ORGANO GROUP REPORT 2020

ORGANO

The Organo Group leverages the technologies it has cultivated through long experience with water treatment to contribute to the industries that create the future, and to the development of societal infrastructure.

Water is a precious asset, shared by all life forms on the planet. It has been Organo's central theme throughout its history, and the company continues to pursue a deeper understanding of water and to nurture water-related technologies. Organo brings the powerful benefits of this life-sustaining resource to the development of societal infrastructure, to leading-edge industry, and to daily life. As a comprehensive water treatment engineering company, we will contribute to coexisting and living in harmony with the beautiful global environment.

Earth's Water Resources

Water of the Earth

Our earth is also called the planet of water. When viewed from space, 71% of the Earth's surface is covered by water. Although water exists on earth in various forms, including in oceans, glaciers, water vapor, rivers, lakes and marshlands, and groundwater, 97.5% of the water is salt water, which contains dissolved salts. Fresh water accounts for just 2.5%, and the amount of fresh water accessible on the earth's surface comprises only 0.01% of the total water volume. While water appears to be plentiful, it is an extremely precious resource for humanity.

Types of water	Percentage of total
Water containing dissolved salts, including ocean water	97.47%
Fresh water (glaciers and groundwater)	2.53%
Fresh water on the earth's surface (river water, etc.)	0.01%

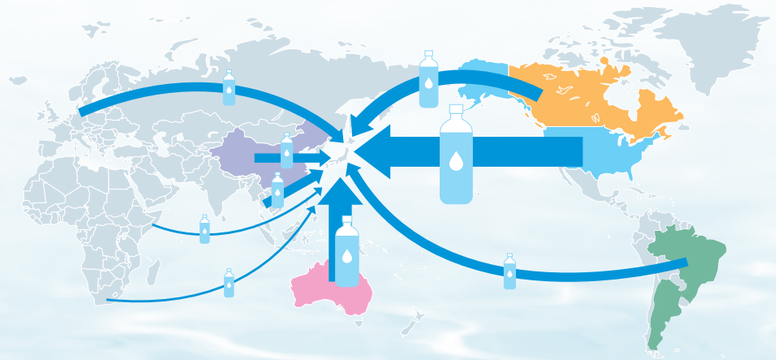
Accessible fresh water is: 0.01%

Created by the company based on the fiscal year 2009 edition of "Water Resources in Japan" by the Ministry of Land, Infrastructure, Transport and Tourism, and materials from the US Geological Survey.

Life and Living, Industry and Water

Nearly 900 million people globally still lack access to safe drinking water, and every year 1.8 million children die because of illnesses related to unsafe water. Furthermore, water resource issues such as droughts and floods related to climate change present major challenges to humanity.
Japan is fortunate to have abundant water resources and water for industry is being used efficiently, with high levels of water recovery and reuse. However, roughly the same amount of water consumed is imported annually as virtual water* in the form of grains and food products. Therefore, issues involving water resources play a significant role in the daily lives of people in Japan. The Organo Group engages in business with the hope that our water treatment technologies will help solve these water resource issues.

Japan's virtual water import volume



Number of people worldwide without access to drinking water
900 million people

Number of children who die because of illnesses related to unsafe water
1.8 million children/year

Virtual water (VW) volume

Subcategory	Unit	Weight per unit (g)	VW volume (l)
Beef	–	1,000	20,600
Rice	1 serving	150	555
Coffee	1 cup	10	210
Milk	1 carton	1,000	550
Soybeans	1 cup	150	375
Flour	1 cup	100	210

Reference: Virtual water calculator of Japan's Ministry of the Environment

* Virtual water: According to the Ministry of the Environment, the estimated amount of water required in the production of imported food if the food had been produced in the importing country (consuming country).

History of the Organo Group

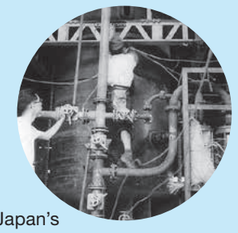
Since our founding in 1946, Organo has been meeting the needs for water required in industry and daily life. The history of the Organo Group is also the history of expanding the value of water and its possibilities. Beginning with the development of a heat-free water distillation system for hospitals, research centers, etc., Organo has been involved in a wide range of water treatment systems and technologies. This includes treatment systems for pure water and wastewater in various industries, water treatment systems for water supply and sewage and power plants, and ultrapure water systems for the manufacturing of semiconductors and other devices in the electronics industry. Organo plays a role in supporting the development of industry and daily life in Japan and overseas.

Note: The graph indicates the changes in net sales.

Founded

1946
Developed small pure water system (heat-free water distillation system)

1951
Delivered Japan's first large-scale pure water system



1953
Expanded into special sugar liquid refining field

1954
Started water treatment chemicals business

1957
Delivered Japan's first ultrapure water system for electronics industry

1959
Expanded into water supply and sewage field

1959
Started food product business

1966
Completed large-scale water treatment facility for power plant

1984
Expanded into pharmaceutical manufacturing field

1986
Completed Central Research Laboratory (Toda)

1986
Established Organo (Malaysia) (currently Organo (Asia) Sdn. Bhd.)

1991
Deliveries for semiconductors expanded

1989
Established Organo (Thailand) Co., Ltd.

2003
Expanded overseas business
Enhanced service solutions

2005
Full-scale launch of comprehensive service solutions

2005
Established R&D Center (Sagamihara)

2003
Established Organo (Suzhou) Water Treatment Co., Ltd.

2005
Established Organo Technology Co., Ltd. (Taiwan)

2014
Started energy-saving service solutions using water heat utilization system

2018
Formulated new management philosophy
Formulated long-term vision

2010
Established Organo (Vietnam) Co., Ltd.

2013
Established joint venture enterprise PT Lautan Organo Water (Indonesia)

2015
Established joint venture enterprise Murugappa Organo Water Solutions Private Limited (India)

Startup › Growth › Maturity › Leap

1940 1950 1960 1970 1980 1990 2000 2010

Strengths of the Organo Group

Separation and Purification Systems and Technologies

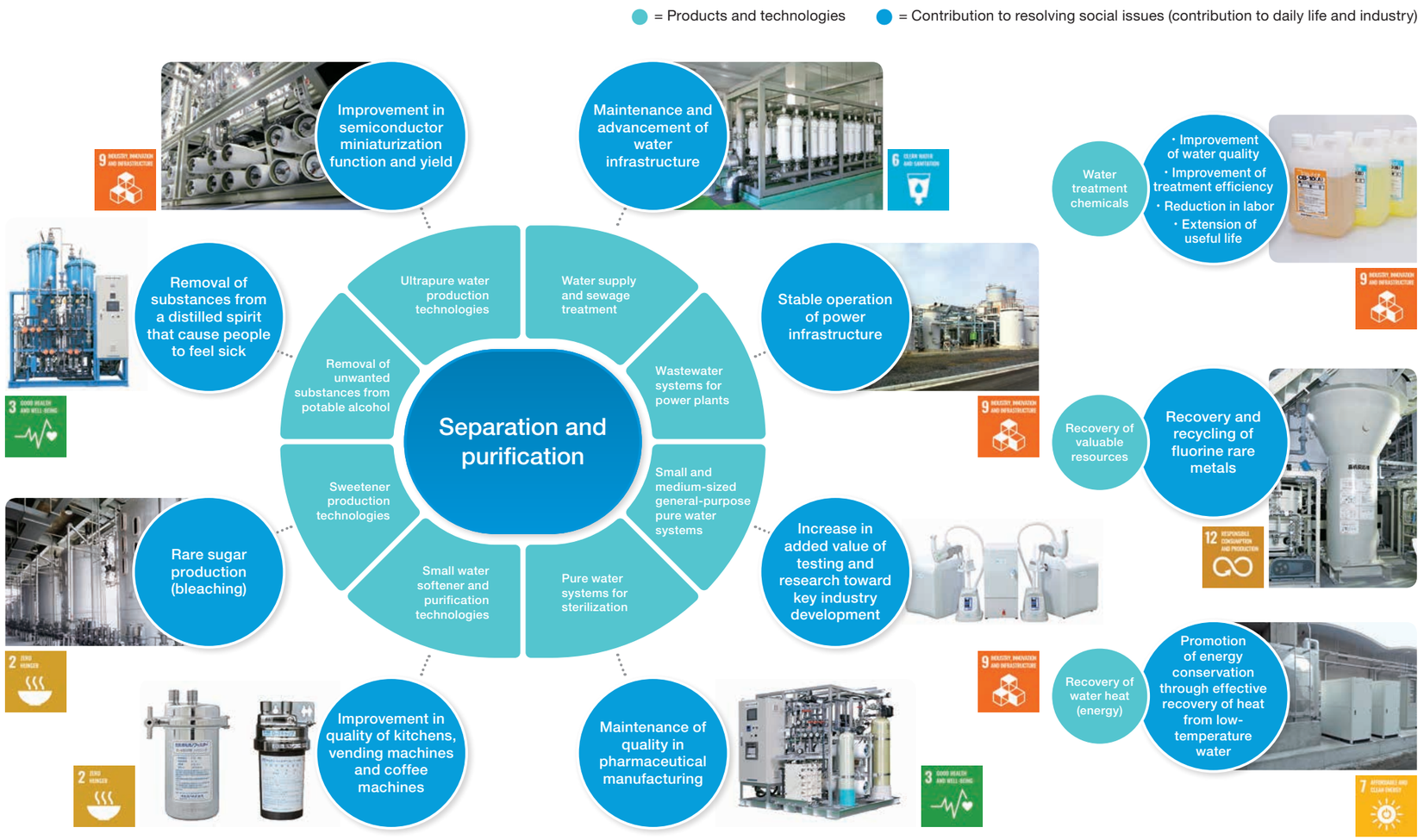
While Organo's technologies are used in a variety of applications, from ultrapure water to wastewater and for various solvents and chemical solutions, they share the ability to separate and remove unwanted substances and to purify useful substances.

The key to accomplishing this efficiently and at a more advanced level is the application of optimal systems that combine the operations necessary for the target substance. Water-related needs have increased together with industrial development, creating the necessity for high-quality water in large volume. The quality of water required differs by application. Organo incorporates the latest technologies, optimizes them as systems, and designs them individually for each customer. The separation and purification technologies are applied in a wide range of fields, including the production of pure and ultrapure water, various types of water treatment, and the refinement of raw materials for sugar and shochu.

Familiar products such as smartphones, LCD TVs, computers, cameras, metal products, beverages, and medicines cannot be produced without water. From clear, ultrapure water used to clean fine semiconductors and electronic circuits to raw water that is safe and free of impurities, water is indispensable in manufacturing.

Organo's strength lies in its separation and purification technologies, focused on water treatment, that have been handed down from generation to generation for more than 70 years and are expanding beyond existing fields to new applications.

How separation and purification technologies contribute to society



Strengths of the Organo Group

Comprehensive Water Treatment Engineering Company

Leveraging its separation and purification, analysis, and manufacturing technologies, Organo offers a wide range of products that can provide high-quality, stable treated water in a variety of fields. These products include systems for producing ultrapure water with the extremely high level of purity demanded by the semiconductor industry, systems for supplying industrial process water required in various industries, and systems for treating various types of wastewater generated in daily life and at factories.

In addition, as a comprehensive water treatment engineering company, we have built a technology and service structure that can meet almost all customer requests related to water treatment from industrial process water to wastewater. Organo's strength lies in its ability to provide comprehensive proposals which combine long-term stable operation guarantees, efficient running and operational support proposals, and the establishment of a service structure for maintenance and supplying expendable items.

As a comprehensive water treatment engineering company, Organo provides total support for development, planning, designing, construction, maintenance, and analysis from ultrapure water purification to wastewater treatment. Our solutions encompass everything from laboratory use to large-capacity systems for plants, large-scale and small- and medium-sized water treatment systems in various fields, and water treatment chemicals and other products.

Water quality

Support for everything from purification of pure and ultrapure industrial process water to wastewater, recovery, and recycling

Capacity

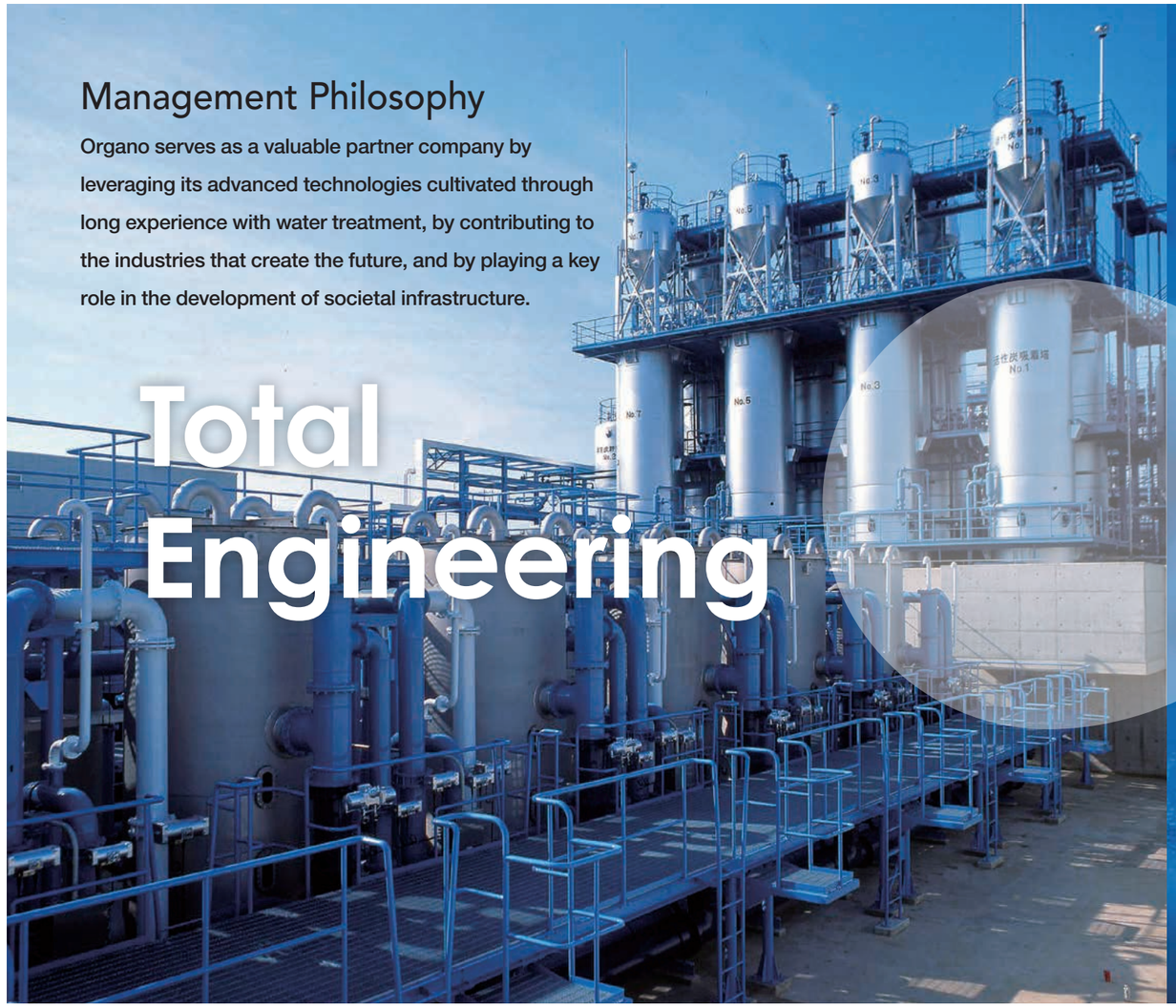
From one drop to large-scale plants

Applications

Support for fields ranging from societal infrastructure, such as power plants and water supply and sewage, to manufacturing and testing and research centers

Comprehensive structure

Comprehensive support including development, planning, design, construction, maintenance, and analysis



Management Philosophy

Organo serves as a valuable partner company by leveraging its advanced 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.

