



JPX-NIKKEI 400

ORGANO CORPORATION

Financial Results for First Half of Fiscal Year Ending March 31, 2024

Securities Code: 6368

November 7, 2023



ORGANO CORPORATION

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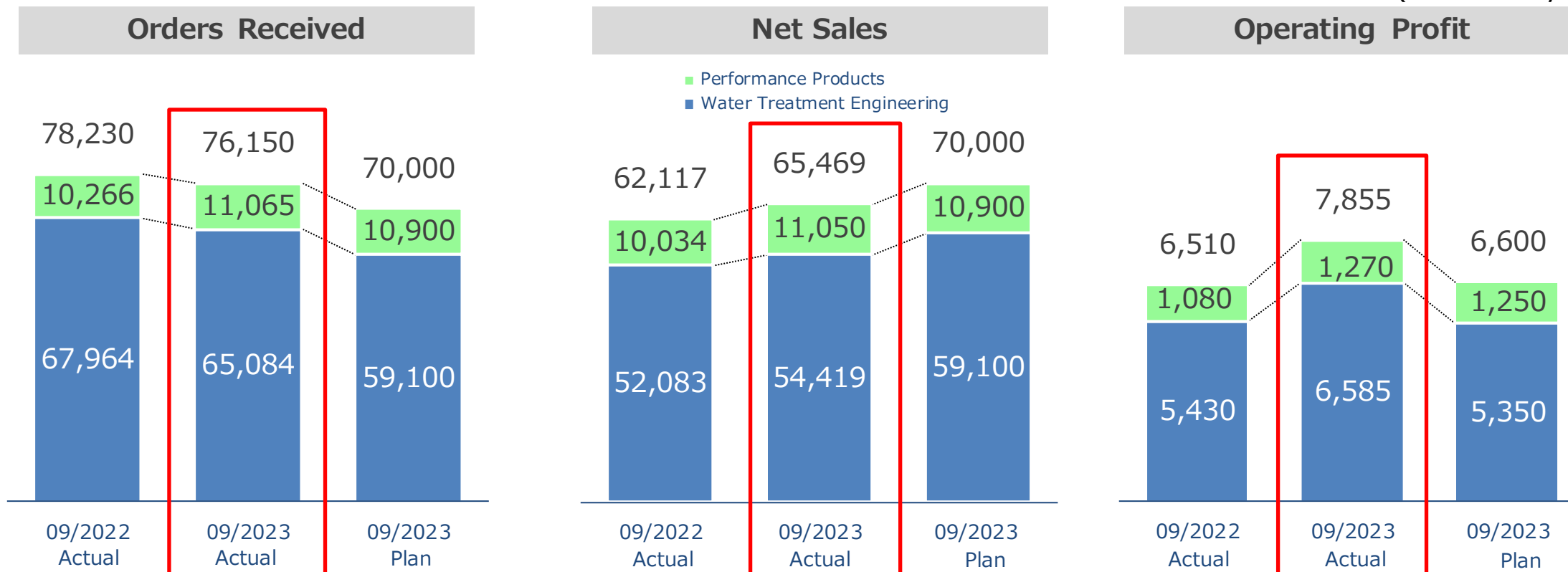
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Overview of First-Half Results: Overview for FY ending 03/2024

Orders received declined in the absence of the series of orders for large-scale projects received in the same period of the previous fiscal year. Net sales expanded, with smooth progress in the construction of Plant projects and a strong performance from Service Solutions and Performance Products. Operating profit increased, boosted by improvement in the profit margin, in addition to revenue growth.

(Millions of yen)



Overview of First-Half Results for FY ending 03/2024

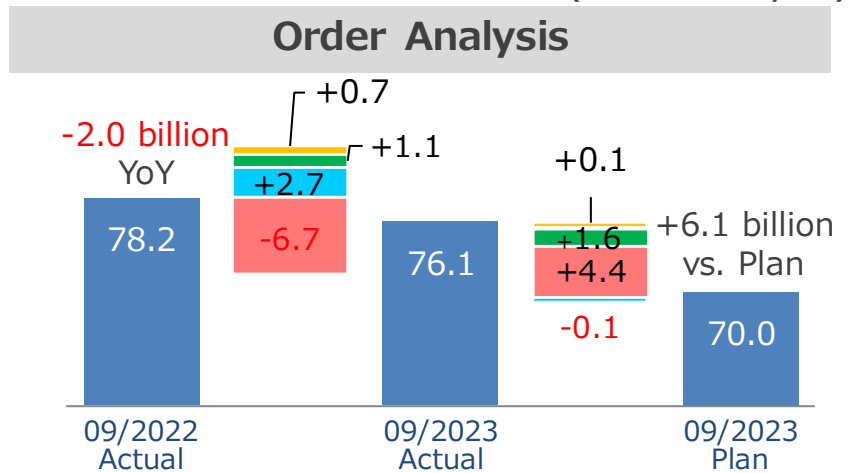
Electronics Industry	Orders and sales both declined, as a rush of construction in the wake of customer-led project delays in China made it necessary to temporarily refrain from taking new orders. Capital investment remained at a high level in Japan, Taiwan, and other regions, despite construction delays in some projects.
General Industry	In Japan, orders were strong for Plant projects such as those related to electronics and pharmaceuticals. Sales expanded year-on-year, despite falling slightly short of the initial forecast, with progress in the construction of projects received and strong performance from Service Solutions.
Electric Power /Water Supply and Sewage	Despite a year-on-year decline in revenue due to fewer Plant projects on hand, Service Solutions performed firmly in Japan.
Performance Products	Sales of Water Treatment Chemicals were steady in the electronics industry. Sales of Standard Equipment/Filters also grew, including small-scale pure water production equipment and water purification filters for medical institutions and research institutions. The Food Products business benefited from price increases, passing on the rising prices of raw materials.

First-Half Results: Statement of Income

(Millions of yen)	September 2022	September 2023		Year-on-Year	Actual-to-Initial Plan
	Actual	Actual	Initial Plan	(%)	(%)
Orders received	78,230	76,150	70,000	-2.7%	+8.8%
Net sales	62,117	65,469	70,000	+5.4%	-6.5%
Gross profit	16,108	18,129	17,100	+12.5%	+6.0%
(%)	25.9%	27.7%	24.4%		
SG&A	9,597	10,274	10,500	+7.0%	-2.2%
Operating profit	6,510	7,855	6,600	+20.7%	+19.0%
(%)	10.5%	12.0%	9.4%		
Ordinary profit	7,451	8,539	6,600	+14.6%	+29.4%
Profit attributable to owners of parent	5,027	5,538	4,600	+10.2%	+20.4%

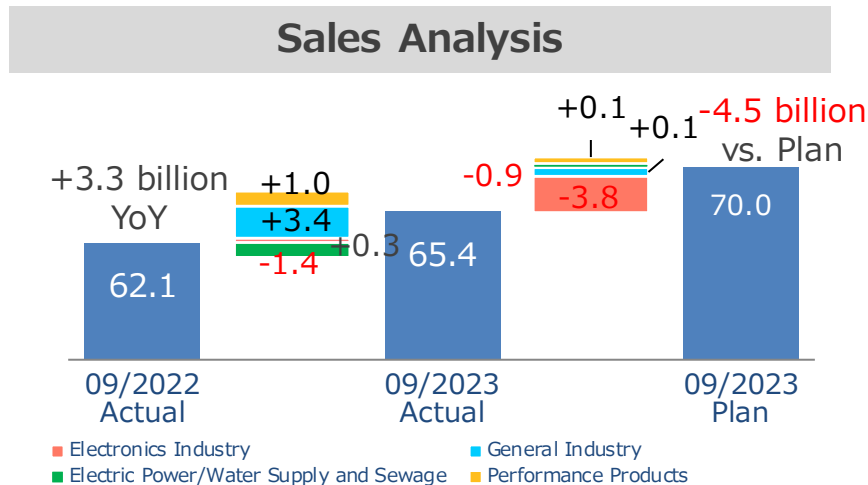
First-Half Results: Analysis of Orders and Sales

(Billions of yen)



[Orders]

Areas such as the general industry, electric power/water supply and sewage, and Performance Products businesses performed strongly, although orders declined in the electronics industry after a series of large-scale projects in the previous fiscal year. Service Solutions performed well compared to the forecast, in addition to orders for some projects in Japan received in the first half.



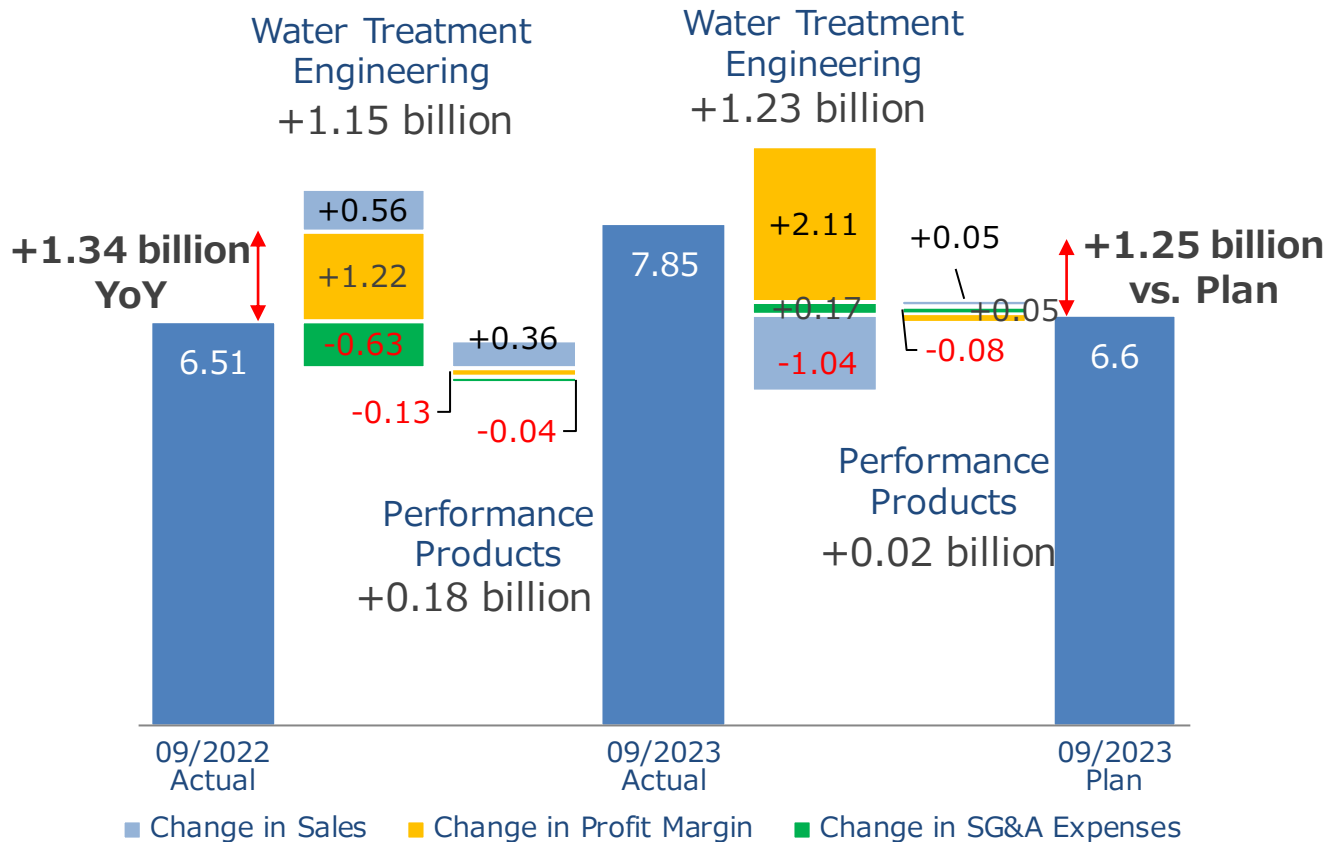
[Sales]

General industry grew year-on-year, while growth in the electronics industry was sluggish due to the impact of construction delays in large-scale projects overseas. Service Solutions and Performance Products performed strongly.

