



**JPX-NIKKEI Mid Small**

## **ORGANO CORPORATION**

# **Financial Results for First Half of Fiscal Year Ending March 31, 2023**

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**Securities Code: 6368**

**November 10, 2022**



**ORGANO CORPORATION**

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2. Full-Year Forecast for Fiscal Year Ending March 2023

(Reference)

3. Topics
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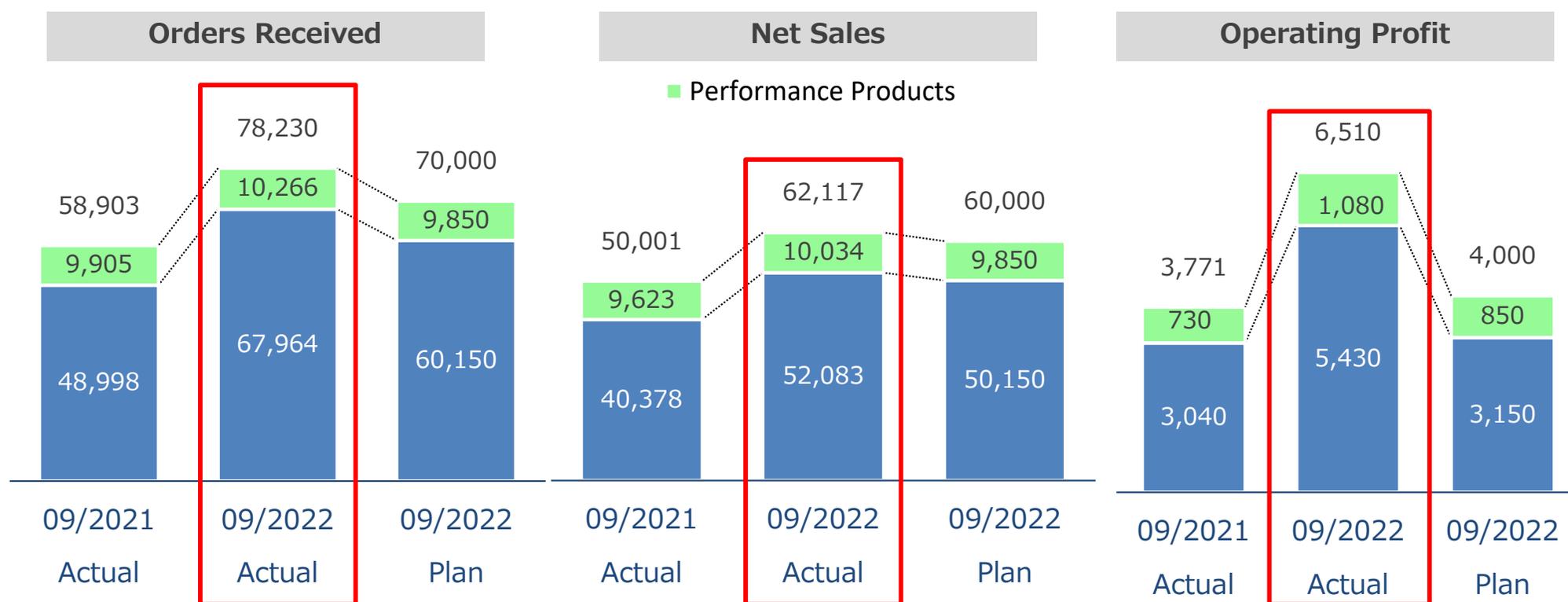
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# Overview of First-Half Results: Overview for FY ending 03/2023

Robust capital investment continued in the electronics industry centered around semiconductors, leading to growth in our business both domestically and internationally.

- Orders, sales, and operating profit all grew year-on-year and exceeded the initial plan, achieving record-high results in the second quarter.

(Millions of yen)



# Overview of First-Half Results for FY ending 03/2023

<b>Electronics Industry</b>	<ul style="list-style-type: none"><li>• Large-scale investments were continued to be made in Japan and Taiwan, and the Organo Group received orders for major semiconductor projects in China and Malaysia.</li><li>• Sales increased due to progress on the construction of major projects.</li><li>• Greater foreign currency translation differences as a result of the depreciation of the yen also contributed.</li></ul>
<b>General Industry</b>	<ul style="list-style-type: none"><li>• Orders remained strong due to the trend toward recovery in large-scale capital investments in Japan.</li><li>• Sales were affected by delays in procuring raw materials and in construction, etc. causing a lag with delivery deadlines postponed to the second half or later.</li></ul>
<b>Electric Power /Water Supply and Sewage</b>	<ul style="list-style-type: none"><li>• Progress was made on construction for projects received and firm levels of orders were seen mainly in the solutions projects in Japan.</li></ul>
<b>Performance Products</b>	<ul style="list-style-type: none"><li>• Sales of water treatment chemicals were steady, mainly in the electronics industry. Sales of standard equipment and filters also grew, including small-scale pure water production equipment for medical institutions and research institutions.</li><li>• The food products business also made steady progress in passing on costs in the form of price increases, etc.</li></ul>

# First-Half Results: Statement of Income

	September 2021	September 2022		Year-on-Year	Actual-to-Initial
(Millions of yen)	Actual	Actual	Initial Plan	(%)	Plan
				(%)	(%)
Orders received	58,903	78,230	70,000	+32.8%	+11.8%
Net sales	50,001	62,117	60,000	+24.2%	+3.5%
Gross profit	12,404	16,108	13,000	+29.9%	+23.9%
(%)	24.8%	25.9%	21.7%		
SG&A <sup>1</sup>	8,632	9,597	9,000	+11.2%	+6.6%
Operating profit	3,771	6,510	4,000	+72.6%	+62.8%
(%)	7.5%	10.5%	6.7%		
Ordinary profit	4,193	7,451	4,000	+77.7%	+86.3%
Profit attributable to owners of parent	2,696	5,027	2,800	+86.4%	+79.6%

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



# First-Half Results: Order Received by Region

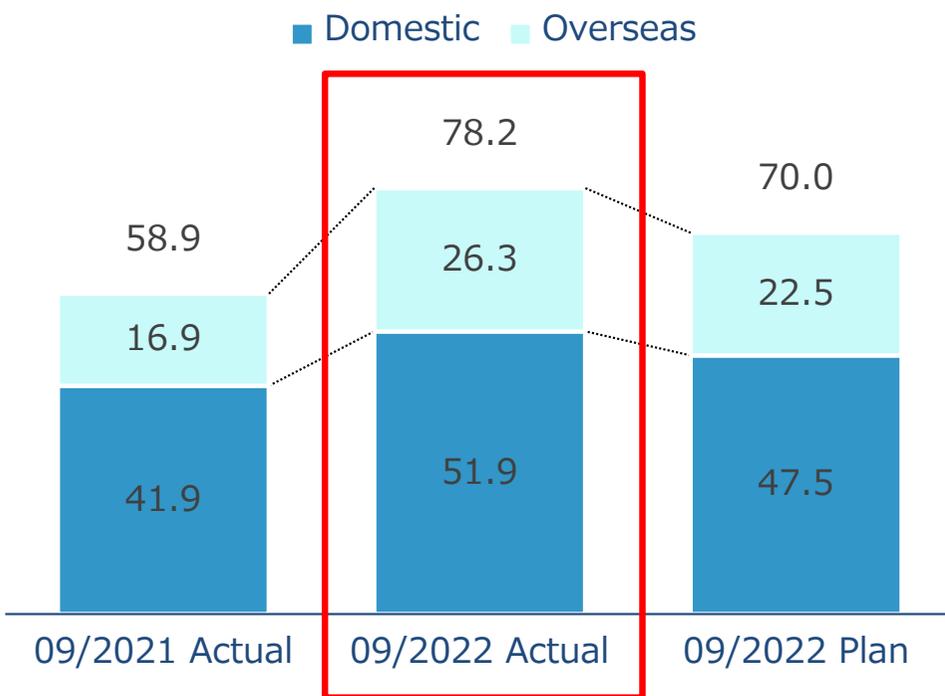
■ Orders increased in the first half both in Japan and overseas mainly in the electronics industry, reaching a record high.

**Domestic:** Investments in large-scale semiconductor projects and wafer-related projects made a significant contribution.

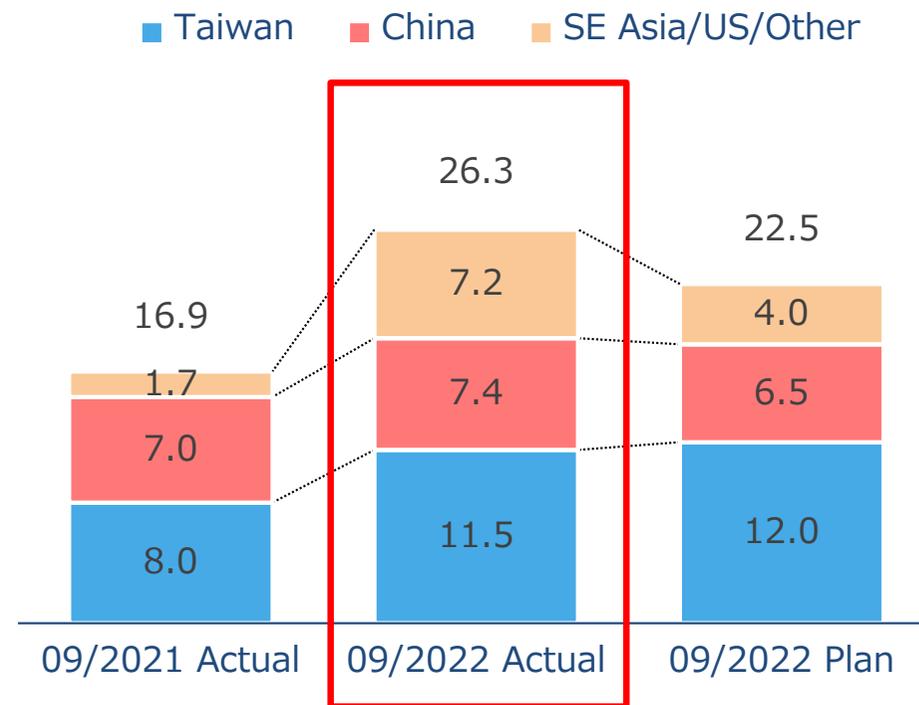
**Overseas:** Investments in Taiwan remained at high levels while investments in semiconductors grew in China and Malaysia.

