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# Notice of Convocation the 74th Ordinary General Meeting of Shareholders

ORGANO CORPORATION

## **To Shareholders**

I would like to express our cordial appreciation for your continuous support and patronage.  
You are cordially invited to attend the 74th Ordinary General Meeting of Shareholders of ORGANO CORPORATION to be held on Thursday, June 27, 2019.  
Please confirm proposals of General Meeting of Shareholders and business outline of the fiscal year 2018 presented in the documents.

June 2019  
Representative Director and President  
Yasuyuki Koié

## **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.

June 6, 2019

To our shareholders:

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

## Notice of the 74th Ordinary General Meeting of Shareholders

You are cordially invited to attend the 74th Ordinary General Meeting of Shareholders of ORGANO CORPORATION (the “Company”), which will be held as indicated below.

**If you are unable to attend the meeting in person, you may exercise 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 Wednesday, June 26, 2019 (JST).**

- 1. Date and Time:** Thursday, June 27, 2019 at 10:00 a.m. (JST) (Reception is scheduled to be open at 9:00 a.m.)
- 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 74th fiscal year (from April 1, 2018 to March 31, 2019), 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 74th fiscal year (from April 1, 2018 to March 31, 2019)

#### Matters to be resolved:

- Proposal No. 1** Appropriation of Surplus
- Proposal No. 2** Partial Amendments to the Articles of Incorporation
- Proposal No. 3** Election of Ten Directors
- Proposal No. 4** Election of Two Audit and Supervisory Board Members
- Proposal No. 5** Election of Two Substitute Audit and Supervisory Board Members
- Proposal No. 6** Election of the Independent Auditor

### 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.

## **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: Thursday, June 27, 2019, at 10:00 a.m. (Reception starts at 9:00 a.m.)**

### **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. Wednesday, June 26, 2019**

#### **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. Wednesday, June 26, 2019**

Refer to the page 4 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. 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**

- “Notes to Consolidated Financial Statements” in the Consolidated Financial Statements and “Notes to Non-consolidated Financial Statements” in the Non-consolidated Financial Statements 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 Notes to the Consolidated Financial Statements and the Notes to Non-consolidated Financial Statements 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.
- 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 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. toll free)

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 74th fiscal year as follows.

As a result, the annual dividend for the fiscal year under review including the interim dividend of ¥29 will amount to ¥73 per share.

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

Cash

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

¥44 per common share of the Company

Total dividend amount is ¥506,380,028

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

June 28, 2019

#### 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:	¥2,000,000,000
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##### (2) Item of surplus to be increased and amount of increase

General reserve:	¥2,000,000,000
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**Proposal No. 2 Partial Amendments to the Articles of Incorporation**

1. Reasons for the proposal

- (1) In order to enable flexible operation of the General Meeting of Shareholders, the Chairman of the General Meeting of Shareholders, as provided for in Articles 15. (Convener and Chairmanship) of the current Articles of Incorporation, shall be changed from the Chairman of the Board of Directors to a Director determined in advance by the Board of Directors.
- (2) In order to enable flexible operation of the Board of Directors, the Convener and Chairman of Meeting of the Board of Directors, as provided for in Articles 24. (Convener and Chairmanship of Meeting of the Board of Directors) of the current Articles of Incorporation, shall be changed from the Director and President to a Director determined in advance by the Board of Directors.

2. Details of Amendments

The details of the amendments are as follows.

(Underlines indicate amended sections)

Current Articles of Incorporation	Proposed Amendments
<p>Article 15. (Convener and Chairmanship)</p> <p>The Director and President shall convene General Meeting of Shareholders. <u>The Chairman of the Board of Directors shall act as the chairman of the General Meeting of Shareholders, or otherwise the Director and President shall perform such duties if the position of Chairman of the Board of Directors is vacant or if the Chairman of the Board of Directors is unable to attend to such duties.</u> If the Director and President is unable to attend to such duties, they shall be performed by another Director who is designated in accordance with an order of priority determined in advance by the Board of Directors.</p> <p style="text-align: center;">(Newly established)</p>	<p>Article 15. (Convener and Chairmanship)</p> <p>1. The Director and President shall convene General Meeting of Shareholders. If the Director and President is unable to attend to such duties, another Director who is designated in accordance with an order of priority determined in advance by the Board of Directors <u>shall convene General Meeting of Shareholders.</u></p> <p>2. <u>A Director determined in advance by the Board of Directors shall act as the chairman of the General Meeting of Shareholders. If such Director is unable to attend to such duties, another Director who is designated in accordance with an order of priority determined in advance by the Board of Directors shall act as the chairman of the General Meeting of Shareholders.</u></p>
<p>Article 24. (Convener and Chairmanship of Meeting of the Board of Directors)</p> <p>Unless otherwise provided for by laws and regulations, <u>the Director and President</u> shall convene meetings of the Board of Directors and chair the meetings. If <u>the Director and President</u> is unable to attend to such duties, another Director who is designated in accordance with an order of priority determined in advance by the Board of Directors shall convene the meeting of the Board of Directors and act as its chairman.</p>	<p>Article 24. (Convener and Chairmanship of Meeting of the Board of Directors)</p> <p>Unless otherwise provided for by laws and regulations, <u>a Director determined in advance by the Board of Directors</u> shall convene meetings of the Board of Directors and chair the meetings. If <u>such Director</u> is unable to attend to such duties, another Director who is designated in accordance with an order of priority determined in advance by the Board of Directors shall convene the meeting of the Board of Directors and act as its chairman.</p>

### Proposal No. 3 Election of Ten 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 ten Directors including three Outside Directors, increasing the number of Outside Directors by one, for the purpose of further strengthening corporate governance.