Total Engineering

Comprehensive Water Treatment Engineering Company

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.

Contents

Editorial policy

The Organo Group has issued the Organo Group Report beginning in the fiscal year 2020 as a report that integrates financial information with information such as management strategies, the business environment, and environmental, social and governance issues (ESGs) in order to provide a better understanding of our efforts to improve corporate value over the medium- to long-term. We will continue to enhance the Organo Group Report so that it will be a useful tool for dialogue with our stakeholders. The Organo Group asks for your continued support.

Reference guidelines

"Guidance for Collaborative Value Creation" by Japan's Ministry of Economy, Trade and Industry
"Environmental Reporting Guidelines" (2018 Edition) by Japan's Ministry of the Environment
ISO 26000:2010 Guidance on Social Responsibility
Global Reporting Initiative (GRI) Sustainability Reporting Standards

Scope of report

Applicable period:
April 1, 2019 to March 31, 2020
Applicable companies:
Organo Corporation and the Organo Group

Message from the President

Representative Director and President
President and Executive Officer

Masaki Uchikura

To Stakeholders

This year marks the 75th year since the founding of Organo Corporation in 1946. The founder, Masatake Maruyama, was involved in research on securing access to drinking water using ion exchange resins while an instructor at a military medical school. This led to the development of a heat-free water distillation system and the founding of Organo. Organo's name derives from "organic zeolite," which is the scientific term for the ion exchange resin that Mr. Maruyama regarded as having potential.

Since our founding, we have been committed to "creating value from water" and pursuing separation and purification technologies. During the company's initial years, the technology to obtain distilled water, or pure water, without heating attracted attention during the extreme post-war energy shortage. Japan subsequently entered an era of rapid economic growth, which gave rise to the need for larger equipment and technologies using substantial volumes of water, such as continuous treatment. Organo then went on to address needs that were becoming increasingly diverse over time. Such needs encompassed technologies for pollution prevention, recycling water and recovering valuable resources from wastewater, advanced refining in cutting-edge domains such as semiconductors that push the envelope when it comes to water purity, development of business overseas, and service solutions.

The 2030 Agenda for Sustainable Development adopted by the United Nations lists 17 Sustainable Development Goals (SDGs) and 169 targets. Organo's lines of business directly involve Goal 6, that of ensuring clean water and sanitation. As an essential element when it comes to maintaining life, water intricately relates to securing food, maintaining onshore and marine ecosystems, developing urban areas and industries, and achieving advancements in the fields of health and medicine. Therefore, Organo believes that water is relevant to all of the SDGs as well as other social targets.

Having been integrally involved with water ever since our founding, we are proud of the progress we have achieved with respect to our business centered on the technologies we have cultivated through water treatment.

We make the most of the value and functionality of water. This involves striking a balance between affluent lifestyles and preservation of water environments. This has been, and always will be, Organo's mission.

Medium- to Long-term Business Trajectory

The COVID-19 pandemic has weighed on economic activity and market structures at the international level, while also greatly affecting people in terms of their behavior and mentality. The future direction of Organo's business needs to be in line with changes that occur as the world learns to live with the novel coronavirus. Meanwhile, our approach to taking on a social role particularly when it comes to climate change and the SDGs is a matter of great importance given our involvement with water.

In the electronics industry, Organo's key market, despite signs of robust performance particularly involving semiconductor demand, investment may stagnate amid persistently sluggish sales of automobiles and smartphones. However, from a medium- to long-term perspective, the role of semiconductors and electronic components will likely expand due to growth generated by new businesses that rely on 5G and other new communications technologies, and growth achieved in the medical, education, entertainment and other realms. In addition to the water treatment technologies that have been our focus, advanced separation and refinement of chemicals and solvents used in semiconductor manufacture are also attracting attention in line with the continued miniaturization and increased performance of chips. We view this market as a major business opportunity.

We are also making fresh progress in developing separation and purification technologies with our sights set on the lithium-ion battery market, which is poised to grow amid the increasing proliferation of electric vehicles. And we are also focused on the biopharmaceutical field which has been drawing interest with respect to vaccines and remedies to combat COVID-19. As such, a major trajectory for us will involve striking a balance across pursuits that include addressing climate change through expansion into these fields of business, contributing to development of energy conservation and life science technologies, and achieving growth.

In the general industrial field and the Performance Products Business Unit, overall sluggish consumption worldwide could weigh on production and investment levels, yet growth seems likely in some fields including those that involve water treatment facilities for pharmaceutical manufacturing, water treatment equipment for medical and testing organizations, and disinfectants for sterilization and deodorization. Meanwhile, the electric power field is transitioning worldwide from nuclear power, oil and coal-fired power, and other such sources to renewable energy sources such as wind and solar power. Water supply and sewage is also not expected to grow significantly. As these fields of business had been poised to serve as stable sources of revenue, it has become necessary to overhaul the business structure and lineup to align with changes in the market environment.

Concerning our delivery and production structure, while there are still many tasks that require on-site work, such as facility construction and the operational management and maintenance of delivered facilities, the need for remote monitoring and unattended operation is growing. Moreover, amid the COVID-19 pandemic there have been instances where sales activities and work schedules have

Utilizing information and communications technologies (ICT)

Tablet computers have been introduced at customers' factories in order to streamline on-site tasks that involve construction of water treatment facilities and equipment diagnosis. This enables a reduction in the time required to perform work as a result of instantaneously sharing drawings, technical information, and system status.

Introduction of smart glasses

We have introduced smart glasses for use in factory construction and equipment diagnosis. The smart glasses enable swift on-site support by allowing users to share on-site information even from remote locations. We are working to expand the range of smart glass applications to include those that involve sharing information with customers and their use overseas.

Message From the President

been affected by movement restrictions being imposed on engineers from Japan, particularly when it comes to overseas projects. Amid those circumstances, we have made progress in development in areas that include systems for remote monitoring of devices that use sensors, IoT, and other such technologies, remote diagnosis for equipment using smart glasses, and instructional skills. Going forward, further effort will be required, particularly in terms of expanding the information infrastructure based on remote communications, and the integration of digital technologies with service solutions such as those that involve equipment maintenance and inspection.

Progress Achieved Under the Medium-term Management Plan

Evaluation of Previous Fiscal Year Financial Results

The fiscal year ended March 31, 2020 was a very strong one, with record-high sales for the second consecutive fiscal year and the highest profits since 2006. This performance was underpinned by continued active investment in the electronics field, particularly in cutting-edge technologies in the logic field in Taiwan and large-scale domestic investment in image sensors and other products. On the profit side, Organo's high profit margins were partially attributable to substantial cost reductions in the previous fiscal year with respect to major projects in Japan and Taiwan. They are also attributable to having accumulated underlying profits generated due to increased Performance Products and Service Solutions sales, businesses which have been priorities for the company.

Medium-term Management Plan

Given that Organo relies on the electronics industry market for no less than 50% of its net sales, its financial results are substantially affected by trends particularly with respect to large-scale capital investment related to semiconductors. As such, the company prepares its Medium-term Management Plan on a rolling three-year basis every year. The latest Medium-term Management Plan has been designed to focus on pivotal development of the service solutions, performance products, and new businesses where the potential exists for consistent financial results, after having established the scale of investment in the highly volatile electronics industry.

Key Business Fields

Electronics Industry Expansion

In the electronics field, we have been addressing sophisticated customer needs as semiconductor chip miniaturization proceeds, while also enhancing our marketing structure based on a roadmap for technological development of advanced semiconductors. As such, we will continue to develop unrivaled cutting-edge separation and purification technologies, such as the further purification of ultrapure water, the purification of electronic components and solvents, and the construction of high-recovery water treatment systems to ensure effective use of water resources.

Enhancing Service Solutions

In the Service Solutions field, we will work to enhance customer value. This will involve establishing a data center for collecting and storing facility operation data, as well as creating new service solutions that combine plants and performance products with sensors and IoT technologies, particularly by enhancing proposal-based service solutions based on data that has been collected and analyzed through the use of ICT and AI technologies. We will also enhance our service structure in China and elsewhere overseas amid ongoing increases in semiconductor production.

Creating New Businesses

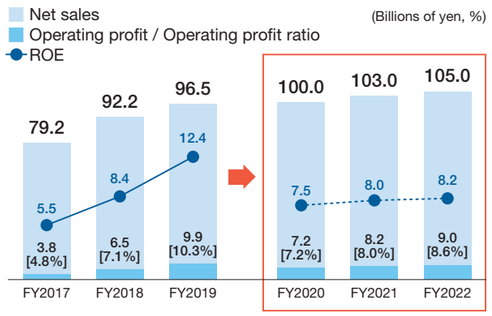
To create new businesses, we aim to establish new revenue pillars by deploying our advanced separation and purification technologies in markets including lithium-ion batteries, biopharmaceuticals, and cutting-edge semiconductors. Until last year, we conducted joint trials with customers and external research institutions with the aim of commercialization, and we will now work to achieve early commercial success under our new Medium-term Management Plan. This will entail the allocation of management resources such as R&D expenses and development personnel.

Further Initiatives

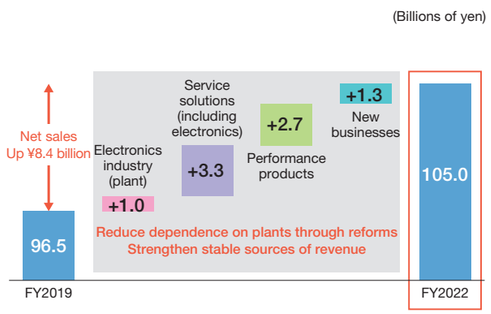
In order to fortify our engineering structure internationally, we plan to establish Global Engineering Center (GEC) in Asia. The aim is to increase production capacity and profitability by streamlining engineering operations and reducing costs.

We will continue to promote business reforms such as paperless initiatives and the use of ICT technology to improve productivity and work styles, which have long been goals of the company.

Medium-term Management Plan



Medium-term Sales Targets



Achieving Sustainable Development

As a company whose core business is water treatment, Organo believes that its desired role is to contribute to sound economic development that effectively uses water without harming the environment. This loop should be expanded beyond Japan, especially to regions where water resources are scarce and where environmental conservation is essential to rapid economic development. Specifically, we have been engaged in the development of Eco-Crysta, which collects and re-uses fluorine and other valuable resources from factory wastewater discharge, the OFAS Series for achieving efficient wastewater recovery using the membrane bioreactor (MBR) method, and water heat utilization systems that use heat pump technology to efficiently recover and use water heat.

Moreover, we are promoting initiatives that reduce waste and promote energy conservation at our offices and construction sites in various regions, diversity initiatives which involve recruiting and training employees that bring diverse personalities and backgrounds, and the promotion of CSR across the supply chain which involves working with suppliers to achieve SDG objectives.

Value Creation Process

While keeping the Water Treatment Engineering Business Unit at the core, Organo will further expand its role by leveraging its separation and purification, analysis, and manufacturing technologies. It will also expand the scope and regions of its businesses, including those beyond water, and constantly provide products and services that promote the creation of value and which resolve the challenges that confront industry and society.

[Management Philosophy]

Organo serves as a valuable partner company by leveraging its advanced 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.

