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# Notice of Convocation the 76th Ordinary General Meeting of Shareholders

ORGANO CORPORATION

## **To Shareholders**

I would like to express our cordial appreciation for your continuous support and patronage.

I am delighted to present this convocation notice of the 76th Ordinary General Meeting of Shareholders of ORGANO CORPORATION to be held on Tuesday, June 29, 2021.

Please confirm proposals of General Meeting of Shareholders and business outline of the fiscal year 2020 presented in the documents.

June 2021  
Representative Director and President  
Masaki Uchikura

## **Management Philosophy**

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

## **Long-term Management Vision**

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

## Measures to Prevent the Spread of Novel Coronavirus Disease (COVID-19) at the 76th Ordinary General Meeting of Shareholders of the Company

The following measures will be implemented at this meeting to prevent infection and spread of the new coronavirus (COVID-19). We appreciate your understanding and cooperation.

### Measures by our company

- **There will be no souvenirs or drinks available this year.**
- **We will not hold the shareholder briefing sessions** after the General Meeting of Shareholders as in the previous year.
- There will be no waiting rooms or rest areas for shareholders.
- The number of seats available at the meeting will be considerably limited to increase the spaces between shareholders' seats as in the previous year.
- The proceedings of the meeting will be conducted smoothly and efficiently and will be short as in the previous year.
- In consideration of the safety of shareholders, the use of elevators will be prohibited. Please take the stairs to the meeting place on the second floor.
- Officers and management staff attending the meeting will wear masks.
- The matters to be reported and other materials on the day of the meeting will be posted on the Company's website (<https://www.organo.co.jp/>) at a later date.

### Request to shareholders

- From the perspective of preventing the spread of infection, we strongly request that you exercise your voting rights in writing or via the Internet in advance and **refrain from attending the meeting.** Please refer to pages 5 and 6 of this Notice for details on how to exercise your voting rights.
- All shareholders attending the meeting are asked to bring and wear masks. Shareholders not wearing masks will not be allowed to enter the meeting venue.
- Please use the disinfectant provided at the meeting venue before attending the meeting.
- Shareholders who have a cough or who appear to be unwell may be denied entry or asked to leave.
- In case the number of visitors exceeds the number of seats available, we may have to restrict admission in order to ensure the safety of shareholders.

The above measures are subject to change depending on the situation of the spread of infection by the day of the General Meeting of Shareholders or the announcements by the government. Any changes will be announced on the Company's website.

The Company's website (<https://www.organo.co.jp/>)

(Securities Code: 6368)

June 8, 2021

To our shareholders:

Masaki Uchikura,  
Representative Director and President  
**ORGANO CORPORATION**  
1-2-8, Shinsuna, Koto-ku, Tokyo

## Notice of the 76th Ordinary General Meeting of Shareholders

We are pleased to announce the 76th Ordinary General Meeting of Shareholders of ORGANO CORPORATION (the “Company”), which will be held as indicated below.

Since there are still concerns about the spread of COVID-19, the Company has decided to hold this General Meeting of Shareholders with appropriate measures put in place to prevent infection.

**From the perspective of preventing the spread of infection, we strongly request that you exercise your voting rights in writing or via the Internet in advance and refrain from attending the meeting.**

**Upon exercising your voting rights in writing or via the Internet, etc., please review the attached Reference Documents for General Meeting of Shareholders, and exercise your voting rights by 5:00 p.m. on Monday, June 28, 2021 (JST).**

1. **Date and Time:** Tuesday, June 29, 2021 at 10:00 a.m. (JST) (Reception is scheduled to be open at 9:00 a.m.)

**(Please note that the meeting will be held at a different time than last year.)**

2. **Venue:** Conference Room, 2nd floor, Head office building of the Company,  
1-2-8, Shinsuna, Koto-ku, Tokyo

3. **Purpose of the Meeting**

**Matters to be reported:**

1. The Business Report and the Consolidated Financial Statements for the 76th fiscal year (from April 1, 2020 to March 31, 2021), and the results of audits of the Consolidated Financial Statements by the Independent Auditor and the Audit and Supervisory Board
2. The Non-consolidated Financial Statements for the 76th fiscal year (from April 1, 2020 to March 31, 2021)

**Matters to be resolved:**

- Proposal No. 1** Appropriation of Surplus  
**Proposal No. 2** Election of Nine Directors  
**Proposal No. 3** Election of One Audit and Supervisory Board Member  
**Proposal No. 4** Election of Two Substitute Audit and Supervisory Board Members

4. **Other Matters relating to General Meetings of Shareholders**

In the case of duplicate voting done both in writing and via the Internet, etc., the vote placed via the Internet, etc. will be considered valid. Additionally, in the case of voting twice or more times via the Internet, etc., the last vote will be considered valid.

#### Disclosure on the Internet

- The following matters that are made available on the Company's website under laws and regulations and the Company's Articles of Incorporation are not available in this notice. The matters posted on the Company's website are subject to audit by the Independent Auditor and the Audit and Supervisory Board Members and the Audit and Supervisory Board.
  - (i) Outline of the development of systems and the operation status of systems to ensure the appropriateness of operations for the business report
  - (ii) Consolidated Statement of Changes in Equity and Notes to Consolidated Financial Statements
  - (iii) Statement of Changes in Equity and Notes to Non-consolidated Financial Statements
- Any corrections in the Reference Documents for General Meeting of Shareholders, Business Report, Consolidated Financial Statements, or Non-consolidated Financial Statements will be posted on the Company's website.

**The Company's website (<https://www.organo.co.jp/>)**

## **Guide to Exercising Voting Rights**

### **Attending the General Meeting of Shareholders**

Please submit the enclosed voting form to the receptionist at the meeting.

**Date and time of the Meeting: Tuesday, June 29, 2021, at 10:00 a.m. (Reception starts at 9:00 a.m.)**

**(Please note that the meeting will be held at a different time than last year.)**

### **Not Attending the General Meeting of Shareholders**

#### **Exercising Voting Rights by Mail (in Writing)**

Please indicate your approval or disapproval of the proposals in the enclosed voting form, and then return the form by postal mail so that your vote is received by the deadline.

**Deadline: To arrive by no later than 5:00 p.m. Monday, June 28, 2021**

#### **Exercising Voting Rights via the Internet, etc.**

Please access the designated website for exercise of voting rights, and enter your approval or disapproval by the deadline.

**Deadline: Exercised by no later than 5:00 p.m. Monday, June 28, 2021**

Please refer to the page 6 for details.

In the case of duplicate voting done both in writing (by mail) and via the Internet, etc., the vote placed via the Internet, etc. will be considered valid. If you exercise your voting rights more than once via the Internet, etc., the last vote shall be deemed effective.

## **Guide to Exercising Voting Rights via the Internet, etc.**

### **By scanning the QR code (“Smart Exercise”)**

You can log-in to the website for exercise of voting rights without entering the voting rights exercise code and password.

1. Please scan the QR code printed on the voting form at the bottom right.  
\*QR code is a registered trademark of DENSO WAVE INCORPORATED.
2. Then please follow the instructions on the screen and indicate your approval or disapproval.

#### **The exercise of voting right by “Smart Exercise” is available only once.**

In case if you want to change your vote after exercising your voting right, please access the website for PC and log-in by entering the “voting rights exercise code” and “password” indicated in the voting form, to exercise your voting right again.

\*You will be transferred to the website for PC by scanning the QR code again.

### **By entering the voting rights exercise code and password**

Website for exercise of voting rights: <https://www.web54.net>

1. Please access the website for exercise of voting rights.
2. Please enter the “voting rights exercise code” indicated in the voting form.
3. Please enter the “password” indicated in the voting form.
4. Then please follow the instructions on the screen and indicate your approval or disapproval.

If you have any questions on how to exercise your voting rights via the Internet using a personal computer, smartphone, or mobile phone, please contact the department below.

Sumitomo Mitsui Trust Bank, Limited,  
Stock Transfer Agency Web Support, Dedicated line  
0120-652-031 (toll free)  
(Business hours: 9:00 a.m. - 9:00 p.m.)

Institutional investors can exercise their voting rights via the “Electronic Voting Rights Exercise Platform” for institutional investors operated by ICJ, Inc.

## Reference Documents for General Meeting of Shareholders

### Proposal No. 1 Appropriation of Surplus

The Company proposes the appropriation of surplus as follows:

#### 1. Year-end dividends

The Company treats the return of profits to shareholders as one of the Company's important management agendas, and it strives to provide distribution of profits in a way that considers the Company's revenue status, while adhering to a basic policy of providing stable and continuous dividends.

In accordance with the above policy, the Company proposes to pay year-end dividends for the 76th fiscal year as follows.

As a result, the annual dividend for the fiscal year under review including the interim dividend of ¥52 will amount to ¥114 per share.

##### (1) Type of dividend property

Cash

##### (2) Allotment of dividend property and their total amount

¥62 per common share of the Company

Total dividend amount is ¥713,409,634

##### (3) Effective date of dividends of surplus

June 30, 2021

#### 2. Other appropriation of surplus

As for internal reserves, the Company proposes the following to strengthen the management foundation.

##### (1) Item of surplus to be decreased and amount of decrease

Retained earnings brought forward:	¥3,000,000,000
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##### (2) Item of surplus to be increased and amount of increase

General reserve:	¥3,000,000,000
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## Proposal No. 2 Election of Nine Directors

The terms of office of all nine Directors will expire at the conclusion of this Ordinary General Meeting of Shareholders. Therefore, the Company proposes the election of nine Directors including three Outside Directors.

The candidates for Directors are determined by the Board of Directors after obtaining opinions based on review by the Nomination and Remuneration Advisory Committee, a voluntary advisory body of the Board of Directors. The candidates for Director are as follows:

Candidate No.	Name	Position in the Company	Attendance at Board of Directors meetings
1	Masaki Uchikura <span>Reelection</span>	Director and President (Representative Director) President and Executive Officer	100% (14/14)
2	Masayuki Yamada <span>Reelection</span>	Director	100% (14/14)
3	Hitoshi Hori <span>Reelection</span>	Managing Director and Executive Officer President of Performance Products Business	100% (14/14)
4	Yasutoshi Nakayama <span>Reelection</span>	Managing Director and Executive Officer President of Industrial Plant Business and Senior General Manager of Plant Division	100% (14/14)
5	Nobuyoshi Suda <span>Reelection</span>	Managing Director and Executive Officer President of Corporate Management and Planning and General Manager of Corporate Strategy and Planning Dept.	100% (14/14)
6	Tetsushi Honda <span>New election</span>	Executive Officer Senior General Manager of R & D Center, R & D and Engineering	—
7	Motoo Nagai <span>Reelection</span> <span>Outside</span>	Outside Director	100% (14/14)
8	Keikou Terui <span>Reelection</span> <span>Outside</span>	Outside Director	100% (14/14)
9	Kenji Hirai <span>Reelection</span> <span>Outside</span>	Outside Director	100% (14/14)

Candidate No.	Name (Date of birth)	Career summary, and position and responsibility in the Company		Number of the Company's shares owned
1	<div>Reelection</div> <div>Masaki Uchikura (August 6, 1954)</div> <div>Tenure as Director 4 years</div>	Apr. 1982	Joined Toyo Soda Manufacturing Co., Ltd. (currently Tosoh Corporation)	11,000
		June 2010	Associate Director, General Manager of Legal & Patents	
		June 2011	Director, General Manager of Legal & Patents	
		June 2015	President (Representative Director) of Tosoh Specialty Materials Corporation (retired in June 2017)  Chairman of the Board of Tosoh SMD, Inc. (retired in June 2017)  Managing Director, President of Specialty Group and Senior General Manager of Advanced Materials Division of Tosoh Corporation	
		Mar. 2016	Chairman of the Board of Tosoh America, Inc. (retired in June 2017)	
		June 2016	Director, Executive Vice President, President of Specialty Group and Senior General Manager of Advanced Materials Division of Tosoh Corporation (retired in June 2017)	
		June 2017	Senior Managing Director and Executive Officer, President of Performance Products Business of the Company  Chairman of the Board (Representative Director of ORGANO FOOD TECH CORPORATION (retired in June 2019)  Chairman of the Board (Representative Director) of HOSTEC (retired in June 2019)	
		June 2019	Director and President (Representative Director) President and Executive Office of the Company  Current position	
		[Significant concurrent positions outside the Company]		
		None		
		[Reasons for nomination as candidate for Director]		
		<p>Masaki Uchikura had been engaged in legal and patent fields for many years at Tosoh Corporation. He contributed to enhancement of corporate governance and expanded advanced material business as a Director of Tosoh Corporation, utilizing his expertise in functional material. After being appointed as a Director of the Company, as President of Performance Products Business, he has drawn the growth strategy of the business division. After being appointed as the Director and President of the Company, he has been demonstrating his leadership in formulating and promoting long-term management plans and formulating and executing strategies for the overall Group.</p> <p>In addition to high ethical standards, and abilities to accurately make decisions and understand issues, which are essential for a Director, he also possesses the necessary experience and insight to promote sustainable growth and improvement of corporate value of the Group. Therefore, the Company nominates him as a candidate for Director.</p>		
	[Special interest between candidate and the Company]			
There is no special interest between the candidate and the Company.				

Candidate No.	Name (Date of birth)	Career summary, and position and responsibility in the Company		Number of the Company's shares owned
2	<div>Reelection</div> <div>Masayuki Yamada (January 7, 1959)</div> <div>Tenure as Director 2 years</div>	Apr. 1985	Joined Toyo Soda Manufacturing Co., Ltd. (currently Tosoh Corporation)	1,300
		June 2007	President of Tosoh Bioscience, Inc. President of Tosoh Bioscience LLC	
		June 2011	Associate Director, Deputy Senior General Manager of Bioscience Division of Tosoh Corporation	
		June 2012	Associate Director, Senior General Manager of Bioscience Division and Manager of Planning and Development Chairman of the Board of Tosoh Europe, N.V. (retired in June 2019)	
		June 2013	Director, Senior General Manager of Bioscience Division and Manager of Planning and Development of Bioscience Division of Tosoh Corporation	
		June 2015	President (Representative Director) of Tosoh Techno-System, Inc. (retired in June 2019) Director of Tosoh Bioscience, Inc. (retired in June 2019) Director of Tosoh Bioscience LLC (retired in June 2019)	
		June 2016	Senior Vice President, Senior General Manager of Bioscience Division of Tosoh Corporation	
		June 2017	Director, Executive Vice President, President of Specialty Group and Senior General Manager of Bioscience Division Chairman of the Board of Tosoh America, Inc.	
		June 2019	Director, Executive Vice President, General Manager of Research and Development Planning, President of Specialty Group, and President of Engineering Group of Tosoh Corporation Director of the Company Current position	
		[Significant concurrent positions outside the Company] None		
[Reasons for nomination as candidate for Director] Masayuki Yamada has been engaged in bioscience field at Tosoh Corporation for many years. After being appointed as a Director, Executive Vice President, he has been leading management and operation of not only Specialty Group but also a wide range of divisions, such as Research and Planning Division and Engineering Group, and contributed to creation and expansion of businesses of the aforesaid company. After being appointed as a Director of the Company, he has been giving useful opinions that deepen the sharing of information and the creation of synergies among the Group, utilizing his wealth of knowledge and experience. In addition to high ethical standards, and abilities to accurately make decisions and understand issues, which are essential for a Director, he also possesses the necessary experience and insight to promote sustainable growth and improvement of corporate value of the Group. Therefore, the Company nominates him as a candidate for Director. After his appointment, he will be responsible for the planning and execution of management strategies as an Executive Director of the Company.				
[Special interest between candidate and the Company] There is no special interest between the candidate and the Company.				

Candidate No.	Name (Date of birth)	Career summary, and position and responsibility in the Company	Number of the Company's shares owned
3	<div>Reelection</div> <div>Hitoshi Hori (November 19, 1957)</div> <div>Tenure as Director 7 years</div>	<div>Apr. 1984      Joined Toyo Soda Manufacturing Co., Ltd. (currently Tosoh Corporation)</div> <div>June 2000      Director of Eco-Techno Corporation</div> <div>June 2006      Manager of Planning and Development, Electronic Materials Division and Corporate Planning Division of Tosoh Corporation</div> <div>June 2011      Manager of Planning and Development, Advanced Materials Division and Corporate Production Technology Division</div> <div>Mar. 2012      President (Representative Director), Eco- Techno Corporation (retired in October 2015)</div> <div>June 2012      Associate Director of Tosoh Corporation (retired in June 2014)</div> <div>June 2014      Managing Director and Executive Officer of the Company</div> <div>June 2015      Managing Director and Executive Officer, General Manager of Trade Control Office</div> <div>June 2016      Managing Director and Executive Officer, President of Corporate Management and Planning, and General Manager of Trade Control Office</div> <div>June 2017      Managing Director and Executive Officer, President of Corporate Management and Planning</div> <div>June 2019      Managing Director and Executive Officer, President of Performance Products Business</div> <div>Chairman of the Board (Representative Director) of ORGANO FOOD TECH CORPORATION</div> <div>Current position</div>	6,200
[Significant concurrent positions outside the Company] Chairman of the Board (Representative Director) of ORGANO FOOD TECH CORPORATION			
[Reasons for nomination as candidate for Director] Hitoshi Hori had been engaged in company management for many years at the Company's affiliated company that is engaged in the construction industry as Director and President. After being appointed as a Director of the Company, he has promoted development of advanced technologies as a Director in charge of Development Division, utilizing his knowledge and experience relating to life science. After that, he has a track record in the establishment of group-wide management strategy and management and operation planning as a Director in charge of all management divisions. Currently, as the President of Performance Products Business, he has been involved in the search and development of high value-added functional materials and business expansion strategies. In addition to high ethical standards, and abilities to accurately make decisions and understand issues, which are essential for a Director, he also possesses the necessary experience and insight to promote sustainable growth and improvement of corporate value of the Group. Therefore, the Company nominates him as a candidate for Director.			
[Special interest between candidate and the Company] There is no special interest between the candidate and the Company.			

Candidate No.	Name (Date of birth)	Career summary, and position and responsibility in the Company	Number of the Company's shares owned
4	<p><u>Reelection</u></p> <p>Yasutoshi Nakayama (July 30, 1961)</p> <p>Tenure as Director 3 years</p>	<p>Apr. 1984      Joined the Company</p> <p>June 2010      General Manager of Electronics Industry Sales Dept., Plant Division, Industrial Plant Business</p> <p>Apr. 2012      Director of Organo Kansai Co., Ltd. (retired in December 2013)</p> <p>Jan. 2014      Managing Director of Organo (Asia) Sdn. Bhd.</p> <p>June 2016      Executive Officer of the Company</p> <p>May 2017      Director of Organo (Asia) Sdn. Bhd.</p> <p>June 2017      Executive Officer, Senior General Manager of Plant Division, Industrial Plant Business of the Company</p> <p>Jan. 2018      Executive Officer, Senior General Manager of Plant Division, Industrial Plant Business, and General Manager of Electronics Industry Sales Dept.</p> <p>Apr. 2018      Executive Officer, Senior General Manager of Plant Division, Industrial Plant Business</p> <p>June 2018      Director and Executive Officer, Deputy President of Industrial Plant Business, and Senior General Manager of Plant Division</p> <p>June 2019      Director and Executive Officer, President of Industrial Plant Business, and Senior General Manager of Plant Division</p> <p>June 2020      Managing Director and Executive Officer, President of Industrial Plant Business, and Senior General Manager of Plant Division</p> <p>Current position</p>	5,000
[Significant concurrent positions outside the Company]			
None			
[Reasons for nomination as candidate for Director]			
<p>Yasutoshi Nakayama, as a top of the Plant Division, one of the Company's core businesses, has been putting effort in business growth and improvement of revenue, after being engaged in company management as the president of the Company's overseas subsidiary. After being appointed as a Director of the Company, as the Senior General Manager of Plant Division and President of Industrial Plant Business, he has been in charge of whole Water Treatment Engineering Business Unit, and working for expansion of the businesses and stable earnings in Japan and overseas.</p> <p>In addition to high ethical standards, and abilities to accurately make decisions and understand issues, which are essential for a Director, he also possesses the necessary experience and insight to promote sustainable growth and improvement of corporate value of the Group. Therefore, the Company nominates him as a candidate for Director.</p>			
[Special interest between candidate and the Company]			
There is no special interest between the candidate and the Company.			

Candidate No.	Name (Date of birth)	Career summary, and position and responsibility in the Company	Number of the Company's shares owned
5	<div>Reelection</div> <p>Nobuyoshi Suda (November 19, 1963)</p> <p>Tenure as Director 2 years</p>	<p>Apr. 1984      Joined the Company</p> <p>June 2010      Deputy General Manager of Plan Design Dept., Technology &amp; Production Center</p> <p>Apr. 2012      General Manager of Electronics Industry Sales Dept., Plant Division, Industrial Plant Business and Project Management Office and Engineering Dept., Engineering</p> <p>Jan. 2013      Representative Director and General Manager of Organo (Suzhou) Water Treatment Co., Ltd. (retired in April 2016)</p> <p>Apr. 2016      General Manager of Corporate Strategy and Planning Dept., Corporate Management and Planning of the Company</p> <p>June 2017      Executive Officer, General Manager of Corporate Strategy and Planning Dept., Corporate Management and Planning Chairman of Organo (Vietnam) Co., Ltd. (retired in June 2018)</p> <p>June 2019      Director and Executive Officer, President of Corporate Management and Planning and General Manager of Corporate Strategy and Planning Dept.</p> <p>June 2020      Managing Director and Executive Officer, President of Corporate Management and Planning and General Manager of Corporate Strategy and Planning Dept.</p> <p>Current position (Responsibilities) In charge of Internal Auditing Office, Secretary Office, Global Management and Planning, Legal and Patent Dept., Trade Control Office, and Branches</p>	3,400
[Significant concurrent positions outside the Company]			
None			
[Reasons for nomination as candidate for Director]			
<p>Nobuyoshi Suda has been engaged in Plant Technology Division, especially electronics industry, for many years and has been responsible for businesses in electronics industry field. In addition, he has been engaged in company management as the Representative Director and General Manager (President) of the Company's overseas subsidiary. After being appointed as a Director of the Company, as the General Manager of Corporate Strategy and Planning Dept., he not only promotes the planning and execution of company-wide growth strategies, but also improves group-wide internal controls and promotes CSR activities and compliance activities as a Director in charge of all administrative divisions.</p> <p>In addition to high ethical standards, and abilities to accurately make decisions and understand issues, which are essential for a Director, he also possesses the necessary experience and insight to promote sustainable growth and improvement of corporate value of the Group. Therefore, the Company nominates him as a candidate for Director.</p>			
[Special interest between candidate and the Company]			
There is no special interest between the candidate and the Company.			

