

# Report on the Financial Results for the Fiscal Year Ended March 31, 2017 and Medium-term Management Plan

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Organo Corporation

May 16, 2017

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## Corporate Outlines

Corporate Name	Organo Corporation		
Head Office	1-2-8, Shinsuna, Koto-ku, Tokyo 136-8631, JAPAN		
Establishment	May 1, 1946		
Representative	Yasuyuki Koie (President)		
Capital	¥ 8,225,499,312		
Number of Employees	2,100 (Consolidated) * as of the end of March 2017		
Business Lineup	Water Treatment Engineering	Plant Business	Manufacturing and Sales of Large-scale Water Treatment Plants
		Solution Business	Maintenance, Operation, Refurbishment, etc. of Water Treatment Plants
	Functional Product		Manufacturing and Sales of Standardized Water Treatment Equipment, Water Treatment Chemicals, and Food Processing Materials
Major Business Offices	Head Office (Tokyo), R&D Center (Kanagawa), Tsukuba Factory (Ibaraki), Iwaki Factory (Fukushima), Hokkaido Branch (Hokkaido), Tohoku Branch (Miyagi), Kanto Branch (Tokyo), Chubu Branch (Aichi), Kansai Branch (Osaka), Chugoku Branch (Hiroshima), Kyushu Branch (Fukuoka)		

## Scope of Consolidation

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

# Financial Results

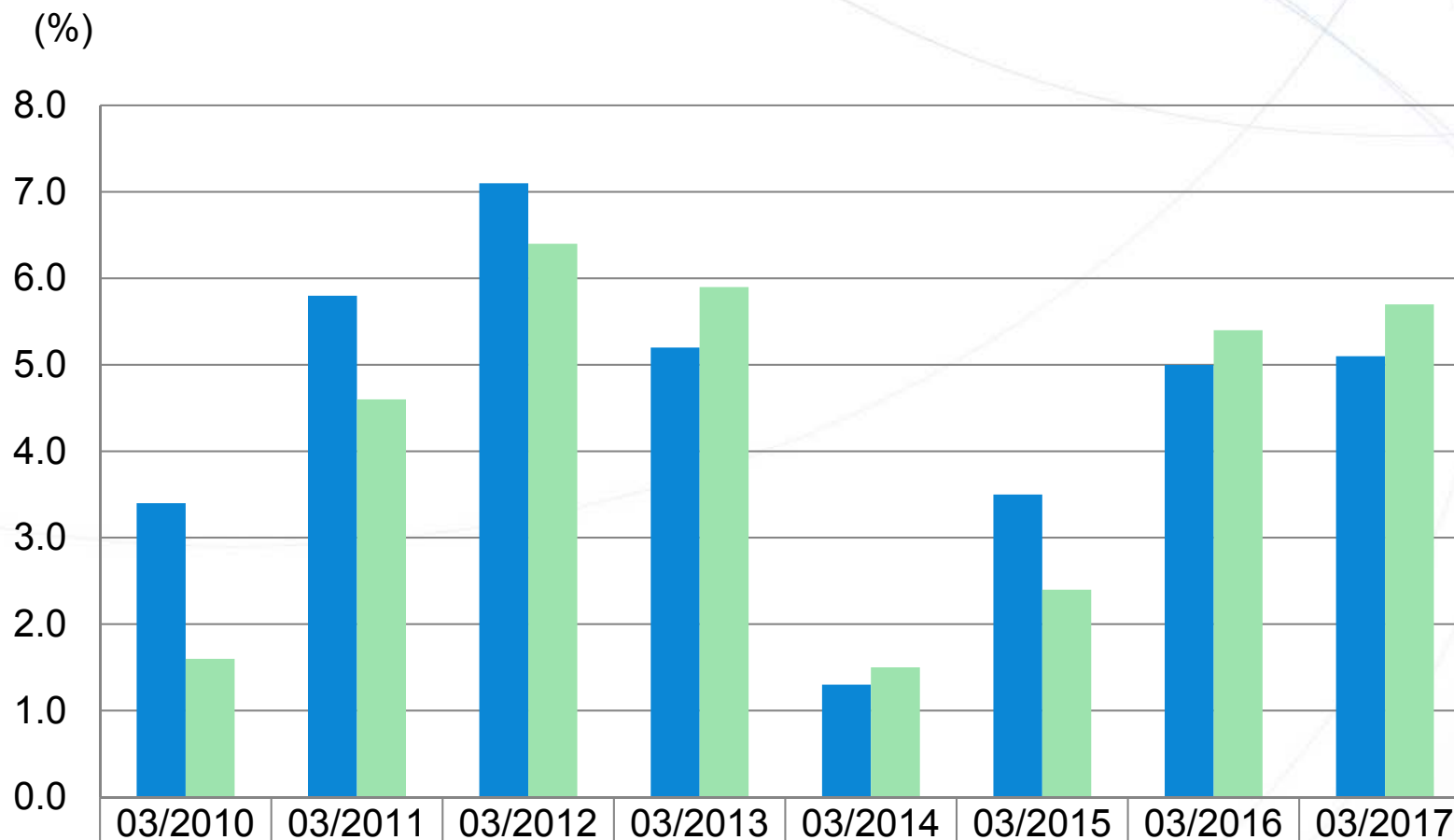
## for the Fiscal Year Ended March 31, 2017

- Results
- Progress of Operating Profit Margin and ROE
- Summary
- Results 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 Profit by Factors
- Balance Sheet
- Analysis of Cash Flow

## Results

	03/2016 Result	03/2017 Plan	03/2017 Result	Y/Y Change	Change from Plan
Orders Received	76,485	76,500	74,041	- 2,444	- 2,458
Net Sales	78,719	79,000	81,114	2,395	2,114
Gross Profit (%)	17,749 (22.5)	17,300 (21.9)	18,644 (23.0)	894 (0.5 pt)	1,344 (1.1 pt)
SG & A	13,802	14,300	14,529	727	229
Operating Profit (%)	3,947 (5.0)	3,000 (3.8)	4,114 (5.1)	166 (0.1 pt)	1,114 (1.3 pt)
Ordinary Profit	3,871	2,900	4,162	290	1,262
Net Profit Attributable to Owners Parent	2,485	1,950	2,731	245	781
ROE (%)	5.4	4.1	5.7	0.3 pt	1.6 pt

## Progress of Operating Profit Margin and ROE



■ Operating Profit Margin	3.4	5.8	7.1	5.2	1.3	3.5	5.0	5.1
■ ROE	1.6	4.6	6.4	5.9	1.5	2.4	5.4	5.7

## Summary

### < Market Environments >

#### Japan

- [Industries in general] Investment for maintenance and renewals increased gradually, although the amount of large-scale capital investment was small.
- [Electronics industry] Large-scale capital investment was made by a limited number of companies.
- [Power plant industry] The restart of operations at nuclear power plants took place at a slow pace. The number of plans is low for new investment in thermal power plants.

#### Overseas

- [Electronics industry] iPhone-related demand remained at a high level. The utilization rate of production facilities was higher than expected, mainly in Taiwan. Plans for large-scale capital investment, including by foreign companies, were underway in the Chinese semiconductors industry due to the country's policy of promoting domestic production.
- [Power plant industry] Plans for the construction of new power plants were underway in the Asian Region, although some of them were delayed.
- [General industries] Business continued to be depressed in China, and investment was sluggish in Thailand.
- [Water treatment market in general] Demand was on the increase. Competition intensified with the participation of local water treatment companies.



## Summary

### <Business Overview>

- [Power plant industry] Strong performance of maintenance in Japan.  
Postponement of anticipated overseas plant projects, etc.
- [Electronics industry] Postponement and cancellation, etc. of anticipated plant projects in Japan, solid performance of plant projects in Taiwan, and an increase in orders in China.
- [General industries] Solid performance of both plant and solution businesses.  
Focus on highly profitable projects, and the improvement of operating margins.
- [Functional products] Growth due to the strengthening of sales.



#### Orders received

Decreased compared with the previous year and the plan

#### Sales

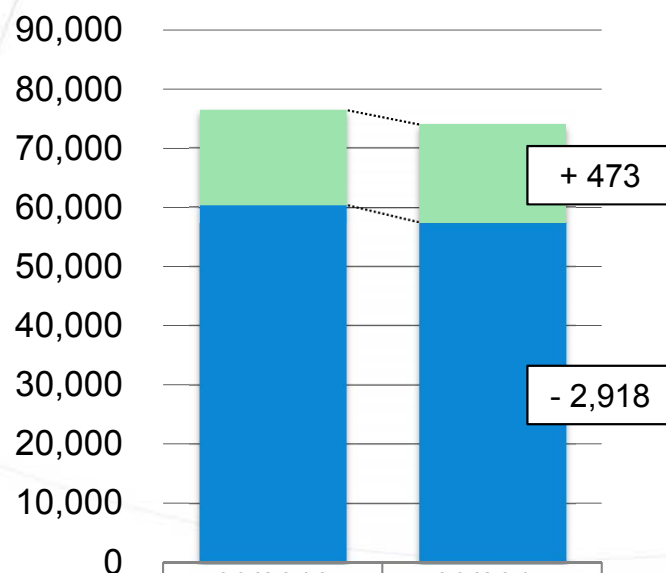
Increased compared with the previous year and the plan

#### Operating profit

Increased compared with the previous year and the plan

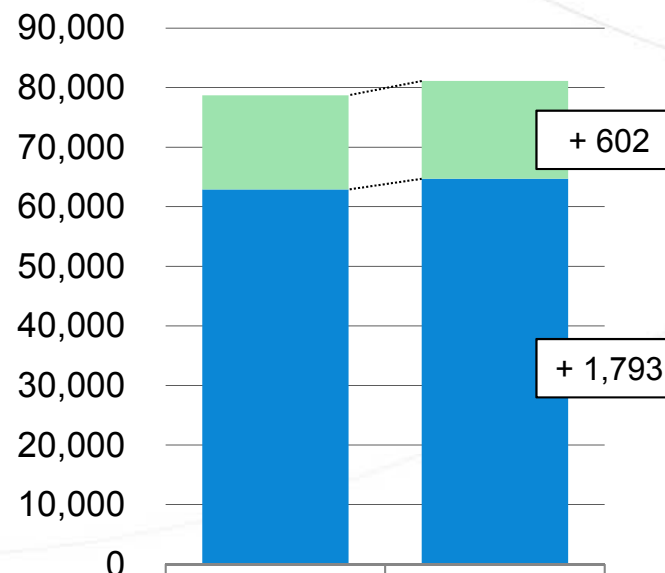
## Results by Business Segments

### Orders Received



	03/2016	03/2017
Total	76,485	74,041
Functional Product	15,956	16,429
Water Treatment Engineering	60,529	57,611

### Net Sales



	03/2016	03/2017
Total	78,719	81,114
Functional Product	15,811	16,413
Water Treatment Engineering	62,907	64,700

### Operating Profit



	03/2016	03/2017
Total	3,947	4,114
Functional Product	1,393	1,609
Water Treatment Engineering	2,553	2,504

[Functional Product]

Orders received/Sales/Operating profit: Increased as a result of growth in sales of water treatment chemicals.

[Water Treatment Engineering]

Orders received : Decreased in plants for Taiwan's electronics industry that had remained at a high level in the previous year.

Sales : Increased in the both plant and solution businesses for general industries.

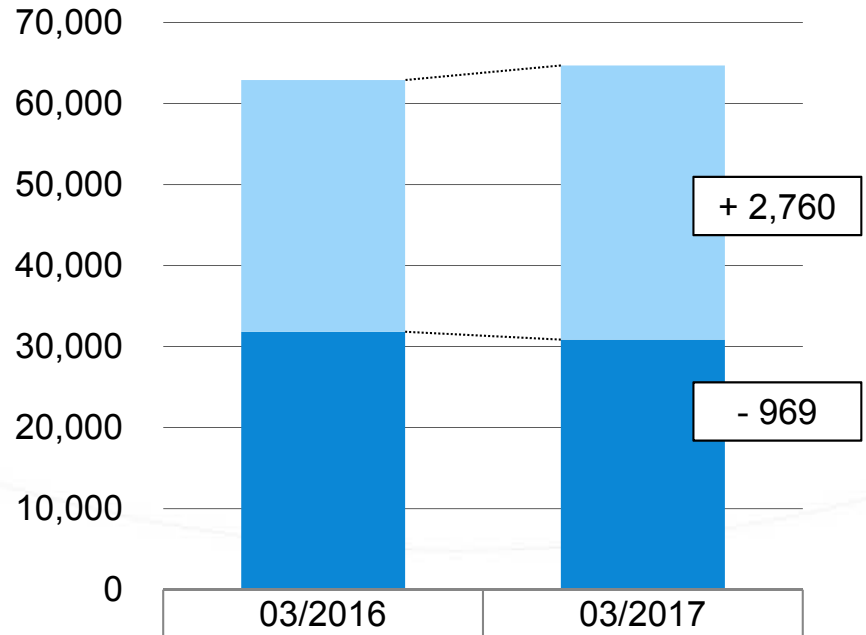
Operating profit : Decreased due to a decline in sales of plants for the electronics industry in Japan.



(millions of Yen)

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

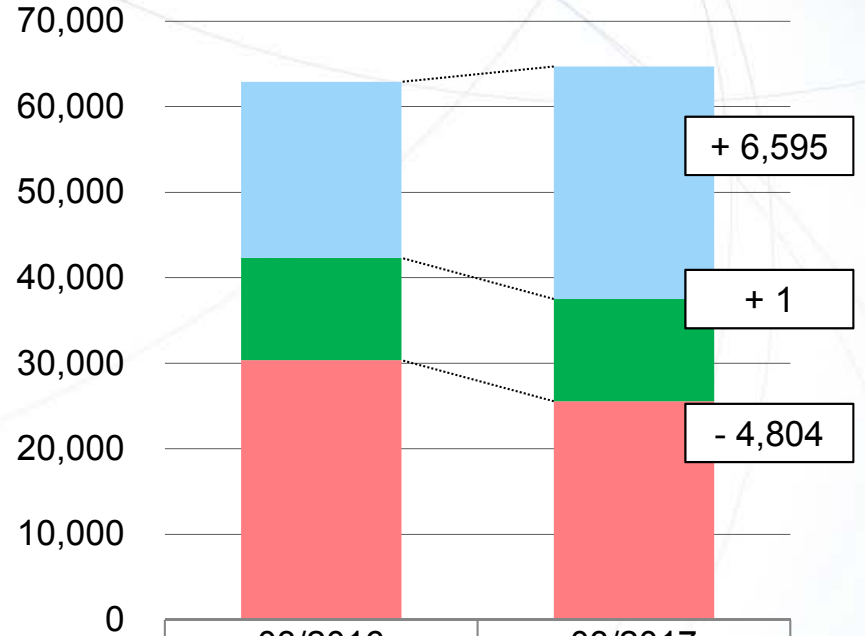
Sales by Business Areas



	03/2016	03/2017
Total	62,907	64,700
■ Solution Business	31,075	33,835
■ Plant Business	31,833	30,864

[Solution]  
Increased in maintenance for the general industries.  
[Plant]  
Decreased in plants for the electronics industry in Japan.

Sales by Customers



	03/2016	03/2017
Total	62,907	64,700
■ General	20,590	27,185
■ Power Plants + Water & Sewerage	11,959	11,960
■ Electronics	30,359	25,555

[General Industries]  
Increased in plants and maintenance of wastewater, industrial water and pure water.  
[Power plants & Municipal water and sewerage]  
Unchanged as a result of a decrease in plants for power stations and an increase in plants of municipal water and sewerage.  
[Electronics Industries]  
Decreased in plants in Japan.