(Billions of yen)

Orders (Domestic/Overseas)



Orders Overseas by Region



# First-Half Results: Sales by Region

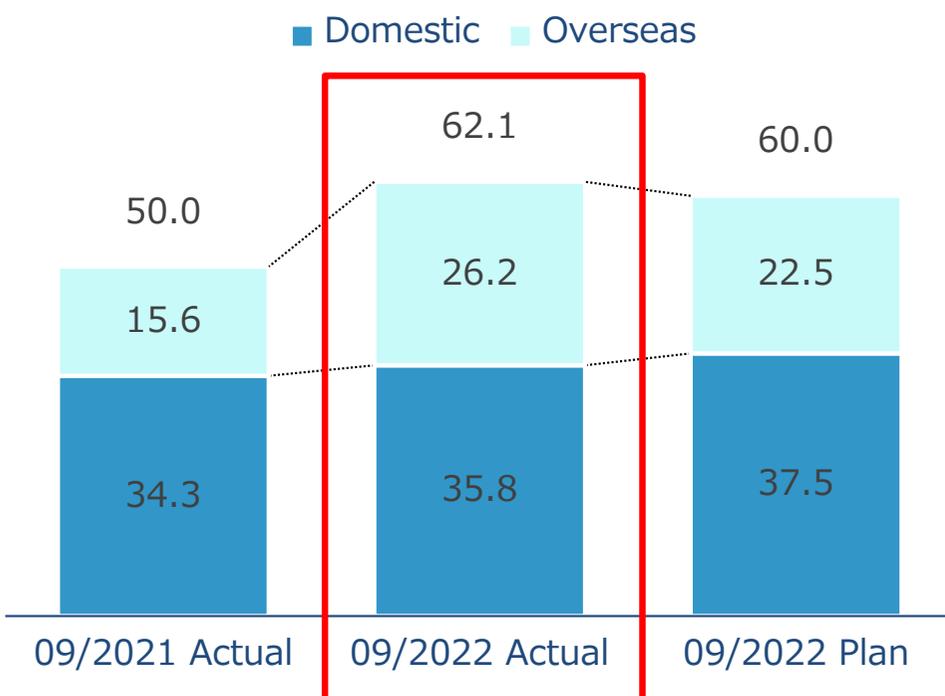
■ Sales in the first half also grew year-on-year and exceeded the initial plan to reach a record high.

**Domestic:** Sales increased due to progress on the construction of major projects, mainly in the electronics industry.

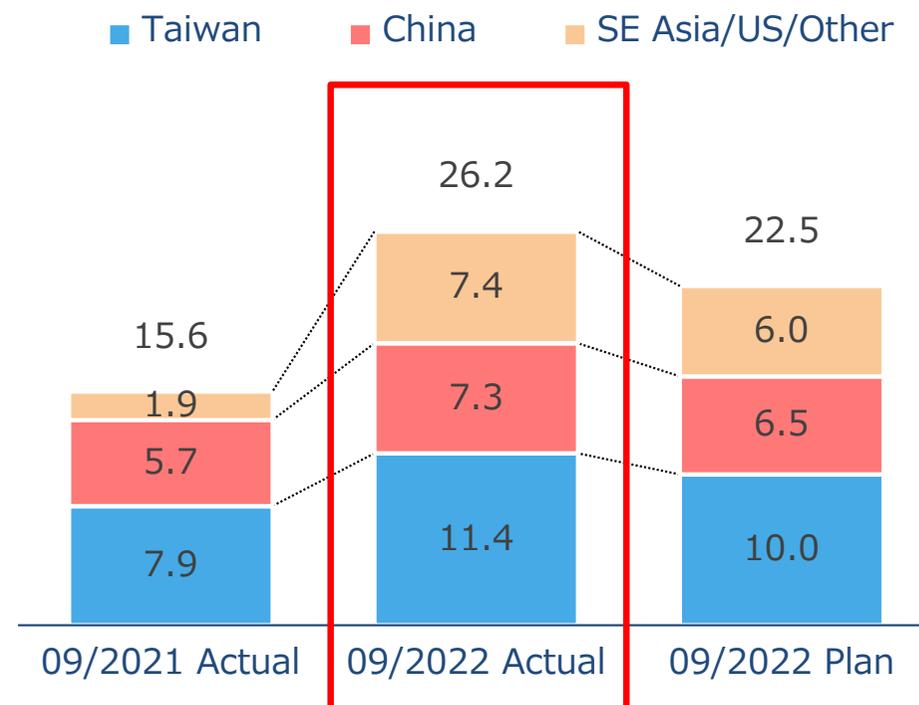
**Overseas:** Progress on the construction of an order received in the United States last year contributed to sales alongside projects in Taiwan and China.

(Billions of yen)

Sales (Domestic/Overseas)



Sales Overseas by Region



# First-Half Results: Sales by Segment and Customer

## Water Treatment Engineering Business Unit

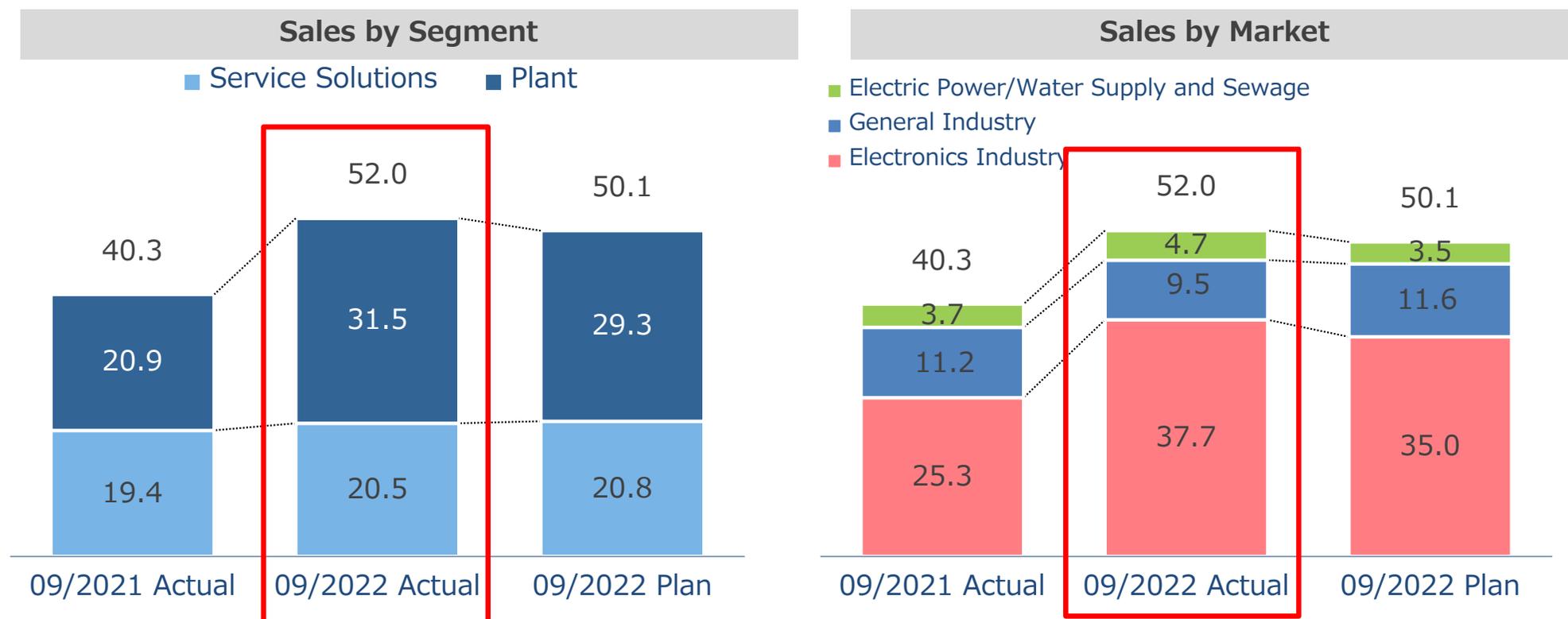
■ Sales in the Water Treatment Engineering Business Unit increased year-on-year and exceeded the initial plan due to growth in the electronics industry.

**Electronics Industry:** The service solutions performed well on top of progress made in construction for major projects.

**General Industry:** Delays in procuring raw materials, etc. have pushed sales back to the second half or later.

**Electric Power/Water Supply and Sewage:** Sales were firm, mainly in the service solutions in Japan.

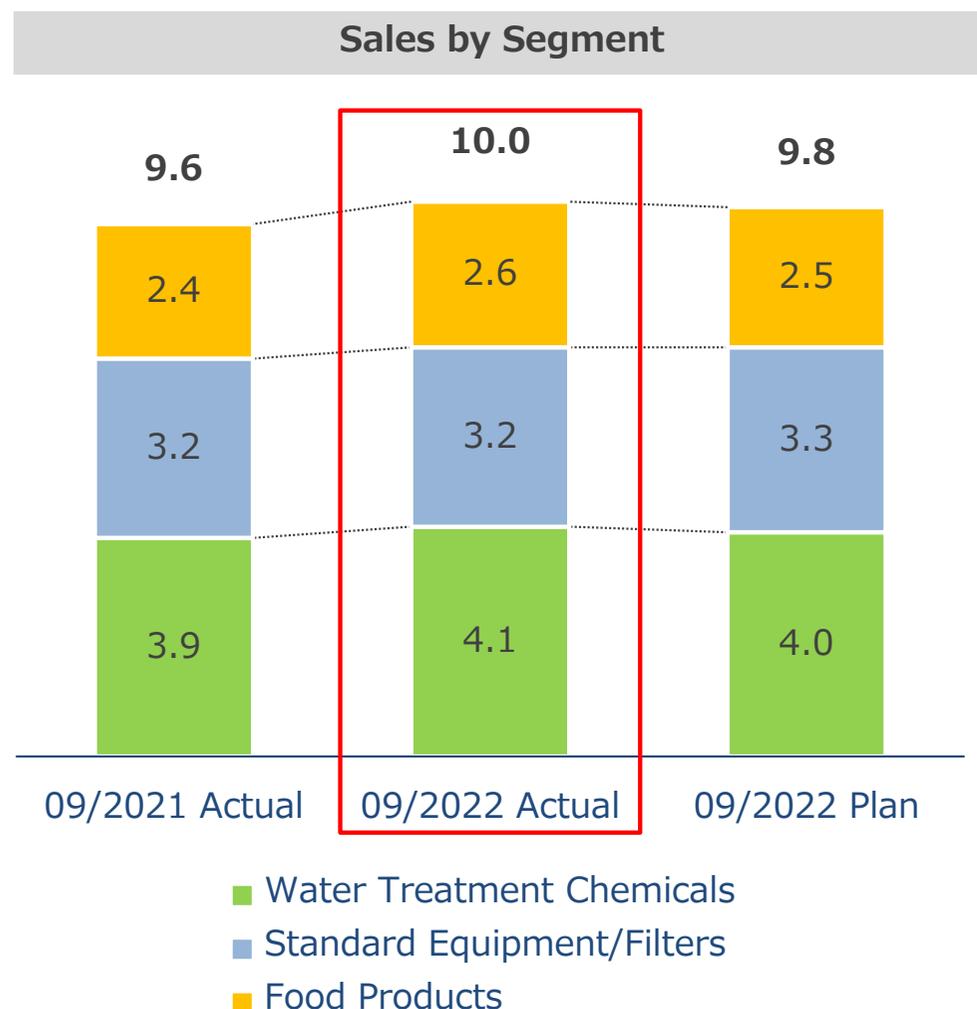
(Billions of yen)



# First-Half Results: Sales by Segment and Customer

## Performance Products Business Unit

(Billions of yen)



### Water Treatment Chemicals

- Sales of wastewater treatment chemicals, chemicals for RO membrane treatment, and other products for the electronics industry were steady.