Candidate No.	Name (Date of birth)	Career summary, and position and responsibility in the Company		Number of the Company's shares owned
6	<div>New election</div> Tetsushi Honda (May 1, 1963)	Apr. 1986	Joined the Company	3,500
		Apr. 2012	Managing Director of Organo (Asia) Sdn. Bhd. (retired in January 2013)	
		Jan. 2013	Director and Deputy President of PT Lautan Organo Water	
		Apr. 2015	President (retired in July 2017)	
		June 2017	General Manager of Power Plant Division, Water Infrastructure and Energy of the Company	
		June 2018	Executive Officer, Senior General Manager of Power Plant Division, Industrial Plant Business	
		June 2019	Executive Officer, Deputy President of Industrial Plant Business, and General Manager of Power Plant Division	
		June 2020	Executive Officer, Senior General Manager of R & D Center, R & D and Engineering	
			Current position	
	[Significant concurrent positions outside the Company]			
None				
[Reasons for nomination as candidate for Director]				
<p>Tetsushi Honda has been engaged in the sales division of the electric power business and overseas business for many years and has also been engaged in company management as the President of our overseas subsidiary. After being appointed as an Executive Officer, he continued to work to strengthen the business and secure profits as a General Manager of the Power Plant Division, and has been leading the research and development of new technologies and products as a General Manager of the R&amp;D Center.</p> <p>In addition to high ethical standards, and abilities to accurately make decisions and understand issues, which are essential for a Director, he also possesses the necessary experience and insight to promote sustainable growth and improvement of corporate value of the Group. Therefore, the Company nominates him as a new candidate for Director.</p>				
[Special interest between candidate and the Company]				
There is no special interest between the candidate and the Company.				

Candidate No.	Name (Date of birth)	Career summary, and position and responsibility in the Company	Number of the Company's shares owned
7	<div> <div>Reelection</div> <div>Outside</div> <div>Independent</div> </div> <p>Motoo Nagai (March 4, 1954)</p> <p>Tenure as Outside Director 6 years</p>	<p>Apr. 1977      Joined The Industrial Bank of Japan, Limited</p> <p>Apr. 2005      Executive Officer of Mizuho Corporate Bank, Ltd. (currently Mizuho Bank, Ltd.)</p> <p>Apr. 2007      Managing Executive Officer (retired in April 2011)</p> <p>Apr. 2011      Deputy President and Executive Officer of Mizuho Trust &amp; Banking Co., Ltd.</p> <p>June 2011      Director and Deputy President (Representative Director), Deputy President and Executive Officer</p> <p>Apr. 2014      Administrative Officer (retired in June 2014)</p> <p>June 2014      Outside Statutory Auditor (Full-time) of Nissan Motor Co., Ltd.</p> <p>                    Outside Audit and Supervisory Board Member of the Company</p> <p>June 2015      Outside Audit &amp; Supervisory Board Member of Nisshin Seifun Group Inc.</p> <p>                    Outside Director of the Company</p> <p>June 2019      Outside Director of Nissan Motor Co., Ltd.</p> <p>                    Outside Director of Nisshin Seifun Group Inc.</p> <p>                    Current position</p>	2,100
<p>[Significant concurrent positions outside the Company]</p> <p>Outside Director of Nissan Motor Co., Ltd.</p> <p>Outside Director of Nisshin Seifun Group Inc.</p>			
<p>Reasons for nomination as candidate for Outside Director and outline of the expected role</p> <p>Motoo Nagai had worked for financial institutions for many years and had been engaged in company management as a Director and Deputy President of Mizuho Trust &amp; Banking Co., Ltd. In addition, he has served as an outside director of other listed companies, deepening his knowledge on multidimensional corporate management.</p> <p>After being appointed as an Outside Audit and Supervisory Board Member and Outside Director of the Company, he has been giving us useful opinions and advices on the management of the Company, especially enhancement of governance, utilizing his abundant and various knowledge. As the Chairman of the Nomination and Remuneration Advisory Committee, he has also been leading the deliberations on matters related to the selection of candidates for Directors and the compensation of Directors. After his appointment, he is expected to continue to fulfill the above-mentioned roles.</p> <p>In addition to high ethical standards, and abilities to accurately make decisions and understand issues, which are essential for a Director, he also possesses the necessary experience and insight to promote sustainable growth and improvement of corporate value of the Group. Therefore, judging him as being capable of appropriately performing his duties as an Outside Director, the Company nominates him as a candidate for Outside Director.</p>			
<p>[Special interest between candidate and the Company]</p> <p>There is no special interest between the candidate and the Company.</p>			



Candidate No.	Name (Date of birth)	Career summary, and position and responsibility in the Company	Number of the Company's shares owned
8	<div> <div>Reelection</div> <div>Outside</div> <div>Independent</div> </div> <p>Keikou Terui (July 27, 1953)</p> <p>Tenure as Outside Director 5 years</p>	<p>Apr. 1979      Joined Ministry of International Trade and Industry (currently Ministry of Economy, Trade and Industry)</p> <p>July 2008      Deputy Minister of Technical Affairs, Minister's Secretariat</p> <p>Jan. 2011      Director-General of Kanto Bureau of Economy, Trade and Industry</p> <p>Apr. 2012      Director-General of Regional Economic and Industrial Policy (retired in June 2013)</p> <p>Aug. 2013      President of Nonprofit Organization Japan Utility Telemetering Association</p> <p>Oct. 2013      Senior Fellow of Chemicals Evaluation and Research Institute, Japan (retired in September 2016)</p> <p>June 2014      Director of Union of Japanese Scientists and Engineers Outside Director of Ube Industries, Ltd.</p> <p>Mar. 2016      Outside Director of Bridgestone Corporation</p> <p>June 2016      Director of Chemicals Evaluation and Research Institute, Japan (retired in June 2020) Outside Director of the Company</p> <p>June 2020      Executive Director of Japan Chemical Innovation and Inspection Institute</p> <p>Current position</p>	3,600
<p>[Significant concurrent positions outside the Company]</p> <p>President of Nonprofit Organization Japan Utility Telemetering Association</p> <p>Executive Director of Japan Chemical Innovation and Inspection Institute</p> <p>Outside Director of Ube Industries, Ltd.</p> <p>Outside Director of Bridgestone Corporation</p>			
<p>Reasons for nomination as candidate for Outside Director and outline of the expected role</p> <p>Keikou Terui had held a number of management positions at Ministry of Economy, Trade and Industry. At those positions, he had promoted preparation and implementation of industrial policy and demonstrated his leadership at important positions in management of organization. In addition, he has highly academic knowledge on risk evaluation and management of chemicals, and has served as an outside director of other listed companies, deepening his knowledge on multidimensional corporate management. After being appointed as an Outside Director of the Company, he has been giving us useful opinions and advices on the management of the Company, utilizing his abundant and various piece of knowledge. As a member of the Nomination and Remuneration Advisory Committee, he has also been contributing to the deliberations on matters related to the selection of candidates for Directors and the compensation of Directors. After his appointment, he is expected to continue to fulfill the above-mentioned roles.</p> <p>In addition to high ethical standards, and abilities to accurately make decisions and understand issues, which are essential for a Director, he also possesses the necessary experience and insight to promote sustainable growth and improvement of corporate value of the Group. Therefore, judging him as being capable of appropriately performing his duties as an Outside Director, the Company nominates him as a candidate for Outside Director.</p>			
<p>[Special interest between candidate and the Company]</p> <p>There is no special interest between the candidate and the Company.</p>			

Candidate No.	Name (Date of birth)	Career summary, and position and responsibility in the Company	Number of the Company's shares owned
	<div> <div>Reelection</div> <div>Outside</div> <div>Independent</div> </div> <p>Kenji Hirai (March 20, 1953)</p> <p>Tenure as Outside Director 2 years</p>	<p>Apr. 1981      Joined Sagami Chemical Research Center (currently Sagami Chemical Research Institute)</p> <p>Apr. 1990      Senior Research Fellow</p> <p>Apr. 1998      Senior Fellow</p> <p>Jan. 2002      Vice President</p> <p>Apr. 2004      Vice Chairman of the Board, President</p> <p>Dec. 2018      Vice Chairman of the Board (Representative Director), President (retired in March 2019)</p> <p>Apr. 2019      Vice Chairman of the Board (Representative Director), Research Advisor</p> <p>June 2019      Outside Director of the Company</p> <p>Current position</p>	1,500
	<p>[Significant concurrent positions outside the Company]</p> <p>Vice Chairman of the Board (Representative Director) of Sagami Chemical Research Institute</p>		
9	<p>[Reasons for nomination as candidate for Outside Director]</p> <p>Kenji Hirai, while making distinguished achievements in research of cutting-edge functional substances, high performance agrochemicals and environmental preservation substances, and development of biotechnology, has demonstrated his skills on management and operation of an organization, as Vice Chairman of the Board, President of Sagami Chemical Research Institute. After being appointed as an Outside Director of the Company, he has been giving us useful opinions and advices on the management of the Company, especially on research and technological development, utilizing his abundant and various piece of knowledge. As a member of the Nomination and Remuneration Advisory Committee, he has also been contributing to the deliberations on matters related to the selection of candidates for Directors and the compensation of Directors. After his appointment, he is expected to continue to fulfill the above-mentioned roles.</p> <p>In addition to high ethical standards, and abilities to accurately make decisions and understand issues, which are essential for a Director, he also possesses the necessary experience and insight to promote sustainable growth and improvement of corporate value of the Group. Therefore, judging him as being capable of appropriately performing his duties as an Outside Director, the Company nominates him as a candidate for Outside Director.</p>		
	<p>Special interest between candidate and the Company and outline of the expected role</p> <p>Kenji Hirai is the Vice Chairman of the Board (Representative Director) of Sagami Chemical Research Institute. The Company and the aforesaid institute are implementing joint research. The amount of expenditure paid by the Company to the institute in the 76th fiscal year is ¥10 million. In addition, the Company has made donations to the institute. The amount paid in the fiscal year ended March 31, 2021 is ¥300,000, which is insignificant.</p>		

- Notes: 1. The positions and responsibilities held by Masaki Uchikura in the past ten years at the Company's parent company Tosoh Corporation and its subsidiaries (Tosoh Speciality Materials Corporation, Tosoh SMD, Inc., and Tosoh America, Inc.) are presented in the above "Career summary, and position and responsibility in the Company".
2. The positions and responsibilities held by Masayuki Yamada presently or in the past ten years at the Company's parent company Tosoh Corporation and its subsidiaries (Tosoh Bioscience, Inc., Tosoh Bioscience LLC, Tosoh Techno-System, Inc., Tosoh Europe, N.V., and Tosoh America, Inc.) are presented in the above "Career summary, and position and responsibility in the Company". He is scheduled to retire as a Director of Tosoh Corporation and Tosoh America, Inc. in June 2021.
3. The positions and responsibilities held by Hitoshi Hori presently or in the past ten years at the subsidiaries (Eco-Techno Corporation) of the Company's parent company Tosoh Corporation are presented in the above "Career summary, and position and responsibility in the Company".
4. Motoo Nagai, Keikou Terui and Kenji Hirai are candidates for Outside Director.
5. Motoo Nagai assumed office as an Audit and Supervisory Board Member for a year before assuming office as Outside Director of the Company.
6. Currently, the Company has entered into respective agreements with Masayuki Yamada, Motoo Nagai, Keikou Terui, and Kenji Hirai to set the minimum amount of liability provided by laws and regulations as the amount for liability for damages under Article 423, paragraph 1 of the Companies Act in cases where there is good faith and no gross negligence, in accordance with Article 427, paragraph 1 of the same Act and the Articles of Incorporation of the Company. If Motoo Nagai, Keikou Terui, and Kenji Hirai are elected as Directors, the Company plans to enter into the same agreement with each of them.

7. At present, the Company and the insurance company have entered into the Officers' Liability Insurance Contract with all Directors included as insured persons as stipulated in Article 430-3, paragraph 1 of the Companies Act. In the event of a claim for damages arising from duties performed by the insured in his or her position during the insurance period, the insurance contract covers compensation for damage and dispute costs. However, there are certain exemptions, such as damage caused by intentional or gross negligence that is not covered by the relevant insurance contract. Each candidate who is elected as a Director will be insured under the insurance contract. The term of the insurance contract is one year and shall be renewed upon resolution of the Board of Directors before the expiration of the term.
8. Nissan Motor Co., Ltd., at which Motoo Nagai currently serves as an Outside Director, announced the issue of serious misconduct by management including the chairman of the said company in November 2018. In connection with the case, Nissan Motor Co., Ltd. issued an amendment report to correct the contents of remuneration for directors (and other officers), etc. disclosed in the securities report for each fiscal year from the fiscal year ended March 31, 2006 to the fiscal year ended March 31, 2018, and submitted it to the Kanto Finance Bureau on May 14, 2019. The Company was ordered by the Financial Services Agency to pay a surcharge on February 27, 2020 in relation to its securities reports and other disclosure documents for the period from the fiscal year ended March 31, 2015 to the fiscal year ended March 31, 2018. In the United States, the Company also entered into an administrative settlement agreement with the United States Securities and Exchange Commission and paid a surcharge with respect to material misstatements regarding remuneration for directors (and other officers) in the Company's securities reports. Motoo Nagai had been unaware of the said issue before such issue is discovered, but he had been providing recommendations from a legal compliance perspective at the said company's board of directors meetings before this issue. In addition, since he has become aware of the issue, Motoo Nagai has appropriately fulfilled his responsibilities by giving directions regarding comprehensive investigations, recurrence prevention measures, etc.
9. Nissan Motor Co., Ltd., at which Motoo Nagai currently serves as an Outside Director, received process improvement orders from the Ministry of Land, Infrastructure, Transport and Tourism in March 2018 related to the said company's non-conformities in the final vehicle inspection processes at plants in Japan. Also, in December 2018, the said company received process improvement directives from the said Ministry related to the same non-conformities discovered by the said company's self-inspection. Motoo Nagai had been unaware of the said issue before the facts that were the cause of the said process improvement orders and directives came to light, but he had been providing recommendations from a legal compliance perspective at the said company's board of directors meetings before this issue. In addition, since he has become aware of the issue, Motoo Nagai has appropriately fulfilled his responsibilities by giving directions regarding comprehensive investigations, recurrence prevention measures, etc.
10. Ube Industries, Ltd., at which Keikou Terui currently serves as Outside Director, announced in February 2018 that it had not carried out product tests in certain low-density polyethylene products that were meant to be carried out as part of an agreement with customers. In addition, the said company announced non-conformity for JIS certification of limestone aggregate for ready-mix concrete in May 2018, and fourteen new cases of improprieties in quality in June 2018. Further the said company announced, in October 2018, two cases of improprieties in quality including an overseas subsidiary, as the result of supplementary investigation. Keikou Terui had been unaware of the said issue before the facts that led to the said company's announcement came to light, but he had been providing recommendations from a legal compliance perspective at the said company's board of directors meetings before this issue. In addition, since he has become aware of the issue, Keikou Terui has appropriately fulfilled his responsibilities by requesting an investigation of the cause of the improprieties and thorough enforcement of compliance structure, etc.
11. The Company has submitted notification to the Tokyo Stock Exchange that Motoo Nagai, Keikou Terui, and Kenji Hirai have been designated as independent officers as provided for by the aforementioned exchange. For the Company's "Criteria for Independence of Outside Officers", please refer to page 23.

### Proposal No. 3 Election of One Audit and Supervisory Board Member

The term of office of the Audit and Supervisory Board Member, Masao Wada, will expire at the conclusion of this Ordinary General Meeting of Shareholders. Therefore, the Company proposes the election of one Audit and Supervisory Board Members.

In addition, the consent of the Audit and Supervisory Board has been obtained for the submission of this proposal.

The candidate for Audit and Supervisory Board Member is as follows:

Name (Date of birth)	Career summary and position in the Company	Number of the Company's shares owned
<div> <div>New election</div> <div>Outside</div> <div>Independent</div> </div> Nobuko Hanano (October 6, 1968)	Apr. 1991      Joined Nomura Research Institute, Ltd. (left in April 1995) Oct. 2000      Registered as Lawyer (Dai-Ichi Tokyo Bar Association)  Joined KOHWA SOHGOH LAW OFFICES Oct. 2004      Partner Mar. 2019      Outside Audit and Supervisory Board Member, Kanro Inc. Apr. 2020      Auditor, Drone Service Promotion Association  Current position	0
[Significant concurrent positions outside the Company] Lawyer Partner, KOHWA SOHGOH LAW OFFICES Outside Audit and Supervisory Board Member, Kanro Inc.		
[Reasons for nomination as candidate for Outside Audit and Supervisory Board Member] After working for one of Japan's largest consulting firms as a management researcher, Nobuko Hanano has worked extensively as a lawyer. In addition, she has served as an outside auditor of other listed companies, deepening her knowledge on multidimensional corporate management. After being appointed as an Outside Audit and Supervisory Board Member of the Company, she is expected to contribute to highly effective auditing by utilizing her abundant and various piece of knowledge. In addition to high ethical standards and ability to make decisions fairly and impartially, which are essential for an Audit and Supervisory Board Member, she also possesses the necessary experience and insight to conduct an appropriate audit to the management of the Company. Therefore, judging her as being capable of appropriately performing her duties as an Outside Audit and Supervisory Board Member, the Company nominates her as a new candidate for Outside Audit and Supervisory Board Member.		
[Special interest between candidate and the Company] There is no special interest between the candidate and the Company.		

- Notes:
1. Nobuko Hanano is a candidate for Outside Audit and Supervisory Board Member.
  2. If Nobuko Hanano is appointed as an Audit and Supervisory Board Member, the Company plans to enter into an agreement with her to set the minimum amount of liability provided by laws and regulations as the amount for liability for damages under Article 423, paragraph 1 of the Companies Act in cases where there is good faith and no gross negligence, in accordance with Article 427, paragraph 1 of the same Act and the Articles of Incorporation of the Company.
  3. At present, the Company and the insurance company have entered into the Officers' Liability Insurance Contract with all Audit and Supervisory Board Members included as insured persons as stipulated in Article 430-3, paragraph 1 of the Companies Act. In the event of a claim for damages arising from duties performed by the insured in his or her position during the insurance period, the insurance contract covers compensation for damage and dispute costs. However, there are certain exemptions, such as damage caused by intentional or gross negligence that is not covered by the relevant insurance contract. If Nobuko Hanano is appointed as an Audit and Supervisory Board Member, she will be insured under the insurance contract. The term of the insurance contract is one year and shall be renewed upon resolution of the Board of Directors before the expiration of the term.
  4. The Company has submitted notification to the Tokyo Stock Exchange that Nobuko Hanano shall be designated as an independent officer as provided for by the aforementioned exchange. For the Company's "Criteria for Independence of Outside Officers", please refer to page 23.

#### Proposal No. 4 Election of Two Substitute Audit and Supervisory Board Members

To prepare for a situation where the number of Audit and Supervisory Board Member does not satisfy the number prescribed by laws and regulations, the Company proposes the election of two Substitute Audit and Supervisory Board Members.

The candidates for Substitute Audit and Supervisory Board Member are as follows. Tomoaki Itou will be a substitute for the Audit and Supervisory Board Member, Masahiko Toyoda, and Masao Wada will be a substitute for an Outside Audit and Supervisory Board Member.

The appointment of the Substitute Audit and Supervisory Board Member shall be subject to the number of Audit and Supervisory Board Member not satisfying the number prescribed by laws and regulations, and the term of office thereof shall be the remaining term of office of a predecessor.

In addition, the consent of the Audit and Supervisory Board has been obtained for the submission of this proposal.

Candidate No.	Name (Date of birth)	Career summary and position in the Company		Number of the Company's shares owned
1	Tomoaki Itou (March 30, 1953)	Apr. 1976	Joined the Company	956
		June 2005	General Manager of Power Plant Division	
		Apr. 2008	Executive Officer, General Manager of Power Plant Division	
		June 2011	Director and Executive Officer	
		June 2012	Managing Director and Executive Officer	
		Apr. 2015	Managing Director and Executive Officer, General Manager of Water Infrastructure and Energy	
		June 2017	Advisor (retired in June 2018)	
	[Significant concurrent positions outside the Company]			
	None			
	[Reasons for nomination as candidate for Substitute Audit and Supervisory Board Member]			
Tomoaki Itou has contributed to the promotion and development of technology in Power Plant Division, one of the core businesses of the Company. After being appointed as a Director of the Company, he has managed Public Water Treatment Division, and contributed to expansion of the business and stable earnings by preparing and implementing appropriate and well-balanced management measures with his broad perspective and experience.				
In addition to high ethical standards and ability to make decisions fairly and impartially, which are essential for an Audit and Supervisory Board Member, he also possesses the necessary experience and insight to conduct an appropriate audit to the management of the Company. Therefore, the Company nominates him as a candidate for Substitute Audit and Supervisory Board Member.				
[Special interest between candidate and the Company]				
There is no special interest between the candidate and the Company.				