## Sales by Business Areas [ Functional Product Segment ]

(millions of Yen)



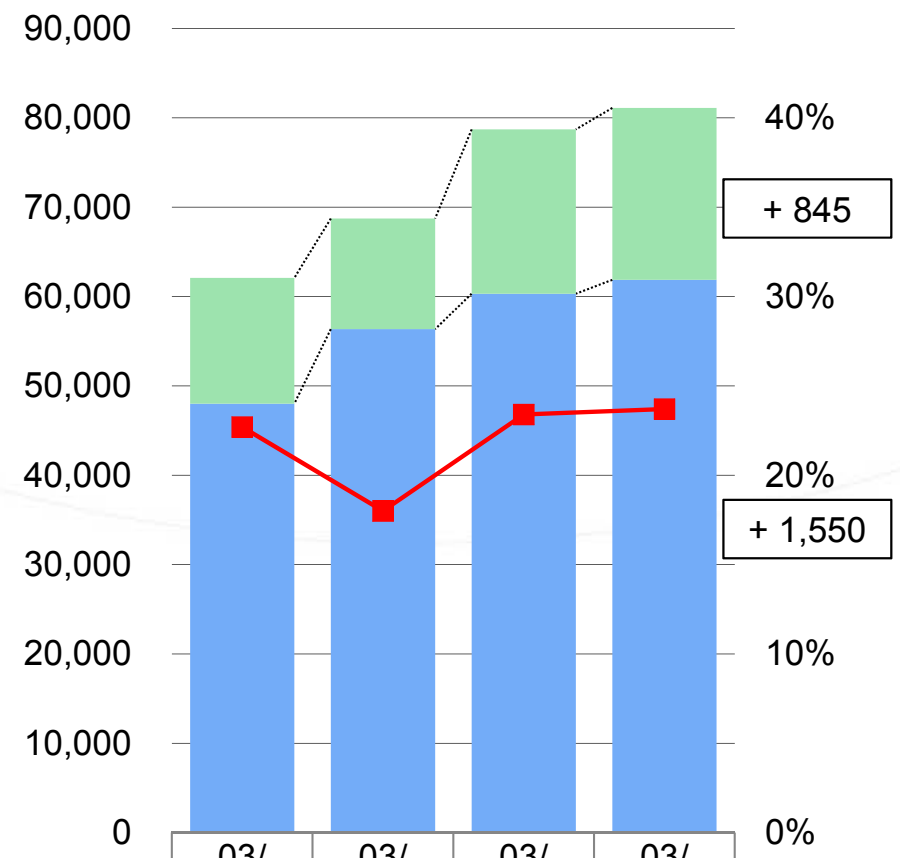
	03/2016	03/2017
Total	15,811	16,413
Food Proceeding Materials	5,710	5,425
Water Treatment Chemicals	4,860	5,529
Standardized Water Treatment Equipments & Filters	5,241	5,460



(millions of Yen)

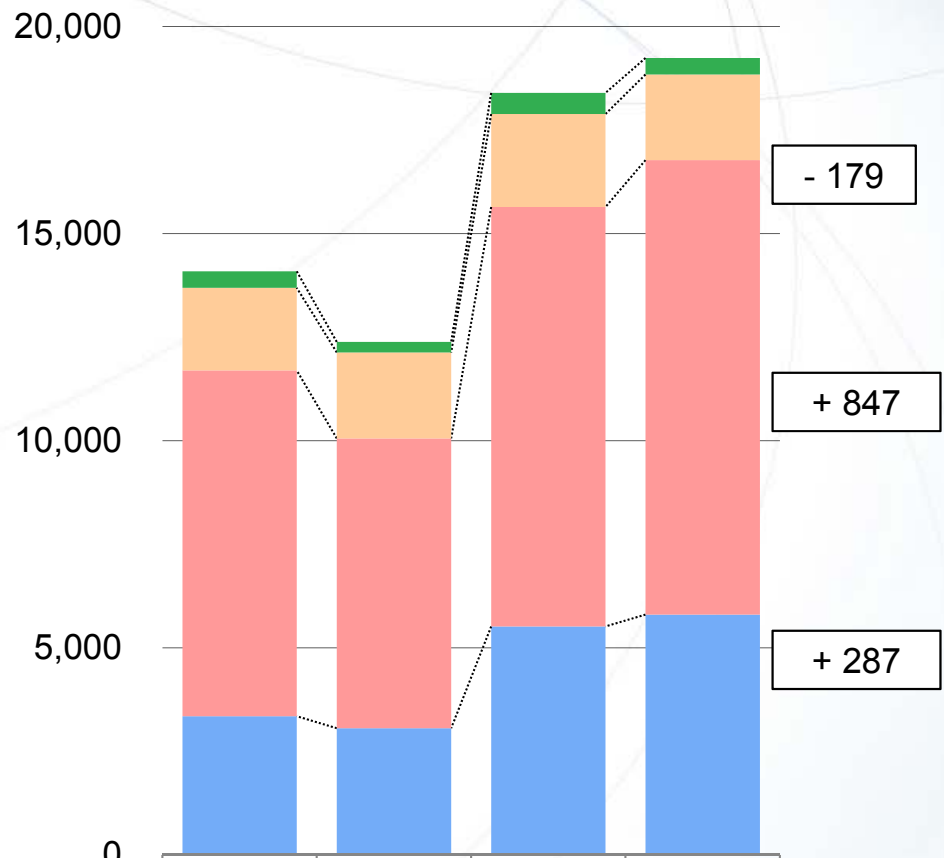
### Sales by Regions

Domestic & Overseas Sales



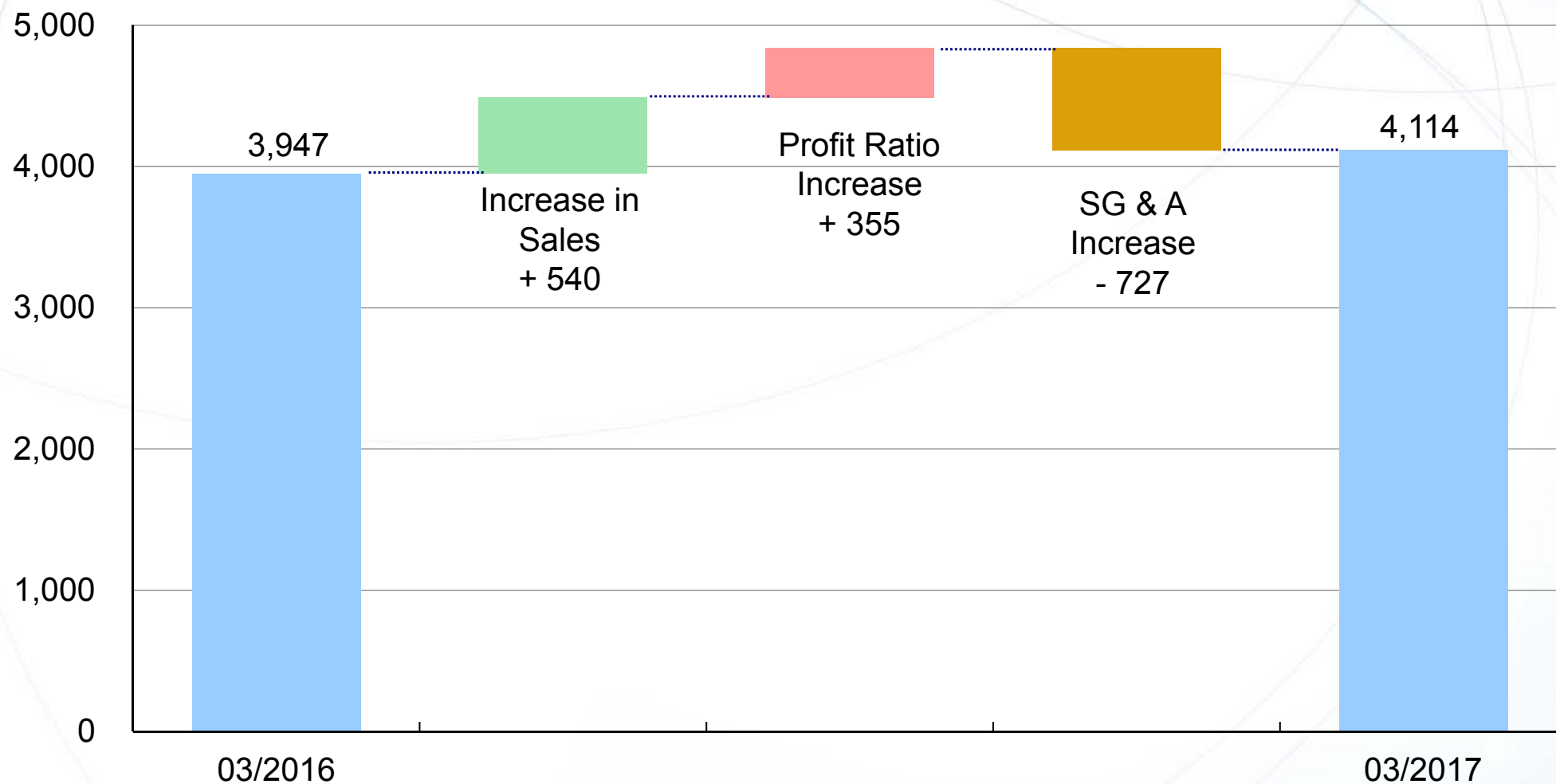
	03/2014	03/2015	03/2016	03/2017
Total	62,096	68,741	78,719	81,114
Overseas	14,090	12,390	18,399	19,244
Domestic	48,005	56,351	60,319	61,869
Overseas Ratio	22.7%	18.0%	23.4%	23.7%

Sales by Overseas Regions



	03/2014	03/2015	03/2016	03/2017
Total	14,090	12,390	18,399	19,244
Other Areas	396	256	507	397
China	1,993	2,076	2,247	2,068
Taiwan	8,352	6,999	10,128	10,975
South East Asia	3,349	3,057	5,516	5,803

## Analysis of Operating Profit by Factors



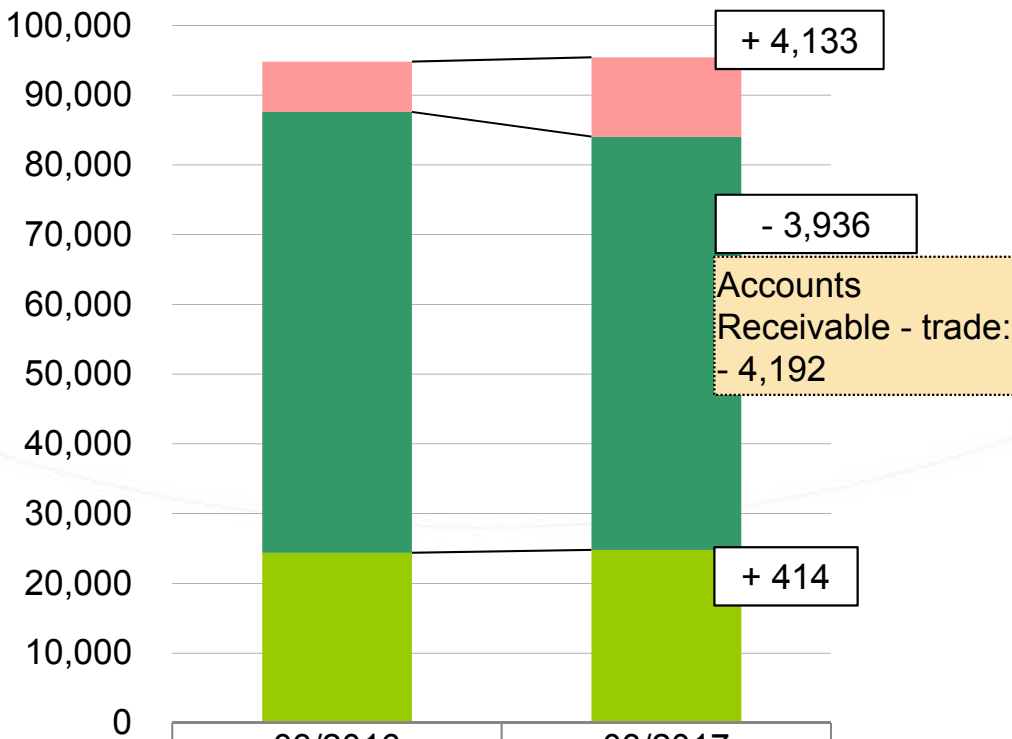
\* The increase in sales and profit ratio increase are calculated using the gross profit margin.



(millions of Yen)

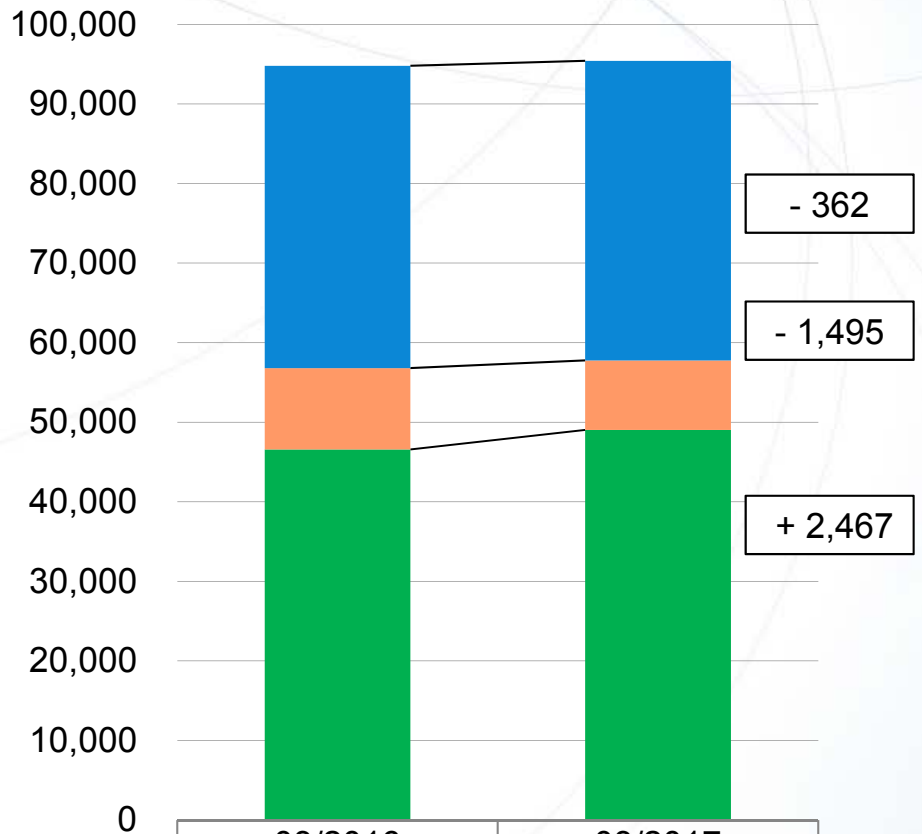
# Balance Sheet

Assets



	03/2016	03/2017
Total	94,795	95,405
■ Cash on Hand and Deposits	7,207	11,340
■ Current Assets and Others	63,202	59,266
■ Fixed Assets	24,386	24,800

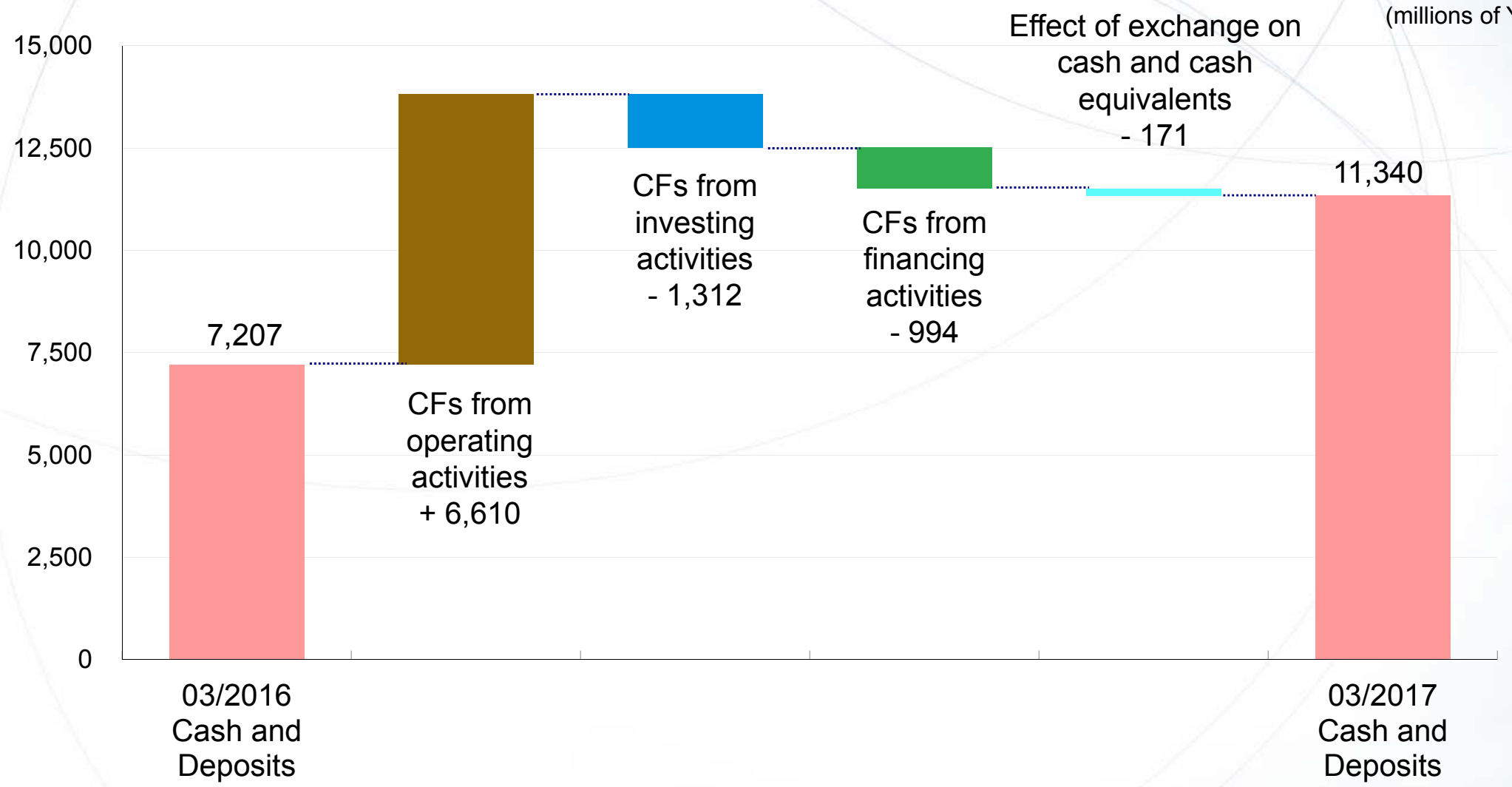
Liabilities and Net Assets



	03/2016	03/2017
Total	94,795	95,405
■ Current Liabilities	38,002	37,640
■ Long-term Liabilities	10,225	8,730
■ Net Assets	46,567	49,034

### Analysis of Cash Flow

(millions of Yen)



CFs from operating activities: Increased due to the collection of accounts receivable.  
 CFs from investing activities: Decreased due to the acquisition of fixed assets.  
 CFs from financing activities: Decreased due to the scheduled repayment of long-term borrowings and the payment of dividends.