Social issues

Global sustainable development and growth

- Responding to climate change
- Declining populations in developed countries
- Advancements in technology

Development and growth of emerging and developing countries

- Deepening of globalization
- Increasing populations and urbanization in emerging countries

Advancement and development of medical and health technologies

- Deepening of advanced medical technologies
- Development of medical structures in emerging countries
- Infection prevention measures

Management resources and proprietary strengths

Financial foundation

[Equity] ¥60,717 million
[Total shareholders' equity ratio] 59.9%

Production technology capabilities

[Production bases]
- Iwaki Factory, Tsukuba Factory
- Organo Food Tech Corporation (Food Products Business Unit)
- HOSTEC (Performance Products Business Unit)

Network

[Number of employees] 2,249
[Domestic and overseas sites]
- Domestic: 59 (Organo and Organo Plant Service Corporation)
- Overseas: 14 (eight countries)

R&D

[R&D expenses] ¥2,178 million
[Number of R&D personnel] 164
[Number of patents and utility models] 727

Proprietary strengths

- Advanced separation and purification technologies
- Comprehensive water treatment engineering
- Extensive experience in industry and daily life

Business processes and growth opportunities

Water Treatment Engineering Business Unit

Performance Products Business Unit

Growth opportunities

- Arrival of the advanced information society
- Development of energy-saving and life science technologies
- New developments in globalization

Corporate governance, the foundation of business

Value provided

Social value

- Providing water required in industry and daily life
- Developing technologies for reducing environmental impact
(Energy-saving and recycling technologies)

Customer value

- Contributing to technological innovation
(Electronics industry, life sciences and energy)
- Creating new added value
(Providing services using ICT)

Contributing to a sustainable society

SUSTAINABLE DEVELOPMENT GOALS

Shareholder value

- ROE 8% or more
- Continuously increase shareholder returns

Employee value

- Fulfilling place to work; energetic company
- Archieve diversity

Message From the Director in Charge of R&D and Engineering

Managing Director and Executive Officer
President of R & D and Engineering

Haruki Myouga

Organo's Strategy for R&D and Engineering

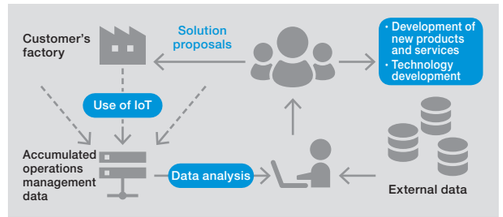
It is essential that we further evolve existing businesses and expand into new businesses when engaging in research and development involving our core separation and purification technologies. In the electronics industry, a key business field under our Medium-term Management Plan, the need for ultrapure water with virtually no impurities in the semiconductor manufacturing process is increasing as miniaturization proceeds. To address such needs, we must continuously develop next-generation ultrapure water systems that enable us to further expand our market share. We will roll out new technologies in the fields of wastewater treatment and recovery, which are poised to become increasingly crucial going forward. Moreover, in the Service Solutions business, we are also focusing on the development of water treatment equipment that incorporates IoT, AI, and other digital technologies for efficient facility operation, as well as autonomous control, predictive detection, and demand forecasting. Naturally, saving energy, reducing the consumption of resources, and curtailing greenhouse gas emissions are also important issues in product life cycles. In the area of engineering, within which planning and design of large-scale equipment are conducted, we are planning to establish Global Engineering Center (GEC) in fiscal year 2021. The objective is to build a structure that can respond to growing overseas demand and cost reductions.
When it comes to creating new businesses with the aim of expanding into new business areas, we are working to create value for industry and society through new business fields by promoting applications and practical uses for purification technology beyond water treatment. This includes the development of purification systems for biopharmaceuticals and lithium-ion batteries, and the development of advanced technologies for the purification of electronic materials.

Trends in Technology Development

Development of differentiated technologies that facilitate expansion of existing businesses

We are responding to the continuing miniaturization of semiconductors by promoting the development of technologies for achieving higher-quality water purification. At the same time, we are advancing the analysis technology for trace metals and particles at the 10nm level, which are essential in evaluating ultrapure water. Moreover, to achieve a recycling-oriented society, there is a growing need for water treatment, water recycling, and valuable resource recovery systems to reuse water and other valuable resources after the use of pure and ultrapure water in our factories. As such, one of our strategies is to improve functionality and performance to develop more sophisticated technologies for efficient reuse of valuable resources, thereby striking a balance between ensuring the highest quality water and protecting water environments. For instance, we have already commercialized our proprietary Eco-Crysta system, which involves technologies that facilitate a circular economy by recovering synthetic fluorite derived from wastewater-suspended fluorine and then reusing it as hydrofluoric acid raw material.
It makes sense for us to expand our capabilities in preventative maintenance by leveraging the latest digital technologies such as IoT and AI with the aims of optimizing maintenance and reducing labor. We also intend to develop data centers for collecting and analyzing facility operational data by drawing on digital technologies in order to increase our range of new services and solutions including those that involve remote surveillance and remote management.

Establishment of data center (image)



Creating New Businesses

Organo is accelerating the development of technologies required to create new businesses. As necessary, it will collaborate with external seeds through open innovation. The company has a track record over many years with separation and purification outside of water treatment, including the purification of raw materials for shochu – a distilled spirit – and sugar, products that are familiar to people in their daily lives. Meanwhile, in business pertaining to separation and purification technologies in new fields, Organo is actively working to expand into purification involving resist used in semiconductor manufacturing and other electronic materials, and also into pharmaceutical manufacturing. Continuous chromatography, which the company is attempting to apply to the biopharmaceutical purification process, has been proven to improve purification efficiency. Through collaboration with research institutes overseas, Organo is proceeding with the development of a total system with the aims of mass production and industrialization. Moreover, at manufacturers' plants the company is performing demonstration testing of technologies for purifying N-Methyl-2-pyrrolidone (NMP) solvents used in manufacturing rechargeable batteries. Lithium-ion batteries are increasingly found in electric vehicles (EVs) and hybrid vehicles given energy-related challenges and the need to curb greenhouse gas emissions. The company aims to perfect the technologies with the ultimate goal of commercialization.

NMP refining and recycling system

Investment in technology development with the aim of business expansion

Establishment of Global Engineering Center

We are proceeding with plans to set up a new site in the ASEAN region with the aims of expanding production capacity at water treatment plants, enhancing technological capabilities, and reducing costs. This will involve collaboration among engineers, systematically developing talent equipped for the future, and establishing a structure for flexibly addressing changes in the balance between Japan and overseas businesses and market fluctuation. These efforts will result in the construction of a technology platform for orchestrating a global response in terms of technology levels, quality, safety, services, and costs.

Construction of New Laboratory Buildings at the R&D Center

At our R&D Center in Sagamihara City, Kanagawa Prefecture, we are constructing two new laboratory buildings that will house next-generation ultrapure water systems for the electronics industry and facilities to conduct R&D into technologies for separating and purifying solvents and chemical solutions, with the aim of further strengthening the Medium-term Management Plan. Our investment in the laboratories, which will become operational in April 2022, will total ¥3 billion.

New R&D Center buildings (image)

Message From the Director in Charge of Finance

Managing Director and Executive Officer
President of Corporate Management and Planning and General Manager of Corporate Strategy and Planning Dept.

Nobuyoshi Suda

Basic Policy on Financial Strategy

In evaluating the status of progress on sustainably enhancing corporate value and improving profitability, we position ROE and operating income ratio as key indicators. There were signs of significant improvement in profitability partially due to the concentration of sales from relatively profitable projects in the previous fiscal year. However, levels of capital investment in the market and trends involving large-scale projects have not improved sufficiently to substantially affect financial results. Under the Medium-term Management Plan, we aim to establish a structure that enables the consistent and continuous achievement of both ROE and operating income ratios of 8% or better. At the same time, we intend to expand in the electronics industry, enhance our service solutions, and create new businesses.

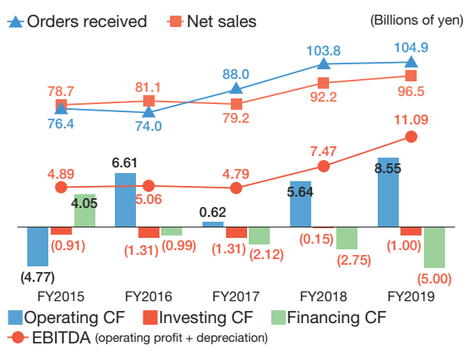
○ Performance comparison against industry and market averages

ROE	=	Profitability (Profit ratio)	×	Efficiency (Asset turnover ratio)	×	Leverage (Financial leverage)
FY2018 8.4%		FY2018 4.8%		FY2018 0.93%		FY2018 1.85
FY2019 12.4%		FY2019 7.4%		FY2019 0.95%		FY2019 1.75

- Significantly improved profitability due to concentration of sales from relatively profitable projects
- Profitability inferior to levels prior to previous fiscal year
- Efficiency and leverage within appropriate range

Take steps to improve profitability and establish a financial structure sufficient to ensure ROE of 8% or better on a stable and continuous basis

○ Cash flow and financial results



Our basic policy with respect to financing is to secure consistent sources of liquidity and funds necessary for business operations. Short-term working capital essentially consists of our own capital, short-term borrowings from financial institutions, and capital investment. Long-term working capital is obtained through long-term borrowings from financial institutions.
Our cash flows are affected by progress in construction on large contracted projects and by payment collection schedules. As larger projects generally tend to be subject to longer collection and payment terms, the cash flow may lag six months to one year behind business trends. Meanwhile, our Service Solutions business involves “water sales” whereby we provide water treatment facilities at our customers’ plants and facilities, in which case we temporarily shoulder substantial construction expenses. To this end, we will build a financial foundation that can withstand fluctuations in cash flow and ensures stable operations.

Approach to Use of Funds

We will aggressively invest in expansion in the electronics industry, enhancement of service solutions, and creation of new businesses - key business fields under the Medium-term Management Plan – while working to increase shareholder returns. In terms of investment, we plan to increase R&D expenses to approximately 2.5% of net sales, and will work toward enhancing R&D Center capabilities and developing new products and new technologies. We are determined to increase investment in systems and human resource development overseas. We will streamline engineering operations by leveraging IoT, AI, and other ICT technologies, develop new service solutions, establish the Global Engineering Center, and enhance sales structures. We also envision instances where we will provide “water sales” services that address customer needs.

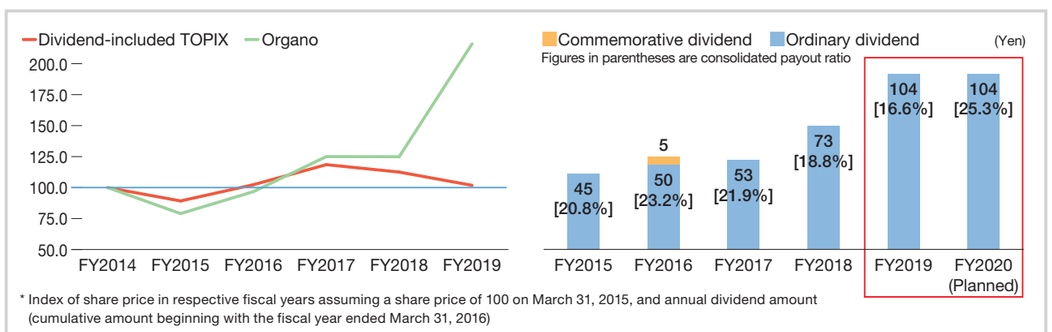
Assessment of Current Situation

In the fiscal year ended March 31, 2020, Organo achieved favorable results amid record-high sales and profits. Accordingly, the company paid unprecedented dividends of ¥104 per share. Amid such signs of improvement in its financial situation, the company will increase shareholder returns linked to growth. It will also aggressively invest in further growth by strengthening the development of new products and technologies, and expand its business foundation overseas.

Approach to Shareholder Returns

When it comes to shareholder returns, our basic dividend policy is to pay dividends commensurate with earnings, with due consideration given to anticipated business development. Meanwhile, we will allocate internal reserve funds to business and R&D investment to achieve sustainable growth.
Dividends paid by our company have increased for five consecutive fiscal years, excluding commemorative dividends, and we will continue to increase them to the extent possible going forward. We also intend to improve the dividend payout ratio based on financial performance trends.

○ Dividends and dividend payout ratios + total shareholder returns over five years



* Index of share price in respective fiscal years assuming a share price of 100 on March 31, 2015, and annual dividend amount (cumulative amount beginning with the fiscal year ended March 31, 2016)

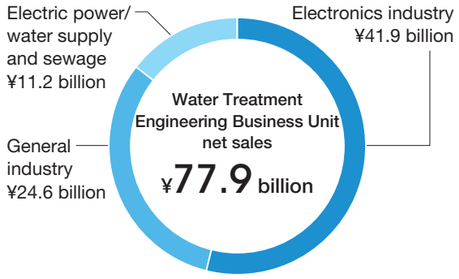
Business Overview

Organo possesses a wide variety of water treatment technologies for ultrapure water, pure water, tap water, industrial wastewater and sewage, and is developing its businesses to serve a diverse range of customers. In addition, the company has built a structure that allows it to provide comprehensive solutions by integrating all functions in-house, including product development, design, construction, sales, and post-delivery maintenance.

Water Treatment Engineering Business Unit

▶Refer to page 25

This business unit provides water treatment systems used at various manufacturing plants, power plants, and water supply and sewage facilities. It undertakes business as a comprehensive water treatment engineering company providing solutions ranging from the supply of ultrapure water – which boasts the top level of purity in the world – to water recycling and various wastewater treatment facilities that detoxify harmful wastewater.



Plant Division

Providing optimal water treatment systems with advanced technology capabilities cultivated in many industries and countries

Service Solutions Division

Providing solutions tailored to meet customer needs for facility operation, management, and improvement

Electronics industry

Semiconductors / Flat-panel displays / Electronic components

Ultrapure water is used for cleaning semiconductors, liquid crystal panels, and electronic components. In addition to purifying factory wastewater and reusing water, Organo systems can also recycle fluorine and other valuable resources.

General industry

Pharmaceuticals/ cosmetics / Foods/ beverages / Machinery/ chemicals

The company's technologies are used in supplying pure water as a raw material for products, cleaning, in purifying factory wastewater and in water recycling facilities, as well as for refining sugar and shochu.

Electric power/water supply and sewage

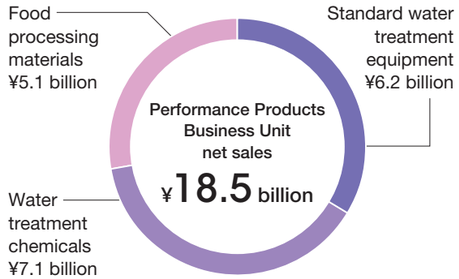
Power plants / Water purification plants / Sewage treatment plants

Organo provides water treatment facilities for water purification plants, sewage treatment plants, and power plants. The company's water treatment facilities have achieved a high market share for thermal and nuclear power plants.

Performance Products Business Unit

▶Refer to page 27

This business unit provides performance products such as standard equipment, filters, water treatment chemicals and food processing materials, to various manufacturing plants, retail facilities, and medical and research institutions. Although the business has focused primarily on Japan, the company is working to strengthen business development overseas for Taiwan, China and other regions with products such as compact pure water systems for medical institutions and water treatment chemicals for the electronics industry.



Standard water treatment equipment

Organo provides compact pure water systems used at medical and research institutions and water purification filters used at factories and in vending machines and coffee machines.

Medical/ research / Various manufacturing industries / Restaurants/ convenience stores

Water treatment chemicals

The company provides various water treatment chemicals used for cooling water treatment, boiler water treatment, and wastewater treatment at factories and commercial facilities.

Various manufacturing industries / Buildings/ commercial facilities

Food processing agents

Organo provides food additives used as raw materials for processed foods and beverages, and provides processing technologies for the raw materials used in health food products and food products for nursing care patients.

