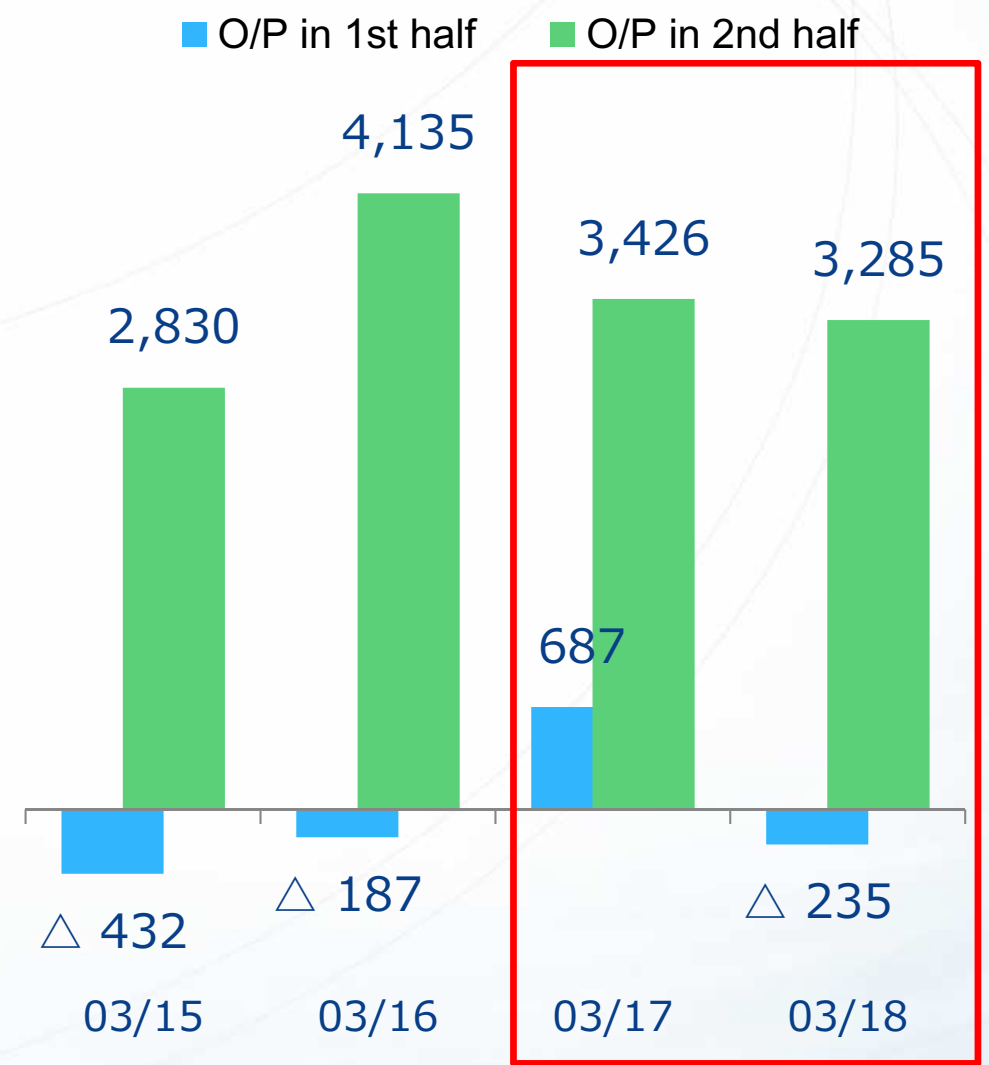
Our yearly Sales & Profit depends on The result of 2nd Half

(Millions of JPY)

Trends of Net Sales



Trends of Operating Profit



1st Half Results by Segments (Orders)



(Engineering)

Orders for Electronics in Japan and China increased

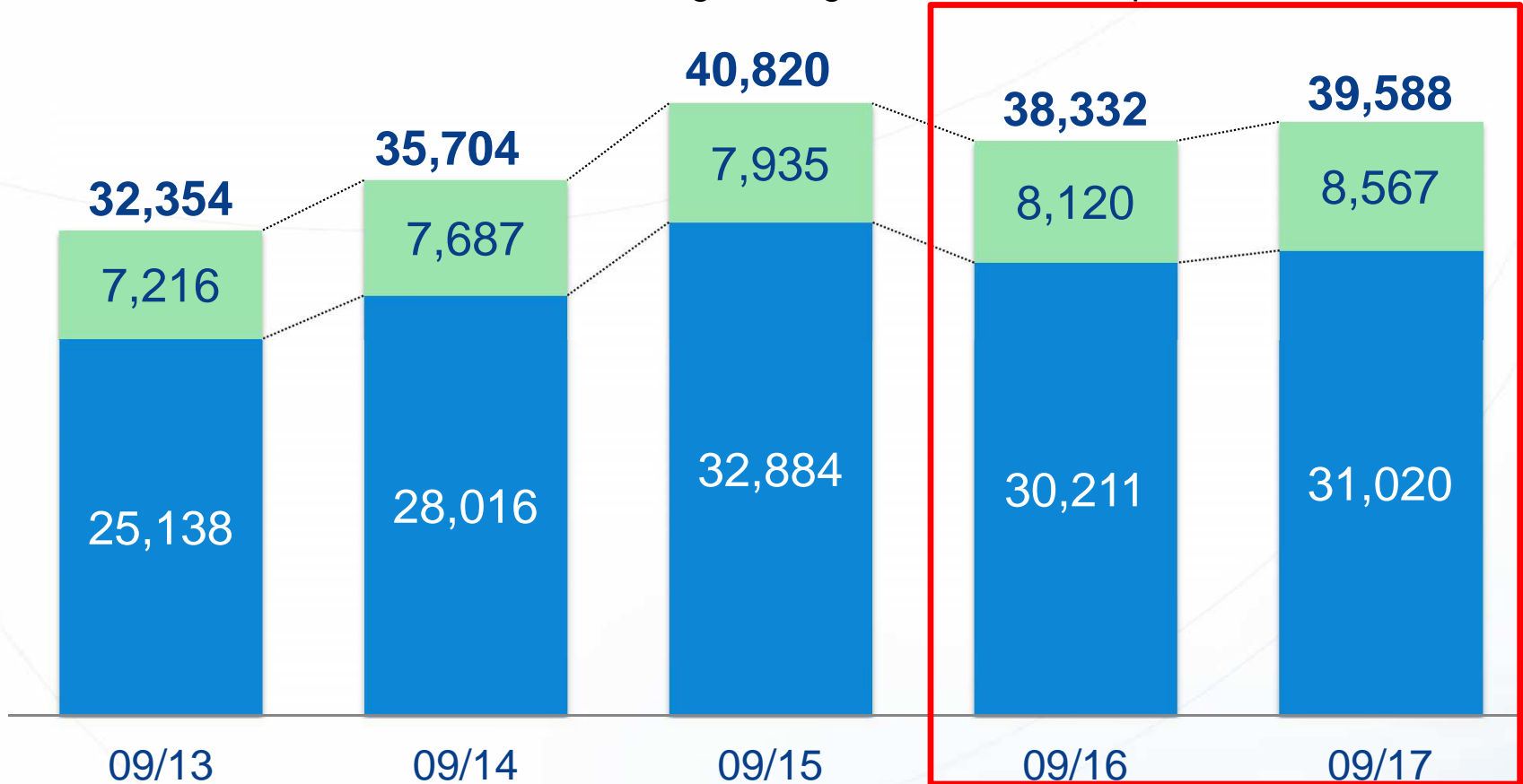
(Functional Product)

All domains performed solidly

(Millions of JPY)

Trends of Orders received in 1st half

■ Water Treatment Engineering ■ Functional products



1st Half Results by Segments (Net Sales)



(Engineering)

Sales in Taiwan for Electronics increased,
but sales in Japan for general declined

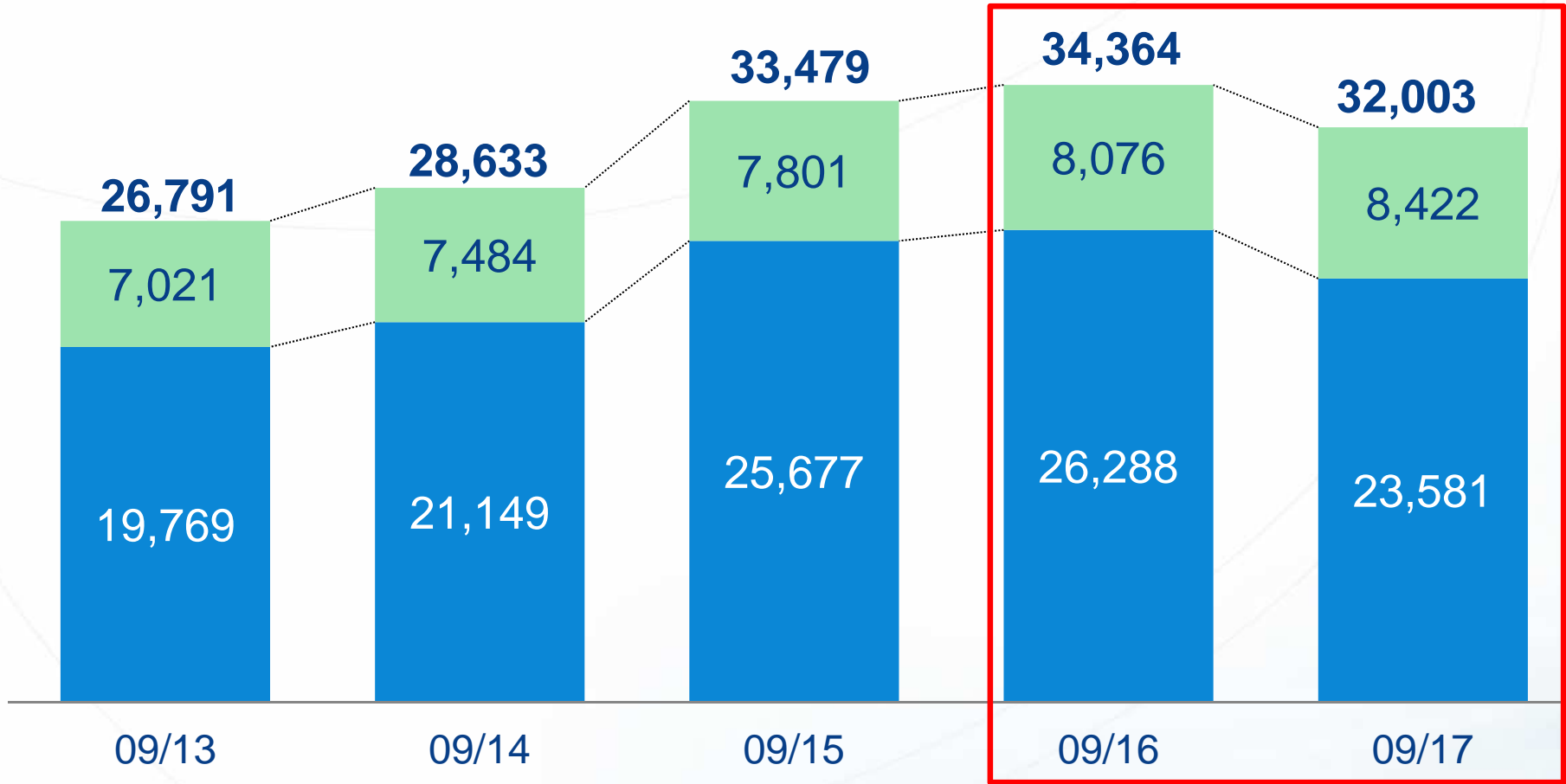
(Functional Product)

All domains performed solidly.