## Reflection of Fiscal Year 2016

- Outline of the Medium-Term Management Plan Formulated in FY2016
- Priority Measures set out in the Plan
- Initiatives and Challenges in FY2016 for the Respective Priority Measures
- Summary

## Outline of the Medium-Term Management Plan Formulated in FY2016

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>

(millions of Yen)

	03/2016 Result	03/2017 Plan	03/2017 Result	03/2018 Plan	03/2019 Plan
Orders Received	76,485	76,500	74,041	80,000	86,000
Net Sales	78,719	79,000	81,114	81,000	84,000
Operating Profit	3,947	3,000	4,114	3,400	4,200
Operating Profit Margin(%)	5.0	3.8	5.1	4.2	5.0
ROE (%)	5.4	4.1	5.7	4.5	5.3

## Priority Measures set out in the Plan

### Power Plants

- Consistent operation of domestic businesses
- Shift to overseas regions where demand is expanding

### Electronics

- Enhancement of equipment and system businesses to supply washing agents including ultrapure water

### Functional Product Business

- Development and functional improvements with a focus on water treatment equipment
- Development of the functions of functional materials
- Cultivation of businesses in new areas

### Research and Development

- Focus on the development of highly unique and innovative products and technologies (semiconductor manufacturing processes/water treatment chemicals/functional materials)

### Profitability

- Optimal distribution of resources and cost reductions ; Focus on highly profitable businesses and growth businesses

### Overseas Business

- Development of strategies on a region-by-region basis.
- Development of technologies that reflect areas' characteristics
- Development of local managers

## Initiatives and Challenges in FY2016 for the Respective Priority Measures

### Power Plants

	Business environments / Initiatives	Challenges
Domestic	The restart of nuclear power plants occurred at a slow pace. New investment for thermal power plants was sluggish. Made consistent efforts to receive orders for solution projects.	Improvement of cost competitiveness
Overseas	Postponement of project plans, etc. Placed a dedicated team in Malaysia. Started to implement collaborations with overseas companies.	Improvement of cost competitiveness Facilitation of collaborations with overseas companies

### Electronics

	Business environments / Initiatives	Challenges
Domestic	Large-scale capital investment was sluggish. Made consistent efforts to receive orders for refurbishment and maintenance projects.	Improvement of cost competitiveness
Overseas	[Taiwan] Revenues were secured consistently despite a slowdown in investment conditions. [China] Orders increased as a result of measures taken collaboratively by China/Taiwan/Japan to capitalize on aggressive plans of semiconductor-related investment.	Further strengthening cooperation of group companies

## Initiatives and Challenges in FY2016 for the Respective Priority Measures

### Functional Product Business

	Business environments / Initiatives	Challenges
Standardized Water Treatment Equipment	Strengthened sales capabilities. Made progress in the development of strategic products.	Continuation of the development of next-generation and differentiating products Study of the development of overseas businesses
Water Treatment Chemicals	Sales and profit increased mainly due to the enhancement of sales networks. Started to sell new slime control chemicals containing hypobromite-based oxidants overseas.	Expansion of overseas businesses Improvement of production and supply systems Further development of differentiating products
Food Processing Materials	Progress was made in customer cultivation to address the needs of the aging and health-minded society. Enhanced facilities for research and production.	Marketing to address new needs Improvement of productivity

## Initiatives and Challenges in FY2016 for the Respective Priority Measures

### Research and Development

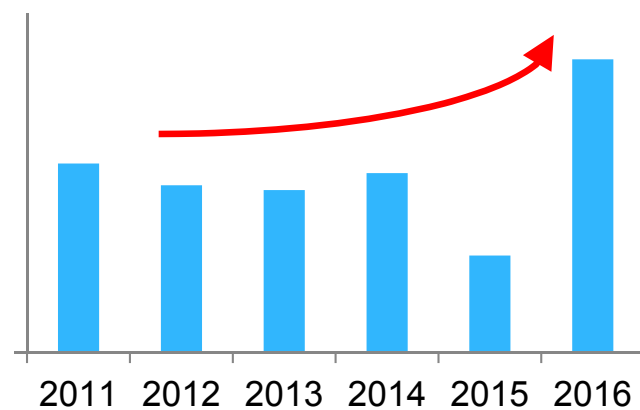
#### Initiatives and achievements

- Increased resources for development departments (staff and budgets).
- Strengthened collaborations with business departments.
- Strengthening of intellectual property strategies.

Number of patent applications: Increased 84% from the average for the previous five years ⇒ The number of patent publications will increase significantly.

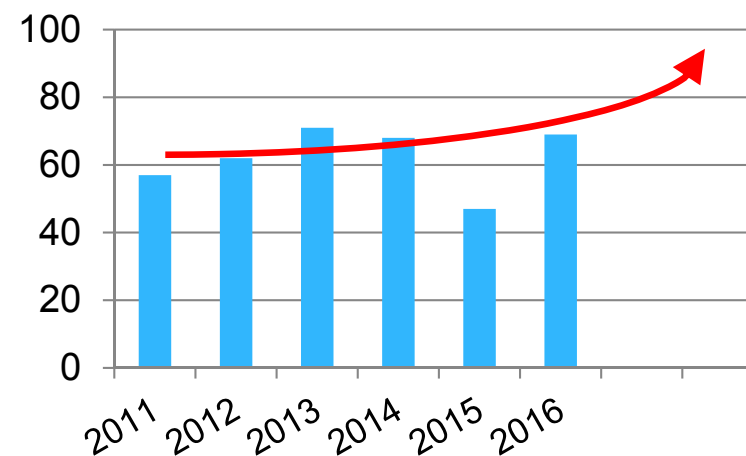
General

Number of applications



Fiscal Year of Application

Number of publications



Year of Publication

## Initiatives and Challenges in FY2016 for the Respective Priority Measures

### Research and Development

#### Initiatives and achievements

Strengthened the Purification Process of sugars  
 <Sugar purification business through chromatography using adsorbents (1950s - )>

#### ◆ Adsorbent for Chromatographic Separation of Monosaccharides

Disaccharides  
(Sucrose, etc.)

Oligosaccharides

Lots of Records

+

Monosaccharides  
(Glucose, etc)

Developed  
NEW Adsorbent

**The markets for the separation and purification of monosaccharide, disaccharide and oligosaccharide are fully covered.**



Chromatographic Separation Plant

Existing  
Businesses

## Initiatives and Challenges in FY2016 for the Respective Priority Measures

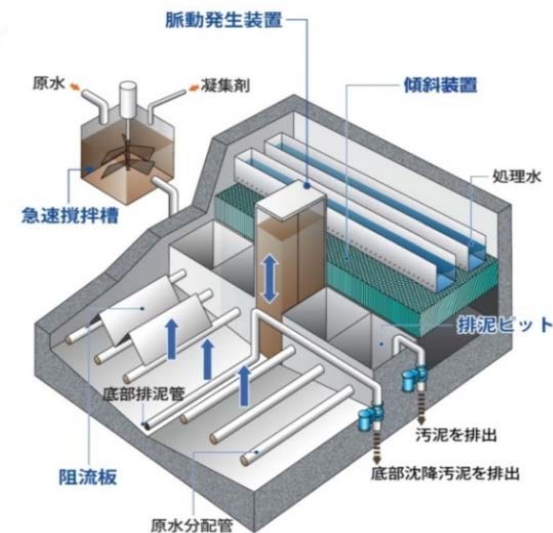
### Research and Development

#### Initiatives and achievements

#### Strengthened municipal water and sewerage treatment business

- ◆ “Wave Settler” for municipal water treatment  
~New type pulsation-based high-speed coagulation basin~

- ✓ Space saving
- ✓ Energy saving/Easy maintenance
- ✓ Easy Operation



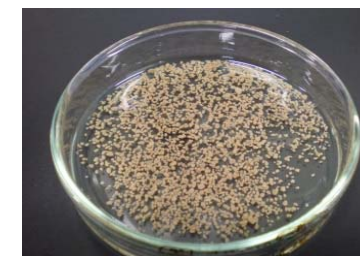
#### Existing Businesses

- Received the first order.
- Stepped up proposal-making efforts for water purification plants nationwide

- ◆ Aerobic Granular Method for sewerage treatment  
<Biological treatment using granular sludge containing a high concentration microorganisms>

- ✓ Compact facilities
- ✓ Low cost

Development and validation are ongoing.





## Initiatives and Challenges in FY2016 for the Respective Priority Measures

### Research and Development

#### Initiatives and achievements

##### ◆ New Type Ammonia Water Production System

- ✓ Improved minute particle cleaning capacity
- ✓ Improved performance of static electricity prevention
- ✓ Increased prevention rate of corrosion of substrate

Made deliveries to semiconductor manufacturers.



##### ◆ High-sensitivity Hydrogen Peroxide Monitor

<Control of hydrogen peroxide in ultrapure water (corrosion of wafer surfaces due to oxidation)>

- ✓ Lower detection limit < 1 $\mu$ g/L
- ✓ The treatment and control of peroxide in ultrapure water are implemented simultaneously with the concurrent use of ORDETOX, the oxidant removal catalyst.

Demonstrations are being made for evaluations at semiconductor manufacturers.



##### ◆ ORUREA, an online urea meter

<Control of urea in ultrapure water (source of TOC concentration)>

Received orders for deliveries to a semiconductor manufacturer.



Semiconductor  
Manufacturing  
Process

## Initiatives and Challenges in FY2016 for the Respective Priority Measures

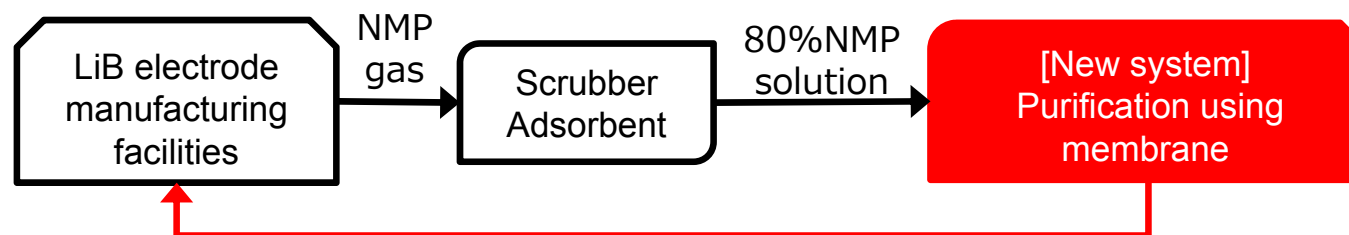
### Research and Development

#### Initiatives and achievements

##### ◆ NMP (N-methyl-2-pyrrolidone) on-site purification and recycle system

NMP	<ul style="list-style-type: none"> <li>■ Solvent used for manufacturing lithium-ion battery (LiB) electrodes, etc.</li> <li>■ The amount of use increased in line with the spread of electric vehicles (EV).</li> <li>■ The material had traditionally been recycled by purification equipment using a distillation method.</li> </ul>
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[NMP purification and recycle flow]



Purified NMP (water content < 100 ppm)  
 \* conventional method: water content < 500 ppm

Making proposals to LiB manufacturers in Japan and China  
 ⇒ Order are expected to be received from Chinese customer.

Secondary  
Battery-  
related

## Initiatives and Challenges in FY2016 for the Respective Priority Measures

### Profitability

	Initiatives and achievements	Challenges
Initiatives	<p>Shift of resources to highly profitable businesses.</p> <p>Analysis of the structure of low-profit businesses and implementation of measures to generate high profit.</p>	Continuation of efforts to optimize and review management resources.
Achievements	Improved profitability in the general industries segment.	

### Overseas Business

	Initiatives and achievements	Challenges
Initiatives	<p>Strengthening of the functions of factories in Indonesia and Vietnam.</p> <p>Strengthening of technological support for and facilitation of technological transfer to the JV in India.</p>	<p>Strengthening of cost competitiveness.</p> <p>Improvement of profitability in line with business environments in the respective countries and regions.</p> <p>Efforts to seek the possibility of business expansion into regions other than existing business regions.</p>
Achievements	<p>Made progress in the improvement of an order acquisition and delivery system pertaining to semiconductor projects in China.</p> <p>Recorded an overseas sales ratio of 23.7%, or the same level as the previous year (affected by weak currencies against the yen).</p> <p>Countries or regions where there was no progress in the improvement of profitability. (Decrease in capital investment due to depressed business conditions in Thailand, etc.)</p>	

## Summary

- Achieved good results overall against the backdrop of economic recoveries in Japan.
- Did not produce satisfactory results in terms of the creation of new impactful businesses and technologies to increase corporate value and facilitate sustainable growth.
- Measures must be taken in earnest for significant growth by allocating sufficient resources in the next one to two years.

## Plan for the Fiscal Year Ending March 31, 2018

- 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 Profit by Factors
- Orders Received and Net Sales for the Electronics Industry
- Progress of Orders Received, Net Sales, and Orders on Hand
- Major Indicators

## Plans

### Summary

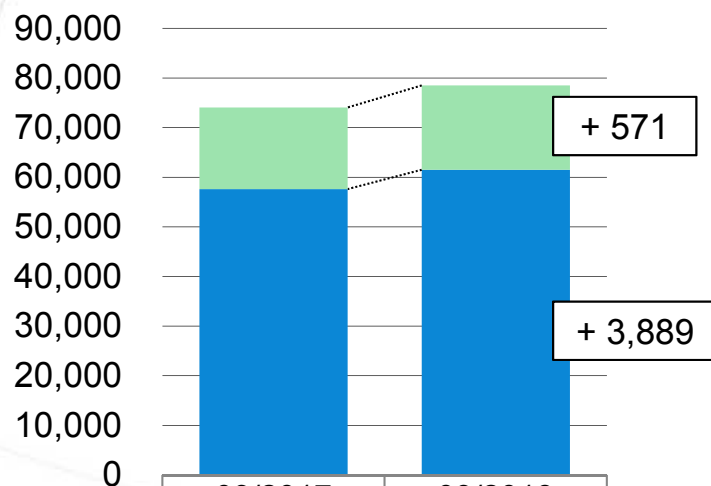
- To load the resources to creation and improvements of technologies and products for the improvement of profitability and strengthening of existing businesses, and the enhancement of R&D to ensure the achievement of medium- to long-term growth.
- <Orders received> Expected to increase from the previous year.
- <Sales> Expected to remain almost unchanged from the previous year.
- <Operating profit> Expected to decline from the previous year.