### Standard Water Treatment Equipment and Filters

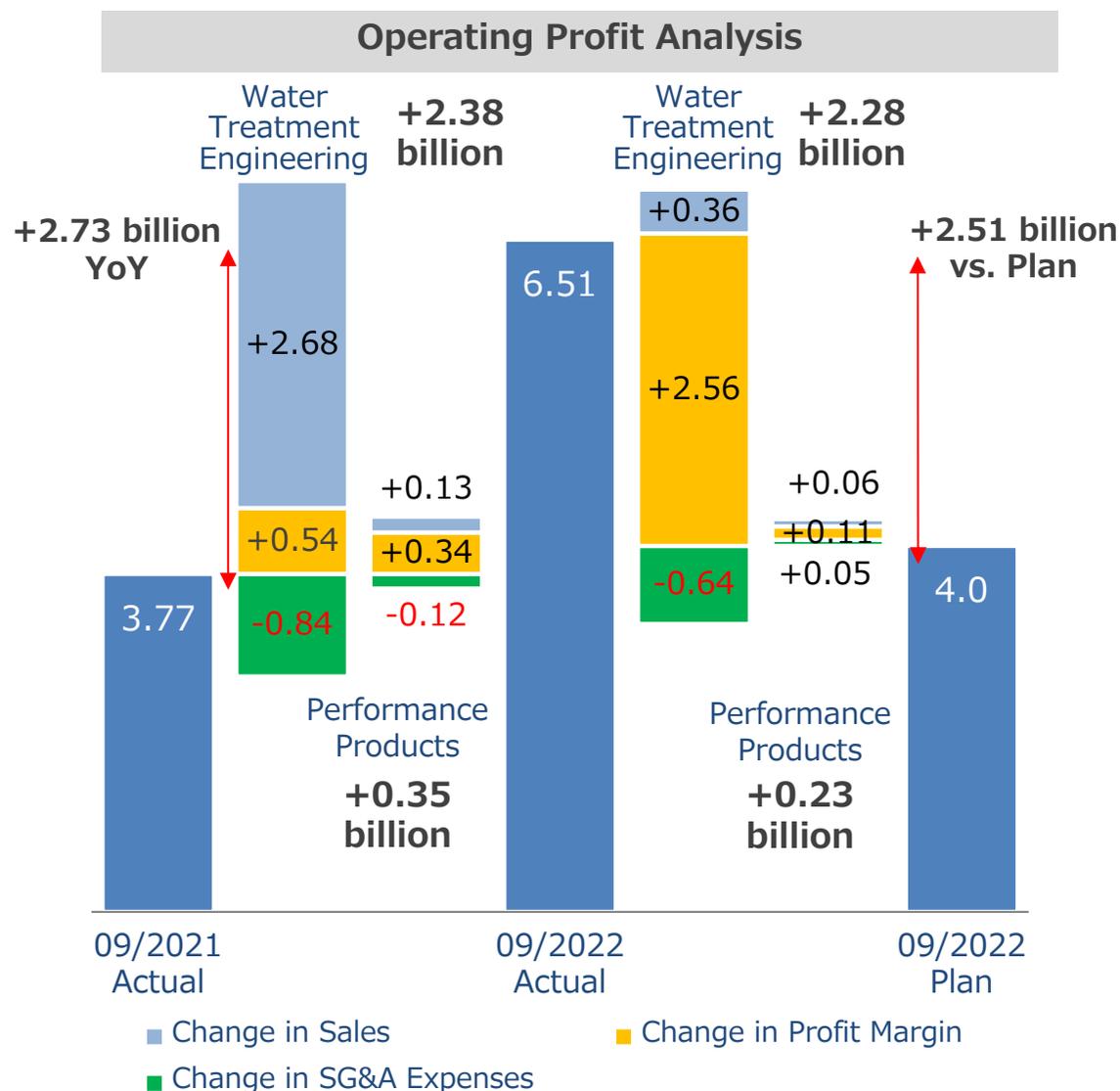
- Small-scale pure water production equipment sales for medical institutions and research institutions were robust.
- Sales of Puric  $\mu$  ( $\mu$ ), which was launched in the previous fiscal year, also grew.
- Water purification filter sales for vending machines and coffee machines were strong as well.

### Food Products

- Although raw material prices have continued to soar, we have made relatively smooth progress in passing on costs by negotiating price increases.
- Sales have also been recovering from their decline during the COVID-19 pandemic.

# First-Half Results: Analysis of Operating Profit

(Billions of yen)



## Year-on-Year Change

- Revenue growth from increased sales in the electronics industry had a significant impact on profit
- The performance products business saw greater profit thanks to not only revenue growth but improved profitability from passing on costs and cost reductions, etc.
- SG&A expenses increased mainly due to personnel costs.

## Compared to Targets

- The risk of increased raw material prices was factored into the initial plan, but we made steady progress in passing on costs.
- We also saw the effects of project cost improvements expected in the second half ahead of schedule.
- The performance products business also improved profitability through price increases and cost reductions.
- SG&A expenses were impacted by foreign currency translation differences at our overseas subsidiaries

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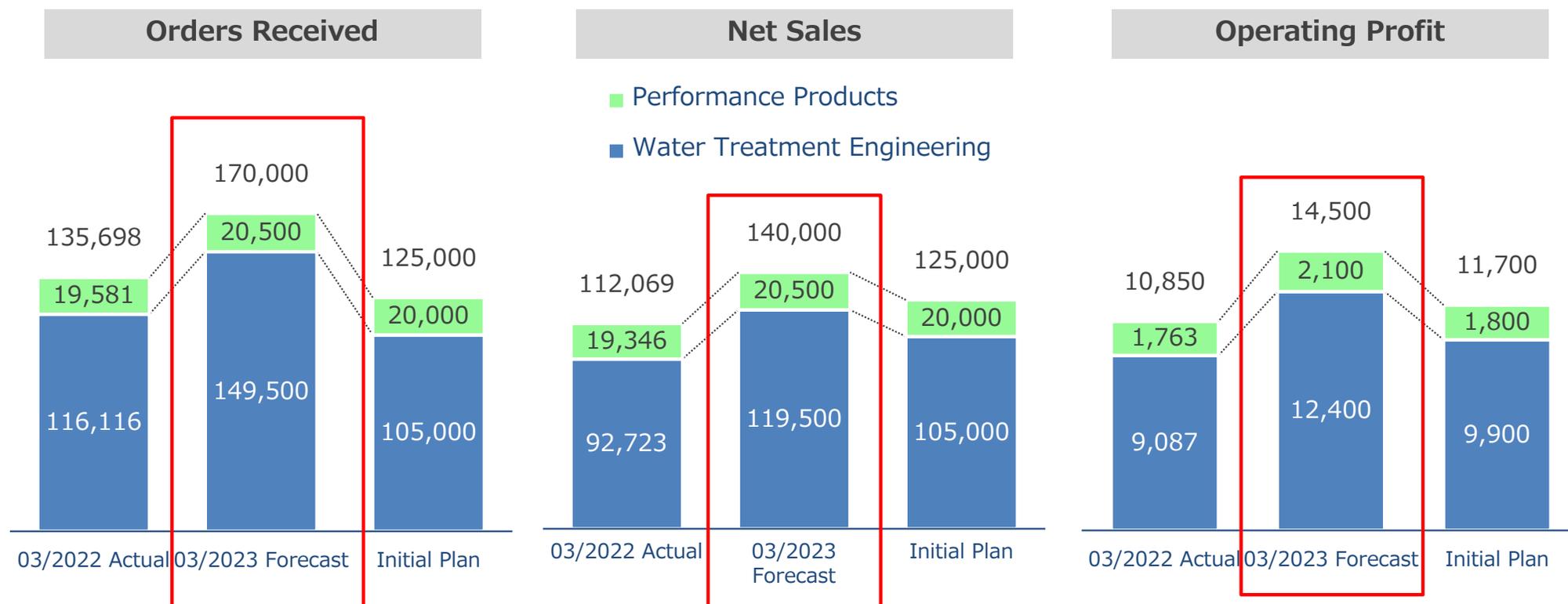
# Overview of Full-Year Forecast

■ Orders, sales, and profits are all expected to achieve new record highs for the second consecutive year.

Capital investment in the electronics industry has been brisker than expected both in Japan and overseas, mainly for semiconductors.

Increased orders and sales from the recovery in investment in the general industry field and growth in the performance products business are also contributing.

(Millions of yen)



# Projections for Full-Year Forecast

## Electronics Industry

### [Short-Term Outlook]

There are signs of production and investment reductions, including a deterioration in memory market conditions, but capital investment is expected to remain at high levels both in Japan and overseas.

In addition to investment in wafers and power semiconductors in Japan and cutting-edge fields overseas in Taiwan, semiconductor investment in China, including semiconductor memory, has remained brisk.

Large-scale investments in legacy semiconductors, etc. in Malaysia by mainly Western manufacturers are expected to continue as well.

### [Medium- to Long-Term Outlook]

Countries and regions are increasingly restructuring their semiconductor supply chains due to geopolitical risks and concerns over economic security.

In the medium- to long-term, the semiconductor market is expected to grow due to increased demand. We will strengthen our supply chains in the Asia region, including in Japan, and move forward with expanding our North American operations.

# Projections for Full-Year Forecast

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## General Industry

Sales are expected to recover to pre-pandemic levels due to brisk large-scale capital investments in areas related to the food product and electronics industries, as well as steady investment in the pharmaceuticals sector.

## Electric Power /Water Supply and Sewage

We expect the electric power/water supply and sewage fields to remain strong.  
We also anticipate increased demand for service solutions for nuclear power plant restarts.

## Performance Products

Steady sales are expected in all areas. In the water treatment chemicals and standard equipment/filters fields, we are stepping up our efforts to increase overseas sales in Taiwan, China, and other countries.