Candidate No.	Name (Date of birth)	Career summary and position in the Company	Number of the Company's shares owned
2	Masao Wada (October 2, 1951)	Nov. 1977    Joined Asahi & Co. (currently KPMG AZSA LLC) Mar. 1982    Registered as Certified Public Accountant July 2005    Representative member, AZSA & Co. (currently KPMG AZSA LLC) (retired in June 2012) July 2012    Representative of Wada Certified Public Accountant Office June 2014    Auditor, National Land Planning Association Apr. 2015    Auditor, Mimurodo Gakuen June 2015    Outside Audit and Supervisory Board Member, Nissin Sugar Co., Ltd. June 2016    Auditor, The Japan Handicraft Artists Association June 2017    Audit and Supervisory Board Members of the Company Nov. 2017    Audit and Supervisory Board Member, MDI Corporation (retired in September 2019) June 2019    Auditor, Koshigaya City Land Development Corporation Oct. 2019    Member of the Wakoshi Station North Exit Land Readjustment Council (civil service special position) June 2020    Outside Auditor, Saitama Prefectural Credit Federation of Agricultural Cooperatives Current position	0
Significant concurrent positions outside the Company Certified Public Accountant Representative of Wada Certified Public Accountant Office Outside Audit and Supervisory Board Member, Nissin Sugar Co., Ltd.			
[Reasons for nomination as candidate for Substitute Outside Audit and Supervisory Board Member] Masao Wada, who has been engaged in the accounting audit business of companies for many years as a certified public accountant, has highly professional knowledge and experience relating finance and accounting. In addition, he has served as an outside auditor of other listed companies, deepening his knowledge on multidimensional corporate management. After being appointed as an Outside Audit and Supervisory Board Member of the Company, he has contributed to improving the effectiveness of the Company's audits by utilizing his abundant and various piece of knowledge. In addition to high ethical standards and ability to make decisions fairly and impartially, which are essential for an Audit and Supervisory Board Member, he also possesses the necessary experience and insight to conduct an appropriate audit to the management of the Company. Therefore, judging him as being capable of appropriately performing his duties as an Outside Audit and Supervisory Board Member, the Company nominates him as a new candidate for Substitute Outside Audit and Supervisory Board Member.			
[Special interest between candidate and the Company] There is no special interest between the candidate and the Company.			

- Notes: 1. Masao Wada is a candidate for Substitute Outside Audit and Supervisory Board Member.
2. If the number of Audit and Supervisory Board Members or Outside Audit and Supervisory Board Members does not satisfy the number prescribed by laws and regulations and Tomoaki Itou or Masao Wada is appointed, the Company plans to enter into an agreement to set the minimum amount of liability provided by laws and regulations as the amount for liability for damages under Article 423, paragraph 1 of the Companies Act in cases where there is good faith and no gross negligence, in accordance with Article 427, paragraph 1 of the same Act and the Articles of Incorporation of the Company.
3. At present, the Company and the insurance company have entered into the Officers' Liability Insurance Contract with all Audit and Supervisory Board Members included as insured persons as stipulated in Article 430-3, paragraph 1 of the Companies Act. In the event of a claim for damages arising from duties performed by the insured in his or her position during the insurance period, the insurance contract covers compensation for

damage and dispute costs. However, there are certain exemptions, such as damage caused by intentional or gross negligence that is not covered by the relevant insurance contract. If the number of Audit and Supervisory Board Members or Outside Audit and Supervisory Board Members does not satisfy the number prescribed by laws and regulations and Tomoaki Itou or Masao Wada is appointed, he will become the insured under the insurance contract. The term of the insurance contract is one year and shall be renewed upon resolution of the Board of Directors before the expiration of the term.

4. If the number of Outside Audit and Supervisory Board Members does not satisfy the number prescribed by laws and regulations and Masao Wada is appointed, the Company will designate him as an independent officer in accordance with the provisions of the Tokyo Stock Exchange and notify it to the Exchange. For the Company's "Criteria for Independence of Outside Officers", please refer to page 23.

(Reference)

Criteria for Independence of Outside Officers

An outside officer of the Company will be deemed as not satisfying the requirements for independence if any of the following statuses are applicable to him/her.

- (i) A person who is currently, or who has been during the past ten years, an executive of the Company or a subsidiary of the Company.
- (ii) A person who is currently, or who has been during the past ten years, a non-executive director or an accounting advisor of the Company or a subsidiary of the Company (applicable only in the case of Outside Audit and Supervisory Board Members).
- (iii) A person who is currently, or who has been during the past ten years, an executive or a non-executive director of the Company's parent company.
- (iv) A person who is currently, or who has been during the past ten years, an Audit and Supervisory Board Member of the Company's parent company (applicable only in the case of Outside Audit and Supervisory Board Members).
- (v) A person who is currently, or who has been during the past ten years, an executive at a sister company of the Company.
- (vi) A person who is currently, or who has been during the past one year, either a person who has the Company as a major trading counterparty, or an executive of such an entity.
- (vii) A person who is currently, or who has been during the past one year, either a person who is a major trading counterparty of the Company or an executive of such an entity.
- (viii) A person who is currently, or who has been during the past one year receiving a large amount of money or other assets from the Company other than remuneration for directors (and other officers) either as a consultant, an accounting professional, or a legal professional.
- (ix) A person who is currently a major shareholder of the Company (or an executive of the said major shareholder if the shareholder is a corporation).
- (x) A person who is currently an executive at an entity under circumstances where outside officers are mutually appointed between said entity and the Company.
- (xi) A person who is currently an executive at an entity that is receiving significant amount of donations from the Company.
- (xii) A person who is a spouse or a relative within second degree of separation with any persons (i) to (viii) above (limited to material persons).



**Business Report**

(From April 1, 2020 to March 31, 2021)

**1. Status of the corporate group****(1) Business progress and results**

During the fiscal year ended March 31, 2021 (from April 1, 2020 to March 31, 2021), the global economy has been in a state of significant turmoil following the global spread of COVID-19 with restrictions on movement of people and economic activity in Japan and overseas. In the electronics field, which is the Company's main market, we maintained high-level production and investment in Japan and overseas, increasing investment for increased production with the growth in semiconductor demand for smartphones and data centers and increasing investment in cutting-edge fields, amid the full-fledged friction over semiconductors between the United States and China. In addition, despite the electric power/water supply and sewage fields trending firmly, difficult conditions continued due to factors such as the ongoing trend to curb and delay capital investment in the general industrial field caused by COVID-19 and the decline in sales of some products with the decline in customer production levels in the Performance Products Business Unit.

Under these conditions, the Organo Group identified “expanding the electronics field,” “strengthening the service solutions” and “creating new businesses” as key fields and aimed to enhance the system for implementing remote operations amid the constraints on movements and business activities in Japan and overseas. We introduced various communication tools and promoted the shift to digitalization in our engineering and solutions services as well as various supervisory operations, and balanced preventing the spread of COVID-19 with our business activities.

Consequently, although orders received were below the previous year, when there were large-scale orders, net sales reached a record high of more than ¥100.0 billion due to steady progress in construction of large-scale projects in Japan and overseas. On the profit side, a high level was achieved that was only second to the record high profit recorded in the previous fiscal year because of a decrease in selling, general and administrative expenses focused on operating expenses such as travel expenses and transportation expenses due to COVID-19 and various cost reduction measures on construction projects. In addition, return on equity (ROE) also exceeded the initial plan.

(Millions of yen)

Category	75th term Fiscal year ended March 31, 2020	76th term (Fiscal year under review) Fiscal year ended March 31, 2021		Year-on-year	Actual-to- forecast
		Initial plan	Actual result		
Orders received	104,986	100,000	94,563	(9.9)%	(5.4)%
Carry-over backorder	67,837	67,837	61,871	(8.8)%	(8.8)%
Net sales	96,515	100,000	100,638	4.3%	0.6%
Operating profit	9,908	7,200	9,579	(3.3)%	33.1%
Operating profit ratio (%)	10.3	7.2	9.5	—	—
Ordinary profit	9,929	7,100	9,900	(0.3)%	39.4%
Profit attributable to owners of parent	7,162	4,700	7,074	(1.2)%	50.5%
Return on equity (ROE) (%)	12.4	7.5	11.1	—	—

[Water Treatment Engineering Business Unit]

Net sales ratio 81.9%	Orders received	¥76,227 million (Down 11.9% year-on-year)
	Net sales	¥82,424 million (Up 5.8% year-on-year)
	Operating profit	¥8,466 million (Down 5.1% year-on-year)

Major Business

●Major Business and Products		●Customers and Markets		
Plant Division	Service Solutions Division	Electronics industry	Electric power/ water supply and sewage	General industry
Pure and ultrapure water production facilities Industrial process water treatment facilities Wastewater treatment and recovery facilities Valuable material recovery facilities Production processing-related facilities	Replacement of expendable items Maintenance Operational support services Renovation and reconditioning Contract water treatment Comprehensive maintenance contracts	Semiconductors Flat panel display Electronic parts	Power plants Water purification plants Sewage treatment plants	Pharmaceuticals, cosmetics Food and beverage Machinery and chemicals

■Orders received

Orders received decreased 11.9% year on year to ¥76,227 million. In the electronics field, trends were favorable in overseas markets with capital investment in Taiwan and China remaining active due to factors such as friction over semiconductors between the United States and China, a global shortage of semiconductors, and competition in the development of cutting-edge semiconductors, but there was a decline in the Japanese market in counter-reaction to the orders for large-scale projects in the previous year. In addition, in the general industrial field, orders decreased because of the ongoing trend to curb or delay capital investment in Japan and overseas due to COVID-19. The electric power/water supply and sewage fields maintained around the same levels as the previous fiscal year.

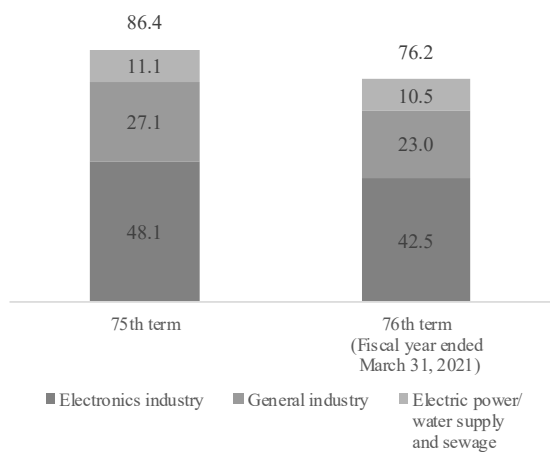
■Net sales

Net sales increased 5.8% year on year to ¥82,424 million. In the electronics field, in addition to growth in sales in the Plant Division due to steady progress in construction of large-scale projects in Japan that were ordered in the previous fiscal year and the continuation of large-scale capital investment in overseas markets such as Taiwan and China, the Service Solutions Division was also firm due to high production levels. In the general industrial field, steady progress was made on construction projects that had been carried-over from the order backlog, but sales also decreased due to the decrease in orders. The electric power/water supply and sewage fields maintained around the same levels as the previous fiscal year, similar to orders.

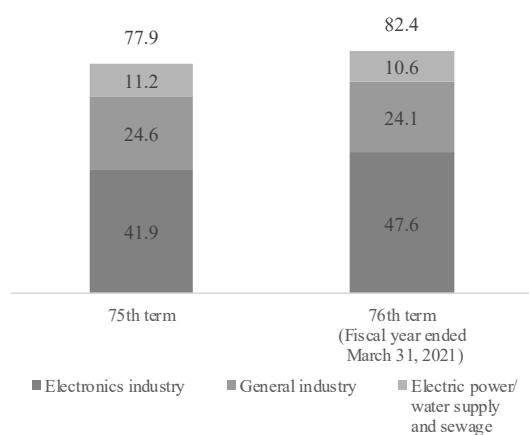
■Operating profit

Operating profit decreased 5.1% year on year to ¥8,466 million. Although selling, general and administrative expenses such as operating expenses declined while net sales were up, this was largely because the gross profit margin was lower in counter-reaction to the concentration of comparatively profitable projects and projects with prominent cost reduction effects in the previous fiscal year.

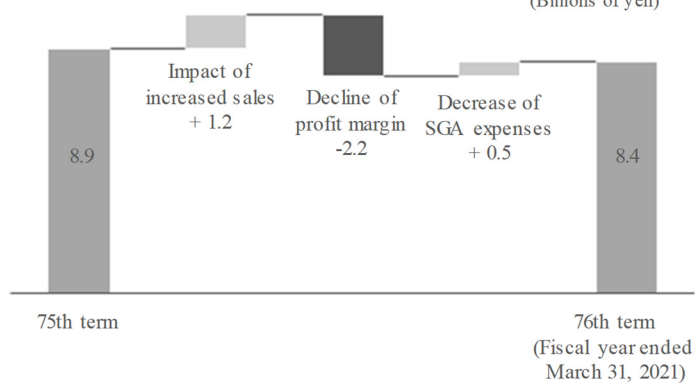
Water Treatment Engineering Business Unit  
Orders by field  
(Billions of yen)



Water Treatment Engineering Business Unit  
Net sales by field  
(Billions of yen)



Water Treatment Engineering Business Unit  
Analysis of causes of changes in operating profit  
(Billions of yen)



[Performance Products Business Unit]

Net sales ratio 18.1%	Orders received	¥18,336 million (Down 0.9% year-on-year)
	Net sales	¥18,213 million (Down 2.0% year-on-year)
	Operating profit	¥1,113 million (Up 12.8% year-on-year)

Major Business

●Major Business and Products

Water Treatment Chemicals Division	Standard Water Treatment Equipment and Filters Division	Food Products Division
RO membrane protection chemicals, Wastewater treatment chemicals, Cooling water treatment chemicals, Cleaning chemicals, Boilers water treatment chemicals ●Customers and Markets Various manufacturing industries Buildings and commercial facilities	Pure and ultrapure water production systems Water purification filters  ●Customers and Markets Medical institutions, research institutions Various manufacturing industries Food and beverage, convenience stores	Food ingredients Food processing agents  ●Customers and Markets Food factories, food processing industry Beverage manufacturing Nursing care food, health food manufacturing

■ Orders received/Net sales

Orders received decreased 0.9% year on year to ¥18,336 million and net sales decreased 2.0% year on year to ¥18,213 million.

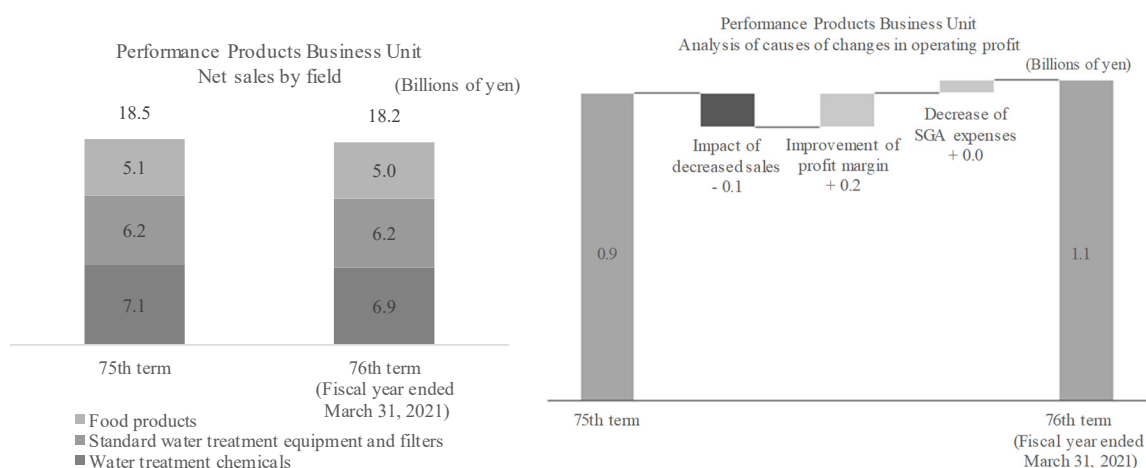
The Water Treatment Chemicals Division was affected by the decrease in sales to general industry such as the automotive industry due to lower production levels and delayed development of overseas markets such as Taiwan and China due to COVID-19, but sales of various agents for the electronics industry and Orplus® slightly acidic electrolyzed water for disinfecting and deodorizing performed favorably, and net sales decreased slightly year on year.

The Standard Water Treatment Equipment and Filters Division saw a decline in sales such as inspection grade pure water equipment for medical institutions and water purification filters for beverage dispensers, but sales of pure and ultrapure water equipment for laboratory use such as in research institutions were firm, securing net sales around the same level as the previous year.

The Food Products Division was affected by the decrease in sales to restaurants, but efforts were made with products for household food products including products catering to stay-at-home consumption, and net sales were only down slightly year on year.

■ Operating profit

Operating profit increased 12.8% year on year to ¥1,113 million. Net sales for the Water Treatment Chemicals Division and the Food Products Division declined, but the profit margin improved due to decreases in areas such as indirect expenses in the manufacturing division and operating expenses.



## (2) Capital investment

The Organo Group's total outlays for capital investment amounted to ¥1,015 million during the fiscal year under review. The main ongoing capital investment during the fiscal year under review is the construction of two new testing buildings at the Company's R&D Center.

From the fiscal year under review, the total amount of capital investment includes investment in property, plant and equipment as well as intangible assets.

## (3) Financing

No items to report.

## (4) Issues to be addressed

In the current consolidated fiscal year, the Company promoted various initiatives in our key business fields of "electronics industry expansion," "enhancement of service solutions," and "creation of new businesses." For the electronics industry expansion, we expanded our business against the backdrop of active market conditions, including the successful acquisition of several large projects in Taiwan, China, and other countries, while making progress in the construction of large projects in Japan that were acquired in the previous fiscal year. For the enhancement of service solutions, we have enhanced our solution systems in Taiwan and China, which have been growing, and reviewed our domestic system. Also, as a new solution service utilizing IoT and ICT, we are expanding our business model combining equipment and chemicals. For the creation of new businesses, sales of functional materials for the purification of various chemicals and solvents used in the manufacture of electronic materials increased. In addition, the purification facilities for lithium-ion batteries achieved certain results, including progress in evaluation tests at customers. However, restrictions on travel and visits in Japan and overseas had an impact on efforts to develop new customers and technologies and to strengthen our overseas business structure.

The Organo Group has prepared its Medium-term Management Plan on a rolling basis every year. However, in this fiscal year, given the fact that the previously assumed business environment is undergoing a major transformation due to the spread of COVID-19, the Group has been discussing the long-term management direction and put together a framework for a long-term plan and then formulated a Medium-term Management Plan for fiscal years 2021 to 2023. While continuing to implement measures to strengthen and expand the electronics industry and service solutions, which have been our key business fields, we have established a medium-to-long-term business development plan that includes strengthening our products and technologies in water treatment chemicals and functional materials, expanding our service menu, and positioning the Chinese market as a target for expanding the general industrial field and functional products business. In addition to strengthening our engineering system and ensuring safety and compliance, which we have been working on to build our business foundation, we have set new challenges to be addressed, including sustainability initiatives such as addressing climate change and decarbonization, initiatives aimed at developing and utilizing diverse human resources in Japan

and overseas, and measures for digital transformation. Although the corona disaster has made it extremely difficult to predict the future, we recognize that there is no major change in the direction we should take in the key business fields of our Medium-term Management Plan, including the development of the electronics industry, the promotion of service solutions using digital technology, the utilization of water resources using functional material technology such as ion exchange resins and membranes, and the advancement of wastewater treatment technology. We will continue to make efforts to balance the prevention of the spread of infection and our business activities.

Management targets for fiscal 2023, the final year of the new Medium-term Management Plan, are net sales of ¥110.0 billion, and operating profit of ¥10.5 billion, and the Organo Group aims to build a profit structure that can achieve an operating profit ratio and ROE (Return On Equity) of at least 9.0% consistently and continuously. Furthermore, in order to evaluate the status of progress on sustainably enhancing corporate value and improving profitability, the Organo Group positions ROE and consolidated operating profit ratio as key indicators.

## **Medium-term Management Plan 2021-2023**

### **Key business fields / Market and growth drivers**

#### **Electronics industry**

- Expansion of the water treatment processing consignment service
- Entering the U.S. market and establishing systems
- Improvement of the efficiency of engineering operations

#### **Water treatment chemicals**

- Expansion of package menu including chemicals, equipment, sensors, and IoT
- Development of new products and technologies, development of overseas markets (Taiwan, China, U.S., etc.)

#### **Functional materials**

- Development of functional materials such as ion exchange resins and membranes for new businesses and technologies
- Establishment of the stable supply system for functional materials in Japan and overseas

#### **Service solutions**

- Development of infrastructure for digital service solutions such as Ortopia and Orsmart
- Improvement of the system and quality of service solutions in Japan and overseas

#### **China and Taiwan markets**

- Orders for semiconductor projects
- Development of general industry and functional products business
- Local production, and research and development
- Development of the solution system

#### **Research and development**

- Expand investment in development with a target of 2.5% of net sales; create new businesses through next-generation ultra-pure water systems, water recovery technologies, and non-aqueous separation and purification technologies for the electronics industry; strengthen sensing and digital technologies.