First-Half Results: Analysis of Operating Profit

(Billions of yen)

Operating Profit Analysis



■ Year-on-Year Change

- The Water Treatment Engineering Business Unit contributed to an improvement in profit margin, despite the impact of Plant project construction delays.
- Profit was also boosted by an improvement in business mix due to the expansion of Service Solutions.
- Profit expanded in the Performance Products Business Unit, mainly due to higher revenue.
- SG&A expenses increased, mainly due to personnel costs.

■ Compared to Targets

- The improvement in profit in the Water Treatment Engineering Business Unit was partly due to a lower-than-anticipated impact from price hikes for raw materials and construction and a more favorable profit outlook, in addition to initiatives to reduce costs and improve revenue. Sales were affected by delays in the progress of Plant project construction.
- The Performance Products Business Unit performed largely on target.

First-Half Results: Orders by Region

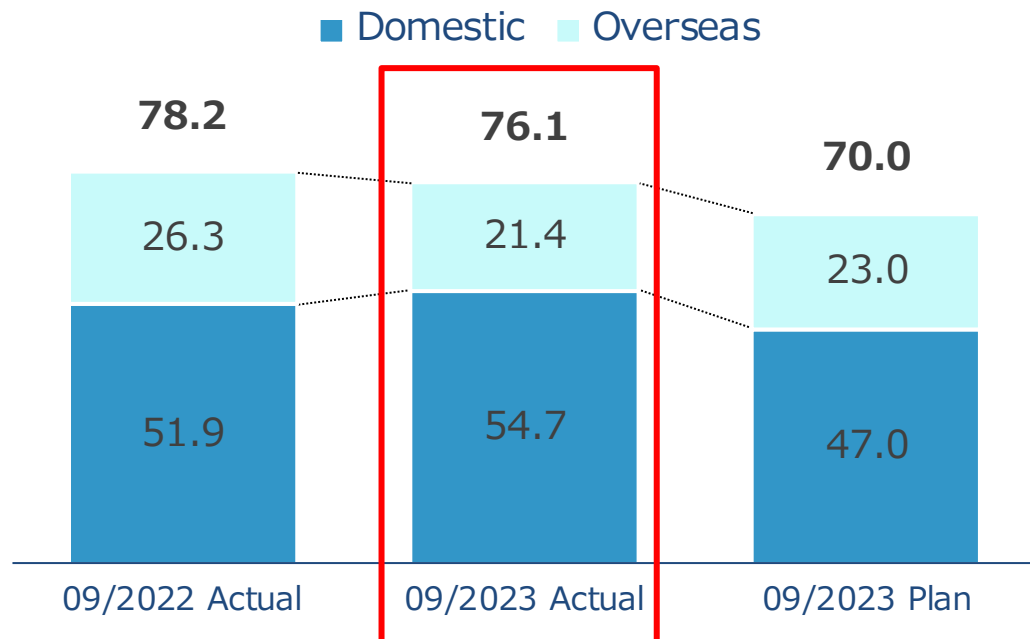
Despite the impact of a decline in orders received in China, they remained at high levels in other regions.

Domestic: Orders have been strong across all fields. Service Solutions orders have also been strong.

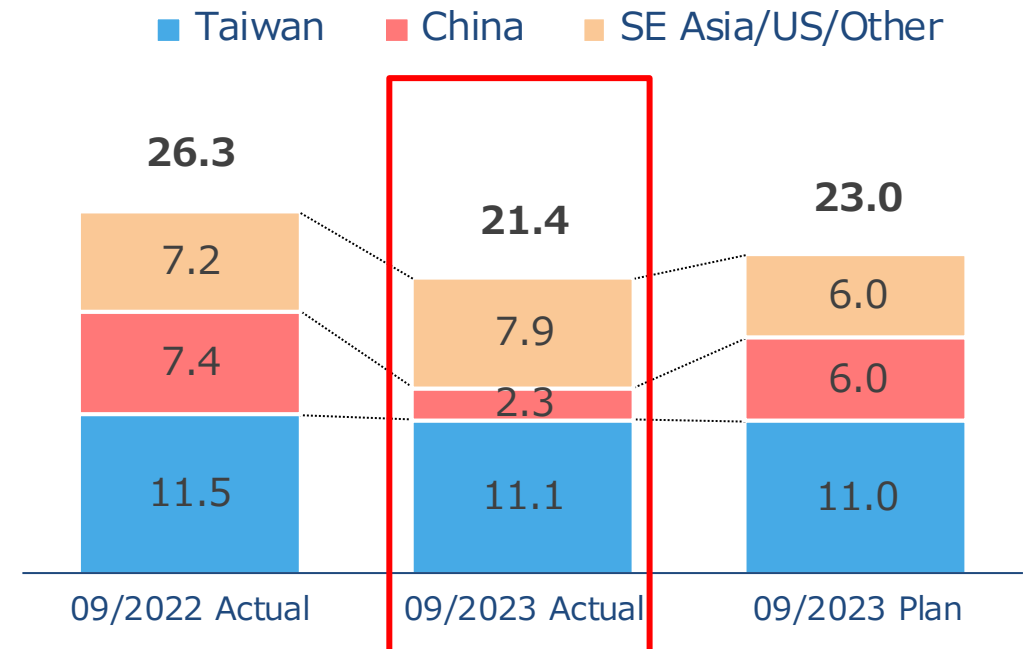
Overseas: Customer-led project delays in China led to a subsequent rush of construction, making it necessary to temporarily refrain from receiving orders.

(Billions of yen)

Orders (Domestic/Overseas)



Orders Overseas by Region



First-Half Results: Sales by Region

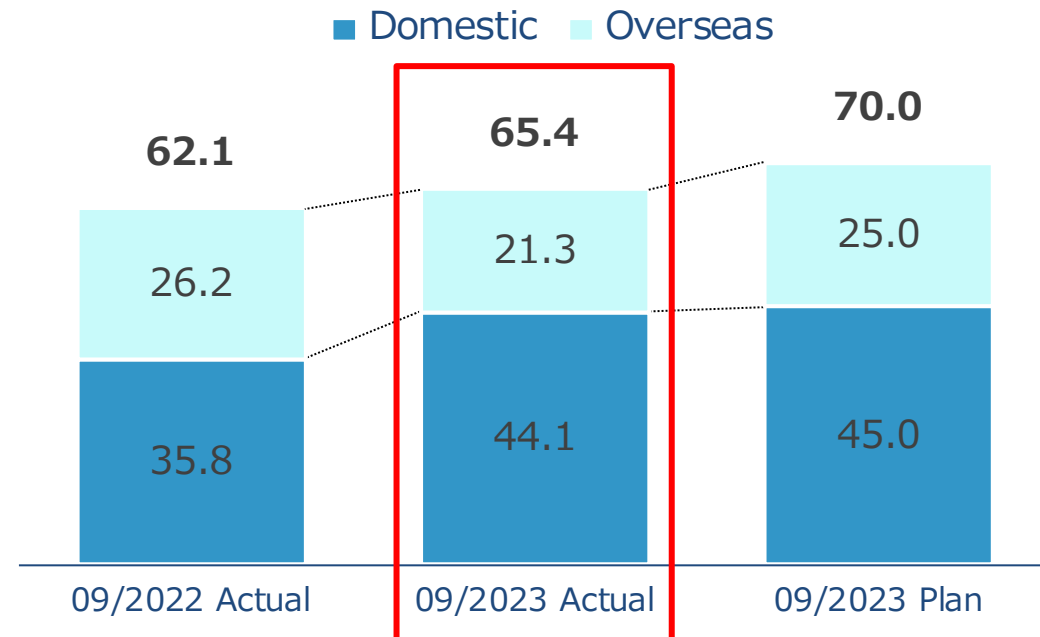
Sales in Japan were largely on target, but overseas sales were affected by delays in the recording of sales in China.

Domestic: Service Solutions and Performance Products performed strongly, despite construction delays in some projects.

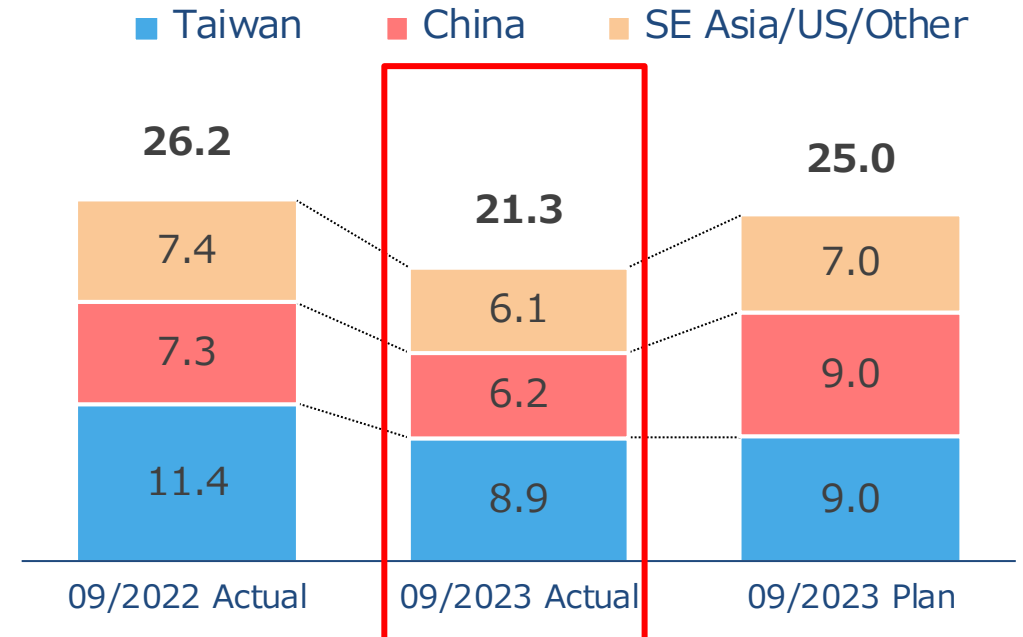
Overseas: Sales were recorded later than forecast due to revisions to the progress of large-scale projects in China.

(Billions of yen)

Sales (Domestic/Overseas)



Sales Overseas by Region



First-Half Results: Sales by Segment and Customer

Water Treatment Engineering Business Unit

Service Solutions performed strongly, although Plant fell short of the plan due to construction delays.

