

# Organo Corporation

Report on the Financial Results for  
the Fiscal Year Ended March 31, 2016  
and Medium-term Management Plan

May 16, 2016

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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	2,088 (Consolidated) * as of the end of March 2016		
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)		

Area		Company Name	Major Business	
Consolidated Subsidiaries	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 Subsidiaries	Japan	Hostech Corporation	Manufacturing of Standardized Water Treatment Equipment	
	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>	

# Financial Results for the Fiscal Year Ended March 31, 2016

- Summary
- Results
- Results by Business Segments
- Sales by Business Areas and Customers  
[Water Treatment Engineering Segment]
- Sales by Business Areas [Functional Product Segment]
- Business Description of Functional Product Segment
- Sales by Regions
- Analysis of Operating Income by Factors
- Balance Sheet

## Summary

### Business Environments

#### Forecast at April, 2015

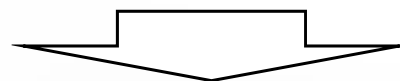
- Production continues to recover and capital investment increases overall in Japan.
- Economic growth continues overseas (Asia).
- The water treatment business continues to experience a challenging situation as competition intensifies.

#### Actual Situation

- Active capital investment in Japan and Taiwan in the electronics industry.
- Some nuclear power plants have restarted operation.
- Capital investment in Japan is not gaining momentum in industries overall.
- China's sluggish economy and a decline in resource prices, among other factors, have affected the global economy significantly.

### Highlights

- Water Treatment Engineering Segment : Increased in Sales and Operating Income  
 < Japan > Grew mainly for plants and maintenance for all industries, especially the electronics industry.  
 < Overseas > Increased for plants for the electronics industry in Taiwan.
- Functional Product Segment : Slightly Increased in Sales and Operating Income  
 Sales of water treatment equipment and chemicals were solid as the capacity utilization rate at customers' plants improved moderately.



**Consolidated Financial Results:  
Increased in Both Sales and Operating Income Year on Year**

## Results

(millions of Yen)

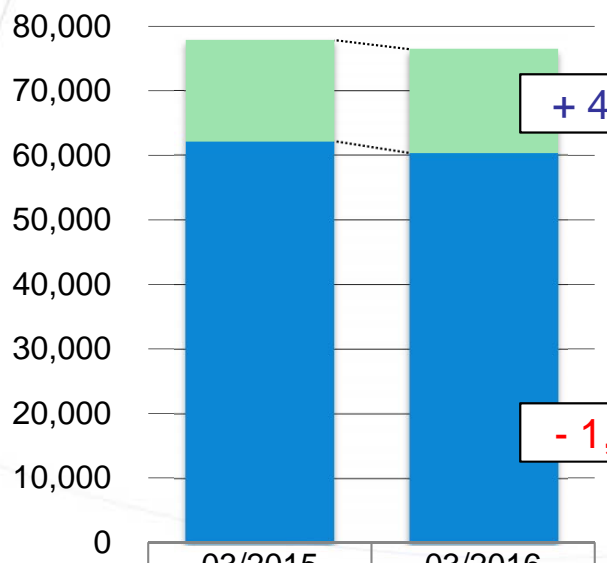
	03/2015 Result	03/2016 Initial Plan	03/2016 Revised Plan	03/2016 Result	Y/Y Change	Change from Initial Plan
Orders Received	77,873	75,000	75,000	76,485	- 1,388	+ 1,485
Net Sales	68,741	77,000	79,000	78,719	+ 9,978	+ 1,719
Gross Profit (%)	15,544 (22.6)	16,700 (21.7)	17,400 (22.0)	17,749 (22.5)	+ 2,205 (- 0.1pt)	+1,049 (+ 0.8pt)
SG & A	13,145	14,000	13,900	13,802	+ 657	- 198
Operating Income (%)	2,398 (3.5)	2,700 (3.5)	3,500 (4.4)	3,947 (5.0)	+ 1,549 (+ 1.5pt)	+1,247 (+ 1.5pt)
Ordinary Income	2,465	2,600	3,400	3,871	+ 1,406	+ 1,271
Net Income Attributable to Owners Parent	1,085	1,680	2,250	2,485	+ 1,400	+ 805



## Results by Business Segments

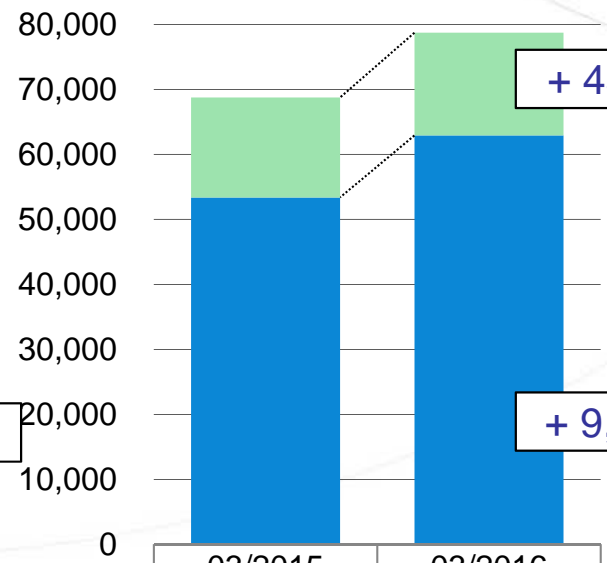
(millions of Yen)

Orders Received



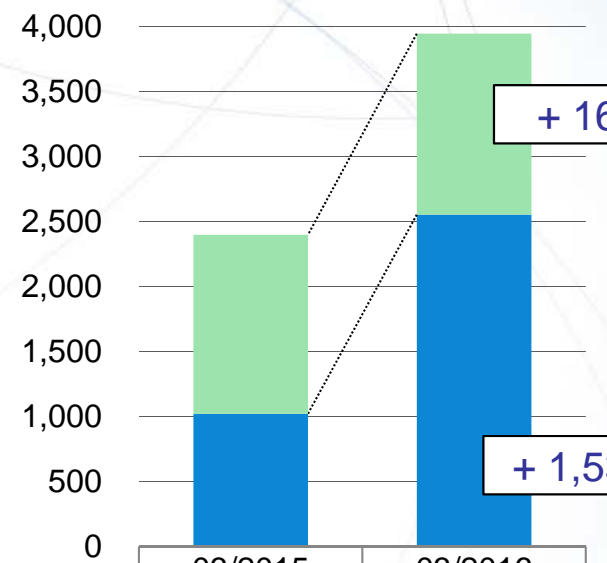
	03/2015	03/2016
Total	77,873	76,485
Functional Product	15,554	15,956
Water Treatment Engineering	62,318	60,529

Net Sales



	03/2015	03/2016
Total	68,741	78,719
Functional Product	15,374	15,811
Water Treatment Engineering	53,367	62,907

Operating Income



	03/2015	03/2016
Total	2,398	3,947
Functional Product	1,377	1,393
Water Treatment Engineering	1,021	2,553

[ Functional Product Segment ]

**Operating income:** Remained almost unchanged, reflecting increase in SG&A expenses for business expansion, despite increased sales.

[ Water Treatment Engineering Segment ]

**Orders received:** Declined in plants for the electronics industry in Japan.

**Sales:** Increased in plants/maintenance for the electronics industry in Japan and abroad.

**Operating income:** Increased due to increased sales for the electronics industry.

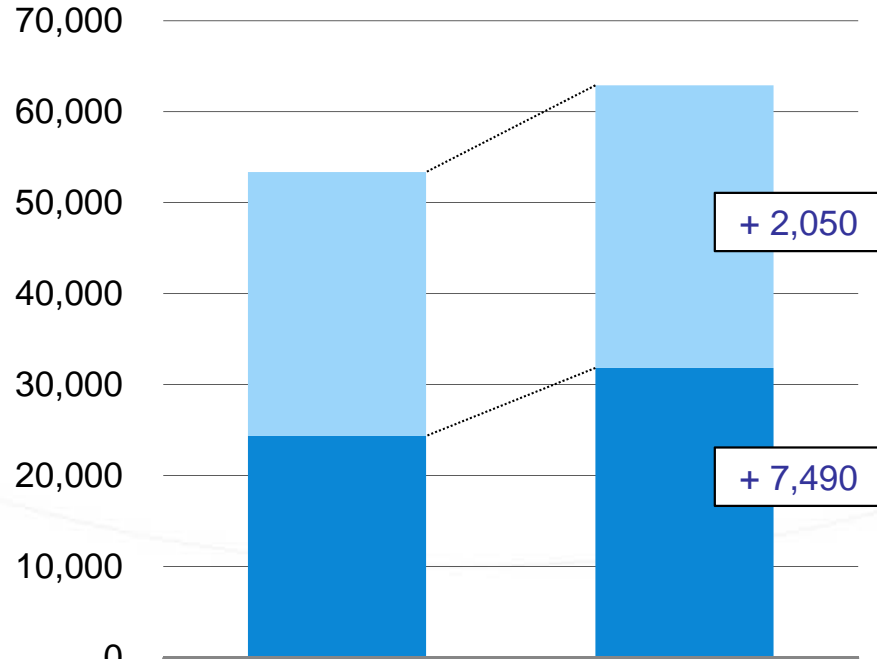




(millions of Yen)

## Sales by Business Areas and Customers [ Water Treatment Engineering Segment ]

Sales by Business Areas



	03/2015	03/2016
Total	53,367	62,907
■ Solution Business	29,025	31,075
■ Plant Business	24,343	31,833

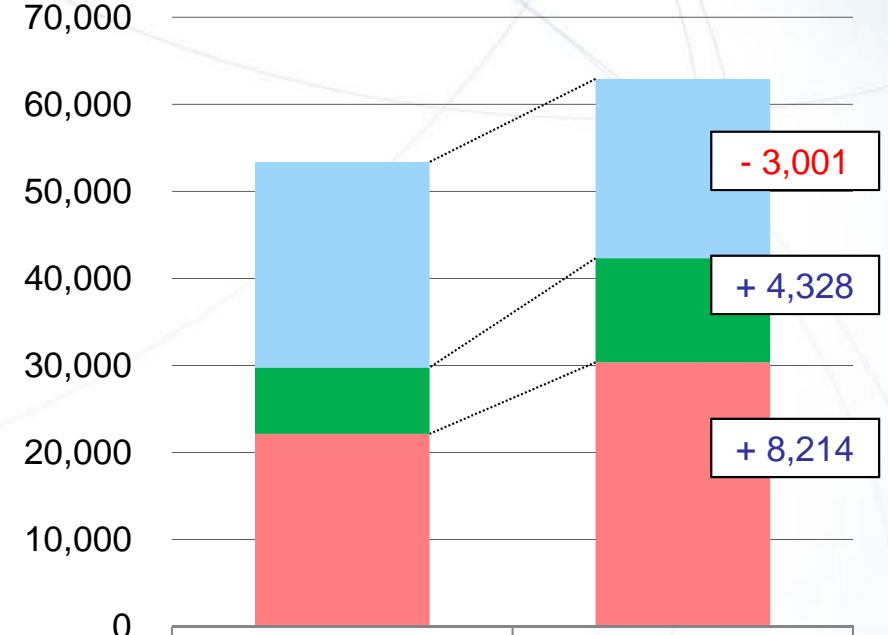
**[Solution]**

Increased in maintenance for the electronics industry in Japan and abroad, and power plants in Japan.

**[Plant]**

Increased for the electronics industry in Japan and abroad, and at municipal water plants.

Sales by Customers



	03/2015	03/2016
Total	53,367	62,907
■ General	23,591	20,590
■ Power Plants + Water & Sewerage	7,631	11,959
■ Electronics	22,145	30,359

**[General Industries]**

Declined for plants for pharmaceutical and wastewater treatment.

**[Power Plants + Municipal Water and Sewerage]**

Sales increased in maintenance.

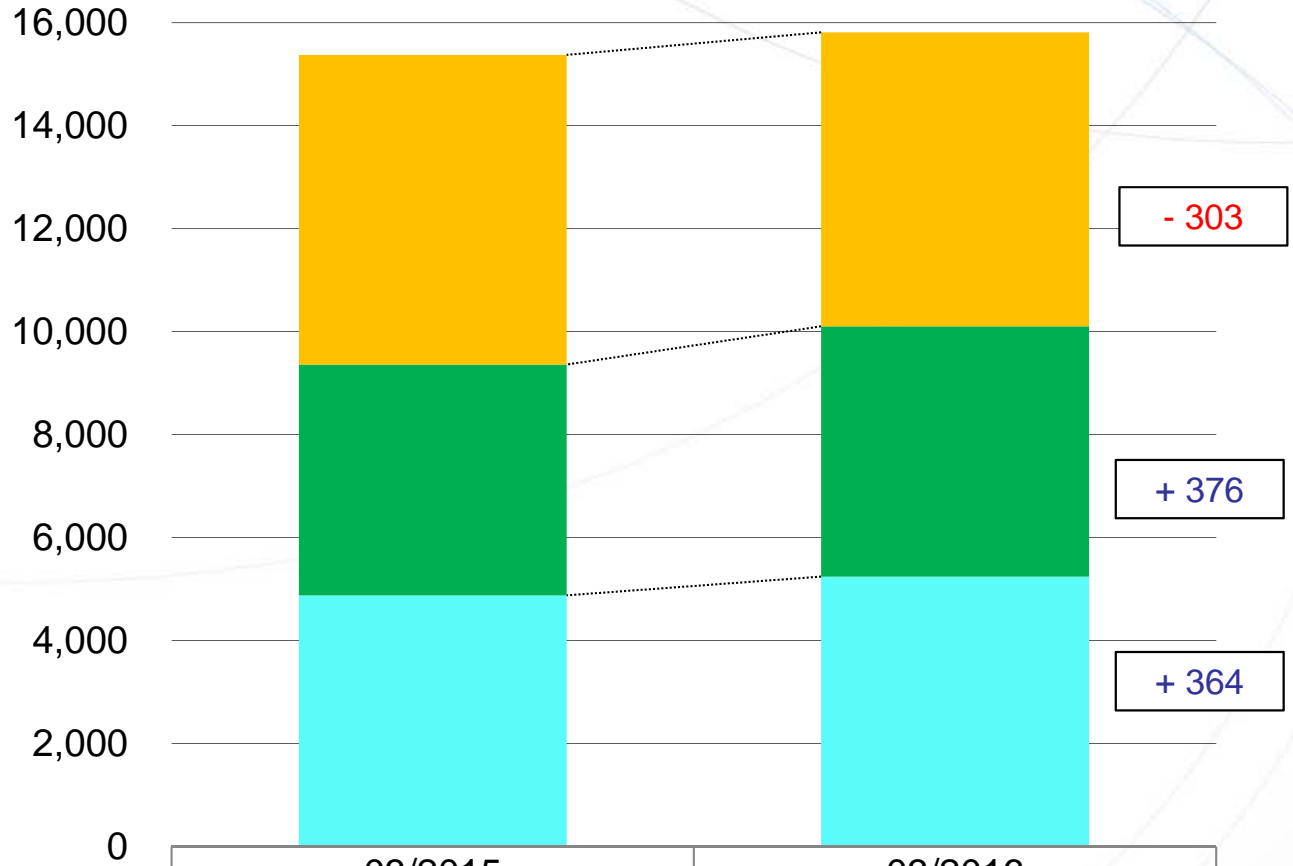
**[Electronics Industry]**

Increased for plants/maintenance in Japan and abroad.