The candidates for Director are as follows:

Candidate No.	Name	Position in the Company	Attendance at Board of Directors meetings
1	Yasuyuki Koie <span style="border: 1px solid black; padding: 2px;">Reelection</span>	Director and President (Representative Director)	100% (15/15)
2	Masaki Uchikura <span style="border: 1px solid black; padding: 2px;">Reelection</span>	Senior Managing Director and Executive Officer General Manager of Performance Products Business	100% (15/15)
3	Hitoshi Hori <span style="border: 1px solid black; padding: 2px;">Reelection</span>	Managing Director and Executive Officer, General Manager of Corporate Management and Planning	100% (15/15)
4	Haruki Myouga <span style="border: 1px solid black; padding: 2px;">Reelection</span>	Managing Director and Executive Officer General Manager of R & D and Engineering	100% (15/15)
5	Yasutoshi Nakayama <span style="border: 1px solid black; padding: 2px;">Reelection</span>	Director and Executive Officer Deputy General Manager of Industrial Plant Business and General Manager of Plant Division	100% (13/13)
6	Nobuyoshi Suda <span style="border: 1px solid black; padding: 2px;">New election</span>	Executive Officer General Manager of Corporate Strategy and Planning Dept., Corporate Management and Planning	–
7	Masayuki Yamada <span style="border: 1px solid black; padding: 2px;">New election</span>	–	–
8	Motoo Nagai <span style="border: 1px solid black; padding: 2px;">Reelection</span> <span style="border: 1px solid black; padding: 2px;">Outside</span>	Outside Director	100% (15/15)
9	Keikou Terui <span style="border: 1px solid black; padding: 2px;">Reelection</span> <span style="border: 1px solid black; padding: 2px;">Outside</span>	Outside Director	87% (13/15)
10	Kenji Hirai <span style="border: 1px solid black; padding: 2px;">New election</span> <span style="border: 1px solid black; padding: 2px;">Outside</span>	–	–

Note: Yasutoshi Nakayama was elected at the 73rd Ordinary General Meeting of Shareholders, which was held on June 28, 2018, and he assumed office on that day. Accordingly, the attendance figure stated above for the Director indicates his attendance to the meetings of the Board of Directors that were held on and after June 28, 2018.

Candidate No.	Name (Date of birth)	Career summary, and position and responsibility in the Company	Number of the Company's shares owned
1	<p style="text-align: center;"><u>Reelection</u></p> <p style="text-align: center;">Yasuyuki Koie (July 19, 1953)</p> <p style="text-align: center;">Tenure as Director 4 years</p>	<p>Apr. 1981      Joined Toyo Soda Manufacturing Co., Ltd. (currently Tosoh Corporation)</p> <p>June 2005      Associate Director, General Manager of Functional Materials Division, General Manager of Tokyo R&amp;D Center, and General Manager of Tokyo Research Center</p> <p>June 2008      Director, General Manager of Functional Materials Division</p> <p>June 2011      Managing Director, President of Specialty Group and President of Engineering Group</p> <p>Jan. 2015      Managing Director, President of Specialty Group and Senior General Manager of Advanced Materials Division (retired in June 2015)</p> <p>June 2015      Director and President (Representative Director) of the Company</p> <p style="text-align: center;">Current position</p>	11,300
<p>[Significant concurrent positions outside the Company]</p> <p>None</p>			
<p>[Reasons for nomination as candidate for Director]</p> <p>Yasuyuki Koie led the expansion of the Specialty Group business as a Director at Tosoh Corporation, utilizing his expert knowledge and experience related to organic synthetic chemistry. After being appointed as the Director and President of the Company, he has been demonstrating his leadership in realm of formulating the management vision and proposing and executing business strategies.</p> <p>The Company believes that he is able to contribute to sustainable growth and improvement of corporate value of the Group, through supervisory practice as a Director, with his experience and insight as well as high ethical standards and abilities to accurately make decisions and understand issues, which are essential for a Director. Therefore, the Company nominates him as a candidate for 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
2	<p style="text-align: center;">[Reelection]</p> <p style="text-align: center;">Masaki Uchikura (August 6, 1954)</p> <p style="text-align: center;">Tenure as Director 2 years</p>	<p>Apr. 1982    Joined Toyo Soda Manufacturing Co., Ltd. (currently Tosoh Corporation)</p> <p>June 2010    Associate Director, General Manager of Legal &amp; Patents</p> <p>June 2011    Director, General Manager of Legal &amp; Patents</p> <p>June 2015    President (Representative Director) of Tosoh Specialty Materials Corporation (retired in June 2017)</p> <p>                  Chairman of the Board of Tosoh SMD, Inc. (retired in June 2017)</p> <p>                  Managing Director, President of Specialty Group and Senior General Manager of Advanced Materials Division of Tosoh Corporation</p> <p>Mar. 2016    Chairman of the Board of Tosoh America, Inc. (retired in June 2017)</p> <p>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)</p> <p>June 2017    Senior Managing Director and Executive Officer, President of Performance Products Business of the Company</p> <p>                  Chairman of the Board (Representative Director) of ORGANO FOOD TECH CORPORATION</p> <p>                  Chairman of the Board (Representative Director) of HOSTEC</p> <p>                  Current position</p>	4,100
<p>[Significant concurrent positions]</p> <p>None</p>			
<p>[Reasons for nomination as candidate for Director]</p> <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 been demonstrating his skills on management and operation of an organization, and established business growth strategy, 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>			
<p>[Special interest between candidate and the Company]</p> <p>Masaki Uchikura is the Chairman of the Board (Representative Director) of HOSTEC, and the Company has business relationships with the aforesaid company including those relating to the procurement and sale of products and loans of funds.</p>			