(Millions of JPY)

Trends of Net Sales in 1st Half

■ Water Treatment Engineering ■ Functional Product



1st Half Results by Segments (O/P)

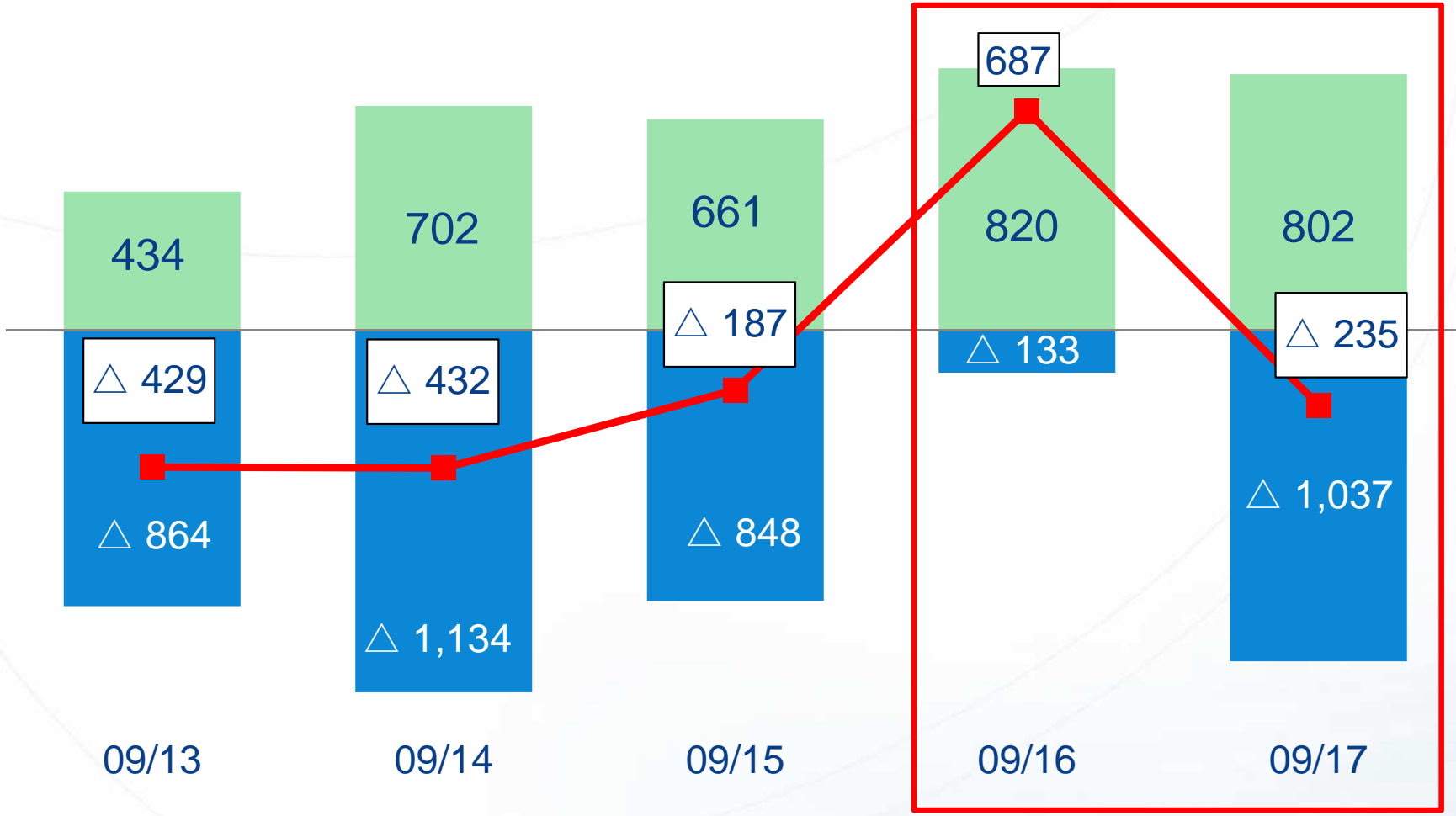


O/P declined mainly due to decreasing sales and increasing SG&A including R&D and HR expenses

Trends of Operating Profit in 1st half

(Millions of JPY)

Water Treatment engineering Functional Product Total



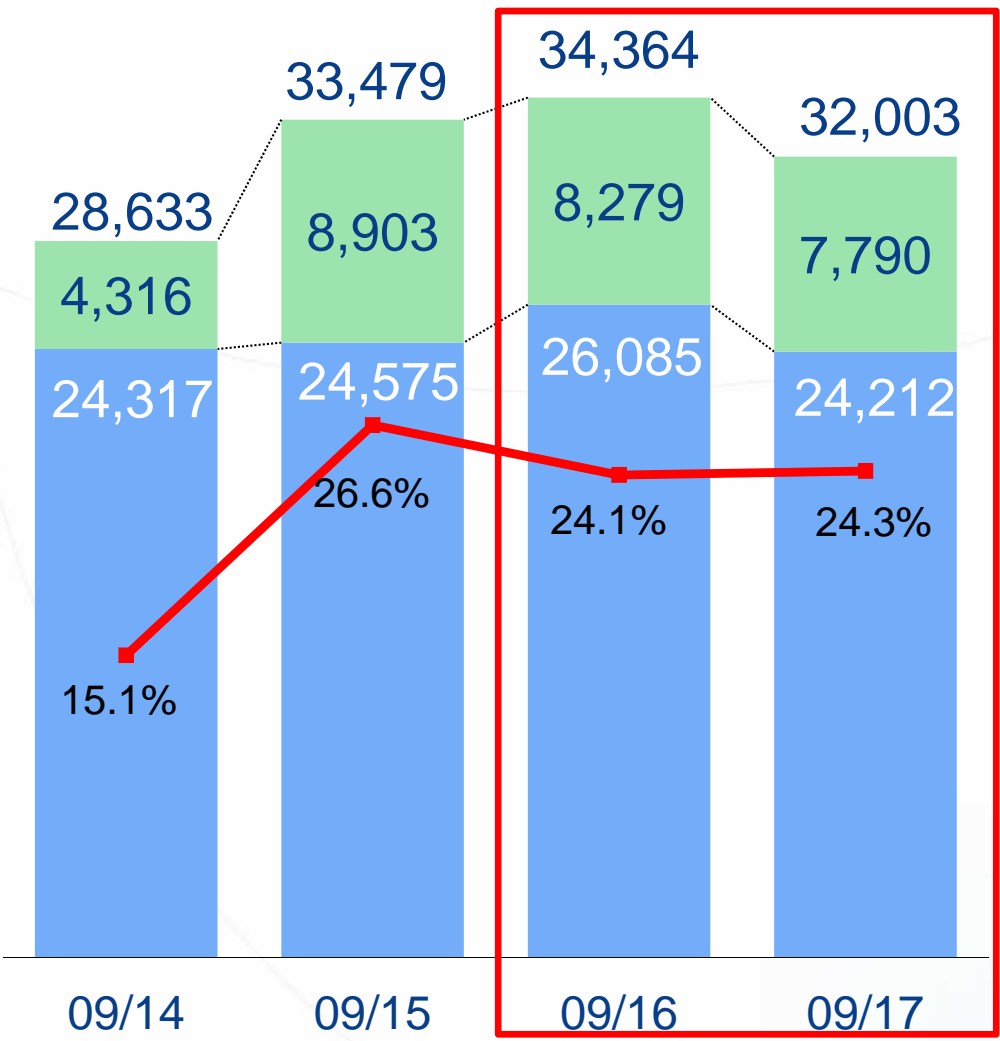


Sales in China sharply rose while sales in Japan and Taiwan decreased

(Millions of JPY)

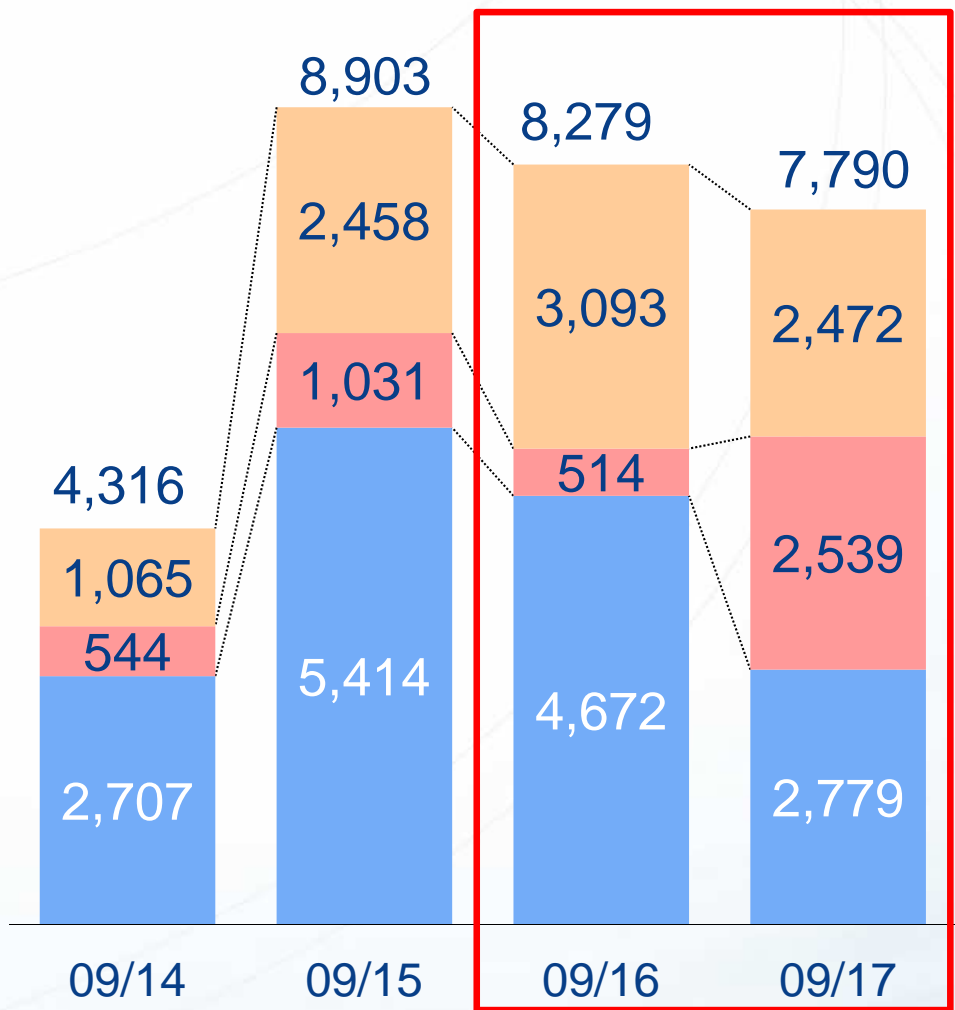
Sales by Regions

Domestic Overseas Overseas ratio



Overseas Sales by Regions

Taiwan China Southeast Asia



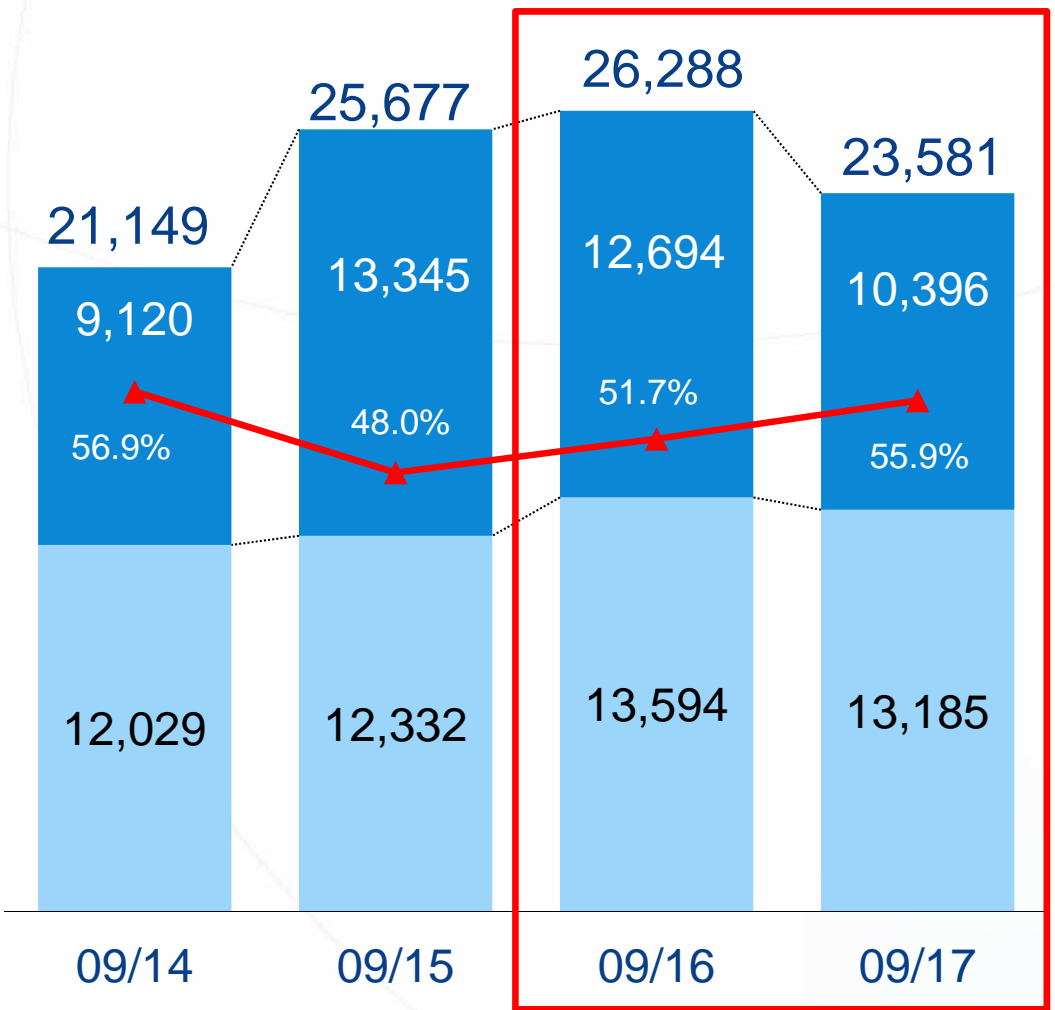


Sales declined due to Plant and General decreasing while Electronics stayed as 2016.2Q level

(Millions of JPY)