#### **Establishment of a business foundation**

- Strengthening the engineering structure
- Initiatives for ESG/SDGs
- Ensuring safety and compliance
- Promoting data utilization
- Developing and utilizing human resources

## Management Target

(Millions of yen)

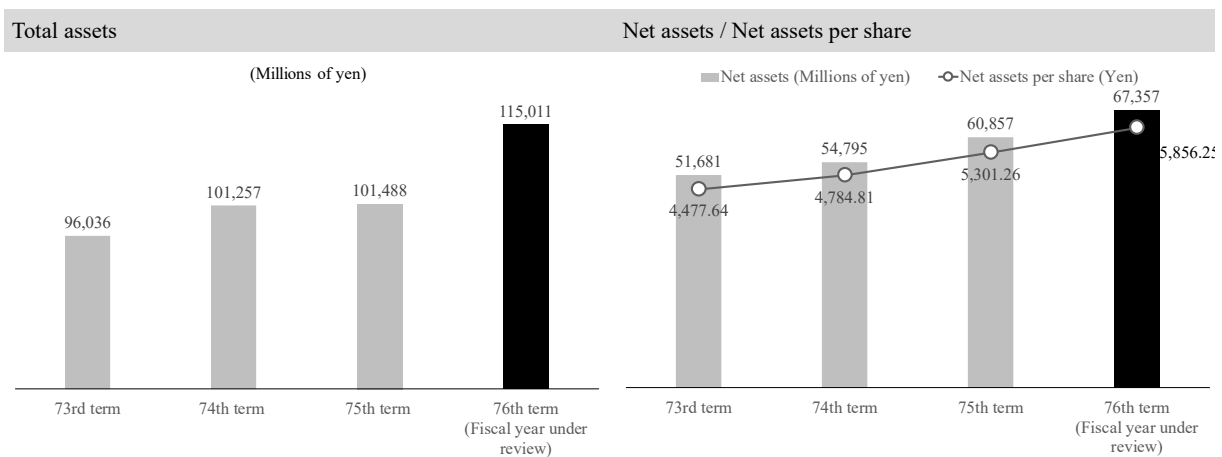
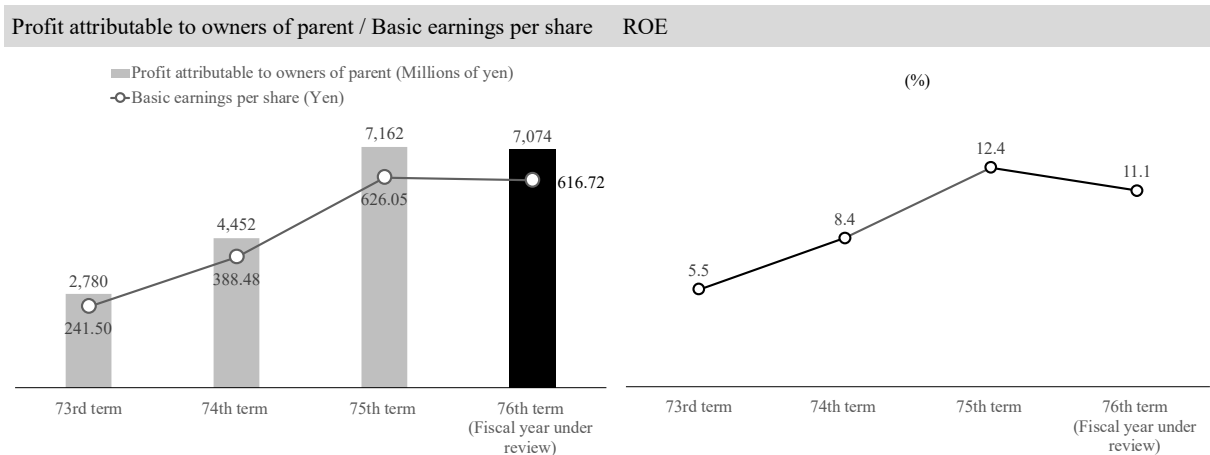
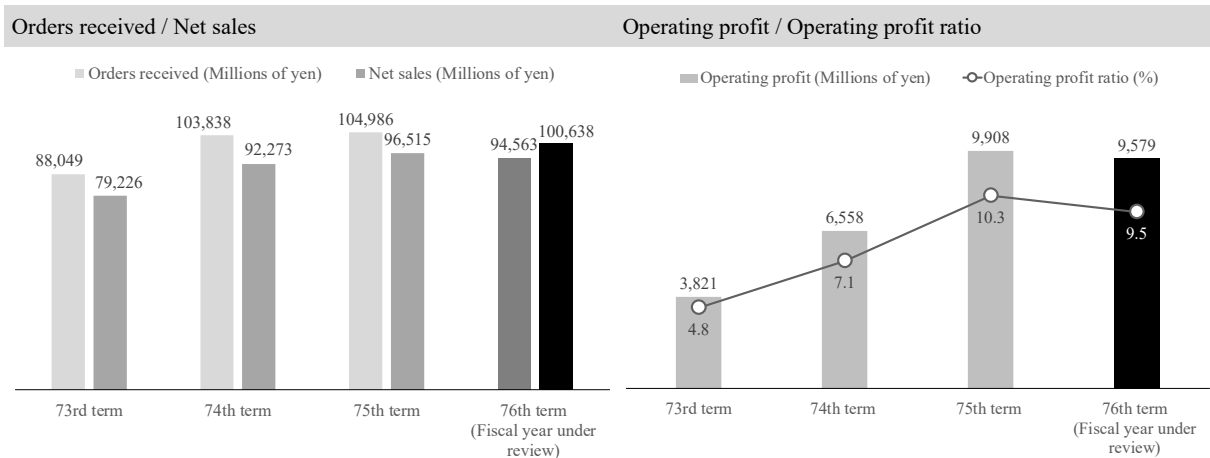
Category	76th term Fiscal year ended March 31, 2021 (Result)	77th term Fiscal year ended March 31, 2022 (Plan)	78th term Fiscal year ended March 31, 2023 (Plan)	79th term Fiscal year ended March 31, 2024 (Plan)
Orders received	94,563	100,000	105,000	110,000
Net sales	100,638	103,000	105,000	110,000
Operating profit	9,579	8,250	9,000	10,500
Operating profit ratio (%)	9.5	8.0	8.6	9.5
Return on equity (ROE) (%)	11.1	9.3	8.3	9.0

### (5) Changes in assets and profit and loss

Category	73rd term Fiscal year ended March 31, 2018	74th term Fiscal year ended March 31, 2019	75th term Fiscal year ended March 31, 2020	76th term (Fiscal year under review) Fiscal year ended March 31, 2021
Orders received (Millions of yen)	88,049	103,838	104,986	94,563
Net sales (Millions of yen)	79,226	92,273	96,515	100,638
Operating profit (Millions of yen)	3,821	6,558	9,908	9,579
Operating profit ratio (%)	4.8	7.1	10.3	9.5
Ordinary profit (Millions of yen)	3,933	6,538	9,929	9,900
Profit attributable to owners of parent (Millions of yen)	2,780	4,452	7,162	7,074
Basic earnings per share (yen)	241.50	388.48	626.05	616.72
Return on equity (ROE) (%)	5.5	8.4	12.4	11.1
Total assets (Millions of yen)	96,036	101,257	101,448	115,011
Net assets (Millions of yen)	51,681	54,795	60,857	67,357
Net assets per share (yen)	4,477.64	4,784.81	5,301.26	5,856.25

- Notes: 1. The Company has applied the “Partial Amendments to Accounting Standard for Tax Effect Accounting” (ASBJ Statement No. 28; February 16, 2018) from the beginning of the 74th fiscal year, and this accounting standard, etc. has been retrospectively applied to the amount of total assets for the 73rd fiscal year.
2. When calculating basic earnings per share, common shares of the Company held by the Officer Share Delivery Trust have been included in treasury shares excluded from the calculation of the average number of shares during the period for the 74th and subsequent fiscal years. Also, when calculating net assets per share, those shares have been included in treasury shares excluded from the total number of issued shares at the end of the period.





## (6) Parent company and major subsidiaries

### (i) Relationship with parent company

The Company's parent company is Tosoh Corporation, and it holds 4,937 thousand shares (equity ownership 42.6% includes the portion of indirect ownership) of the Company.

The Company purchases items such as some raw materials for water treatment chemicals from Tosoh Corporation and it also carries out other transactions with Tosoh Corporation such as selling various types of water treatment systems and related chemicals to the said company.

Tosoh Corporation and the Company have not entered into any contracts or other agreements regarding the Company's material financial and business policies. There are no particular restrictions on the Company's material financial and business policies in relation to Tosoh Corporation, including approval items in conducting business activities. Although the Company is engaged in businesses related to the corporate group of Tosoh Corporation, the two companies are clearly segregated in terms of the products they handle and the customers they do business with. The Company recognizes that as a listed company, it has secured a certain degree of management independence in its business activities and management decisions.

### (ii) Major subsidiaries

Company name	Share capital	Ownership of the Company (%)	Major businesses
ORGANO PLANT SERVICE CORPORATION	93 (Millions of yen)	100.0	Installation and supervision of various types of water treatment systems
ORGANO FOOD TECH CORPORATION	50	100.0	Sales and manufacture of food ingredients and food processing agents
ORGANO ECO TECH CORPORATION	50	100.0	Sales and related construction of wastewater treatment systems and related chemicals
ORGANO ACTY CORPORATION	20	100.0	Printing business, agency business involving various forms of insurance and management outsourcing business
Organo (Asia) Sdn. Bhd.	7,000 (Thousands of MYR)	100.0	Sales and related construction of various types of water treatment systems and related chemicals
Organo (Suzhou) Water Treatment Co., Ltd.	5,000 (Thousands of USD)	100.0	Sales and related construction of various types of water treatment systems and related chemicals
Organo Technology Co., Ltd.	30,000 (Thousands of NTD)	100.0	Sales and related construction of various types of water treatment systems and related chemicals
Organo (Thailand) Co., Ltd.	120,100 (Thousands of THB)	*100.0	Sales and related construction of various types of water treatment systems and related chemicals
PT Lautan Organo Water	18,000 (Millions of IDR)	51.0	Sales and related construction of various types of water treatment systems and related chemicals

- Notes:
1. Equity ownership with (\*) mark includes the portion of indirect ownership held by the Company's subsidiaries.
  2. There is no subsidiary that falls under the category of specified wholly-owned subsidiary.
  3. The nine major subsidiaries above are consolidated subsidiaries of the Company, and one affiliated company was accounted for by the equity method.

**(7) Major business offices and factories (As of March 31, 2021)**

The Company	Head Office	Head office	Koto-ku, Tokyo
	Factories	Tsukuba Factory Iwaki Factory	Tsukuba City, Ibaraki Iwaki City, Fukushima
	Research and Development Facility	R&D Center	Sagamihara City, Kanagawa
	Branches	Hokkaido Branch Tohoku Branch Kanto Branch Chubu Branch Kansai Branch Chugoku Branch Kyushu Branch Taiwan Branch	Sapporo City, Hokkaido Sendai City, Miyagi Koto-ku, Tokyo Nagoya City, Aichi Suita City, Osaka Hiroshima City, Hiroshima Fukuoka City, Fukuoka Hsinchu City, Taiwan R.O.C.
Subsidiaries	In Japan	ORGANO PLANT SERVICE CORPORATION ORGANO FOOD TECH CORPORATION ORGANO ECO TECH CORPORATION ORGANO ACTY CORPORATION	Bunkyo-ku, Tokyo Satte City, Saitama Koto-ku, Tokyo Koto-ku, Tokyo
	Oversea	Organo (Asia) Sdn. Bhd. Organo (Suzhou) Water Treatment Co., Ltd. Organo Technology Co., Ltd. Organo (Thailand) Co., Ltd. PT Lautan Organo Water	Selangor, Malaysia Jiangsu, China Hsinchu City, Taiwan, R.O.C. Bangkok, Thailand Jakarta, Indonesia

**(8) Employees (As of March 31, 2021)****(i) Employees of the Organo Group**

Business Segment	Number of employees	Change from previous fiscal year-end
Water Treatment Engineering Business Unit	1,809	Increase by 60
Performance Products Business Unit	359	—
Company-wide (common)	151	Increase by 10
Total	2,319	Increase by 70

**(ii) Employees of the Company**

Number of employees	Change from previous fiscal year-end	Average age	Average years of service
1,072	Increase by 21	43.4 years old	16.0 years

**(9) Major lenders (As of March 31, 2020)**

Lenders	Amount of Borrowings (Millions of yen)
Mizuho Bank, Ltd.	5,200
Sumitomo Mitsui Banking Corporation	2,440
The Hachijuni Bank, Ltd.	2,230
MUFG Bank, Ltd	1,940
Sumitomo Mitsui Trust Bank, Limited	1,743

## 2. Shares of the Company (As of March 31, 2021)

- (1) **Total number of authorized shares:** 25,392,000 shares
- (2) **Total number of issued shares:** 11,589,925 shares (including treasury shares of 83,318 shares)
- (3) **Number of shareholders:** 4,574 shareholders
- (4) **Major shareholders**

Name of shareholder	Number of shares held (Thousands of shares)	Holding ratio (%)
Tosoh Corporation	4,925	42.80
Custody Bank of Japan, Ltd. (Trust account)	694	6.03
The Master Trust Bank of Japan, Ltd. (Trust account)	643	5.59
Banque et Caisse d'Epargne de l'Etat, Luxembourg 46985807	202	1.76
Mizuho Bank, Ltd.	200	1.74
BBH The Advisors' Inner Circle Fund II Kopernik Global All-Cap Fund	165	1.43
KBC BANK NV-UCITS CLIENTS NON TREATY	134	1.17
BBH BOSTON CUSTODIAN FOR BBHTSIA HEPTAGON FUND PLC COPEL 620357	118	1.03
Custody Bank of Japan, Ltd. (Securities Investment Trust Account)	105	0.92
Custody Bank of Japan, Ltd. (Trust Account 5)	99	0.86

- Notes
1. The treasury shares (83,318 shares) are excluded in the calculation of the holding ratio shown above.
  2. 29,300 shares of the Company held by Custody Bank of Japan, Ltd. (Trust account) (shares in the Officer Share Delivery Trust) are not included in treasury shares.

### (5) Shares issued to officers as compensation for the execution of their duties during the fiscal year under review

Category	Number of shares	Number of persons
Directors (excluding Outside Directors)	10,200	5

- Notes
1. Pursuant to a resolution at the 73rd Ordinary General Meeting of Shareholders held on June 28, 2018, the Company introduced a performance-linked share-based remuneration plan using a trust for Directors (excluding Non-Executive Directors) as well as Executive Officers (excluding non-residents) of the Company, in order to heighten awareness of contributing to enhancing the Organo Group's medium- to long-term operating results and increasing corporate value. The details are described in "3. (4) Remuneration, etc. to Directors and Audit and Supervisory Board Members." As of March 31, 2021, the trust established by the Company held 29,300 shares of the Company.
  2. The above includes shares delivered during the current fiscal year as compensation for the execution of duties as an Executive Officer prior to assuming the position of Director.

### 3. Officers

#### (1) Names etc. of Directors and Audit and Supervisory Board Members (As of March 31, 2021)

Position	Name	Responsibility	Significant concurrent positions outside the Company
Director and President (Representative Director) President and Executive Officer	Masaki Uchikura		
Director Managing Executive Officer	Hitoshi Hori	President of Performance Products Business	Chairman of the Board (Representative Director) of ORGANO FOOD TECH CORPORATION
Director Managing Executive Officer	Haruki Myouga	President of R & D and Engineering In charge of Environment, Safety and Quality Assurance Dept. and Purchasing and Logistics Dept.	
Director Managing Executive Officer	Yasutoshi Nakayama	President of Industrial Plant Business and Senior General Manager of Plant Division	
Director Managing Executive Officer	Nobuyoshi Suda	President of Corporate Management and Planning and General Manager of Corporate Strategy and Planning Dept. In charge of Internal Auditing Office, Secretary Office, Global Management and Planning, Legal and Patent Dept., Trade Control Office, and Branches	
Director	Masayuki Yamada		Director, Executive Vice President of Tosoh Corporation Chairman of the Board of Tosoh America, Inc.
Director	Motoo Nagai		Outside Director of Nissan Motor Co., Ltd. Outside Director of Nisshin Seifun Group Inc.
Director	Keikou Terui		President of Nonprofit Organization Japan Utility Telemetering Association Executive Director of Japan Chemical Innovation and Inspection Institute Outside Director of Ube Industries, Ltd. Outside Director of Bridgestone Corporation
Director	Kenji Hirai		Vice Chairman of the Board (Representative Director) of Sagami Chemical Research Institute
Audit and Supervisory Board Member (Full-time)	Masahiko Toyoda		

Position	Name	Responsibility	Significant concurrent positions outside the Company
Audit and Supervisory Board Member	Masao Wada		Certified Public Accountant Representative of Wada Certified Public Accountant Office Outside Corporate Auditor of Nissin Sugar Co., Ltd.
Audit and Supervisory Board Members;	Wataru Higuchi		Lawyer Certified Public Accountant Representative Partner of OOTEMON LAW AND ACCOUNTING Executive Officer of Advance Residence Investment Corporation Outside Director (Serving as Audit and Supervisory Committee Member) of Marubeni Construction Material Lease Co., Ltd.

- Notes: 1. Directors Motoo Nagai, Keikou Terui, and Kenji Hirai are Outside Directors.
2. Audit and Supervisory Board Members Masao Wada and Wataru Higuchi are Outside Audit and Supervisory Board Members.
3. Director Yasuyuki Koie retired from his office due to expiration of his term of office at the conclusion of the 75th Ordinary General Meeting of Shareholders held on June 26, 2020.
4. Audit and Supervisory Board Members Masahiko Toyoda, Masao Wada and Wataru Higuchi possess extensive financial and accounting knowledge as shown below.
- Audit and Supervisory Board Member Masahiko Toyoda has past experience of supervising finance and accounting divisions at other companies.
  - Audit and Supervisory Board Members Masao Wada and Wataru Higuchi are qualified as Certified Public Accountants.
5. The Company has submitted notification to the Tokyo Stock Exchange that Outside Directors Motoo Nagai, Keikou Terui and Kenji Hirai, and Outside Audit and Supervisory Board Members Masao Wada and Wataru Higuchi have been designated as independent officers as provided for by the aforementioned exchange.

## (2) Overview of limited liability agreements

Pursuant to the provisions of Article 427, paragraph 1 of the Companies Act and the Company's Articles of Incorporation, the Company has entered into limited liability agreements with Directors Masayuki Yamada, Motoo Nagai, Keikou Terui and Kenji Hirai, and Audit and Supervisory Board Members Masahiko Toyoda, Masao Wada, and Wataru Higuchi, which limit the amount of liability for damages as defined under Article 423, paragraph 1 of the Companies Act to the minimum liability amount as stipulated in laws and regulations, presuming they perform their respective duties in good faith and without gross negligence.

## (3) Outline of the Officers' Liability Insurance Contract

The Company has entered into the Officers' Liability Insurance Contract for Directors and Audit and Supervisory Board Members of the Company and its subsidiaries, as well as Executive Officers of the Company, with an insurance company as insured persons, as stipulated in Article 430-3, paragraph 1 of the Companies Act. The contract is renewed every year. In the event of a claim for damages arising from duties performed by the insured in his or her position during the insurance period, the insurance contract covers compensation for damage and dispute costs. However, there are certain exemptions, such as damage caused by intentional or gross negligence that is not covered by the relevant insurance contract. The total amount of insurance expenses is shared proportionally by the Company and its subsidiaries.

#### **(4) Remuneration, etc. to Directors and Audit and Supervisory Board Members**

##### **(i) Policies and procedure of determining remuneration to Directors and Audit and Supervisory Board Members**

###### **a. Director**

The following is a summary of the Company's "Policy for determining remuneration, etc. to Directors" resolved at the Board of Directors meeting held on February 1, 2021. This policy is resolved by the Board of Directors after obtaining opinions based on review by the Nomination and Remuneration Advisory Committee, of which the majority are independent outside directors.

The Board of Directors has confirmed that the method of determining the details of remuneration, etc. and the content of remuneration, etc. determined for each individual Director for the fiscal year under review are consistent with the relevant decision policy and that the opinions of the Nomination and Remuneration Advisory Committee have been respected. The Board of Directors has determined that the content of remuneration, etc. is in line with the relevant decision policy.

###### **(a) Basic policy**

The remuneration system for Executive Directors, in addition to the fixed remuneration (cash), encourages business execution in line with management policies and management targets and establishes a remuneration framework and remuneration 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. The remuneration system for Non-Executive Directors, including Outside Directors, shall be fixed remuneration (cash) only, for the purpose of effectively functioning their supervisory and monitoring functions.

###### **(b) Remuneration framework**

###### **i. Executive Directors**

Remuneration to Executive Directors consists of fixed remuneration and performance-linked remuneration, and performance-linked remuneration consists of short-term performance-linked remuneration (cash) and mid- and long-term performance-linked remuneration (stock). The remuneration level is designed to be appropriate for each position by comparing and verifying it with objective data such as remuneration levels from external remuneration consultants and remuneration survey data from external research organizations.

###### **1) Fixed remuneration**

The total amount of remuneration based on the remuneration table set for each position shall be paid in equal monthly installments from July to June of the following year.

###### **2) Performance-linked remuneration**

The ratio of the total amount of performance-linked remuneration is designed to be approximately 50% to 60% when the performance evaluation index is the standard value set by the Board of Directors, and this ratio is higher for Directors of higher ranks. In addition, the ratio of short-term performance-linked remuneration (cash) to medium-to-long-term performance-linked remuneration (shares) shall be designed to be approximately 7:3 in the case the performance evaluation index is at the standard value set by the Board of Directors.