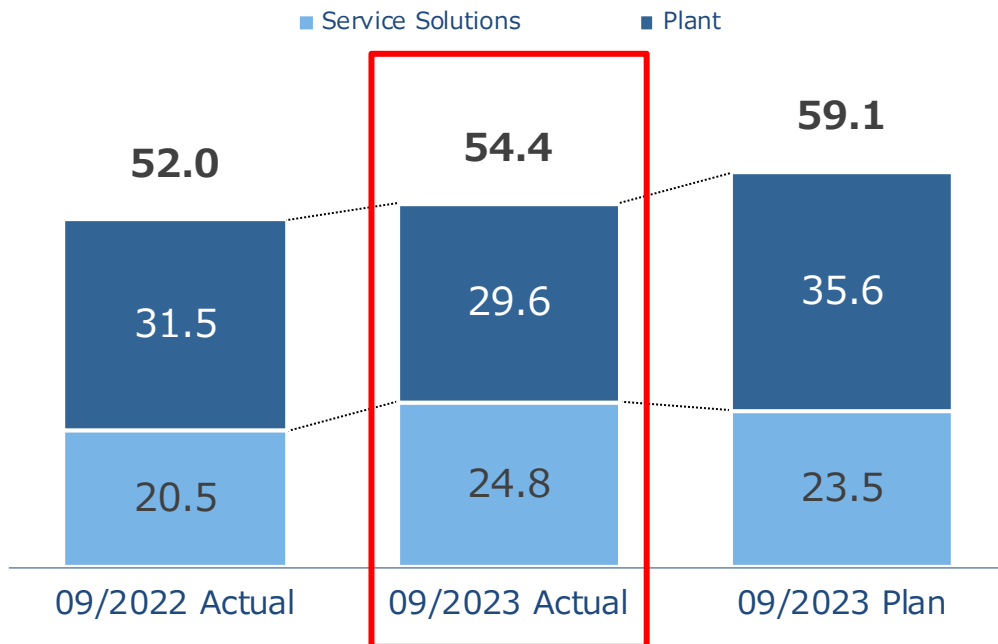
Electronics Industry: Service Solutions performed well, despite slower-than-expected progress on construction for major projects.

General Industry: Sales increased significantly year-on-year, despite falling short of the plan due to delays in the progress of construction.

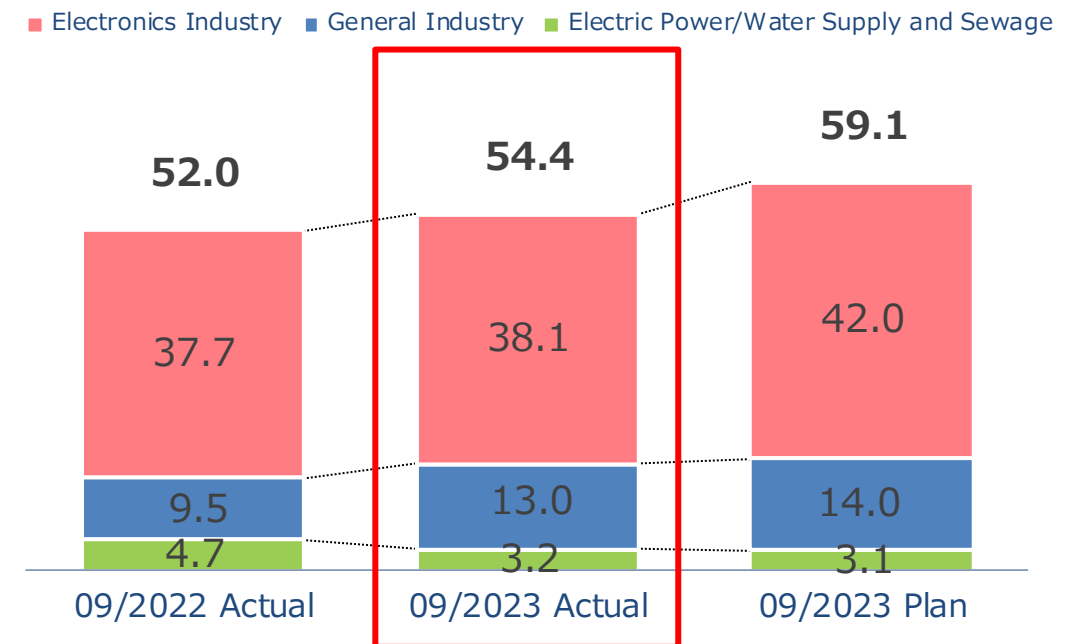
Electric Power/Water Supply and Sewage: Sales were firm, mainly in Service Solutions in Japan.

(Billions of yen)

Sales by Segment



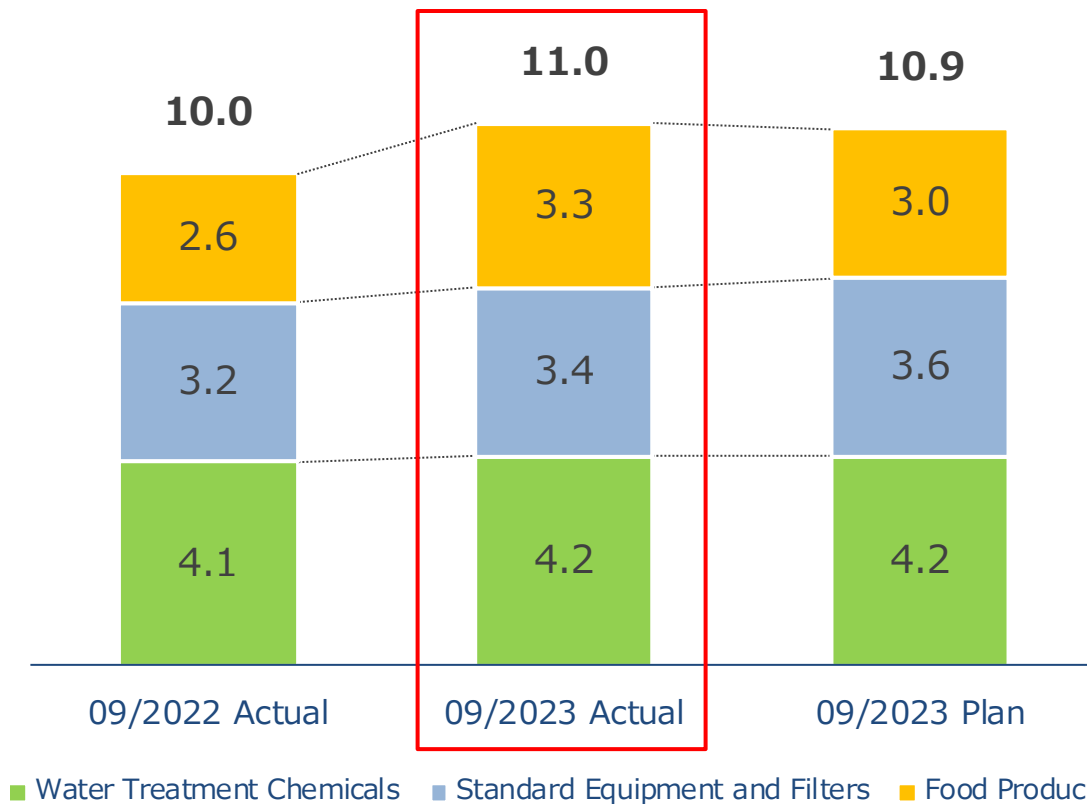
Sales by Market



First-Half Results: Sales by Segment and Customer Performance Products Business Unit

(Billions of yen)

Sales by Segment



■ 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

Sales of small-scale pure water production equipment for medical and research institutions and water purification filters for cup-style vending machines and coffee machines were strong as well.

■ Food Products

Sales have been recovering from their decline during the COVID-19 pandemic. The increase in sales was also due to the effect of revising selling prices to reflect the rise in raw material prices.

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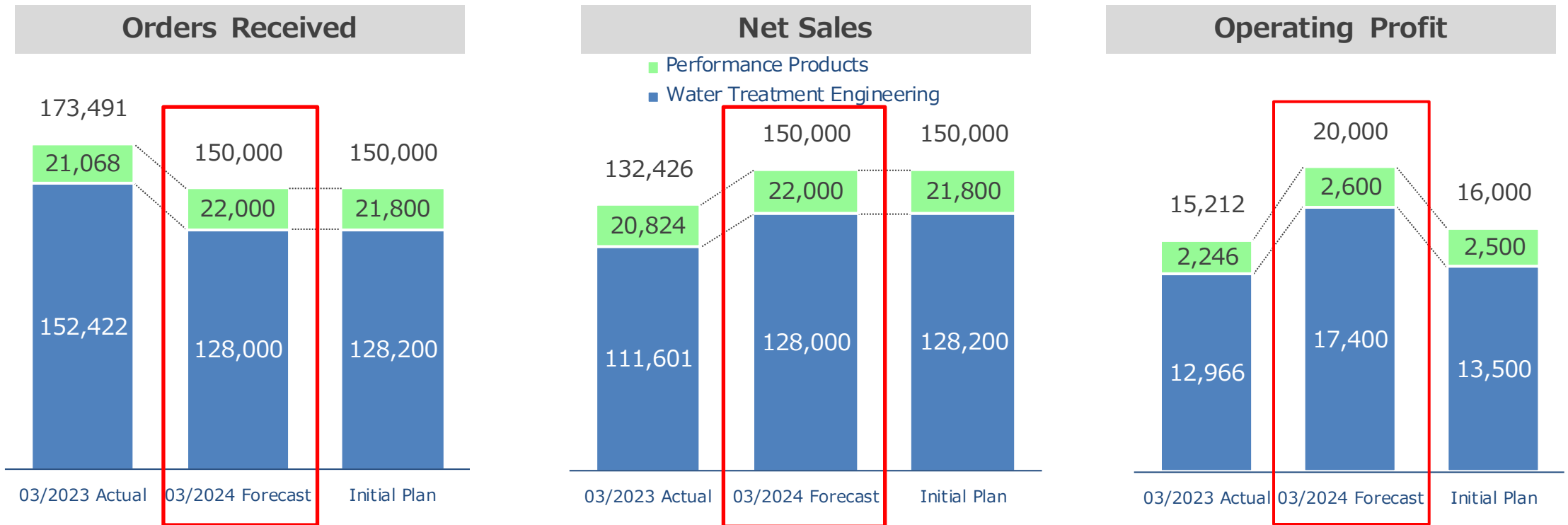
1. First-Half Results for Fiscal Year Ending March 2024
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Overview of Full-Year Forecast

Orders and sales are expected to be in line with the initial plan, while operating profit is expected to exceed the plan due to the improvement in profit margin.

Despite delays in investment plans and construction schedule for some projects, we expect to achieve the full-year sales target. On top of the improvement in profit margin in the Plant Division, Service Solutions and Performance Products also contributed to growth.

(Millions of yen)



Projections for Full-Year Forecast

Electronics Industry	Despite subdued market conditions for semiconductor memory in the short term, capital investment is expected to remain at high levels both in Japan and overseas due to factors such as progressive reconstruction of global supply chains and expanding semiconductor demand in the long term.
General Industry	Investment is expected to expand, mainly in fields related to the electronics industry and pharmaceuticals, especially in Japan. We will strengthen our proposals to help customers conserve energy, reduce CO ₂ emissions, improve efficiency, etc.
Electric Power/ Water Supply and Sewage	We expect the electric power/water supply and sewage fields to remain strong. We also anticipate a trend toward increased demand for maintenance for nuclear power plant restarts.
Performance Products	Steady sales are anticipated in all areas. In Water Treatment Chemicals and Standard Equipment/Filters, we will work to strengthen business expansion in Taiwan, China, and other overseas markets.