(millions of Yen)

	03/2017 Results	03/2018 Plan	Y/Y Change
Orders Received	74,041	78,500	4,458
Net Sales	81,114	81,000	- 114
Gross Profit (%)	18,664 (23.0)	17,650 (21.8)	- 1,014 (- 1.2 pt)
SG & A	14,529	14,600	70
Operating Profit (%)	4,114 (5.1)	3,050 (3.8)	- 1,064 (- 1.3 pt)
Ordinary Profit	4,162	2,950	- 1,212
Net Profit Attributable to Owners Parent	2,731	2,000	- 731

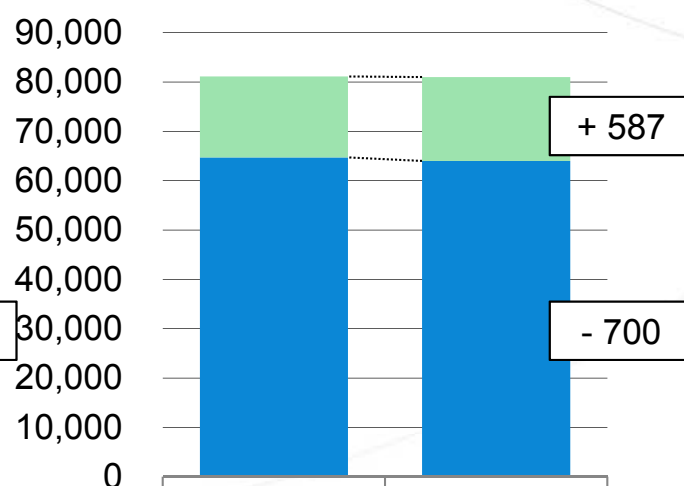
## Plans by Business Segments

### Orders Received



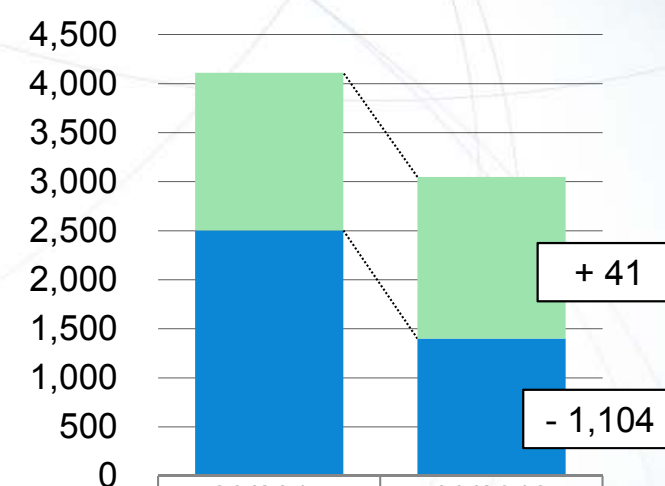
	03/2017	03/2018
Total	74,041	78,500
Functional Product	16,429	17,000
Water Treatment Engineering	57,611	61,500

### Net Sales



	03/2017	03/2018
Total	81,114	81,000
Functional Product	16,413	17,000
Water Treatment Engineering	64,700	64,000

### Operating Profit



	03/2017	03/2018
Total	4,114	3,050
Functional Product	1,609	1,650
Water Treatment Engineering	2,504	1,400

#### [Functional Products Segment]

Orders received/Sales/Operating profit (+): Will increase through the expansion of sales of water treatment chemicals, standardized water treatment equipment, etc.

#### [Water Treatment Engineering Segment]

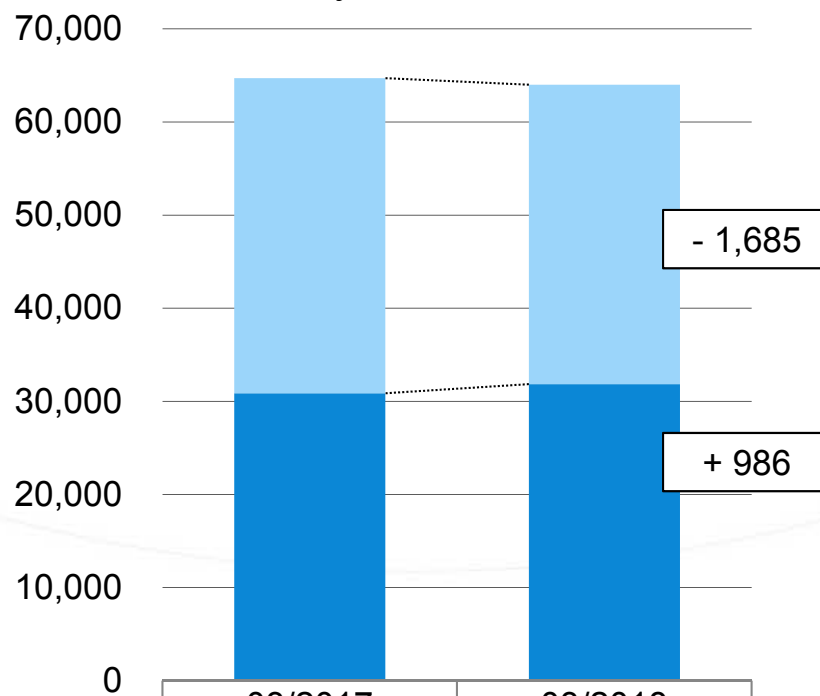
Orders received: Will increase significantly due to a rise in sales of plants for the electronics industry in China.

Sales: Will remain flat due to a decline in sales of plants for general industries in Japan and the electronics industry in Taiwan, and an increase in sales of plants for the electronics industry in China.

Operating profit: Will decrease due to declines in sales for the electronics industry for the of plants in Taiwan and the solution business in Japan, and loading resources preferentially to R&D.

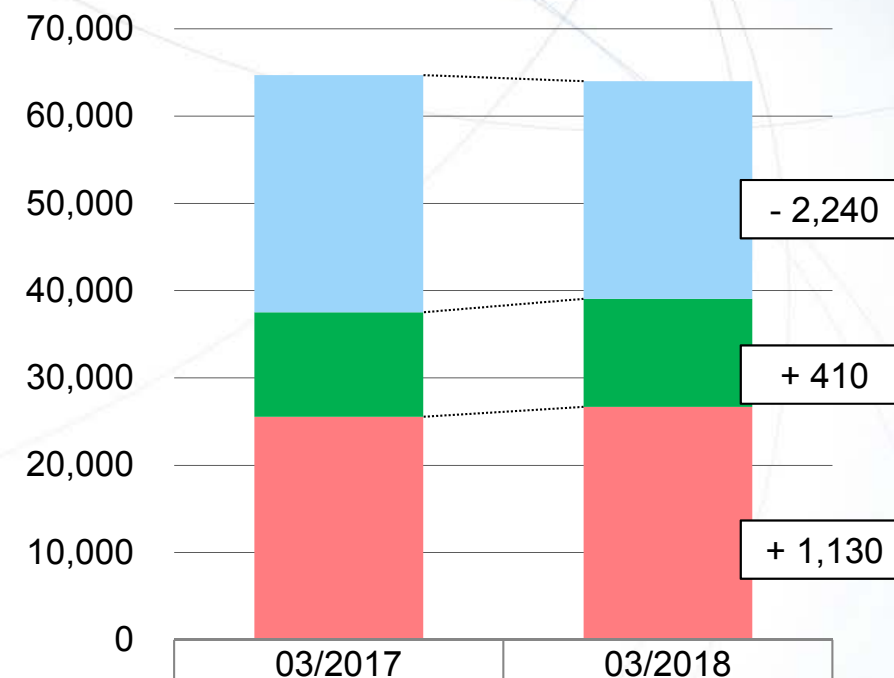
## Sales by Business Areas and Customers [ Water Treatment Engineering Segment ]

Sales by Business Areas



	03/2017	03/2018
Total	64,700	64,000
Solution Business	33,835	32,150
Plant Business	30,864	31,850

Sales by Customers



	03/2017	03/2018
Total	64,700	64,000
General	27,185	24,945
Power Plants + Water & Sewerage	11,960	12,370
Electronics	25,555	26,685

[Solution]

Will decline in sales for general industries in Japan.

[Plants]

Will increase in plants for the electronics industry in China.

[General Industries]

Will decrease in sales for wastewater and industrial water.

[Power plants & Municipal water and sewerage]

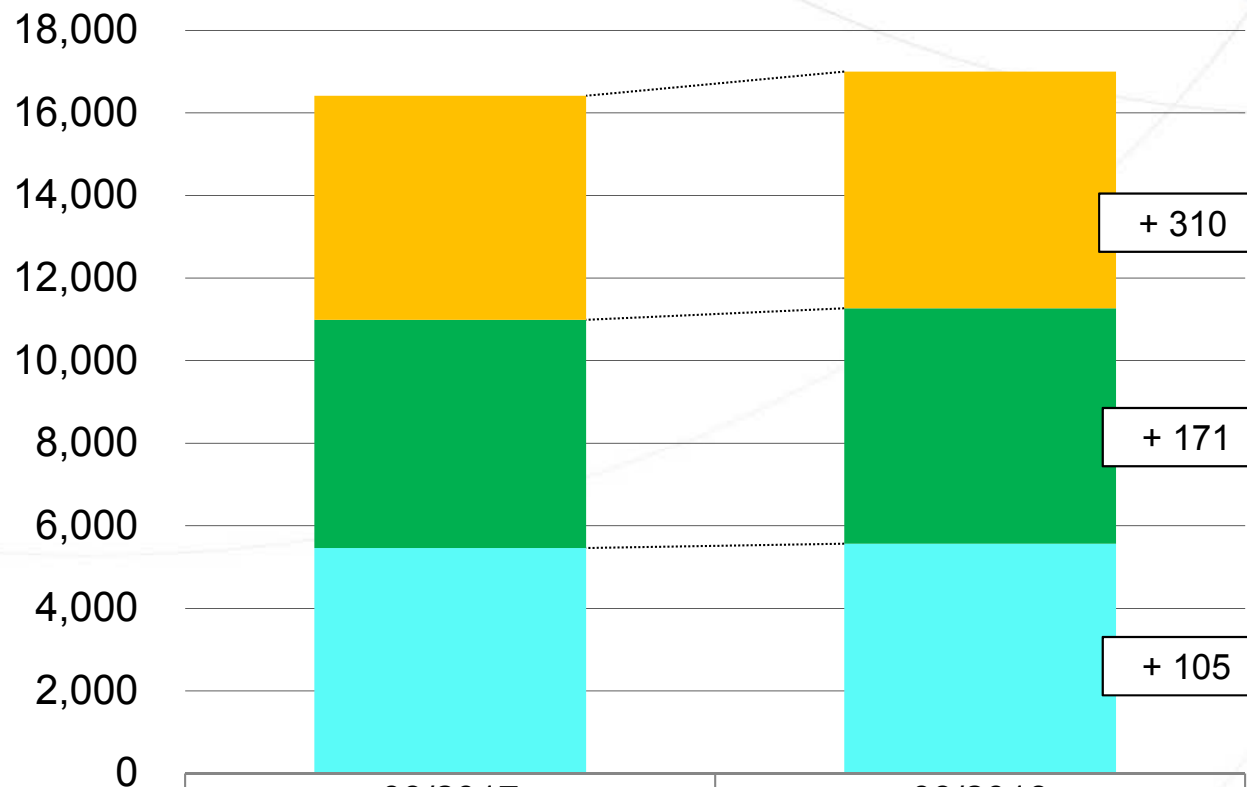
Will increase in sales for plants for power plants and municipal water and sewerage.

[Electronics Industries]

Will increase in sales for the electronics industry in China.



## Sales by Business Areas [ Functional Product Segment ]



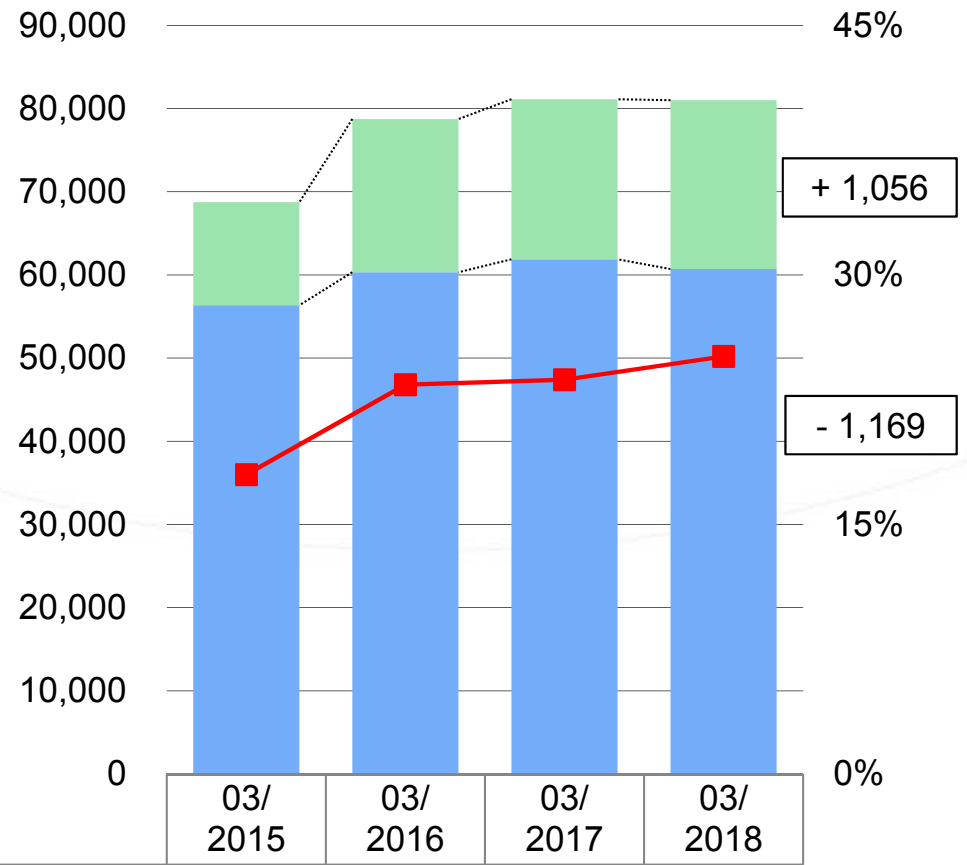
	03/2017	03/2018
Total	16,413	17,000
■ Food Processing Materials	5,425	5,735
■ Water Treatment Chemicals	5,529	5,700
■ Standardized Water Treatment Equipments & Filters	5,460	5,565



(millions of Yen)