# Full-Year Forecast: Statement of Income

	March 2022	March 2023		Year-on-Year	Forecast-to-Initial
(Millions of yen)	Actual	Forecast	Initial Plan	(%)	Plan
				(%)	(%)
Orders received	135,698	170,000	125,000	+25.3%	+36.0%
Net sales	112,069	140,000	125,000	+24.9%	+12.0%
Gross profit	28,512	34,000	30,700	+19.2%	+10.7%
(%)	25.4%	24.3%	24.6%		
SG&A	17,662	19,500	19,000	+10.4%	+2.6%
Operating profit	10,850	14,500	11,700	+33.6%	+23.9%
(%)	9.7%	10.4%	9.4%		
Ordinary profit	11,545	15,200	11,700	+31.6%	+29.9%
Profit attributable to owners of parent	9,210	11,500	8,200	+24.9%	+40.2%
ROE (%)	12.9%	14.3%	10.6%	-	-

# Full-Year Forecast: Orders, Sales, and Backlog

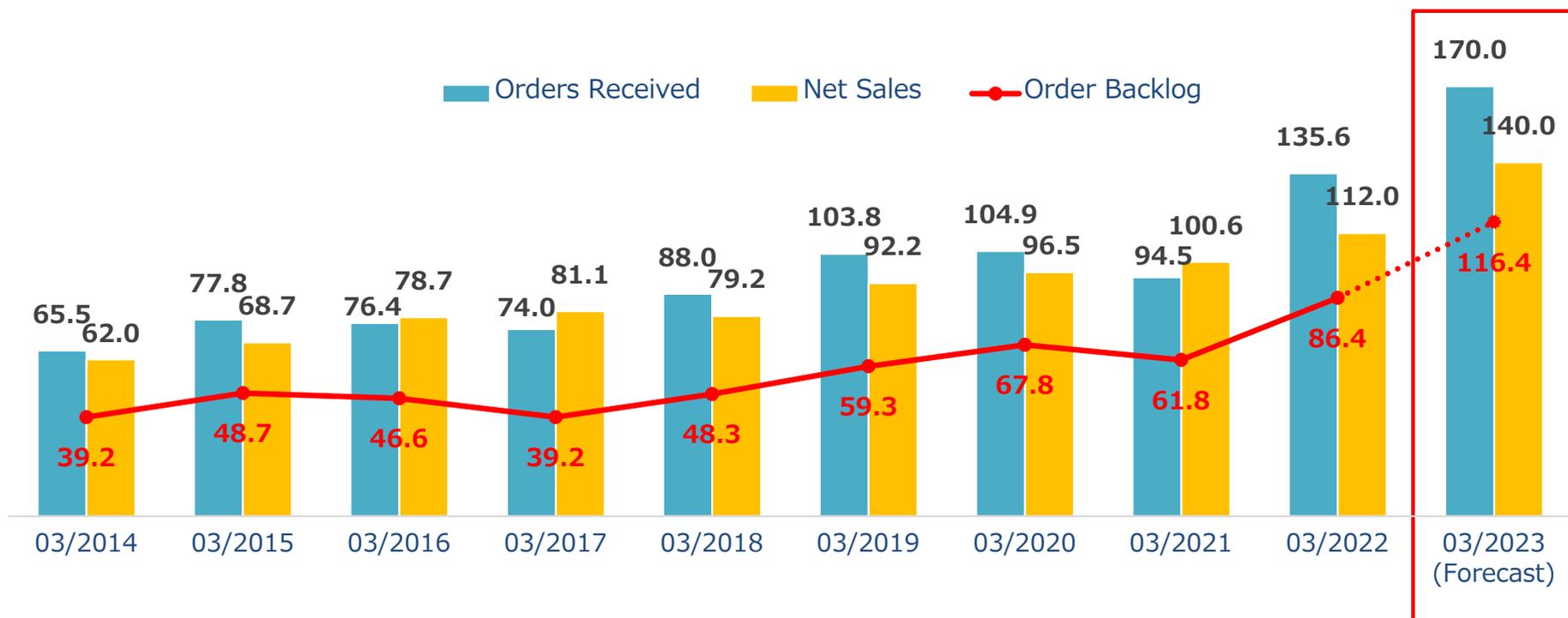
■ Our order backlog remains high due to increased large-scale investments in Japan and overseas.

The backlog, a leading indicator of sales, is expected to exceed ¥100.0 billion at the end of the fiscal year ending March 2023.

This is partly due to the increasingly large-scale investments being made per project into semiconductors and other areas, as well as longer delivery times for raw materials and construction work, etc.

(Billions of yen)

Orders Received, Net Sales, and Order Backlog



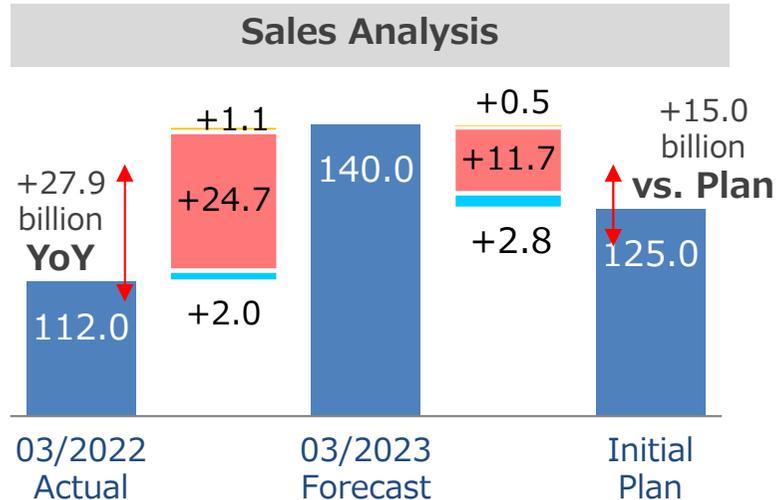
# Full-Year Forecast: Analysis of Orders and Sales

(Billions of yen)



## [Orders]

- Electronics industry and general industry orders are expected to exceed both the previous fiscal year and the initial plan, reaching a record high of ¥170.0 billion.
- Slight increases are also expected in the electric power/water supply and sewage fields and the performance products business.



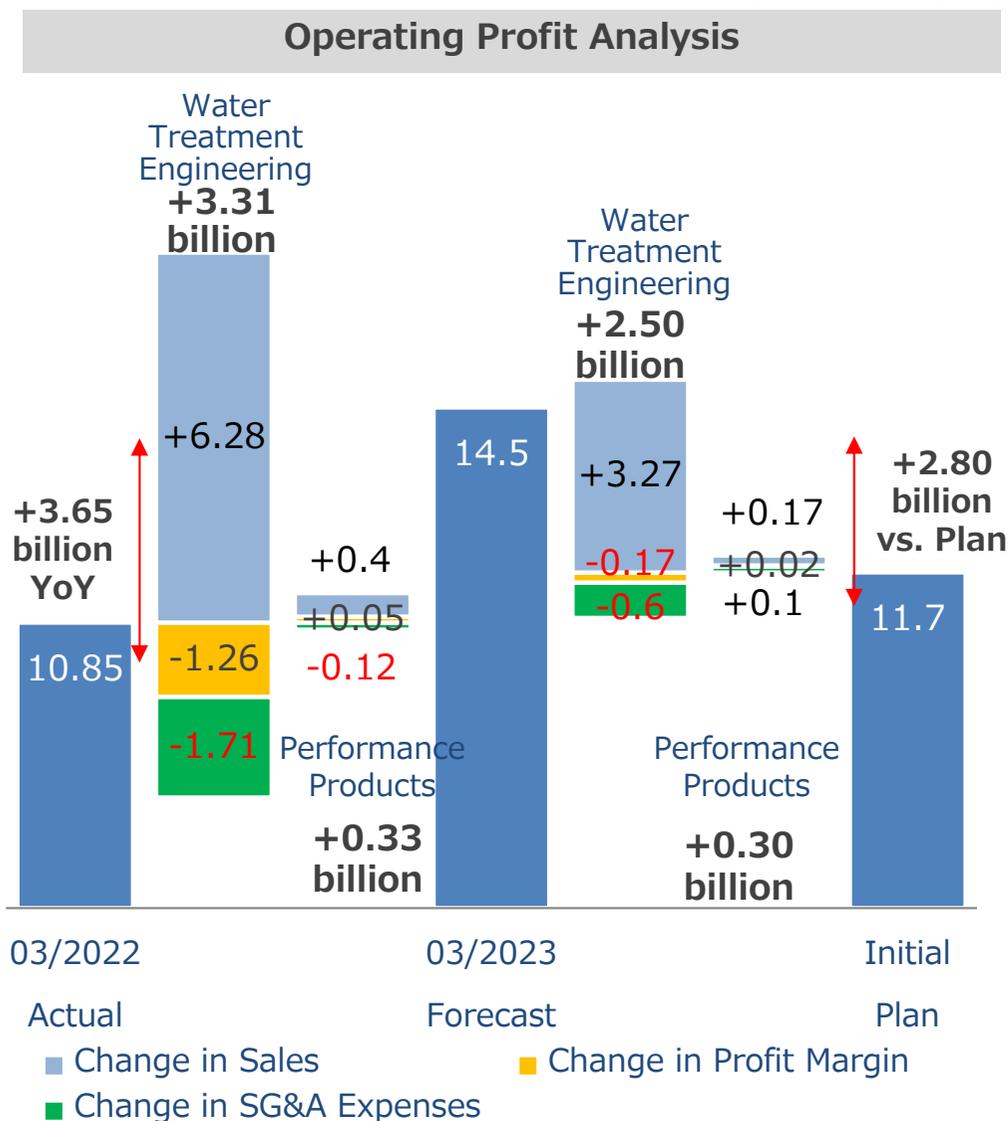
## [Sales]

- Electronics industry and general industry sales are projected to exceed both the previous fiscal year and the initial plan, reaching a record high of ¥140.0 billion.
- Performance products sales are expected to grow by ¥1.1 billion year-on-year thanks to strong performance in each field.

■ General Industry and Other      ■ Electronics Industry  
 ■ Performance Products

# Full-Year Forecast: Analysis of Operating Profit

(Billions of yen)



## Year-on-Year Change

- Profits have increased due to greater revenue, mainly in the electronics industry.
- Increased share of plant sales is also expected to impact our profit margin.
- We anticipate higher profits in the performance products business due to increased revenue in each field.
- SG&A expenses are expected to increase mainly due to personnel costs

## Compared to Targets

- We expect to see the effect of increased sales, mainly in the electronics industry.
- Profit margins are expected to be in line with the initial plan.
- We anticipate higher profits in the performance products business due to increased revenue in each field.
- SG&A expenses are expected to exceed the initial plan, impacted by the depreciation of the yen and other factors.

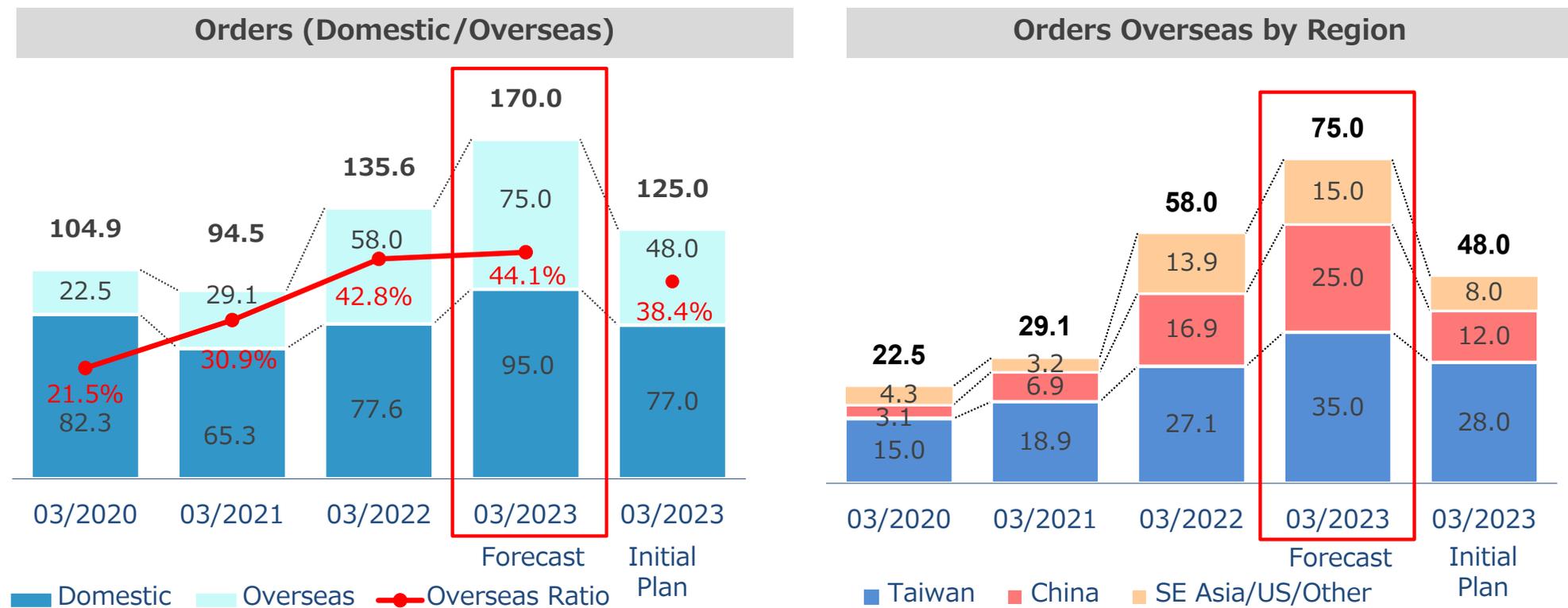
# Full-Year Forecast: Orders by Region

■ Orders are expected to increase both domestically and internationally mainly from large-scale investments in the electronics industry field.