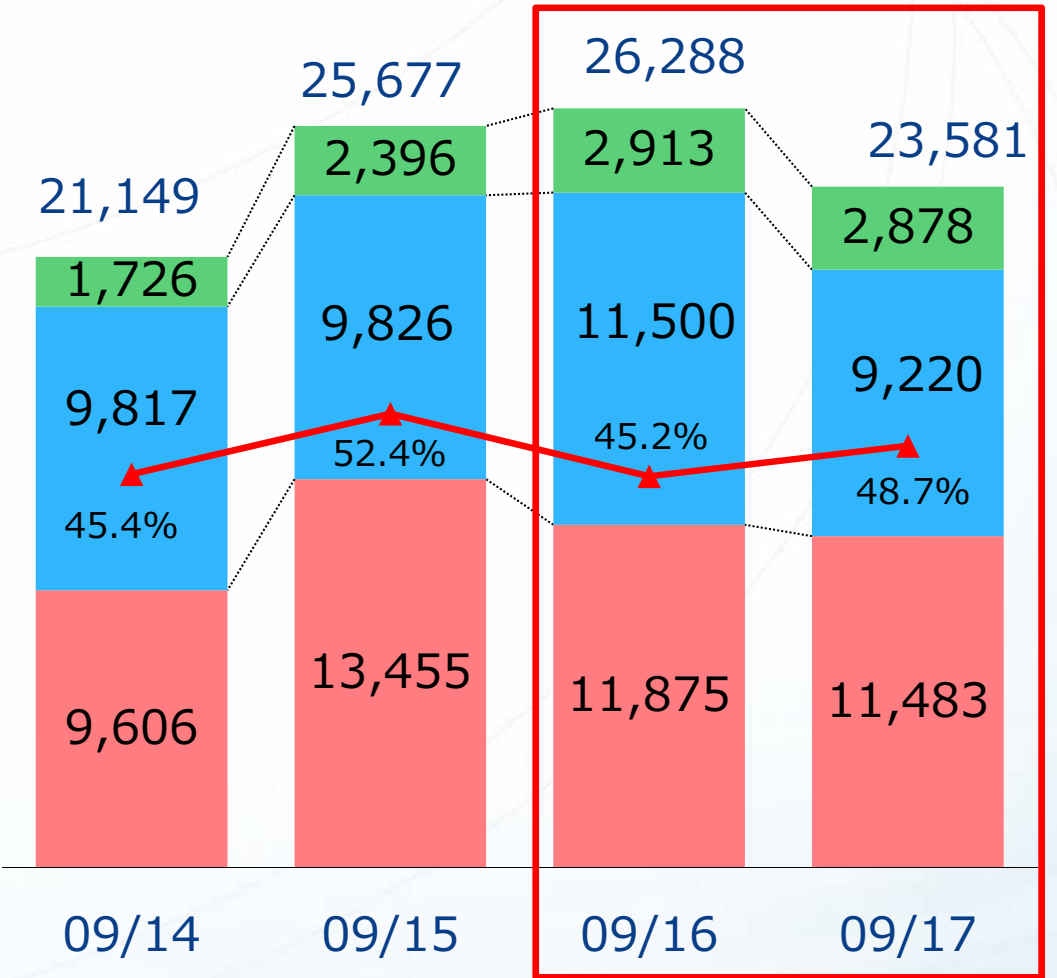
Sales by Business Areas (Water Treatment Engineering)

■ Solution ■ Plant ▲ Solution ratio



Sales by Customers (Water Treatment Engineering)

■ Electronics ■ General ■ Power&Infrastructure ▲ Electronics ratio



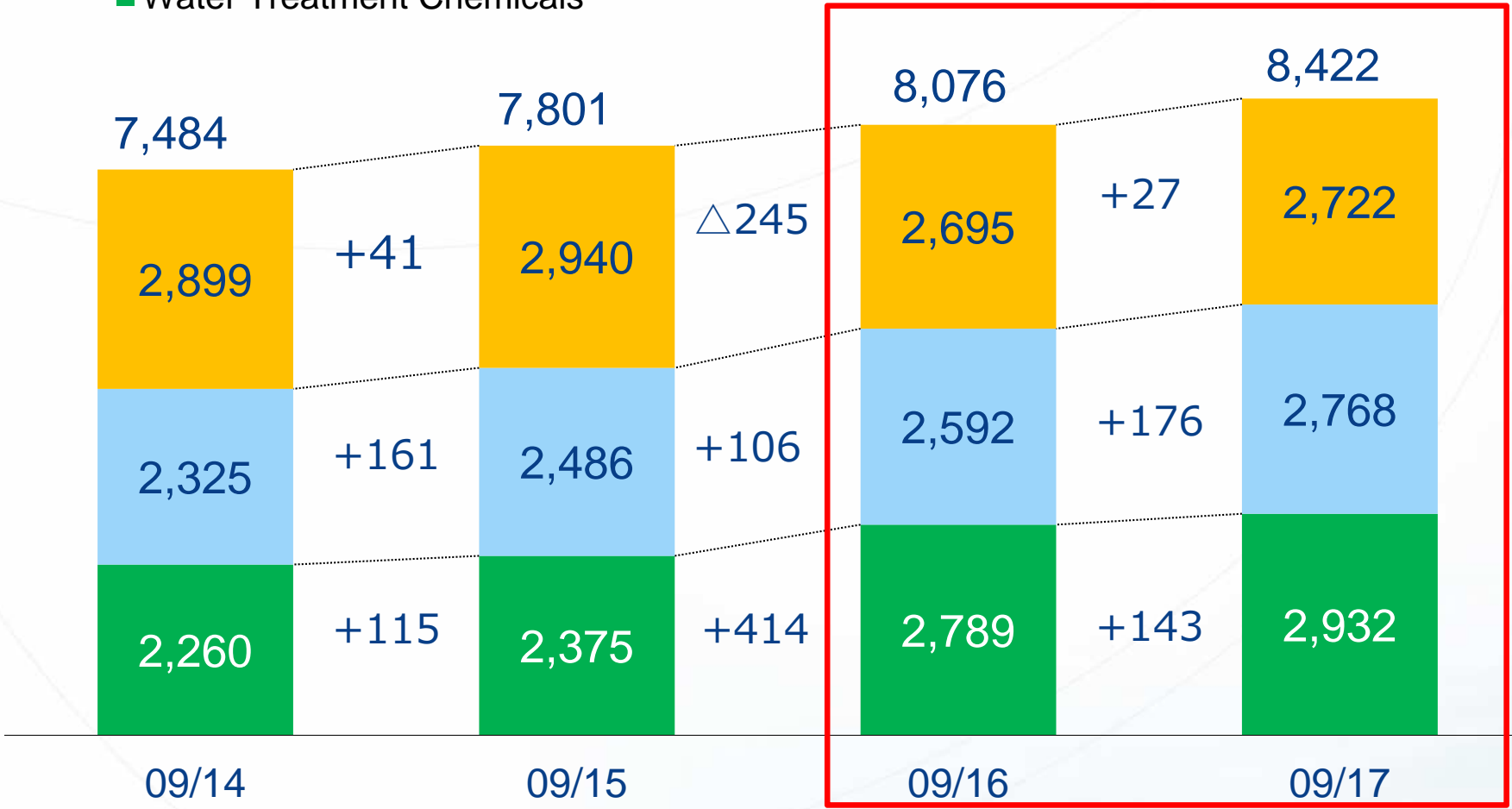


Sales of all domains grown up
Especially Chemicals and Equipment increased stolidly

Sales by Business Areas
(Functional Product Segment)

(Millions of JPY)

- Food Processing Materials
- Standardized Water Treatment Equipments and Filters
- Water Treatment Chemicals





Balance Sheet

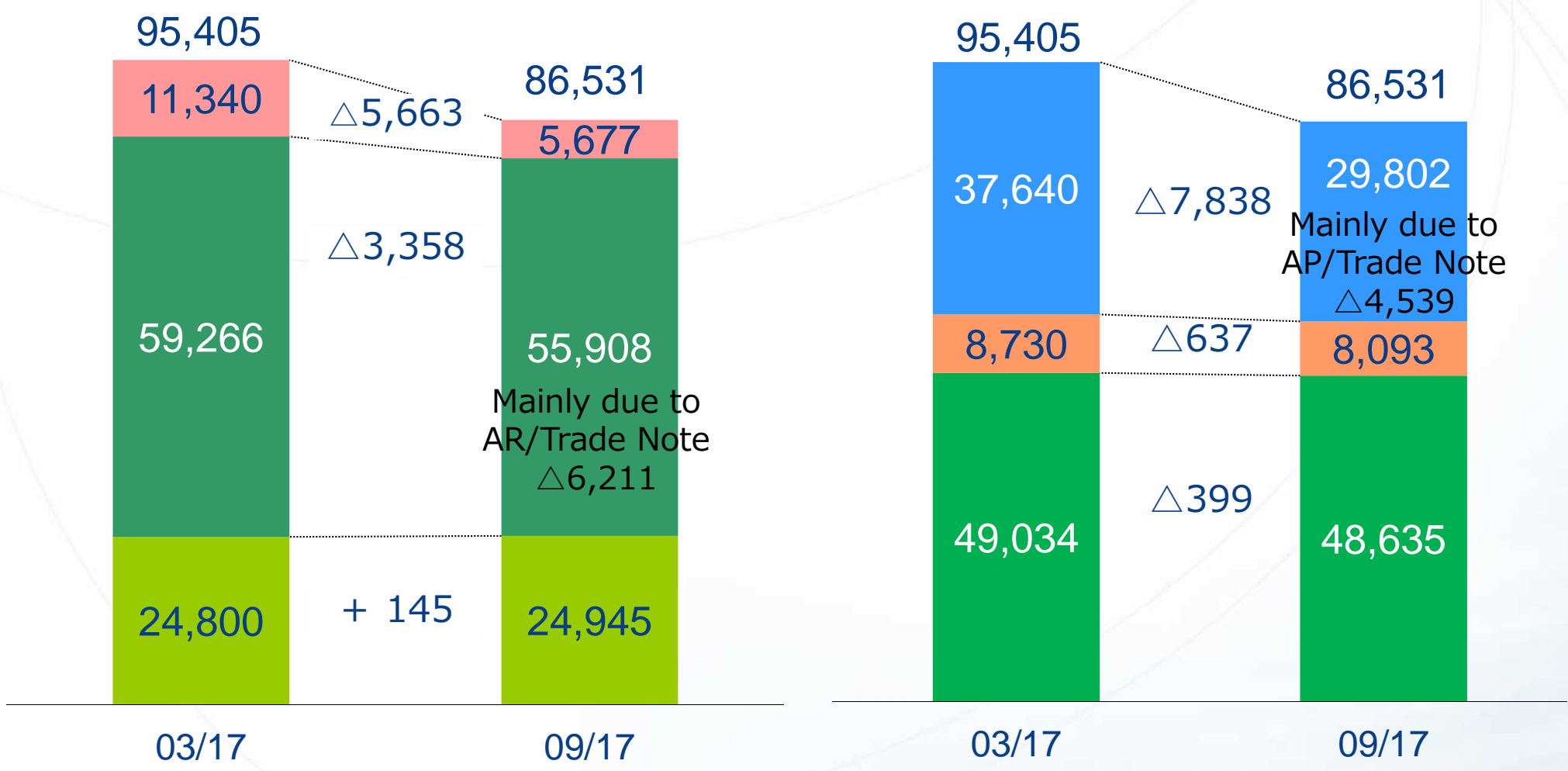
(Millions of JPY)

Assets

Liabilities & Net Assets

- Fixed Assets
- Current Assets
- Cash

- Net Assets
- Long-Term Liabilities
- Current Liabilities



Forecasts for the Fiscal Year Ending Mar 31, 2018

- Financial Forecasts
- Outlook for the Fiscal Year End Mar 31, 2018
- Forecasts by Business Segments
(Orders, Sales and Operating Income)
- Orders and Sales Forecasts by Regions
- Forecasts for Water Treatment Engineering Segment
; Sales Forecasts by Business Areas and Customers
; Sales and Orders Forecasts for Electronics industry
- Forecasts for Functional Product Segment
; Sales Forecasts by Business Areas
- Major Indicators

Financial Forecasts

(Millions of JPY)

	03/2017 Result	03/2017 Plan	03/2018 Forecast	Y/Y Diff.	Diff. from Plan
Orders Received	74,041	78,500	83,500	+ 9,459	+ 5,000
Net Sales	81,114	81,000	78,000	Δ 3,114	Δ 3,000
Gross Profit (%)	18,644 (23.0)	17,650 (21.8)	17,850 (22.9)	Δ 794 (Δ 0.1pt)	+ 200 (+ 1.1pt)
SG&A	14,529	14,600	14,800	+ 271	+ 200
Operating Income (%)	4,114 (5.1)	3,050 (3.8)	3,050 (3.9)	Δ 1,064 (Δ 1.2pt)	-
Ordinary Income	4,162	2,950	2,950	Δ 1,212	-
Net Income	2,731	2,000	2,000	Δ 731	-

Outlook for the Fiscal Year Ending Mar.31, 2018

【Water Treatment Engineering Segment】

Orders : Orders for Electronics in Japan and China will keep growing up

Sales : Sales for Electronics in China will keep growing up, while General in Japan and Electronics in Taiwan will be weaker