(millions of Yen)

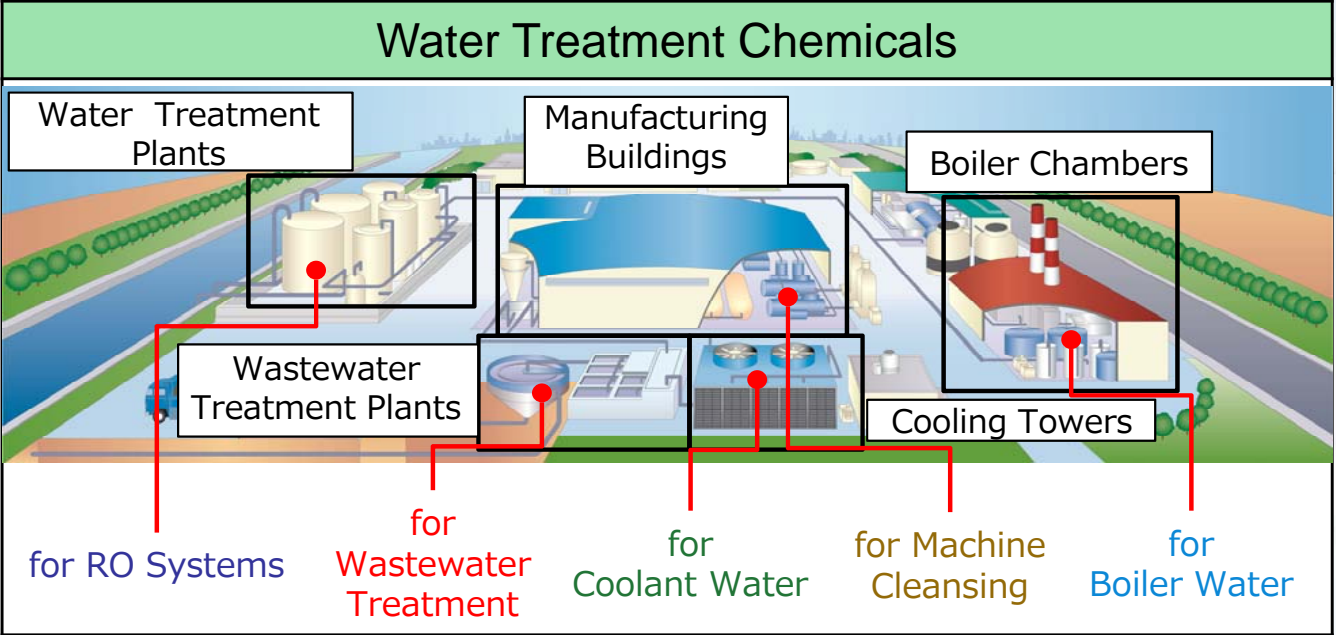
### Sales by Business Areas [ Functional Product Segment ]



	03/2015	03/2016
Total	15,374	15,811
■ Food Processing Materials	6,013	5,710
■ Water Treatment Chemicals	4,484	4,860
■ Standardized Water Treatment Equipments & Filters	4,877	5,241

## Business Description of Functional Product Segment

Standardized Water Treatment Equipment & Filters	
Standardized Water Treatment Equipment	<p>Pure water/ultrapure water production units for experiments, analyses, and inspections undertaken at research institutions, hospitals and other organizations.</p>
Filters	<p>Water purification filters for convenience stores, kitchens, cup-type vending machines, etc.</p>



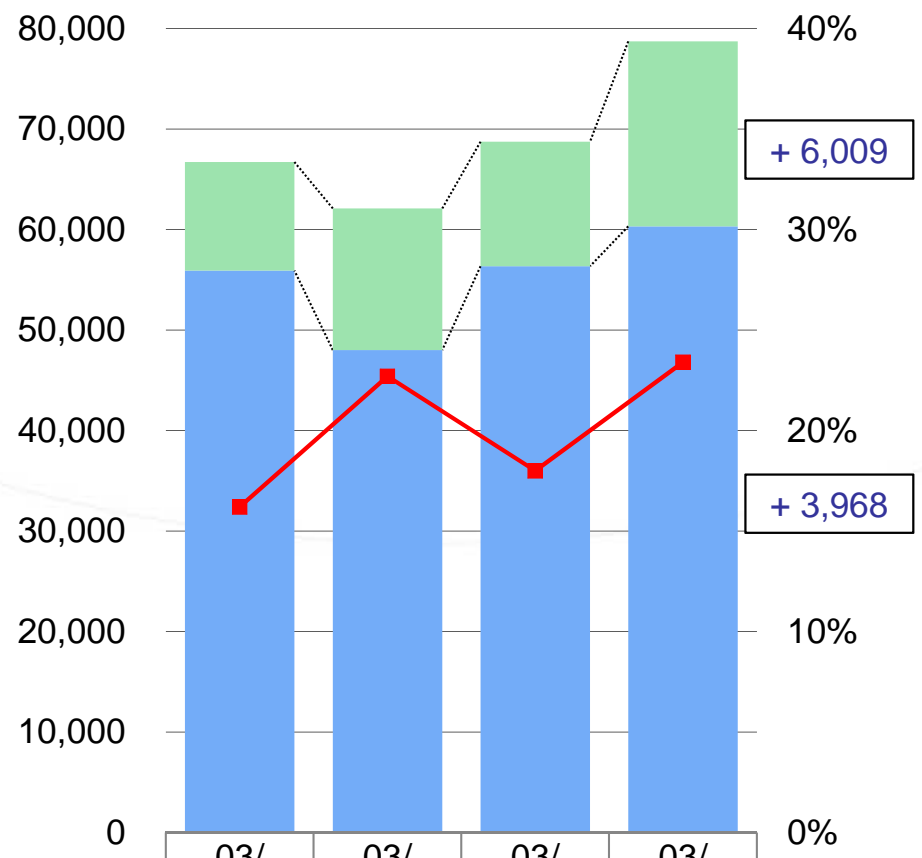
Food Processing Materials	
Main Products	Applied Areas
Quality improvement materials for hams, sausages, instant noodles, etc.	Processed foods, foods for the elderly/nursing care, and health foods, etc.
Gelators and thickeners for jellies, sauces, etc.	
Food ingredients such as protein, fibers, etc.	



(millions of Yen)

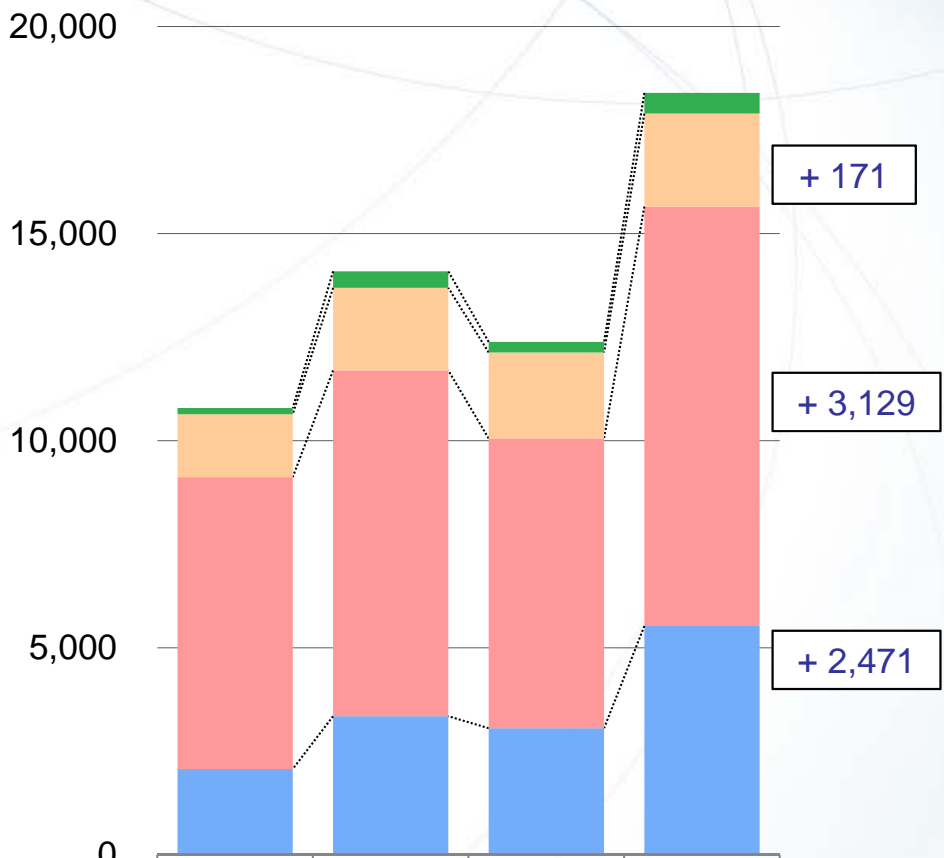
## Sales by Regions

### Domestic & Overseas Sales



	03/2013	03/2014	03/2015	03/2016
Total	66,718	62,096	68,741	78,719
Overseas	10,793	14,090	12,390	18,399
Domestic	55,924	48,005	56,351	60,319
Overseas Ratio	16.2%	22.7%	18.0%	23.4%

### Sales by Overseas Regions

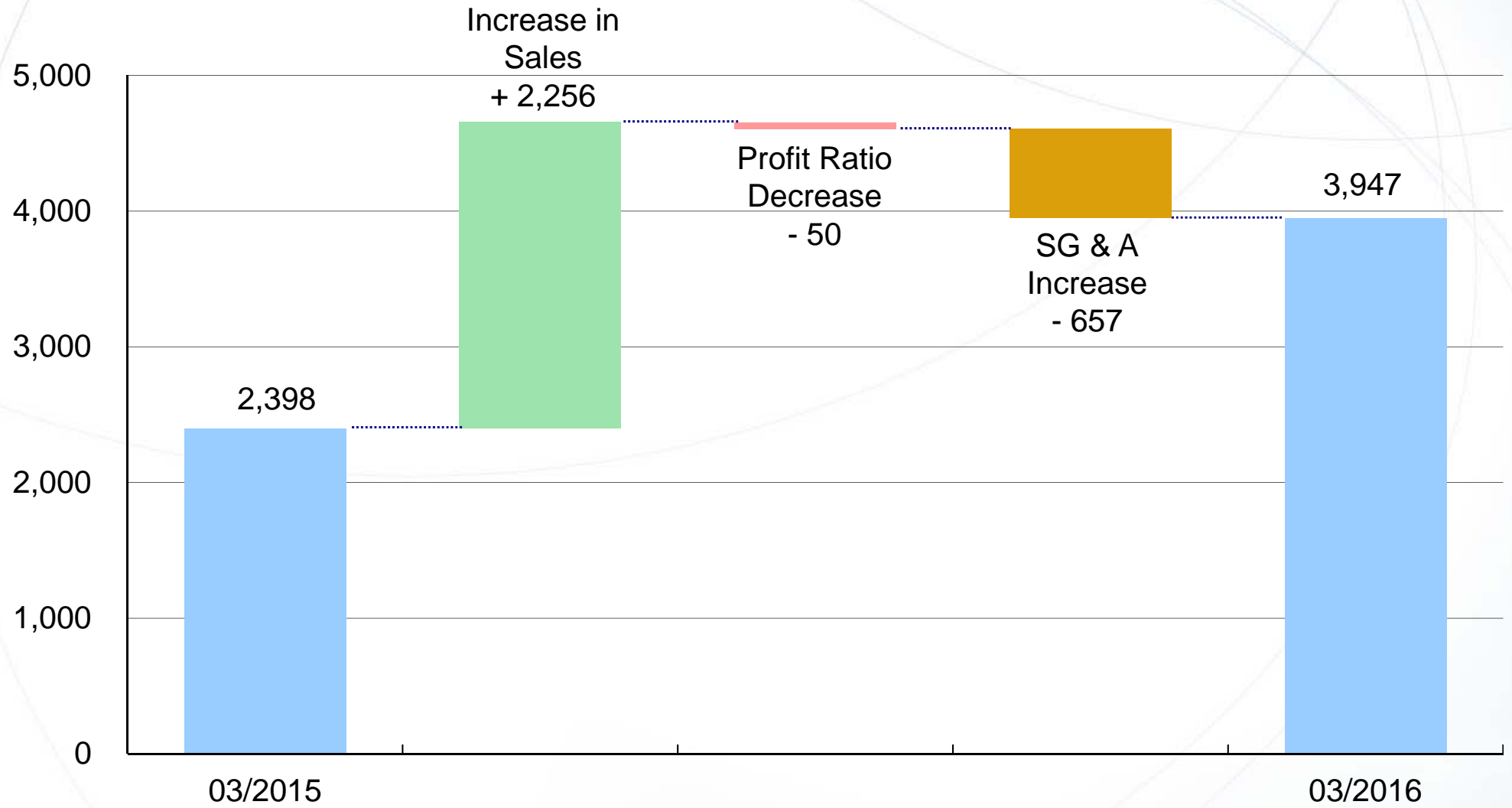


	03/2013	03/2014	03/2015	03/2016
Total	10,793	14,090	12,390	18,399
Other Areas	153	396	256	496
China	1,519	1,993	2,076	2,247
Taiwan	7,045	8,352	6,999	10,128
Southeast Asia	2,075	3,349	3,057	5,528