**Domestic:** On top of the electronics industry, large-scale investments are expected to increase in the general industry field.

**Overseas:** Large-scale investments in semiconductors have remained strong in Taiwan, China, and Malaysia. The yen has depreciated more than expected at the beginning of the period, and the greater translation differences have also impacted orders.

(Billions of yen)



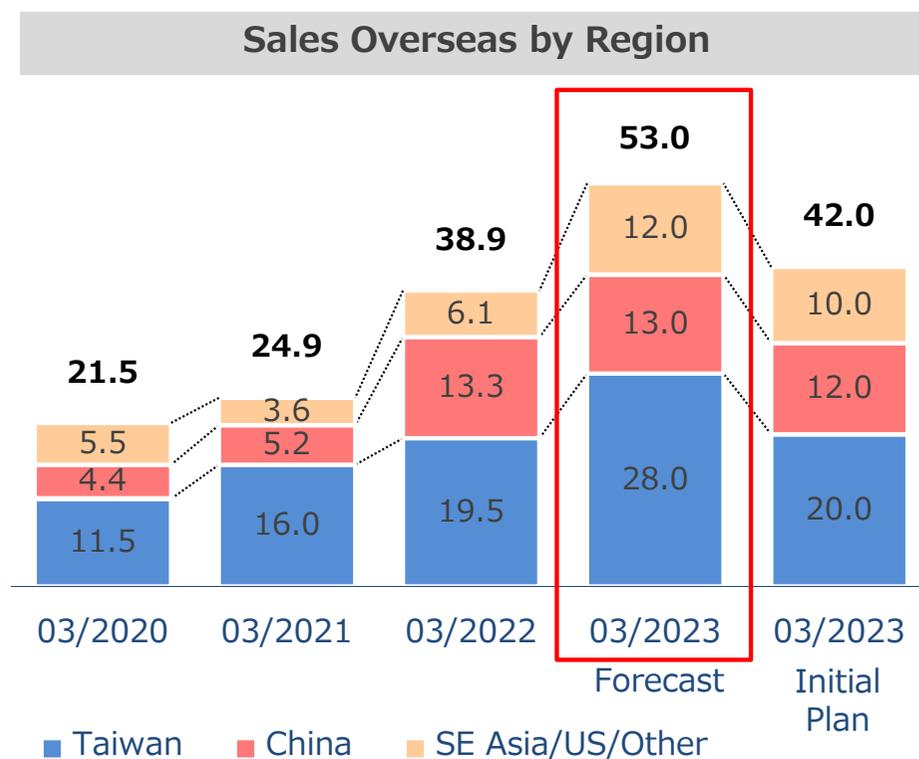
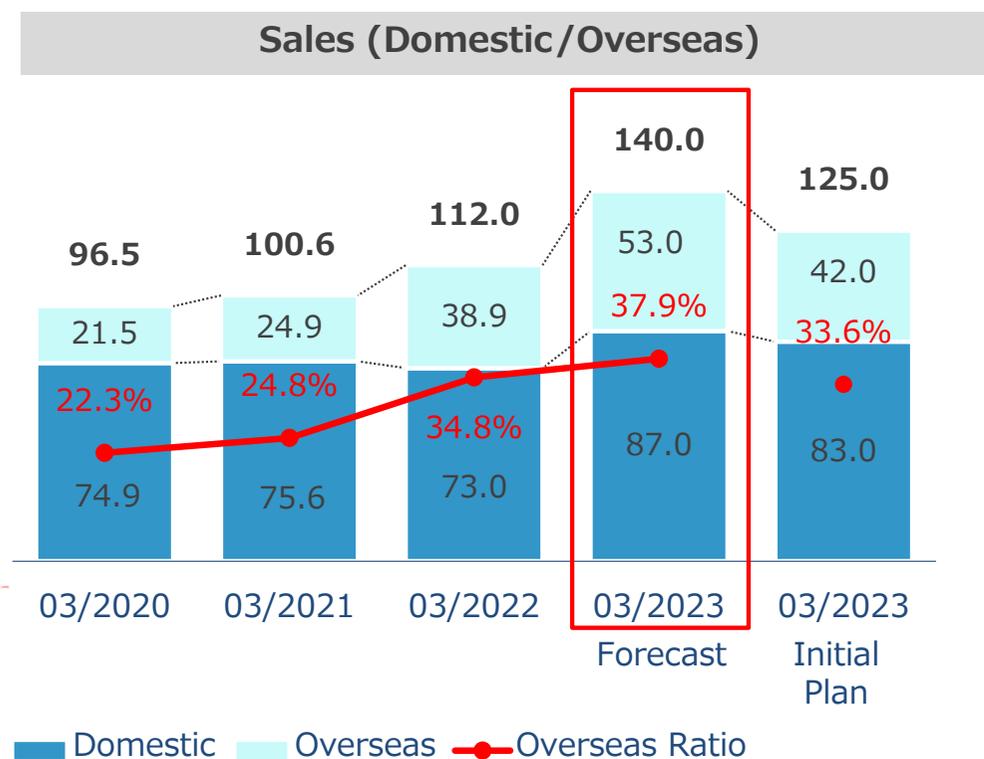
# Full-Year Forecast: Sales by Region

■ We expect sales to increase both in Japan and overseas due to progress on the construction of large-scale projects ordered.

**Domestic:** Sales are expected to increase in the electronics industry and general industry where orders are strong.

**Overseas:** Following growth in Taiwan and China, sales have expanded in Malaysia as well as the US where an order was received last fiscal year. The yen has depreciated more than expected at the beginning of the period, and the greater translation differences have also impacted sales.

(Billions of yen)



# Full-Year Forecast: Sales by Segment and Customer

## Water Treatment Engineering Business Unit

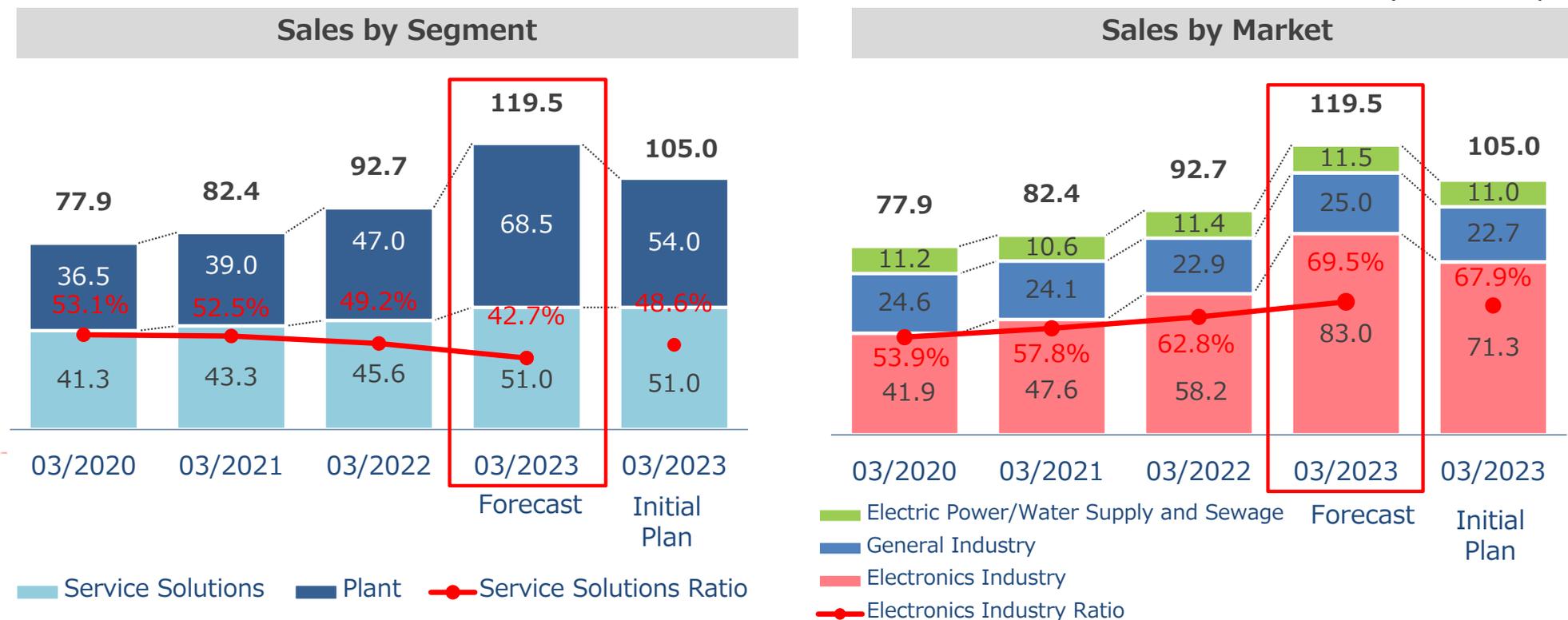
■ We expect to see increased sales mainly in the electronics industry and general industry.

**Electronics Industry:** Sales have grown due to progress on the construction of large-scale projects in Japan and overseas.

**General Industry:** Plant sales are up on the recovery in large-scale capital investment. Service solutions sales are also strong.