Food processing / Beverage production / Food for nursing care/ health food

Water Treatment Engineering Business Unit

Managing Director and Executive Officer
President of Industrial Plant Business
and Senior General Manager of Plant Division

Yasutoshi Nakayama

Water treatment facilities, which affect semiconductor manufacturing plant product yield rates, are complex systems that provide high-purity and mass volume and must operate stably over the long term. It is also necessary to adapt to the advances being made in manufacturing processes year by year. In addition to high quality, short lead times, and low running costs, it is essential to propose system options that give consideration to saving labor in operation and management and to saving energy. And when it comes to maintenance and other tasks subsequent to plant delivery, it is important to address issues from the customer's perspective and create shared value with society. In addition to the efficient design and manufacturing of plant systems that have already been ordered, we will continue to propose and supply systems and services required of us as a company that partners with various industries, including the growth fields of 5G, DX, and other high-value-added advanced industries, infrastructure that is indispensable in people's lives, and pharmaceutical manufacturing.

Contents of Business

Plant Division

Our company furnishes water treatment plants that are designed to order based on customer specifications. In most instances, orders are gained through competitive bidding, but the probability of winning orders and matters of profitability hinge not only on competitive pricing, but also on effective marketing activities in the early stages of planning. For instance, this includes conducting joint trials and making proposals for new technologies to solve the customer's needs and issues. In the electronics industry in particular, there are many large-scale projects involving water treatment facilities whose value is in the billions of yen. Such projects call for technologies including very high-purity ultrapure water, fluorine and other valuable resources used in manufacturing processes, water recycling technologies, wastewater detoxification and purification, and other advanced technologies. For this reason, our Medium-term Management Plan positions expansion in the electronics industry in key markets as a key business field. We are working to enhance our marketing activities particularly by promoting R&D for cutting-edge semiconductor technologies and expanding into new markets such as China, where investment continues to grow.

Service Solutions Division

After a plant has been delivered, we mainly provide service solutions that include operational support, maintenance, and periodic inspections. Marketing activities conducted through service solutions constitute an important means of winning orders for new plants, given that many customers invest in modifying and augmenting existing facilities. Moreover, the Service Solutions Division promises more stable financial results than the Plant Division, which is susceptible to trends in capital investment. In line with this, we will develop new service solutions that leverage IoT and ICT technologies and enhance our solutions structure overseas in countries such as Taiwan and China, which are achieving remarkable progress. In order to accomplish this, we will focus on the enhancement of service solutions – identified as a key business area under the Medium-term Management Plan – driven by recently mounting customer needs for reduced operating costs, reduction in labor, and remote facility management.

Financial Results for Fiscal 2019

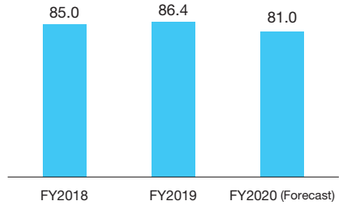
In fiscal 2019, Organo achieved record-high financial results in terms of both orders received and net sales for the second consecutive fiscal year. These results are partially attributable to strong performance in the plant sector – mainly in the electronics industry – including orders for the largest-ever semiconductor project in Japan, in addition to investment in advanced semiconductors in Taiwan. Strong performance in service solutions, including facility modification and improvement proposals and maintenance, was also a factor. Looking at profits, Organo recorded its highest earnings since fiscal 2006 due to substantial improvement in profitability brought about by cost reductions in domestic and overseas projects and by higher sales in the Service Solutions Division, which generates relatively high profit margins.

Outlook for Fiscal 2020

Although the future outlook remains very uncertain due to the COVID-19 pandemic, the electronics industry remains strong. Companies continue to actively invest in semiconductor-related operations in Taiwan and China, and production levels are high in Japan. In general industry, there are signs of restraint and postponement of capital investment in areas such as Japan and Southeast Asia, but maintenance and other aspects of the service solutions business remain strong. Meanwhile, in the public infrastructure sector encompassing electric power, water and sewage, results are likely to remain on par with those of the previous fiscal year. In fiscal 2020, the company estimates that it will achieve net sales of ¥100 billion for the first time ever due to construction progress made on projects ordered up until last year. In terms of profits, although profit margins are expected to decline largely due to the order environment, Organo will work to improve profit margins through various cost-reduction measures and making proposals to customers.

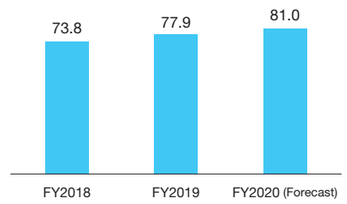
Orders

(Billions of yen)



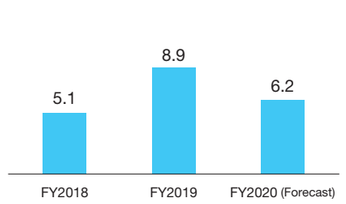
Net sales

(Billions of yen)

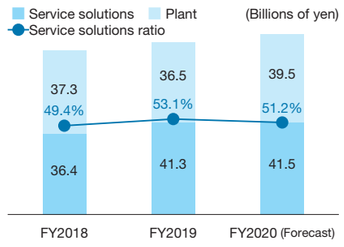


Operating income

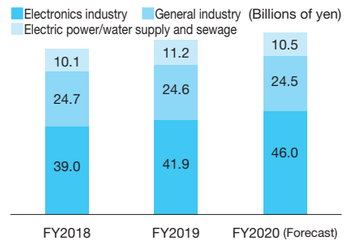
(Billions of yen)



Net sales by segment



Net sales by industry



TOPICS

Enhancing Service Solutions

The company is enhancing its existing maintenance and other service solutions in order to provide further value to its customers.
It is also moving forward with new initiatives such as the development of service options that leverage IoT technologies and establishing after-sales service networks overseas.

Maintenance

Managing maintenance using IoT

Performance Products Business Unit

Managing Director and Executive Officer
President of Performance Products Business

Hitoshi Hori

The Performance Products Business Unit primarily engages in business involving standard equipment and filters, water treatment chemicals, food processing agents, and functional materials for separation and purification in Japan and overseas. Representing the origins of Organo, standard equipment constitutes the first of its products to be manufactured in Japan and has been deployed in the fields of research and medicine. Meanwhile, our filters are recognized as material that produces water essential in making delicious beverages. We have also earned praise for our efforts in pursuing effective, efficient management of drug efficacy by linking sensors and IT with its systems. In the Food Products Business Unit, we have expanded into the field of functional food products such as those for nursing care patients by taking full advantage of preparation, mixing, and molding technologies. When it comes to functional materials, our Engineering Business Unit and Service Solutions Division supply materials capable of meeting a wide range of customer needs. Looking at performance products, the focus has long been on pursuing business in Japan, but we have recently enhanced our product lineup for overseas markets to strengthen our deployment into Taiwan, China and other overseas markets in the fields of compact water purification devices for medical institutions and water treatment chemicals for the electronics industry. In the medium to long term, we aim to increase the proportion of sales generated by the Performance Products Business Unit to around 30% from the present level of around 20%.

Contents of Business

	Standard water treatment equipment	Water treatment chemicals
Standard equipment	In the standard equipment field, we are enhancing our product lineup of compact water purification systems for medical and testing organizations, research institutions, and other such entities. Although Western manufacturers have taken the lead in this field thus far, we are leveraging our credibility as a domestic manufacturer to strengthen our efforts in markets poised for growth with the advancement of life science technologies and the development of medical equipment in emerging countries. We aim to furthermore expand such business by enhancing sales structures in China amid growing demand in that nation.  PURIC and PURELITE α Series	Looking at water treatment chemicals, we are developing new products and technologies and expanding into Taiwan, South Korea and other overseas markets, with a focus on the electronics industry, bolstered by our Engineering Business Unit. The disinfectant we developed for RO membranes used in semiconductor plants and seawater desalination facilities has been growing significantly, which has enabled us to develop a more extensive track record in Japan, China, South Korea, Vietnam and other markets. Under our Medium-term Management Plan, we will enhance our comprehensive services pertaining to our customers' water treatment facilities, which will involve the integration of sensors and IT into service solutions for water treatment plants. The assessment of our efforts in this regard were manifested in our being awarded the Energy Conservation Grand Prize for fiscal 2020.
Filters	In the field of filters, there has been substantial growth in sales of water purification filters for coffee machines located in convenience stores and other such establishments. The focus of filters used to be that of dispensers for various factories, vending machines, and restaurants, but attention has since shifted to filtration technologies to provide water that extracts flavor optimal for the purpose at hand, such as coffee, tea, and soup stock used in food preparation.  Organo Filters D-4D	**Food processing agents** In the field of food processing agents, we are promoting high functionality in granulation technologies to convert powders into granules for use in food products for nursing care patients and health foods. The granulation process makes it easier to dissolve materials in liquid without forming lumps, thereby making it easier to thicken food products, making food products easier to swallow, and preventing the threat of incidents such as aspiration.

Financial Results for Fiscal 2019

In fiscal 2019, sales increased slightly due to strong sales of standard equipment and water treatment chemicals overseas, despite a downturn in plant operating rates associated with eliminations and the consolidation of factories and lower exports by some customers.

Outlook for Fiscal 2020

In fiscal 2020, sales at the outset of the fiscal year, particularly for automotive applications, restaurants, and medical institutions, were substantially affected by the COVID-19 pandemic. However, financial results are likely to end up on par with initial forecasts driven by a recovery in sales largely due to robust sales of Orplus, a slightly acidic electrolyzed functional water for sterilization and deodorization, combined with firm results from water treatment chemicals for the electronics industry.

Food processing agents

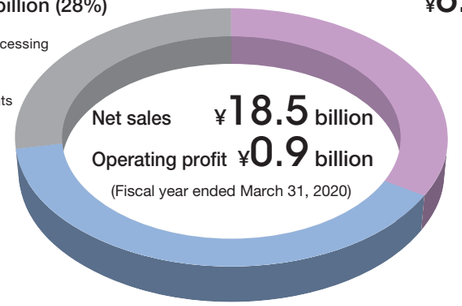
¥5.1 billion (28%)

- Food processing agents
- Food ingredients

Standard water treatment equipment

¥6.2 billion (34%)

- Pure water production systems
- Ultrapure water production systems
- Filters
- Multi-functional water production systems



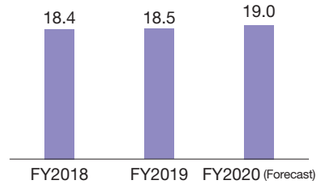
Water treatment chemicals

¥7.1 billion (38%)

- RO water, wastewater, cooling water, boiler water treatment, and cleaning chemicals

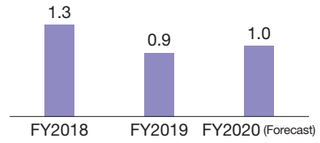
Net sales

(Billions of yen)



Operating income

(Billions of yen)



TOPICS

Overseas Expansion Involving Water Treatment Chemicals

We are working to increase our sales of water treatment chemicals that facilitate more efficient operations at our customers' factories mainly in East Asia, which is poised for growth.
In fiscal 2021, we aim to achieve ¥1.6 billion in net sales overseas. We will enhance sales activities in China, Taiwan, and Southeast Asia particularly for chemicals for RO membrane treatment systems used for seawater desalination and wastewater recovery.

Sustainability Management

Based on its management philosophy, “Organo continues to serve as a valuable partner company by leveraging its leading-edge technologies cultivated through long experience with water treatment, by contributing to the industries that create the future, and by playing a key role in the development of societal infrastructure,” the Organo Group has established the Organo Group Company Code of Conduct as a guideline that officers and employees of the entire Group must follow. It is also carrying out group-wide CSR initiatives.

Basic Precepts of the Organo Group Company Code of Conduct

I. Building trust by meeting the expectations of customers, business partners, and stockholders

II. Ensuring a comfortable workplace where all employees can realize their full potential

III. Contributing to the sound development of society

Basic Concept

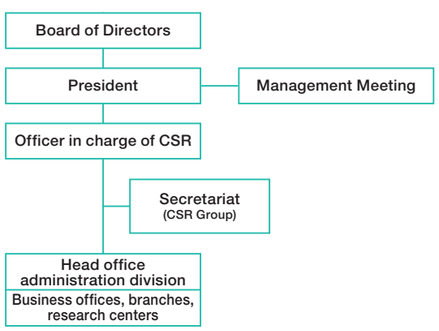
The company has prescribed the basic code of conduct that officers and employees of the Organo Group should follow to fulfill corporate social responsibilities to achieve a sustainable society.

In order to honor the trust of stakeholders and to promote social and environmental responsibilities and business ethics, it is important not only to comply with the relevant laws of Japan and other countries and internal rules, but also to respect social norms and work to conduct corporate activities in an honest and fair manner.

To create a comfortable workplace where employees can demonstrate their abilities, the Group will strive to put in place measures for safety and hygiene and prepare for times of emergency; prevent work-related accidents and diseases; eliminate various forms of harassment and discrimination, and respect the human rights, diversity and individuality of each individual, thereby maintaining and improving work-friendly environments. Furthermore, to minimize the impact on communities, the environment, and natural resources, the Group works to preserve the environment and reduce energy and waste while ensuring the quality and safety of products and services. While promoting the aforementioned endeavors, the Group aims to co-exist and co-prosper with other members of society.

CSR Promotion System

CSR activities carried out as part of business are overseen by the President, who serves as the Chief CSR Promotion Officer, and an Officer in charge of CSR appointed by the President. The CSR Group, a staff office overseen by the Officer in charge of CSR, promotes CSR activities in a comprehensive and cross-disciplinary manner. The CSR Group serves as a secretariat. It receives reports from related committees and business offices within the Group and compiles a summary of group-wide CSR activities. The CSR Group also disseminates information externally, such as via the integrated report. Important matters concerning CSR promotion are reported in a timely and appropriate manner to the Board of Directors and the Management Meeting.



Connection with Stakeholders

The Organo Group fulfills its corporate social responsibility to the five types of stakeholders with whom it is closely connected in order to achieve sustainable growth.

Stakeholders	Organo’s role and mission	Engagement
Shareholders	Appropriate disclosure, stable and appropriate dividends, and sustainable improvement of corporate value	IR activities (financial results presentations, IR meetings), General Meeting of Shareholders, Organo’s website
Customers	Provision of high quality products that are useful for society at reasonable prices	Communication through sales activities
Suppliers	Fair and impartial transactions	Communication through purchasing activities
Employees	Stable employment, cultivation of human resources, appropriate compensation, sharing of information and issues	Employee meetings, labor-management consultations, various training programs, intranet, intra-group announcements, health consultation office
Community, society and government	Appropriate payment of taxes, stable and fair employment, dialogue with local communities	Organo’s website, Organo Group Report

Stakeholder Engagement

As one of the measures against COVID-19 infection, the company livestreamed its financial results presentation meeting in May 2020. The target audience for previous financial results presentations was investors only, but livestreaming the presentation enabled it to be viewed by a broader audience. The meeting can be viewed from the Investor Relations Information page of Organo’s website (Japanese only).