【Functional Products Segment】

Keeping solid performance of all segments, growing up Orders & Sales

【Total】

R&D and HR expenses will be increased



Orders
Increased against
FY2016 and Plans

Net Sales
Decreased against
FY2016 and Plans

Operating Income
Decreased against
FY2016
Stayed as Plans

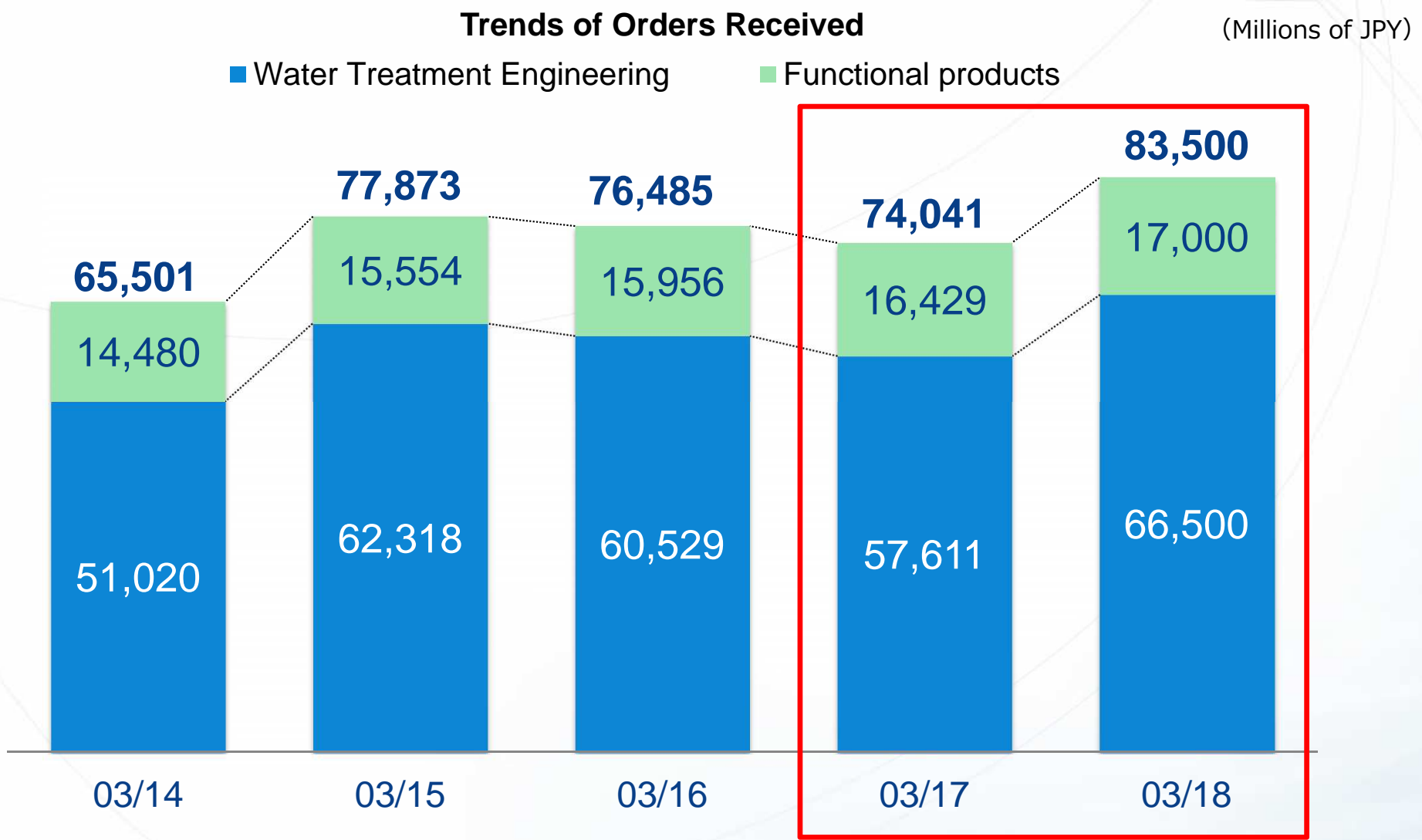


(Engineering)

Forecasts sharply increasing Japan and China for electronics

(Functional Product)

Forecasts keeping solid performance in all segment





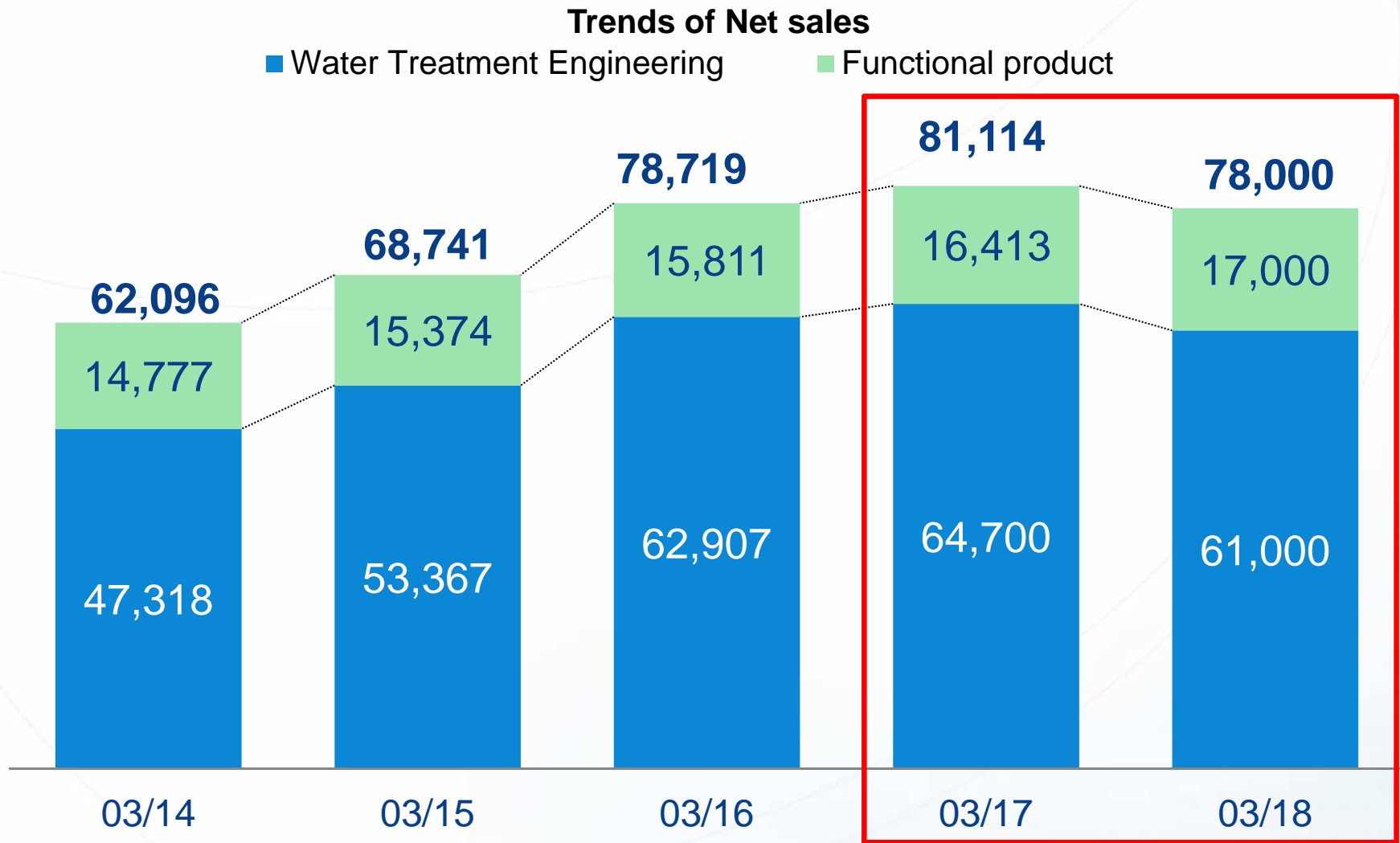
(Engineering)

Forecasts decreasing in Taiwan for Electronics and Japan for General

(Functional Product)

Forecasts keeping solid performance in all segment

(Millions of JPY)





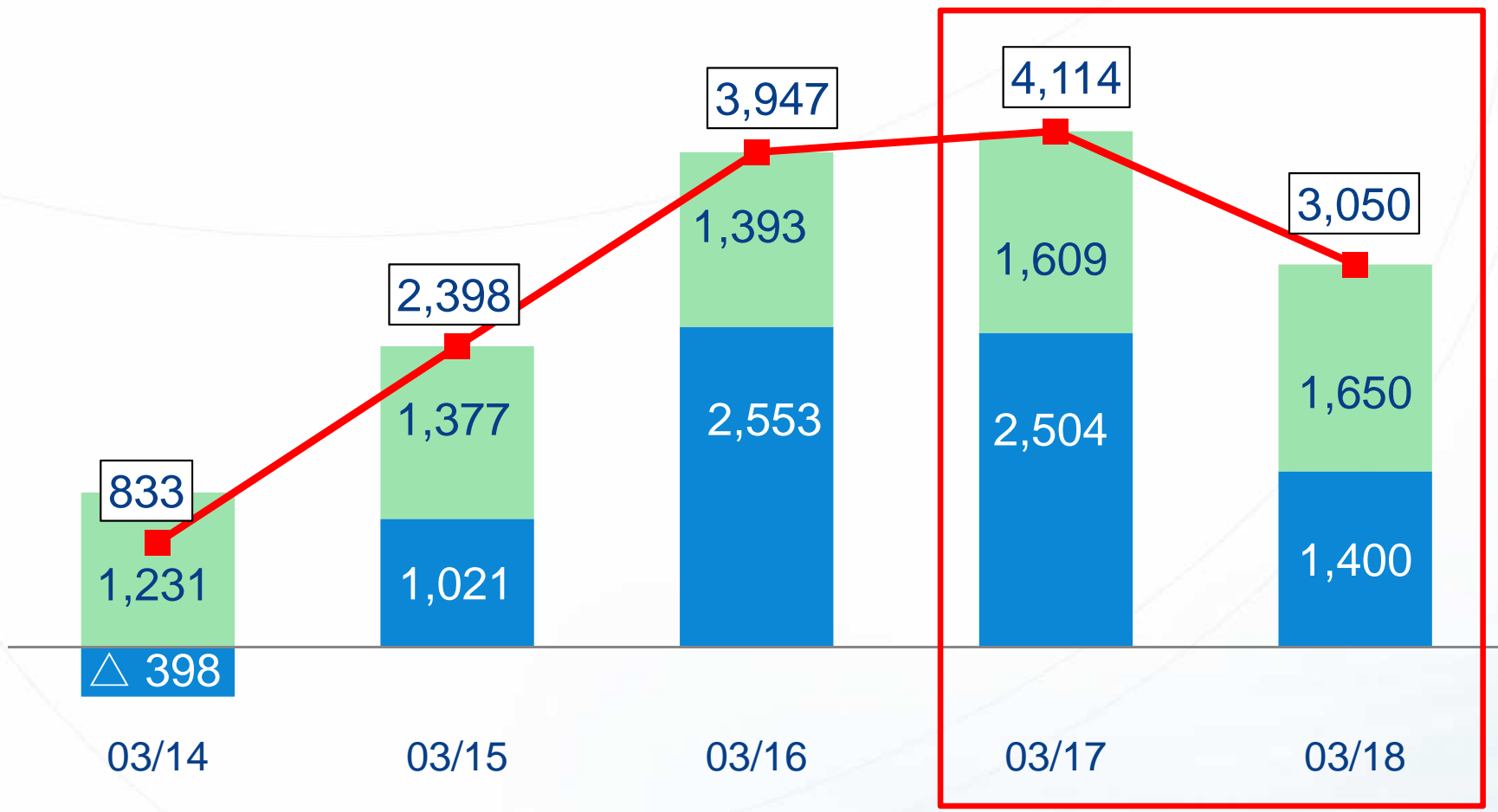
(Engineering)
 Forecasts Sales decline and increasing SG&A

(Functional Product)
 Forecasts increasing sales

(Millions of JPY)