Full-Year Forecast: Statement of Income

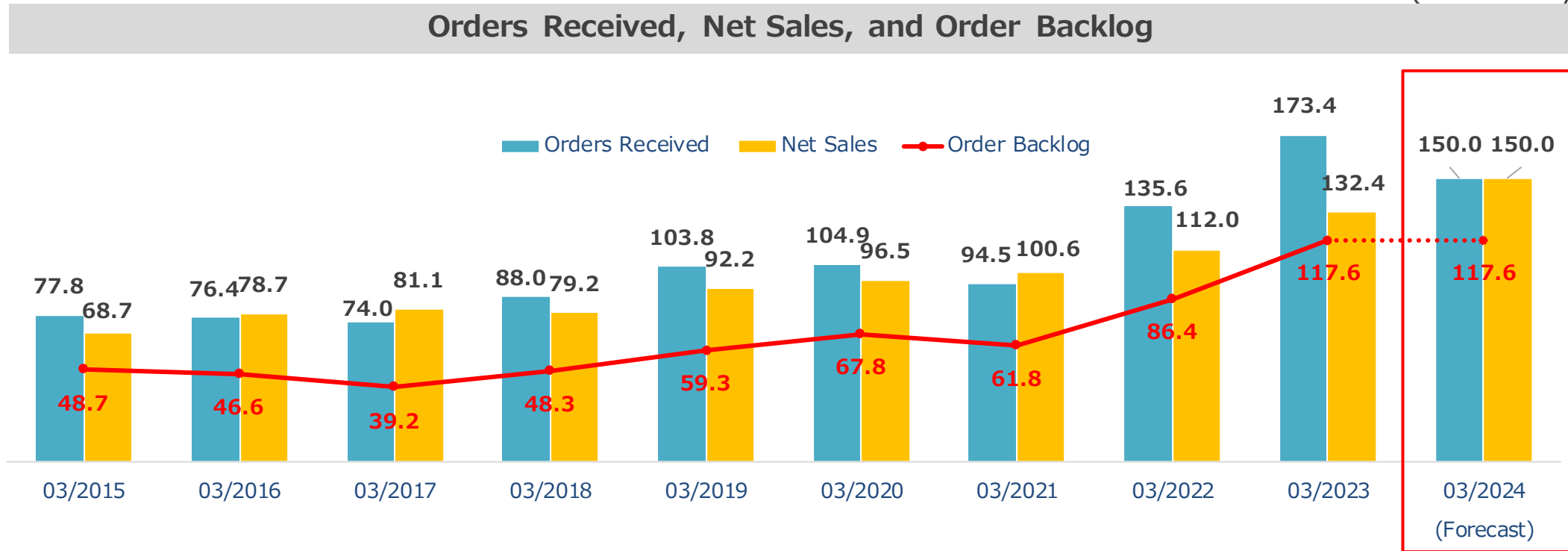
(Millions of yen)	March 2023	March 2024	Initial Plan	Year-on-Year	Forecast-to-Initial
	Actual	Forecast		(%)	Plan
				(%)	(%)
Orders received	173,491	150,000	150,000	-13.5%	0.0%
Net sales	132,426	150,000	150,000	+13.3%	0.0%
Gross profit	34,976	41,000	37,000	+17.2%	+10.8%
(%)	26.4%	27.3%	24.7%		
SG&A	19,763	21,000	21,000	+6.3%	0.0%
Operating profit	15,212	20,000	16,000	+31.5%	+25.0%
(%)	11.5%	13.3%	10.7%		
Ordinary profit	16,020	20,700	16,000	+29.2%	+29.4%
Profit attributable to owners of parent	11,730	14,000	11,200	+19.3%	+25.0%
ROE (%)	14.5%	15.3%	12.6%	-	-

Full-Year Forecast: Orders, Sales, and Backlog

Our order backlog is expected to remain high due to the forecast continuation of large-scale investments in Japan and overseas.

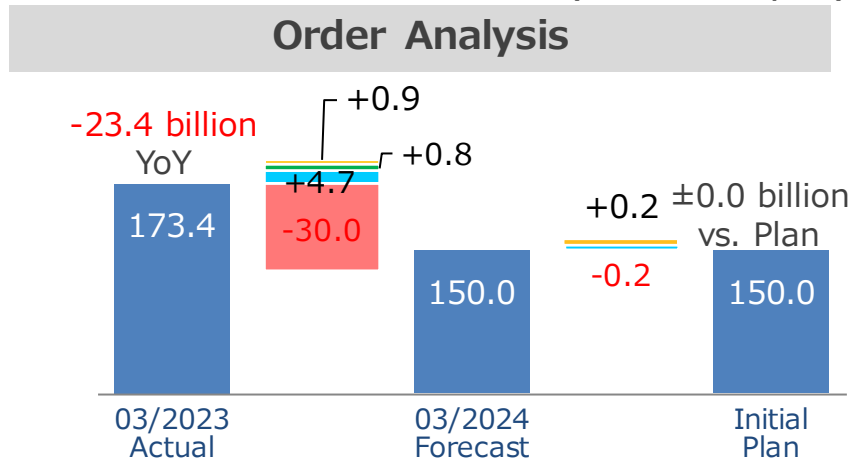
The backlog, a leading indicator of sales, is expected to exceed ¥100.0 billion, as it was at the end of the previous fiscal year. This is due to factors such as increasingly large-scale investments in semiconductors and other areas, the rising prices of raw materials, and longer construction times.

(Billions of yen)



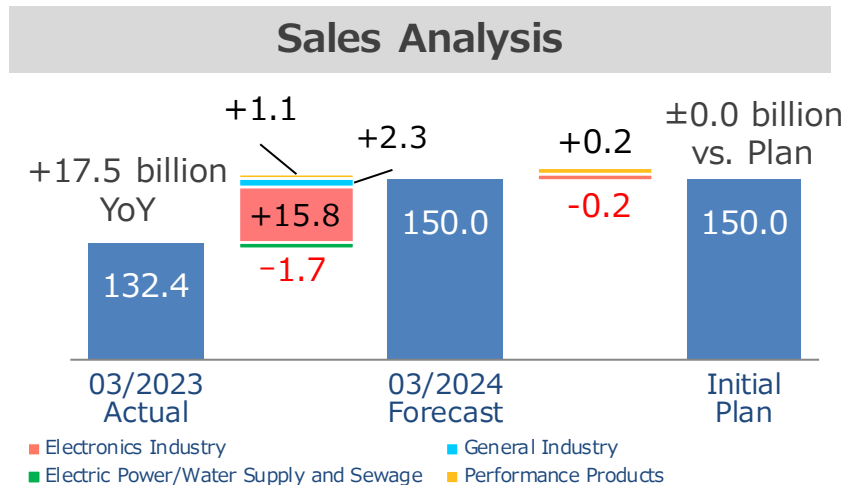
Full-Year Forecast: Analysis of Orders and Sales

(Billions of yen)



[Orders]

Although the forecast is for a slowdown in the growth trend seen until the previous year, semiconductor-related investment is expected to remain high in Japan and overseas. Despite schedule delays forecast in some projects, orders for the full year are expected to be in line with the initial plan.



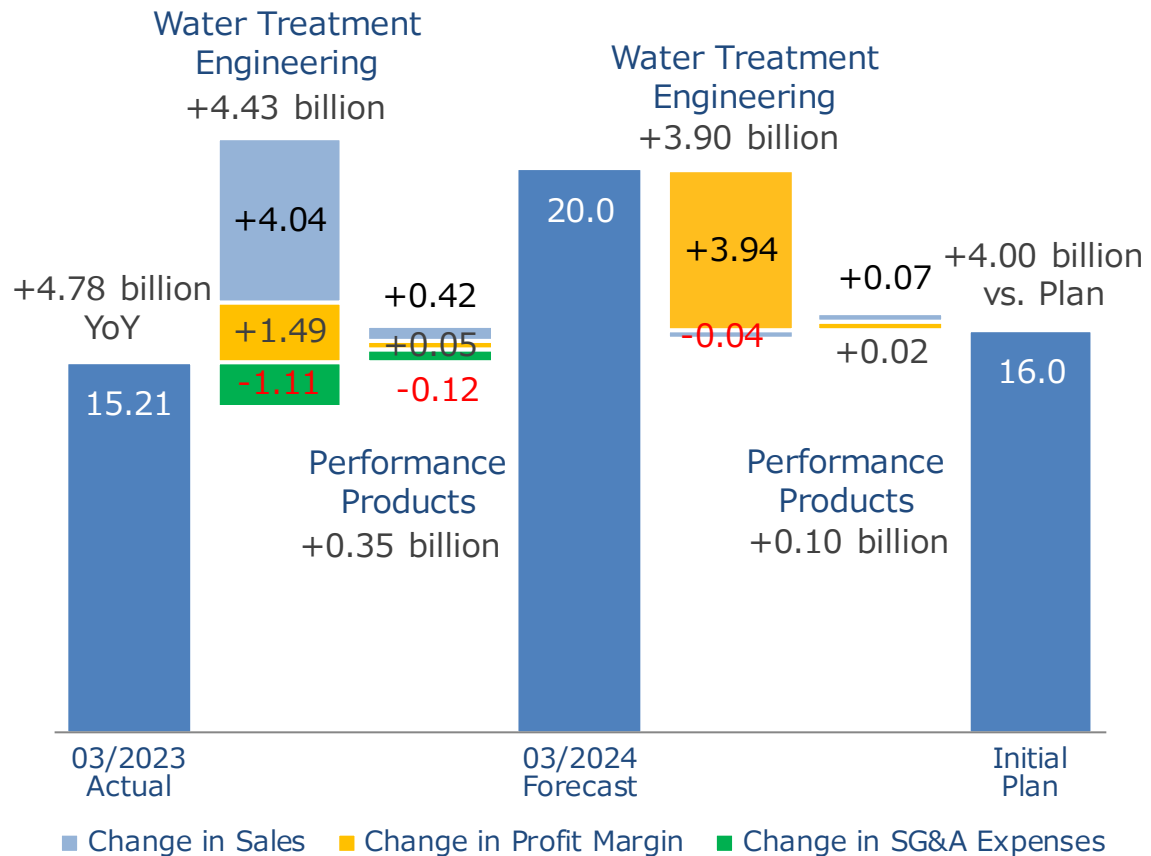
[Sales]

Sales growth is expected, mainly in the electronics industry, due to progress on the construction of large-scale project orders received in the previous fiscal year, as well as the expansion of Service Solutions. An increase in sales is anticipated for general industry and Performance Products, although sales are expected to decline in electric power/water supply and sewage due to a decrease in Plant projects on hand.

Full-Year Forecast: Analysis of Operating Profit

(Billions of yen)

Operating Profit Analysis



■ Year-on-Year Change

- On top of sales growth in the Plant Division, profit margin is also expected to improve due to higher profitability in each project and the expansion of Service Solutions.
- We anticipate higher profits due to increased revenue in Performance Products.
- SG&A expenses are expected to increase mainly due to personnel costs.

■ Compared to Targets

- The increase in profit in the Water Treatment Engineering Business Unit was partly due to a lower-than-anticipated impact from price hikes for raw materials and construction and a more favorable profit outlook, in addition to initiatives to reduce costs and improve revenue.
- Profit in the Performance Products Business Unit is expected to be in line with the plan.