###### **• Short-term performance-linked remuneration (cash)**

The short-term performance-linked remuneration shall be monetary remuneration. From the perspective of clarifying the relationship between



business performance and remuneration, the Company shall use the consolidated operating profit, which is an important management index of the Group, as the performance evaluation index, and shall pay the total amount calculated by the remuneration table for each position according to the consolidated operating profit of the previous fiscal year in equal monthly installments from July to June of the following year. The amount paid varies in the range of 0-170% depending on the amount of consolidated operating profit.

- Medium-to-long-term performance-linked remuneration (shares)

The medium-to-long-term performance-linked remuneration is a stock-based remuneration plan using a trust. From the perspective of improving corporate values over the medium to long term and aligning the interests with those of shareholders, the Company shall use the consolidated return on equity (ROE), which is an important management indicator of the Group and indicates capital efficiency, as the performance evaluation indicator, and shall deliver shares of the Company calculated based on the performance-linked coefficient determined in accordance with the consolidated return on equity for the previous fiscal year and the basic amount for each position. The amount equivalent to the payment varies in the range of 0 to 200% depending on the consolidated return on equity. In addition, the Company has established a three-year transfer restriction period from the time of delivery of the shares to be delivered.

ii. Non-Executive Director

The remuneration for Non-Executive Directors consists of a fixed remuneration only, and the total remuneration based on their position is paid in equal monthly installments from July to June of the following year. The remuneration level is designed to be appropriate for each position by comparing and verifying it with objective data such as remuneration levels from external remuneration consultants and remuneration survey data from external research organizations, and by taking into consideration the appointment of each Director as a member of important committees and the nature of their duties.

(c) Process of determining remuneration

The Company has established the Nomination and Remuneration Advisory Committee as a non-statutory advisory body to the Board of Directors in order to ensure objectivity and transparency in the process of determining remuneration, etc. and provide an appropriate amount of remuneration. The amount of remuneration to the Company's Directors and the method of calculating such amount shall be determined by resolution of the Board of Directors based on the opinion of the Nomination and Remuneration Advisory Committee and within the scope of the remuneration limit determined by resolution of the General Meeting of Shareholders. The Nomination and Remuneration Advisory Committee shall review matters such as the total amount of remuneration for Directors, confirmation of the amount of remuneration for individual Directors, and the policy of remuneration, etc. for Directors, and report to the Board of Directors. Among the remunerations for Directors, the amount of remuneration and the number of shares to be paid for performance-linked remuneration shall be determined in unison in accordance with a predetermined method.

b. Audit and Supervisory Board Members

Remuneration to Audit and Supervisory Board Members is a fixed amount according to their respective positions in the Company. The amount of remuneration is determined through discussion by the Audit and Supervisory Board Members within the scope of the remuneration limit determined by resolution of the General Meeting of Shareholders.

(ii) Total amount of remuneration, etc. to Directors and Audit and Supervisory Board Members for the fiscal year under review

Category	Total amount of remuneration, etc. (Millions of yen)	Total amount of remuneration, etc. and number of persons covered classified by type				
		Fixed remuneration		Performance-linked remuneration		
				Short-term	Mid- and long-term	
		Monetary remuneration, etc.			Non-monetary remuneration, etc. (Stocks)	
		Total amount (Millions of yen)	Number of persons covered	Total amount (Millions of yen)	Total amount (Millions of yen)	Number of persons covered
Directors (excluding Outside Directors)	243	86	7	100	56	5
Audit and Supervisory Board Members (excluding Outside Audit and Supervisory Board Members)	17	17	1	—	—	—
Outside Directors	32	32	3	—	—	—
Outside Audit and Supervisory Board Members	19	19	2	—	—	—
Total	312	156	13	100	56	5

Notes: 1. The above figures include one Director who retired upon the conclusion of the 75th Ordinary General Meeting of Shareholders held on June 26, 2020.

2. Remuneration of Directors does not include salaries as employees paid to directors who are also employees.
3. The details of the performance indicators related to the performance-linked remuneration, the reasons for selecting such performance indicators, and the calculation method of the performance-linked remuneration are described in “(1) Policies and procedure of determining remuneration to Directors and Audit and Supervisory Board Members”, and the changes in the performance indicators including the current fiscal year are described in “1. (5) Changes in assets and profit and loss.”
4. The details of non-monetary remuneration, etc. (medium-to-long-term performance-linked remuneration (shares)) are described in “(1) Policies and procedure of determining remuneration to Directors and Audit and Supervisory Board Members.” The amount of non-monetary remuneration, etc. (shares) above includes the amount of remuneration delivered in the current fiscal year and the amount to be delivered in the following fiscal year, which should be recorded as expenses in the current fiscal year. The status of shares issued to officers is described in “2. (5) Shares issued to officers as compensation for the execution of their duties during the fiscal year under review.”
5. The amount of remuneration for Directors was set at not more than ¥340 million per year (of which not more than ¥40 million is for Outside Directors) by resolution of the 69th Ordinary General Meeting of Shareholders held on June 27, 2014. The number of Directors as of the close of this General Meeting of Shareholders is 10 (including one Outside Director).  
In addition to this limited amount of remuneration, the Company introduced a performance-linked share-based remuneration plan for Directors (excluding Non-Executive Directors) by resolution of the 73rd Ordinary General Meeting of Shareholders held on June 28, 2018 in which the amount of cash the Company may contribute shall be limited to ¥300 million for the three fiscal years in the initial applicable period, and the total number of Company’s shares that may be issued for Directors (excluding Non-Executive Directors) shall be limited to 54,000 shares per fiscal year (162,000 shares for the three fiscal years in the initial application period). The number of Directors (excluding Non-Executive Directors) as of the close of this General Meeting of Shareholders is six.
6. The amount of remuneration for Audit and Supervisory Board Members was set at not more than ¥60 million per year by resolution of the 61st Ordinary General Meeting of Shareholders held on June 29, 2006. The number of Audit and Supervisory Board Members as of the close of this General Meeting of Shareholders is four.

**(5) Outside Directors and Outside Audit and Supervisory Board Members**

- (i) Significant concurrent positions outside the Company and relation between the Company and such other corporations

Significant concurrent positions outside the Company are as described in “(1) Names etc. of Directors and Audit and Supervisory Board Members (As of March 31, 2021).” Director Kenji Hirai is Vice Chairman of the Board (Representative Director) of Sagami Chemical Research Institute. In addition to the Company participating in joint research with said institute (in fiscal year ended March 31, 2021, payments of research costs to said institute was ¥10 million) the Company also donates money to said institute (in fiscal year ended March 31, 2021, payment amount was ¥300 thousand), the amounts of both of those payments are immaterial. For the other outside Directors, the Company does not have any important dealing or other special relationship with the said each organizations where the officers hold significant concurrent positions.

- (ii) Principal activities during the fiscal year under review

a. Directors

Name	Board of Directors	Status of Expression of Opinions and Summary of Duties Performed in Relation to the Expected Role
	Status of attendance	
Motoo Nagai	14/14 (100%)	He has been fulfilling his role appropriately by mainly providing opinions as necessary on such issues as management plans, business strategies, ESG issues, affiliate management, risk management, compliance, internal reporting system, evaluation of the effectiveness of the Board of Directors, dividend policy, and information disclosure based on his extensive knowledge and experience in corporate management mainly as a manager of a financial institution. As the Chairman of the Nomination and Remuneration Advisory Committee, he attended all 10 meetings of the Committee held during the fiscal year under review and led the supervisory function in the process of selecting candidates, etc. for the Company's Board of Directors and determining the remuneration, etc. for Directors.
Keikou Terui	14/14 (100%)	He has been fulfilling his role appropriately by mainly providing opinions as necessary on such issues as management plans, business strategies, affiliate management, technological development, personnel policies, evaluation of the effectiveness of the Board of Directors, risk management, dialogue with investors, compliance, and safety management based on his extensive knowledge of industrial policy and industrial technology and his experience in key positions at the Ministry of Economy, Trade and Industry. As a member of the Nomination and Remuneration Advisory Committee, he attended all 10 meetings of the Committee held during the fiscal year under review and led the supervisory function in the process of selecting candidates, etc. for the Company's Board of Directors and determining the remuneration, etc. for Directors.
Kenji Hirai	14/14 (100%)	He has been fulfilling his role appropriately by mainly providing opinions as necessary on such issues as business strategies, operational reforms, human resource development, compliance, and information disclosure based on his extensive knowledge and experience as the head of a research institution. As a member of the Nomination and Remuneration Advisory Committee, he attended all 10 meetings of the Committee held during the fiscal year under review and led the supervisory function in the process of selecting candidates, etc. for the Company's Board of Directors and determining the remuneration, etc. for Directors.

b. Audit and Supervisory Board Members

Name	Board of Directors	Audit and Supervisory Board meetings	Status of Expression of Opinions
	Status of attendance	Status of attendance	
Masao Wada	14/14 (100%)	14/14 (100%)	He has been mainly providing opinions as necessary on such issues as major audit considerations, affiliate management, business strategies, compliance, and risk management based on his extensive knowledge and experience related to accounting and auditing operations as a certified public accountant.
Wataru Higuchi	14/14 (100%)	14/14 (100%)	He has been mainly providing opinions as necessary on such issues as internal audits, affiliate management, management plans, business environment, compliance, and risk management based on his extensive knowledge and experience related to legal, finance and accounting operations as a lawyer and certified public accountant.

#### 4. Independent Auditor

**(1) Name of Independent Auditor**

KPMG AZSA LLC

**(2) Amount of remuneration, etc. for Independent Auditor for the fiscal year under review**

Category	Amount of remuneration, etc.
Amount of remuneration, etc. for Independent Auditor for the fiscal year under review	¥54 million
Total amount of money and other financial profits to be paid by the Company and its subsidiaries	¥62 million

- Notes: 1. The audit agreement between the Company and KPMG AZSA LLC, the Independent Auditor, does not clearly distinguish remuneration, etc. paid for audit work performed in conformity with the Companies Act and remuneration, etc. paid for audit work performed in conformity with the Financial Instruments and Exchange Act, and it is effectively impossible to do so. Therefore, the figure presented in the amount of remuneration, etc. for the fiscal year under review above shows the total amount.
2. The Audit and Supervisory Board has checked and comprehensively reviewed the content of audit plan, the status of the performance of duties of the Independent Auditor and the grounds for calculation of remuneration estimates. As a result of this review, the Audit and Supervisory Board consents to the remuneration, etc. for the Independent Auditor in accordance with Article 399, paragraph 1 of the Companies Act.

**(3) Audit of consolidated subsidiaries**

Among the Company's consolidated subsidiaries, overseas subsidiaries are audited by other certified public accountants or audit firms (including those who have equivalent certificates in foreign countries) other than the Company's Independent Auditor.

**(4) Description of non-auditing services**

The Company entrusts the independent auditor with "support services for projects aimed at applying the 'Accounting Standard for Revenue Recognition' (ASBJ Statement No. 29)" and "income certification services for tax returns related to employees seconded overseas," which are services other than those stipulated in Article 2, paragraph 1 of the Certified Public Accountants Act (non-audit services).

**(5) Policy for decisions on dismissal or non-reappointment of the Independent Auditor**

When the matters prescribed in the items in Article 340, paragraph 1 of the Companies Act are applicable to the Independent Auditor, the Audit and Supervisory Board of the Company will dismiss the Independent Auditor by the unanimous consent of the Audit and Supervisory Board Members. In such case, an Audit and Supervisory Board Member appointed by the Audit and Supervisory Board will report on the decision of dismissal and its reasons at the first General Meeting of Shareholders convened after the dismissal.

Furthermore, the Audit and Supervisory Board shall determine the details of a proposal with regards to dismissal or non-reappointment of the Independent Auditor if such a proposal is deemed necessary to be submitted to General Meeting of Shareholders, such as in cases where the Independent Auditor falls under any of items described in Article 340, paragraph 1 of the Companies Act or where the Independent Auditor has difficulty in performing audit operation properly.

## 5. Company systems and policies

### (1) Corporate governance

#### (i) Basic views on corporate governance

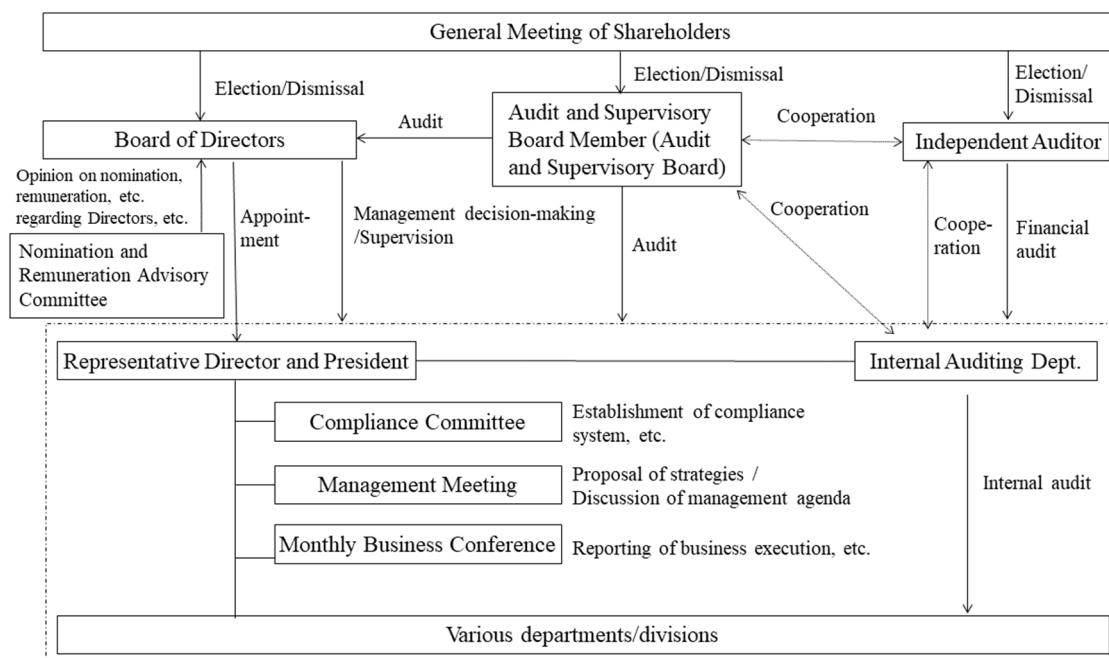
The Company has been engaging in efforts to enhance corporate governance that conforms to the following basic views in order to realize fair and trustworthy management and improve management efficiency.

- a. The Company will respect the rights of shareholders and ensure equality.
- b. The Company will take into account the benefits for a wide range of stakeholders including shareholders/investors, consumers/customers, business partners, employees and local communities, and cooperate with these stakeholders appropriately.
- c. The Company will disclose the Company's information timely and properly, and ensure transparency.
- d. The Directors, Audit and Supervisory Board Members, and Executive Officers will recognize their fiduciary responsibilities, and will effectively fulfill their expected roles and duties.
- e. The Company will hold constructive dialogue with shareholders.

The Company's basic views and basic policy on corporate governance are provided in the "Organo Corporate Governance Guidelines" available on the Company's website (in Japanese only).

(<https://www.organo.co.jp/company/governance/guidance/>)

#### (ii) Schematic view of corporate governance structure



(iii) Organization Structure

a. Board of Directors

The Board of Directors consists of nine Directors (including three Independent Outside Directors), and provides decision-making for the execution of important business and supervises the status of business execution.

b. Audit and Supervisory Board

The Audit and Supervisory Board consists of three Audit and Supervisory Board 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.

c. Executive Officer System

The Company has introduced an Executive Officer System and appointed 15 members (including five members who serve concurrently as Directors) in order to differentiate the “management decision-making and supervision function” of Directors and the “business execution function” for Executive Officers, thereby clarifying responsibilities and accelerating decision-making.

d. Management Meeting

The Management Meeting consists of Executive Directors and Executive Officers with titles, and proposes medium- and long-term strategies, etc., and discusses important management agendas.

Non-Executive Directors and Audit and Supervisory Board Members are able to participate in the Management Meeting and express opinions, etc., as necessary, and in this way the Company strives to ensure the effectiveness of supervision by Directors and audits by the Audit and Supervisory Board Members.

e. Monthly Business Conference

The Monthly Business Conference consists of Executive Directors, Executive Officers, General Managers, etc., and they inform matters already approved at the Management Meeting, and confirm the progress made on each business, the Medium-term Management Plan, and the profit plan for each fiscal year.

In addition, once every quarter the Monthly Business Conference is held as the Group Liaison Conference, which includes Presidents of group companies, General Managers of overseas divisions, General Managers of administrative divisions, and Branch General Managers, and the same progress confirmation, etc., is made for the overall Group including the group companies.

Non-Executive Directors and Audit and Supervisory Board Members are able to participate in the Monthly Business Conference and express opinions, etc., as necessary, and in this way the Company strives to ensure the effectiveness of supervision by Directors and audits by the Audit and Supervisory Board Members.

f. Compliance Committee

The Compliance Committee consists of nine Internal Officers (including five Directors), and engages in efforts to establish the compliance system and formulate compliance education plans.

g. Nomination and Remuneration Advisory Committee

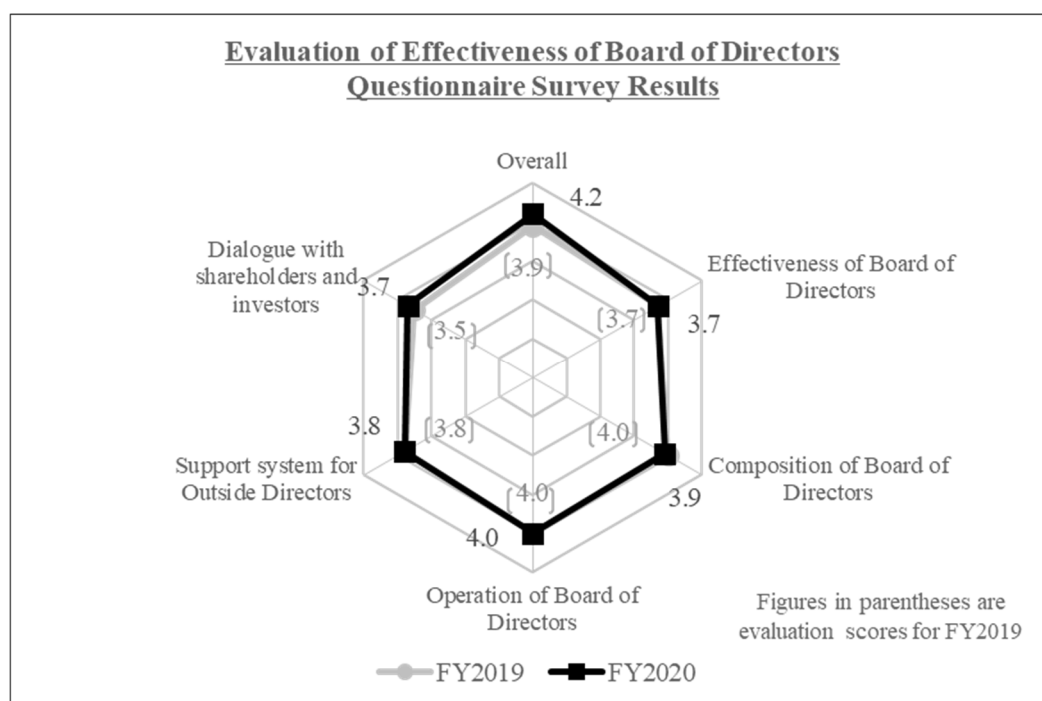
The Nomination and Remuneration Advisory Committee consists of four Directors (of which three are Independent Outside Directors). It reviews matters relating to nomination of officers including the election and dismissal of Directors and Executive Officers as well as remuneration for Directors, and reports the results to the Board of Directors.

(iv) Assessment of the overall effectiveness of the Board of Directors

Every year, an analysis/assessment is performed on the overall effectiveness of the Board of Directors, and a summary of the results is released. In the fiscal year under review, a signed questionnaire for all Directors and Audit and Supervisory Board Members (target period: April 2019 to March 2020) was conducted in April 2020, and based on the results of that questionnaire, an analysis/assessment was performed at the Board of Directors meetings in May and June 2020, and future efforts in which to engage were discussed.

As a result of this assessment, the Company confirmed that the overall effectiveness of the Board of Directors was ensured in that the Board of Directors indicated the direction and growth strategies it should pursue, took appropriate actions to promote and revise the implementation of these strategies and to improve or revise its internal control system; the incentive function of directors' remuneration was appropriate based on clear calculation criteria and decision-making process; and Independent Outside Directors fulfilled their expected roles appropriately. In addition, it was judged that the opinions of investors and shareholders were reflected in our management compared with the previous fiscal year. At the same time, the Company recognized the need to enhance discussions regarding the enhancement of shareholder value and the governance system as a listed subsidiary, and to further improve support for Non-Executive Directors and Audit and Supervisory Board Members.

Regarding efforts made in the current fiscal year, in order to enhance the quality and quantity of deliberations at the Board of Directors meetings, we reviewed the items to be deliberated and explained, as well as the materials, and improved the environment for web conferencing and provision of electronic materials. In addition, we have issued a new integrated report from the perspective of enhancing dialogue with investors and shareholders. The Company will continue to strengthen information disclosure to investors and shareholders by translating more disclosure materials into English.



Notes: FY2019 (Evaluation period of questionnaire: April 2018 to March 2019)  
FY2020 (Evaluation period of questionnaire: April 2019 to March 2020)

(2) Basic policy on control of the Company

We currently have no plans to introduce anti-takeover measures.



**(3) Policy on determination of dividends of surplus and others**

The Company treats the return of profits to shareholders as one of the Company's most important management agendas, and it strives to provide distribution of profits taking into account the Company's revenue status while adhering to a basic policy of providing stable and continuous dividends.

The Company will utilize internal reserve funds in business investments and R&D investments, etc., to achieve sustainable growth.