Candidate No.	Name (Date of birth)	Career summary, and position and responsibility in the Company	Number of the Company's shares owned
3	<p style="text-align: center;"><span style="border: 1px solid black; padding: 2px;">Reelection</span></p> <p style="text-align: center;">Hitoshi Hori (November 19, 1957)</p> <p style="text-align: center;">Tenure as Director 5 years</p>	<p>Apr. 1984      Joined Toyo Soda Manufacturing Co., Ltd. (currently Tosoh Corporation)</p> <p>Apr. 1996      Corporate Strategy and Development Division Director of Eco-Techno Corporation</p> <p>June 2006      Manager of Planning and Development, Electronic Materials Division and Corporate Planning Division of Tosoh Corporation</p> <p>June 2011      Manager of Planning and Development, Advanced Materials Division and Corporate Production Technology Division</p> <p>Mar. 2012      President (Representative Director), Eco-Techno Corporation (retired in October 2015)</p> <p>June 2012      Associate Director of Tosoh Corporation (retired in June 2014)</p> <p>June 2014      Managing Director and Executive Officer of the Company</p> <p>June 2015      Managing Director and Executive Officer, General Manager of Trade Control Office</p> <p>June 2016      Managing Director and Executive Officer, President of Corporate Management and Planning, and General Manager of Trade Control Office</p> <p>June 2017      Managing Director and Executive Officer, President of Corporate Management and Planning</p> <p>Current position (Responsibilities) In charge of Internal Auditing Office, Secretary Office, Global Management and Planning, Legal and Patent Dept., Trade Control Office, Environment, Safety and Quality Assurance Dept., Purchasing and Logistics Dept. and Branches.</p>	2,400
[Significant concurrent positions]			
None			
[Reasons for nomination as candidate for Director]			
<p>Hitoshi Hori had been engaged in company management at the Company's affiliated company. 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 establishment of company-wide management strategy and management and operation plan as a Director in charge of Corporate Strategy, Planning and Management Division.</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
4	<p style="text-align: center;"><span style="border: 1px solid black; padding: 2px;">Reelection</span></p> <p style="text-align: center;">Haruki Myouga (February 21, 1956)</p> <p style="text-align: center;">Tenure as Director 3 years</p>	<p>Apr. 1978      Joined the Company</p> <p>June 2011     Executive Officer, Senior General Manager of R&amp;D Center and General Manager of Planning and Administration Dept., R&amp;D Center</p> <p>Apr. 2012     Executive Officer, Senior General Manager of R&amp;D Center and General Manager of Development Dept. I, R&amp;D Center</p> <p>Apr. 2013     Executive Officer, Senior General Manager of R&amp;D Center</p> <p>Apr. 2015     Managing Executive Officer, Senior General Manager of R&amp;D Center</p> <p>June 2016     Managing Director and Executive Officer, Senior General Manager of R&amp;D Center</p> <p>June 2017     Managing Director and Executive Officer</p> <p>June 2018     Managing Director and Executive Officer, President of R &amp; D and Engineering</p> <p style="text-align: right;">Current position</p>	3,300
<p>[Significant concurrent positions outside the Company]</p> <p>None</p>			
<p>[Reasons for nomination as candidate for Director]</p> <p>Haruki Myouga has been engaged in technology development, especially wastewater treatment, for many years, and led research and development as a Senior General Manager of R&amp;D Center, utilizing his advanced expertise and experience relating to biotechnology. After being appointed as a Director of the Company, he has been in charge of Engineering Technology Division and promoted improvement of technological capabilities and creation of new technology and products.</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>			
<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
5	<p style="text-align: center;"><u>Reelection</u></p> <p style="text-align: center;">Yasutoshi Nakayama (July 30, 1961)</p> <p style="text-align: center;">Tenure as Director 1 year</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 style="text-align: center;">Current position</p>	2,000
[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 General Manager of Plant Division and Deputy 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.</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	<p style="text-align: center;">New election</p> <p style="text-align: center;">Nobuyoshi Suda (November 19, 1963)</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) Current position</p>	600
[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 an Executive Officer, he has also been promoting preparation and implementation of company-wide growth strategy as General Manager of Corporate Strategy and Planning Department.</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	<p style="text-align: center;"><u>New election</u></p> <p style="text-align: center;">Masayuki Yamada (January 7, 1959)</p>	<p>Apr. 1985    Joined Toyo Soda Manufacturing Co., Ltd. (currently Tosoh Corporation)</p> <p>June 2007    President of Tosoh Bioscience, Inc. President of Tosoh Bioscience LLC</p> <p>June 2011    Associate Director, Deputy Senior General Manager of Bioscience Division of Tosoh Corporation</p> <p>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.</p> <p>June 2013    Director, Senior General Manager of Bioscience Division and Manager of Planning and Development of Bioscience Division of Tosoh Corporation</p> <p>June 2015    President (Representative Director) of Tosoh Techno-System, Inc. Director of Tosoh Bioscience, Inc. Director of Tosoh Bioscience LLC</p> <p>June 2016    Senior Vice President, Senior General Manager of Bioscience Division of Tosoh Corporation</p> <p>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. Current position</p>	1,000
<p>[Significant concurrent positions outside the Company] Director, Executive Vice President of Tosoh Corporation Chairman of the Board of Tosoh America, Inc.</p>			
<p>[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 Specialty Group, and contributed to creation and expansion of businesses of the aforesaid company. 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>			
<p>[Special interest between candidate and the Company] 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 style="text-align: center;"> <span style="border: 1px solid black; padding: 2px;">Reelection</span>  <span style="border: 1px solid black; padding: 2px;">Outside</span>  <span style="border: 1px solid black; padding: 2px;">Independent</span> </div> <p style="text-align: center;">Motoo Nagai (March 4, 1954)</p> <p style="text-align: center;">Tenure as Outside Director 4 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. Outside Audit and Supervisory Board Member of the Company</p> <p>June 2015      Outside Audit &amp; Supervisory Board Member of Nisshin Seifun Group Inc. Outside Director of the Company Current position</p>	1,900
<p>[Significant concurrent positions outside the Company]</p> <p>Outside Statutory Auditor (Full-time) of Nissan Motor Co., Ltd. Outside Audit &amp; Supervisory Board Member of Nisshin Seifun Group Inc.</p>			
<p>[Reasons for nomination as candidate for Outside Director]</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 auditor of other listed companies, deepening his knowledge on multidimensional corporate management. 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.</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
9	<div style="text-align: center;"> <span style="border: 1px solid black; padding: 2px;">Reelection</span>  <span style="border: 1px solid black; padding: 2px;">Outside</span>  <span style="border: 1px solid black; padding: 2px;">Independent</span> </div> <p style="text-align: center;">Keikou Terui (July 27, 1953)</p> <p style="text-align: center;">Tenure as Outside Director 3 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 Outside Director of the Company Current position</p>	2,700
<p>[Significant concurrent positions outside the Company]</p> <p>President of Nonprofit Organization Japan Utility Telemetering Association</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]</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.</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
10	<div style="border: 1px solid black; padding: 2px; display: inline-block; margin-bottom: 2px;">New election</div> <div style="border: 1px solid black; padding: 2px; display: inline-block; margin-bottom: 2px;">Outside</div> <div style="border: 1px solid black; padding: 2px; display: inline-block; margin-bottom: 2px;">Independent</div>  Kenji Hirai (March 20, 1953)	Apr. 1981      Joined Sagami Chemical Research Center (currently Sagami Chemical Research Institute)	1,100
		Apr. 1990      Senior Research Fellow	
		Apr. 1998      Senior Fellow	
		Jan. 2002      Vice President	
		Apr. 2004      Vice Chairman of the Board, President	
		Dec. 2018      Vice Chairman of the Board (Representative Director), President	
		Apr. 2019      Vice Chairman of the Board (Representative Director), Research Advisor	
		Current position	
		[Significant concurrent positions outside the Company] Vice Chairman of the Board (Representative Director) of Sagami Chemical Research Institute	
		[Reasons for nomination as candidate for Outside Director] 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. 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 new candidate for Outside Director.	
		[Special interest between candidate and the Company] Kenji Hirai is the Vice Chairman of the Board (Representative Director) of Sagami Chemical Research Institute, and the Company and the aforesaid institute are implementing joint research. The amount of expenditure paid by the Company to the aforesaid institute in the 74th fiscal year is ¥8 million, which is insignificant.	