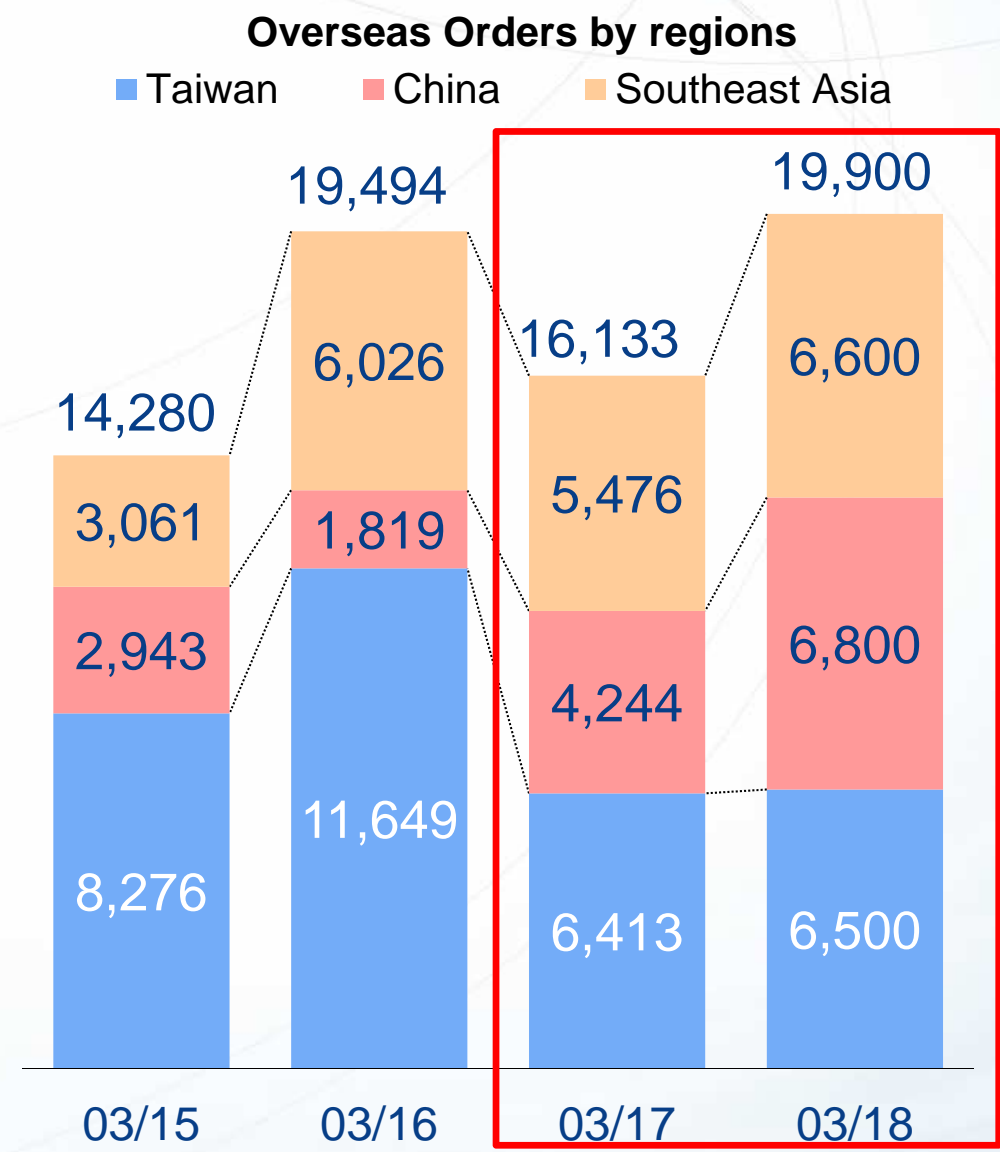
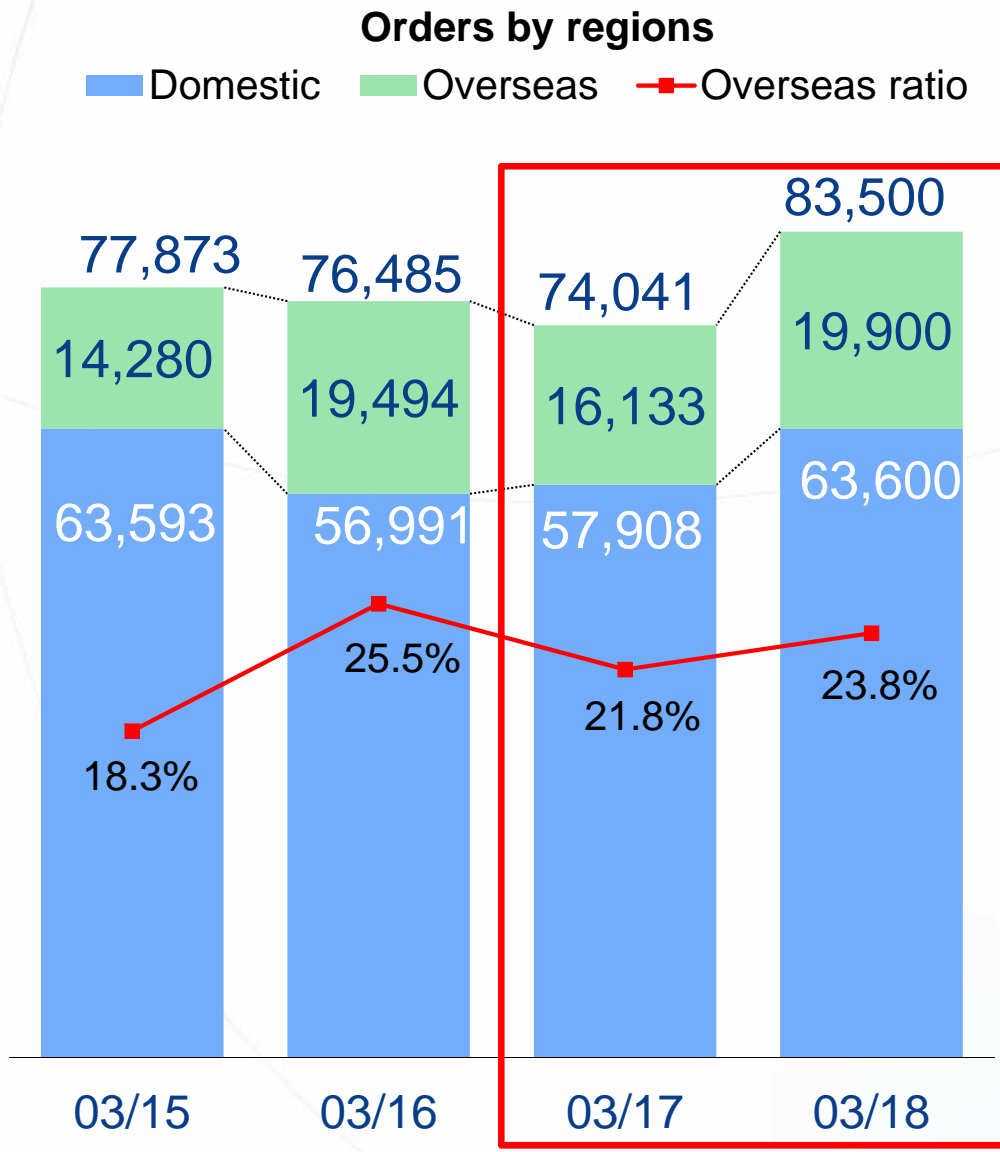
Trends of Operating profit

■ Water Treatment Engineering ■ Functional product ■ Total



Forecasts increasing orders for Electronics especially in China
 And recovery signs of Taiwan's sales will be found

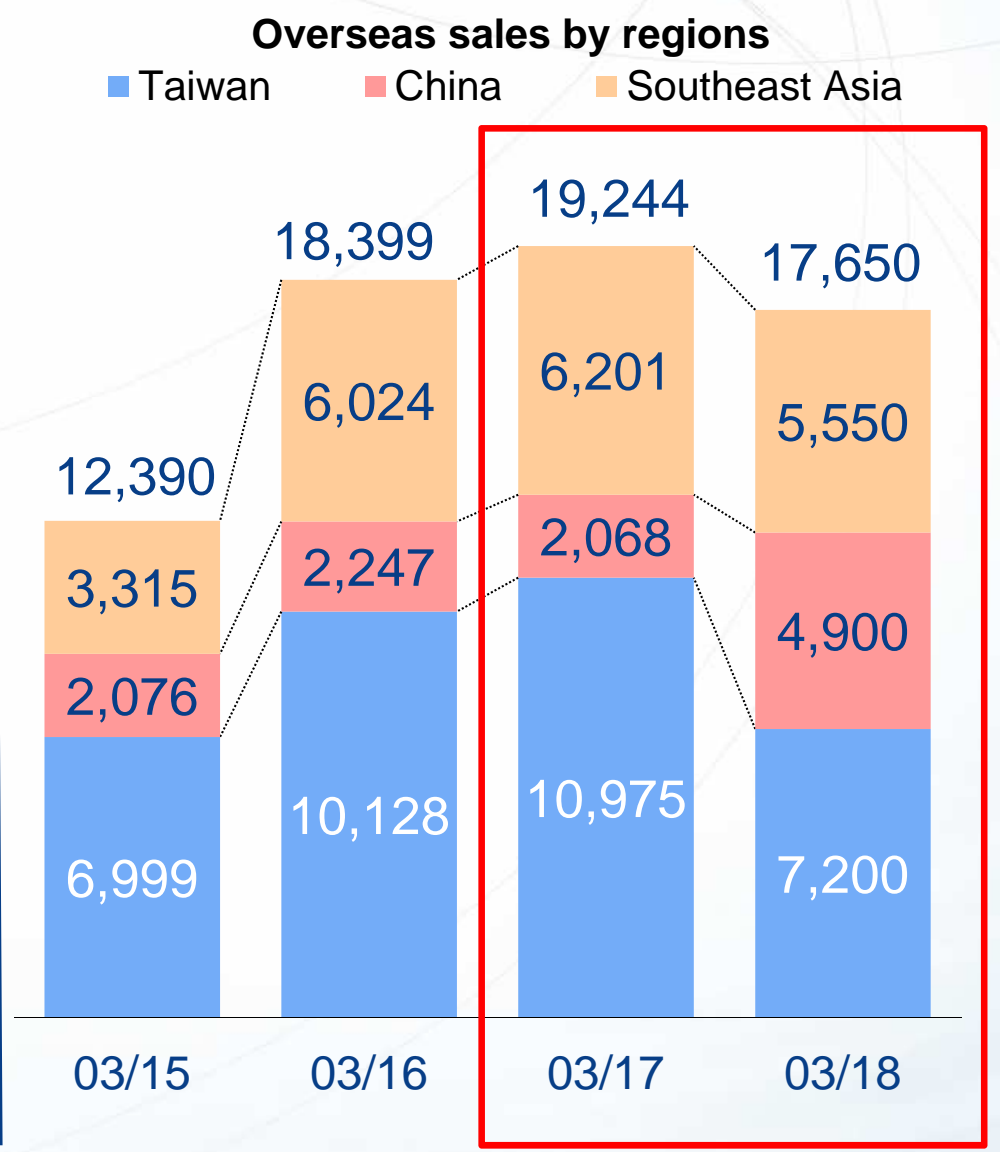
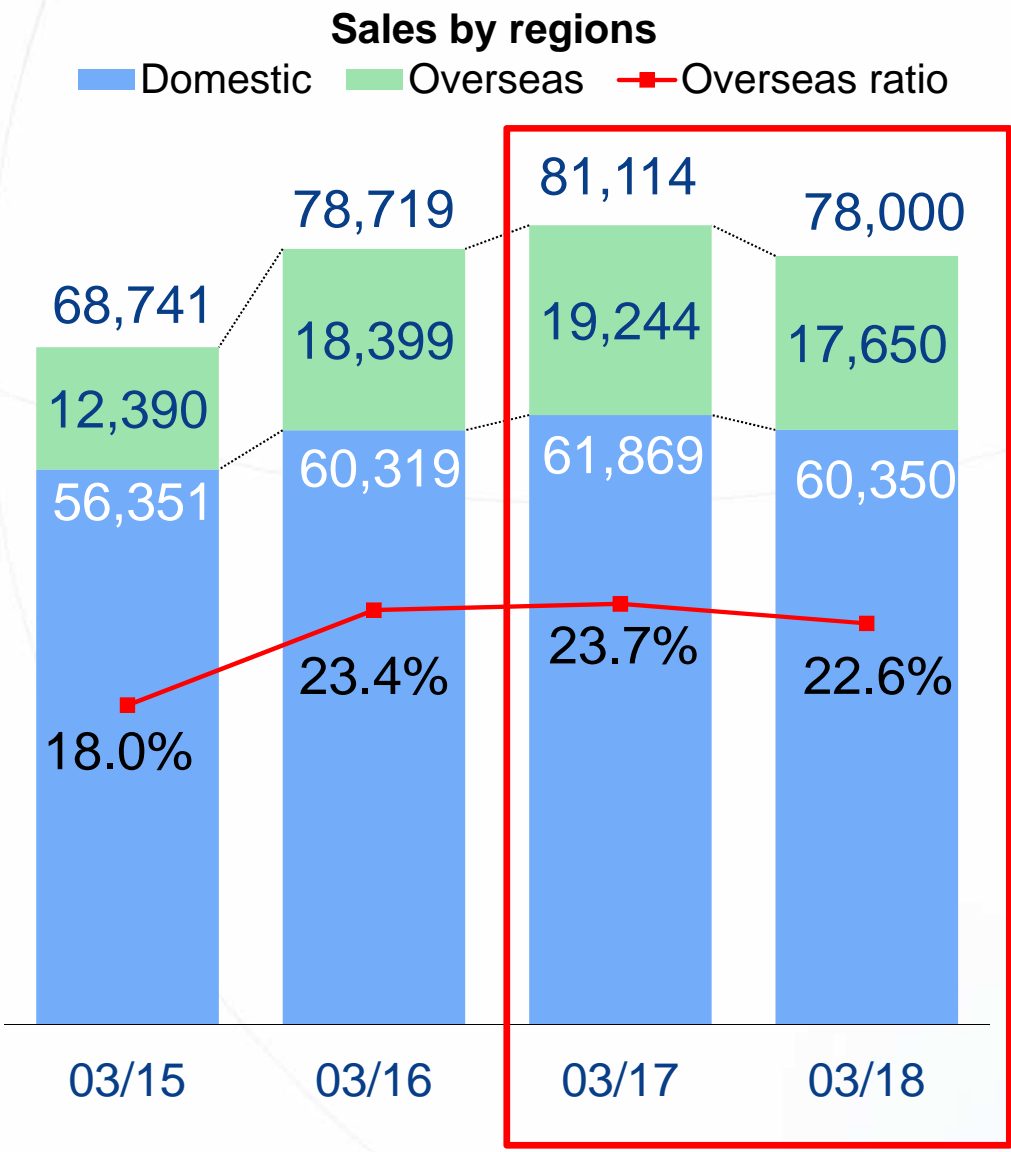
(Millions of JPY)





Forecasts decreasing in Taiwan for Electronics and Japan for General while China for Electronics will sharply increase

(Millions of JPY)