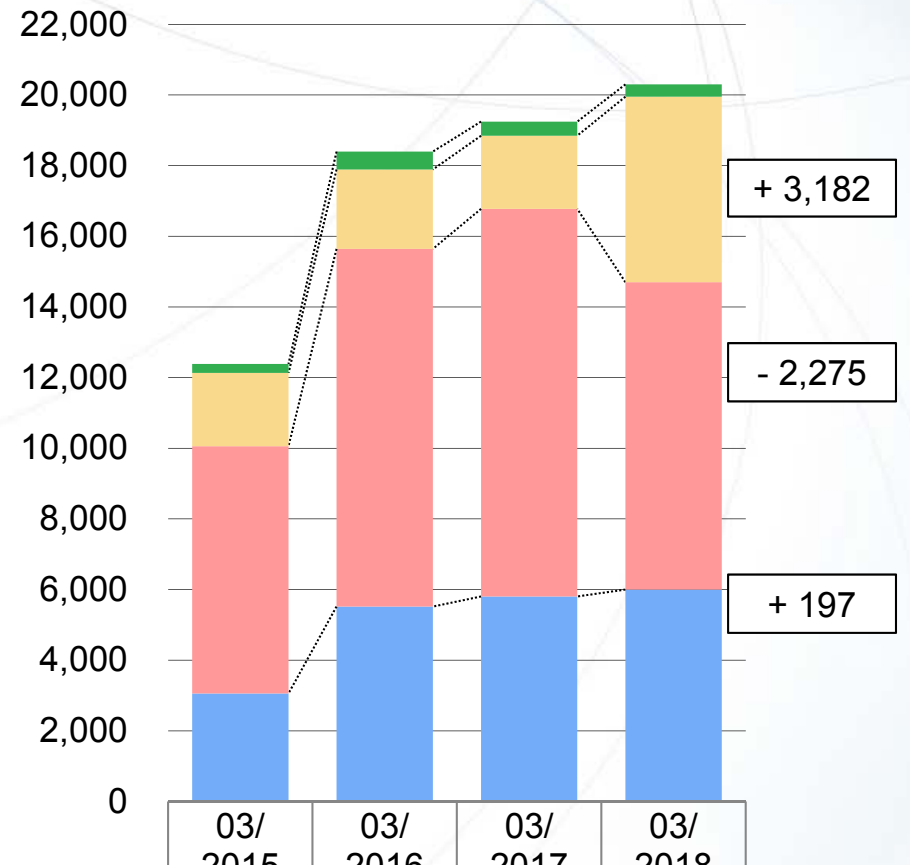
## Sales by Regions

### Domestic & Overseas Sales



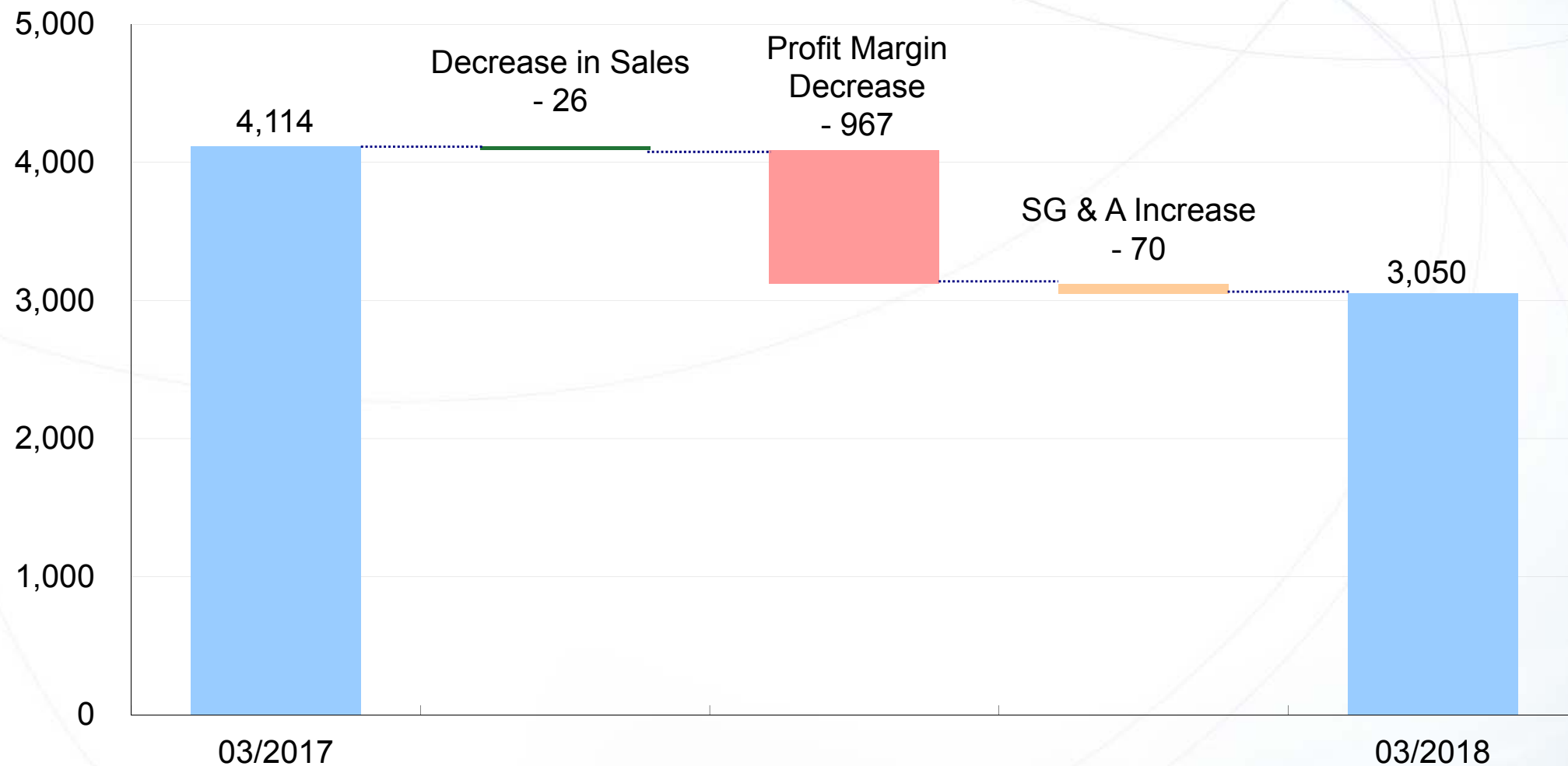
	03/2015	03/2016	03/2017	03/2018
Total	68,741	78,719	81,114	81,000
Overseas	12,390	18,399	19,244	20,300
Domestic	56,351	60,319	61,869	60,700
Overseas Ratio	18.0%	23.4%	23.7%	25.1%

### Sales by Overseas Regions



	03/2015	03/2016	03/2017	03/2018
Total	12,390	18,399	19,244	20,300
Other Areas	256	507	397	350
China	2,076	2,247	2,068	5,250
Taiwan	6,999	10,128	10,975	8,700
Southeast Asia	3,057	5,516	5,803	6,000

## Analysis of Operating Profit by Factors

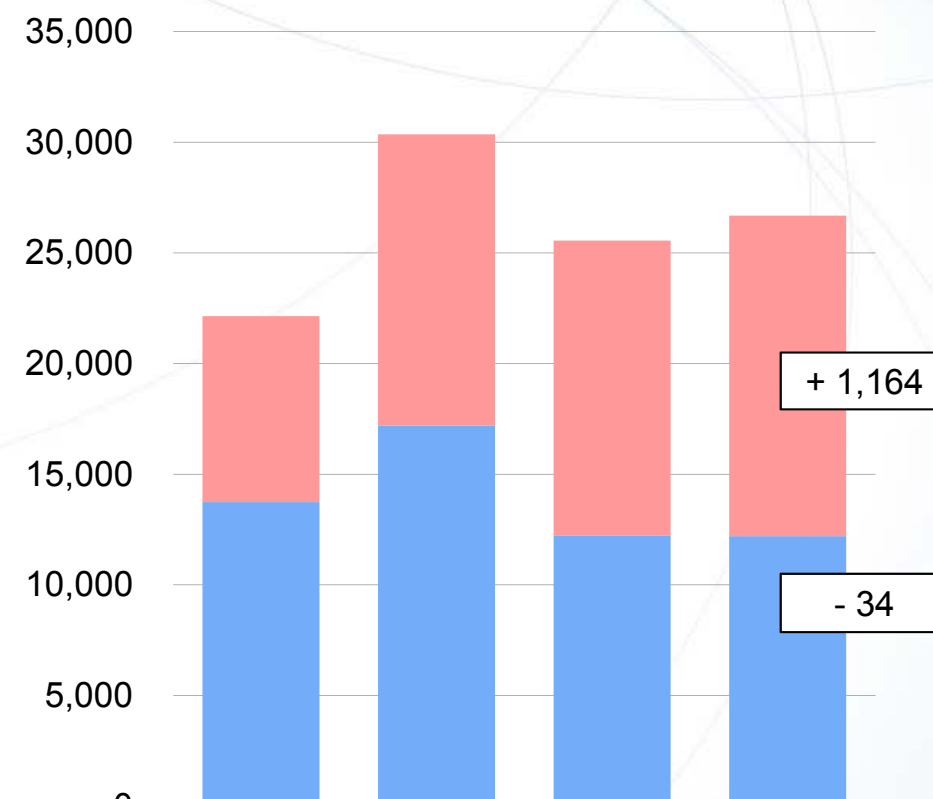
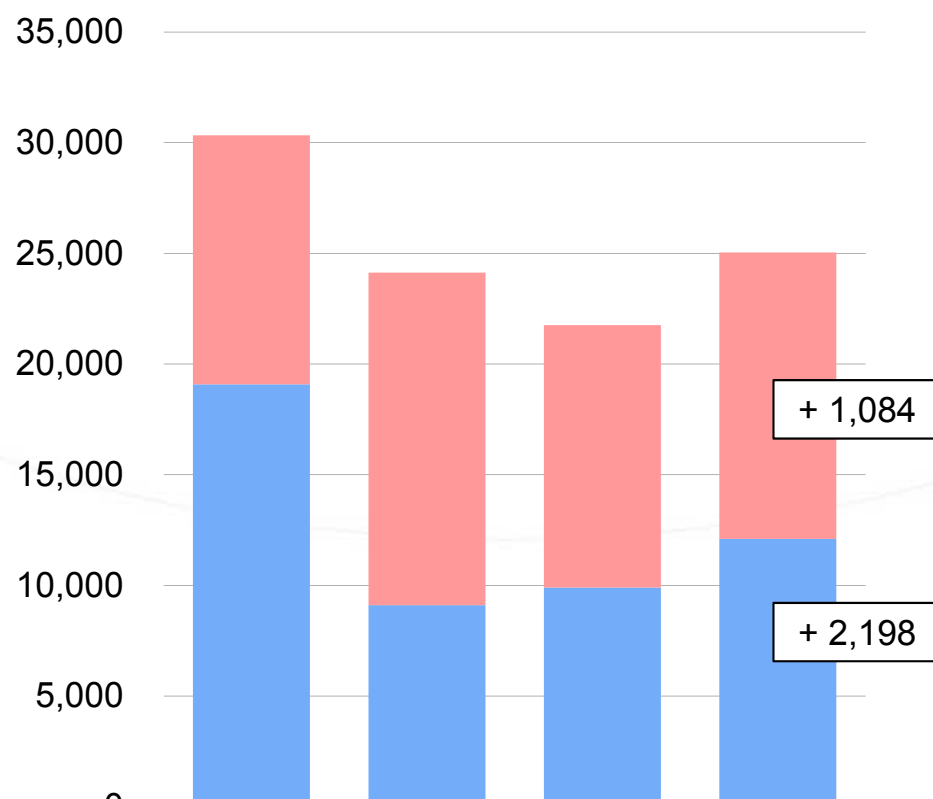


\* The decrease in sales and profit margin decrease are calculated using the gross profit margin.

## Orders Received and Net Sales for the Electronics Industry

Orders Received

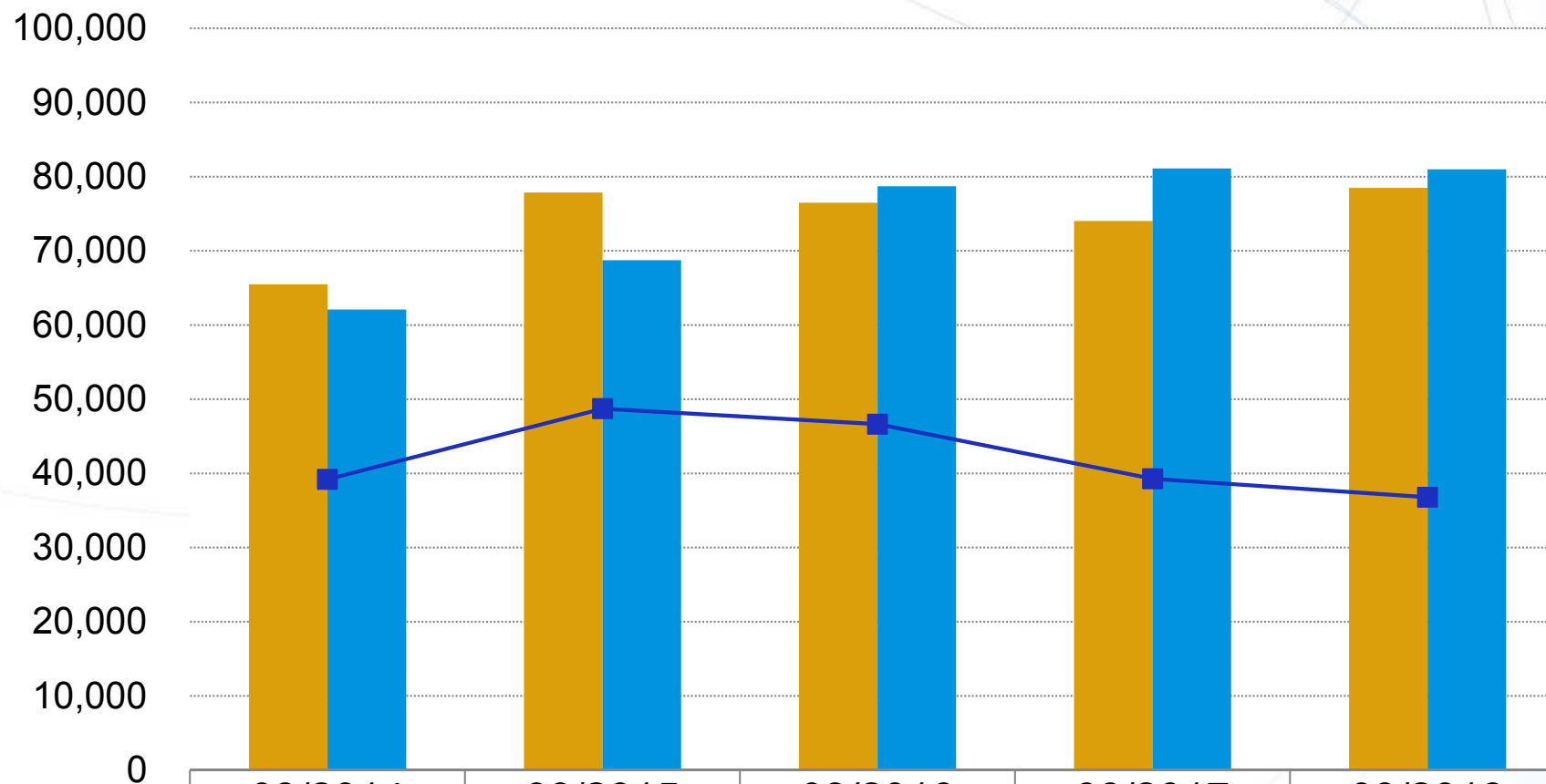
Net Sales



	03/2015	03/2016	03/2017	03/2018
Total	30,335	24,127	21,758	25,040
Overseas	11,250	15,023	11,856	12,940
Domestic	19,085	9,104	9,902	12,100

	03/2015	03/2016	03/2017	03/2018
Total	22,145	30,359	25,555	26,685
Overseas	8,406	13,164	13,321	14,485
Domestic	13,739	17,195	12,234	12,200

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



	03/2014	03/2015	03/2016	03/2017	03/2018
Orders Received	65,501	77,873	76,485	74,041	78,500
Net Sales	62,096	68,741	78,719	81,114	81,000
Orders on Hand	39,212	48,732	46,640	39,283	36,783

## Major Indicators

	03/2017	03/2018 (plan)
Capital Investment (millions of yen)	903	1,000
Technological Development Expenses (millions of yen)	1,495	1,790
Depreciation (millions of yen)	950	950
Interest-bearing Borrowings (millions of yen)	16,910	15,600
Number of Employees	2,100	2,110
Dividend per Share (yen/year)	11	10 *
ROE (%)	5.7	4.0

\*Indicated in the stock unit on April 1, 2017

(The year-end dividend is expected to be ¥25 per share because the consolidation of stock (the current five shares will be consolidated into one share) will be implemented on October 1, 2017.)

## Medium-term Management Plan (FY2017 - 2019)

- Views on Medium- and Long-term Business Environments
- New Management Indicators
- Scenario for Operating Profit and ROE Projections
- Plans by Business Segments
- Sales by Overseas Regions
- Important Measures

## Views on Medium- and Long-term Business Environments

### [Japan]

Investment for the maintenance and renewal of facilities will increase, although the amount of large-scale capital investment will remain small.

IoT-related industries will grow.

The restart of operations at nuclear power plants will occur at a slow pace.

The size of water treatment-related markets will grow by 1 - 2 % per year.

### [Overseas]

Economic conditions are on a recovery trend as a whole.

Semiconductor-related investment will grow mainly in China.

Lithium secondary battery-related industries will expand in line with the spread of electric vehicles.

Progress will be made in the construction of power plants in India, Southeast Asia, etc.

The size of water treatment-related markets will grow by approximately 10% per year in China, Southeast Asia, and India.



## New Management Indicators

(millions of Yen)

	03/2016 Result	03/2017 Result	03/2018 Plan	03/2019 Plan	03/2020 Plan
Orders Received	76,485	74,041	78,500	84,000	88,000
Net Sales	78,719	81,114	81,000	81,000	86,000
Operating Profit	3,947	4,114	3,050	3,400	4,300
Operating Profit Margin (%)	5.0	5.1	3.8	4.2	5.0
ROE (%)	5.4	5.7	4.0	4.4	5.4



[FY2017 - 2018] We position the period as an investment period for the improvement of profitability.  
 [FY2019 and subsequent years] We will secure 5% or more for both operating profit and ROE consistently  
 ⇒ We aim to achieve 8% or more in the future.