Governance

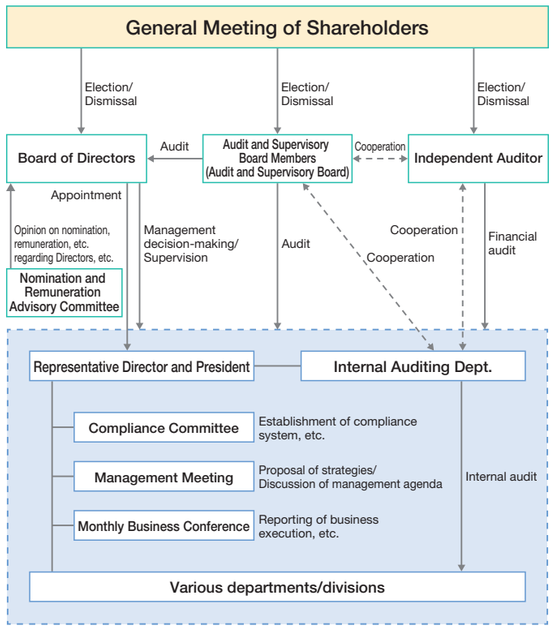
The company is working to enhance corporate governance in line with the following basic policies in order to realize fair and trustworthy management and improve management efficiency.

Basic Stance on Corporate Governance

(1) The company will respect the rights of shareholders and ensure equality.
(2) The company will take into account the benefits for a wide range of stakeholders including shareholders, investors, consumers, customers, suppliers, employees, and local communities, and cooperate with these stakeholders appropriately.
(3) The company will disclose corporate information in a timely and proper manner, and ensure transparency.
(4) The directors, Audit and Supervisory Board members, and executive officers will be aware of their fiduciary responsibilities, and effectively fulfill their required roles and duties.
(5) The company will hold constructive dialogue with shareholders.

Corporate Governance Structure

Corporate Governance Structure



Board of Directors

The Board of Directors consists of nine directors (including three independent outside directors). To strengthen corporate governance, independent outside directors comprise at least one-third of the members of the Board of Directors.

Audit and Supervisory Board

The Audit and Supervisory Board consists of three members (including two outside Audit and Supervisory Board members), all three of whom have appropriate knowledge relating to finance and accounting, and one of whom has appropriate knowledge of legal matters.

Selection/ Compensation Committee

The company established the Selection/ Compensation Committee as a non-statutory advisory body to the Board of Directors. The committee reviews matters relating to the selection of officers including the election and dismissal of directors and executive officers as well as compensation for directors, and reports the results to the Board of Directors. The committee consist of four directors (including three independent outside directors), one of whom serves as the committee chairman.

Assessment of the Overall Effectiveness of the Board of Directors

The company conducts a survey for all directors and Audit and Supervisory Board members every April. Based on the results of the survey, the Board of Directors analyzes and assesses its overall effectiveness and discusses measures to maintain and improve the function of the Board.

Status of initiatives for main issues based on effectiveness assessment

Main issues	FY2016	FY2017	FY2018	FY2019	FY2020
Selection of directors, succession plan	- Establishment of qualifications required for directors and the President		- Establishment of criteria for considering dismissal of directors	- Establishment of Selection/Compensation Committee - Establishment of council between the company's Selection/Compensation Committee and the parent company's Selection/Compensation Committee	
Director compensation incentives, transparency of decision-making process	- Increase in proportion of short-term performance-linked compensation - Establishment of Compensation Committee		- Introduction of mid- and long-term performance-linked compensation (stock-based compensation)		
Composition of Board of Directors					- At least one-third of the members are independent outside directors

Compensation for Directors and Other Officers

Basic Policy on Compensation

The compensation system for executive directors encourages business execution in line with management policies and objectives and establishes a compensation structure and standards which provide strong incentive for the achievement of short-term and mid- to long-term management targets in order to achieve sustainable growth and improve the corporate value of the Group.

Compensation Structure

Executive directors

Monetary compensation		Stock-based remuneration (stock delivery trust)
Fixed compensation	Performance-linked compensation	
	Short-term incentives	Mid- to long-term incentives
Determined according to rank	Varies from 0% to 170% according to consolidated operating income	Varies from 0% to 200% according to consolidated ROE
	Approximately 50% to 60% of total compensation when the company has achieved the standard performance target, according to rank	

Non-executive directors and Audit and Supervisory Board members

Fixed compensation according to position

Governance

Compliance

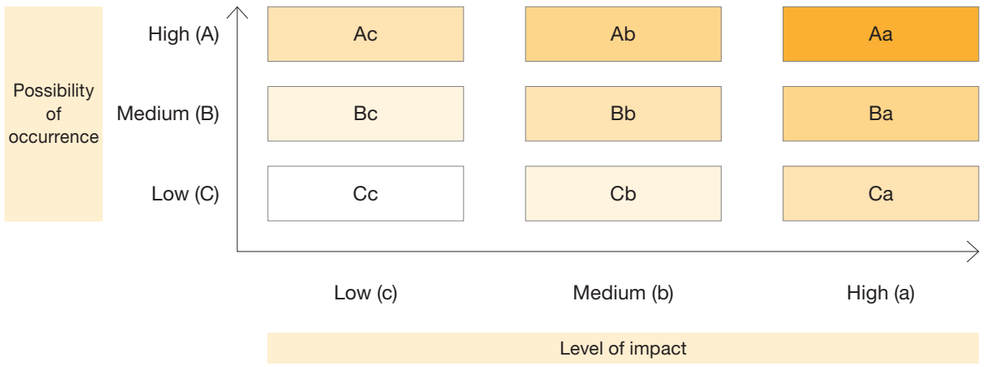
Based on the idea that safety and compliance are necessary for the survival of the business, the company places priority on safety and compliance in its corporate activities, and the President delivers messages periodically, such as during meetings for all employees.
In addition, the company has established the Organo Group Company Code of Conduct as the basic action guidelines that the Group's officers and employees must follow. It has also created English and Chinese translations of the original Japanese version so that it is shared by all officers and employees of the Group. The company also conducts a biennial survey for its officers and employees to confirm the degree of implementation and observance of the Company Code of Conduct. The results are reported to the Board of Directors and employees in an effort to foster compliance awareness.
The Compliance Committee, which was established as an organization for promoting compliance, formulates and implements a compliance education plan for Group employees, investigates compliance issues, and considers corrective measures.
The company established a whistleblowing system to ensure the effectiveness of compliance through the early detection and correction of improper acts. And, in addition to the company's internal contact point, it has established contact points with Audit and Supervisory Board members and external lawyers to receive reports and requests for consultations from employees.

Risk Management

Determining risk

The company evaluates risk based on two evaluation criteria: "possibility of occurrence" and "level of impact." The Board of Directors identifies particularly important risks and considers measures to handle those risks.

Risk evaluation diagram



Appropriate Risk-taking

In the Water Treatment Engineering Business Unit, the Group's core area of business, most of the business is for individual orders and production, and the profitability of large-scale projects can have a significant impact on operating results. Therefore, according to the monetary value and other aspects of large-scale projects, the company submits bids and estimates after the contracts, technologies, costs, delivery dates, financial matters, and geographical and other risks are evaluated by the Management Meeting and the Board of Directors.

Officers (as of December 31, 2020)

Masaki Uchikura
President
Representative Director
President and Executive Officer

Hitoshi Hori
Director
Managing Executive Officer
President of Performance Products Business

Haruki Myouga
Director
Managing Executive Officer
President of R & D and Engineering

Yasutoshi Nakayama
Director
Managing Executive Officer
President of Industrial Plant Business and Senior General Manager of Plant Division

Nobuyoshi Suda
Director
Managing Executive Officer
President of Corporate Management and Planning and General Manager of Corporate Strategy and Planning Dept.

Masayuki Yamada
Director

Motoo Nagai
Outside Director

Keikou Terui
Outside Director

Kenji Hirai
Outside Director

Masahiko Toyoda
Audit and Supervisory Board Member (Full-time)

Masao Wada
Outside Audit and Supervisory Board Member
Certified Public Accountant

Wataru Higuchi
Outside Audit and Supervisory Board Member
Certified Public Accountant
Lawyer

Message ● Message from Outside Director

Achieving sustainable development is the mission of both executive directors and outside directors

Since being elected to serve as an independent outside director in 2015, I have kept two important matters in mind. The first is strengthening governance. The company established the Selection/Compensation Committee and has worked to strengthen governance, such as stipulating that outside directors will comprise one-third of the Board of Directors. In order to be truly dedicated to these efforts, it is necessary to proceed with the creation of a risk management structure within the company. The Board of Directors is committed to providing advice and opinions on whether various operations are being managed appropriately.
The second is the separation of supervision and execution functions. Amid the current situation where it is said that 20 years of change will occur in two years, management that is not carried out with a sense of speed will not be able to cope with the change. Although we monitor management decisions to confirm that they are made from a strategic perspective with a clear awareness of risk, we must also entrust execution to the management side.
I believe that these two points are the result of relationships that have the appropriate balance of tension and trust between the executives and outside directors.
This year, the company is celebrating its 75th anniversary. There is no difference between executive directors and outside directors in their commitment to maximizing corporate value by fully utilizing Organo's technology capabilities cultivated in water, and they will continue working together to contribute to the sustainable development of the company.

Outside Director
Motoo Nagai

Environment

Environmental Philosophy

Recognizing that the preservation of the earth's environment is of the greatest importance for every human being, Organo contributes to human coexistence and symbiosis with Earth's beautiful environment in every facet of its business operations.

Basic Environmental Policy

Continuous improvement	We will be aware of the environment surrounding all industrial activities and continue to preserve and improve the environment through all technical and economic means possible.
Observance of laws and establishment of our own standards	We will observe laws, regulations and agreements concerning the environment. We will also establish our own standards and do our best to preserve the environment in accordance with these standards.
Production environment	We will strive to conserve resources and energy, to minimize waste and to recycle the waste produced in every aspect of our business activities.
Product environment	We will develop product manufacturing technologies that will reduce the burden on the environment.
Environmental monitoring	We will inspect the environment within our company and work to improve our environmental preservation activities.
Comprehensive involvement	We will educate our staff and encourage in-house publicity concerning environmental issues to promote understanding and awareness of the environment and of our own basic environmental policy.

Environmental Management Structure

Environmental Conservation Promotional Structure

The company's policies, targets, and measures for environmental preservation are discussed and decided by the company-wide Environmental Conservation Committee. At each business site in Japan, the Environmental Conservation Committee establishes policies, targets, and measures for the office based on the company's targets and measures, as well as specific issues, and carries out its activities accordingly.

President

Board of Directors

Company-wide Environmental Conservation Committee
Secretariat: Environment, Safety and Quality Assurance Dept.

Offices
Environmental Conservation Committee

Environmental Management System

Our environmental management system is based on the international standard ISO 14001. Our Tsukuba Factory, where ion exchange resins are purified, has acquired ISO 14001 certification.

Environmental Education

Promotion of Internal Education

As part of the curriculum for new employee training and engineering technology training, the company offers courses on pollution prevention laws and regulations. It also encourages employees to obtain national Pollution Control Manager certification, and provides support by offering correspondence courses and covering examination fees.

Number of qualified Pollution Control Managers in FY2019*
Cumulative: 184

*Total of water quality-related Classes 1 to 4, air quality-related Class 1, noise and vibration-related, and dioxin-related

The Organo Group's Approach to Climate Change Issues

Basic Stance

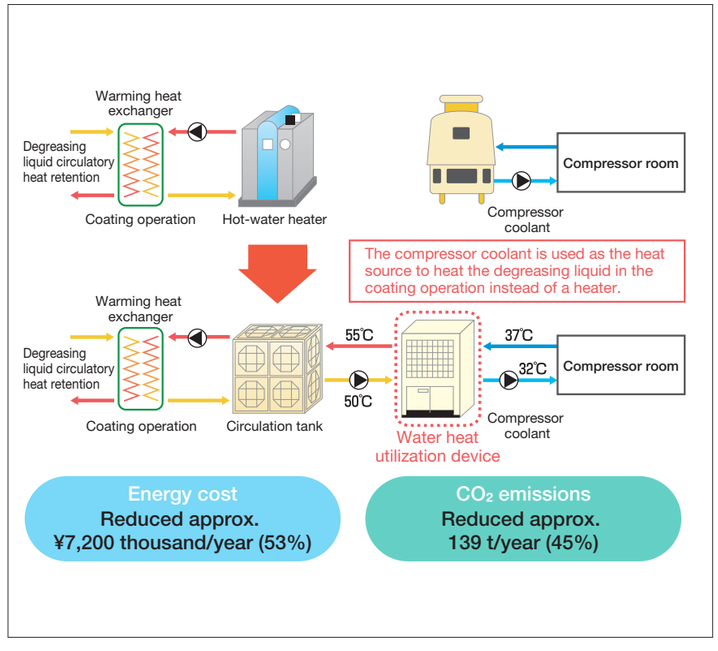
Climate change is a threat to the stability of society and the environment on a global scale. As an organization heavily involved in water resources, Organo considers it a risk it should pay close attention to. The company has established the Organo Group Company Code of Conduct, which states that "We will develop environment-friendly products and technologies as well as products and services that will help solve environmental problems." Organo is also striving to reduce energy consumption in the water treatment process by improving the efficiency of water transfer, increasing the efficiency of plant operation through the use of ICT, preventing the deterioration of heat transfer efficiency through the use of water treatment chemicals, and recovering and reusing the heat energy contained in wastewater. The company is also working to curb greenhouse gas emissions generated by its business activities through the introduction of solar power generation systems in some of its equipment and offices.

Specific Initiatives

Water heat utilization systems - highly efficient recovery and utilization of water heat

At factories and other facilities, heat energy in wastewater, cooling water, and groundwater is not recovered and is discarded out of the system. Water heat utilization systems use heat pump technology to enable heat transfer from the low temperature end to the high temperature end, which was not possible with conventional heat exchangers. This allows the highly efficient recovery of heat energy in water. In addition, this system recovers and uses the waste heat from cooling cold water to heat warm water, enabling simultaneous supply of hot and cold water. Compared to conventional systems, which required separate heat source units for hot and cold water supply, this system enables significant reductions in energy consumption and CO_2 emissions.