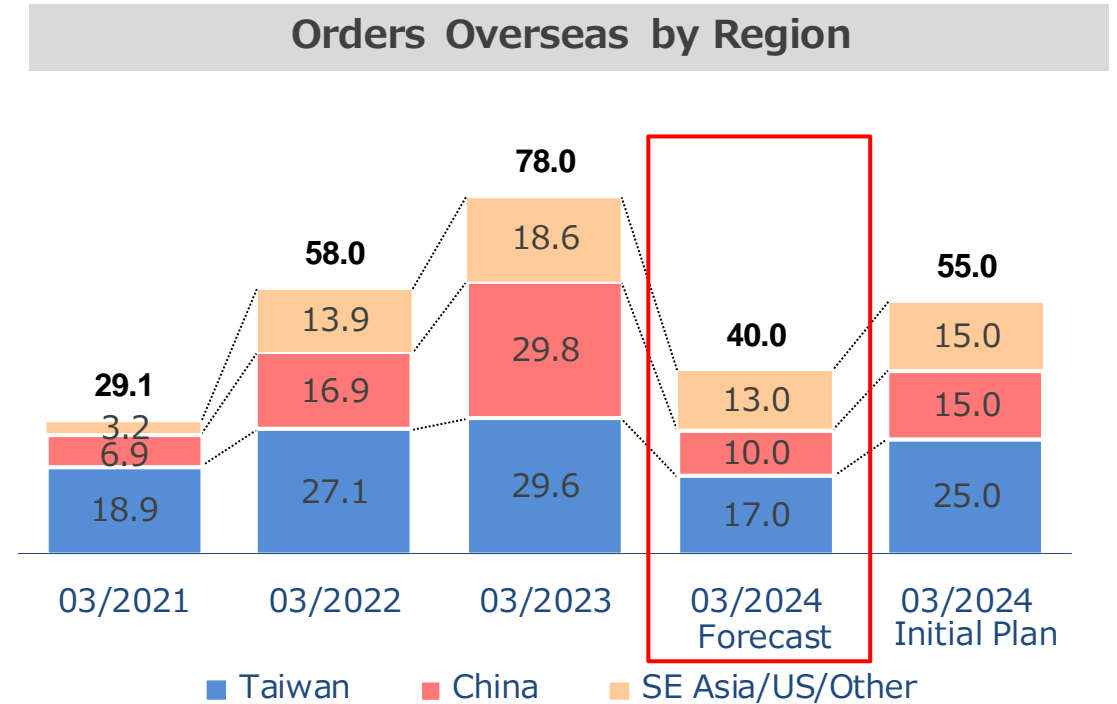
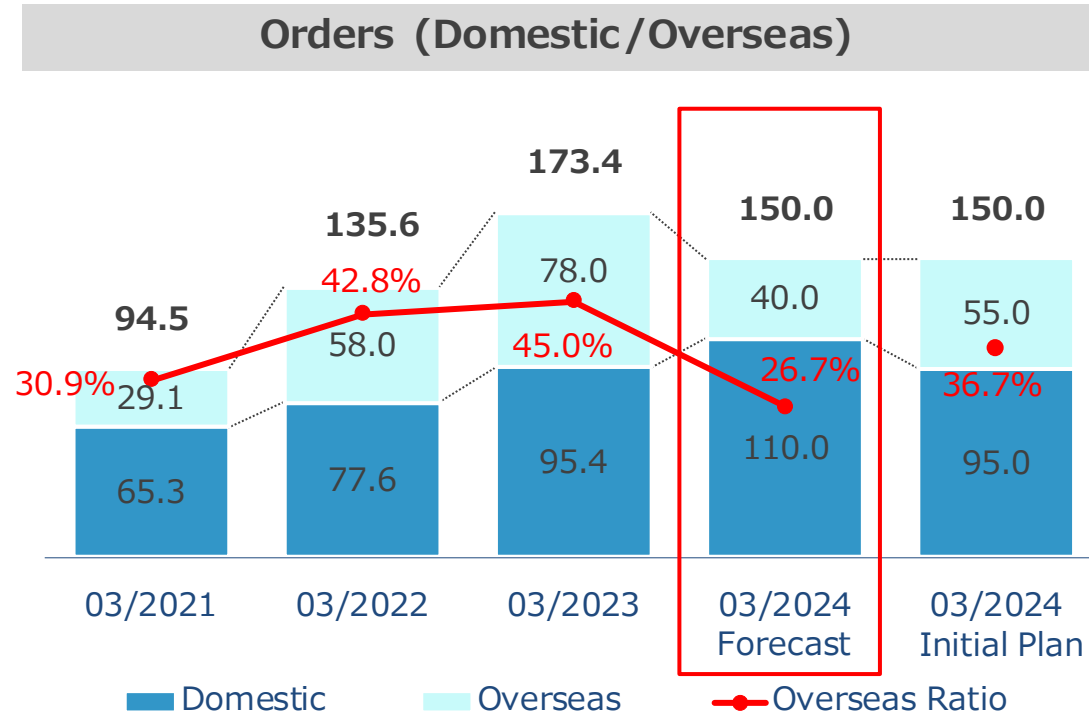
Full-Year Forecast: Orders by Region

In Japan, orders are expected to increase, mainly in the electronics industry, and offset a slowdown in orders overseas.

Domestic: Service Solutions are forecast to perform strongly, in addition to large-scale investment in the electronics industry.

Overseas: A lull is expected in China and Taiwan after rapid expansion in the FYs ended 03/2022 – 03/2023.

(Billions of yen)



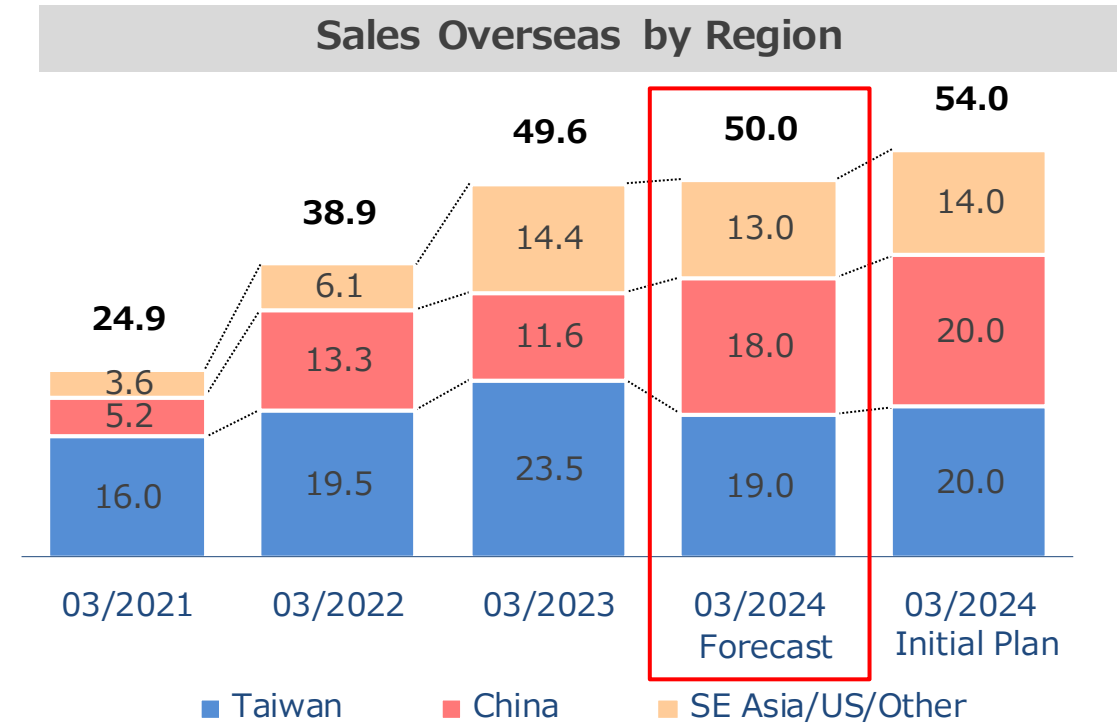
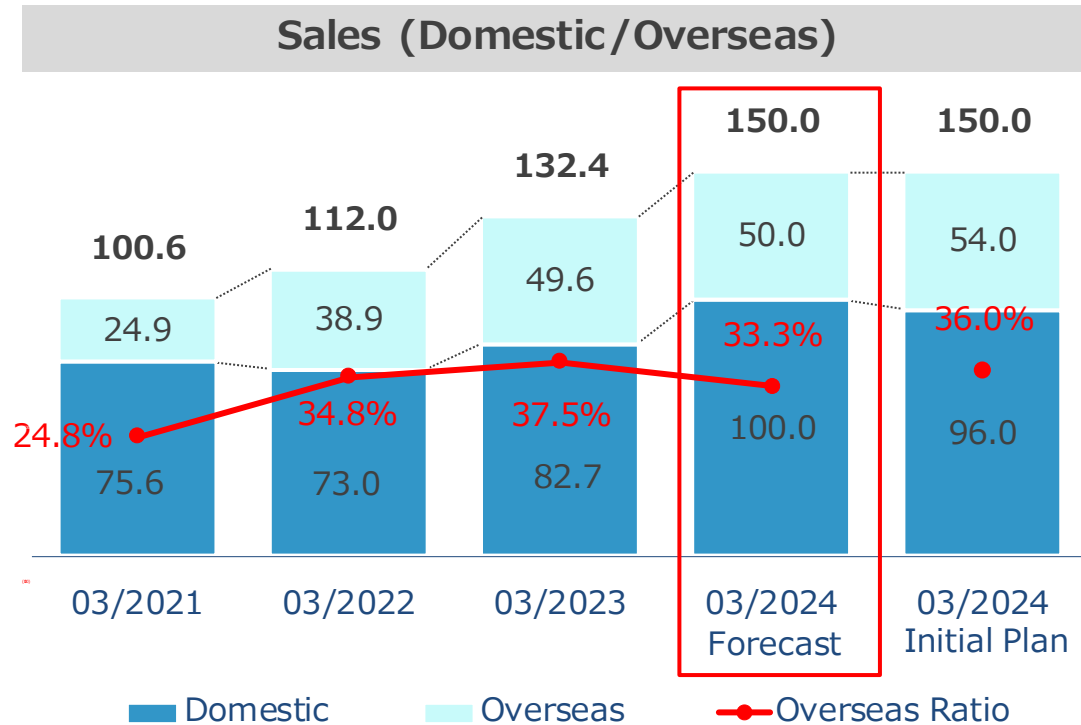
Full-Year Forecast: Sales by Region

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 grow for Plant and Service Solutions, mainly in the electronics industry.

Overseas: Sales are expected to fall short of the plan, remaining at a level similar to the previous year due to the impact of construction schedule delays.