Strengthening of the cost competitiveness of existing businesses

Cultivation of profitable projects

Improvement and evolution of differentiating technologies and products

Creation of new business areas for medium- and long-term sustainable growth

Resources will be allocated preferentially



## Scenario for Operating Profit and ROE Projections

### Operating income and ROE projections

[FY2017] Decrease [FY2018] Increase

[FY2019 - ] 5% or more consistently ⇒ Aim to achieve 8% or more in the future

#### <Reasons for decreases>

- Increase in the ratio of sales of plants overseas (power plants and electronics segments)
- Increase in selling, general and administrative expenses (costs for R&D, the cultivation of new businesses, and the facilitation of commercialization, etc.)

#### <Reasons for increases>

- Progress in measures for the improvement of profitability/Expansion of sales of functional products

[Initiatives for raising the projected figures]

Thorough implementation of measures for the reduction of costs and the improvement of profitability

### Fluctuation Factors

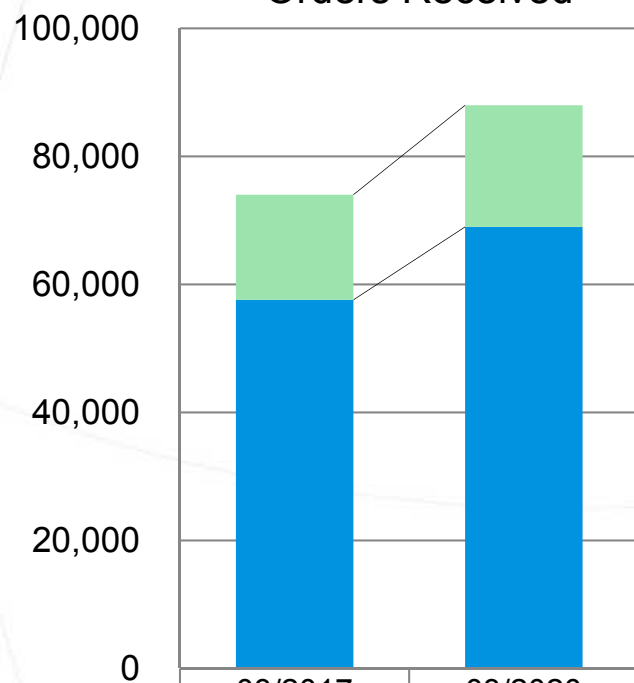
Whether orders will be received for large-scale semiconductor projects overseas (several billion yen per project)

Progress in the restart of operations at nuclear power plants

Uncertainties in the world's economic and business environments

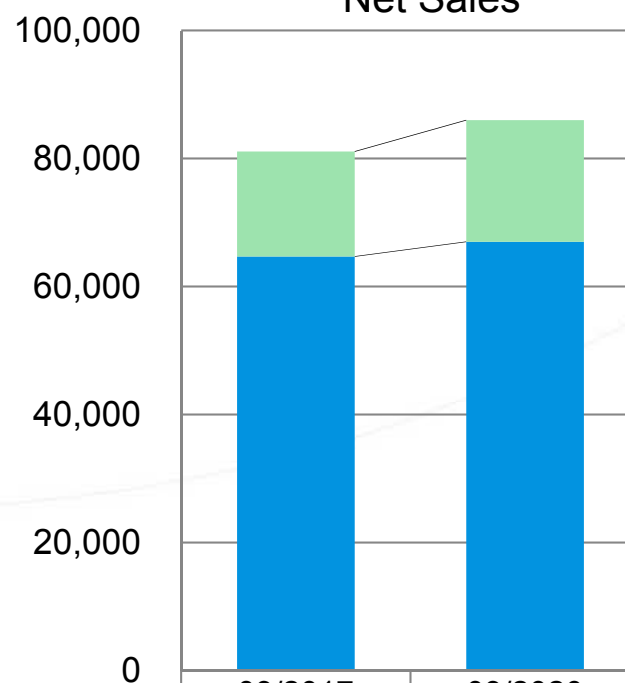
## Plans by Business Segments

### Orders Received



	03/2017	03/2020
Total	74,041	88,000
Functional Product	16,429	19,000
Water Treatment Engineering	57,611	69,000

### Net Sales



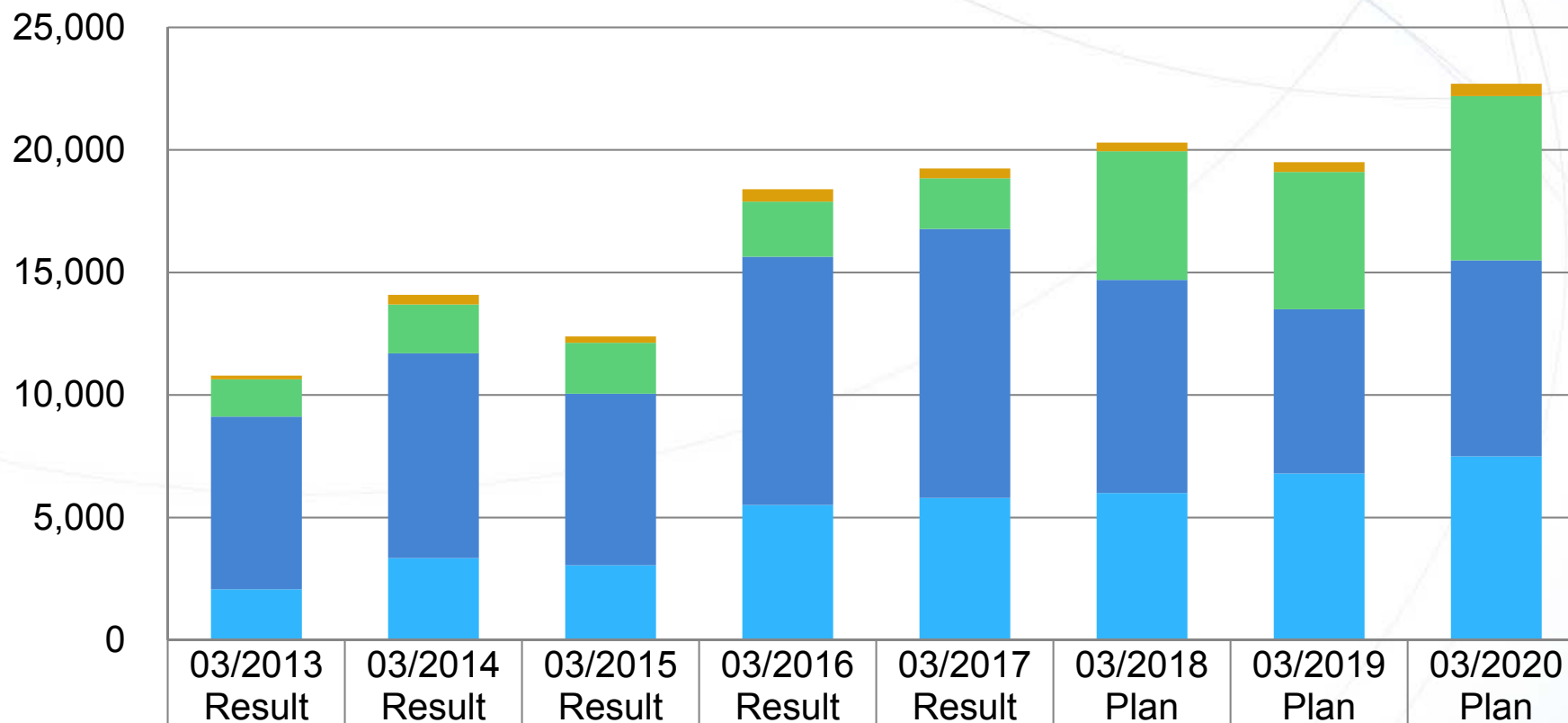
	03/2017	03/2020
Total	81,114	86,000
Functional Product	16,413	19,000
Water Treatment Engineering	64,700	67,000

### Operating Profit



	03/2017	03/2020
Total	4,114	4,300
Functional Product	1,609	1,900
Water Treatment Engineering	2,504	2,400

## Sales by Overseas Regions



	03/2013 Result	03/2014 Result	03/2015 Result	03/2016 Result	03/2017 Result	03/2018 Plan	03/2019 Plan	03/2020 Plan
Total	10,792	14,090	12,390	18,399	19,244	20,300	19,500	22,700
Other Areas	153	396	256	507	397	350	400	500
China	1,519	1,993	2,076	2,247	2,068	5,250	5,600	6,700
Taiwan	7,045	8,352	6,999	10,128	10,975	8,700	6,700	8,000
Southeast Asia	2,075	3,349	3,057	5,516	5,803	6,000	6,800	7,500

## Important Measures (1)

Areas		Measures
Power Plants	Domestic	Ensuring to win orders for projects related to the restart of operations at nuclear power plants. Promotion of cost reductions.
	Overseas	Promotion of a brand strategy in cooperation with overseas local subsidiaries. Strengthening sales by establishing business relationships with overseas companies.
Electronics	Domestic	Strengthening competitiveness by promoting cost reductions.
	Overseas	Strengthening of collaborations between China, Taiwan and Japan for steady fulfillment of ordered projects and for winning orders of new projects in China. Further enhancement of presence in the Taiwanese market.
	New Business Areas	Technologies and business development for the wet process of semiconductors. Taking on challenges to expand into non-aqueous solvents and gas-related areas.

## Important Measures (2)

Areas		Measures
<b>Functional Product Business</b>	Standardized Water Treatment Equipment & Filters	<p>Rapid release and establishment of a business strategy of newly developed products.</p> <p>Development of successor models and enhancement of the product lineup.</p> <p>Improvement of sales and technical service structures including overseas facilities.</p>
	Water Treatment Chemicals	<p>Developing of new chemicals.</p> <p>Improvement of overseas business structures.</p>
	Food Processing Materials	<p>Improvement of productivity.</p> <p>Enhancement of the product lineup and expansion of marketing areas.</p>
<b>Separation and purification</b>	Secondary Battery-Related Market	<p>Establishment of recycling and purification technologies for solvents (NMP) of positive electrodes of lithium-ion batteries and creation of a business model and business execution system.</p>
	Application Areas of Separation and Purification	<p>Searching of untapped needs for the separation and purification of value-added components, and technological development.</p>

### Important Measures (3)

Areas	Measures												
<p><b>R&amp;D / New Business Development</b></p>	<p>Resources will be allocated intensively to R&amp;D activities aimed at further growth mainly in focus areas such as functional products, semiconductor processing, and separation and purification of non-aqueous solvents and gas.</p> <p style="text-align: center;">Progress of Technological Development Expenses</p> <p>(millions of Yen)</p> <table border="1"> <caption>Technological Development Expenses (millions of Yen)</caption> <thead> <tr> <th>Year</th> <th>Expenses (millions of Yen)</th> </tr> </thead> <tbody> <tr> <td>2013</td> <td>~1,480</td> </tr> <tr> <td>2014</td> <td>~1,380</td> </tr> <tr> <td>2015</td> <td>~1,400</td> </tr> <tr> <td>2016</td> <td>~1,480</td> </tr> <tr> <td>2017 (Plan)</td> <td>~1,780</td> </tr> </tbody> </table>	Year	Expenses (millions of Yen)	2013	~1,480	2014	~1,380	2015	~1,400	2016	~1,480	2017 (Plan)	~1,780
Year	Expenses (millions of Yen)												
2013	~1,480												
2014	~1,380												
2015	~1,400												
2016	~1,480												
2017 (Plan)	~1,780												

## Important Measures (4)

Areas	Measures
<b>Profitability</b>	Development of and concentration on highly profitable projects. Continuous efforts to optimize and review management resources.
<b>Overseas Business</b>	Improvement of the profitability of overseas subsidiaries. Strengthening of marketing operations in the Asian region. Exploitation of new areas.
<b>CSR</b>	Development of new basic activity policies and placement of a dedicated team to strengthen CSR initiatives.



## Toward Further Development

- Goals that the Organo Group Aims to Achieve
- Enhancement of Roles and Direction of Development

## Goals that the Organo Group Aims to Achieve < Global Risks and Needs >

- ◆ Global risks presented at the 2017 Annual Meeting of the World Economic Forum (Davos Meeting)

	1st	2nd	3rd	4th	5th
Global Risks in Terms of Likelihood	Extreme weather events	Large-scale Involuntary migration	Major natural disasters	Large-scale terrorist attacks	Massive incident Of data fraud/theft
Global Risks in Terms of Impact	Weapons of Mass destruction	Extreme weather events	Water crises	Major natural disasters	Failure of climate-change mitigation and adaptation

- ◆ Water risk presented by the Organization for Economic Co-operation and Development (OECD)

Source : "The Global Risks Report 2017" by World Economic Forum

40% of the world's population currently lives in water-stressed river basins

Water demand will rise by 55% by 2050

In 2050, 240 million people are expected to remain without access to clean water

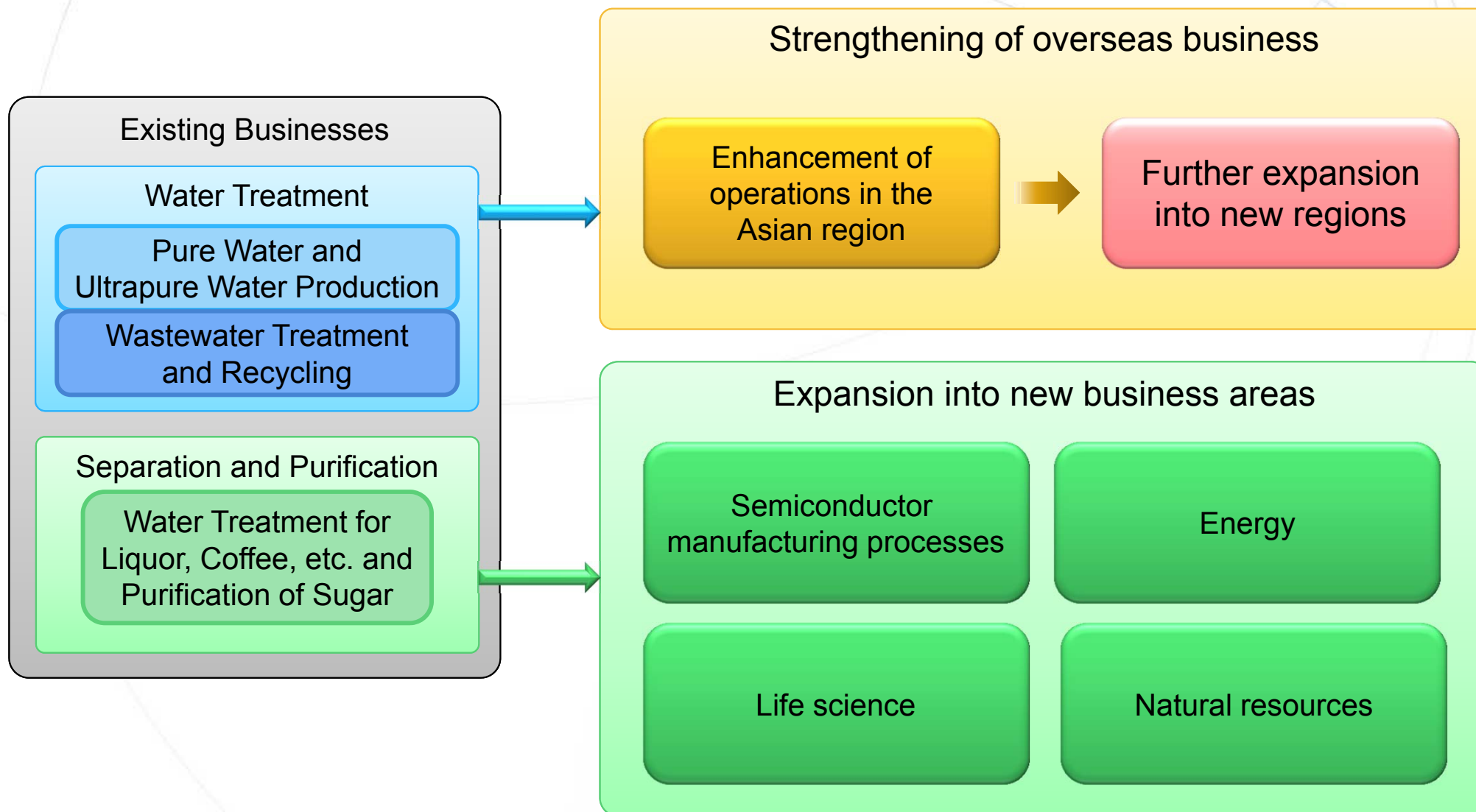
Required USD 6.7 trillion by 2050 for water supply and sanitation infrastructure