Trial calculation for introduction (machine parts factory)



Awards

Environment

Energy and Waste

The main environmental impacts of the Group's business activities include energy use and waste discharge. Organo will continue its efforts to reduce the degree of environmental impact.

Input and output of the Organo Group's environmental impact in FY2019

INPUT

Materials

Copy paper, etc.	27 t

Energy

Electric power volume	12,177 MWh
Gasoline	1 kℓ
Diesel fuel	1 kℓ
Kerosene	46 kℓ
Heavy oil A	0 kℓ
Liquefied petroleum gas (LPG)	666,072 m³
City gas	412 m³

Water

Clean water	36,143 m³
Industrial water	285,403 m³
Groundwater	220,710 m³

Organo Group's Business Activities

Water Treatment Engineering Business Unit

Performance Products Business Unit

OUTPUT

Waste

General waste	94 t
Industrial waste	535 t
Special industrial waste	107 t
Recycling volume*	547 t

CO_2 emissions

7,716 t

Wastewater volume

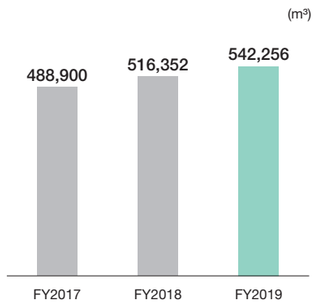
434,603 m³

* Recycling volume includes heat recycling.

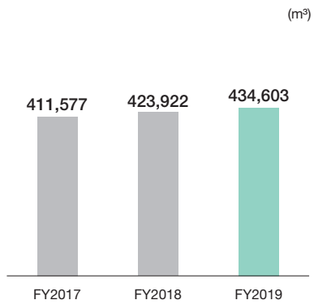
* We have compiled data for materials, energy, water, waste, CO_2 emissions, and wastewater volume for the following offices:
Head Office, R&D Center, Tsukuba Factory, and Iwaki Factory of Organo Corporation, and Main Factory of Organo Food Tech Corporation

* The water balance does not include evaporation or sprinkling, or products brought out of or into facilities.

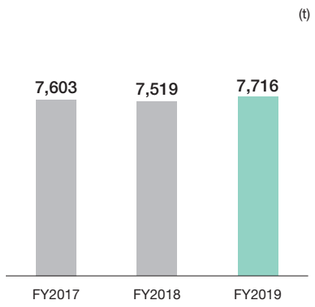
Changes in water usage volume



Changes in wastewater volume



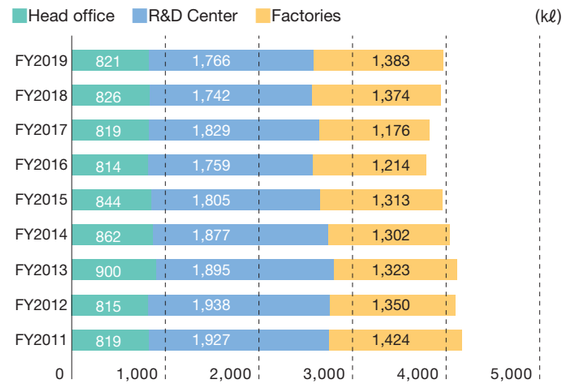
Changes in amount of CO_2 emissions



Energy Consumption (crude oil equivalent)

The energy consumption of Organo's major offices for the period between FY2011 and FY2019 is as shown on the right. The company falls under the category of a Specified Business Operator under the Act on the Rational Use of Energy, and the R&D Center falls under the category of Type 2 Designated Energy Management Factory.
Organo will continue to undertake energy conservation activities at all of our offices.

Energy consumption



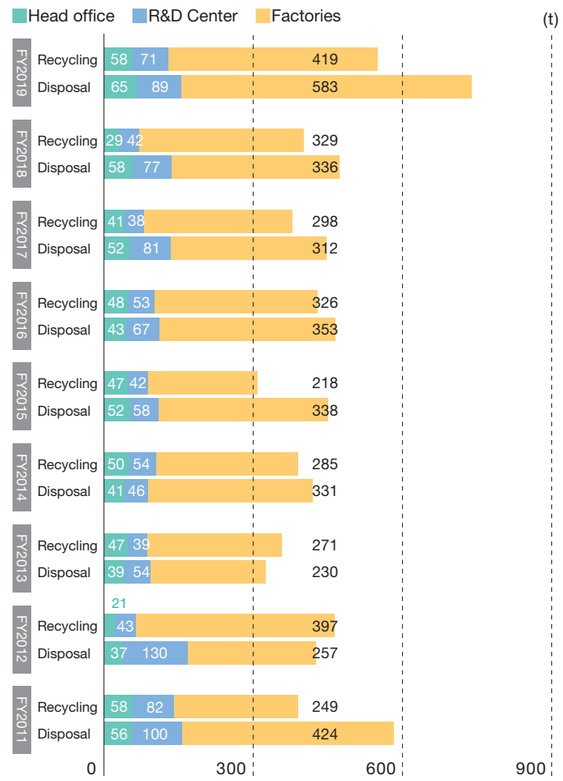
Note: The figures for factories are the totals of the Tsukuba Factory, Iwaki Factory, and Main Factory of ORGANO FOOD TECH CORPORATION.

Volume of Waste Generated

The volume of waste generated at our major offices for the period between FY2011 and FY2019 is as shown on the right.
Organo maintains a high recycling rate. The company will continue to work to further reduce the volume of waste generated and improve the recycling rate at each of the Group's offices.

Waste sorting at the R&D Center

Volume of waste generated and recycling volume



Notes:
1. The figures for factories are the totals of the Tsukuba Factory, Iwaki Factory, and Main Factory of ORGANO FOOD TECH CORPORATION.
2. The disposal amounts are the totals of non-recycled general waste, industrial waste and special industrial waste.

Introduction of Electronic Manifests

The company has begun the full-scale introduction of electronic manifests.
Conventional printed manifests are disadvantageous in that there is a time lag between filling out and confirming the information at each stage of the process, such as transportation and disposal of waste, and that confirmation is not immediate. The introduction of electronic processing enables the acceleration of the processing status checks and tabulation and results in labor savings, contributing to improved operational efficiency.

Society

Basic Stance on Human Rights

The Organo Group declares that it shall respect human rights and prohibit discrimination, and accordingly aims to act as a company that respects individuals and diversity, without discrimination based on nationality, gender, creed, physical condition, or social status. Based on this foundation and as stated in Organo's Long-term Management Vision, the company is working to "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."

Initiatives Related to Human Rights Issues

RBA Initiatives

The Organo Group Company Code of Conduct, sets forth clear guidelines on respecting human rights, prohibiting discrimination, and forbidding harassment. Going forward, the company will promote human rights initiatives while fortifying its CSR activities in adherence with the Sustainable Development Goals (SDGs) and the Responsible Business Alliance (RBA) Code of Conduct.

What is RBA?

Consisting of more than 150 companies mainly in the electronics industry from Japan and overseas, the Responsible Business Alliance (RBA) aims to ensure that companies serve in a socially, ethically and environmentally responsible manner across global supply chains. It accordingly sets standards to ensure that working conditions are safe, that workers are treated with respect and dignity, and that business operations are environmentally responsible and conducted ethically.

Initiatives to Address Human Rights Issues Across the Supply Chain

In 2015, the company formulated the "Organo Group Supply Chain CSR Promotion Guidebook" (Japanese only) to promote CSR initiatives throughout the supply chain and work with suppliers to make the notion of a sustainable society a reality. Having accordingly stipulated seven categories in that regard, including respect for human rights, ensuring safety and hygiene, legal compliance, and environmental awareness, the company has been taking steps to instill these concepts across the supply chain.

Policy on the Conflict Minerals Issue

The Organo Group appropriately addresses the issue of conflict minerals which stands as an international concern. In so doing, it promotes initiatives to eliminate the use of conflict minerals mined in the Democratic Republic of the Congo and surrounding nations and associated with human rights violations and environmental destruction. These minerals include coltan, cassiterite, gold, and wolframite along with their respective derivatives tantalum, tin and tungsten.

Personal Information Protection Policy

The Organo Group may obtain personal information necessary for the company's business operations, such as names, addresses and telephone numbers. Organo will properly handle personal information in accordance with the basic policy described below.

1. Organo will comply with the Act on Protection of Personal Information and other relevant laws and regulations.
2. Organo will institute internal regulations on personal information to build and continuously maintain and improve its management system for the protection of personal information.
3. Organo will handle personal information solely for the purposes specified.
4. Organo will not disclose or offer personal information to third parties without the consent of the individual or any other justifiable reason.

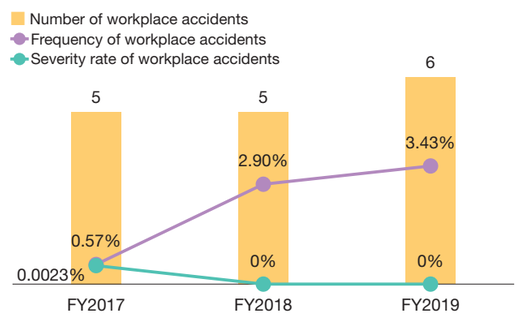
Occupational Safety and Health

The Organo Group regards the notion of ensuring occupational safety and health as a matter of utmost importance. It continuously promotes initiatives that enable our group companies and business partners to work with peace of mind. For plant installation work and handling of chemicals, Organo prepares documented instructions, performs verification using checklists, and conducts scheduled safety patrols at construction sites and factories. The company's safety patrols involve providing guidance on immediately taking corrective action with respect to safety concerns, and ensuring that safety education is properly conducted. Organo further strengthens safety management practices by providing guidance on voluntary safety activities including hazard prediction prior to performing tasks, and risk assessments. The company also strives to create safe workplaces by posting safety newsletters to the intranet, disseminating reports on the occurrence of disasters and remedial measures, and conveying the message that safety is its highest priority by means such as an awards program for its suppliers.

Creating Safe Workplaces

In order to ensure the safety and health of our employees and to promote the creation of a comfortable work environment, Organo has established a structure for safety and health management and its role pursuant to company regulations on safety and health management. The company is committed to properly maintaining workplace environments, preventing occupational accidents and taking emergency measures, and conducting relevant education and training.
Organo employees undergo screening for lifestyle-related diseases every five years in conjunction with periodic health checkups. The company also provides for periodic consultations performed by occupational health physicians on an elective basis. Female spouses of employees are also eligible for health checkups.

Number, frequency, and severity rate of workplace accidents



Calculation methods:
- Frequency: Number of incidents ÷ Total number of hours worked × 1 million
- Severity rate: Number of workdays lost ÷ Total number of hours worked × 1,000

Mental Health Care

All employees are eligible for annual stress level checkups and mental health training via an e-learning platform. Organo employees have access to counseling provided by specialists and registered nurses through the company's in-house consultation center for when they have concerns about themselves, their colleagues, or their subordinates.

Safety Confirmation System

Confirming the safety of employees and their family members is of the utmost importance in terms of the initial response when disaster strikes. The company has introduced a system for sending safety confirmation emails to employees following seismic events above a certain magnitude or disaster information.

Creating Comfortable Workplace Environments

Creating Workplaces Where Human Rights are Respected

Organo provides e-learning education on corporate ethics, compliance, and harassment prevention for all employees in order to ensure that all employees have a correct understanding of human rights and to promote workplaces where human rights are respected.

Engagement with Labor Unions

The company enters into collective bargaining agreements with Organo's labor union and maintains harmonious labor-management relations. Through regularly scheduled labor-management meetings with the participation of top management, Organo strives to disseminate its management policies and ensure that opinions of union members are reflected in the company's management strategies and policies.

Society

Diversity Initiatives

Given that Organo's workforce consists of a diverse range of employees possessing a variety of personalities and backgrounds, the company aims to develop an environment where all employees are able to fulfill their potential and realize growth.

Employment of people with disabilities

Organo is working to expand its employment of people with disabilities who, as of March 2020, accounted for 2.31% of the company's workforce.

Utilizing global human resources

As Organo expands its operations overseas, it is promoting the employment and training of global human resources to take advantage of diverse values and experiences in different cultures.

Employing senior citizens

The company has introduced a re-employment program whereby it is possible to rehire employees up to the age of 65 so they can continue to work by leveraging the skills and expertise they cultivated even after reaching the mandatory retirement age of 60.

Childcare support and reduced working hours for employees with childcare responsibilities

The company has introduced leave accessible to male and female employees alike aligned with their stages in life, and a reduced working hour system for childcare that covers children up through the third grade of elementary school.

Encouraging employees to take annual paid leave

In order for employees to achieve proper work-life balance, Organo encourages them to take their paid leave combined with summer vacation and special paid leave offered after 15 years and 25 years of service.

Workstyle reforms (flexible employment practices)

Organo has introduced flextime options and half-day paid leave systems to enable flexible and efficient work styles, and is promoting the use of web conferencing systems to improve work efficiency.

Acquisition of Eruboshi Three-star Rating

Japan's Minister of Health, Labour and Welfare has granted the company certification as a leading enterprise in recognition of its efforts to promote women's participation and advancement in the workplace.
The Eruboshi certification is a certification system related to Japan's Act on Promotion of Women's Participation and Advancement in the Workplace. It aims to realize a society in which women are able to fully draw on their distinctive qualities and capabilities. Evaluation is conducted based on five criteria: 1) Competitive rate at time of hiring, 2) Years of service, 3) Working hours, 4) Ratio of women in managerial positions, and 5) Diversity of career options.
The company was granted the certification upon having met every requirement stipulated under the five categories.
To help enable employees to balance childcare and their careers, the company has introduced support systems that exceed statutory requirements, and implementing a scheme that enables employees to change career paths geared toward career advancement. Organo has also formulated a general business action plan based on the Act on Promotion of Women's Participation and Advancement in the Workplace. It will further promote the creation of an environment that enable our female workforce to demonstrate their capabilities actively in the workplace, taking into account the need for work-life balance.

Work-life Balance

To enhance the work-life balance of its employees, Organo has holiday and leave systems, leave for childbirth and childcare, and other such systems. Organo has established a childcare leave system that exceeds legal requirements. Employees are guaranteed full salary during their terms of prenatal and postnatal leave (six weeks before and eight weeks after childbirth), and during periods of childcare leave. The rate of female employees with children who take childcare leave is 100%, and most employees opt to keep working by utilizing reduced working hours for childcare. Some of Organo's female employees have even taken on managerial positions after having taken childcare leave, evidence of the fact that the company offers a stable environment conducive to women building their careers.