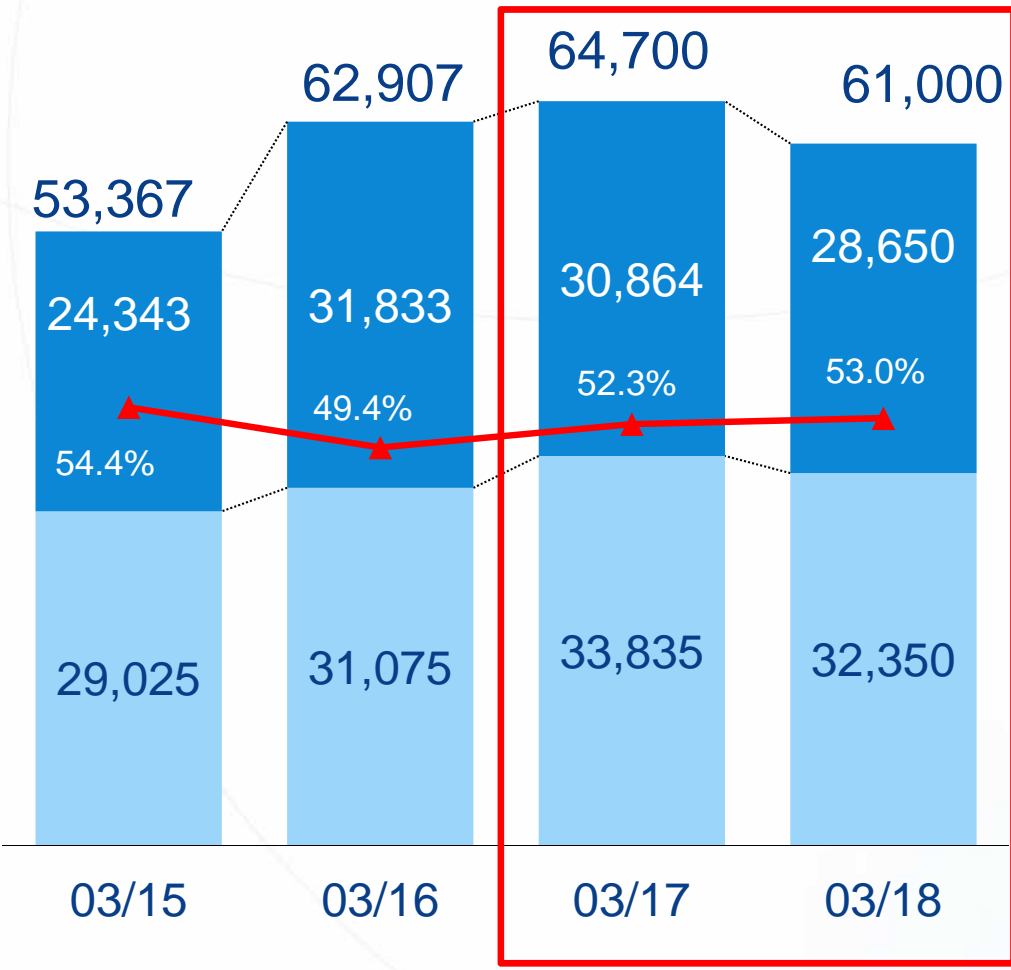


Forecasts staying sales for Electronics as 2016 while decreasing sales for General

(Millions of JPY)

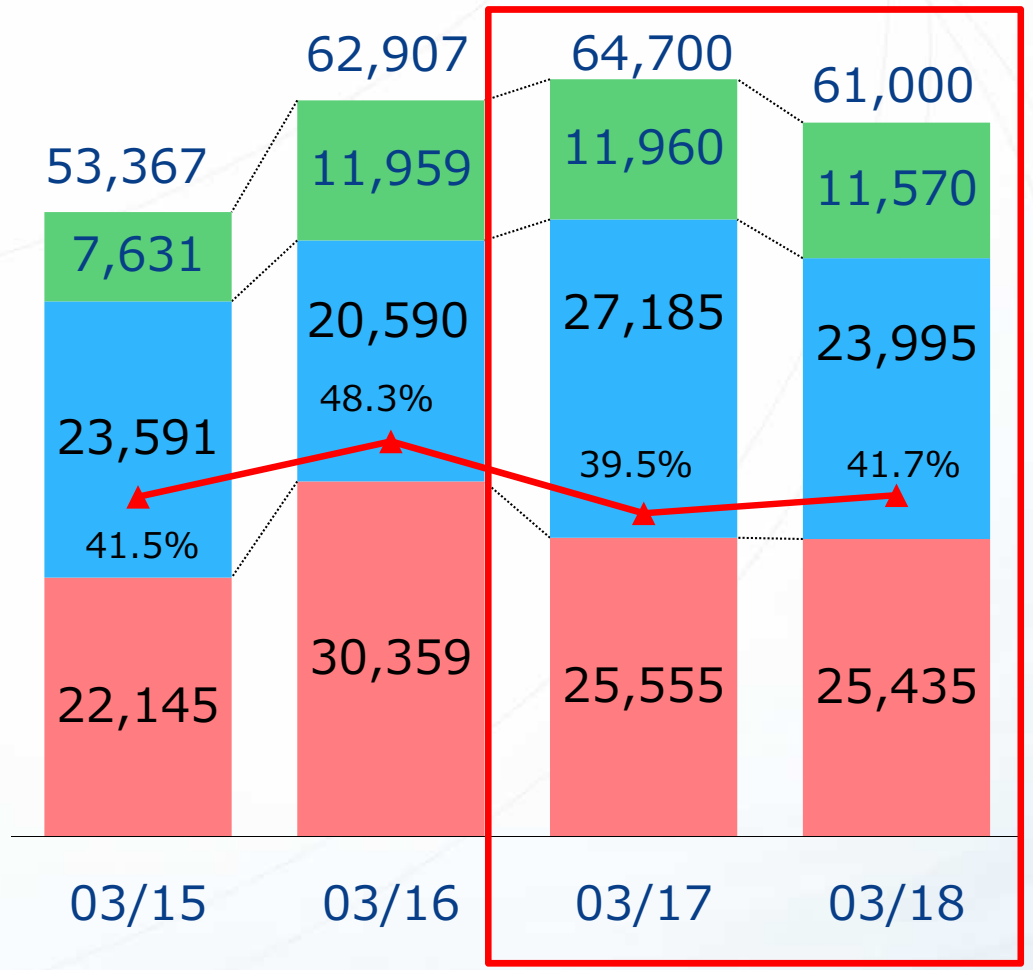
Sales by Business Areas (Water Treatment Engineering)

■ Solution ■ Plant ▲ Solution ratio



Sales by customers (Water Treatment Engineering)

■ Electronics ■ General ■ Power&Infrastructure ▲ Electronics ratio



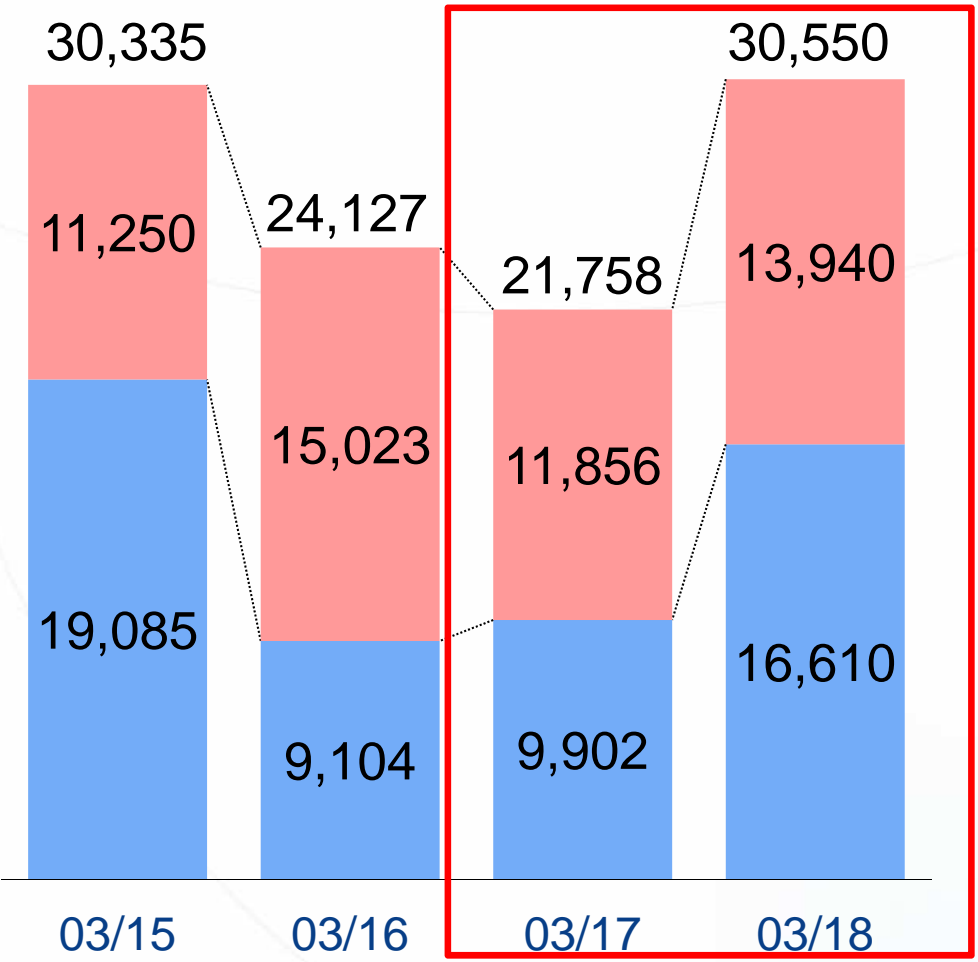


Forecasts Orders sharply increasing while Sales staying as 2016

(Millions of JPY)