Source : "OECD Principles on Water Governance" by OECD

Supply of water necessary for maintaining life and living conditions

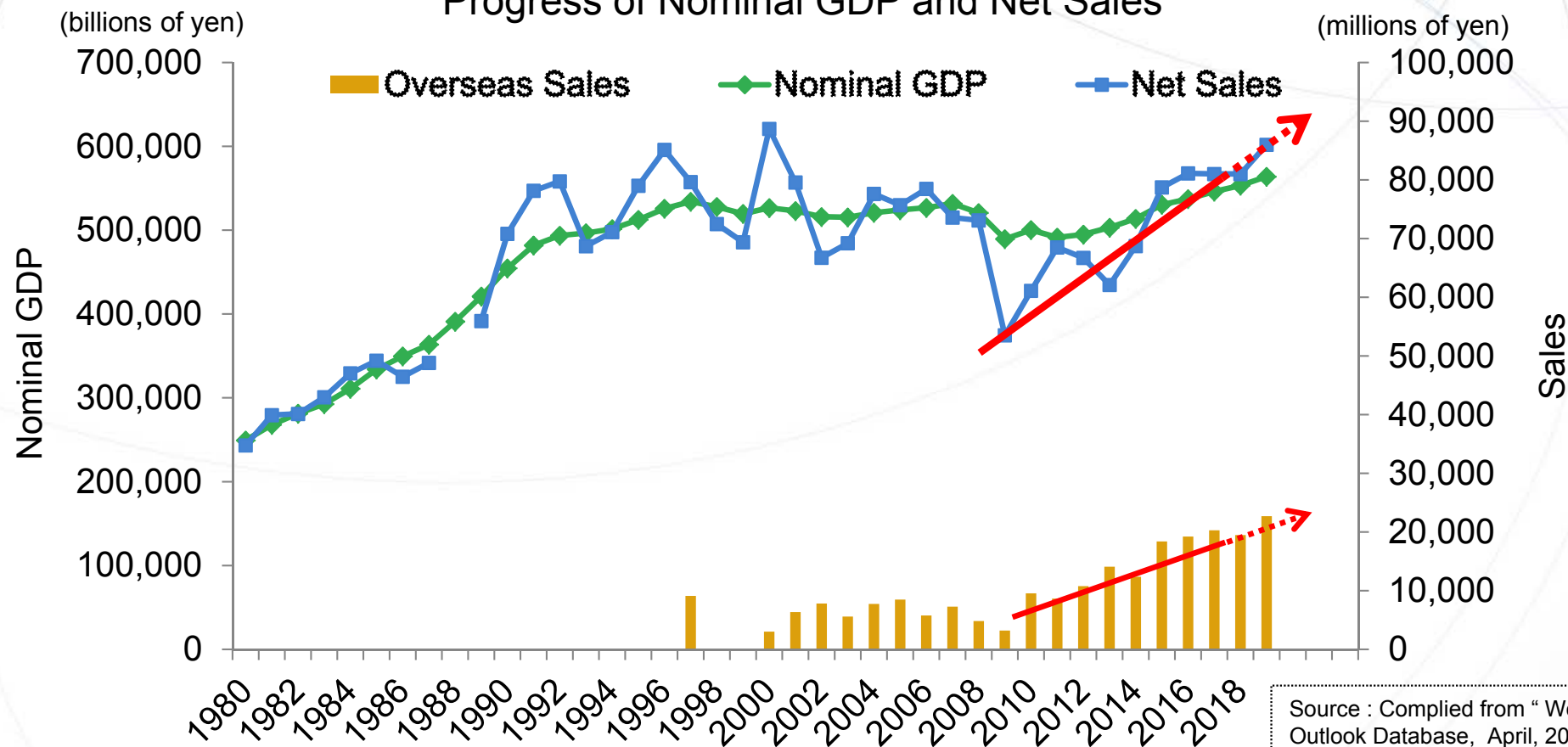
Reduction of CO<sub>2</sub> emissions and environmental loads, etc.

## Goals that the Organo Group Aims to Achieve < Roles of Organo >



## Goals that the Organo Group Aims to Achieve < Consistent Sales Growth >

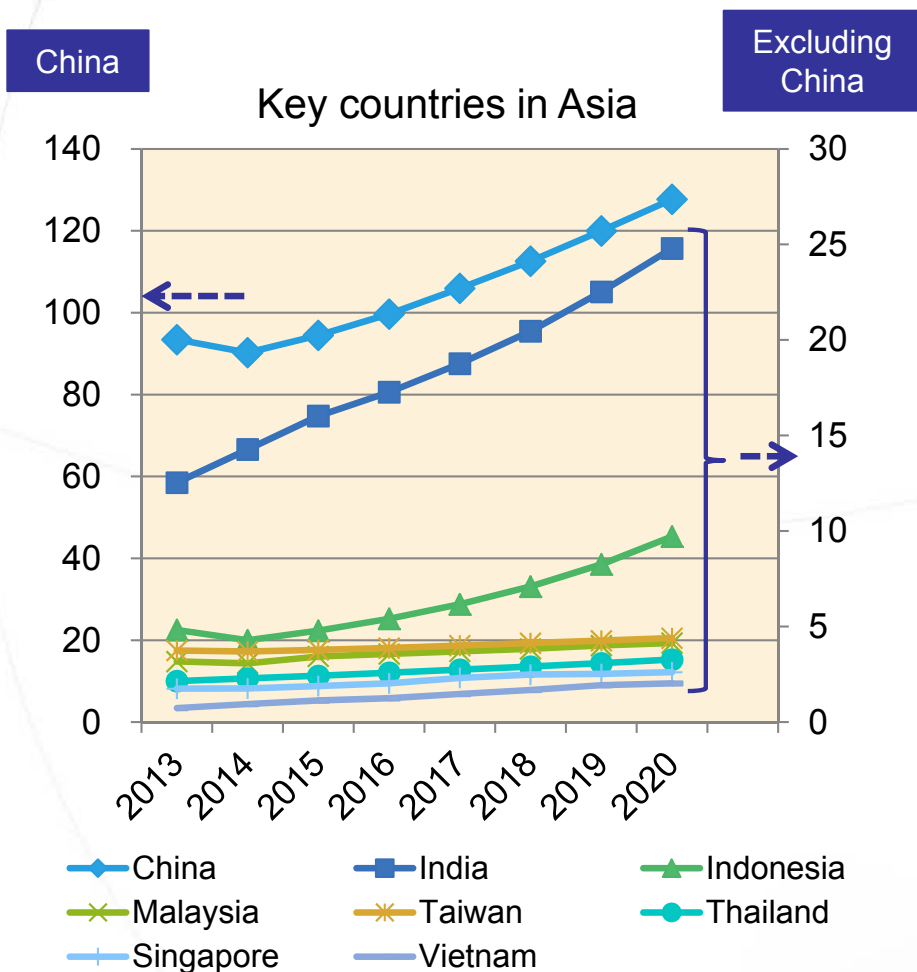
### Progress of Nominal GDP and Net Sales



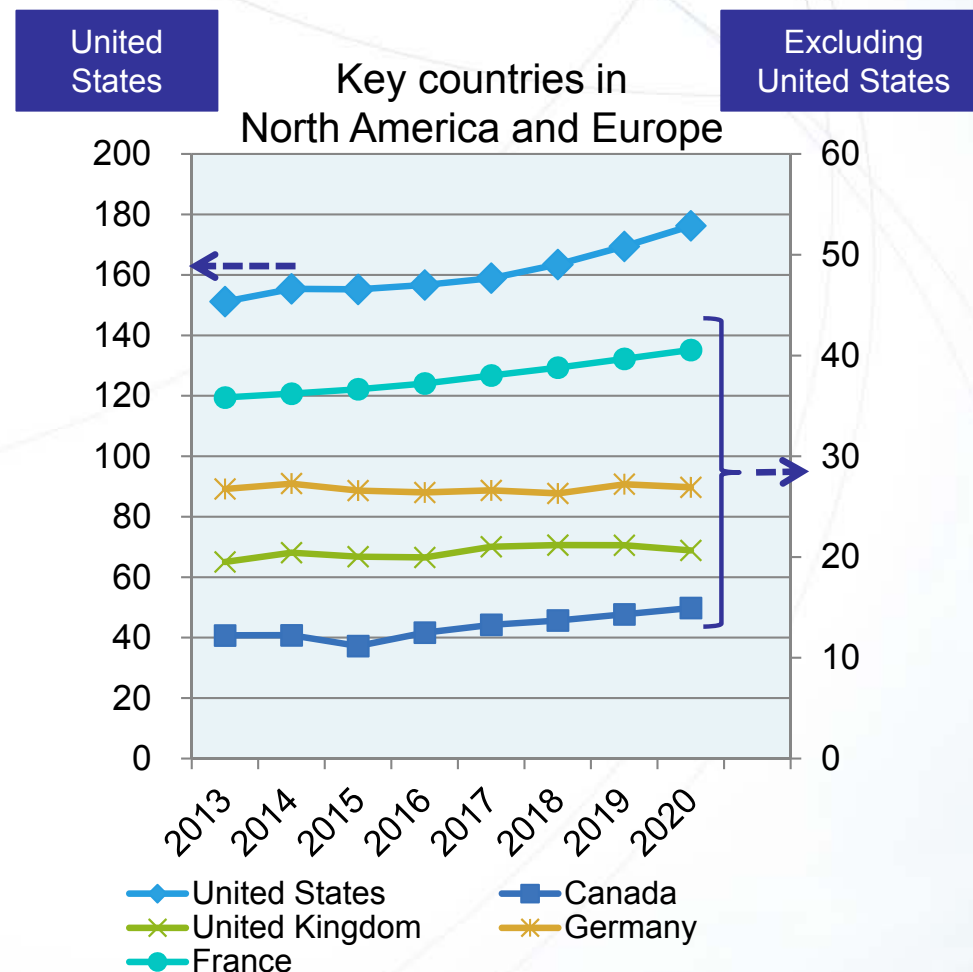
The growth of net sales has exceeded that of nominal GDP since FY2010 when overseas sales turned upward.  
 ⇒ Progress has been made in the transformation of portfolios through overseas business development, thereby ensuring that businesses are unaffected by Japanese business trends in which the growth of the water treatment market is slowing down.  
 [The expansion of overseas businesses is essential]

## Goals that the Organo Group Aims to Achieve < Expansion into growing overseas markets >

### Progress of the overseas market size of water treatment



Average annual growth rate (2013-2020)  
10.0%



Average annual growth rate (2013-2020)  
1.7%

## Goals that the Organo Group Aims to Achieve < Targets and Missions >

### Targets

Areas in which any progress is being made or will be made in terms of the market for water treatment and improvement in standards of living

Existing Business Areas	
China	Semiconductors Power plants
Taiwan	Semiconductors
Southeast Asia	Power plants General industries
India	General industries Power plants



Untapped Countries and Areas
Needs for good quality water for industrial use and daily life

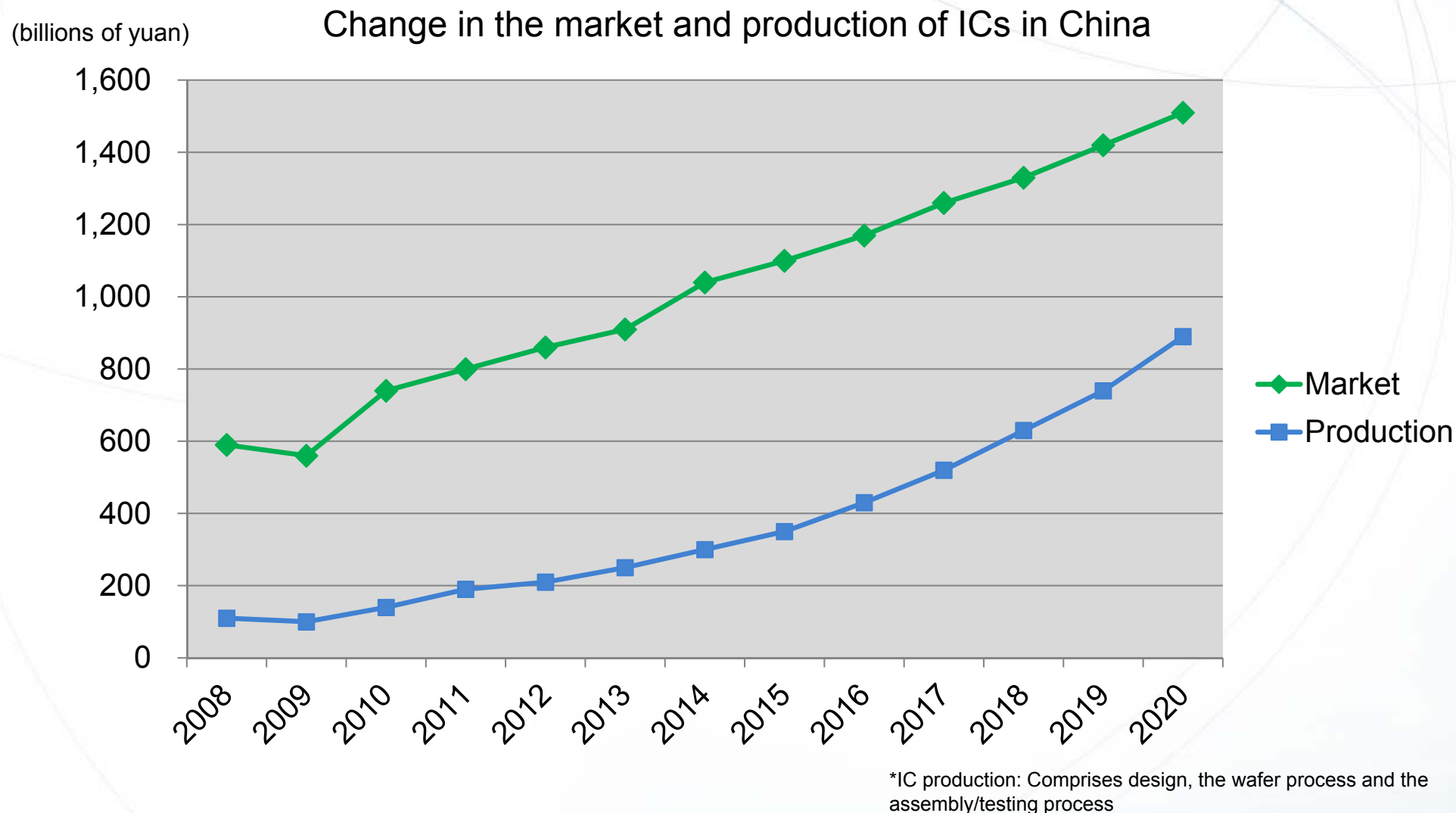
### Missions

Provision of water-related technologies and products needed for industrial use and daily life

<b>Social infrastructure</b>	Water for power plants
	Drinking water (desalination of seawater, etc.)
<b>Industries</b>	Industrial water
<b>Daily life</b>	Raw water for food proceeding
	Water for pharmaceuticals
<b>Environment</b>	Wastewater treatment and recycling (ZLD*)
	Low environmental load technologies (Energy-saving, reduction of CO <sub>2</sub> emissions, effective use of resources, etc.)

\* ZLD (Zero Liquid Discharge): A system that recycles and reuses wastewater without external discharge.