(Billions of yen)



Full-Year Forecast: Sales by Segment and Customer

Water Treatment Engineering Business Unit

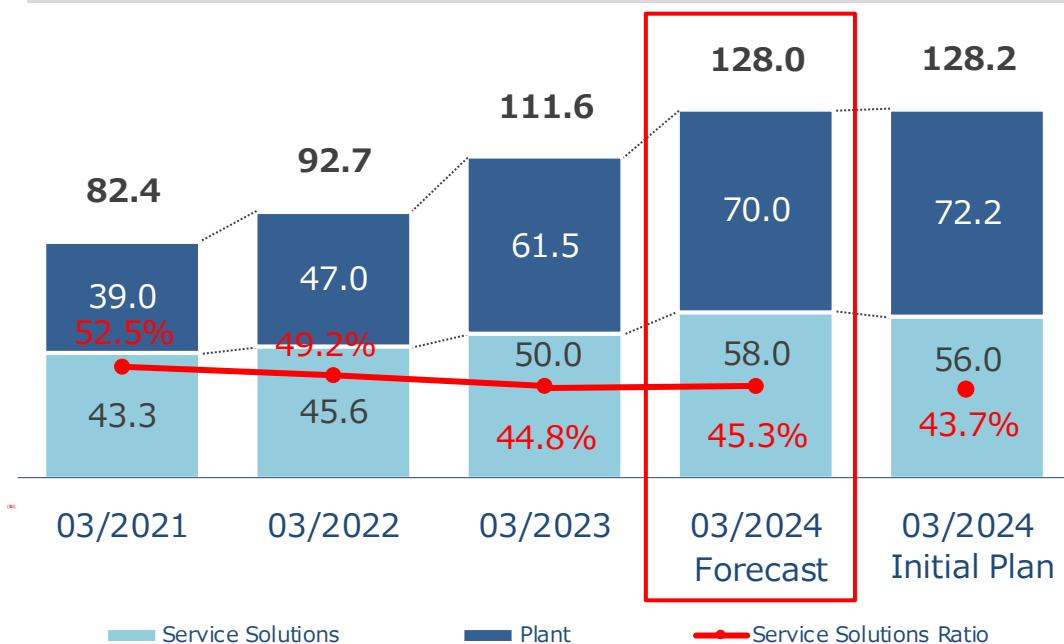
Sales growth in Service Solutions is expected to exceed the forecast, but will fall short of the plan in the Plant Division.

Electronics Industry: Sales growth in Service Solutions is expected on top of progress in the construction of large-scale projects.

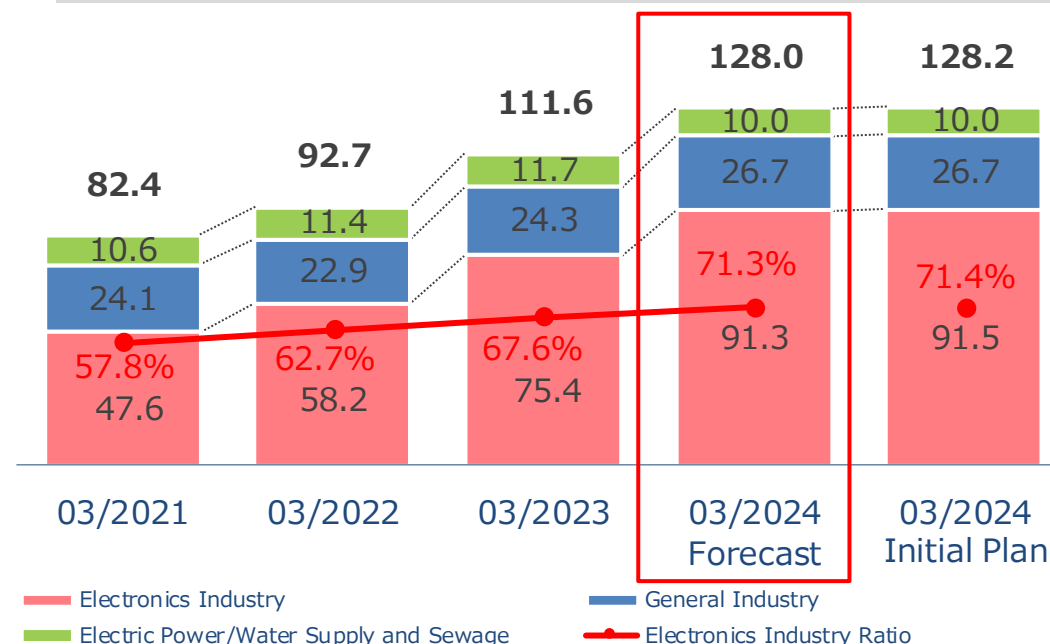
General Industry: A year-on-year increase in sales is expected for both Plant and Service Solutions, mainly in Japan.

Electric Power/Water Supply and Sewage: Sales are expected to be firm, mainly in Service Solutions in Japan, despite a decline in sales in the Plant Division. (Billions of yen)

Sales by Segment



Sales by Market



Full-Year Forecast: Electronics Industry Orders

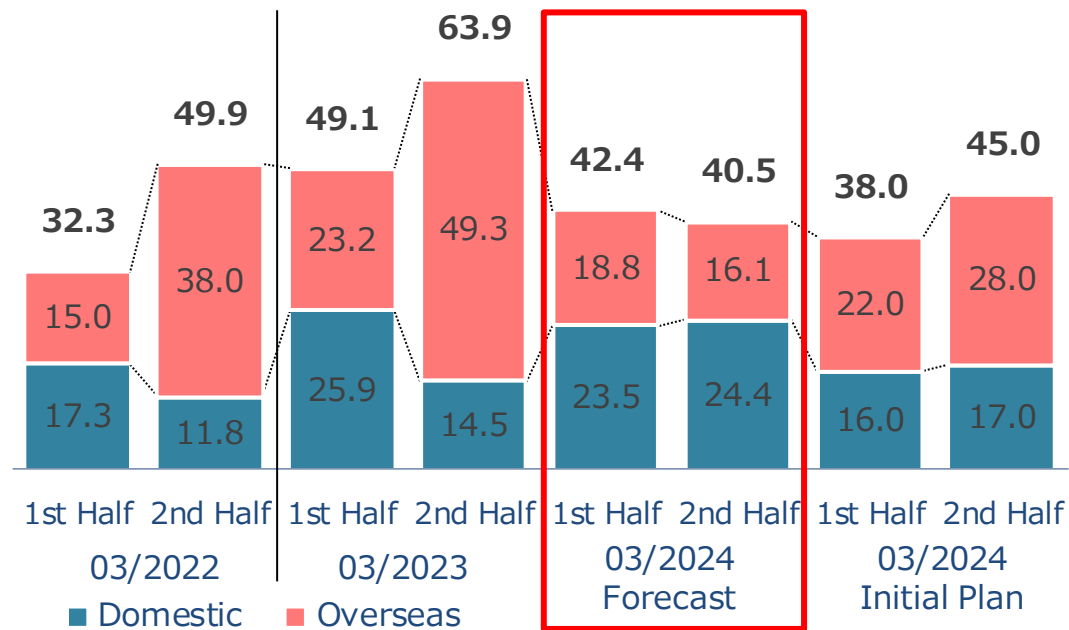
Despite a lull in China, Taiwan, and elsewhere overseas, continued investment growth is forecast in Japan.

Domestic: Plant orders are expected to exceed the initial plan and orders are also expected to be strong in Service Solutions.

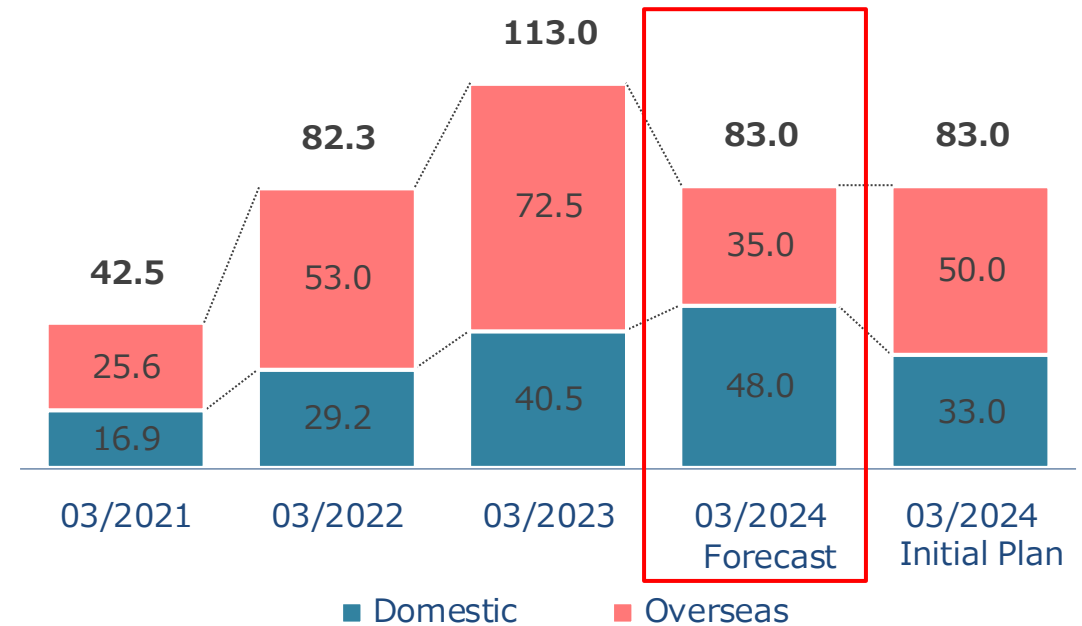
Overseas: Orders in Taiwan and China are expected to remained at high levels despite a lull, while large-scale investments are anticipated to continue in Malaysia.

(Billions of yen)

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



Electronics Industry Orders



Full-Year Forecast: Electronics Industry Sales

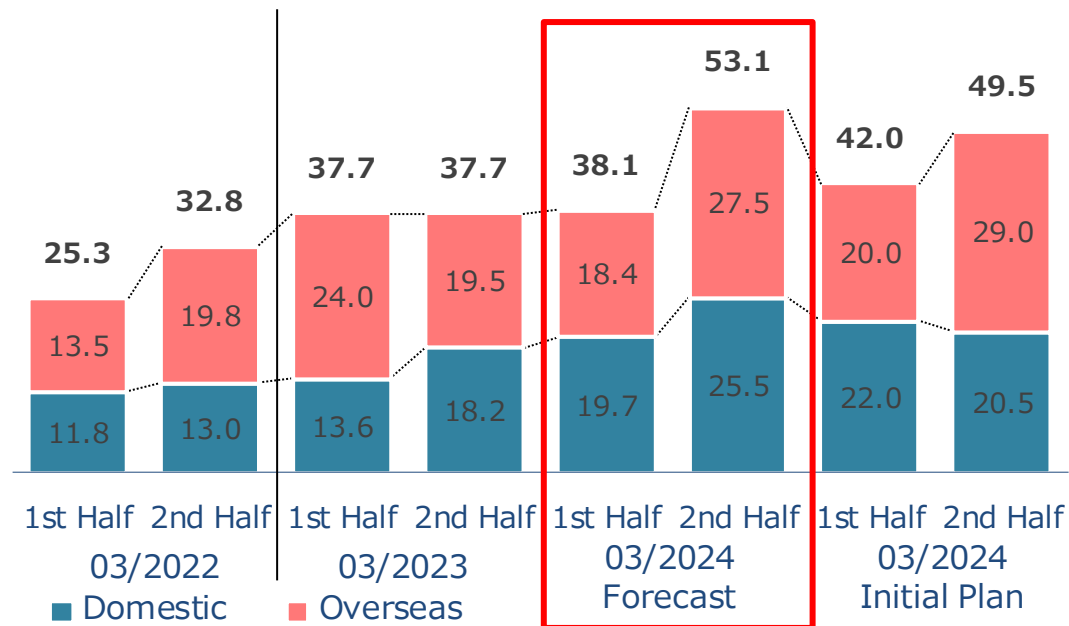
Sales are expected to increase due to progress on the construction of large-scale projects and growth in Service Solutions.

Domestic: Service Solutions are expected to perform well on top of progress in construction for major projects.