(millions of Yen)

### Analysis of Operating Income by Factors



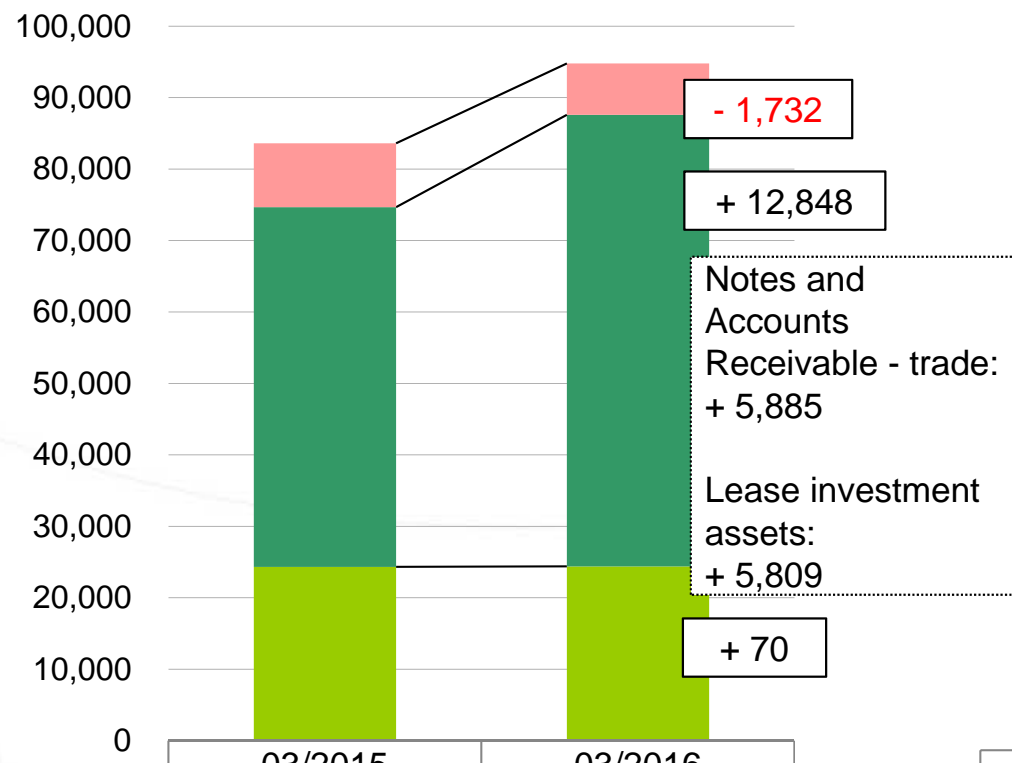
\* The increase in sales and profit ratio decrease are calculated using the gross profit margin.



(millions of Yen)

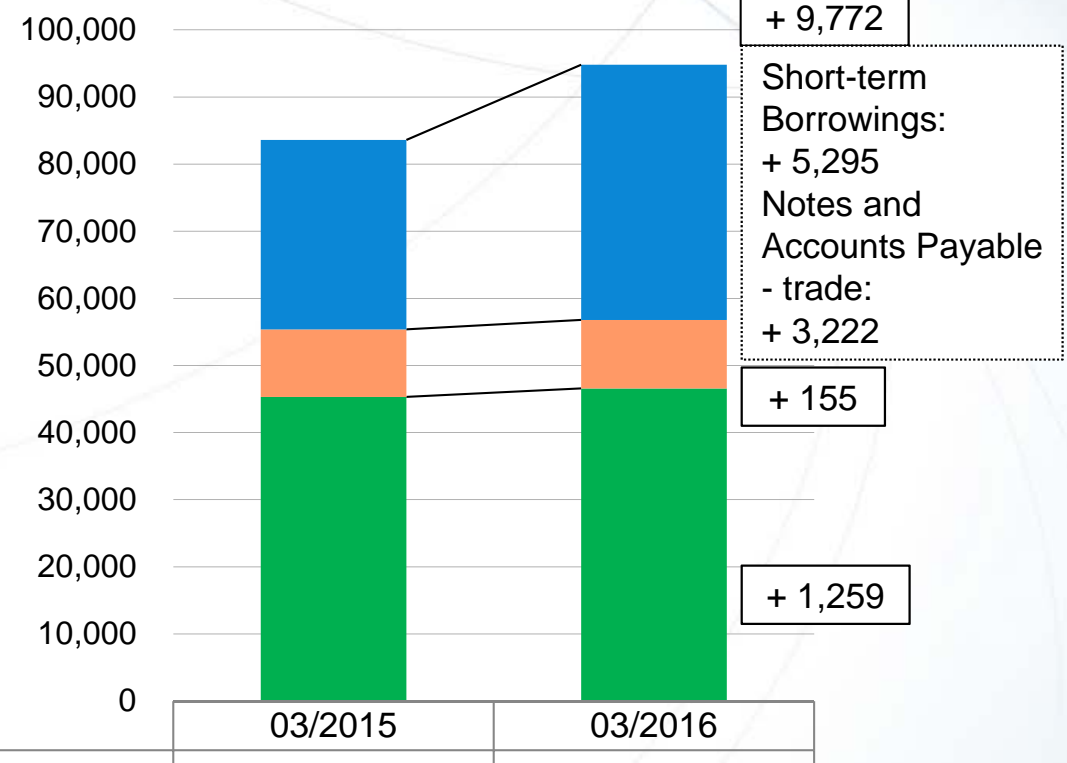
# Balance Sheet

## Assets



	03/2015	03/2016
Total	83,609	94,795
Cash on Hand and Deposits	8,939	7,207
Current Assets and Others	50,354	63,202
Fixed Assets	24,316	24,386

## Liabilities and Net Assets



	03/2015	03/2016
計	83,609	94,795
Current Liabilities	28,230	38,002
Long-term Liabilities	10,070	10,225
Net Assets	45,308	46,567

\* Lease investment assets : The Company's own facilities installed in customers' factories to conduct consigned water treatment

## Medium-term Management Plan and Plan for the Fiscal Year Ending March 31, 2017

- Medium-term Management Plan
  - Situation of Medium-term Management Plan
  - Forecasts of Business Environment
  - Revision of Medium-term Management Plan
- Plan for the Fiscal Year Ending March 31, 2017
  - Plans
  - Plans by Business Segments
  - Sales by Business Areas and Customers [Water Treatment Engineering Segment]
  - Sales by Business Areas [Functional Product Segment]
  - Sales by Regions
  - Analysis of Operating Income by Factors
  - Orders Received and Net Sales for the Electronics Industries
  - Progress of Orders Received, Net Sales and Orders on Hand
  - Major Indicators

## Situation of Medium-term Management Plan

### 1. Outline of Medium-term Management Plan Started from April 2015

Based on “one-stop solutions,” which we have promoted from FY2013, through selection and concentration, we focus on the three businesses - wastewater treatment, water treatment chemicals, and overseas – thereby accelerating the shift of the business portfolio and expanding the solution business to develop a stable revenue base.

Areas of Focus	Priority Measures
Wastewater Treatment	<ul style="list-style-type: none"> <li>➤ Expanding by enhancing personnel/structure.</li> <li>➤ Promoting differentiation through the unique technologies, including Moving Bed Anaerobic Bio-Reactor and Fat Decomposition Treatment Technology.</li> <li>➤ Expanding business overseas by establishing a task forces.</li> </ul>
Water Treatment Chemicals	<ul style="list-style-type: none"> <li>➤ Expanding by enhancing personnel/structure.</li> <li>➤ Expanding business for new slime control chemical containing hypobromite-based oxidants in Japan and overseas.</li> <li>➤ Improvement of an overseas supply system and full-scale entry into the business.</li> </ul>
Overseas	<ul style="list-style-type: none"> <li>➤ Strengthening overseas subsidiaries through cooperation with the divisions in Japan.</li> <li>➤ Fostering local managers and alliances with partner companies to expand non-Japanese customers.</li> <li>➤ Continuously considering the establishment of new business bases.</li> </ul>



## Situation of Medium-term Management Plan

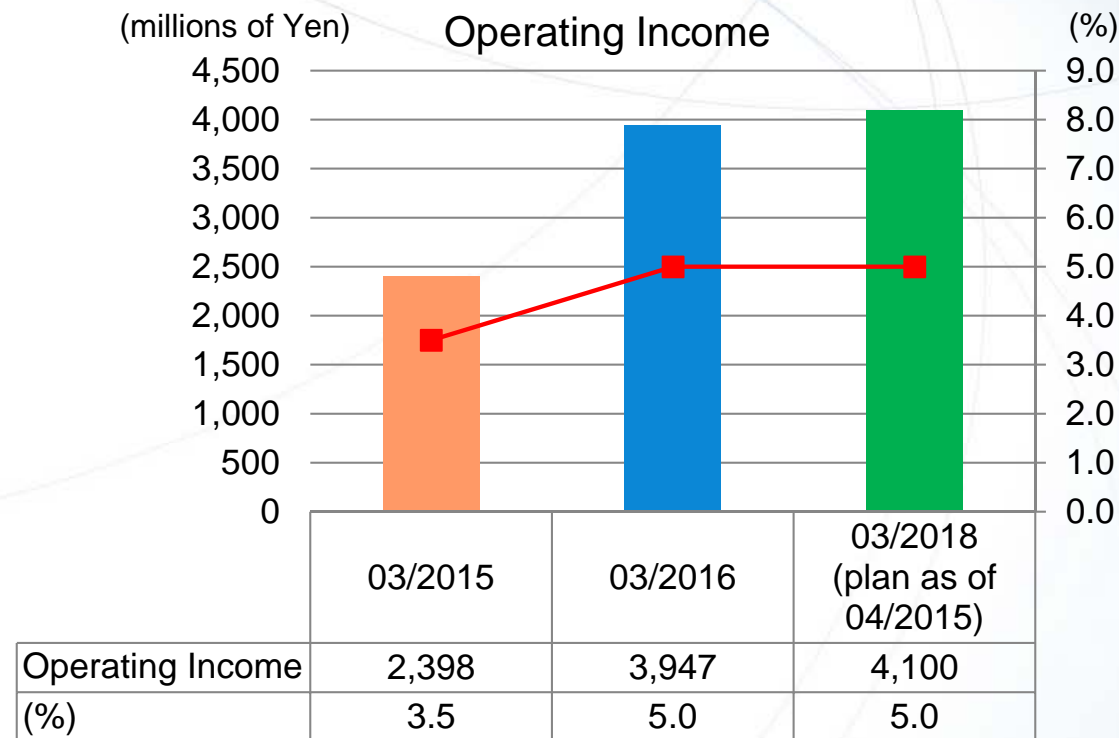
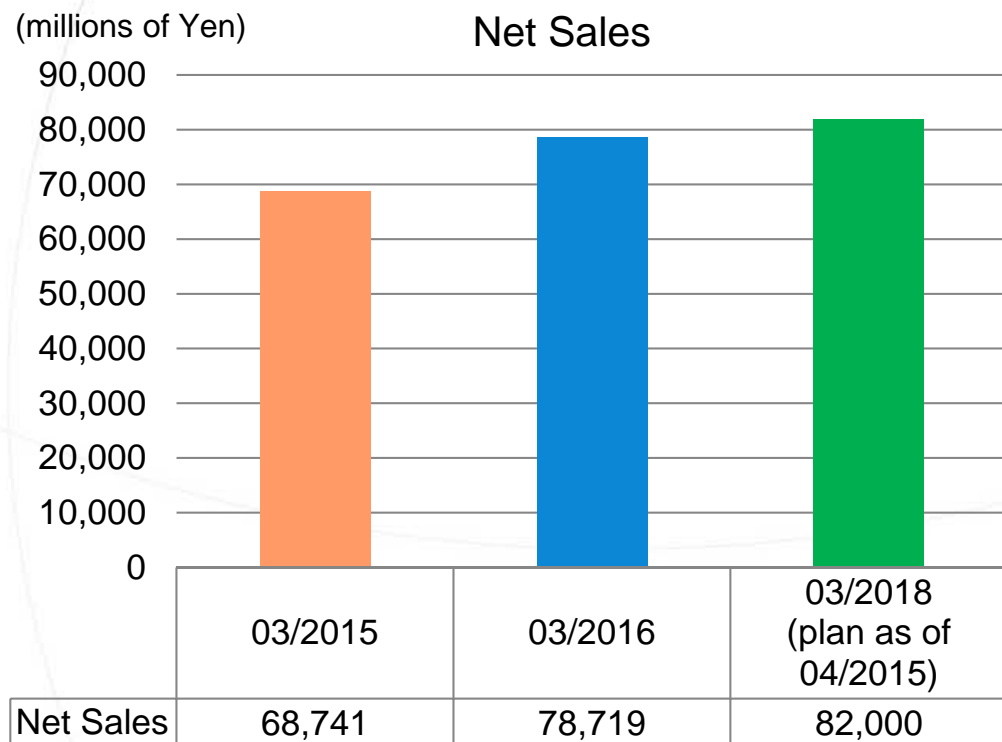
### 2. Progress of Medium-term Management Plan Started from April 2015

(millions of Yen)

	03/2015 Result	03/2016 Result	03/2018 (Plan as of 04/2015)
Orders Received	77,873	76,485	82,000
Net Sales	68,741	78,719	82,000
Gross Profit (%)	15,544 (22.6)	17,749 (22.5)	19,100 (23.3)
SG & A	13,145	13,802	15,000
Operating Income (%)	2,398 (3.5)	3,947 (5.0)	4,100 (5.0)
Ordinary Income	2,465	3,871	4,000
Net Income Attributable to Owners Parent	1,085	2,485	2,600

## Situation of Medium-term Management Plan

### 2. Progress of Medium-term Management Plan Started from April 2015



Steady progress in the aspect of numerical result



- ◆ Relied on the electronics area and functional products business, which had long been the main source of revenue.
- ◆ Does not mean that we have made a good start for the shift from the previous business portfolio.