- Notes:
- The positions and responsibilities held by Yasuyuki Koie in the past five years at the Company's parent company Tosoh Corporation are presented in the above "Career summary, and position and responsibility in the Company". His positions and responsibilities held by him in the past five years at the Company's subsidiaries are as follows.
    - June 2005      President (Representative Director) of Tosoh Ceramics Co., Ltd. (retired in June 2014)
    - President (Representative Director) of Tosoh Zeolum, Inc. (retired in June 2014)
    - President (Representative Director) of Tosoh Hyuga Corporation (retired in June 2014)
    - June 2010      President (Representative Director) of Tosoh Speciality Materials Corporation (retired in June 2015)
    - Chairman of the Board of Tosoh SMD, Inc. (retired in June 2015)
  - The positions and responsibilities held by Masaki Uchikura in the past five 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". He is scheduled to retire as a Director of ORGANO FOOD TECH CORPORATION and HOSTEC in June 2019.
  - The positions and responsibilities held by Hitoshi Hori presently or in the past five years at the Company's parent company Tosoh Corporation and its subsidiaries (Eco-Techno Corporation) are presented in the above "Career summary, and position and responsibility in the Company".
  - The positions and responsibilities held by Masayuki Yamada presently or in the past five 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 Techno-System, Inc. and Tosoh Europe, N.V. in June 2019.
  - Motoo Nagai, Keikou Terui and Kenji Hirai are candidates for Outside Director.
  - Motoo Nagai assumed office as an Audit and Supervisory Board Member for a year before assuming office as Outside Director of the Company.