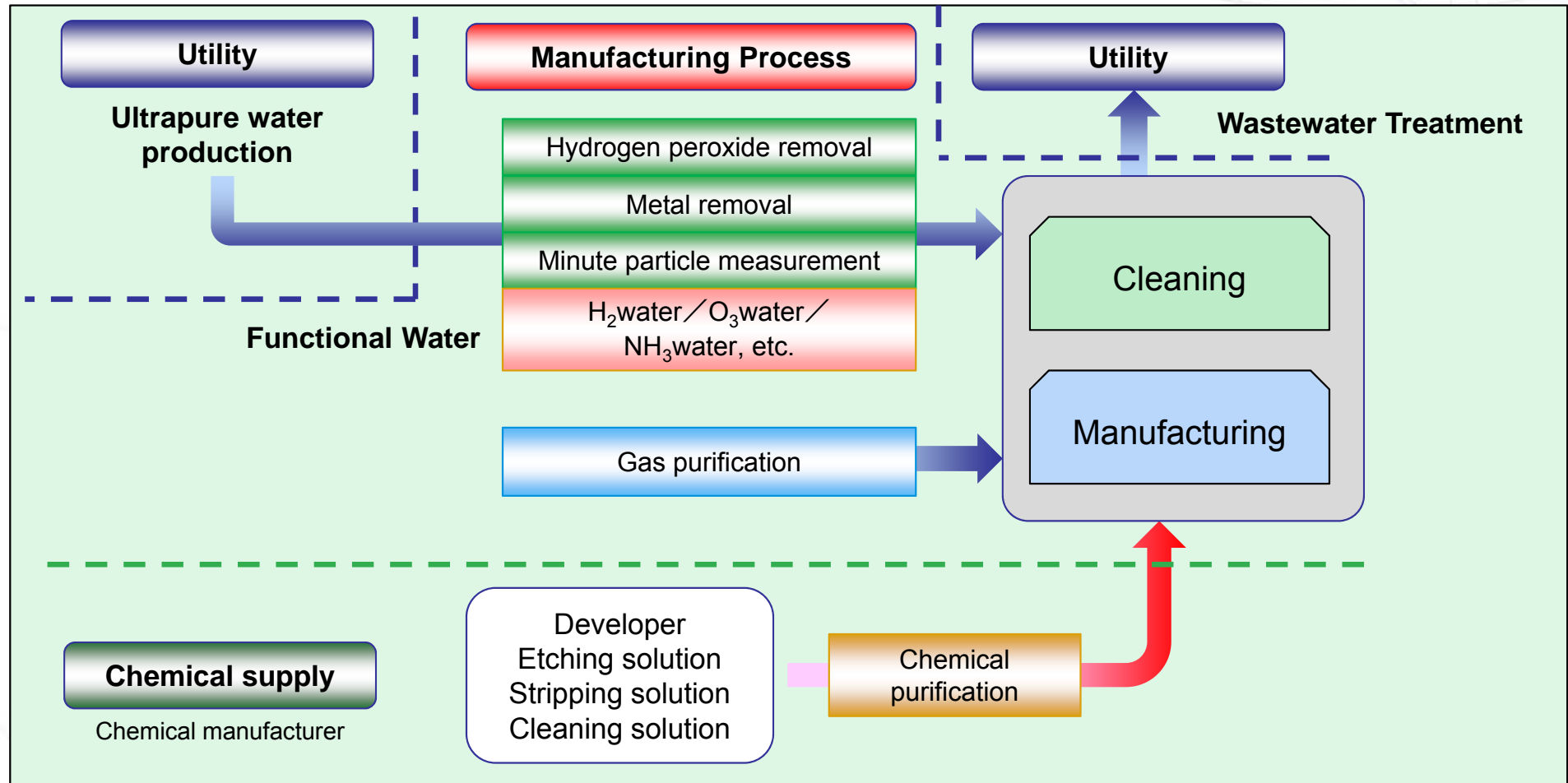
## Goals that the Organo Group Aims to Achieve < Expanding into Growing Markets >



Source: Compiled from "How will the Chinese electronics industry evolve in 2017?", an agenda of the Shanghai Seminar 2016 (Part 2) organized by Electronic Device Industry News of Sangyo Times

## Goals that the Organo Group Aims to Achieve < Expanding into New Business Areas >

### Semiconductor Manufacturing Processes





## Goals that the Organo Group Aims to Achieve < Meeting the Social Needs >

### Energy and Resources

#### Existing Businesses

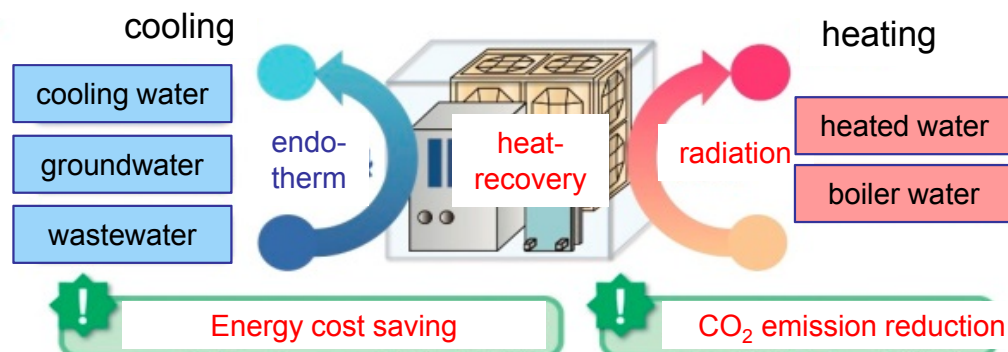
##### Water Treatment for Power Plants



##### Fluorine Recovery System "Eco-Crysta"



#### Water-heat Recycling System



Won the Grand Prize  
for Excellence in  
Energy Efficiency and  
Conservation 2016

## Goals that the Organo Group Aims to Achieve < Meeting the Social Needs >

### Energy and Resources

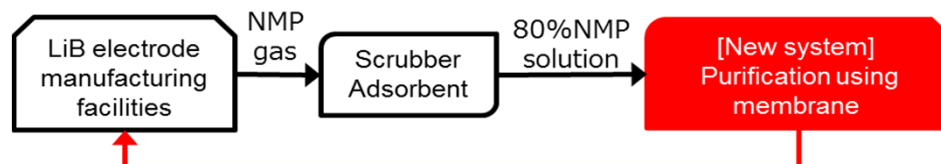
#### Business to be covered for future growth

[Lithium secondary battery-related area]

The market will expand in line with the spread of electric vehicles.

#### NMP (N-methyl-2-pyrrolidone) on-site purification and recycle system

[NMP purification and recycle flow]



Purified NMP (water content < 100 ppm)  
\* conventional method: water content < 500 ppm

Worldwide manufacturing capacity of NMP: 360,000 tons (2015)

High-grade NMP for LiB: Estimated to account for approximately 10% of total production (36,000 tons)

Expected to grow 10% every year

Purification of electrolytic solution

Separation and recycling of rare metals

## Goals that the Organo Group Aims to Achieve < Meeting the Social Needs >

Life science

### Existing businesses

Production of water for  
pharmaceuticals and injection



Production equipment  
of pure water for  
biochemical analyses



+

### Business to be covered for future growth

[Production process of pharmaceuticals]  
Needs are growing as a result of the  
progress of the aging society and  
increasing health-consciousness.

Bio-pharmaceuticals

Cultivation of new areas through  
the development of functions and  
new applications for functional  
materials

## Enhancement of Roles and Direction of Development

### Improvement and Enhancement of Profitability

Establishment of a revenue structure to secure operating profit and ROE of 8% or more.

- Strengthening of cost competitiveness of existing businesses
- Cultivation of highly profitable projects and areas
- Improvement and evolution of differentiating technologies and products

### Creation of New Businesses

Establishment of a base for medium- to long-term sustainable growth

- Allocation of additional resources for the exploitation of new businesses as well as research and development

Achievement of goals

## Initiatives for Corporate Governance


## Initiatives for Corporate Governance

Items	Initiatives/Challenges
Change of stock units and consolidation of stocks	<p>[Initiatives] (Scheduled for October 1, 2017)</p> <ul style="list-style-type: none"> <li>• Change from 1,000 stocks to 100 stocks (per units)</li> <li>• Consolidation of five stocks into one</li> </ul>
Independent auditors	<p>[Initiatives]</p> <p>One independent auditor will be selected (at general meeting of shareholders on June 29, 2017)</p>
Strategic shareholdings	<p>[Initiatives]</p> <ul style="list-style-type: none"> <li>• Evaluations were made in consideration of financial and transactional effectiveness for the Company (June 2016).</li> <li>• Some shares were sold based on the evaluations (October 2016).</li> </ul>
Constructive dialogs with shareholders and investors	<p>[Initiatives]</p> <ul style="list-style-type: none"> <li>• Presentation for shareholders</li> <li>• Individual meeting with institutional investors and analysts</li> </ul> <p>[Challenges]</p> <p>Revitalization of IR activities.</p>
Review of meeting systems	<p>[Initiatives] (implemented in February 2017)</p> <ul style="list-style-type: none"> <li>• Objectives, members, and submitted agenda, among other factors, were revisited for clarification and revised.</li> <li>• Active participation by non-executive directors.</li> </ul>

## Initiatives for Corporate Governance

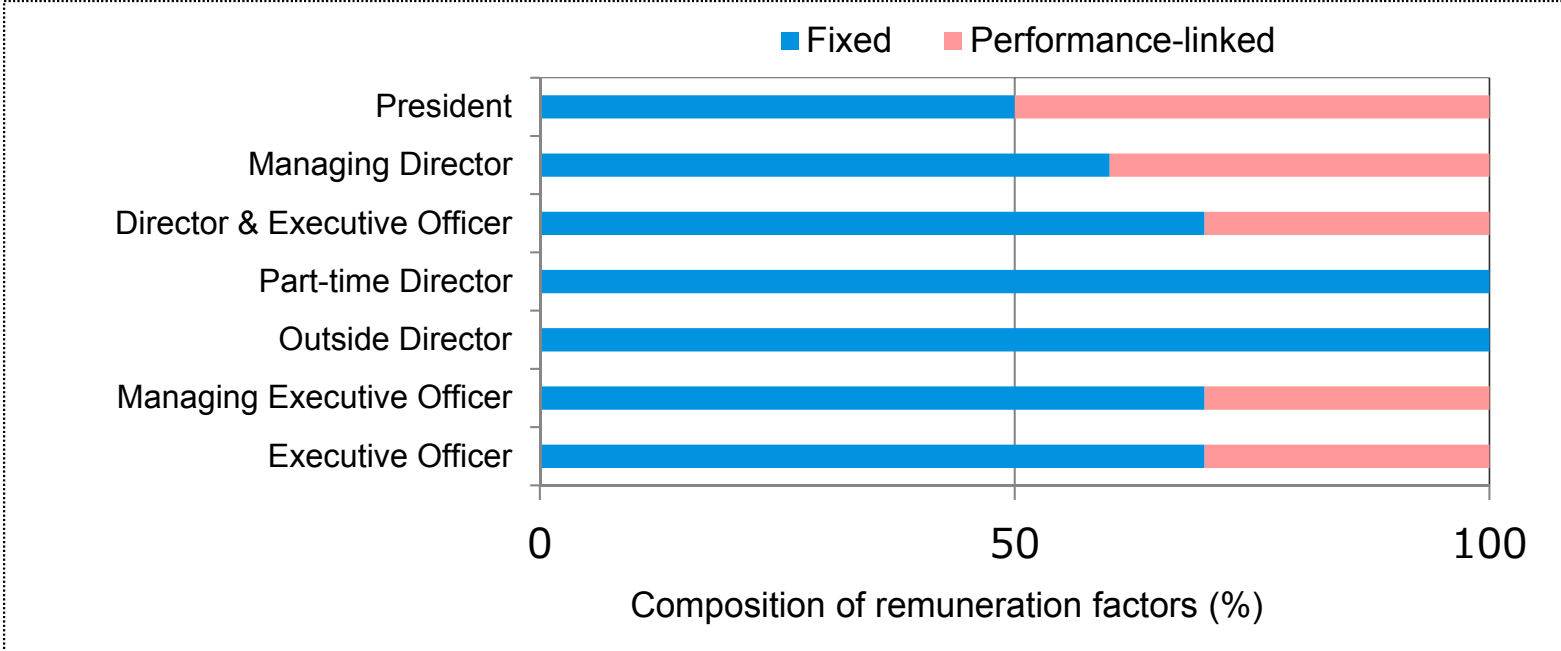
Items	Initiatives/Challenges	
Evaluation of the effectiveness of Board of Directors' meetings	Evaluation method	A questionnaire for all Directors and Auditors and discussions at Board of Directors' meetings (implemented during the period from April to June 2016).
	Main evaluation items	<ul style="list-style-type: none"> <li>• Effectiveness : Capability, selection and remuneration pertaining to Directors, management strategies, etc.</li> <li>• Members : Excess/shortage and diversity of officers.</li> <li>• Operation method : Frequency of meetings, hours of discussion, etc.</li> <li>• Support system for outside officers : Provision of information, prior explanations, etc.</li> <li>• Relationships and dialogs with investors and shareholders : Information disclosure, feedback to management, etc.</li> </ul>
	Evaluation results	<ul style="list-style-type: none"> <li>• The submitted agenda and explanations to outside officers were appropriate.</li> <li>• Board of Directors' meetings are functioning effectively overall.</li> </ul>
	Challenges and improvement measures	<ul style="list-style-type: none"> <li>• Clarification of corporate value and the direction of management: Deepening of discussions and deliberations on medium- to long-term management strategies, examination of CSR policies and activities.</li> <li>• Enhancement of activities to disseminate information externally : Review of initiatives including the improvement of systems and staffing.</li> <li>• Improvement of the remuneration system for Directors : Discussion of medium- to long-term incentives at Compensation Committee meetings.</li> <li>• Enhancement of deliberations for the selection of Directors: Expansion of the scope of involvement by Board of Directors' meetings, etc.</li> </ul>

## Initiatives for Corporate Governance

Items	Initiatives/Challenges
Enhancement of CSR activities	<p>[Challenges]</p> <ul style="list-style-type: none"> <li>◆ Formulation of basic activity policies                             <ul style="list-style-type: none"> <li>• Anticipated activities: Expanding activities to raise the level of social trust.</li> <li>• Dissemination of information: Sending information externally and strengthening communication.                                     <ul style="list-style-type: none"> <li>&lt;Information disclosure from ESG perspectives&gt;</li> </ul> </li> <li>• Review of the goals: Clarifying an ideal future corporate image.                                     <ul style="list-style-type: none"> <li>&lt; Revisiting the corporate value and social role of Organo &gt;</li> <li>&lt; Reconsidering the corporate concept, corporate philosophy, management philosophy, etc.&gt;</li> </ul> </li> </ul> </li> <li>◆ Placement of a dedicated team</li> </ul>
Active participation by diverse individuals	<p>[Initiatives/achievements]</p> <p>Obtained Three Star status of “Eruboshi,” a certificate based on the Promotion of Women’s Career Activities Act. (January 2017)</p> <div style="text-align: right;">  <p>“Eruboshi” Certification Mark</p> </div> <p>[Challenges]</p> <p>Further efforts to utilize and foster diverse human resources group-wide.                      &lt;Development of all staff members at overseas subsidiaries, etc.&gt;</p>



## Initiatives for Corporate Governance

Items	Initiatives/Challenges																								
<p>Review of the remuneration system for officers</p>	<p>[Initiatives]</p> <ul style="list-style-type: none"> <li>◆ Organization reviewed: Compensation Committee (established in April 2016) and the Board of Directors</li> <li>◆ Expansion of the portion of remuneration linked to short-term performance (operating income in the previous fiscal year) (June 2016)</li> </ul> <div data-bbox="560 694 2116 1348" style="border: 1px dashed black; padding: 10px;">  <table border="1" data-bbox="560 694 2116 1348"> <caption>Composition of remuneration factors (%)</caption> <thead> <tr> <th>Role</th> <th>Fixed (%)</th> <th>Performance-linked (%)</th> </tr> </thead> <tbody> <tr> <td>President</td> <td>50</td> <td>50</td> </tr> <tr> <td>Managing Director</td> <td>60</td> <td>40</td> </tr> <tr> <td>Director &amp; Executive Officer</td> <td>70</td> <td>30</td> </tr> <tr> <td>Part-time Director</td> <td>100</td> <td>0</td> </tr> <tr> <td>Outside Director</td> <td>100</td> <td>0</td> </tr> <tr> <td>Managing Executive Officer</td> <td>70</td> <td>30</td> </tr> <tr> <td>Executive Officer</td> <td>70</td> <td>30</td> </tr> </tbody> </table> </div> <p>[Challenges] Introduction of remuneration linked to medium- to long-term performance (under consideration)</p>	Role	Fixed (%)	Performance-linked (%)	President	50	50	Managing Director	60	40	Director & Executive Officer	70	30	Part-time Director	100	0	Outside Director	100	0	Managing Executive Officer	70	30	Executive Officer	70	30
Role	Fixed (%)	Performance-linked (%)																							
President	50	50																							
Managing Director	60	40																							
Director & Executive Officer	70	30																							
Part-time Director	100	0																							
Outside Director	100	0																							
Managing Executive Officer	70	30																							
Executive Officer	70	30																							

# Organo Corporation

## Corporate Planning Department

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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.