## Situation of Medium-term Management Plan

### 3. Problems of Medium-term Management Plan Started from April 2015

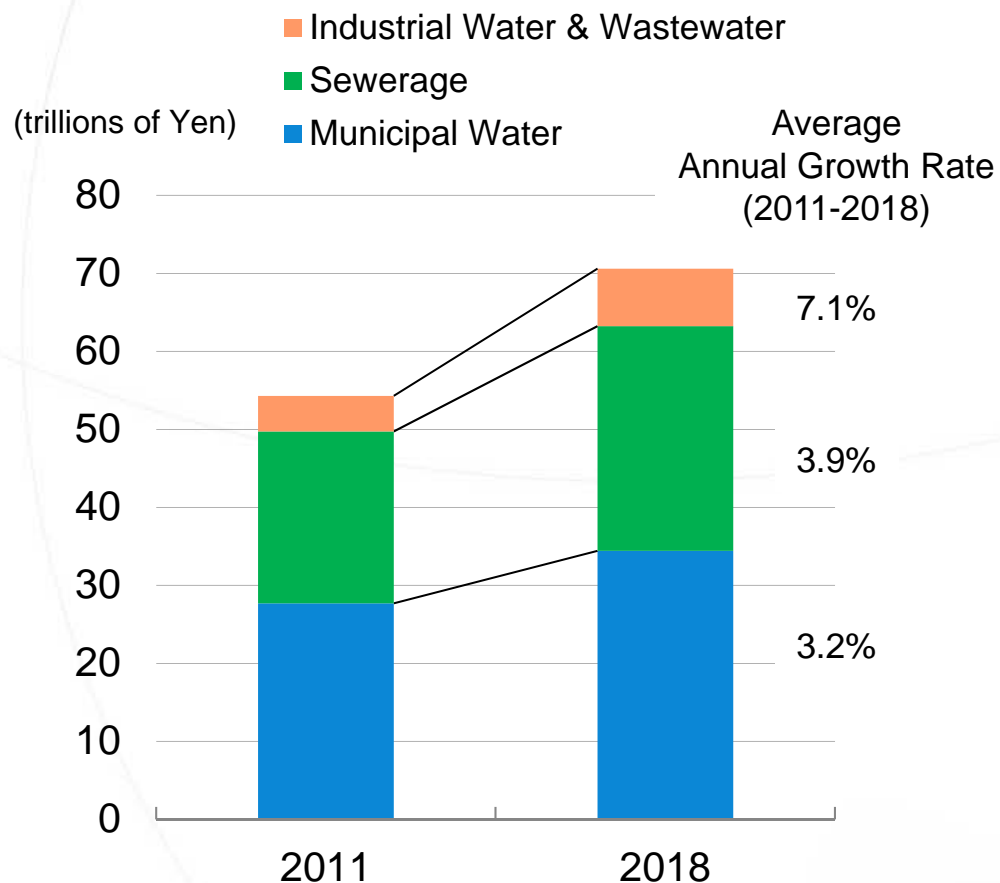
Areas of Focus	Evaluation/Progress
Wastewater Treatment	Sales and operating income fell short of the plan
Water Treatment Chemicals	Sales and operating income fell short of the plan
Overseas	Sales increased significantly y/y, and operating income surpassed the plan ⇔ relied on the remarkable increase in sales for semiconductors in Taiwan

- ◆ Did not achieve the expected progress in the areas of focus (wastewater, chemicals and overseas business). A sharp increase in earnings cannot be expected going forward.
- ◆ Revenues were generated steadily in areas where we have long-standing strengths such as the electronics area and small pure water production equipment.
- ◆ The business environments changed drastically in Japan and abroad.

 **The re-establishment of business strategies is essential.**

## Forecasts of the Business Environments

### 1. Global Market of Water Business



### 2. Global Market of Industrial Water & Wastewater

(billions of Yen)

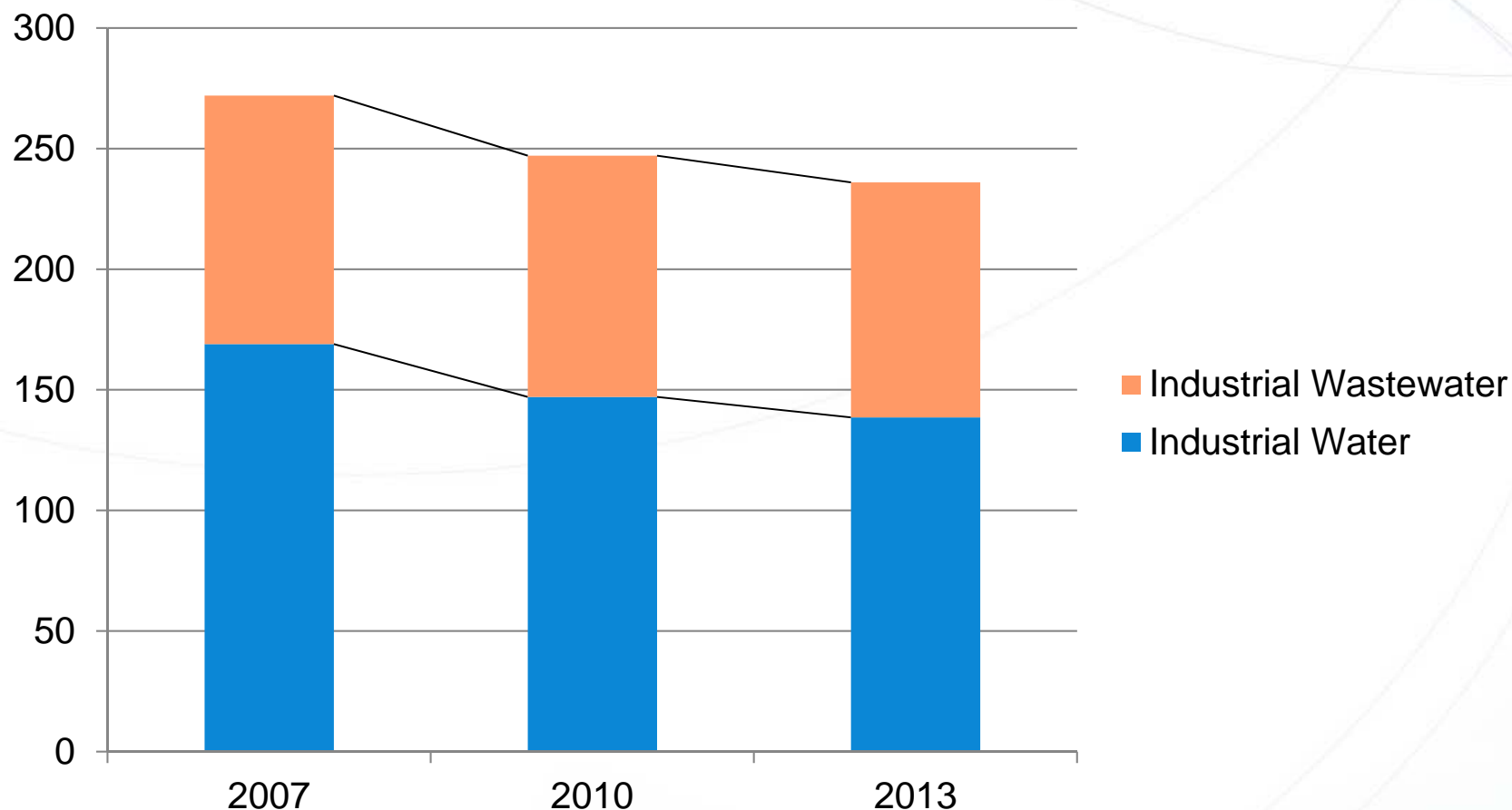
Area	2011	2018	Average Annual Growth Rate (2011-2018)
East Asia and Oceania	340	649	9.7%
South Asia	63	126	10.3%
Western Europe	212	298	4.9%
Middle East and North Africa	42	66	6.7%
North America	268	360	4.3%
Latin America	131	213	7.2%

Source: Compiled from the Project of Surveys on the Promotion of the Export of Infrastructure Systems in FY2014 (survey on trends in the water business market) issued by METI (March 2015).

## Forecasts of the Business Environments

### 3. Industrial Water and Wastewater Market in Japan

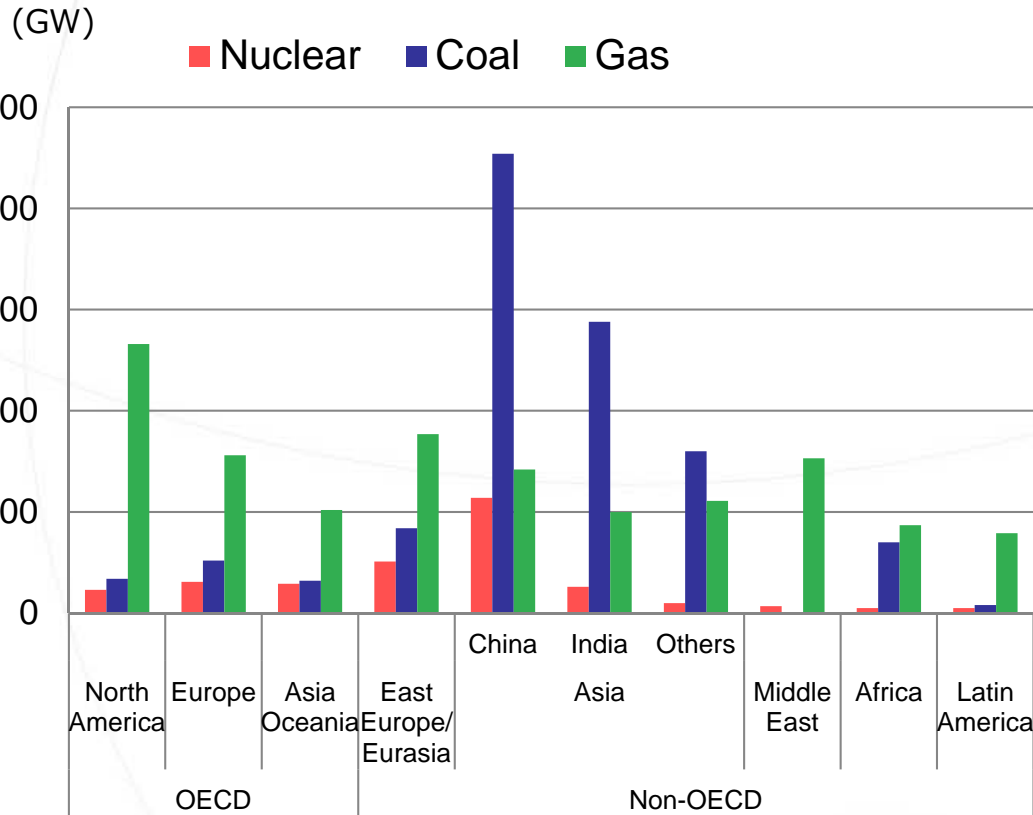
(billions of Yen)



Source: Compiled from the Project of Surveys on the Promotion of the Export of Infrastructure Systems in FY2014 (survey on trends in the water business market) issued by METI (March 2015).

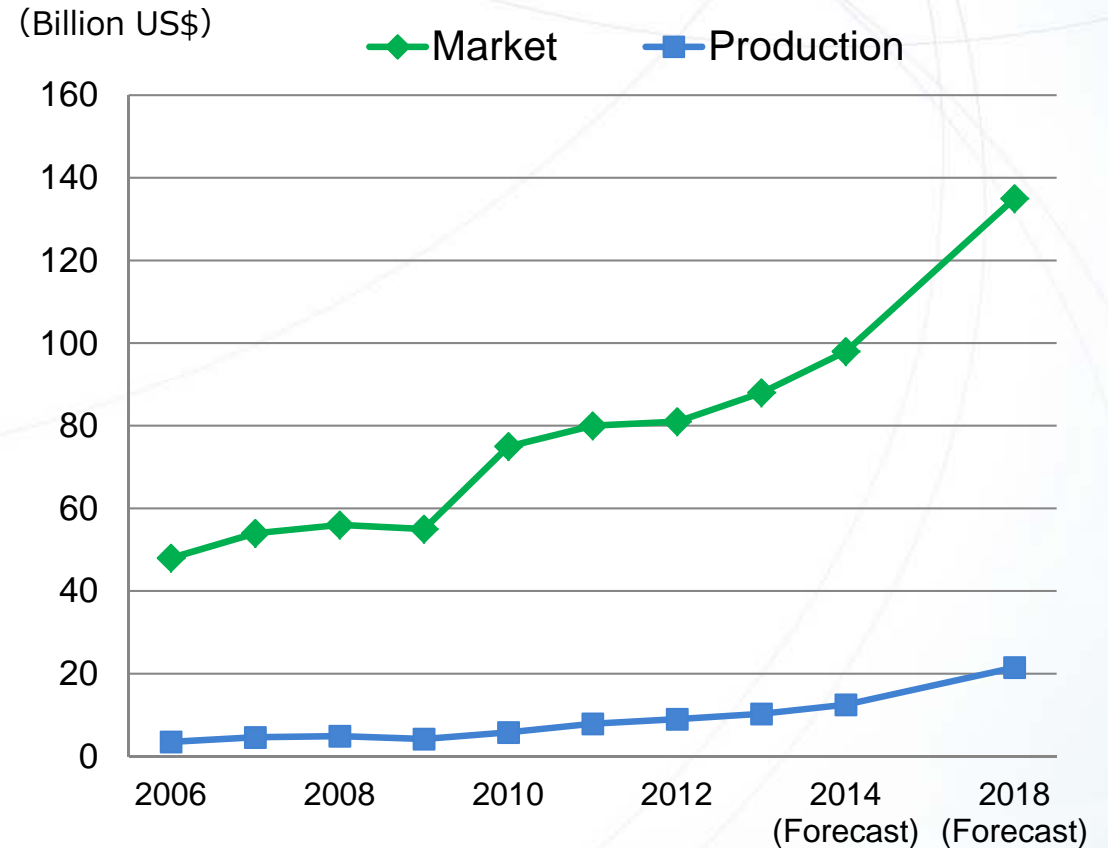
## Forecasts of the Business Environments

### 4. Cumulative Gross Power Capacity Additions (from 2013 to 2035)



Source: Compiled from World Energy Outlook 2013 by International Energy Agency (November 2013).

### 5. IC Market and IC Production Trend in China



Source: Compiled from Research Bulletin : DRAM, China, and Leading-Edge Foundry Driving IC Industry in 2014 by IC Insights (October 8, 2014).