The Company has included provisions in the Articles of Incorporation on the payment of dividends, etc., of surplus by resolution of the Board of Directors. Dividend payments are made twice a year in interim dividends and year-end dividends, and year-end dividends are in principle a matter for resolution of the Ordinary General Meeting of Shareholders.

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Monetary amounts in this Business Report are rounded down to the nearest unit.

**Consolidated Balance Sheet**  
(As of March 31, 2021)

(Millions of yen)

Item	Amount	Item	Amount
Assets		Liabilities	
<b>Current assets</b>	<b>89,702</b>	<b>Current liabilities</b>	<b>40,749</b>
Cash and deposits	12,804	Notes and accounts payable - trade	13,556
Notes and accounts receivable - trade	49,517	Electronically recorded obligations - operating	4,589
Electronically recorded monetary claims - operating	1,598	Short-term borrowings	14,510
Investments in leases	9,773	Income taxes payable	2,140
Merchandise and finished goods	5,448	Advances received	1,226
Work in process	6,205	Provision for bonuses	1,442
Raw materials and supplies	1,223	Provision for product warranties	241
Other	3,172	Provision for loss on construction contracts	122
Allowance for doubtful accounts	(39)	Provision for share-based remuneration for directors (and other officers)	109
<b>Non-current assets</b>	<b>25,308</b>	Other	2,809
<b>Property, plant and equipment</b>	<b>18,974</b>	<b>Non-current liabilities</b>	<b>6,905</b>
Buildings and structures	4,983	Long-term borrowings	1,495
Machinery, equipment and vehicles	690	Deferred tax liabilities	11
Land	12,279	Retirement benefit liability	5,319
Construction in progress	300	Other	79
Other	720	<b>Total liabilities</b>	<b>47,654</b>
<b>Intangible assets</b>	<b>1,105</b>	<b>Net assets</b>	
<b>Investments and other assets</b>	<b>5,228</b>	<b>Shareholders' equity</b>	<b>67,139</b>
Investment securities	1,911	Share capital	8,225
Deferred tax assets	2,977	Capital surplus	7,508
Other	743	Retained earnings	51,902
Allowance for doubtful accounts	(403)	Treasury shares	(495)
		<b>Accumulated other comprehensive income</b>	<b>74</b>
		Valuation difference on available-for-sale securities	301
		Foreign currency translation adjustment	(201)
		Remeasure-ments of defined benefit plans	(25)
		<b>Non-controlling interests</b>	<b>143</b>
		<b>Total net assets</b>	<b>67,357</b>
<b>Total assets</b>	<b>115,011</b>	<b>Total liabilities and net assets</b>	<b>115,011</b>

**Consolidated Statement of Income**  
(From April 1, 2020 to March 31, 2021)

(Millions of yen)

Item	Amount	
<b>Net sales</b>		<b>100,638</b>
<b>Cost of sales</b>		<b>74,311</b>
<b>Gross profit</b>		<b>26,326</b>
<b>Selling, general and administrative expenses</b>		<b>16,746</b>
<b>Operating profit</b>		<b>9,579</b>
<b>Non-operating income</b>		
Interest and dividend income	54	
Foreign exchange gains	39	
Insurance claim income	132	
Share of profit of entities accounted for using equity method	153	
Other	74	454
<b>Non-operating expenses</b>		
Interest expenses	117	
Other	16	133
<b>Ordinary profit</b>		<b>9,900</b>
<b>Extraordinary income</b>		
Gain on sales of non-current assets	7	
Gain on sales of investment securities	14	22
<b>Extraordinary losses</b>		
Loss on sales of non-current assets	0	
Loss on abandonment of non-current assets	161	
Loss on valuation of investment securities	59	
Loss on sales of right to use facilities	4	
Loss on valuation of right to use facilities	0	227
<b>Profit before income taxes</b>		<b>9,695</b>
Income taxes - current	2,839	
Income taxes - deferred	(230)	2,608
<b>Profit</b>		<b>7,086</b>
<b>Profit attributable to non-controlling interests</b>		<b>12</b>
<b>Profit attributable to owners of parent</b>		<b>7,074</b>

**Balance Sheet**  
(As of March 31, 2021)

(Millions of yen)

Item	Amount	Item	Amount
Assets		Liabilities	
<b>Current assets</b>	<b>72,172</b>	<b>Current liabilities</b>	<b>34,394</b>
Cash and deposits	7,130	Notes payable - trade	1,825
Notes receivable - trade	2,094	Electronically recorded obligations - operating	4,589
Electronically recorded monetary claims - operating	1,598	Accounts payable - trade	7,566
Accounts receivable - trade	37,099	Short-term borrowings	12,400
Investments in leases	9,763	Current portion of long-term borrowings	600
Merchandise and finished goods	4,501	Accounts payable - other	1,234
Work in process	4,550	Income taxes payable	1,623
Raw materials and supplies	915	Advances received	672
Advance payments - trade	623	Deposits received	1,839
Prepaid expenses	242	Provision for bonuses	1,000
Short-term loans receivable	1,942	Provision for product warranties	191
Other	1,723	Provision for loss on construction contracts	277
Allowance for doubtful accounts	(12)	Provision for share-based remuneration for directors (and other officers)	109
<b>Non-current assets</b>	<b>25,410</b>	Other	463
<b>Property, plant and equipment</b>	<b>18,372</b>	<b>Non-current liabilities</b>	<b>6,640</b>
Buildings	4,615	Long-term borrowings	1,495
Structures	113	Provision for retirement benefits	5,116
Machinery and equipment	540	Other	29
Vehicles	2	<b>Total liabilities</b>	<b>41,035</b>
Tools, furniture and fixtures	614	<b>Net assets</b>	
Land	12,191	<b>Shareholders' equity</b>	<b>56,290</b>
Construction in progress	294	<b>Share capital</b>	<b>8,225</b>
<b>Intangible assets</b>	<b>1,025</b>	<b>Capital surplus</b>	<b>7,508</b>
Software	864	Legal capital surplus	7,508
Other	160	Other capital surplus	0
<b>Investments and other assets</b>	<b>6,011</b>	<b>Retained earnings</b>	<b>41,052</b>
Investment securities	699	Legal retained earnings	832
Shares of subsidiaries and associates	2,315	Other retained earnings	40,220
Long-term loans receivable	300	Reserve for dividends	140
Guarantee deposits	92	Reserve for research and development	90
Deferred tax assets	2,727	Reserve for tax purpose reduction entry of non-current assets	31
Other	279	General reserve	27,065
Allowance for doubtful accounts	(403)	Retained earnings brought forward	12,892
		<b>Treasury shares</b>	<b>(495)</b>
		<b>Valuation and translation adjustments</b>	<b>257</b>
		Valuation difference on available-for-sale securities	257
		<b>Total net assets</b>	<b>56,547</b>
<b>Total assets</b>	<b>97,582</b>	<b>Total liabilities and net assets</b>	<b>97,582</b>

**Statement of Income**  
(From April 1, 2020 to March 31, 2021)

(Millions of yen)

Item	Amount	
<b>Net sales</b>		<b>72,661</b>
<b>Cost of sales</b>		<b>52,173</b>
<b>Gross profit</b>		<b>20,488</b>
<b>Selling, general and administrative expenses</b>		<b>14,177</b>
<b>Operating profit</b>		<b>6,311</b>
<b>Non-operating income</b>		
Interest and dividend income	1,280	
Rental income from non-current assets	324	
Other	58	1,663
<b>Non-operating expenses</b>		
Interest expenses	52	
Depreciation	109	
Property tax	36	
Other	6	204
<b>Ordinary profit</b>		<b>7,770</b>
<b>Extraordinary income</b>		
Gain on sales of investment securities	14	14
<b>Extraordinary losses</b>		
Loss on abandonment of non-current assets	160	
Loss on valuation of shares of subsidiaries and associates	59	
Loss on sales of right to use facilities	4	224
<b>Profit before income taxes</b>		<b>7,560</b>
Income taxes - current	1,905	
Income taxes - deferred	(224)	1,680
<b>Profit</b>		<b>5,879</b>

Figures are rounded down to the nearest unit.

(English translation)

**Certified copy of Independent Auditor's audit report on the Consolidated Financial Statements**

Independent Auditor's Report

May 6, 2021

To the Board of Directors of  
ORGANO CORPORATION

KPMG AZSA LLC

Tokyo Office, Japan

Designated Limited Liability Partner Engagement Partner	Certified Public Accountant	Masahiko Kobayashi	[Seal]
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Designated Limited Liability Partner Engagement Partner	Certified Public Accountant	Yoshitaka Kuwamoto	[Seal]
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**Opinion**

We have audited the consolidated financial statements, which comprise the consolidated balance sheet, the consolidated statement of income, the consolidated statement of changes in net assets and the related notes of ORGANO CORPORATION ("the Company") and its consolidated subsidiaries (collectively referred to as "the Group"), as at March 31, 2021 and for the year from April 1, 2020 to March 31, 2021 in accordance with Article 444-4 of the Companies Act.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position and the results of operations of the Group for the period, for which the consolidated financial statements were prepared, in accordance with accounting principles generally accepted in Japan.

**Basis for Opinion**

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Corporate auditors and the board of corporate auditors for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan. This responsibility includes the establishment and operation of internal controls deemed necessary by management for the preparation of consolidated financial statements, free of material misstatement due to fraud or error and the presentation of appropriate accounting information.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with accounting principles generally accepted in Japan and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Corporate auditors and the board of corporate auditors are responsible for overseeing the directors' performance of their duties including the design, implementation and maintenance of the Group's financial reporting process.

### **Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in Japan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of our audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement due to fraud or error. Design and perform audit procedures that address the risks of material misstatement. The selection and application of audit procedures shall be at the discretion of the auditor. In addition, obtain sufficient and appropriate audit evidence to provide a basis for our opinion.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the objective of the audit is not to express an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate whether the presentation and disclosures in the consolidated financial statements are in accordance with accounting standards generally accepted in Japan, the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with corporate auditors and the board of corporate auditors regarding, among other matters, the planned scope and timing of the audit, significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide corporate auditors and the board of corporate auditors with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

### **Interest required to be disclosed by the Certified Public Accountants Act of Japan**

We do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

(English translation)

**Certified copy of Independent Auditor's audit report**

**Independent Auditor's Report**

May 6, 2021

To the Board of Directors of  
ORGANO CORPORATION

KPMG AZSA LLC

Tokyo Office, Japan

Designated Limited Liability Partner Engagement Partner	Certified Public Accountant	Masahiko Kobayashi	[Seal]
Designated Limited Liability Partner Engagement Partner	Certified Public Accountant	Yoshitaka Kuwamoto	[Seal]

**Opinion**

We have audited the financial statements, which comprise the balance sheet, the statement of income, the statement of changes in net assets and the related notes, and the supplementary schedules of ORGANO CORPORATION ("the Company") as at March 31, 2021 and for the year from April 1, 2020 to March 31, 2021 in accordance with Article 436-2-1 of the Companies Act.

In our opinion, the financial statements and the supplementary schedules referred to above present fairly, in all material respects, the financial position and the results of operations of the Company for the period, for which the financial statements and the supplementary schedules were prepared, in accordance with accounting principles generally accepted in Japan.

**Basis for Opinion**

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements and Others section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Responsibilities of Management and Corporate Auditors and the Board of Corporate Auditors for the Financial Statements and Others**

Management is responsible for the preparation and fair presentation of these non-consolidated financial statements, etc. in accordance with accounting principles generally accepted in Japan. This responsibility includes the establishment and operation of internal controls deemed necessary by management for the preparation of non-consolidated financial statements, etc. free of material misstatement due to fraud or error and the presentation of appropriate accounting information.

In preparing the financial statements and the supplementary schedules, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with accounting principles generally accepted in Japan and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Corporate auditors and the board of corporate auditors are responsible for overseeing the directors' performance of their duties including the design, implementation and maintenance of the Company's financial reporting process.



### **Auditor's Responsibilities for the Audit of the Financial Statements and Others**

Our objectives are to obtain reasonable assurance about whether the financial statements and the supplementary schedules as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in Japan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements and the supplementary schedules.

As part of our audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement due to fraud or error. Design and perform audit procedures that address the risks of material misstatement. The selection and application of audit procedures shall be at the discretion of the auditor. In addition, obtain sufficient and appropriate audit evidence to provide a basis for our opinion.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the objective of the audit is not to express an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements and the supplementary schedules or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate whether the presentation and disclosures in the financial statements and the supplementary schedules are in accordance with accounting standards generally accepted in Japan, the overall presentation, structure and content of the financial statements and the supplementary schedules, including the disclosures, and whether the financial statements and the supplementary schedules represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with corporate auditors and the board of corporate auditors regarding, among other matters, the planned scope and timing of the audit, significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide corporate auditors and the board of corporate auditors with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

### **Interest required to be disclosed by the Certified Public Accountants Act of Japan**

We do not have any interest in the Company which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

(English translation)

## **Certifies Copy of Audit Report by Audit and Supervisory Board Member**

### **Audit Report**

With respect to the Directors' performance of their duties during the 76th fiscal year from April 1, 2020 to March 31, 2021, the Audit and Supervisory Board has prepared this Audit Report after deliberations based on the audit reports prepared by each Audit and Supervisory Board Member. We hereby report as follows:

1. Method and Content of Audits by Audit and Supervisory Board Members and the Audit and Supervisory Board
  - (1) The Audit and Supervisory Board specified audit policies, assigned duties to each Audit and Supervisory Board Member and received reports from each Audit and Supervisory Board Member on the status of implementation and results of audit, and received reports from Directors, etc. and Independent Auditor on the status of the performance of their duties and asked them for explanations as necessary.
  - (2) In conformity with the auditing standards stipulated by the Audit and Supervisory Board, and in accordance with auditing policies and the assignment of duties, all Audit and Supervisory Board Members strived to achieve effective communication with Directors, the Internal Auditing Dept. and other employees, collected information and improved the audit environment. In addition, all Audit & Supervisory Board Members conducted an audit in the following methods.
    - (i) Audit and Supervisory Board Members attended the Board of Directors meetings and other important meetings, received reports from Directors and employees about the status of the performance of their duties, obtained explanations as necessary, reviewed important approval documents, and conducted investigations on the status of the business operations and assets of the Company at its head office and other major offices. Furthermore, Audit and Supervisory Board Members also worked to facilitate communication and information exchange with the Directors, Audit and Supervisory Board Members and others of the subsidiaries of the Company, and received reports on the business conditions of subsidiaries as necessary.
    - (ii) Audit and Supervisory Board Members received reports periodically from Directors and employees on the content of the resolution made by the Board of Directors concerning the development of a system for ensuring that the performance of duties by Directors conforms with laws and regulations and the Company's Articles of Incorporation, as described in the Company's business report, and other systems prescribed in Article 100, paragraphs 1 and 3 of the Regulation for Enforcement of the Companies Act as systems necessary for ensuring proper business conduct by a corporate group formed by a stock company and its subsidiaries (internal control system), as well as the construction and status of operation of the internal control system developed based on said resolution. As necessary, Audit and Supervisory Board Members also asked for explanations from Directors and employees and expressed opinions.
    - (iii) Audit and Supervisory Board Members monitored and verified whether the Independent Auditor maintained its independence and properly conducted its audit, received a report from the Independent Auditor on the status of their performance of duties, and asked for explanations as necessary. The Independent Auditor reported to us that the "Systems for Ensuring Proper Performance of Duties" (listed in each item of Article 131 of Regulation on Corporate Accounting) have been developed in accordance with the "Quality Control Standards concerning Audit" (Business Accounting Council, October 28, 2005) and other applicable regulations, and we asked the Independent Auditor for explanations as necessary.

Based on the methods mentioned above, we have reviewed the business report, and their supplementary schedule, non-consolidated financial statements (balance sheet, statement of income, statement of changes in equity, and notes to non-consolidated financial statements), and their supplementary schedules, and consolidated financial statements (consolidated balance sheet, consolidated statement of income, consolidated statement of changes in equity, and notes to consolidated financial statements) for the fiscal year under review.

## 2. Result of Audit

### (1) Results of Audit of Business Report, etc.

- (i) We confirm that the business report and its supplementary schedules present fairly the situation of the Company in accordance with relevant laws and regulations and the Company's Articles of Incorporation.
- (ii) With respect to the Directors' performance of their duties, we confirm that there has been no improper act committed or important violation of applicable laws and regulations or of the Articles of Incorporation.
- (iii) The resolution of the Board of Directors regarding the internal control system is fair and reasonable. There are no matters requiring additional comment regarding the contents of the business report on such internal control system and the performance of duties by Directors.

### (2) Result of Audit of non-consolidated financial statements and supplementary schedules thereof

We confirm that the auditing methods and results of KPMG AZSA LLC the Independent Auditor, are proper.

### (3) Results of audit of consolidated financial statements

We confirm that the auditing methods and results of KPMG AZSA LLC the Independent Auditor, are proper.

May 7, 2021

Audit and Supervisory Board of ORGANO  
CORPORATION

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

Outside Audit and Supervisory Board Member  
Masao Wada [Seal]

Outside Audit and Supervisory Board Member  
Wataru Higuchi [Seal]

## **Items Disclosed on the Internet Concerning Notice of the 76th Ordinary General Meeting of Shareholders**

76th fiscal year  
(From April 1, 2020 to March 31, 2021)

- (i). Business Report
  - Development of systems to ensure the appropriateness of business operations
  - Overview of operational status of systems to ensure appropriateness of business operations
- (ii). Consolidated Financial Statements
  - Consolidated Statement of Changes in Equity
  - Notes to Consolidated Financial Statements
- (iii). Non-consolidated Financial Statements
  - Statement of Changes in Equity
  - Notes to Non-consolidated Financial Statements

### **ORGANO CORPORATION**

<p>The matters from (i) to (iii) above are provided to shareholders by posting them on the Company's website (<a href="https://www.organo.co.jp/">https://www.organo.co.jp/</a>) pursuant to the provisions of laws and regulations and Article 16 of the Company's Articles of Incorporation.</p>
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## **Company systems and policies**

### **(1) Development of systems to ensure the appropriateness of business operations**

The Company, in its Board of Directors meetings, made a resolution regarding the basic policy on systems to ensure the appropriateness of business operations (internal control system) as follows:

- (i) System to ensure that Directors and employees perform their duties in compliance with relevant laws and regulations and the Articles of Incorporation
  - The Company will establish the Organo Group Company Code of Conduct and the Compliance Regulations and will ensure that all officers and employees of the Company are aware of them.
  - To promote compliance, the Company will establish the Compliance Committee to formulate a compliance education plan, establish a compliance system, and enact other company-wide initiatives.
  - The Company has established the Whistleblowing Regulations in order to ensure the effectiveness of compliance, and the system allows the Company's officers and employees to directly report to or consult with the Company's Legal Division, the Audit and Supervisory Board Members, or external lawyers about systematic or personal legal violations, etc.
  - The Company will seek to raise awareness of compliance by providing compliance training to the Company's officers and employees as necessary.
  - The Internal Auditing Dept. will perform periodic audits concerning the performance of duties and compliance practices.
  - In order to carry out appropriate financial reporting for the Group, the Internal Control Division, the division which establishes control systems, serves as a center in promoting maintenance activities, and the Internal Auditing Dept., the assessment division, performs independent assessments in accordance with "Internal Controls over Financial Reports" stipulated in the Financial Instruments and Exchange Act.
- (ii) System for retaining and managing information pertaining to the performance of duties by Directors
  - The Company will appropriately retain and manage documents and other information concerning the performance of duties by Directors in accordance with internal rules such as the Documents and Information Management Regulations, the Corporate Information Basic Management Regulations, etc.
  - The Directors and the Audit and Supervisory Board Members may inspect such documents and other information as necessary.
- (iii) Rules and other systems for management of risk of loss
  - The Company will establish various rules, including the Crisis Management Basic Regulations, and establish and operate a risk management system in order to respond to the various risks in business activities.
  - Each division will independently manage the risks of daily business activities, such as economic risks and financial risks relating to regular transactions, under the guidance of the supervising Director.
- (iv) Systems to ensure efficiency of the performance of duties by Directors
  - The Company will ensure to establish the system that enables appropriate and efficient performance of duties. Specifically, among others, the Board of Directors makes

decisions on important business execution and supervises the status of business execution at the meetings (held at least once per month in principle), whereas Executive Directors and Executive Officers with title formulate medium- to long-term strategies, etc. and discuss important management issues at the Management Meetings (held twice per month in principle).

- The Company has introduced an Executive Officer System in seeking to differentiate the “management decision-making and supervision function” of Directors and the “business execution function” for Executive Officers, thereby clarifying responsibilities and accelerating decision-making.
- In business management, the Company sets company-wide goals based on the Medium-term Management Plan approved by the Board of Directors and the profit plan for each fiscal year, and at the Monthly Business Conference (in principle, held once per month, and once per quarter as the Group Liaison Conference including Presidents of group companies, etc.) consisting of Executive Directors, Executive Officers, and General Managers, etc., ensures the appropriate execution of all projects through evaluating progress reports by the General Managers on the business of each division.

(v) System to ensure the appropriateness of business operations of the corporate group consisting of the Company, its parent company and subsidiaries

- a. Systems for the reporting of items related to the performance of the duties of directors, etc. of subsidiaries to the Company

The Company will provide Group Companies Management Regulations, and require reports from the group companies on management policies/management plans, human resources/organization, accounting/financial affairs, audits, disasters/accidents, and other important matters. These reports will be made at the Group Liaison Conference (in principle, held once per quarter).

- b. Rules and other systems for management of risk of loss at subsidiaries

At the Company, each supervising Director and the Corporate Strategy and Planning Dept. provide comprehensive advice and guidance on business management and risk management systems for group companies.