Types of systems	Overview
Childcare leave	An employee may take childcare leave any time until the day prior to a child's first birthday in order to achieve a balance between professional and family life. The company has also introduced a system for reduced working hours for childcare, which covers children up through the third grade of elementary school.
Maternity leave	In addition to prenatal and postnatal leave, employees may take 15 days off in increments or consecutively if they suffer from morning sickness or other pregnancy-related illness.
Family care leave	Employees may take a total of 365 days' leave when necessary for them to care for a spouse, parent, or other family member.

Promotion of Human Resource Development

Organo implements rank-specific training and function-specific training to enable employees to improve their skills and advance their careers. Moreover, the company has introduced a system to support employees' self-development, such as a qualification acquisition support system and Organo University, a system under which correspondence courses are subsidized.

Main Training Programs

Types of Programs	Overview
Group training for new employees	Over the course of roughly one month of group-based training, employees learn general knowledge as a member of society and about Organo's technologies. They then gain knowledge necessary for them to perform practical tasks through training at construction sites and in factories.
Follow-up training	Follow-up training is implemented in November of the first year of employment. The training enables employees to deepen their understanding of Organo by providing them with a forum to build knowledge through interaction with their contemporaries assigned to respective departments and divisions, and to ask questions regarding their jobs.
Engineering Seminar Basic Course (ESB)	The ESB course involves technology field-specific training concerning Organo's basic technologies. Participants are able to equip themselves for future career opportunities by gaining extensive knowledge on technologies that are not directly related to their work.
Third-year training	Participants cultivate the ability to independently plan their professional growth by learning to take an autonomous approach to career development.

Qualification Acquisition Support System

The company subsidizes a portion of the costs employees incur when acquiring one of approximately 300 different formal qualifications. This encompasses popular qualifications across a wide range of subject areas such as technology, linguistics, and information processing, with certifications that include professional engineer, assistant professional engineer, pollution control manager, health supervisor, chief electrical engineer, the Test of English for International Communication (TOEIC), and Japan Chamber of Commerce and Industry (JCCI) bookkeeping exam.

Organo University (correspondence course subsidy system)

The Organo University correspondence course platform features 174 courses across nine fields of study including technology and sales courses necessary for business, as well as management skills required at different levels of the corporate hierarchy. Employees enrolled in courses are eligible for incentive remuneration to cover a portion of their course fees upon having met certain criteria.

Support Activities Related to Developing Water Environment Conservation Technology

The Organo Group actively engages in support activities related to water environment technologies and education while also contributing to environmental conservation through its water treatment business.

Organo Awards to Support Young Researchers in China

In recent years, people in China have been becoming increasingly aware of the environment as the nation's industry develops. In line with this, the Chinese government has been promoting policy on water environment conservation.
Since fiscal 2007, the company has been conducting a scholarship program in China known as the Organo Awards for recognizing and supporting graduate students who have achieved outstanding research results in the field of water quality and water environment conservation in China. The Organo Awards are implemented in partnership with the Research Center for Eco-Environmental Sciences of the Chinese Academy of Sciences and Suzhou Industrial Park. Organo again solicited research topics from graduate students based in China in fiscal 2019, and subsequently in July selected and recognized outstanding researchers in Suzhou, China.

Awards ceremony for the fiscal 2019 Organo Awards (Suzhou, China)

Support for Studies of Young Researchers in Water Environment Field

Japan Society on Water Environment (JSWE)-ORGANO Doctoral Research Awards

The JSWE-ORGANO Doctoral Research Awards were established with the aim of widely introducing outstanding research results of graduate students in doctoral programs and other young researchers and supporting their development of further research in the field of water environment. The company provides assistance in the form of contributions that support the objectives of the JSWE-ORGANO Doctoral Research Awards.
In 2019, its 13th year, research presentations, selection, and awards ceremony were held at the JSWE symposium at Hokkai Gakuen University in September, and three students received awards.

Awards ceremony for the fiscal 2019 JSWE-ORGANO Doctoral Research Awards (Hokkai-Gakuen University)

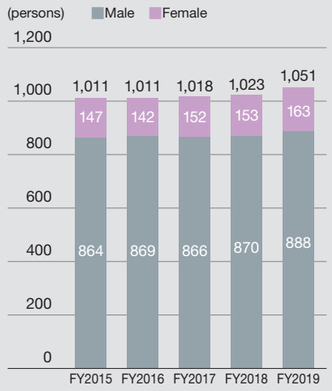
Financial Information

	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019
Orders (millions of yen)	66,074	68,041	60,238	65,501	77,873	76,485	74,041	88,049	103,838	104,986
Net sales (millions of yen)	61,097	68,502	66,718	62,096	68,741	78,719	81,114	79,226	92,273	96,515
Operating income (millions of yen)	3,532	4,849	3,498	833	2,398	3,947	4,114	3,821	6,558	9,908
Operating income ratio (%)	5.8	6.9	5.2	1.3	3.5	5.0	5.1	4.8	7.1	10.3
Ordinary income (millions of yen)	3,378	4,782	3,909	1,170	2,465	3,871	4,162	3,933	6,538	9,929
Profit attributable to owners of parent* (millions of yen)	1,857	2,683	2,564	664	1,085	2,485	2,731	2,780	4,452	7,162
Capital expenditures (millions of yen)	1,235	763	720	358	334	603	903	644	635	965
R&D expenses (millions of yen)	1,774	1,902	1,655	1,490	1,392	1,407	1,495	1,776	1,823	2,178
Depreciation (millions of yen)	1,210	1,190	1,159	1,065	999	950	950	972	920	1,189
Net assets (millions of yen)	41,116	43,015	45,207	44,252	45,308	46,567	49,034	51,681	54,795	60,857
Total assets (millions of yen)	78,590	84,709	85,309	76,852	83,609	94,795	95,405	96,036	101,257	101,448
Liabilities with interest (millions of yen)	11,388	13,888	14,901	10,230	12,717	17,412	16,910	15,484	13,659	9,740
Annual dividend (yen per share)	10	12	12	8	8	9	11	53	73	104
Book-value Per Share (BPS) (yen)	707.12	740.57	777.05	768.24	786.72	806.89	4,247.27	4,477.64	4,784.81	5,301.26
Earnings Per Share (EPS) (yen)	32.24	46.57	44.52	11.53	18.85	43.17	237.18	241.50	388.48	626.05
Equity Ratio (%)	51.8	50.4	52.5	57.6	54.2	49.0	51.3	53.7	54.0	59.9
Return on Equity (ROE) (%)	4.6	6.4	5.9	1.5	2.4	5.4	5.7	5.5	8.4	12.4
Return on Asset (ROA) (%)	4.5	5.9	4.6	1.4	3.1	4.3	4.4	4.1	6.6	9.8
Consolidated payout ratio (%)	31.0	25.8	27.0	69.4	42.4	20.8	23.2	21.9	18.8	16.6

* The company implemented a reverse stock split on October 1, 2017, consolidating five shares into one.

Nonfinancial Information

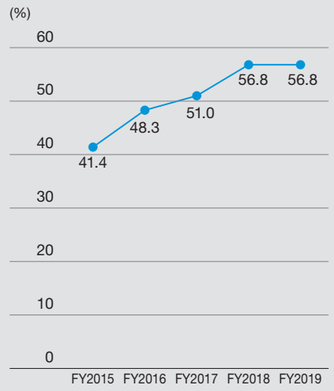
Number of employees



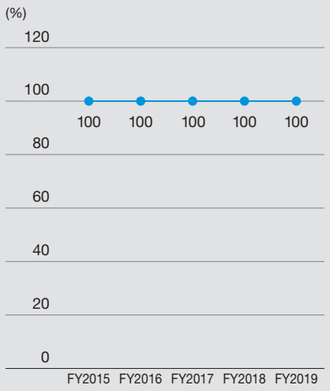
Average years of service

Average monthly hours of overtime

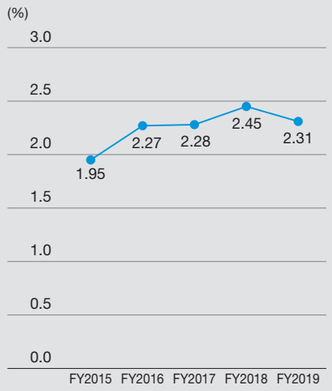
Rate of use of paid leave*



Childcare leave return rate



Employment rate of people with disabilities



* Aggregated values from January 1 of the previous fiscal year to December 31 of the current fiscal year.
Ex.: FY2019 → Period from January 1, 2019 to December 31, 2019

Consolidated Balance Sheet

(millions of yen)

	Previous consolidated fiscal year (as of March 31, 2019)	Consolidated fiscal year under review (fiscal year ended March 31, 2020)
Assets		
Current assets		
Cash and deposits	11,276	13,772
Notes and accounts receivable - trade	39,195	36,783
Electronically recorded monetary claims - operating	1,060	1,590
Lease investment assets	13,574	11,752
Merchandise and finished goods	4,717	5,710
Work in progress	2,717	2,728
Raw materials and supplies	1,426	1,392
Other	2,206	2,448
Allowance for doubtful accounts	(139)	(98)
Total current assets	76,037	76,078
Fixed assets		
Tangible fixed assets		
Buildings and structures	17,850	17,909
Accumulated depreciation	(12,339)	(12,562)
Buildings and structures (net)	5,511	5,347
Machinery, equipment and vehicles	5,576	5,697
Accumulated depreciation	(4,879)	(4,974)
Machinery, equipment and vehicles (net)	696	722
Land	12,288	12,284
Construction in progress	45	98
Other	4,968	5,088
Accumulated depreciation	(4,236)	(4,245)
Other (net)	731	842
Total tangible fixed assets	19,272	19,296
Intangible fixed assets	1,209	1,113
Investments and other assets		
Investment securities	1,621	1,553
Deferred tax assets	2,628	3,037
Other	767	780
Allowance for doubtful accounts	(278)	(411)
Total investments and other assets	4,739	4,959
Total fixed assets	25,220	25,369
Total assets	101,257	101,448

(millions of yen)

	Previous consolidated fiscal year (as of March 31, 2019)	Consolidated fiscal year under review (fiscal year ended March 31, 2020)
Liabilities		
Current liabilities		
Trade notes and accounts payable	18,516	14,381
Short-term borrowings	13,458	7,644
Income taxes payable	1,546	1,959
Advances received	1,499	1,543
Provision for bonuses	1,165	1,339
Provision for product warranties	321	324
Provision for loss on construction contracts	84	64
Provision for stock-based compensation for directors (and other officers)	95	105
Other provisions	–	10
Other	3,242	4,866
Total current liabilities	39,930	32,240
Fixed liabilities		
Long-term borrowings	200	2,095
Deferred tax liabilities	8	9
Retirement benefit liabilities	6,209	6,153
Other	111	91
Total fixed liabilities	6,531	8,349
Total liabilities	46,462	40,590
Net assets		
Shareholders' equity		
Capital stock	8,225	8,225
Capital surplus	7,508	7,508
Retained earnings	39,967	46,081
Treasury stock	(629)	(537)
Total shareholders' equity	55,071	61,277
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	273	143
Deferred gains or losses on hedges	(0)	–
Foreign exchange translation adjustment	(193)	(178)
Accumulated adjustment for retirement benefits	(494)	(525)
Total accumulated other comprehensive income	(414)	(560)
Minority interests	138	140
Total net assets	54,795	60,857
Total liabilities and net assets	101,257	101,448

Consolidated Statement of Income

(millions of yen)

	Previous consolidated fiscal year (from April 1, 2018 to March 31, 2019)	Consolidated fiscal year under review (from April 1, 2019 to March 31, 2020)
Net sales	92,273	96,515
Cost of sales	69,353	69,232
Gross income	22,919	27,282
Selling, general and administrative expenses	16,361	17,374
Operating income	6,558	9,908
Non-operating income		
Interest income	18	44
Dividend income	27	28
Insurance claim income	5	81
Equity method investment income	138	170
Other	68	59
Total non-operating income	259	383
Non-operating expenses		
Interest expenses	85	136
Exchange losses	60	41
Provision of allowance for doubtful accounts	101	78
Compensation for damage	15	91
Other	16	13
Total non-operating expenses	279	362
Ordinary income	6,538	9,929
Extraordinary income		
Income from sales of fixed assets	39	5
Income from sales of investment securities	–	4
Income from sales of right to use facilities	–	0
Total extraordinary income	39	9
Extraordinary losses		
Loss on sales of fixed assets	0	–
Loss on abandonment of fixed assets	12	39
Loss on valuation of investment securities	172	49
Total extraordinary losses	185	88
Income before income taxes	6,392	9,850
Corporate, inhabitant, and business taxes	2,045	3,014
Income taxes - deferred	(123)	(336)
Total income taxes	1,921	2,678
Profit	4,470	7,172
Profit attributable to minority interests	17	10
Profit attributable to owners of parent	4,452	7,162

Consolidated Statement of Comprehensive Income

(millions of yen)

	Previous consolidated fiscal year (from April 1, 2018 to March 31, 2019)	Consolidated fiscal year under review (from April 1, 2019 to March 31, 2020)
Profit	4,470	7,172
Other comprehensive income		
Valuation difference on available-for-sale securities	(35)	(129)
Deferred gains or losses on hedges	0	0
Foreign exchange translation adjustment	(265)	20
Adjustment amount for defined benefit plans	(109)	(32)
Share of other comprehensive income of entities accounted for using equity method	(2)	(1)
Total other comprehensive income	(413)	(143)
Comprehensive income	4,057	7,029
Items		
Comprehensive income attributable to owners of parent	4,048	7,015
Comprehensive income attributable to minority interests	8	14

Consolidated Statement of Shareholders' Equity

(millions of yen)

Previous consolidated fiscal year (from April 1, 2018 to March 31, 2019)	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at beginning of current period	8,225	7,508	36,170	(355)	**51,548**
Changes during current period					
Dividends of surplus			(656)		**(656)**
Profit attributable to owners of parent			4,452		**4,452**
Acquisition of treasury stock				(273)	**(273)**
Changes in items other than shareholders' equity (net)					
Total changes during current period	–	–	3,796	(273)	**3,522**
Balance at end of current period	8,225	7,508	39,967	(629)	**55,071**