7. In June 2019, upon the conclusion of the ordinary general meeting of shareholders of Nissan Motor Co., Ltd., Motoo Nagai will end his tenure as Outside Statutory Auditor (Fulltime) at the said company, and it is planned that he will begin a new tenure as Outside Director at the said company. Additionally, in June 2019, upon the conclusion of the ordinary general meeting of shareholders of Nisshin Seifun Group Inc., Motoo Nagai will end his tenure as Outside Audit & Supervisory Board Member at the said company and it is planned that he will begin a new tenure as Outside Director at the said company.
8. Currently, the Company has entered into respective agreements with Motoo Nagai and Keikou Terui 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 they are elected as Directors, the Company plans to enter into the same agreement with each of them. In addition, if Yasuyuki Koie, Masayuki Yamada and Kenji Hirai are elected as Directors, the Company plans to enter into the same agreement with each of them.
9. Nissan Motor Co., Ltd. at which Motoo Nagai currently serves as an Outside Statutory Auditor (Full-time), announced the issue of serious misconduct by management including the chairman of the said company in November 2018. 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.
10. Nissan Motor Co., Ltd. at which Motoo Nagai currently serves as an Outside Statutory Auditor (Full-time), 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.
11. 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.
12. The Company has submitted notification to the Tokyo Stock Exchange that Motoo Nagai and Keikou Terui have been designated as independent officers as provided for by the aforementioned exchange. In addition, the Company has submitted notification to the said exchange that Kenji Hirai shall be designated as an independent officer. For the Company's "Criteria for Independence of Outside Officers", please refer to page 23.

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

The terms of office of both of the Audit and Supervisory Board Members, Masahiko Toyoda and Osamu Hamada, will expire at the conclusion of this Ordinary General Meeting of Shareholders. Therefore, the Company proposes the election of two 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 candidates for Audit and Supervisory Board Members are as follows:

Candidate No.	Name (Date of birth)	Career summary and position in the Company	Number of the Company's shares owned
1	<p style="text-align: center;"><b>Reelection</b></p> <p style="text-align: center;">Masahiko Toyoda (August 23, 1955)</p> <p style="text-align: center;">Tenure as Audit and Supervisory Board Member 4 years</p>	<p>Apr. 1978    Joined Toyo Soda Manufacturing Co., Ltd. (currently Tosoh Corporation)</p> <p>May 2005    Chairman and Managing Director of Tosoh Hellas A.I.C. (retired in June 2010)</p> <p>June 2010    General Manager of Functional Polymers , Polymers Division of Tosoh Corporation</p> <p>May 2012    Associate Director, General Manager of Functional Polymers , Polymers Division (retired in June 2012)</p> <p>June 2012    Managing Director and Executive Officer, General Manager of Performance Products Business of the Company</p> <p>Nov. 2013    Chairman of the Board (Representative Director) of HOSTEC (retired in June 2015)</p> <p>June 2015    Outside Auditor of PLAS-TECH CORPORATION Audit and Supervisory Board Member (Full-time) of the Company</p> <p>June 2016    Outside Auditor of Taihei Chemicals Limited Current position</p>	6,900
[Significant concurrent positions outside the Company]			
None			
[Reasons for nomination as candidate for Audit and Supervisory Board Member]			
<p>Masahiko Toyoda has contributed to growth of revenue, managing Performance Products Business Unit as a Director of the Company. After being appointed as an Audit and Supervisory Board Member of the Company, he has conducted appropriate audits from fair and objective standpoint. He also serves as an outside auditor of other companies, deepening his knowledge on multidimensional corporate management, and furthermore, had been responsible for accounting at an overseas subsidiary of Tosoh Corporation. Thus, he has advanced expertise and experience regarding finance and accounting.</p> <p>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 Audit and Supervisory Board Member.</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 in the Company	Number of the Company's shares owned
	<div style="text-align: center;"> <div style="border: 1px solid black; padding: 2px; display: inline-block;">New election</div>  <div style="border: 1px solid black; padding: 2px; display: inline-block;">Outside</div>  <div style="border: 1px solid black; padding: 2px; display: inline-block;">Independent</div> </div> <p style="text-align: center;">Wataru Higuchi (October 30, 1970)</p>	<p>Oct. 1993      Joined Deloitte Touche Tohmatsu (currently Deloitte Touche Tohmatsu LLC) (left in August 1998)</p> <p>Apr. 1997      Registered as Certified Public Accountant (excluding the period of legal training)</p> <p>Oct. 2002      Registered as Lawyer (Dai-Ichi Tokyo Bar Association)</p> <p>                    Joined SEIWA KYODO LAW OFFICE (SEIWA MEITETSU LAW OFFICE)</p> <p>Oct. 2007      Partner (left in September 2018)</p> <p>June 2016      Outside Director (Serving as Audit and Supervisory Committee Member) of Marubeni Construction Material Lease Co., Ltd.</p> <p>Oct. 2018      Representative Partner of OOTEMON LAW AND ACCOUNTING</p> <p>                    Current position</p>	0
2	<p>[Significant concurrent positions]</p> <p>Lawyer Certified Public Accountant Representative Partner of OOTEMON LAW AND ACCOUNTING Outside Director (Serving as Audit and Supervisory Committee Member) of Marubeni Construction Material Lease Co., Ltd.</p>		
	<p>[Reasons for nomination as candidate for Outside Audit and Supervisory Board Member]</p> <p>Wataru Higuchi, as a lawyer and certified public accountant, has highly professional knowledge and experience relating to legal, finance and accounting. In addition, he has served as an outside director who is an audit and supervisory committee member of another listed company, deepening his knowledge on multidimensional corporate management.</p> <p>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 Outside Audit and Supervisory Board Member.</p>		
	<p>[Special interest between candidate and the Company]</p> <p>There is no special interest between the candidate and the Company. The Company consult legal issues, etc. to Wataru Higuchi, but the compensation payment from the Company to him in the 74th fiscal year is less than ¥100,000, which is insignificant.</p>		