- c. System to ensure efficiency of the performance of duties by directors, etc. of subsidiaries

- The Company will set company-wide goals based on the Organo Group’s Medium-term Management Plan approved by the Board of Directors and the profit plan for each fiscal year, and at the Group Liaison Conference will ensure the appropriate execution of all projects through evaluating business progress reports by the Presidents of each group company.
- The Company will establish a system to make the business operations of group companies more efficient by providing and sharing indirect business operations and optimizing funding and management.

- d. System to ensure that directors, etc. and employees of subsidiaries perform their duties in compliance with relevant laws and regulations and the Articles of Incorporation

- The Company will prescribe the Organo Group Company Code of Conduct as a basic code of conduct with which all officers and employees of group companies must comply, and seek to spread awareness.

- The Company will provide compliance training to the group companies' officers and employees as necessary.
  - The Company's Internal Auditing Dept. will perform audits concerning the performance of duties and compliance practices of group companies.
  - The officers and employees of group companies are also able to use the Company's whistleblowing system.
- e. Other system to ensure the appropriateness of business operations of the corporate group consisting of the Company, its parent company and subsidiaries
- From the perspective of internal controls pertaining to consolidated financial statements, the Company's Internal Control Division and Accounting Division will cooperate in the development and operation of the accounting and financial reporting processes of the group companies.
  - The Company will ensure a certain degree of independence in business activities and management decisions from the Company's parent company, Tosoh Corporation, and promotes appropriate coordination of activities through regular meetings, etc., with the company.
- (vi) Matters relating to employees that assist the Audit and Supervisory Board Members upon the request of such Audit and Supervisory Board Members for assistance, matters relating to independence of the relevant employees from Directors and matters relating to effectiveness of directions given to such employees to be ensured
- The Company will establish a secretariat for the Audit and Supervisory Board and assign employees that assist in the duties of Audit and Supervisory Board Members.
  - Audit and Supervisory Board Members will make personnel evaluations of employees that assist in the duties of Audit and Supervisory Board Members, and will determine proper procedures for handling matters related to human affairs, including personnel changes, for employees that assist in the duties of the Audit and Supervisory Board members with the prior consent of the Audit and Supervisory Board.
  - Employees that assist in the duties of the Audit and Supervisory Board Members will not receive instructions or orders from executives, but will follow direct instructions or orders from Audit and Supervisory Board Members.
- (vii) System for directors, etc., and employees of the Company and its subsidiaries to report to Audit and Supervisory Board Members of the Company, and system for ensuring that these parties will not be treated adversely due to making reports
- If Audit and Supervisory Board Members of the Company request reports from Directors and employees of the Company and group companies or audit and supervisory board members of group companies, they will provide an appropriate report without delay.
  - Directors and employees of the Company and group companies or audit and supervisory board members of group companies will immediately report to the Audit and Supervisory Board Members of the Company if they discover facts that could cause significant damage on the Company or the group companies.
  - Audit and Supervisory Board Members participate in important meetings such as the Board of Directors, the Group Liaison Conference, etc., and will request explanations from the Directors and employees of the Company and group companies as necessary.

- The Legal Division and external lawyers who serve as contact points for the whistleblowing system will report to the Audit and Supervisory Board Members of the Company on the whistleblowing information received from the Directors and employees of the Company and group companies in accordance with the Whistleblowing Regulations.
- The Company's Audit and Supervisory Board Members also serves as a contact point for the whistleblowing system.
- The Company will ensure that Directors and employees of the Company and group companies who make reports to the Audit and Supervisory Board Members of the Company, or otherwise make a report in accordance with the Whistleblowing Regulations, will not be treated adversely due to the report or the act of making the report.

(viii) Other systems to ensure that Audit and Supervisory Board Members perform audits effectively

- The Representative Director will regularly exchange opinions with the Audit and Supervisory Board Members on matters related to overall management.
- The Audit and Supervisory Board Members will receive reports from the Independent Auditor, Internal Auditing Dept., and Audit and Supervisory Board Members of group companies, seeking mutual cooperation and consulting with lawyers as necessary.
- The Company will bear any expenses incurred by Audit and Supervisory Board Members in the performance of duties, provided that these expenses have not been deemed unnecessary in the performance of duties by Audit and Supervisory Board Members.



**(2) Overview of operational status of systems for ensuring appropriateness of operations**

The Company has established the internal control systems listed above, and engaged in the following specific initiatives based on that basic policy.

The Company seeks to raise awareness of compliance, and as efforts to spread legal compliance, conducted compliance education for new employees in April 2020, and conducted corporate ethics and compliance education (e-learning) for all employees from March to June 2020.

In addition, the Company provided Directors and Audit and Supervisory Board Members with executive training provided by external instructors and training provided by external organizations, and the Directors and Audit and Supervisory Board Members attended as appropriate.

The Company has established a BCP (Business Continuity Plan) to minimize loss or disadvantage suffered by the Company and group companies. The New Coronavirus Infectious Disease Countermeasures Headquarters, established in accordance with the Crisis Management Basic Regulations and the BCP, took the lead in ensuring smooth business continuity by collecting and disseminating information, planning and instructing the implementation of countermeasures such as the establishment of a telecommuting environment, and minimizing the human and economic impact.

In the fiscal year under review, the Company held 14 meetings of the Board of Directors, 22 Management Meetings to discuss important management agendas, and continued to strive to ensure the appropriateness and efficiency of business execution by Directors. In addition, the Monthly Business Conference was held 12 times (including four Group Liaison Conferences), and progress on goal developed based on the Medium-term Management Plan and the profit plan for the fiscal year under review was confirmed through the reception of status reports on business by the General Managers of each division, etc.

The Company's Audit and Supervisory Board Members participated in meetings of the Board of Directors, the Management Meeting, the Monthly Business Conference and other important meetings, established internal controls for the Company, and confirmed the status of operations through regular reports from the Legal and Patent Dept., Corporate Strategy and Planning Dept., Accounting Dept., Internal Auditing Office and other departments pertaining to internal control while making efforts to improve the efficiency and effectiveness of its audits by exchanging information and opinions with Independent Auditors as necessary. In addition, in July 2020 and March 2021, the Representative Director and the Audit and Supervisory Board Members held opinion exchanges on overall management and endeavored to ensure the effectiveness of audits.

## **Consolidated Statement of Changes in Equity**

(From April 1, 2020 to March 31, 2021)

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	8,225	7,508	46,081	(537)	61,277
Changes during period					
Dividends of surplus	-	-	(1,254)	-	(1,254)
Profit attributable to owners of parent	-	-	7,074	-	7,074
Purchase of treasury shares	-	-	-	(65)	(65)
Disposal of treasury shares	-	0	-	107	107
Net changes in items other than shareholders' equity	-	-	-	-	-
Total changes during period	-	0	5,820	41	5,861
Balance at end of period	8,225	7,508	51,902	(495)	67,139

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	143	(178)	(525)	(560)	140	60,857
Changes during period						
Dividends of surplus	-	-	-	-	-	(1,254)
Profit attributable to owners of parent	-	-	-	-	-	7,074
Purchase of treasury shares	-	-	-	-	-	(65)
Disposal of treasury shares	-	-	-	-	-	107
Net changes in items other than shareholders' equity	158	(23)	499	635	2	637
Total changes during period	158	(23)	499	635	2	6,499
Balance at end of period	301	(201)	(25)	74	143	67,357

## Notes to Consolidated Financial Statements

### 1. Notes on significant matters for the basis of the preparation of consolidated financial statements

#### (1) Scope of consolidation

##### (i) Status of consolidated subsidiaries

- Number of consolidated subsidiaries:  
9 companies
- Names of principal consolidated subsidiaries:  
ORGANO PLANT SERVICE CORPORATION  
ORGANO FOOD TECH CORPORATION  
Organo Technology Co., Ltd.

##### (ii) Status of non-consolidated subsidiaries

- Number of non-consolidated subsidiaries:  
3 companies
- Names of principal non-consolidated subsidiaries:  
Organo (Vietnam) Co., Ltd.
- Reason for exclusion from scope of consolidation:  
The three non-consolidated subsidiaries are small in size and the aggregate total assets, net sales, profit or loss (based on the Company's ownership percentage), retained earnings (based on the Company's ownership percentage), and other indicators do not have a material effect on the consolidated financial statements and have therefore been excluded from the scope of consolidation.

#### (2) Application of the equity method

##### (i) Status of affiliates accounted for by the equity method

- Number of affiliates accounted for by the equity method:  
1 company
- Name of the affiliate accounted for by the equity method:  
TOHOKU DENKI TEKKO Co., Ltd.

##### (ii) Status of non-consolidated subsidiaries and affiliates not accounted for by the equity method

- Number of non-consolidated subsidiaries and affiliates not accounted for by the equity method  
4 companies
- Names of principal non-consolidated subsidiaries or affiliates not accounted for by the equity method:  
Organo (Vietnam) Co., Ltd.
- Reason for not applying equity method:  
Since the three non-consolidated subsidiaries and one affiliate to which the equity method was not applied would give only a minimal impact on the consolidated financial statements when removed, judging from profit or loss (based on the Company's ownership percentage), retained earnings (based on the Company's ownership percentage) and the like, and they are not material as a whole, they are removed from the scope to which the equity method is applied.

#### (3) Fiscal year-end of consolidated subsidiaries

The following consolidated subsidiaries have their fiscal year-end on December 31: Organo (Asia) Sdn. Bhd., Organo (Suzhou) Water Treatment Co., Ltd., Organo Technology Co., Ltd., Organo (Thailand) Co., Ltd., and PT Lautan Organo Water.

In the preparation of the consolidated financial statements, their financial statements as of this date have been used, with adjustments made as necessary upon consolidation for material transactions that occur between their fiscal year-end and that of the Company.

- (4) Accounting policies
- (i) Valuation standards and methods for significant assets
- a. Securities
- Other securities
- Securities with fair value
- Stated at fair value based on the market price or the like on the fiscal year-end (valuation difference are included in a separate component of net assets, and cost of sales is determined by the moving-average method)
- Securities without fair value
- Stated at cost using the moving-average method
- b. Derivatives
- Stated at fair value
- c. Inventories
- Inventories held for sale in the ordinary course of business
- Stated at cost (based on the method of writing down the book value in accordance with the declining in profitability).
- Merchandise, finished goods and raw materials
- Stated using the moving-average method principally
- Work in process
- Stated using the identified cost method
- (ii) Depreciation and amortization method for significant depreciable assets
- a. Property, plant and equipment (excluding leased assets)
- Depreciated mainly using the declining balance method.
- Buildings (excluding facilities attached to buildings) acquired on or after April 1, 1998 and facilities attached to buildings and structures acquired on or after April 1, 2016 are depreciated using the straight-line method.
- The estimated useful lives of major items are as follows.
- Buildings and structures: 3 to 50 years
- Machinery, equipment and vehicles: 4 to 17 years
- b. Intangible assets (excluding leased assets)
- Depreciated using the straight-line method.
- Software for internal use is amortized using the straight-line method over the internally expected useful life (mainly five years).
- c. Leased assets:
- Leased assets under finance lease transactions that do not transfer ownership
- Depreciated by the straight-line method assuming the lease periods as useful lives without residual value.
- (iii) Standards for recognition of principal allowances and provisions
- a. Allowance for doubtful accounts
- To prepare for losses from bad debt, an estimated uncollectible amount is recorded at the amount estimated by using the historical rate of credit loss for ordinary receivables, and based on individual consideration of collectability for specific receivables such as highly doubtful receivables.
- b. Provision for bonuses
- To prepare for payment of employee bonuses, of the estimated future bonus payment, an amount to be borne during the fiscal year under review is recorded.
- c. Provision for product warranties
- To prepare for warranties against defects in completed construction contracts, an amount is recorded by giving consideration to the expected amount of future guarantees based mainly

on the past two years' performance. For items that can be estimated individually, the estimated amount is recorded.

- d. Provision for loss on construction contracts  
To prepare for any losses on undelivered construction projects, the estimated amount of losses in or after the following fiscal years is recorded for some of the construction projects as of the end of the fiscal year under review, which are highly probable to incur losses and for which the amounts thereof can be reasonably estimated.
- e. Provision for share-based remuneration for directors (and other officers)  
To prepare for the delivery of the Company's shares, etc. to Directors and Executive Officers, pursuant to the Share Delivery Regulations, the Company recorded a provision for share-based remuneration for directors (and other officers) based on estimated share benefit obligations at the end of the fiscal year under review.
- (iv) Standards for recognition of revenues and expenses
  - a. Standard for recognition of completed construction contracts and cost of sales of completed construction contracts  
Construction activities whose outcome from the completed portion as of the fiscal year-end are deemed to be definite  
    Percentage-of-completion method (the cost-to-cost method is used to estimate the percentage of completion)  
    Other construction activities  
    Completed-contract method
  - b. Standard for recognition of revenue related to finance lease transactions  
Revenue related to finance lease transactions follows a method of accounting net sales and cost of sales at the time of receiving lease fees.
- (v) Method of significant hedge accounting
  - a. Method of hedge accounting  
Principally, accounted for with deferred hedge accounting. The designated hedge accounting (the "Furiate-shori") is applied to forward exchange contracts that satisfy requirements for such accounting, and the exceptional treatment (the "Tokurei-shori") is applied to interest rate swaps that satisfy the requirements for such treatment.
  - b. Hedging instruments and hedged items  
Hedging instruments: Forward exchange contracts and interest rate swaps  
Hedged items: Foreign currency-denominated monetary claims and obligations, borrowings
  - c. Hedging policy  
Foreign exchange rate fluctuation risk and market interest rate fluctuation risk are hedged within a certain range based on transaction management regulations that stipulate authorization relating to derivatives and other matters.
  - d. Method of assessing hedge effectiveness  
The Company assesses hedge effectiveness by comparing cumulative cash flow or fair value fluctuations of hedged items with those of hedging instruments quarterly and based on those fluctuation amounts.  
However, assessment of effectiveness is omitted for interest rate swaps which are accounted for applying the exceptional treatment.
- (vi) Method and period for amortization of goodwill  
Goodwill is amortized by the straight-line method over the reasonably estimated period that its effect will continue to be realized.

(vii) Other significant matters for the basis of the preparation of consolidated financial statements

a. Standard for recognition of retirement benefit liability

To prepare for the payment of employees' retirement benefits, the amount of retirement benefit obligations minus plan assets is recorded as retirement benefit liability, based on the estimated amount at the end of the fiscal year under review.

Past service costs are recognized as expenses at the time they are incurred.

Actuarial gains and losses are amortized in the year following the year in which the gains or losses are recognized by the straight-line method in equally allocated amounts over a certain number of years (principally ten years) which are within the average remaining years of service of the eligible employees at the time of occurrence.

Unrecognized actuarial gains and losses are recorded in the remeasurements of defined benefit plans in the accumulated other comprehensive income of the net assets after adjusting for tax effects. In the calculation of retirement benefit obligations, the method used to attribute expected retirement benefits to periods up to the fiscal year under review is benefit formula basis.

b. Accounting treatment of consumption taxes

Accounting treatment of consumption tax and local consumption tax is based on the tax-excluded method. Non-deductible consumption tax and local consumption tax are recognized as an expense for the fiscal year under review.

## 2. Notes to changes in the manner of presentation

(Consolidated statement of income)

"Compensation for damage" (¥6 million in the fiscal year under review) was presented separately until the previous fiscal year, but it is included in "Other" under non-operating expenses from the fiscal year under review, as it has become insignificant in terms of quantitative materiality.

(Application of the Accounting Standard for Disclosures of Accounting Estimates)

The Accounting Standard for Disclosures of Accounting Estimates (ASBJ Statement No. 31, March 31, 2020) was applied from the current consolidated fiscal year, and "3. Notes to accounting estimates" is indicated in the Notes to Consolidated Financial Statements.

## 3. Notes to accounting estimates

Accounting estimates are reasonable amounts calculated based on information available at the time of preparation of the consolidated financial statements. Of the amounts recorded in the consolidated financial statements for the current fiscal year that are based on accounting estimates, the following items have the risk of having a material impact on the consolidated financial statements for the following fiscal year.

(Application of the percentage-of-completion method to the water treatment engineering business unit)

(1) Amount recorded in the consolidated financial statements for the fiscal year under review

In the consolidated statement of income, the Company recorded 43,205 million yen of construction revenue based on the percentage-of-completion method in the water treatment engineering business unit for the fiscal year under review.

(2) Information on the details of significant accounting estimates for identified items

The Company applies the percentage-of-completion method to construction contracts whose outcome from the completed portion is deemed definite by the end of the consolidated fiscal year. The Company makes a reasonable estimate of the total amount of construction revenue, the total amount of construction cost, and the degree of completion at the end of the consolidated fiscal year, and records construction revenue using the cost-to-cost method.

The Company estimates the total amount of construction cost, which is the basis for the recognition of revenue under the percentage-of-completion method, as the expected cost for each contract. However, the content of the work may change due to an increase in the number

of man-hours or changes in site conditions caused by facts that become known after the start of the construction contract. In particular, large-scale construction projects require a long time to complete, and therefore there is a high degree of uncertainty in estimating the work content and man-hours required for completion.

More specifically, the estimate of the total cost of construction at the end of the consolidated fiscal year will be significantly affected by the identification of the work required for the completion of a construction contract, the estimation of the cost of that work, and the timely and appropriate reflection of changes in the work due to changes in conditions after the start of construction.

#### 4. Additional Information

(Impact arising due to the proliferation of COVID-19)

The Company expects that it will be some time before COVID-19 infections subside and the global economy fully recovers, and made accounting estimates based on the assumption that the impact on the Group's business performance will be limited based on the current status of investment projects, the operation status of customer plants, and the outlook for progress in backlog projects.

The assumptions made above are highly uncertain, and depending on the situation of the spread of COVID-19 and its impact on the economy, there may be a significant impact on the consolidated financial statements for the next and subsequent fiscal years.

#### 5. Notes to the consolidated balance sheet

(1) Accumulated depreciation for property, plant and equipment	¥22,181 million
(2) Contingent liabilities	
Guarantee obligation for bank loans of employees	¥0 million
Performance bonds	
Organo (Vietnam) Co., Ltd.	¥30 million

#### 6. Notes to the consolidated statement of changes in equity

(1) Total number of shares issued

Class of shares	Number of shares at beginning of period (Thousands of shares)	Increase in number of shares during the period (Thousands of shares)	Decrease in number of shares during the period (Thousands of shares)	Number of shares at end of period (Thousands of shares)
Common shares	11,589	-	-	11,589

(2) Number of treasury shares

Class of shares	Number of shares at beginning of period (Thousands of shares)	Increase in number of shares during the period (Thousands of shares)	Decrease in number of shares during the period (Thousands of shares)	Number of shares at end of period (Thousands of shares)
Common shares	136	10	34	112

- Notes:
- The increase of 10 thousand shares in the number of treasury shares reflects the acquisition of 9 thousand shares by the Officer Share Delivery Trust and the increase of 0 thousand shares due to the purchase of shares less than one unit.
  - The decrease of 34 thousand shares in the number of treasury shares reflects the decrease of 34 thousand shares due to the delivery of the Company's share held by the Officer Share Delivery Trust and the decrease of 0 thousand shares due to the sale of shares less than one unit.
  - The number of treasury shares at the end of the fiscal year under review includes 29 thousand shares of the Company held by the Officer Share Delivery Trust.

(3) Dividends of surplus

(i) Dividends paid, etc.

a. Dividends resolved at the meeting of the Board of Directors held on May 12, 2020

- Total dividends: ¥655 million
- Dividend per share: ¥57

- Record date: March 31, 2020
- Effective date: June 11, 2020

Note Total dividends resolved at the meeting of the Board of Directors held on May 12, 2020 include ¥3 million in dividends for shares of the Company held by the Officer Share Delivery Trust.

b. Dividends resolved at the meeting of the Board of Directors held on October 29, 2020

- Total dividends: ¥598 million
- Dividend per share: ¥52
- Record date: September 30, 2020
- Effective date: December 7, 2020

Note Total dividends resolved at the meeting of the Board of Directors held on October 29, 2020 include ¥1 million in dividends for shares of the Company held by the Officer Share Delivery Trust.

(ii) Dividends whose record date falls in the fiscal year under review and which have an effective date in the next fiscal year

The following dividends are proposed for the 76th Ordinary General Meeting of Shareholders, scheduled for June 29, 2021.

- Total dividends: ¥713 million
- Source of dividends: Retained earnings
- Dividend per share: ¥62
- Record date: March 31, 2021
- Effective date: June 30, 2021

Note Total dividends include ¥1 million in dividends for shares of the Company held by the Officer Share Delivery Trust.

## 7. Notes to financial instruments

### (1) Status of financial instruments

#### (i) Policy for handling financial instruments

The Organo Group procures long-term capital and short-term operating capital from banks in accordance with its capital investment plan, etc.

Derivatives are used to hedge the various risks as described in detail below, and the Company does not enter into derivatives for trading or speculative purposes.

#### (ii) Details of financial instruments and associated risks

Notes and accounts receivable - trade, electronically recorded monetary claims - operating, and investments in leases, all of which are trade receivables, are exposed to credit risks of customers. Although foreign currency-denominated trade receivables that arise in conducting business in overseas are exposed to foreign exchange rate fluctuation risk, the Company hedges the risk with the use of forward exchange contracts as necessary.

Investment securities are mainly shares held to strengthen relationships with business partners or purely for investment. These are exposed to market price fluctuation risk.

Notes and accounts payable - trade and electronically recorded obligations - operating that are trade payables are mainly due within one year. Furthermore, these include foreign currency-denominated payables associated with imports, which are exposed to foreign exchange fluctuation risk. However, these are hedged as necessary using forward exchange contracts.