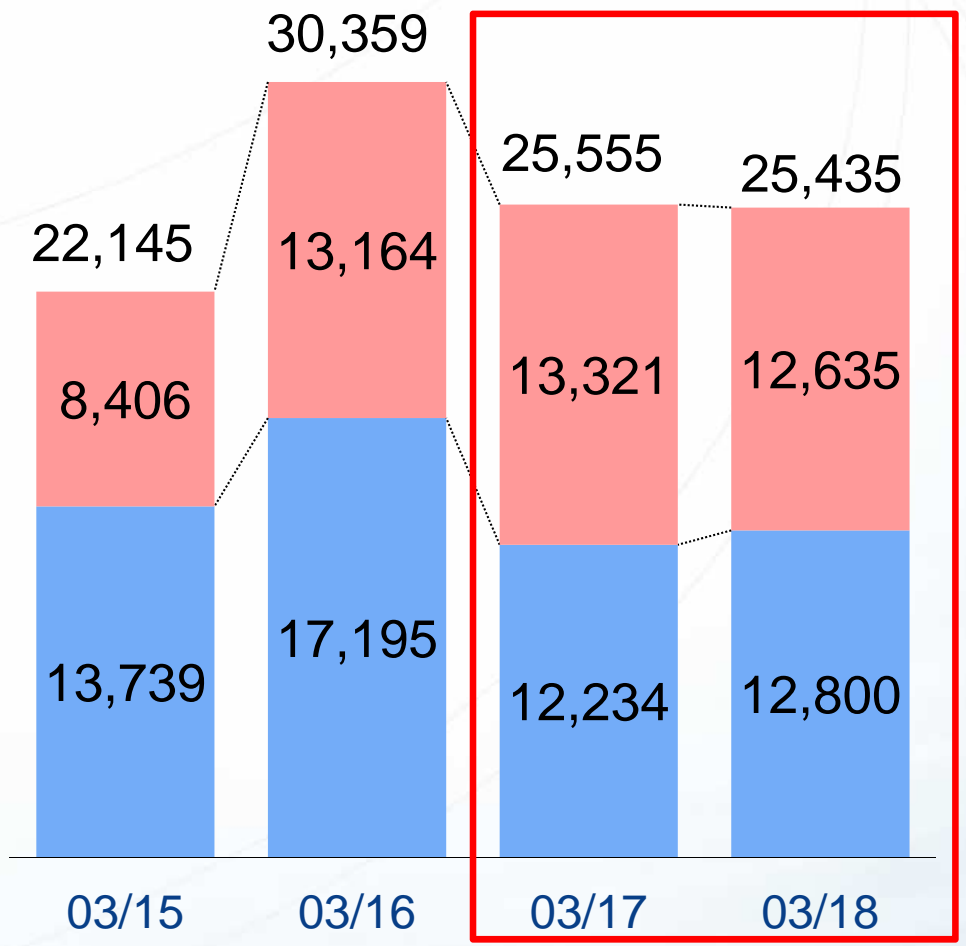
Orders for Electronics

■ Domestic ■ Overseas



Sales for Electronics

■ Domestic ■ Overseas



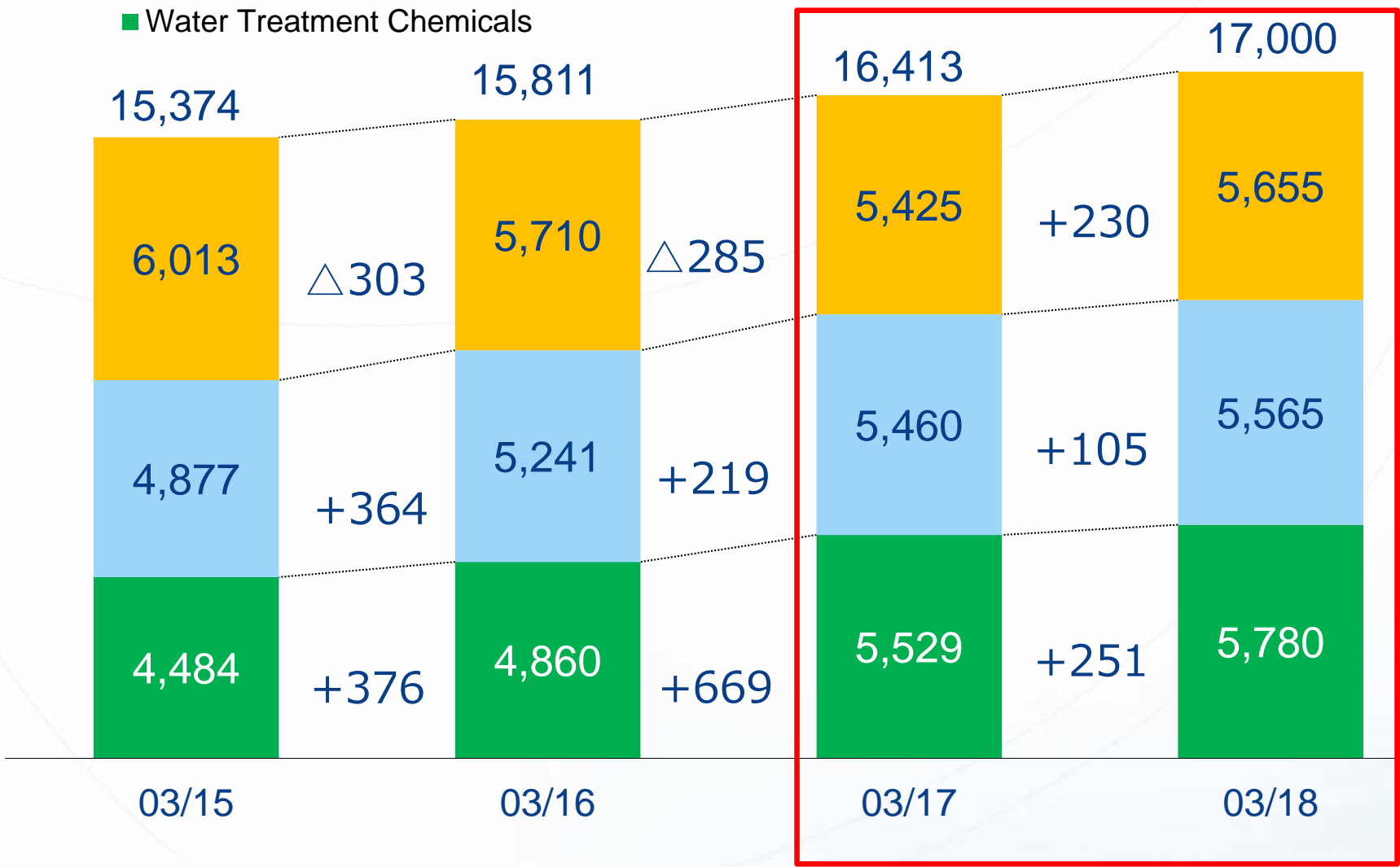


Forecasts steady growing for all segments

**Sales by Business Areas
(Functional Product Segment)**

- Food Processing Materials
- Standardized Water Treatment Equipments & Filters
- Water Treatment Chemicals

(Millions of JPY)



Major Indicators

	03/2017	03/2018 (Plan)	03/2018 (Forecast)
Capital Investment (Millions of JPY)	903	1,000	1,000
R&D Expenses (Millions of JPY)	1,495	1,790	1,790
Depreciation (Millions of JPY)	950	950	950
Interest-bearing Debt (Millions of JPY)	16,910	15,600	15,600
Number of Employees	2,100	2,110	2,150
Dividend per Share (JPY/Year)	11	10※	10※
ROE (%)	5.7	4.0	4.0

※Reversing stock split (5:1) on 1st Oct. 2017, and ¥10 based on before reversing
 Dividend per share on 03/2018 will be ¥25

Efforts in Mid-term Management Plan

- Outlines of Mid-term Management Plan
- Management Indications in Mid-term
- Direction for our Further Development
- Our Next Business Areas
- Key strategies for FY2017
- Developing new Business
- For Electronics Market
- For Functional products
- For Water supply and Sewerage Facilities

Outlines of Mid-term Management Plan

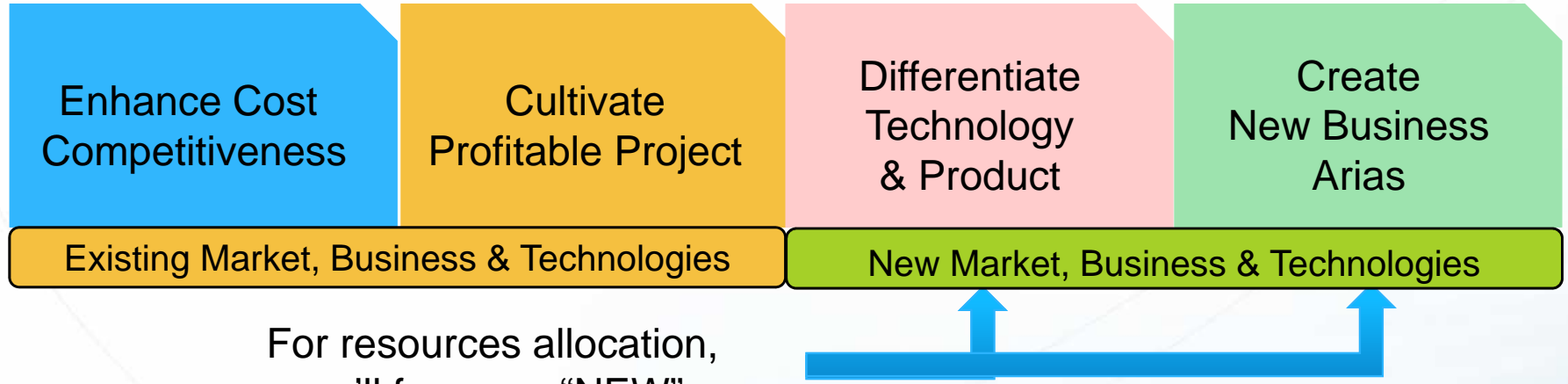
Management Vision	<ul style="list-style-type: none">◆ A profitable engineering company in Asia, that can meet the requests of water quality by customer at the best price and time.◆ Creating and developing new business based on our core technologies as “Separation and Purification” for Non-aqueous solvents and gas.
Metrics on Management Objectives	<ul style="list-style-type: none">◆ We'll secure 5% of O/P margin and ROE consistently And we'll try and achieve 8% or more of it in the future.



Management Indications in Mid-term

(Millions of JPY)

	03/2017 Result	03/2018 Plan	03/2019 Plan	03/2020 Plan
Orders Received	74,041	83,500	84,000	88,000
Net Sales	81,114	78,000	81,000	86,000
Operating Profit	4,114	3,050	3,400	4,300
O/P margin (%)	5.1	3.9	4.2	5.0
ROE (%)	5.7	4.0	4.4	5.4



For resources allocation, we'll focus on "NEW"

Direction for our Further Development

Profitability
To secure 8% or more
O/P margin & ROE

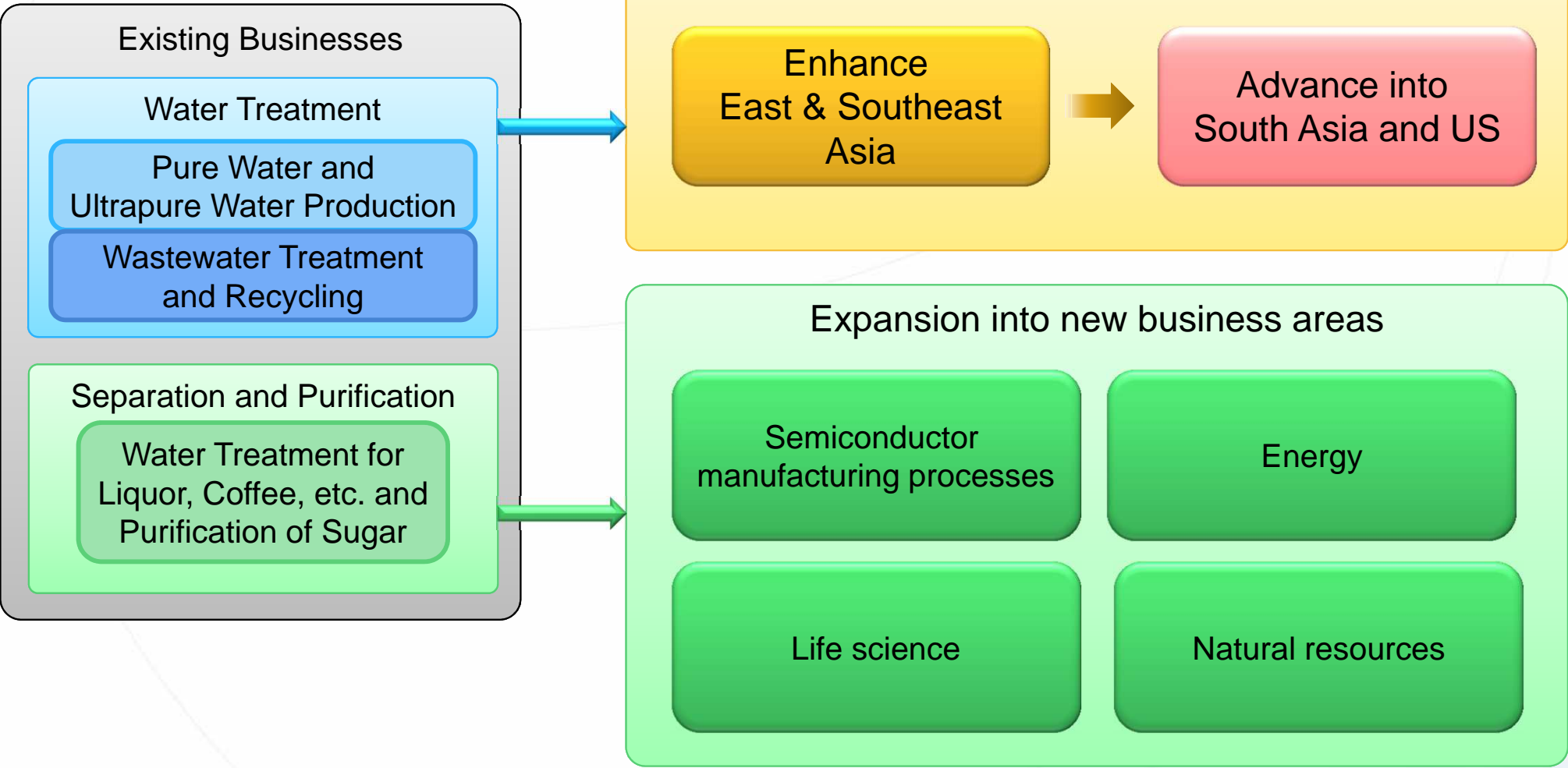
- Enhance cost competitiveness
- Cultivate profitable projects and business areas
- Differentiate technologies and products

New Business
For Mid-to-Long term
sustainable growth

- Allocate additional resources and R&D investment for new businesses

**Further
Development**

Our Next Business Areas



Key strategies for FY2017

Electronics

- Expanding into growing China market
- Enhancing cost competitiveness

Functional Products

- Launching new equipment
- Expanding overseas sales
- Enhancing food material business

Enrich and Promote R&D

Power Plants

- Preparation for re-operation of nuclear power plant in Japan
- Expanding into overseas Market

New Business

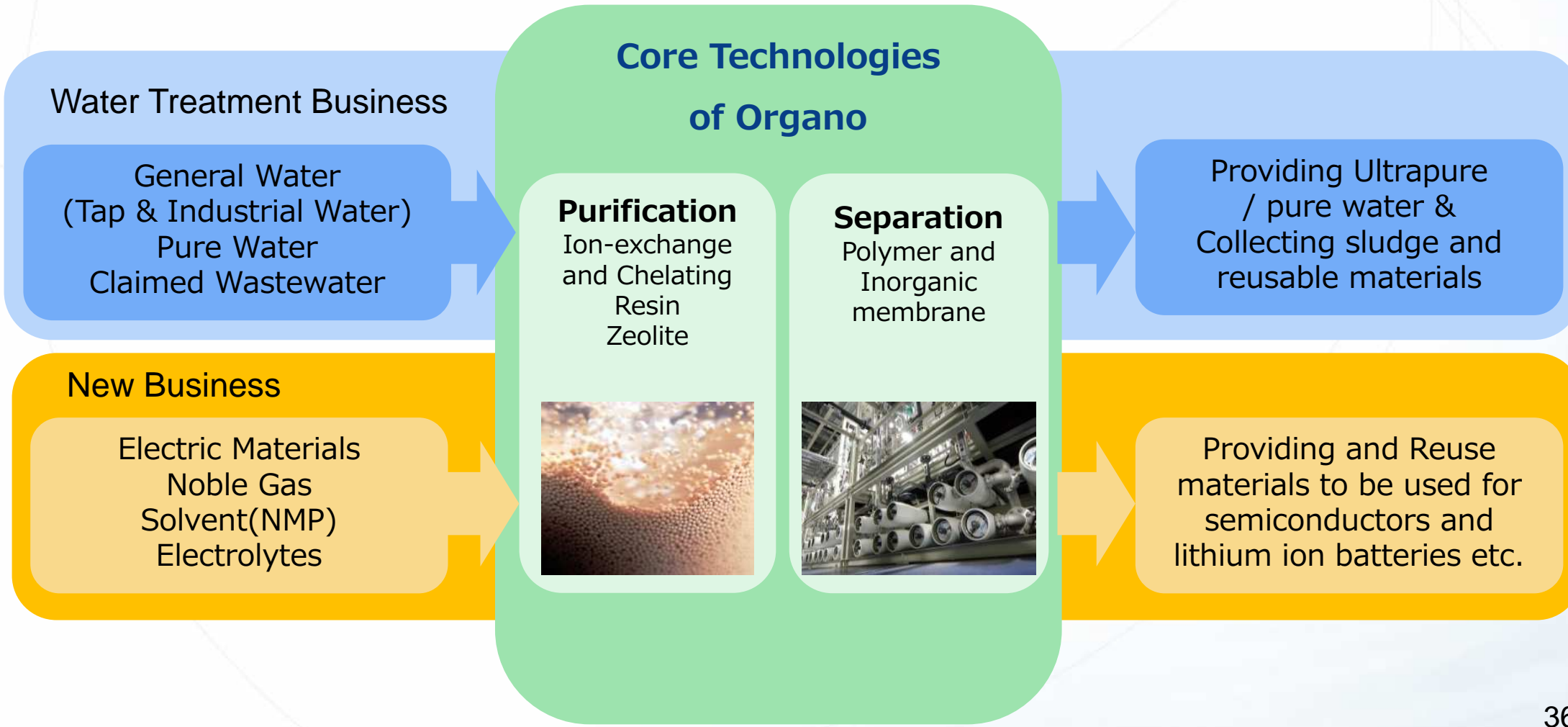
- NMP Purifier System
- Purification tech. for electric materials
- Purification tech. for bio-pharm

Water supply & Sewerage

- Developing Aerobic Granular Method
- “H-DAF” and “Wave settler”
- New ceramic flat membrane system

1. Developing New Business

Developing new business with our core technologies of “Separation and Purification”



1. Developing New Business

~ Expanding into growing Market of Lithium Ion Battery

Offering our technologies of “Separation and Purification” for sharply growing Lithium Ion Battery market expected to be doubled by 2020

⇒ **Targets over JPY 2,000M sales after 2020**

◆ Purification and reuse of NMP

Proceeding Practical test for NMP (solvent for manufacturing electrodes) Purification system for manufacturing lithium ion battery use.