- Notes:
1. Wataru Higuchi is a candidate for Outside Audit and Supervisory Board Member.
  2. Currently, the Company has entered into respective agreements with Masahiko Toyoda 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 Masahiko Toyoda is elected as an Audit and Supervisory Board Member, the Company plans to enter into the same agreement with him. In addition, if Wataru Higuchi is elected as an Audit and Supervisory Board Member, the Company plans to enter into the same agreement with him.
  3. The Company has submitted notification to the Tokyo Stock Exchange that Wataru Higuchi shall be 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. 5 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 candidate for Substitute Audit and Supervisory Board Member is as follows. If the proposal 4 is approved as proposed, Tomoaki Itou will be a substitute for the Audit and Supervisory Board Member, Masahiko Toyoda, and Kimio Watabe 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 of the Company (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	Kimio Watabe (September 5, 1953)	<p>Apr. 1976    Joined Nisso Petrochemical Industries Co., Ltd. (currently Maruzen Petrochemical Co., Ltd.)</p> <p>July 1997    General Manager of Production, Yokkaichi Plant</p> <p>June 2006    General Manager of Yokkaichi Plant</p> <p>June 2007    Executive Officer, General Manager of Yokkaichi Plant</p> <p>June 2010    Executive Officer Director and Vice President of KEIYO POLYETHYLENE CO.,LTD.</p> <p>June 2011    President (Representative Director) (retired in June 2014)</p> <p>June 2014    Advisor of Maruzen Petrochemical Co., Ltd. (retired in July 2014)</p> <p>Aug. 2014    General Manager of Production, MORIN Chemical Industries Co., Ltd.</p> <p>Dec. 2014    Director, General Manager of Production</p> <p>Dec. 2018    Advisor Current position</p>	0
[Significant concurrent positions] None			
[Reasons for nomination as candidate for Substitute Outside Audit and Supervisory Board Member] Kimio Watabe has led plant operation as a general manager of the plant of major petrochemical company and been engaged in company management as a president of an associated company of the aforesaid company. 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. Kimio Watabe is a candidate for Substitute Outside Audit and Supervisory Board Member.
  2. If the number of Audit and Supervisory Board Member does not satisfy the number prescribed by laws and regulations and Tomoaki Itou 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. If the number of Outside Audit and Supervisory Board Member does not satisfy the number prescribed by laws and regulations and Kimio Watabe is appointed, the Company plans to enter into the same agreement with him.

(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 is attributable 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 one year, 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 one year, 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 one year, 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 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)

## Proposal No. 6 Election of the Independent Auditor

The term of office of ARK MEIJI AUDIT & Co., the Company's Independent Auditor, will expire at the conclusion of this Ordinary General Meeting of Shareholders. Accordingly, in line with the decision of the Audit and Supervisory Board, the Company requests approval to appoint KPMG AZSA LLC as the new Independent Auditor.