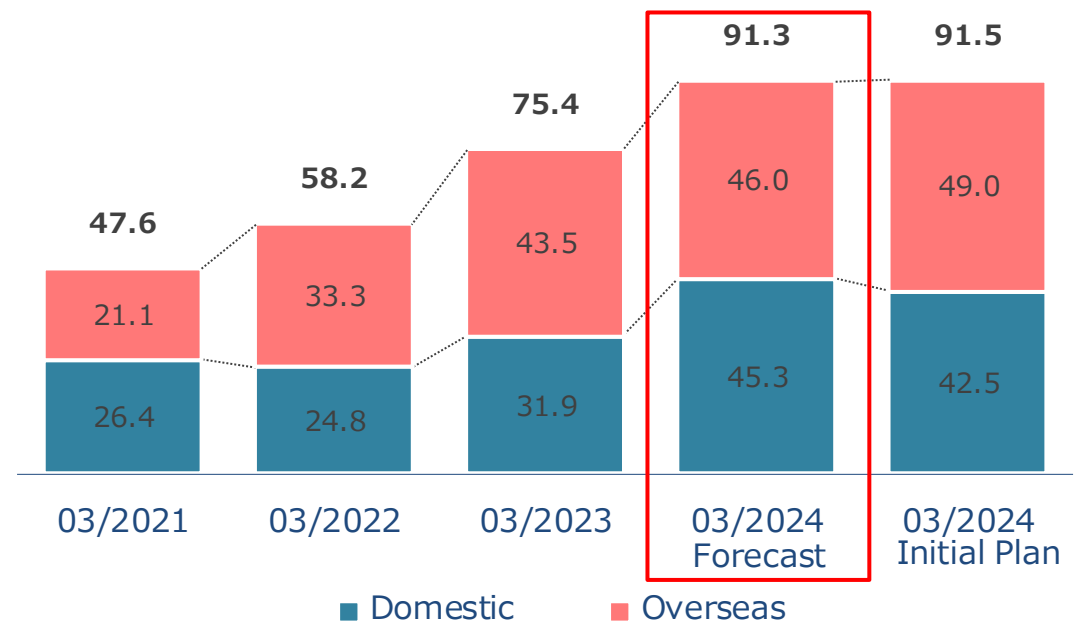
Overseas: Year-on-year sales growth is projected due to progress on the construction of large-scale projects in Taiwan, China, Malaysia, etc.

(Billions of yen)

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

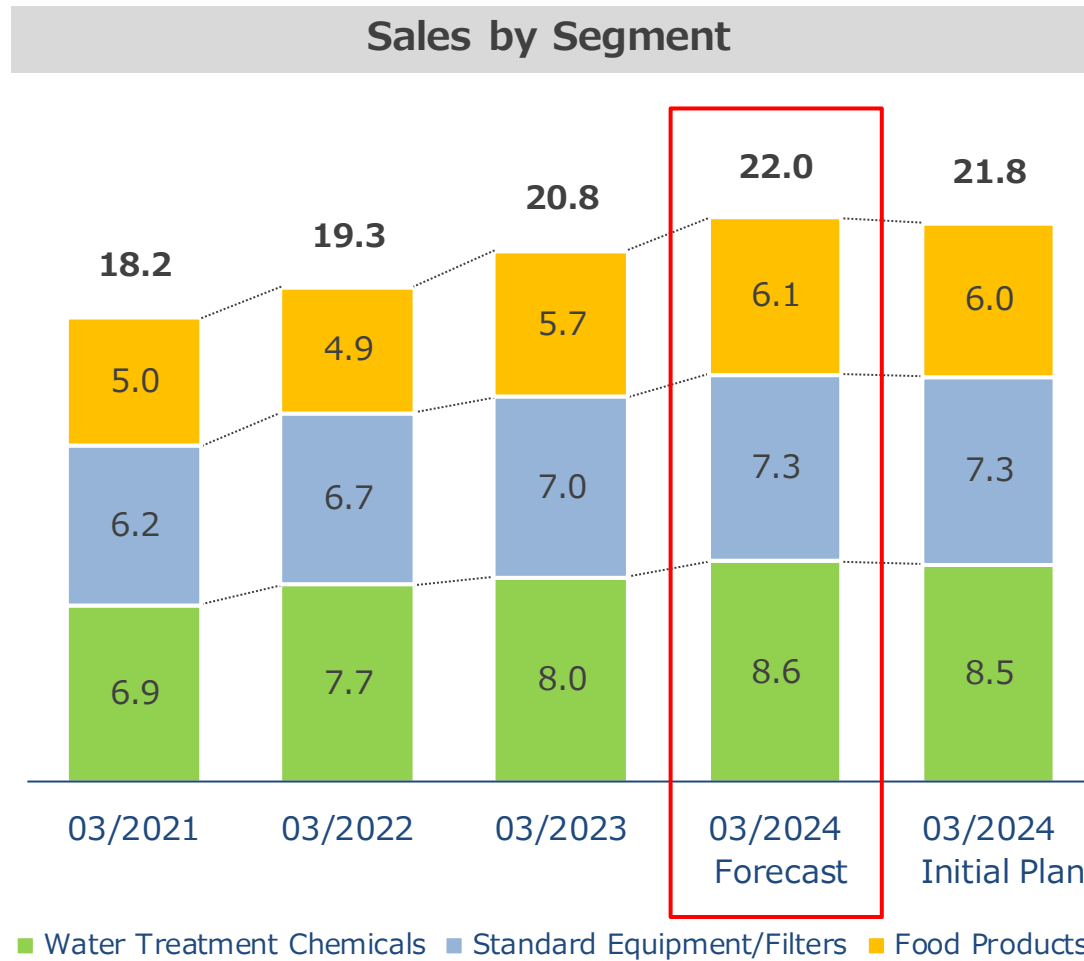


Electronics Industry Sales



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 for the electronics industry.

■ Standard Water Treatment Equipment and Filters

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

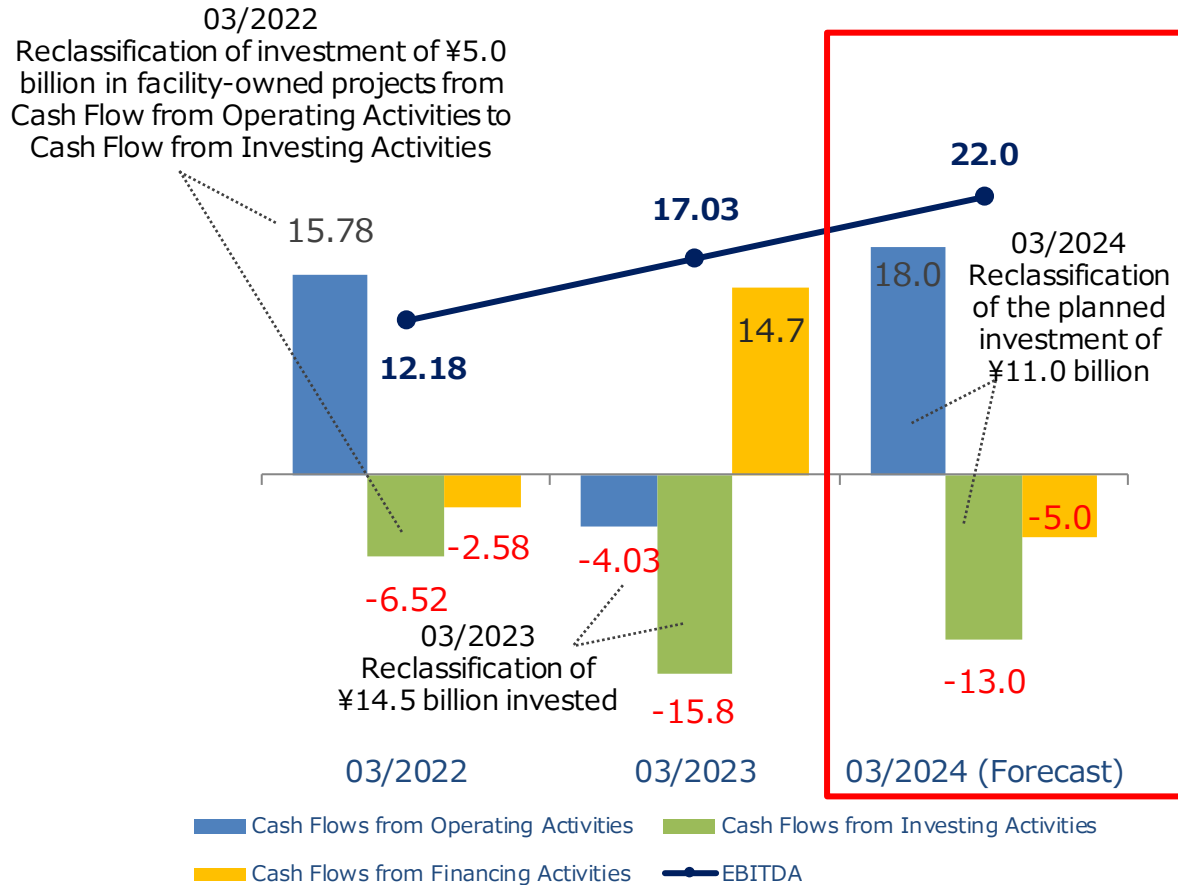
■ Food Products

Sales growth is forecast for products such as food processing agents, in addition to a boost from price increases reflecting the rising price of raw materials.

Full-Year Forecast: Cash Flows

(Billions of yen)

Cash Flow Trends after Reclassification



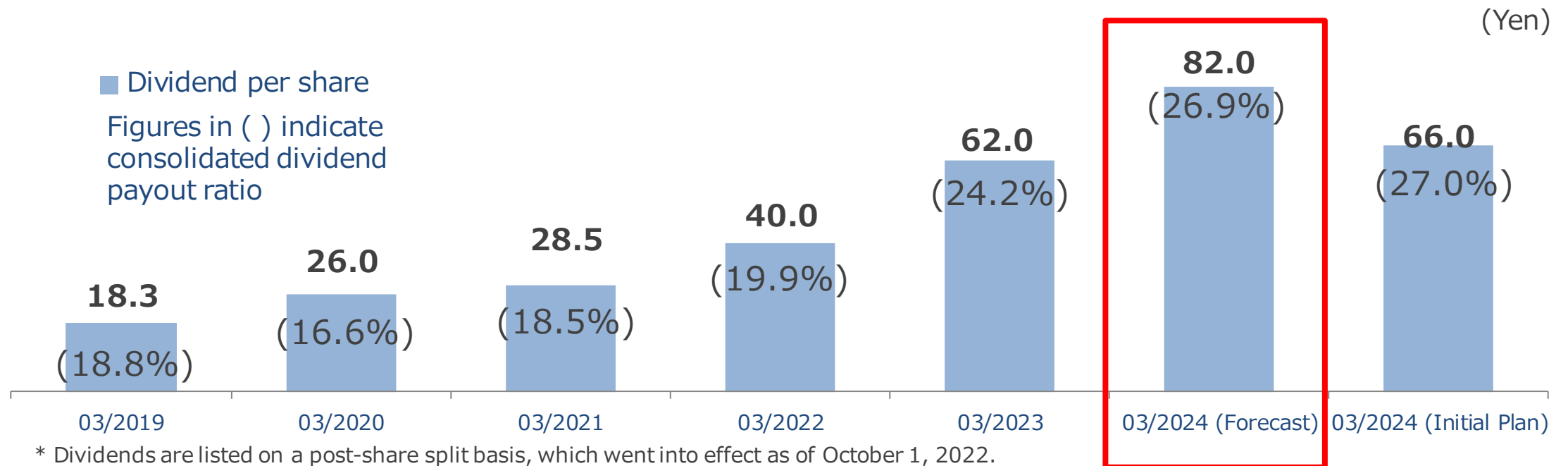
- On top of trends in business performance, cash flow is significantly impacted by progress on the construction of large-scale projects and the collection of payments for them.
- In FY ending 03/2024, cash flow is projected to improve with the progress in collection of accounts receivable. In cash flows from investing activities, investment in facility-owned services is expected to proceed, while cash flows from financing activities are also anticipated to be negative.