⇒ We're going practical test with Japanese and Chinese customer for launching.

NMP Purifier
(Experiment Device)



◆ Purification of Electrolytes

Conducting practical research for new purification system with ion exchange materials which can remove impurities causing performance decrement of lithium ion batteries.

⇒ We're accelerating systemization for practical use.

1. Developing New Business

~ Expanding into Wet/Cleaning process

Expanding into Wet/Cleaning process of semiconductors

◆ Multi-functional water production systems

These systems can remove minute particle, organic matter and resist residue, and prevent electrification and surface oxidation

⇒ Hydrogen/Ozone/Ammonia water system for semiconductor cleaning process use

Ammonia water system



◆ Oxidizer removing catalyst "Ordetox"

Ultra-pure water includes 5 ~ 40 μ g/L of hydrogen peroxide, and it could cause oxidation corrosion of wafer surface

⇒ Our "Ordetox" can decompose hydrogen peroxide to less than 1 μ g/L in ultra-pure water

"Ordetox"



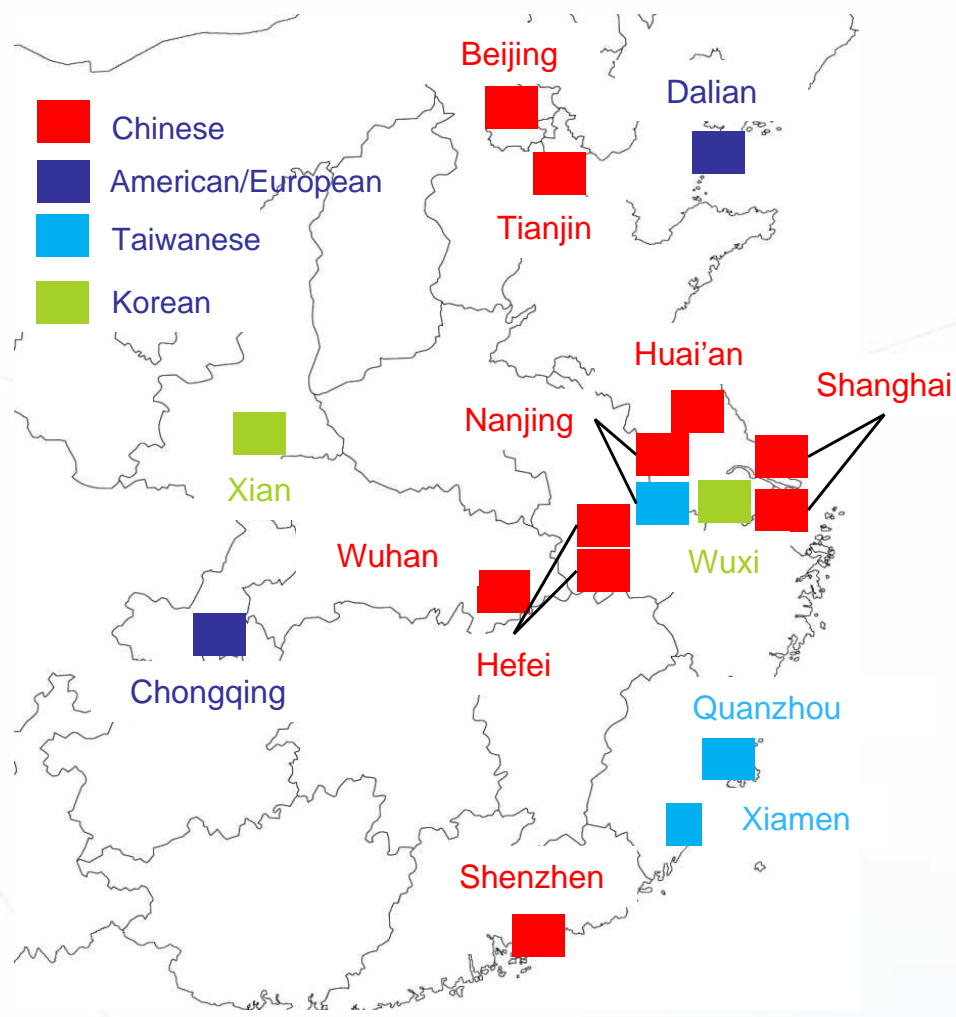
◆ Analysis of minute particles in ultrapure water

We succeeded at measurement of 10nm minute particle in ultra-pure water at World's first by our original membrane technology

⇒ Contributes to miniaturization and progress of quality and productivity of semiconductor

2. For Electronics Market

- Expanding into growing market of China
(Major investment plans of semiconductor factory in China)



Planning over ¥5trillions Investment into semiconductor industry by 2020

↓

Over ¥25billions of market for UPW systems
(From the volume of wafer production)

【Sales Plan】

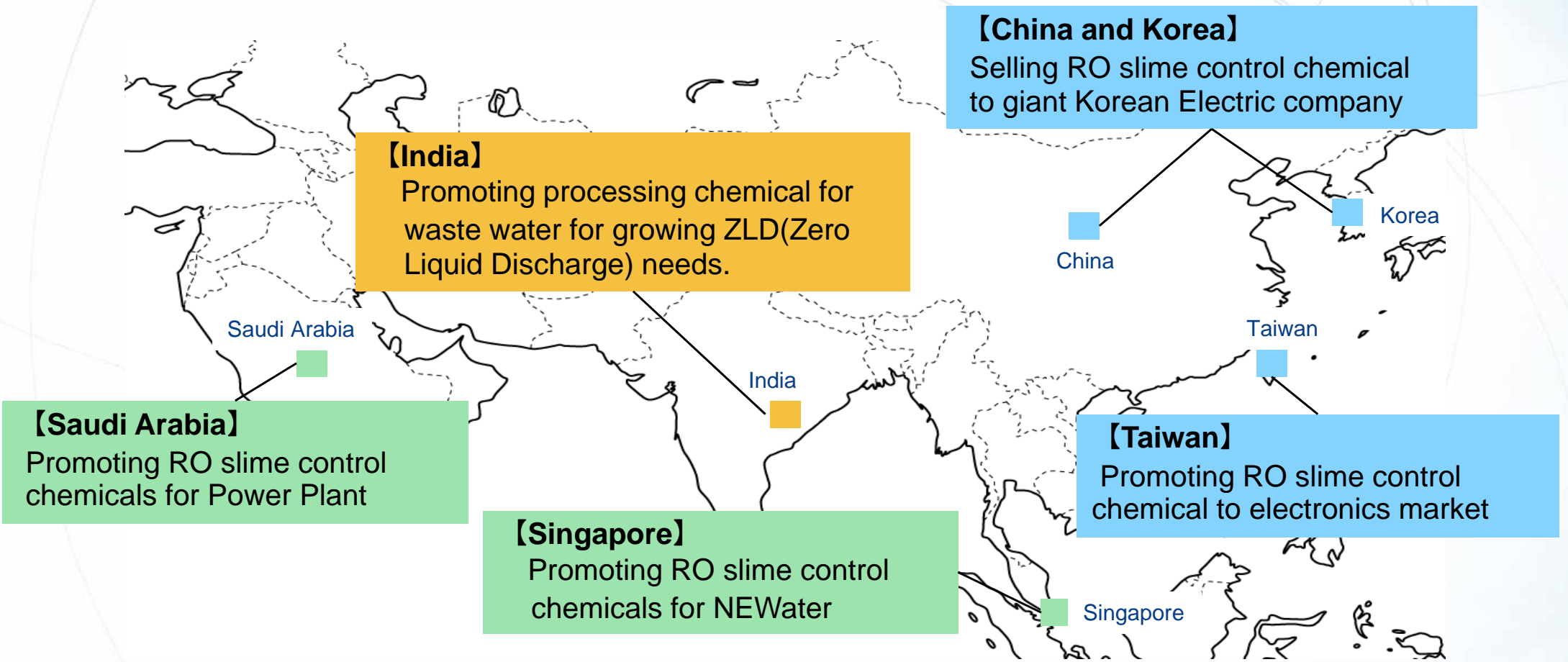
Catching over ¥10billions of orders during 2017~2018

↓

Received over ¥5billions of orders at this moment and trying to get more



3. Functional Product : Chemicals for overseas



Expanding our business into overseas market with RO slime control chemical and wastewater processing chemical ⇒Targets over JPY 800M sales by 2020

3. Functional Product : Standard Pure Water Equipment

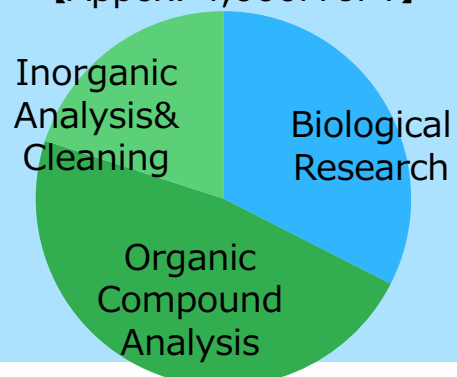
New series of “Puric-α” and “Purelite-α” launched



Desktop Ultrapure/Pure water supply system
“Puric-α” and “Purelite-α” for R&D and medical use

Domestic Market

[Appox. 4,000M JPY]



Imported American and European equipment has the largest share of domestic market by now. We try to boost our market shares in the Bio-pharm & Medical use by our high-grade and one-and-only Japan-made “α-series”


3. Functional Product : Food Processing Materials

- ◆ Meals for the Elderly and Nursing care
- ◆ Delicatessen and Bento
- ◆ Functional Foods and Supplements




Enhancing our Powder Granulation technologies and production facilities for the growing market

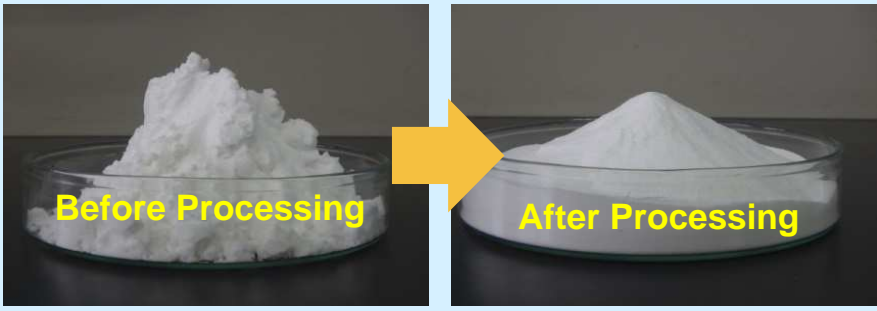
Production Facilities



R&D for Food processing materials



Our Powder Granulation technologies



Targets more than JPY 700M sales for the new market by 2020

4. For Water supply and Sewerage Facilities

Developing Aerobic Granular Method

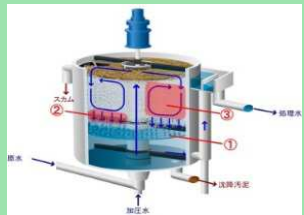
Biological treatment system with Granular Sludge containing a high concentration of effective microorganisms for sewerage treatment



⇒ Undertaking **joint research with Tokyo city authorities** for downsizing and speed-up for sewerage treatment system

H-DAF Series (High-Speed Pressurized Floatation Unit)

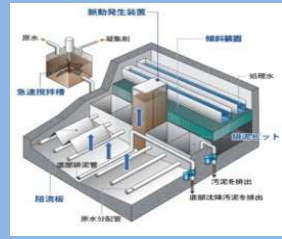
Our new system H-DAF series realized ×4 high-speed process and 50% of cost reduction by our conventional model.



Already delivered over 50 units in the world.
⇒ This series was **commended the best prize of 2017 (METI Minister prize)** for the excellent environmental system by JSIM.

Expanding Sales Promotion of “Wave Settler”

Our “Wave Settler” realize processing heavy loads, while saving more energy and reducing footprint for water purification facilities.



⇒ Promoting sales for the **demand of replacement in big cities** for water purification facilities.

Launch of new Ceramic Flat Membrane System

With our business partner MEIDENSHA corp. we launched new Ceramic Flat Membrane system achieved processing heavy loads and cutting costs for installation & maintenance.



⇒ Enhancing our **product lineup for water purification facilities.**

オルガノ株式会社

SUSTAINABLE DEVELOPMENT GOALS
 世界を変えるための17の目標



Organo Corporation

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