## Revision of Medium-term Management Plan

### 1. Outlook of Business Environments

Japan	<p>Tough conditions will prevail in the capital investment environment</p> <ul style="list-style-type: none"><li>➤ Company policies that aim at achieving growth through M&amp;As instead of the capital investments</li><li>➤ Promotion of consolidation of production bases and overseas relocation.</li></ul>
Overseas	<ul style="list-style-type: none"><li>➤ A prolonged slowdown of the Chinese economy, sluggish resource prices and a decline in IT-related demand.</li><li>➤ Investments in semiconductor-related products will increase in China as the country facilitates the domestic production.</li><li>➤ The construction of coal-fired power plants will increase in Asia, including China and India.</li><li>➤ Markets of water businesses will increase at an annual rate of approximately 10% in various types of industries in East Asia and South Asia.</li></ul>
General	<ul style="list-style-type: none"><li>➤ Difficulties in making forecasts due to a significant change in the market environment accompanied by intensifying competition.</li></ul>

## Revision of Medium-term Management Plan

### 2. Outline of Re-establishment of Business Strategies

#### Points

[Period of Market Expansion]  
More opportunities are available to expand businesses (wastewater, chemicals and overseas) whose market shares are small.  
<Conventional concept>



[Period of Market Shrinking]  
Efforts to expand market shares and secure revenues from businesses that feature the strengths of the Company group are more effective for future growth.

- Planning and formulation of strategies and measures with a focus on businesses that feature the strengths of the Organo Group.
- Final fiscal year will not be fixed, and management plan will be renewed every year, so that the Group can respond to the fluctuating business environments, and continue to conduct business based on a three-year plan constantly.



## Revision of Medium-term Management Plan

### 2. Outline of Re-establishment of Business Strategies

Areas in which the Organo Group has strengths [Understanding of current situation and potential]	
Power Plants	<ul style="list-style-type: none"><li>➤ Records of many installations and a dominant market share in Japan</li><li>➤ High-level technological competitiveness</li><li>➤ Expansion of solution businesses in response to the progress in the restart of nuclear power plants</li><li>➤ Strong growth potential in power generation facilities in Asian countries including India and China</li></ul>
Electronics	<ul style="list-style-type: none"><li>➤ High-level technological competitiveness</li><li>➤ High market share and records of many installations in the semiconductor area in Japan</li><li>➤ Stable revenue bases</li><li>➤ Strong growth potential in the Chinese market</li></ul>
Functional Products	<ul style="list-style-type: none"><li>➤ Stable revenue bases</li><li>➤ Sales network covering nationwide</li><li>➤ Development of functions and market cultivation of functional materials such as ion exchange resins</li></ul>

## Revision of Medium-term Management Plan

### 2. Outline of Re-establishment of Business Strategies

Management Vision	<p>A profitable engineering company that can supply water at the most reasonable cost and in the timeliest manner, with the quality required by industries, in the main Asian economic zones.</p>
Metrics on Management Objectives	<ul style="list-style-type: none"> <li>◆ Aim to achieve ROE of 5% or more consistently by FY2018 and 8% or more long term.</li> <li>◆ To meet the targets, consider operating income as the most important metric on management objectives and have established a revenue structure to achieve 5% or more stably in and after FY2018.</li> </ul>

[Concept on the improvement of ROE]

		Profitability	Asset Efficiency	Financial Leverage
ROE	=	$\frac{\text{Net Income}}{\text{Net Worth}}$	=	$\frac{\text{Net Income}}{\text{Sales}} \times \frac{\text{Sales}}{\text{Total Assets}} \times \frac{\text{Total Assets}}{\text{Net Worth}}$
FY2014		2.4%		1.6%      0.82      1.8
FY2015		5.4%		3.2%      0.83      2.0

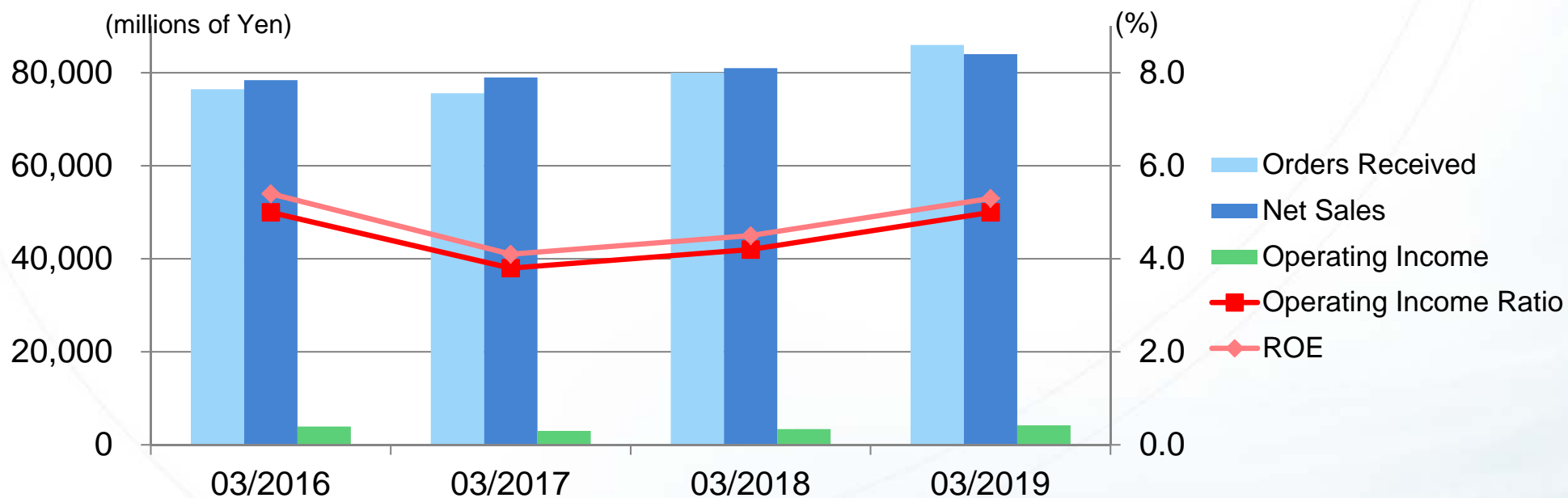
Focusing on an increase in profits for improvement of ROE

## Revision of Medium-term Management Plan

### 3. Revised Management Indexes for the Term Ending March 2019

(millions of Yen)

	03/2016 Result	03/2017 Plan	03/2018 Plan	03/2019 Plan
Orders Received	76,485	76,500	80,000	86,000
Net Sales	78,719	79,000	81,000	84,000
Operating Income	3,947	3,000	3,400	4,200
Operating Income Ratio(%)	5.0	3.8	4.2	5.0
ROE (%)	5.4	4.1	4.5	5.3

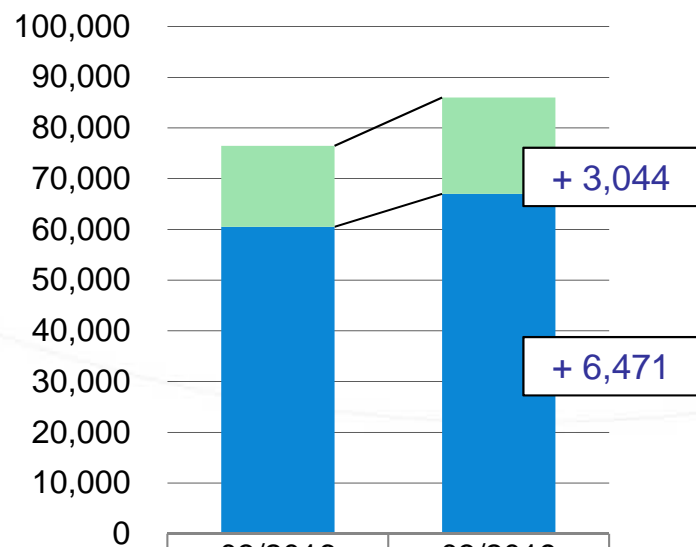


## Revision of Medium-term Management Plan

### 3. Revised Management Indexes for the Term Ending March 2019

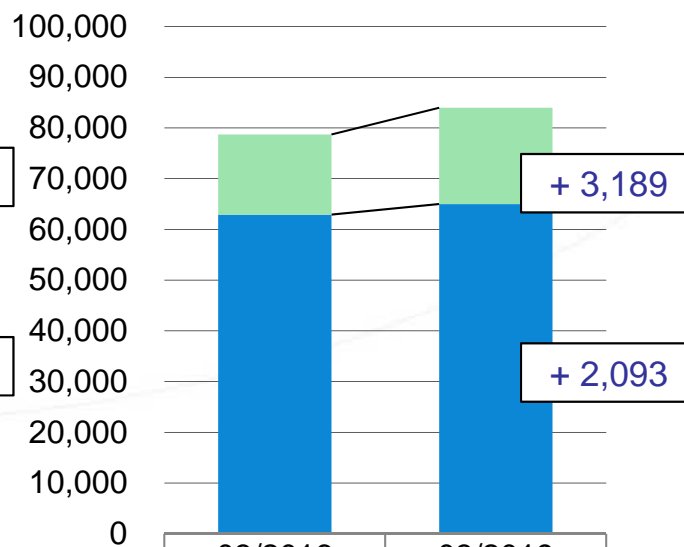
(millions of Yen)

#### Orders Received



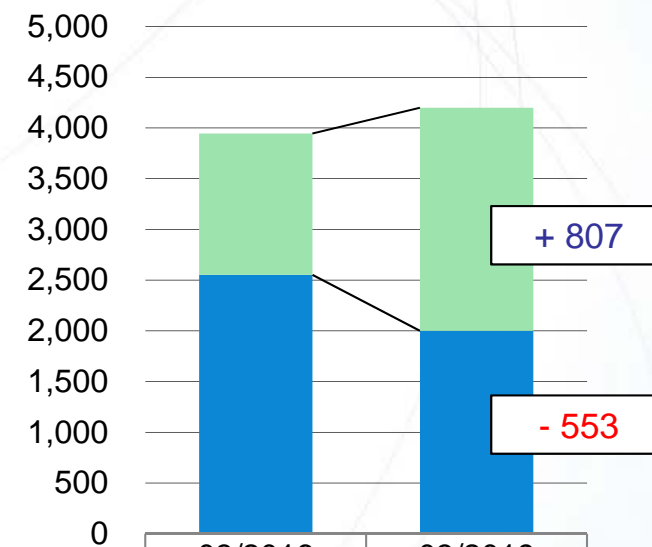
	03/2016	03/2019
Total	76,485	86,000
■ Functional Product	15,956	19,000
■ Water Treatment Engineering	60,529	67,000

#### Net Sales



	03/2016	03/2019
Total	78,719	84,000
■ Functional Product	15,811	19,000
■ Water Treatment Engineering	62,907	65,000

#### Operating Income

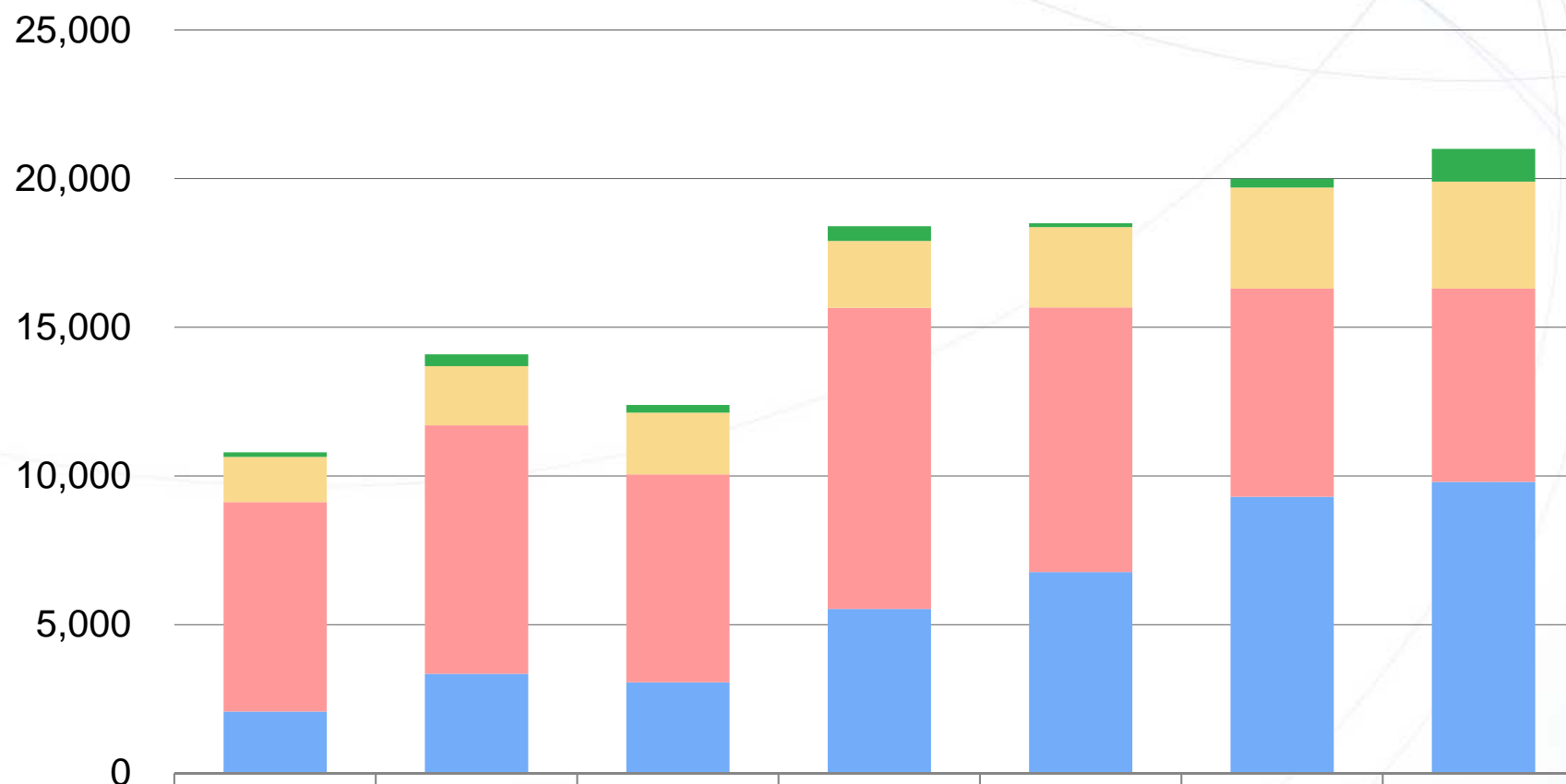


	03/2016	03/2019
Total	3,947	4,200
■ Functional Product	1,393	2,200
■ Water Treatment Engineering	2,553	2,000

## Revision of Medium-term Management Plan

### 4. Sales by Overseas Regions

(millions of Yen)



	03/2013	03/2014	03/2015	03/2016	03/2017	03/2018	03/2019
Total	10,793	14,090	12,390	18,399	18,500	20,000	21,000
■ Other Areas	153	396	256	496	130	300	1,100
■ China	1,519	1,993	2,076	2,247	2,700	3,400	3,600
■ Taiwan	7,045	8,352	6,999	10,128	8,900	7,000	6,500
■ Southeast Asia	2,075	3,349	3,057	5,528	6,770	9,300	9,800

## Revision of Medium-term Management Plan

### 5. New Important Measures to Promote Medium-term Management (1)

Areas	Measures
Power Plants	Consistent development of domestic businesses.
	Promotion of the establishment of businesses in overseas areas where electric power demand is expanding.
Electronics	Enhancement of an equipment and system business to supply washing agents including ultrapure water.
Functional Products	Development and functional improvement of products with a focus on standardized water treatment equipment.
	Development of the functions of functional materials such as ion exchange resins.
	Expansion of a business scale by cultivating businesses in new areas.