**Electric Power/Water Supply and Sewage:** Sales have been firm, mainly in the service solutions in Japan.

(Billions of yen)



# Full-Year Forecast: Electronics Industry Orders

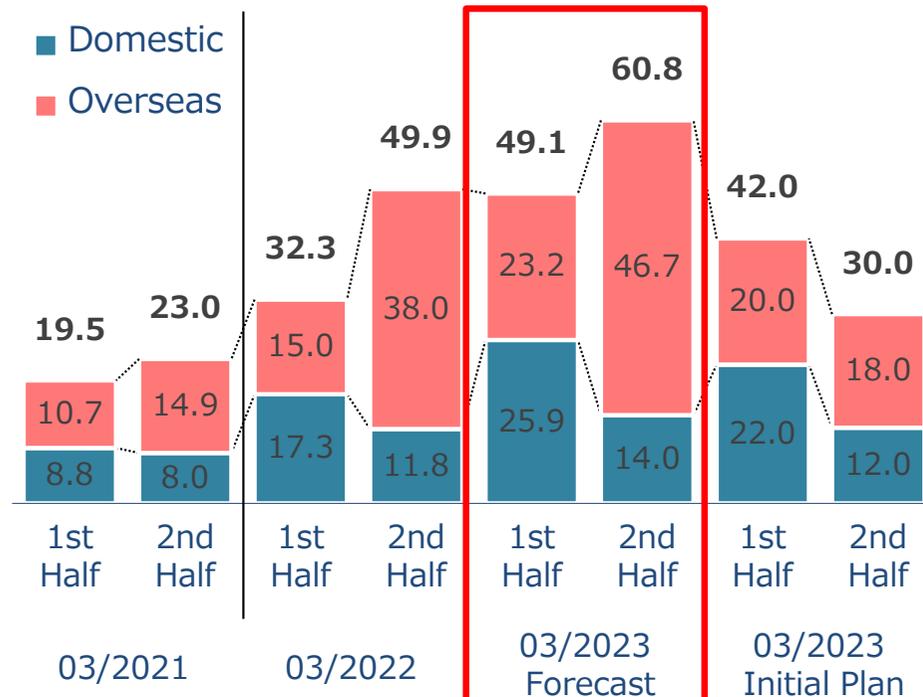
■ We expect high levels of investment both in Japan and overseas, mainly in semiconductors.

**Domestic:** Orders for large-scale projects have been received as expected in the initial plan. Service solutions orders have also been strong.

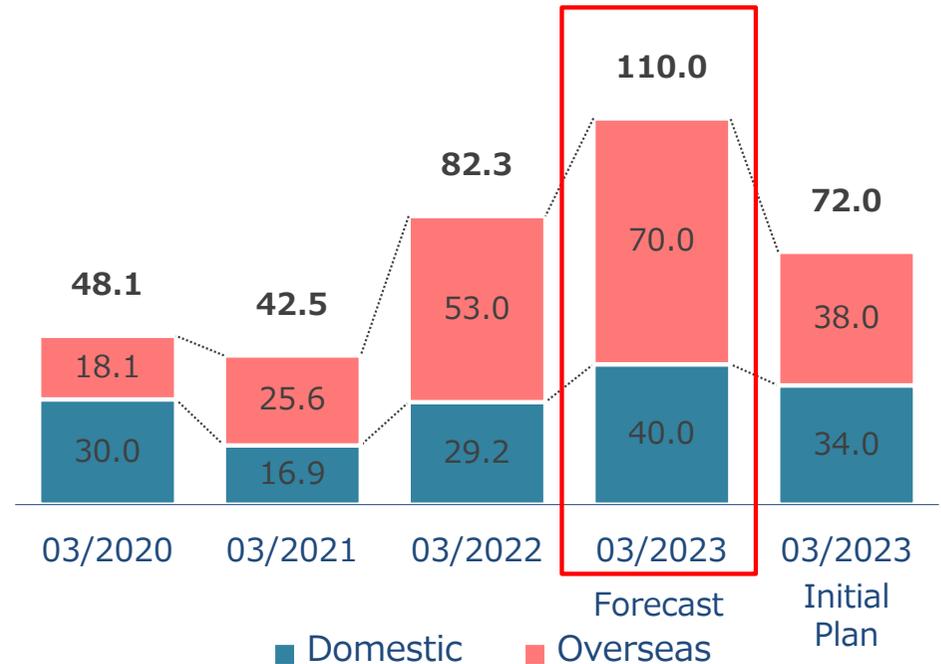
**Overseas:** Investment has continued at a high level in Taiwan, and large-scale investments in semiconductors have been brisk in China and Malaysia as well where orders for multiple projects are expected.

(Billions of yen)

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



Electronics Industry Orders



# Full-Year Forecast: Electronics Industry Sales

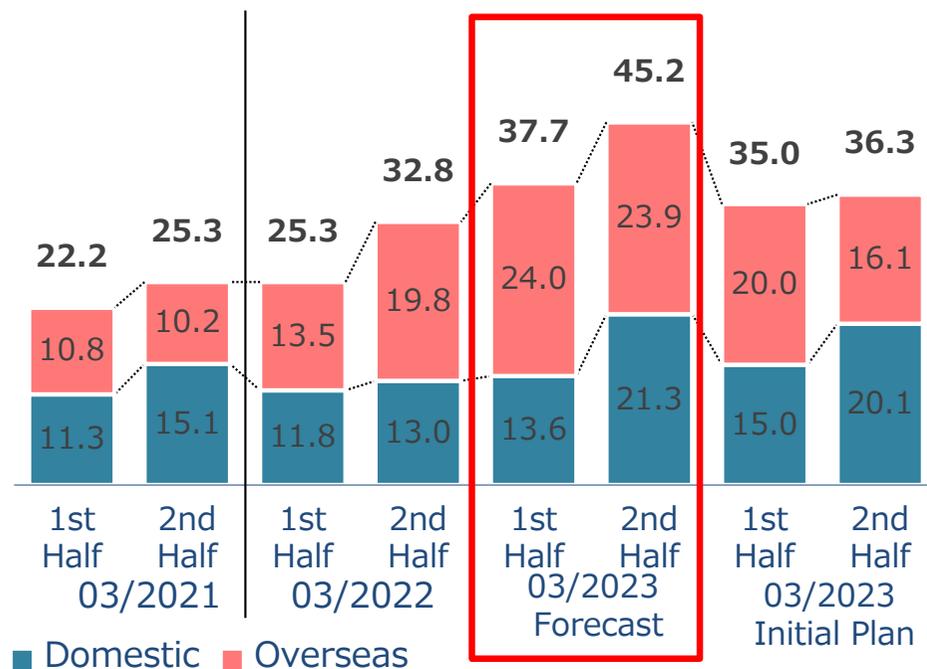
■ Sales are expected to increase both in Japan and overseas due to progress on the construction of large-scale projects.

**Domestic:** Sales are expected to increase due to progress on the construction of large-scale semiconductor projects, etc.

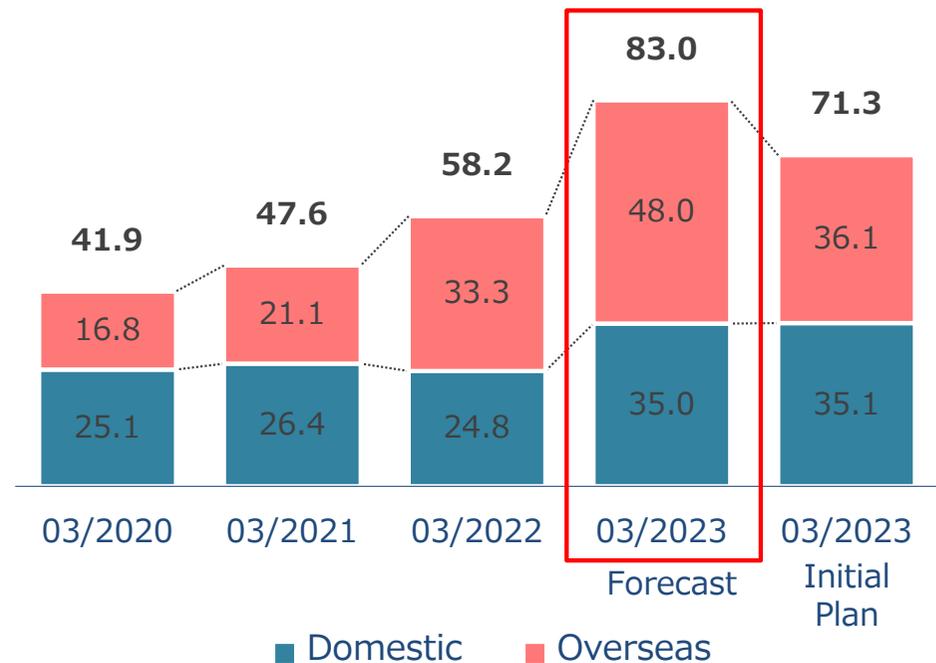
**Overseas:** Higher sales are projected due to progress on the construction of large-scale projects in Taiwan, China, the US, etc.

(Billions of yen)

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

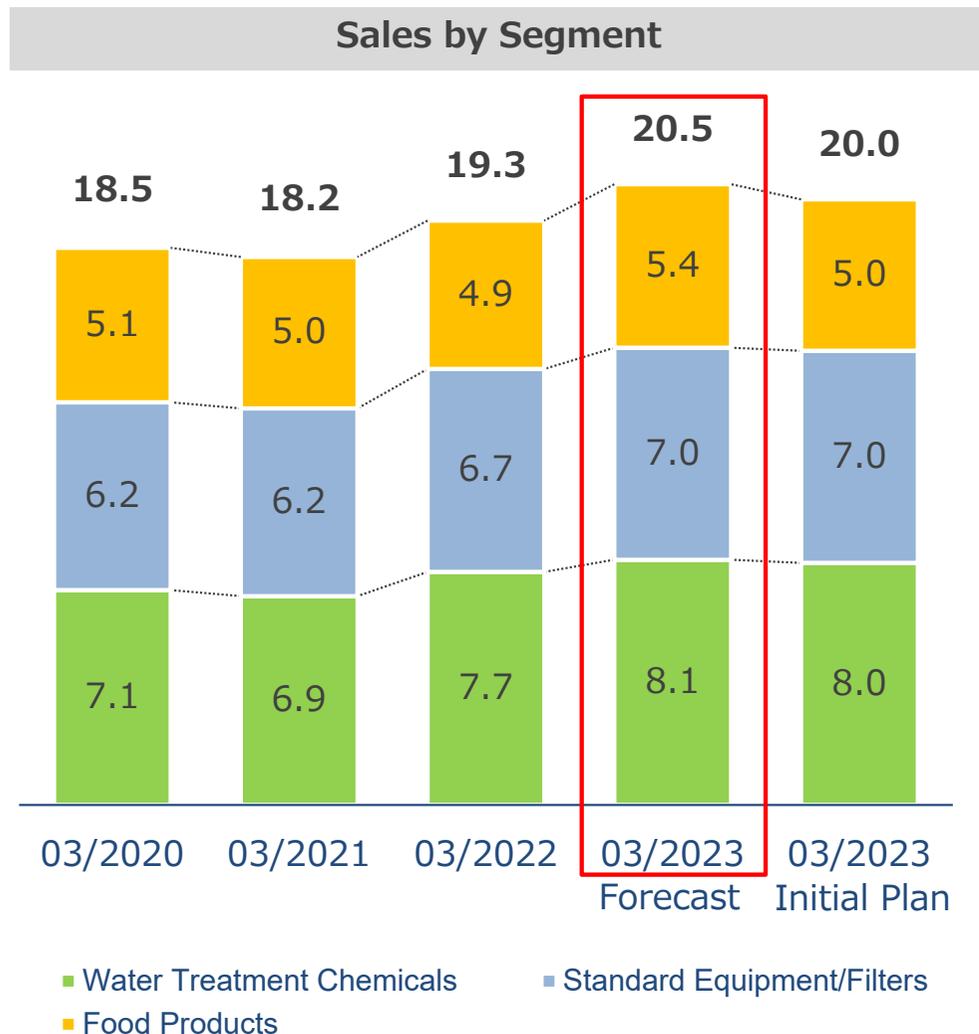


Electronics Industry Sales



# Full-Year Forecast: Sales by Segment and Customer Performance Products Business Unit

(Billions of yen)



## Water Treatment Chemicals

- We expect greater sales of wastewater treatment chemicals, chemicals for RO membrane treatment, cooling water treatment chemicals, etc. mainly in the electronics industry.