### 1. Reason for the Audit and Supervisory Board to nominate KPMG AZSA LLC as a candidate for the Independent Auditor

The Audit and Supervisory Board nominated KPMG AZSA LLC as a candidate for the Independent Auditor because it possesses expertise, independence and appropriateness, which are necessary for an Independent Auditor, and also has a system that can audit the Group's global business activities. In addition, the Audit and Supervisory Board judged that consistency and efficiency, etc. of auditing are expected to be improved by unifying an Independent Auditor with the Company's parent company, Tosoh Corporation.

### 2. Candidate for Independent Auditor

A candidate for Independent Auditor is as follows:

(As of March 31, 2019)

Name	KPMG AZSA LLC		
Location of Principal Office	1-2 Tsukudo-cho, Shinjuku-ku, Tokyo		
History	July 1969	Asahi & Co. was established.	
	July 1985	Merged with Shinwa & Co. (established in December 1974) and changed name to Asahi Shinwa & Co.	
	Oct. 1993	Merged with Inoue Saito Eiwa Audit Corporation (established in April 1978) and changed name to Asahi Audit Corporation.	
	Jan. 2004	Merged with KPMG AZSA & Co. (established in February 2003) and changed name to KPMG AZSA & Co.	
	July 2010	Changed name to KPMG AZSA LLC, following the shift to a limited liability company.	
Corporate Profile	Capital		¥3,000 million
	Number of Employees	Certified Public Accountants	3,236
		Others engaging in audit	2,116
		Administration	726
	Total		6,078
Audit Engagements			3,640 companies

Note: The candidate for Independent Auditor has received payment from the Company for the assessment service relating to introduction of a new core system, and payment from a subsidiary of Tosoh Corporation, the Company's parent company, for the confirmation procedures needed to apply for the certification regarding Act on Special Measures Concerning Procurement of Electricity from Renewable Energy Sources by Electricity Utilities, in the past two years.

(Attached Documents)

## **Business Report**

(From April 1, 2018 to March 31, 2019)

### **1. Status of the corporate group**

#### **(1) Business progress and results**

During the fiscal year under review (ended March 31, 2019), the Japanese economy maintained a trajectory of moderate growth through the first half of the fiscal year, but the outlook became increasingly uncertain from the second half of the fiscal year, owing to the slowdown of the Chinese and European economies, the risk of underperformance by the US economy, which had led growth to that point, and other factors, and going into the end of the fiscal year, there were signs that growth was becoming more sluggish, such as the government revising its assessment of the current state of the Japanese economy downward for the first time in three years in the Monthly Economic Report for March 2019.

The business environment surrounding the Organo Group remained favorable through the first half of the fiscal year, with ongoing active capital investment in the electronics field in the key markets of Japan, China, and Taiwan, and firm capacity increases and capital investment in labor savings in general industrial fields in Japan. From the second half of the fiscal year, however, there were signs of a decline in corporate capital investment and production, including a slowdown in the Chinese and European economies, deteriorating conditions in the semiconductor memory market, and the impact of trade policies from trade friction between the US and China, and the outlook for the electronics field in particular became increasingly uncertain, with an increasing trend of delays in large capital investments.

Under these circumstances, the Organo Group engaged in efforts aimed at increasing cost competitiveness and productivity in existing businesses. At the same time, we increased our allocation of resources to R&D aimed at creating products and technologies differentiated from competitors to propel us forward with initiatives focused on “strengthening the performance products business” by developing new products and shifting sales channels to overseas, “expanding the electronics field” by reforming cost structures and enhancing the service solutions and aiming to increase our share of the Chinese market, and “cultivating new businesses” by developing advanced separation and purification processes fostered in our water treatment technologies into such fields as lithium-ion batteries, electronic materials, gases and biopharmaceuticals.

Consequently, the financial results for the fiscal year under review are as follows. Orders received increased by 17.9% year on year to ¥103,838 million, net sales increased by 16.5% to ¥92,273 million, operating profit increased by 71.6% to ¥6,558 million, ordinary profit increased by 66.2% to ¥6,538 million, and profit attributable to owners of the parent increased by 60.2% to ¥4,452 million. In addition, return on equity (ROE) was 8.4% in comparison with 5.5% in the previous fiscal year, and the operating profit ratio was 7.1% in comparison with 4.8% in the previous fiscal year.

Results by segment are as follows.

#### **<Water Treatment Engineering Business Unit>**

The Water Treatment Engineering Business Unit achieved a significant increase in orders received and net sales at Plant Divisions in Japan, China, and Taiwan, where there was active large capital investment related to semiconductors through the first half of the fiscal year in the electronics field, and the Service Solutions Divisions also performed favorably, particularly involving maintenance and consumable item replacements, as customers' plants maintained high operating rates, despite performance in the electric power field / water supply and sewage field falling somewhat below the previous year. In addition, firm capital investment and production also

continued in the general industrial field, mainly in Japan, and orders received and net sales increased in the Plant and Service Solutions Divisions.

Consequently, orders received increased by 21.2% year on year to ¥85,943 million and net sales increased 20.1% to ¥74,653 million. On the profit side, in addition to the effect of increased sales, the profitability of Plant Divisions also improved as a result of a better environment for receiving orders, various cost-cutting measures with respect to large projects in Japan and overseas, and other factors, and as a result, operating profit increased by 121.2% to ¥5,316 million.