	Accumulated other comprehensive income					Minority interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign exchange translation adjustment	Accumulated adjustment for retirement benefits	Total accumulated other comprehensive income		
Balance at beginning of current period	312	(0)	59	(381)	(10)	142	**51,681**
Changes during current period							
Dividends of surplus							**(656)**
Profit attributable to owners of parent							**4,452**
Acquisition of treasury stock							**(273)**
Changes in items other than shareholders' equity (net)	(38)	0	(253)	(112)	(403)	(4)	**(407)**
Total changes during current period	(38)	0	(253)	(112)	(403)	(4)	**3,114**
Balance at end of current period	273	(0)	(193)	(494)	(414)	138	**54,795**

(millions of yen)

Consolidated fiscal year under review (from April 1, 2019 to March 31, 2020)	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at beginning of current period	8,225	7,508	39,967	(629)	**55,071**
Changes during current period					
Dividends of surplus			(1,047)		**(1,047)**
Profit attributable to owners of parent			7,162		**7,162**
Acquisition of treasury stock				(8)	**(8)**
Disposal of treasury stock			(0)	100	**100**
Changes in items other than shareholders' equity (net)					
Total changes during current period	–	–	6,114	91	**6,206**
Balance at end of current period	8,225	7,508	46,081	(537)	**61,277**

	Accumulated other comprehensive income					Minority interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign exchange translation adjustment	Accumulated adjustment for retirement benefits	Total accumulated other comprehensive income		
Balance at beginning of current period	273	(0)	(193)	(494)	(414)	138	**54,795**
Changes during current period							
Dividends of surplus							**(1,047)**
Profit attributable to owners of parent							**7,162**
Acquisition of treasury stock							**(8)**
Disposal of treasury stock							**100**
Changes in items other than shareholders' equity (net)	(130)	0	15	(31)	(146)	2	**(144)**
Total changes during current period	(130)	0	15	(31)	(146)	2	**6,061**
Balance at end of current period	143	–	(178)	(525)	(560)	140	**60,857**

Consolidated Statement of Cash Flows

(millions of yen)

	Previous consolidated fiscal year (from April 1, 2018 to March 31, 2019)	Consolidated fiscal year under review (from April 1, 2019 to March 31, 2020)
Cash flow from operating activities		
Income before income taxes	6,392	**9,850**
Depreciation	920	**1,189**
Increase (decrease) in provisions	468	**348**
Increase (decrease) in retirement benefit liabilities	267	**(107)**
Interest and dividend income	(45)	**(72)**
Insurance claim income	(5)	**(81)**
Interest expenses	85	**136**
Foreign exchange losses (gains)	43	**96**
Compensation for damage	15	**91**
Share of loss (profit) of entities accounted for using equity method	(138)	**(170)**
Loss (gain) on sales of fixed assets	(39)	**(5)**
Loss on abandonment of fixed assets	12	**39**
Loss (gain) on sales of investment securities	–	**(4)**
Loss (gain) on valuation of investment securities	172	**49**
Loss (gain) on sales of right to use facilities	–	**(0)**
Decrease (increase) in trade receivables	(4,168)	**1,873**
Decrease (increase) in lease investments	1,661	**1,820**
Decrease (increase) in inventories	(1,147)	**(967)**
Increase (decrease) in trade payables	2,972	**(4,165)**
Other	(458)	**1,315**
Subtotal	7,008	**11,236**
Interest and dividends received	45	**84**
Interest paid	(80)	**(136)**
Insurance income received	5	**81**
Damages paid	(15)	**(91)**
Income taxes paid or refunded	(1,317)	**(2,621)**
Cash flow from operating activities	5,646	**8,553**
Cash flow from investing activities		
Expenditures on acquisitions of tangible fixed assets	(473)	**(781)**
Income from sales of tangible fixed assets	428	**21**
Expenditures on acquisitions of intangible fixed assets	(145)	**(187)**
Expenditures on acquisitions of investment securities	(13)	**(13)**
Income from sales of investment securities	–	**5**
Loan expenditures	(200)	**(250)**
Income from loan collection	250	**200**
Income from sales of right to use facilities	–	**0**
Other	(0)	**(1)**
Cash flow from investing activities	(153)	**(1,006)**
Cash flow from financing activities		
Net increase (decrease) in short-term borrowings	(596)	**(5,411)**
Income from long-term borrowings	–	**3,000**
Repayments of long-term borrowings	(1,200)	**(1,505)**
Acquisition of treasury stock	(273)	**(8)**
Dividends paid	(656)	**(1,047)**
Dividends paid to minority interests	(12)	**(11)**
Other	(20)	**(22)**
Cash flow from financing activities	(2,759)	**(5,007)**
Foreign exchange translation adjustments on cash and cash equivalents	(109)	**(43)**
Increase (decrease) in cash and cash equivalents	2,623	**2,495**
Cash and cash equivalents at beginning of current period	8,652	**11,276**
Cash and cash equivalents at end of current period	11,276	**13,772**

Company Information (As of March 31, 2020)

Company profile

Company name	ORGANO CORPORATION
Foundation	May 1, 1946
Capital	8,225,499,312 yen
Representative	Masaki Uchikura, Representative Director and President
Number of employees	1,051

Major businesses

As a comprehensive water treatment engineering company, the Company is mainly engaged in the manufacture, sale and maintenance of various types of industrial process water and wastewater treatment systems using ion exchange resin, separation membranes, activated charcoal, etc., the provision of water treatment outsourcing services, and the sale of various chemicals and food processing materials.

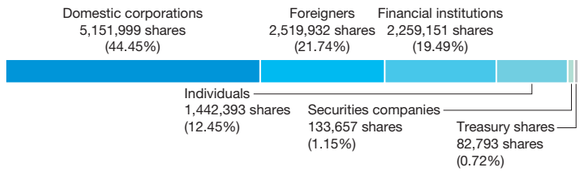
Shares

Total number of authorized shares: 25,392,000 shares
Total number of issued shares: 11,589,925 shares
Number of shareholders: 4,641

Major shareholders (top ten)

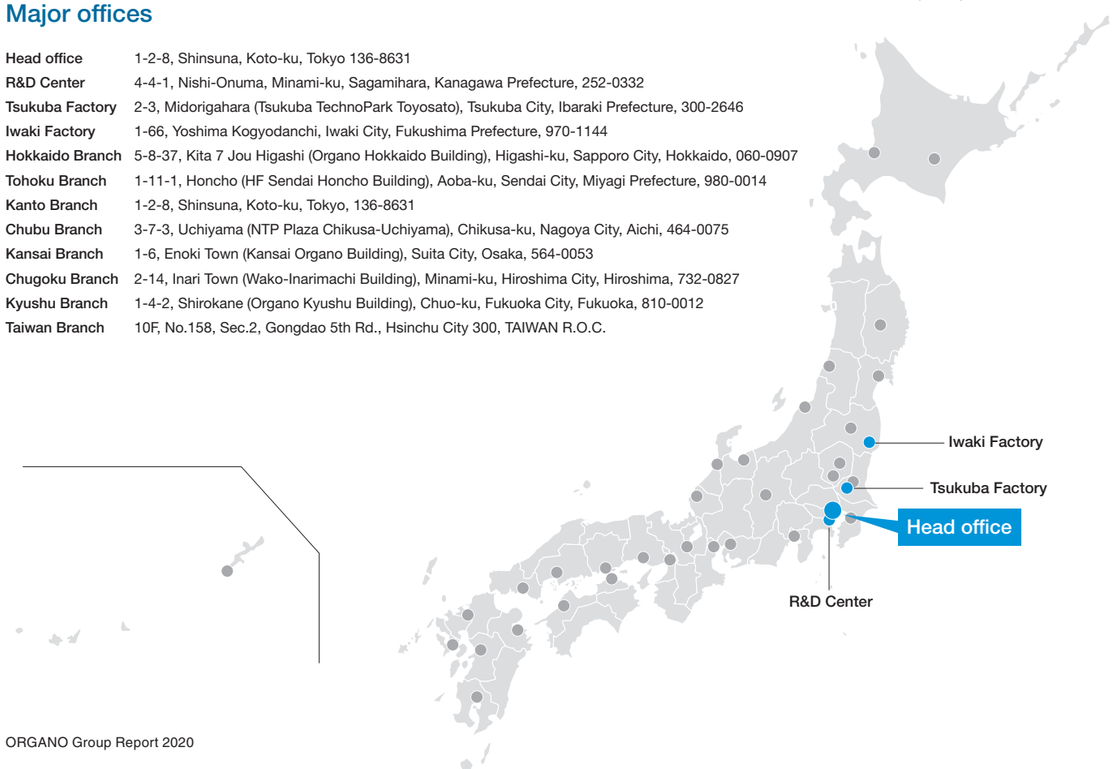
Name of shareholder	Number of shares held (Thousands of shares)	Holding ratio (%)
Tosoh Corporation	4,875	42.37
The Master Trust Bank of Japan, Ltd. (Trust account)	538	4.68
Japan Trustee Services Bank, Ltd. (Trust account)	514	4.47
Mizuho Bank, Ltd.	200	1.74
Mizuho Trust & Banking Co., Ltd.	155	1.35
Japan Trustee Services Bank, Ltd. (Trust account 5)	145	1.27
GOVERNMENT OF NORWAY	138	1.20
JPMorgan Chase Bank 385151	132	1.15
Japan Trustee Services Bank, Ltd. (Trust account 9)	124	1.08
BBH The Advisors' Inner Circle Fund II Kopernik Global All-Cap Fund	116	1.02

Notes: 1. The treasury shares (82,793 shares) are excluded in the calculation of the holding ratio shown above.
2. Japan Trustee Services Bank, Ltd. changed its trade name to Custody Bank of Japan, Ltd. on July 27, 2020.



Major offices

Head office	1-2-8, Shinsuna, Koto-ku, Tokyo 136-8631
R&D Center	4-4-1, Nishi-Onuma, Minami-ku, Sagamihara, Kanagawa Prefecture, 252-0332
Tsukuba Factory	2-3, Midorigahara (Tsukuba TechnoPark Toyosato), Tsukuba City, Ibaraki Prefecture, 300-2646
Iwaki Factory	1-66, Yoshima Kogyodanchi, Iwaki City, Fukushima Prefecture, 970-1144
Hokkaido Branch	5-8-37, Kita 7 Jou Higashi (Organo Hokkaido Building), Higashi-ku, Sapporo City, Hokkaido, 060-0907
Tohoku Branch	1-11-1, Honcho (HF Sendai Honcho Building), Aoba-ku, Sendai City, Miyagi Prefecture, 980-0014
Kanto Branch	1-2-8, Shinsuna, Koto-ku, Tokyo, 136-8631
Chubu Branch	3-7-3, Uchiyama (NTP Plaza Chikusa-Uchiyama), Chikusa-ku, Nagoya City, Aichi, 464-0075
Kansai Branch	1-6, Enoki Town (Kansai Organo Building), Suita City, Osaka, 564-0053
Chugoku Branch	2-14, Inari Town (Wako-Inarimachi Building), Minami-ku, Hiroshima City, Hiroshima, 732-0827
Kyushu Branch	1-4-2, Shirokane (Organo Kyushu Building), Chuo-ku, Fukuoka City, Fukuoka, 810-0012
Taiwan Branch	10F, No.158, Sec.2, Gongdao 5th Rd., Hsinchu City 300, TAIWAN R.O.C.



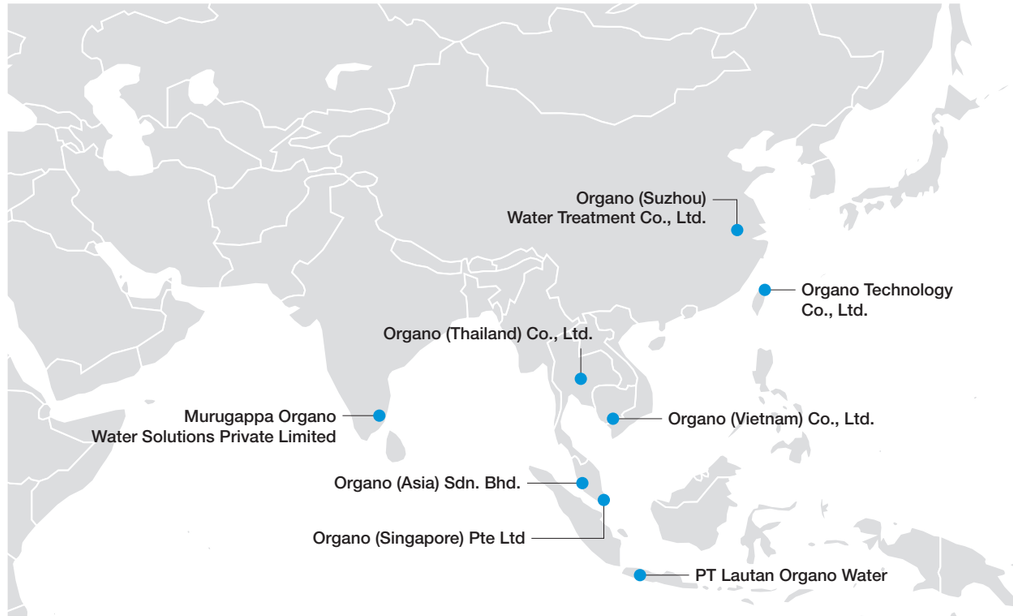
Network (Japan/Overseas)

Group Companies in Japan

ORGANO PLANT SERVICE CORPORATION (Maintenance and management of water treatment systems)
ORGANO FOOD TECH CORPORATION (Manufacturing and sales of food processing materials)
ORGANO ECO TECH CORPORATION (Manufacturing and sales of small and medium-sized wastewater treatment systems)
ORGANO ACTY CORPORATION (Printing, agency business for insurance and management outsourcing)
HOSTEC (Manufacturing of water treatment systems)
TOHOKU DENKI TEKKO Co., Ltd. (Construction of chemical plants)

Overseas Group Companies

Organo (Asia) Sdn. Bhd., Organo (Suzhou) Water Treatment Co., Ltd.,
Organo Technology Co., Ltd., Organo (Thailand) Co., Ltd.,
Organo (Singapore) Pte Ltd, Organo (Vietnam) Co., Ltd., PT Lautan Organo Water,
Murugappa Organo Water Solutions Private Limited



Our website

For more information, please refer to our website below:
https://www.organo.co.jp/english/

ORGANO CORPORATION

1-2-8, Shinsuna, Koto-ku, Tokyo 136-8631
The Company's website: www.organo.co.jp/english/