## Revision of Medium-term Management Plan

### 5. New Important Measures to Promote Medium-term Management (2)

Areas	Measures
Research and Technological Development	<p>Allocation of resources to the development of highly unique and innovative technologies that contribute to long-term growth.</p> <p>&lt;Priority Themes&gt;</p> <ul style="list-style-type: none"> <li>- Enhancement of products and technologies for the manufacturing process of semiconductors.</li> <li>- Continuous development of new water treatment chemicals that offer differentiation.</li> <li>- Development of functions and new applications for various types of functional materials.</li> </ul>
Profitability	<p>Optimal distribution of resources and cost reductions                      ⇒Focus on highly profitable businesses and growth businesses.</p>
Overseas	<p>Development of strategies to adapt to the local markets through collaboration between the domestic divisions and local subsidiaries.</p>
	<p>Strengthening of competitiveness by facilitating the development of technologies that reflect areas' characteristics.</p>
	<p>Development of local managers with a view to increasing the number of non-Japanese customers.</p>

## Plans

### Summary

- Improvement in the earning capacity, creation and improvement of technologies and products that strengthen existing businesses, and allocation of resources to the enhancement of R&D activities to attain growth on a long-term basis.
- Plan for the fiscal year ending March 31, 2017: Sales will remain almost unchanged. Operating income is forecast to decline.

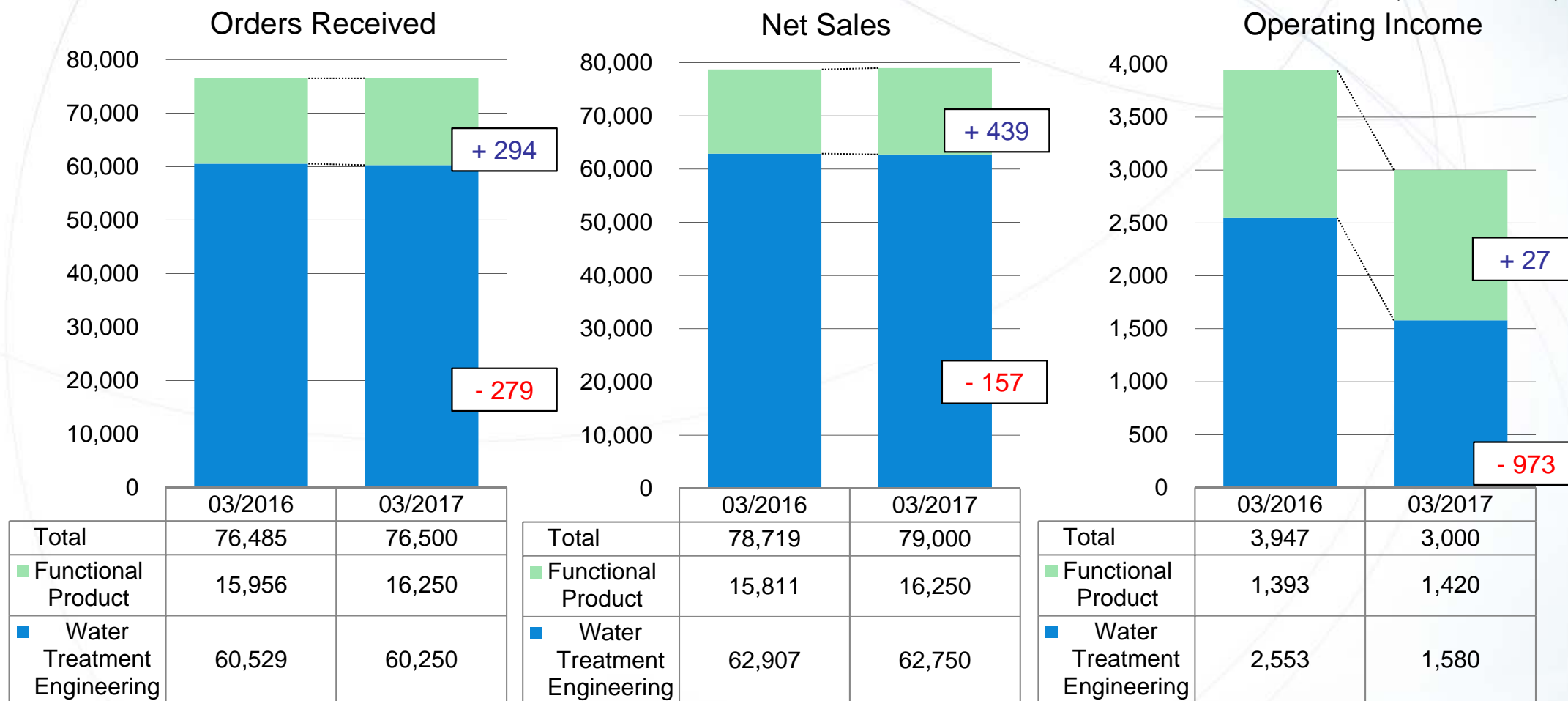
(millions of Yen)

	03/2016 Result	03/2017 Plan	Y/Y Change
Orders Revised	76,485	76,500	+ 15
Net Sales	78,719	79,000	+ 281
Gross Profit (%)	17,749 (22.5)	17,300 (21.9)	- 449 (- 0.6pt)
SG & A	13,802	14,300	+ 498
Operating Income (%)	3,947 (5.0)	3,000 (3.8)	- 947 (- 1.2pt)
Ordinary Income	3,871	2,900	- 971
Net Income Attributable to Owners Parent	2,485	1,950	- 535



## Plans by Business Segments

(millions of Yen)



### [ Functional Product Business ]

Operating income: Will remain almost unchanged due to the increased fixed cost, although sales will increase.

### [ Water Treatment Engineering Business ]

Sales: Will increase in plants for the general industries, but decrease in plants for the electronics industry.

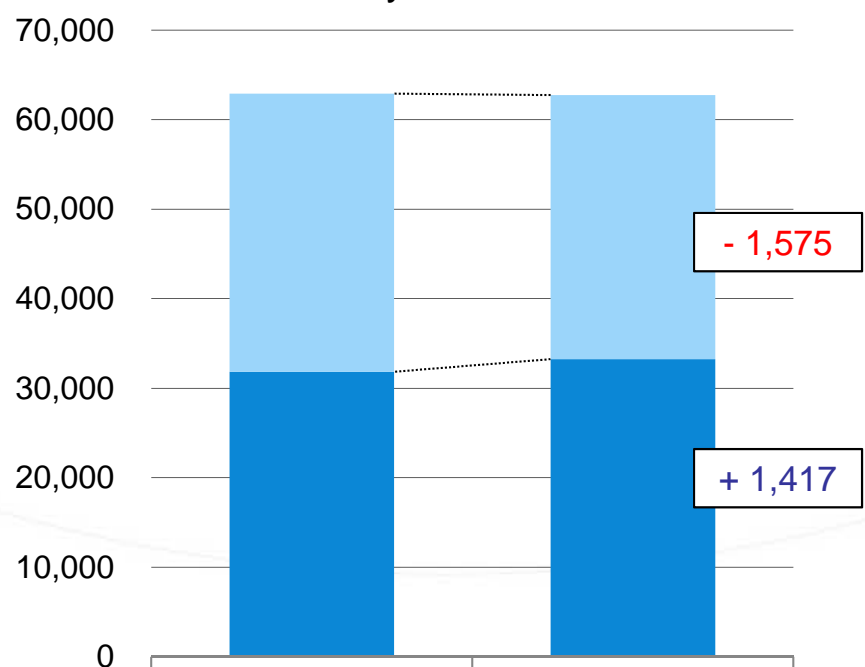
Operating income: Will decline, mainly due to decrease in sales of solution businesses.



## Sales by Business Areas and Customers [ Water Treatment Engineering Segment ]

(millions of Yen)

Sales by Business Areas

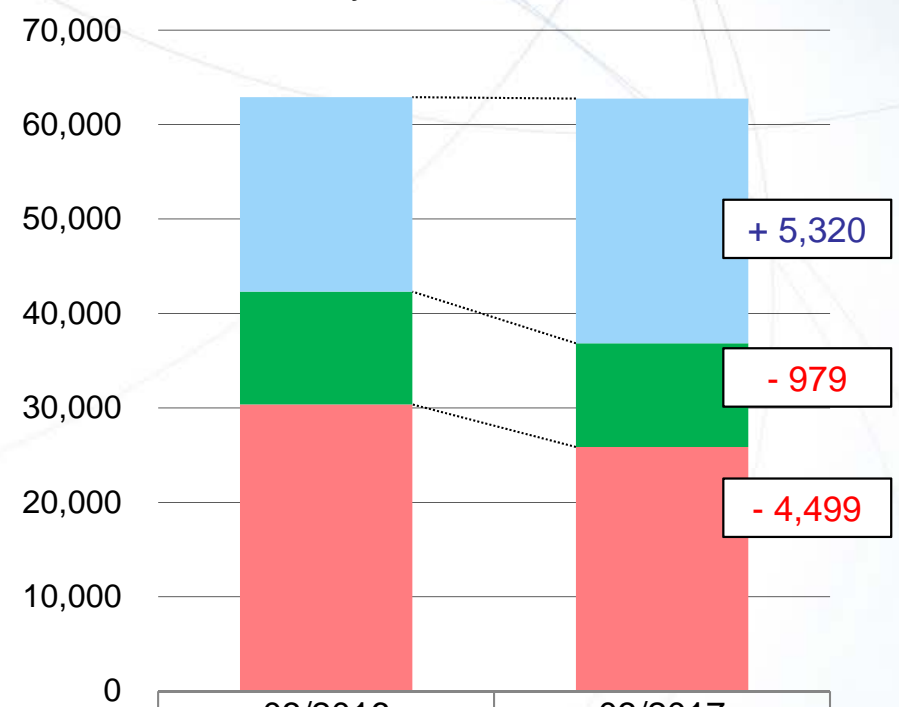


	03/2016	03/2017
Total	62,907	62,750
■ Solution Business	31,075	29,500
■ Plant Business	31,833	33,250

[ Solution Business ]  
Decrease chiefly in maintenance for the domestic electronics industry.

[ Plant Business ]  
Increase in wastewater plants for general industries in Japan and abroad despite a decrease in the electronics industry in Japan and abroad.

Sales by Customers



	03/2016	03/2017
Total	62,907	62,750
■ General	20,590	25,910
■ Power Plants + Water & Sewerage	11,959	10,980
■ Electronics	30,359	25,860

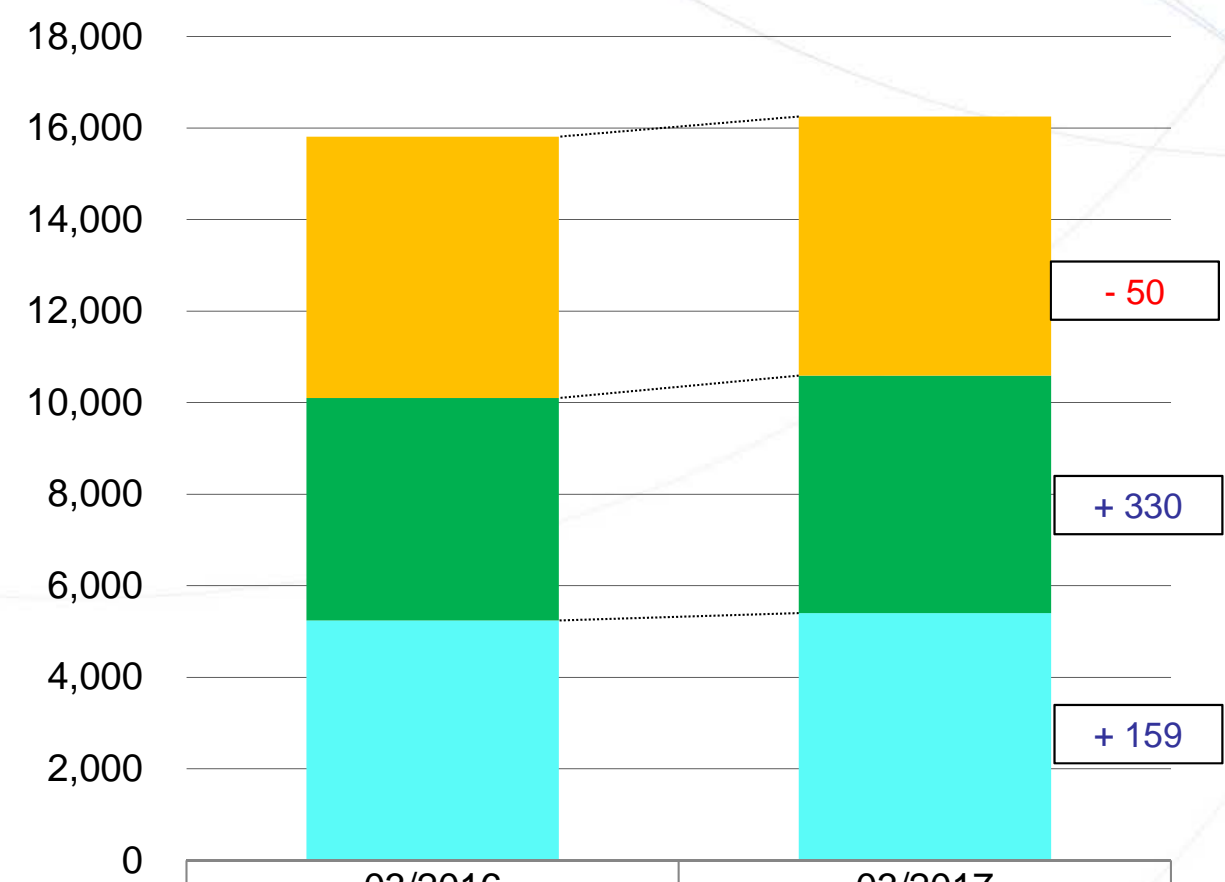
[ General Industries ]  
Increase chiefly in wastewater plants.