[Investment in facility-owned services]

- Investments in facility-owned services are recorded in **Investments in leases (work in progress during construction)** in the balance sheet. Amounts of investment are included in current assets, so the statement of cash flow indicates the investment as **Cash Flow from Operating Activities**.
- In the graph on the left, investments in facility-owned services (¥5.0 billion in FY03/2022, ¥14.5 billion in FY03/2023, and ¥11.0 billion in FY03/2024) are reclassified from Cash Flows from Operating Activities to Cash Flows from Investing Activities.

Dividend Trends

- The dividend forecast for FY03/2024 has been revised upward due to the improvement in the full-year earnings forecast. The annual dividend forecast has been increased to ¥82 per share, maintaining the originally planned payout ratio.
- We aim to expand our investment in growth while also continuing dividend increases to raise the dividend payout ratio to a level of 30% or higher as soon as possible.



Key Indicators

	FY ended 03/2023 Actual	FY ending 03/2024 Forecast	FY ending 03/2024 Initial Plan
Capital expenditures (Millions of yen)	1,466	2,000	2,000
R&D expenses (Millions of yen)	2,615	3,020	3,020
Depreciation (Millions of yen)	1,824	2,000	1,800
Interest-bearing debt (Millions of yen)	33,019	31,000	25,000
No. of employees	2,506	2,550	2,550

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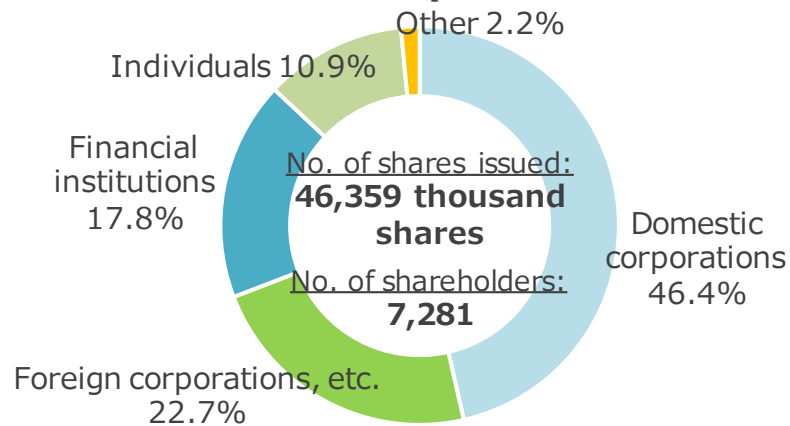
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Company Overview: Profile and Shareholder Composition

■ 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	2,505 (consolidated)
Stock exchange listing	Tokyo Stock Exchange Prime Market

■ Shareholder composition



■ Major shareholders (top ten) (As of September 30, 2023)

Name of shareholder	Number of shares held (Thousands of shares)	Holding ratio (%)
Tosoh Corporation	20,379	44.28
The Master Trust Bank of Japan, Ltd. (Trust Account)	4,030	8.76
Custody Bank of Japan, Ltd. (Trust Account)	2,319	5.04
KBC BANK NV – UCITS CLIENTS NON TREATY	902	1.96
DZ PRIVATBANK S.A. RE INVESTMENTFONDS	870	1.89
The Nomura Trust and Banking Co., Ltd. (Trust Account)	574	1.25
Mizuho Bank, Ltd.	464	1.01
STATE STREET BANK AND TRUST COMPANY 505223	397	0.86
OP CORPORATE BANK PLC-OP-CLEAN WATER FUND	379	0.83
BNY GCM CLIENT ACCOUNT JPRD AC ISG (FE-AC)	377	0.82

* The treasury shares (338 thousand shares) are excluded in the calculation of the holding ratio shown above.

Company Overview: Management Philosophy and Vision

■ 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.

■ Sustainability Policy

Together with its stakeholders, Organo aims to realize a sustainable society for the future and improve our corporate value.



E Leveraging its leading-edge technologies cultivated through long experience with water treatment, Organo provides environmentally-friendly products and services that contribute to water environment conservation and prevention of global warming.*

S We will respect human rights, diverse values, and individuality while promoting the creation of a workplace where each and every employee can grow and flourish.

G We will carry out our corporate activities with integrity and fairness, emphasizing dialogue and cooperation with all stakeholders.

*Leveraging its leading-edge technologies cultivated through long experience with water treatment refers to our pursuit of water treatment-related separation and purification, analysis, and engineering technologies, and our provision of optimal systems and services that meet the needs of society through a combination of these technologies.



Representative Director and President Masayuki Yamada

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 and RO membranes, boiler waters, etc.

| Standard Water Treatment Equipment and Filters Division



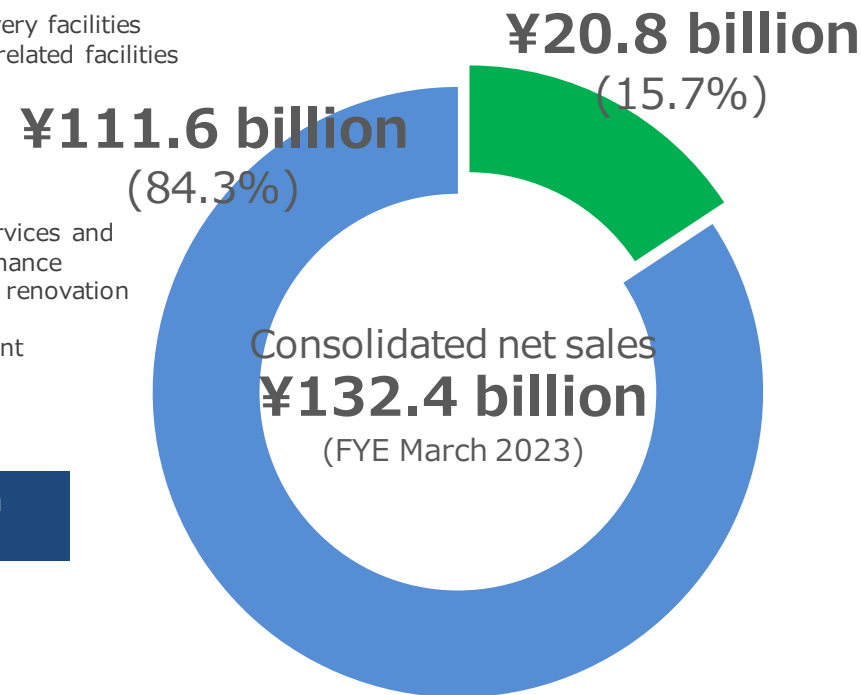
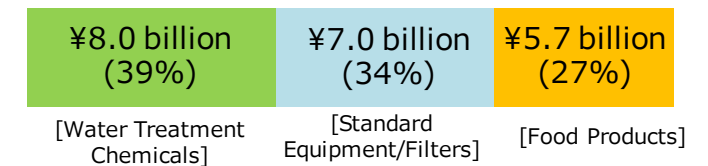
Pure and ultrapure water systems
Water purification filters

| Food Products Division



Food additives and processing agents
Food ingredients

| Sales by Segment



*Amounts represent sales for FYE March 2023, 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



The company has established a nationwide sales and service network.

R&D Center (Sagamihara)

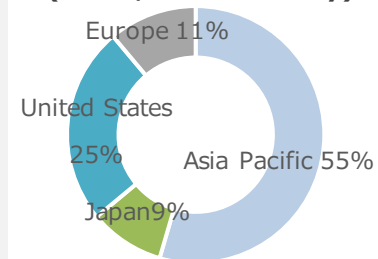


The R&D Center promotes research and development into cutting-edge water treatment and separation and refining technologies.

Global Network



Semiconductor production share by region (2023; 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

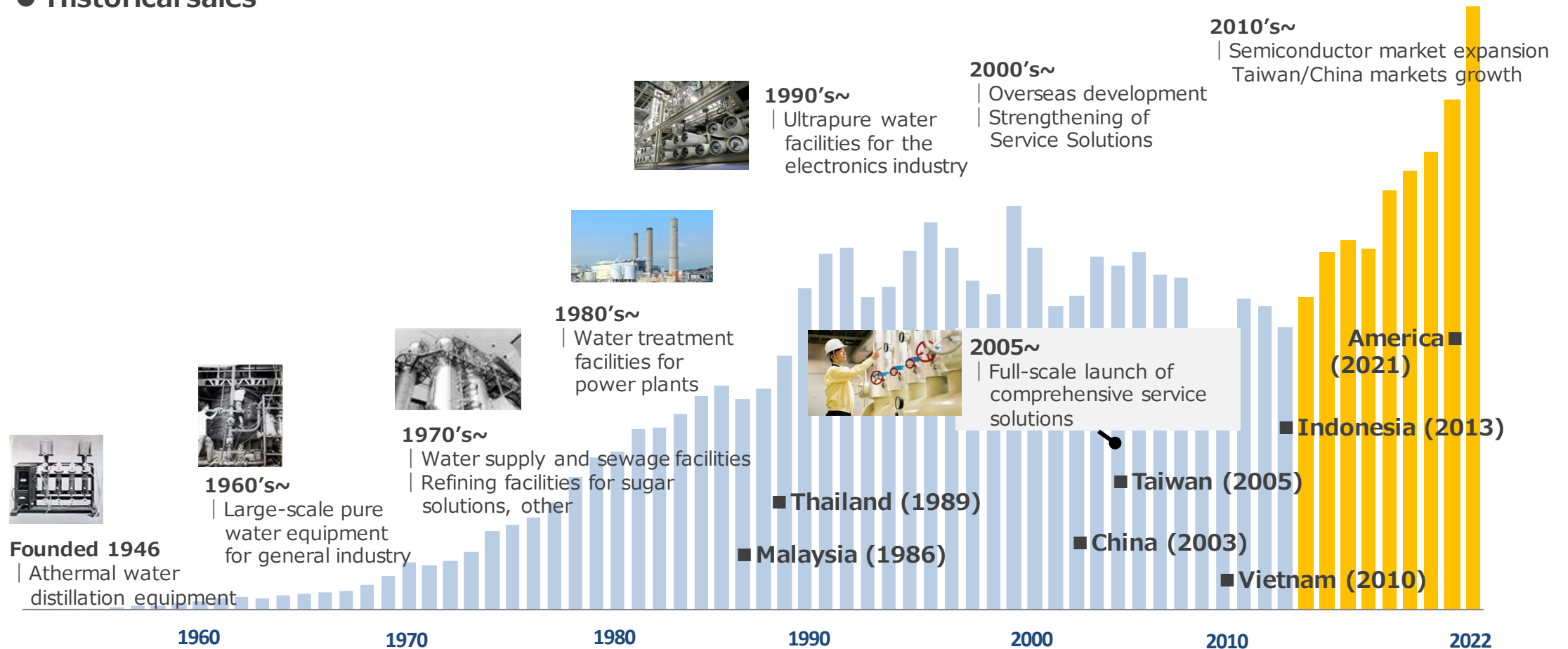
Development

Growth

Evolution

Expansion

● Historical sales



Contact

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Corporate Management and Planning
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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.