## Standard Water Treatment Equipment and Filters

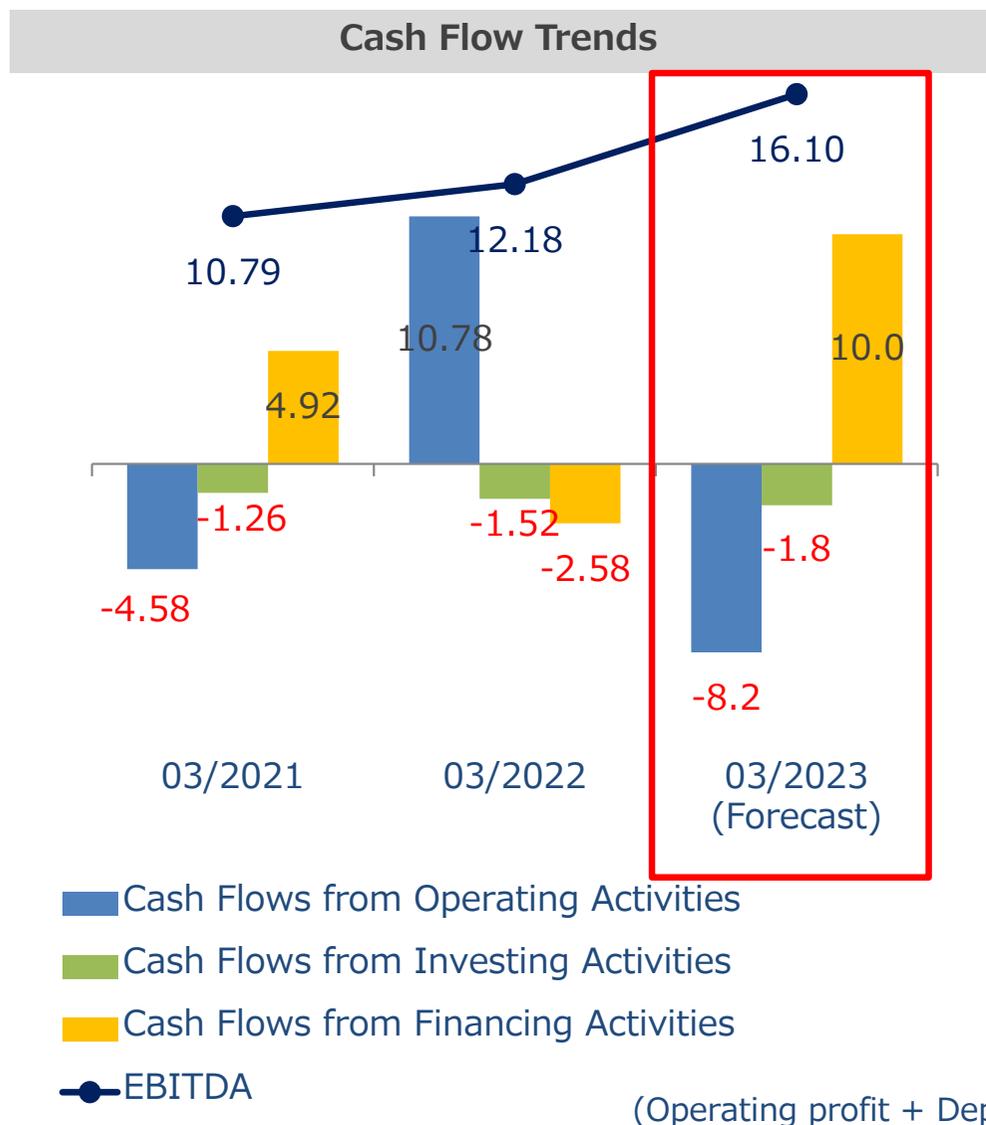
- Sales of small-scale pure water production equipment for research institutions and medical institutions as well as water purification filters are expected to grow.

## Food Products

- Increased sales are expected for various food additives.
- We also expect to make progress in passing on costs through price increases.

# Full-Year Forecast: Cash Flows

(Billions of yen)



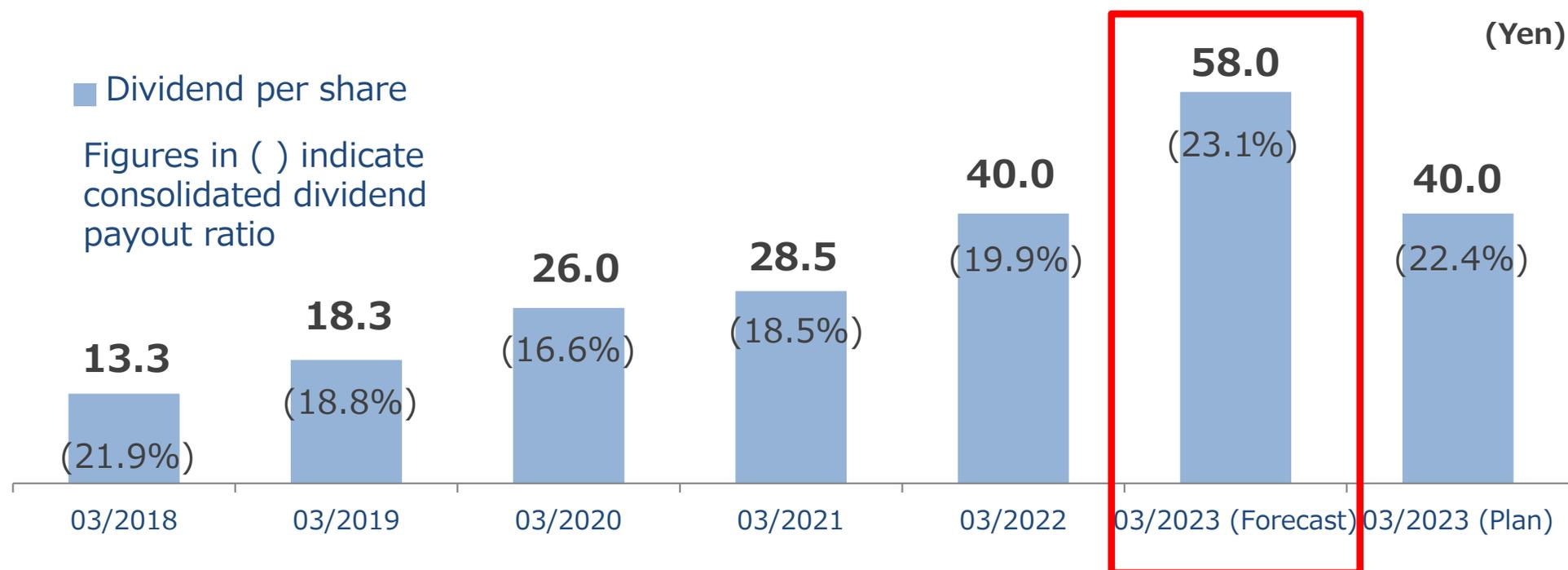
On top of trends in business performance, our cash flow is significantly impacted by progress on the construction of large-scale projects and the collection of payments for them.

## Major Trends in Fiscal Year Ending March 2023

- Cash flows from operating activities include investments in facility-owned service solutions projects, which we expect to make a total of about ¥25.0 billion of in phases by fiscal year ending March 2025. We also assume that R&D, overseas operations, and digital-related expenses will increase.
- Cash flows from investment activities include plans to enhance the Tsukuba Factory and increase investment in digital and R&D.
- Cash flows from financing activities are expected to increase due to increased borrowings for investment in facility-owned projects. Total dividends paid also continues to increase, expected to grow 52% YoY to over ¥2.3 billion for the fiscal year ending March 2023.

# Dividend Trends

- A 4-for-1 common share split was conducted effective as of October 1, 2022.
- Fiscal year-ending March 2023 dividends for both the first half and the full year were revised upward, with annual dividends rising to ¥58 per share.
- The medium-term management plan, which runs through fiscal year ending March 2025, aims for both grow investment and continued dividend increases to raise the dividend payout ratio to a level of 25% or higher as soon as possible.



\* Dividends are listed on a post-share split basis, which went into effect as of October 1, 2022.

# Key Indicators

	FY ended 03/2022 Actual	FY ending 03/2023 Forecast	FY ending 03/2023 Initial Plan
Capital expenditures (Millions of yen)	3,387	1,800	2,000
R&D expenses (Millions of yen)	2,146	2,700	2,700
Depreciation (Millions of yen)	1,332	1,600	1,500
Interest-bearing debt (Millions of yen)	15,628	28,000	30,000
No. of employees	2,476	2,500	2,500

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# TOPICS: Growth Area Initiatives

## New Testing Buildings at the R&D Center Begin Operations



- The labs have begun developing non-aqueous separation and purification technologies and conducting R&D into next-generation ultrapure water systems.

- Research activities aimed at developing cutting-edge technologies in semiconductor development and manufacturing have also begun.

# TOPICS: Performance Products Business

## Digital Promotion Initiatives



# LAB SALON

by ORGANO CORPORATION



- We have launched a website for researchers and those engaged in laboratories.

<https://puric.organo.co.jp/en/>

- The site provides useful information on water and analytics as well as our products and related case studies.

- Online exhibitions are also being held.

- We plan to launch a BtoB e-commerce site as well.

# TOPICS: Sustainability

## Key Issues (Materiality) Identified

■ We extract keywords from our management philosophy, long-term management vision and others and evaluated and assessed their importance and validity, based on which we identified the following materiality.

### Management Philosophy

Organo serves as a valuable partner company by leveraging its leading-edge technologies cultivated through long experience with water treatment, by contributing to the industries that create the future, and by playing a key role in the development of societal infrastructure.

### Long-term Management Vision

At Organo, we seek to expand our business through high value-added separation and purification as well as analysis and manufacturing technologies, and by providing products and services that promote the creation of value and which resolve the challenges that confront industry and society.  
We proactively contribute to a better tomorrow by cultivating people today who will improve upon the way things were done yesterday, as a company where all employees are energetic and passionate about their work.

### Key Issues (Materiality)

#### **Achieve Continuous Business Growth**

- 1) Contribute to a sustainable global environment
  - Address water resource issues
  - Respond to climate change
  - Expand environmentally friendly products and services
  - Promote the 3Rs (Reuse, Reduce, Recycle)
  - Conserve biodiversity
- 2) Provide high value-added products and services by leveraging technological capabilities

#### **Building a Business Foundation**

- 3) Strengthen governance and ensure compliance
  - Promote occupational health and safety
  - Respect for human rights
  - Strengthen compliance
  - Strengthen risk management
- 4) Create a workplace where diverse human resources can play an active and rewarding role
- 5) Strengthen supply chain management

# TOPICS: Reducing Environmental Impact

## Supporting Customers' Energy, Labor, and Personnel Efficiencies



Energy Conservation Grand Prize 2016  
Energy Conservation Center, Japan Chairman's Award  
**Water Heat Utilization System**

■ Utilizes heat pump technology to harness the heat of water used in factories and other facilities as energy. Reduces **power consumption and CO<sub>2</sub> emissions by more than 50%**.