Borrowings are mainly for the purpose of procuring capital needed for capital investment and short-term operating capital. Although some of them have floating rates and are exposed to interest rate risks, they are hedged through derivatives (interest rate swaps).

Derivatives are forward exchange contracts executed for the purpose of hedging foreign exchange rate fluctuation risk associated with foreign currency-dominated trade receivables and payables, interest rate swaps executed for the purpose of hedging interest rate fluctuation risk associated with borrowings. With respect to hedging instruments and hedged items, hedging policy and method of assessing hedge effectiveness, please refer to “1. Notes



on significant matters for the basis of the preparation of consolidated financial statements (4) Accounting policies (v) Method of significant hedge accounting” previously described.

(iii) Management system for risks associated with financial instruments

a. Management of credit risks (risks of contractual defaults by business partners)

For trade receivables, the sales divisions within each business segment conduct regular monitoring of the status of business partners, and manage maturity dates and balances by counterparty in accordance with the internal rules. In addition, they endeavor to quickly identify and mitigate any concerns regarding the collection of receivables due to deteriorated financial conditions of business partners. The consolidated subsidiaries exercise similar management based on the regulations of the Company.

In utilizing derivatives, the Organo Group has transactions only with high-rated financial institutions to mitigate credit risks.

b. Management of market risks (risks of fluctuations in foreign exchange rates and interest rates)

The Organo Group, with respect to foreign currency-denominated trade receivables and payables, hedges foreign exchange fluctuation risk identified by each transaction with the use of forward exchange contracts as necessary.

The Organo Group also utilizes interest rate swaps to limit the risks of fluctuations in interest rates on borrowings.

In terms of investment securities, the Organo Group assesses the market values and financial positions of issuers (business partners) on a regular basis. As for those excluding held-to-maturity debt securities, the Organo Group continuously reviews positions in consideration of the market conditions and relationships with business partners.

Execution and management of derivatives is conducted with the approval of the decision-making person in the responsible department in accordance with transaction management regulations that stipulate authorization relating to derivatives and other matters.

c. Management of liquidity risk associated with procurement of funds (risk of becoming unable to repay on payment date)

The Organo Group in a timely way develops and updates the financing plans through divisions in charge of accounting based on reports from each division, and manages liquidity risks by maintaining cash balances.

(iv) Supplemental remarks on fair values of financial instruments

The fair values of financial instruments are based on market prices or reasonably calculated values if they have no market price. As changeable factors are included in calculating these values, if different assumptions, etc. are used, these values could vary.

(v) Concentration of credit risks

Of the trade receivables as of the consolidated balance sheet date for the current fiscal year, 40.7% are those from the top three companies.

## (2) Fair value of financial instruments

Amount on the consolidated balance sheet as of March 31, 2021, fair values and the difference are as follows. Financial instruments whose fair values are deemed to be extremely difficult to determine are not included in the following table. (Please refer to item 2. of Notes.)

(Millions of yen)

	Amounts on consolidated balance sheet	Fair value	Differences
(i) Cash and deposits	12,804	12,804	-
(ii) Notes and accounts receivable - trade	49,517	49,517	-
(iii) Electronically recorded monetary claims - operating	1,598	1,598	-
(iv) Investments in leases	9,773	9,773	-
(v) Investment securities	759	759	-
Total assets	74,452	74,452	-
(i) Notes and accounts payable - trade	13,556	13,556	-
(ii) Electronically recorded obligations - operating	4,589	4,589	-
(iii) Short-term borrowings	13,910	13,910	-
(iv) Long-term borrowings (including current portion of long-term borrowings)	2,095	2,101	6
Total liabilities	34,151	34,157	6
Derivatives [*]	-	-	-

[\*] Net claims/obligations that arise from derivatives are indicated as net amounts, and the amounts of items for which net obligations are recognized in total are indicated in parentheses.

Notes: 1. Methods of fair value measurement of financial instruments and matters relating to securities and derivatives

### Assets

#### (i) Cash and deposits

The book values are used as the fair values of these liabilities, given that the fair values are almost the same as the book values since all deposits are matured in short term.

#### (ii) Notes and accounts receivable - trade, and (iii) Electronically recorded monetary claims - operating

For items with a collection period of one year or less, the book values are used as the fair values of these liabilities, given that the fair values are almost the same as the book values. For items with a collection period of more than one year, the present value was calculated by discounting the amount of receivables by the interest rate that takes into account the period until maturity and credit risk for each receivable classified by a certain period.

#### (iv) Investments in leases

The fair value of investments in leases is calculated based on the present value which is obtained by discounting the total of the principal and interest by the interest rate assumed in a case where the same transactions are newly made. Moreover, since the fair value approximates the book value, the book value is presented.

#### (v) Investment securities

The fair values of investment securities are based on the prices of shares, etc. traded at the stock exchange.

### Liabilities

#### (i) Notes and accounts payable - trade, (ii) Electronically recorded obligations - operating, and (iii) Short-term borrowings

The book values are used as the fair values of these liabilities, given that the fair values are almost the same as the book values since they are settled in a short period of time.

#### (iv) Long-term borrowings (including current portion of long-term borrowings)

Fair values of short-term borrowings and long-term borrowings are calculated based on the present value which is obtained by discounting the total of the principal and interest by the interest rate assumed in a case where the same borrowings are newly made. The fair value of long-term borrowings with floating rates to which exceptional treatment of interest rate swaps is applied is calculated by discounting the sum of principal and interest, which is treated in combination with the said interest rate swap, at a reasonably estimated rate applied to a similar new borrowing.

## Derivatives

### (1) Forward exchange contracts

Fair values are measured based on prices presented by financial institutions with which the Company does business.

As forward exchange contracts, which are accounted for applying the Furiate-shori, are treated in conjunction with currency-dominated monetary claims and obligations that are deemed as hedged items, fair values of the forward exchange contracts are included in the fair value of the currency-dominated monetary claims and obligations.

### (2) Interest rate swaps

Fair values are measured based on prices presented by financial institutions with which the Company does business.

Because interest rate swaps, which are accounted for applying the Tokurei-shori, are treated in conjunction with long-term borrowings that are deemed as hedged items, fair values of the interest rate swaps are included in the fair values of the long-term borrowings.

## 2. Financial instruments whose fair values are deemed to be extremely difficult to determine

(Millions of yen)

Category	Amounts on consolidated balance sheet
Unlisted shares	1,151

The Company does not include unlisted shares in “(v) Investment securities” because they have no market prices and their fair values are deemed to be extremely difficult to determine.

## 8. Notes to per share information

Net assets per share ¥5,856.25

Basic earnings per share ¥616.72

- Notes
1. When calculating net assets per share, common shares of the Company held by the Officer Share Delivery Trust have been included in treasury shares excluded from the total number of issued shares at the end of the period (29 thousand shares at the end of the fiscal year under review).
  2. When calculating basic earnings per share, common shares of the Company held by the Officer Share Delivery Trust have been included in treasury shares excluded from the calculation of the average number of shares during the period (35 thousand shares in the fiscal year under review).

## 9. Significant subsequent events

Not applicable.

**Statement of Changes in Equity**  
(From April 1, 2020 to March 31, 2021)

(Millions of yen)

	Shareholders' equity						
	Share capital	Capital surplus		Retained earnings		Treasury shares	Total shareholders' equity
		Legal capital surplus	Other capital surplus	Legal retained earnings	Other retained earnings		
Balance at beginning of period	8,225	7,508	-	832	35,595	(537)	51,623
Changes during period							
Dividends of surplus	-	-	-	-	(1,254)	-	(1,254)
Profit	-	-	-	-	5,879	-	5,879
Reversal of reserve for tax purpose reduction entry of non-current assets	-	-	-	-	-	-	-
Purchase of treasury shares	-	-	-	-	-	(65)	(65)
Disposal of treasury shares	-	-	0	-		107	107
Net changes in items other than shareholders' equity	-	-	-	-	-	-	-
Total changes during period	-	-	0	-	4,625	41	4,667
Balance at end of period	8,225	7,508	0	832	40,220	(495)	56,290

	Valuation and translation adjustments		Total net assets
	Valuation difference on available-for-sale securities	Total valuation and translation adjustments	
Balance at beginning of period	120	120	51,743
Changes during period			
Dividends of surplus	-	-	(1,254)
Profit	-	-	5,879
Reversal of reserve for tax purpose reduction entry of non-current assets	-	-	-
Purchase of treasury shares	-	-	(65)
Disposal of treasury shares	-	-	107
Net changes in items other than shareholders' equity	136	136	136
Total changes during period	136	136	4,803
Balance at end of period	257	257	56,547

## (Components of other retained earnings)

(Millions of yen)

	Reserve for dividends	Reserve for research and development	Reserve for tax purpose reduction entry of non-current assets	General reserve	Retained earnings brought forward	Total
Balance at beginning of period	140	90	33	27,065	8,266	35,595
Changes during period						
Dividends of surplus	-	-	-	-	(1,254)	(1,254)
Profit	-	-	-	-	5,879	5,879
Reversal of reserve for tax purpose reduction entry of non-current assets	-	-	(1)	-	1	-
Purchase of treasury shares	-	-	-	-	-	-
Disposal of treasury shares	-	-	-	-	-	-
Net changes in items other than shareholders' equity	-	-	-	-	-	-
Total changes during period	-	-	(1)	-	4,626	4,625
Balance at end of period	140	90	31	27,065	12,892	40,220

## Notes to Non-consolidated Financial Statements

### 1. Significant Accounting Policies

- (1) Valuation standards and methods for assets
  - (i) Securities
    - Shares of subsidiaries and associates
      - Stated at cost using the moving-average method
    - Other securities
      - Securities with fair value
        - Stated at fair value based on the market price or the like on the fiscal year-end (valuation difference are included in a separate component of net assets, and cost of sales is determined by the moving-average method)
      - Securities without fair value
        - Stated at cost using the moving-average method
  - (ii) Derivatives
    - Stated at fair value
  - (iii) Inventories
    - Inventories held for sale in the ordinary course of business
      - Stated at cost (based on the method of writing down the book value in accordance with the declining in profitability).
    - Merchandise, finished goods and raw materials
      - Stated using the moving-average method
    - Work in process
      - Stated using the identified cost method
    - Supplies
      - Stated using the last purchase cost method
- (2) Depreciation and amortization of non-current assets
  - (i) Property, plant and equipment
    - Depreciated using the declining balance method.
    - Buildings (excluding facilities attached to buildings) acquired on or after April 1, 1998 and facilities attached to buildings and structures acquired on or after April 1, 2016 are depreciated using the straight-line method.
    - The estimated useful lives of major items are as follows.
    - Buildings and structures: 3 to 50 years
    - Machinery, equipment and vehicles: 4 to 17 years
    - Tools, furniture and fixtures: 2 to 20 years
  - (ii) Intangible assets
    - Depreciated using the straight-line method.
    - Software for internal use is amortized using the straight-line method over the internally expected useful life (five years).
- (3) Standards for recognition of allowances and provisions
  - (i) Allowance for doubtful accounts
    - To prepare for losses from bad debt, an estimated uncollectible amount is recorded at the amount estimated by using the historical rate of credit loss for ordinary receivables, and based on individual consideration of collectability for specific receivables such as highly doubtful receivables.
  - (ii) Provision for bonuses
    - To prepare for payment of employee bonuses, of the estimated future bonus payment, an amount to be borne during the fiscal year under review is recorded.

- (iii) Provision for product warranties
 

To prepare for warranties against defects in completed construction contracts, an amount is recorded based on the past two years' performance and giving consideration to the expected amount of future guarantees. For items that can be estimated individually, the estimated amount is recorded.
- (iv) Provision for loss on construction contracts
 

To prepare for any losses on undelivered construction projects, the estimated amount of losses in or after the following fiscal years is recorded for some of the construction projects as of the end of the fiscal year under review, which are highly probable to incur losses and for which the amounts thereof can be reasonably estimated.
- (v) Provision for share-based remuneration for directors (and other officers)
 

To prepare for the shares of the Company's shares, etc. to Directors and Executive Officers, pursuant to the Share Delivery Regulations, the Company recorded a provision for share-based remuneration for directors (and other officers) based on estimated share benefit obligations at the end of the fiscal year under review.
- (vi) Provision for retirement benefits
 

To prepare for the payment of employees' retirement benefits, the Company recorded a provision for retirement benefits, which was recognized at the end of the fiscal year under review, based on estimated retirement benefit obligations and plan assets at the end of the fiscal year under review.

Past service costs are recognized as expenses at the time they are incurred.

Actuarial gains and losses are amortized in the year following the year in which the gains or losses are recognized by the straight-line method over a certain number of years (ten years) which are within the average remaining years of service of the eligible employees at the time of occurrence.
- (4) Standards for recognition of revenues and expenses
  - (i) Standard for recognition of completed construction contracts and cost of sales of completed construction contracts
 

Construction activities whose outcome from the completed portion as of the fiscal year-end are deemed to be definite

Percentage-of-completion method (The cost-to-cost method is used to estimate the percentage of completion.)

Other construction activities

Completed-contract method
  - (ii) Standard for recognition of revenue related to finance lease transactions
 

Revenue related to finance lease transactions follows a method of accounting net sales and cost of sales at the time of receiving lease fees.
- (5) Method of significant hedge accounting
  - (i) Method of hedge accounting
 

Principally, accounted for with deferred hedge accounting. The designated hedge accounting (the "Furiate-shori") is applied to forward exchange contracts that satisfy requirements for such accounting, and the exceptional treatment (the "Tokurei-shori") is applied to interest rate swaps that satisfy the requirements for such treatment.
  - (ii) Hedging instruments and hedged items
 

Hedging instruments: Forward exchange contracts and interest rate swaps

Hedged items: Foreign currency-denominated monetary claims and obligations, borrowings

- (iii) Hedging policy  
Foreign exchange rate fluctuation risk and market interest rate fluctuation risk are hedged within a certain range based on transaction management regulations that stipulate authorization relating to derivatives and other matters.
- (iv) Method of assessing hedge effectiveness  
The Company assesses hedge effectiveness by comparing cumulative cash flow or fair value fluctuations of hedged items with those of hedging instruments quarterly and based on those fluctuation amounts.  
However, assessment of effectiveness is omitted for interest rate swaps which are accounted for applying the exceptional treatment.
- (6) Other significant matters for the basis of the preparation of non-consolidated financial statements
  - (i) Accounting treatment of retirement benefits  
The accounting treatment method for unrecognized actuarial gains or losses related to retirement benefits is different from the treatment for the item in the consolidated financial statements.
  - (ii) Accounting treatment of consumption taxes  
Accounting treatment of consumption tax and local consumption tax is based on the tax-excluded method. Non-deductible consumption tax and local consumption tax are recognized as an expense for the fiscal year under review.

## 2. Notes to changes in the manner of presentation

(Statement of Income)

“Compensation for damage” (¥1 million in the fiscal year under review) was presented separately until the previous fiscal year, but it is included in “Other” under non-operating expenses from the fiscal year under review, as it has become insignificant in terms of quantitative materiality.

(Application of the Accounting Standard for Disclosures of Accounting Estimates)

The Accounting Standard for Disclosures of Accounting Estimates (ASBJ Statement No. 31, March 31, 2020) was applied from the current fiscal year, and “3. Notes to accounting estimates” is indicated in the Notes to Non-consolidated Financial Statements.

## 3. Notes to accounting estimates

Accounting estimates are reasonable amounts calculated based on information available at the time of preparation of the non-consolidated financial statements. Of the amounts recorded in the non-consolidated financial statements for the fiscal year under review that are based on accounting estimates, the following items have the risk of having a material impact on the non-consolidated financial statements for the following fiscal year.

(Application of the percentage-of-completion method to the water treatment engineering business unit)

- (1) Amount recorded in the non-consolidated financial statements for the fiscal year under review  
In the non-consolidated statement of income, the Company recorded 25,109 million yen of construction revenue based on the percentage-of-completion method in the water treatment engineering business unit for the fiscal year under review.
- (2) Information on the details of significant accounting estimates for identified items  
The details are the same as those described in “(2) Information on the details of significant accounting estimates for identified items” in “3. Notes to accounting estimates” of Notes to Consolidated Financial Statements.

## 4. Additional Information

(Impact arising due to the proliferation of COVID-19)



The Company expects that it will be some time before COVID-19 infections subside and the global economy fully recovers, and made accounting estimates based on the assumption that the impact on the Company's business performance will be limited based on the current status of investment projects, the operation status of customer plants, and the outlook for progress in backlog projects.

The assumptions made above are highly uncertain, and depending on the situation of the spread of COVID-19 and its impact on the economy, there may be a significant impact on the non-consolidated financial statements for the next and subsequent fiscal years.

## 5. Notes to the non-consolidated balance sheet

(1) Accumulated depreciation for property, plant and equipment	¥21,256 million
(2) Contingent liabilities	
Guarantee obligation for bank loans of employees	¥0 million
Joint and several suretyship for bank loans	
Organo (Suzhou) Water Treatment Co., Ltd.	¥1,430 million
Performance bonds	
Organo (Asia) Sdn. Bhd.	¥90 million
Organo (Suzhou) Water Treatment Co., Ltd.	¥199 million
Organo (Vietnam) Co., Ltd.	¥30 million
(3) Monetary claims and obligations to subsidiaries and associates	
Short-term monetary claims	¥5,780 million
Long-term monetary claims	¥300 million
Short-term monetary obligations	¥4,470 million

## 6. Notes to the non-consolidated statement of income

Total transactions with subsidiaries and associates	
Operating transactions (income)	¥4,633 million
Operating transactions (payment)	¥15,249 million
Transactions other than operating transactions (income)	¥1,586 million
Transactions other than operating transactions (payment)	¥11 million

## 7. Notes to the non-consolidated statement of changes in equity

### Number of treasury shares

Class of shares	Number of shares at beginning of period (Thousands of shares)	Increase in number of shares during the period (Thousands of shares)	Decrease in number of shares during the period (Thousands of shares)	Number of shares at end of period (Thousands of shares)
Common shares	136	10	34	112

- Notes:
1. The increase of 10 thousand shares in the number of treasury shares reflects the acquisition of 9 thousand shares by the Officer Share Delivery Trust and the increase of 0 thousand shares due to the purchase of shares less than one unit.
  2. The decrease of 34 thousand shares in the number of treasury shares reflects the decrease of 34 thousand shares due to the delivery of the Company's share held by the Officer Share Delivery Trust and the decrease of 0 thousand shares due to the sale of shares less than one unit.
  3. The number of treasury shares at the end of the fiscal year under review includes 29 thousand shares of the Company held by the Officer Share Delivery Trust.

## 8. Note to tax-effect accounting

### Breakdown of deferred tax assets and liabilities by main cause

	(Millions of yen)
Deferred tax assets	
Provision for bonuses	306
Enterprise tax payable	109
Provision for retirement benefits	1,565
Provision for product warranties	58
Provision for loss on construction contracts	84
Provision for share-based remuneration for directors (and other officers)	33
Testing and research facilities	116
Allowance for doubtful accounts	127
Loss on valuation of right to use facilities	70
Loss on valuation of shares of subsidiaries and associates	268
Other	582
Subtotal deferred tax assets	3,323
Valuation allowance	(469)
Total deferred tax assets	2,854
Deferred tax liabilities	
Valuation difference on available-for-sale securities	(113)
Reserve for tax purpose reduction entry of non-current assets	(13)
Total deferred tax liabilities	(127)
Net deferred tax assets	2,727

## 9. Note to transactions with related parties

### Subsidiaries

Name of the company	Location	Share capital	Voting rights ownership ratio	Relationship with related parties	Details of transaction	Transaction amount (Millions of yen)	Item	Balance at end of period (Millions of yen)
ORGANO PLANT SERVICE CORPORATION	Bunkyo-ku, Tokyo	¥93 million	Direct ownership 100.0%	Installation of various types of water treatment systems and ordering of supervision services Dispatching of officers	Installation of various types of water treatment systems and ordering of supervision services	7,207	Accounts payable - trade	1,540
					Deposits of funds	1,000	Deposits received	1,000
Organo (Suzhou) Water Treatment Co., Ltd.	Jiangsu, China	US\$5,000 thousand	Direct ownership 100.0%	Sales of various types of water treatment systems and related chemicals Dispatching of officers	Debt guarantees	1,629	-	-
Organo Technology Co., Ltd.	Hsinchu City, Taiwan, R.O.C.	NT\$30,000 thousand	Direct ownership 100.0%	Sales of various types of water treatment systems and related chemicals Dispatching of officers	Sales of various types of water treatment systems and related chemicals	2,545	Accounts receivable - trade	3,177

- Notes
1. The transaction amounts listed above do not include consumption taxes, but the balance at end of period includes consumption taxes.
  2. Conditions of transaction and policies for deciding conditions of transaction are determined by referencing general trading conditions in consideration of market prices, etc.
  3. Interest rates on deposits of funds are reasonably determined taking interest rates on the market into account. For transaction amounts, the average balance during the fiscal year is indicated.
  4. The Company provides debt guarantees on their loans from financial institutions. The Company does not receive guarantee fees.

## 10. Notes to per share information

Net assets per share ¥4,926.90

Basic earnings per share ¥512.56

- Notes
1. When calculating net assets per share, common shares of the Company held by the Officer Share Delivery Trust have been included in treasury shares excluded from the total number of issued shares at the end of the period (29 thousand shares at the end of the fiscal year under review).
  2. When calculating net assets per share, common shares of the Company held by the Officer Share Delivery Trust have been included in treasury shares excluded from the total number of issued shares at the end of the period (35 thousand shares at the end of the fiscal year under review).

## 11. Significant subsequent events

Not applicable.

Figures are rounded down to the nearest unit.