[ Electronics Industry ]  
Decrease in plants/maintenance in Japan and abroad.



## Sales by Business Areas [ Functional Product Segment ]

(millions of Yen)



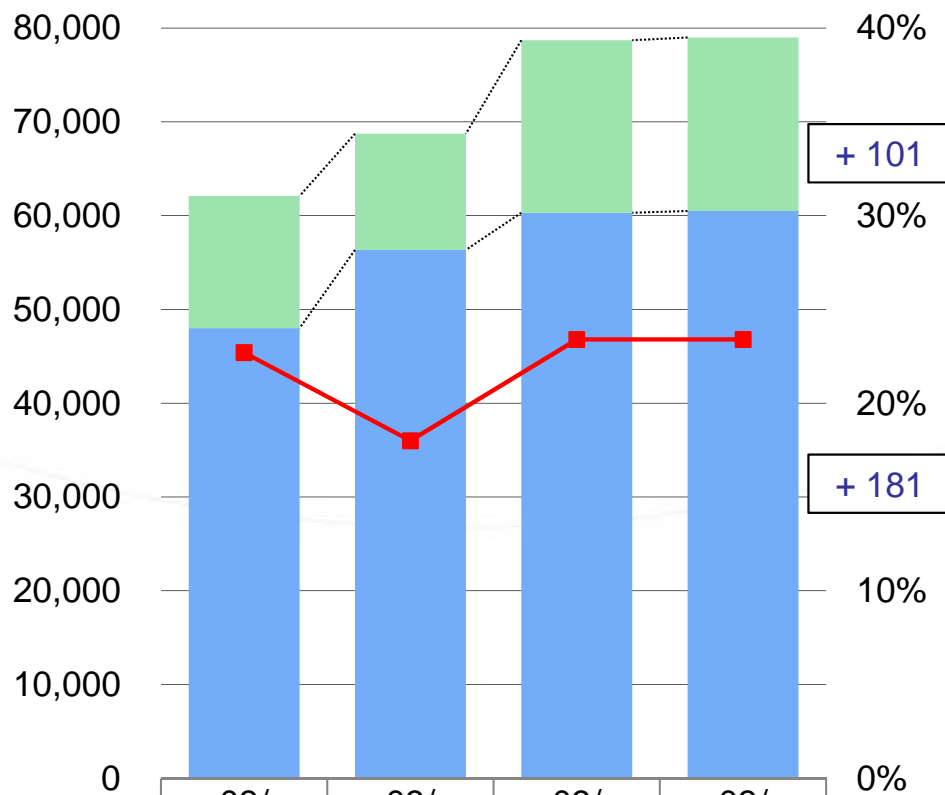
	03/2016	03/2017
Total	15,811	16,250
■ Food Processing Materials	5,710	5,660
■ Water Treatment Chemicals	4,860	5,190
■ Standardized Water Treatment Equipments & Filters	5,241	5,400



## Sales by Regions

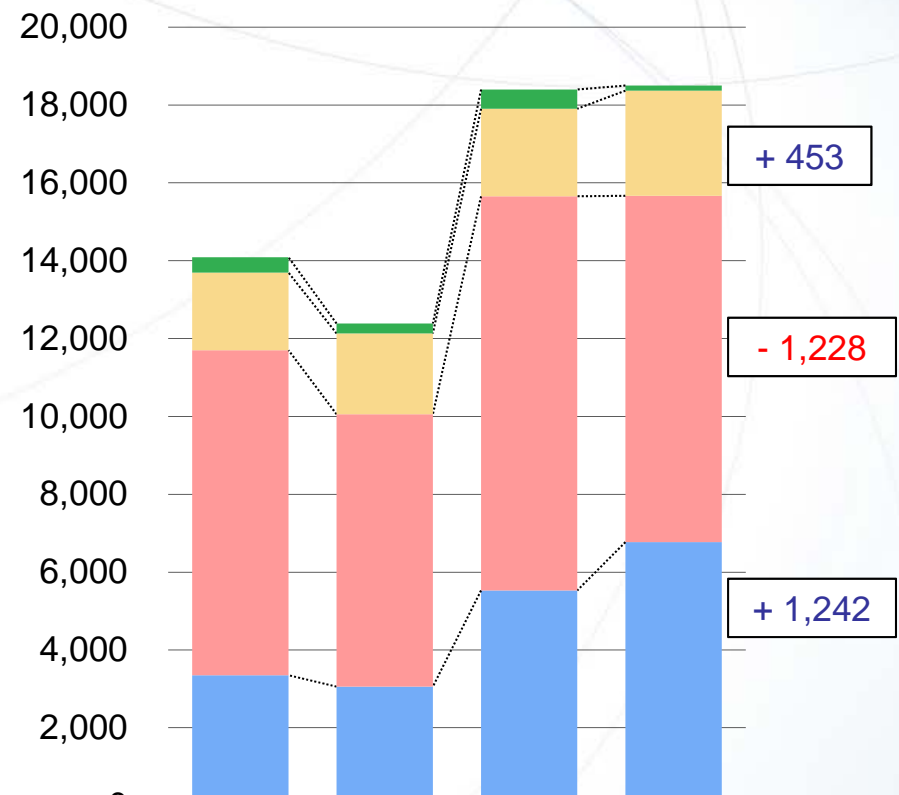
(millions of Yen)

### Domestic & Overseas Sales



	03/2014	03/2015	03/2016	03/2017
Total	62,096	68,741	78,719	79,000
Overseas	14,090	12,390	18,399	18,500
Domestic	48,005	56,351	60,319	60,500
Overseas Ratio	22.7%	18.0%	23.4%	23.4%

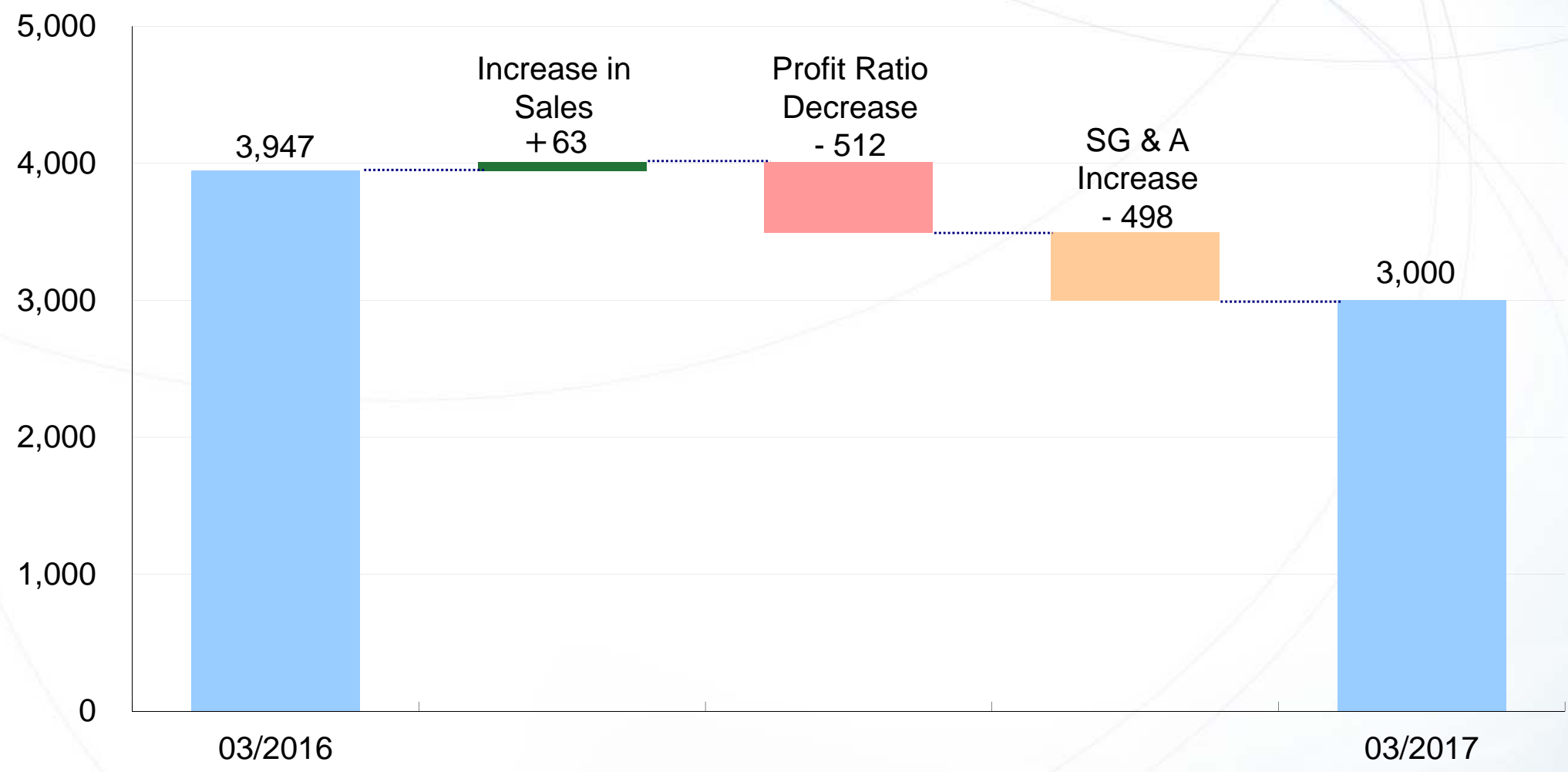
### Sales by Overseas Regions



	03/2014	03/2015	03/2016	03/2017
Total	14,090	12,390	18,399	18,500
Other Areas	396	256	496	130
China	1,993	2,076	2,247	2,700
Taiwan	8,352	6,999	10,128	8,900
Southeast Asia	3,349	3,057	5,528	6,770

### Analysis of Operating Income by Factors

(millions of Yen)



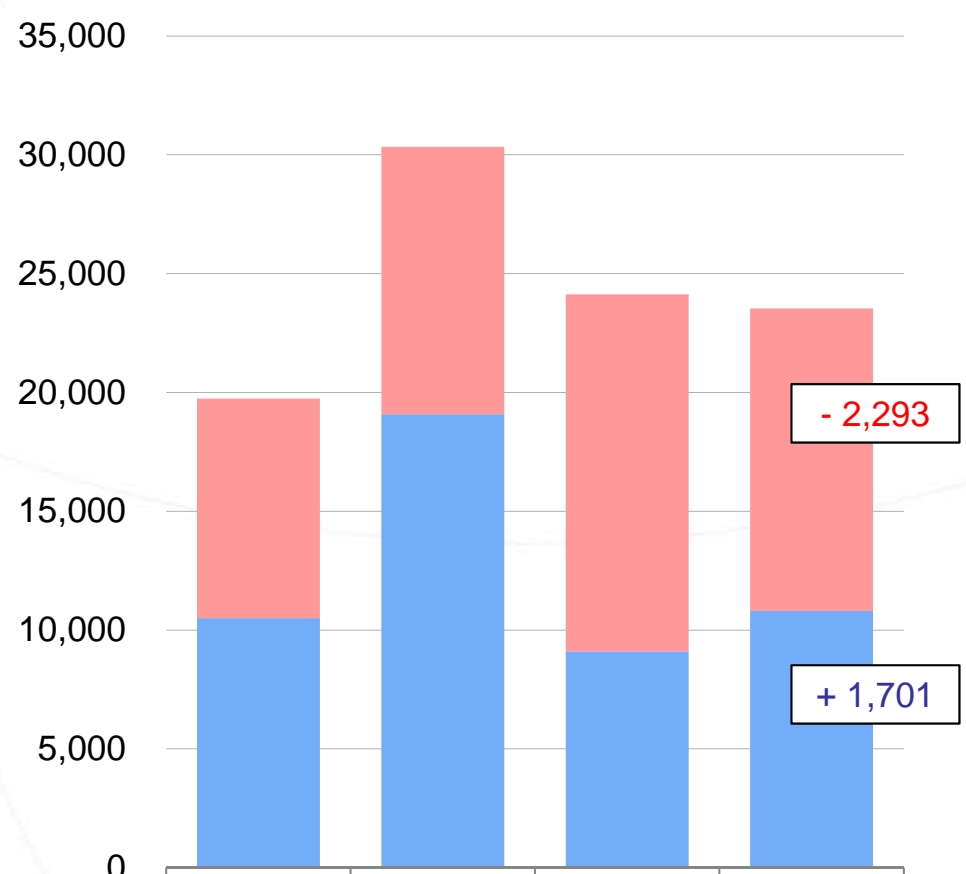
\* The increase in sales and profit ratio decrease are calculated using the gross profit margin.