Energy Conservation Grand Prize 2020  
Energy Conservation Center, Japan Chairman's Award  
**Cooling water treatment agent ORBRAID**

■ Focuses on the heat exchange efficiency index of refrigeration equipment used in factories and other facilities to **save labor and reduce the amount of energy used in cooling water systems**.



Energy Conservation Grand Prize 2021  
Judging Committee Special Excellence Award  
**Energy-saving solutions for RO membrane treatment facilities ORSMART RO**

■ **Saves labor, cuts personnel, and reduces the amount of energy used** through a combination of RO membrane water treatment chemicals, automated injection controls and a remote management system.



HVAC&R Award 2022  
Solution Service Category  
**Cooling water energy saving service ORSMART CW**

■ **Saves labor, cuts personnel, and reduces the amount of energy used** through a combination of ORBRAID series chemicals, automated injection controls and a remote management system.

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# Company Overview

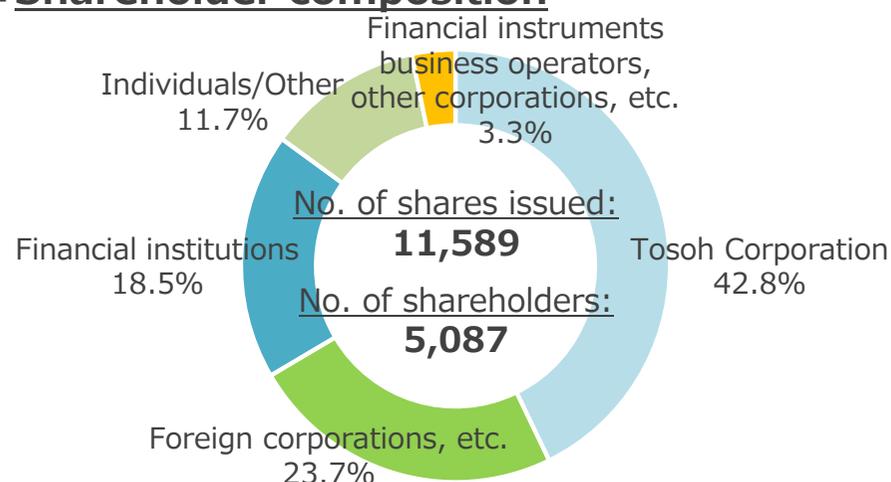
## ■ Company profile

Company name	ORGANO CORPORATION
Head office	1-2-8, Shinsuna, Koto-ku, Tokyo
Established	May 1, 1946
Capital	¥8,225 million
No. of employees	2,493 (consolidated) *As of September 30, 2022
Stock exchange listing	Tokyo Stock Exchange Prime Market



Representative Director and President Masayuki Yamada

## ■ Shareholder composition



(As of September 30, 2022)

## Management Philosophy

Organo serves as a valuable partner company by leveraging its leading-edge technologies cultivated through long experience with water treatment, by contributing to the industries that create the future, and by playing a key role in the development of societal infrastructure.

# The Organo Group's Business Structure

## Water Treatment Engineering Business Unit

### Plant Division



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

### Service Solution Division



Facilities maintenance  
Operational support services and comprehensive maintenance  
Facility enhancements, renovation and reconditioning  
Contract water treatment

### Sales by Segment



### Sales by Market



## Performance Products Business Unit

### Water Treatment Chemicals Division



Treatment chemicals for wastewater, cooling water, cleaning, RO membranes, boiler water, etc.

### Standard Water Treatment Equipment and Filters Division



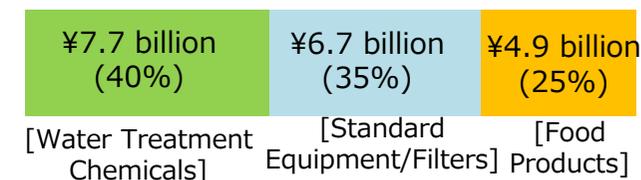
Pure and ultrapure water systems  
Water purification filters

### Food Products Division

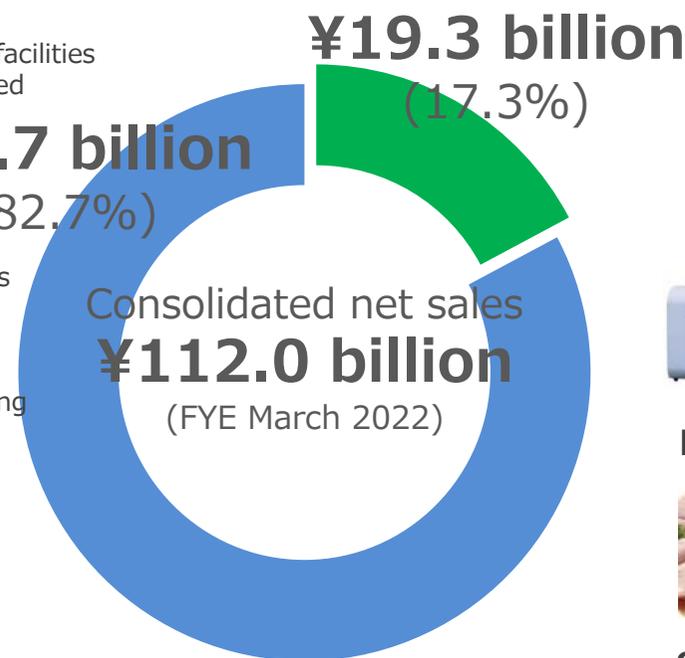


Food additives and processing agents  
Food ingredients

### Sales by Segment



\*Amounts represent sales for FYE March 2022, percentages represent share of total sales.



# The Organo Group Network

## Domestic Network

### Iwaki Factory



Factory that assembles large-scale water treatment plant units

### Tsukuba Factory



World leading ion exchange resin refinery



### Domestic Sales and Service Sites



We have established a nationwide sales and service network.

### R&D Center (Sagamihara)



The R&D Center promotes research and development into cutting-edge water treatment and separation and refining technologies.

## Global Network

### ■ Southeast Asia

Malaysia, Thailand, Vietnam, Indonesia

### ■ North America

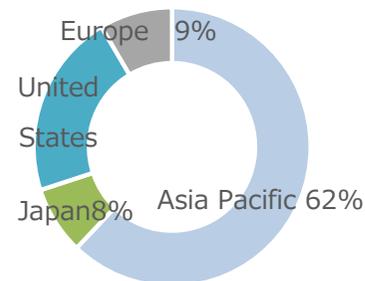
[US] Organo USA, Inc.  
(Established September 2021)

### ■ East Asia

China, Taiwan



### Semiconductor production share by region (2021; WSTS survey)



### Established a local subsidiary in the US (Sept. 2021)

To date, the Group has primarily expanded into areas where the electronics industry is prominent, including Japan, China, Taiwan, and Malaysia.

In September 2021, the Group established a US subsidiary based in Arizona in conjunction with customers' factory expansions.

# Organo's History

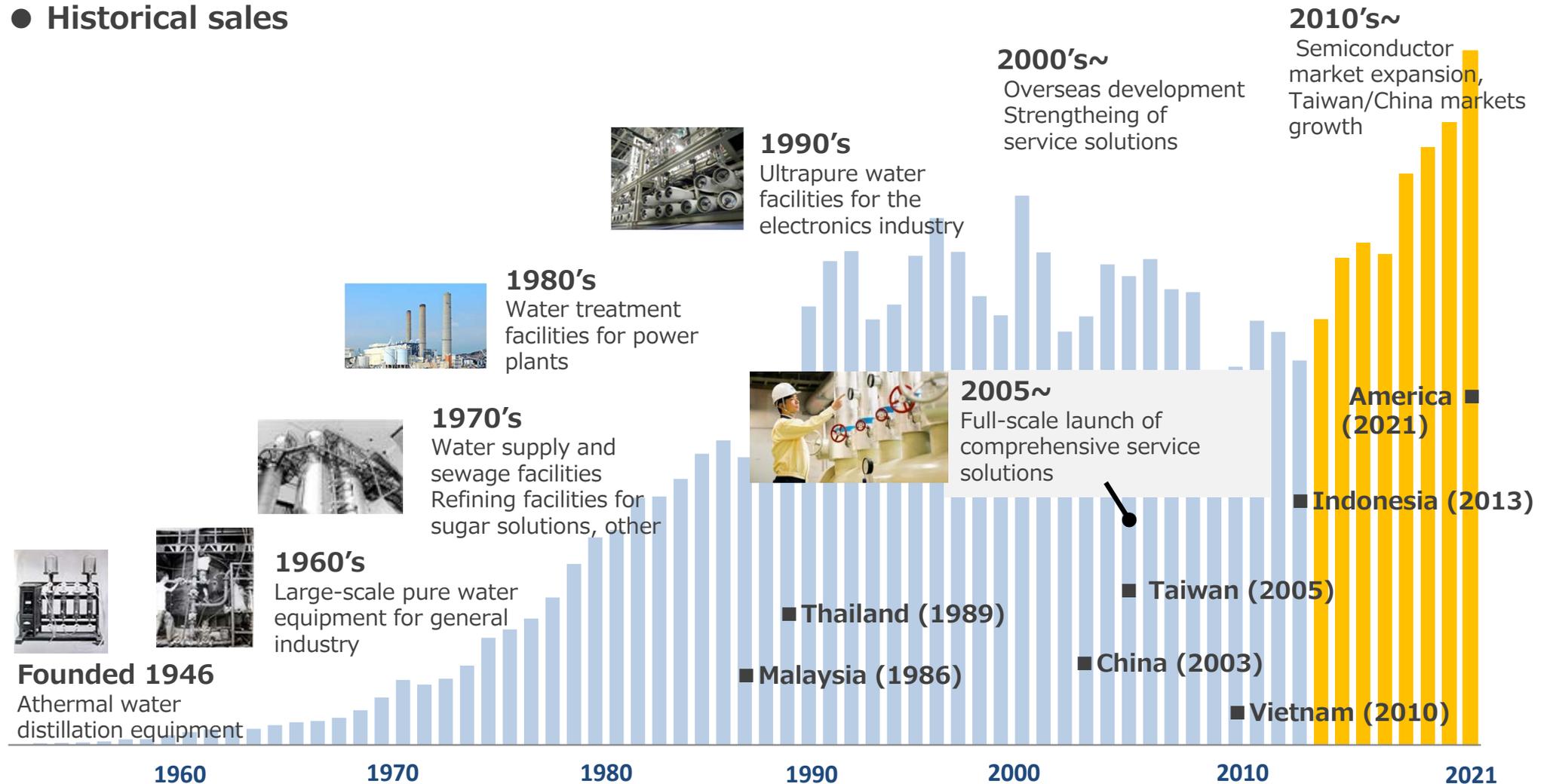
Development

Growth

Evolution

Expansion

## ● Historical sales



# Contact

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The forecasts in this document regarding business are based on information available at the time of preparation and are therefore subject to risk and uncertainty. Actual performance may differ from these projections.