## Orders Received and Net Sales for the Electronics Industry

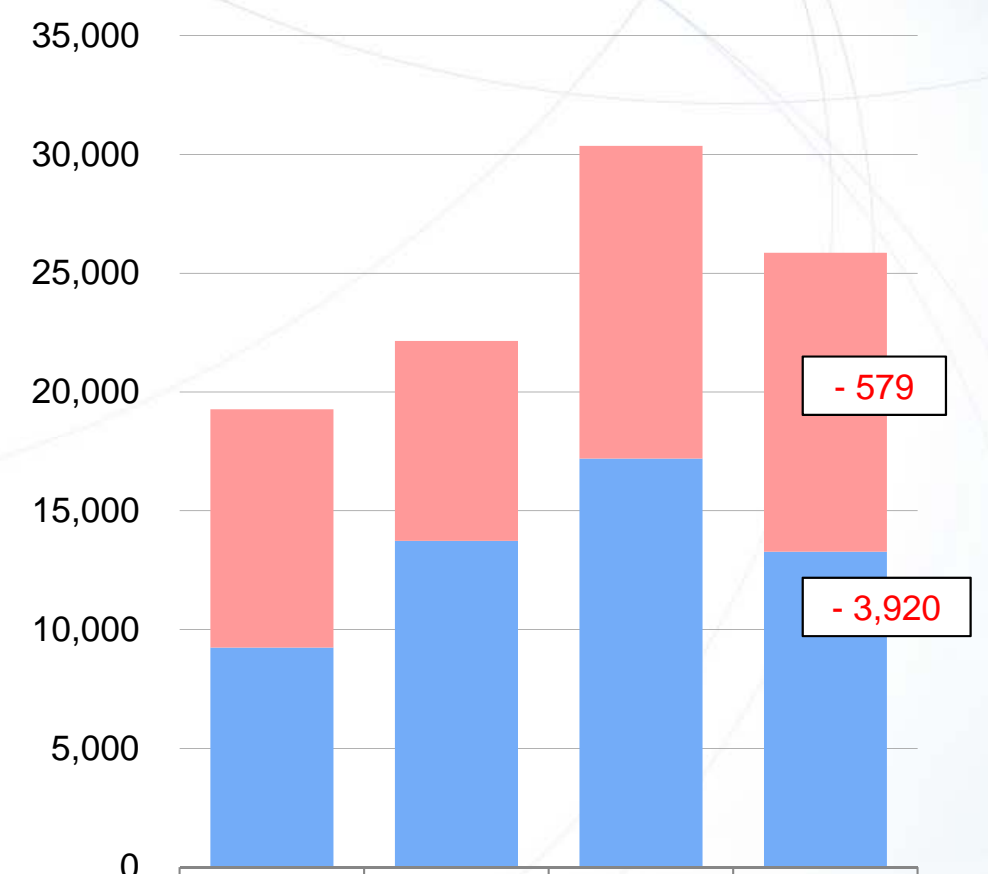
(millions of Yen)

### Orders Received



	03/2014	03/2015	03/2016	03/2017
Total	19,745	30,335	24,127	23,535
Overseas	9,240	11,250	15,023	12,730
Domestic	10,505	19,085	9,104	10,805

### Net Sales

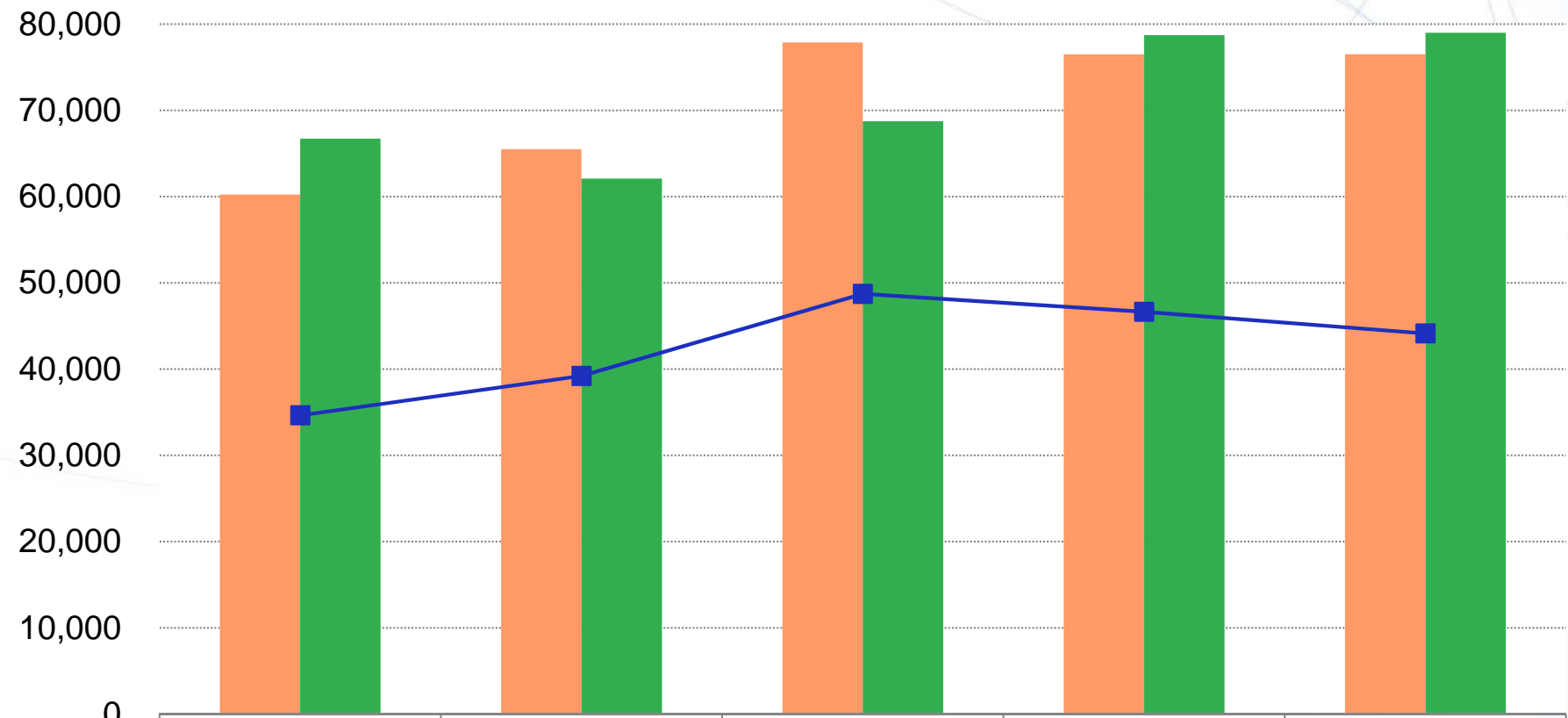


	03/2014	03/2015	03/2016	03/2017
Total	19,275	22,145	30,359	25,860
Overseas	10,033	8,406	13,164	12,585
Domestic	9,242	13,739	17,195	13,275



## Progress of Orders Received, Net Sales and Orders on Hand

(millions of Yen)



	03/2013	03/2014	03/2015	03/2016	03/2017
Orders Received	60,238	65,501	77,873	76,485	76,500
Net Sales	66,718	62,096	68,741	78,719	79,000
Orders on Hand	34,645	39,212	48,732	46,640	44,140

## Major Indicators

	03/2016	03/2017 (plan)
Capital Investment (millions of yen)	603	800
Technological Development Expenses (millions of yen)	1,407	1,550
Depreciation (millions of yen)	950	950
Interest-bearing Borrowings (millions of yen)	17,412	17,800
Number of Employees	2,088	2,110
Dividend per Share (yen/year)	9	10
ROE (%)	5.4	4.1



# Initiatives for Corporate Governance Code

## Initiatives for Corporate Governance Code (1)

Items	Outlines		
Organo's corporate governance code	Established in December 2015		
Analysis and evaluation of the effectiveness of Board of Directors' Meetings	<p>A questionnaire was collected from the Directors and Auditors (April 2016).</p> <ul style="list-style-type: none"> <li>• Effectiveness of Board of Directors' Meetings</li> <li>• Members comprising Board of Directors' Meetings</li> <li>• Management of Board of Directors' Meetings</li> <li>• Support system for outside</li> <li>• Relations and dialogs with investors and shareholders</li> </ul>		
	Remedial measures will be discussed for issues raised through the questionnaire (June 2016).		
	< Main issues and details to be discussed >		
	(i) Clarification of the social significance of the company and corporate objectives	Discussion on the review of the corporate concept, management philosophy and CSR, among other issues.	
	(ii) Selection of Directors	Discussion on the clarification of standards on desired aptitudes and capabilities.	
(iii) Compensation for Directors	Discussion on the establishment of a compensation committee, increase of the performance-linked ratio and a certain degree of disclosure of compensation criteria.		
(iv) Relations and dialogs with investors and shareholders	<ul style="list-style-type: none"> <li>• Implementation of a briefing for shareholders from this fiscal year.</li> <li>• Discussion on the method of collection of opinions and giving information from/to shareholders and investors.</li> </ul>		

## Initiatives for Corporate Governance Code (2)

Items	Outlines
Clarification of policies and standards of the selection of officers	Clarification of standards for the aptitude of Directors and the President, as well as the aptitude and capability of Executive Officers (May 2016).
Review of the compensation system for Directors	Establishment of a compensation committee (April 2016).
	Increase of the performance-linked ratio in compensation (strengthening of incentives) is under consideration. * We aim to introduce a compensation system linked to mid- to long-term business performance in FY2017.
Focus on capital efficiency	Achievement of a consistent ROE of 5% or more by FY2018. (Set as a metric of management index in the Medium-term Management Plan)
Constructive dialogs with Shareholders	Enhancement of IR activities is under consideration. A briefing for shareholders will be held in June 2016.
Evaluation of strategic shareholdings	Evaluations will be implemented based on clarified standards in and after June 2016.

## References

- Situation of a Joint Venture in India
- Progress of Corporate Performance

## Situation of a Joint Venture in India

FY2015

- Commenced a JV with the Murugappa Group (Sep. 2015 ~ )
- Technical transfer from Organo is underway.
- Responded to a many inquiries received mostly from general industries (foods, beverages and pharmaceuticals, etc.).



Mid-term  
business  
environments

- The industry keeps expanding.
- Expansion of the water business market supported by governmental policies.
  - Tightening of regulations for wastewater
  - "Make in India" policy : More entries by foreign manufacturers

Measures

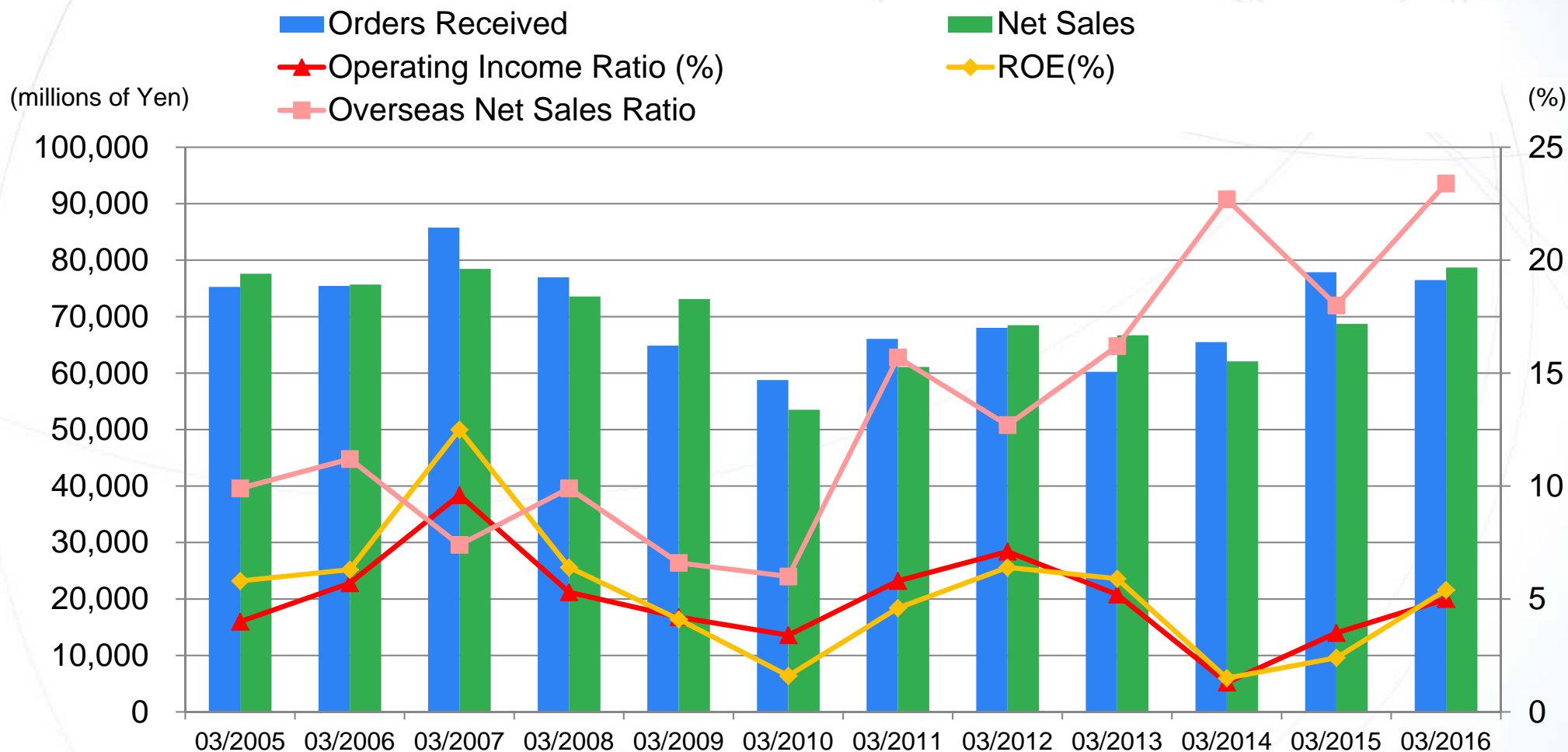
- Strengthening of relationships with main consulting companies.
- Promotion of the introduction of differentiated technologies.
- Improvement of delivery processes and QC.



Goals to be  
achieved in  
three years

- ◆ Securing of the position of a main player for water treatment in the target markets.
- ◆ Establishment of a system that supports the process from order receipt to delivery to achieve further growth.
- ◆ Orders received and sales: Grow to the level of two billions yen per year.

## Progress of Corporate Performance



Increase in large-scale projects for the electronics industry

Decrease in capital investment due to the Global Financial Crisis

Increase in large-scale projects for the electronics industries in Japan and abroad /Great East Japan Earthquakes

Decrease in maintenance projects for power plants in Japan

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This document includes forecasts of future developments made by management based on their assumptions, forecasts and plans at the time of writing. Actual performance may differ materially from the above projections due to a variety of factors.