#### <Performance Products Business Unit>

The Performance Products Business Unit achieved growth in Japan owing to the introduction of new products in the Standard Water Treatment Equipment Division, increased sales of various types of water treatment chemicals for the electronics industry in the Water Treatment Chemicals Division, and other factors, and we also strengthened sales activities in regard to standard water treatment equipment and water treatment chemicals in China, Taiwan, Southeast Asia, and elsewhere overseas, leading to increases in orders received and net sales, with orders received increasing by 4.3% year on year to ¥17,894 million and net sales increasing by 3.3% to ¥17,620 million.

Meanwhile on the profit side, net sales increased, but development investment in new products and technologies increased and expenses, etc. also increased in line with the strengthening of production and sales systems, and as a result operating profit decreased by 12.4% to ¥1,242 million.

Segment \ Item	Orders received			Net sales		
	Amount (millions of yen)	Percentage of total (%)	YoY	Amount (millions of yen)	Percentage of total (%)	YoY
Water Treatment Engineering Business Unit	85,943	82.8	+21.2%	74,653	80.9	+20.1%
Performance Products Business Unit	17,894	17.2	+4.3%	17,620	19.1	+3.3%
Total	103,838	100.0	+17.9%	92,273	100.0	+16.5%

#### (2) Capital investment

The Organo Group's total outlays for capital investment amounted to ¥635 million during the fiscal year under review.

#### (3) Financing

No items to report.

#### (4) Issues to be addressed

During the fiscal year under review, we focused on our key business fields of the “electronics industry,” “performance products,” and “new businesses,” and also declared an active increase in investment in technology and R&D and promoted various initiatives, and as a result, we achieved operating results significantly exceeding our initial plans, including achieving our highest ever orders received and net sales. In particular, in the electronics field, we succeeded in receiving orders for large semiconductor projects in each of Japan, China, and Taiwan, and there were also signs of an improvement in profitability as we implemented various cost-cutting measures in projects and expanded our service solutions, etc., leading to a significant contribution to improved operating results together with the development and introduction of new products in the Performance Products Business Unit, sales development in China, Taiwan, Southeast Asia, and elsewhere overseas, and other factors. Nevertheless, in the field of new businesses, issues remain as we look to create new businesses, such as the creation of viable businesses taking longer than expected, despite achieving a particular level of success in terms of technological development, such as purifying and recovering facilities for lithium-ion batteries and continuous chromatographic systems for use in biopharmaceuticals.

Under these circumstances, the Organo Group has set forth its Medium-term Management Vision to be “a profitable engineering company that can deliver the optimal quality of water at the most reasonable cost in the most timely manner to the electronics industry and other industries, in key economic areas in Asia,” “a company that creates businesses supporting the creation of value in next-generation industries through proprietary separation and purification processes,” and “a company operating on a global scale, continuously creating high value-added performance products,” and we shall focus on building business foundations and structures, and various types of systems as we look to achieve further growth.

More specifically, we shall continue to focus on the key business fields of the “electronics industry,” “performance products,” and “new businesses,” as in the fiscal year under review, as we work to further expand the electronics field by strengthening our solutions systems in China and elsewhere in Japan and overseas; strengthen the Performance Products Business Unit by developing new products and establishing production and sales systems in China, Taiwan, Southeast Asia, and other overseas markets; and create new businesses by developing separation and purification processes into lithium-ion batteries, electronic materials, and biopharmaceuticals, etc. In addition, as measures to strengthen systems for executing this Medium-term Management Plan and personnel and technological development, etc., we shall also take steps to strengthen our foundations in overseas businesses, such as utilizing overseas personnel and enhancing business systems at overseas subsidiaries, and establishing a Global Engineering Center, while also promoting initiatives aimed at technological advancement and enhancing productivity, including enhancing core technologies in existing businesses and creating innovative technologies for new businesses.

Furthermore, in order to evaluate the status of progress on sustainably enhancing corporate value and improving profitability, the Organo Group positions consolidated return on equity (ROE) and consolidated operating profit ratio as key indicators. Management targets for fiscal 2021, the final fiscal year of the Medium-term Management Plan, are net sales of at least ¥100.0 billion, operating profit of at least ¥7.0 billion, and an operating profit ratio of at least 7.0%, and the Organo Group aims to build a profit structure that can record ROE of at least 8.0% continuously and consistently.

An overview of the Medium-term Management Plan is provided on the next page.

## **Medium-term Management Plan 2019-2021**

### **What We Aim For (Mid-term Management Vision)**

- A profitable engineering company that can deliver the optimal quality of water at the most reasonable cost in the most timely manner to the electronics industry and other industries, in key economic areas in Asia.
- Creating and developing new business by our original Separation and Purification technology for creating new values of future industry.
- Providing high value added new Performance Products for global market.

### **Management Target**

Net sales	¥100.0 billion or more
Operating profit	¥7.0 billion or more
Profit margin	7.0% or more

We will achieve the above index and aim for establishment of earnings structure that can record ROE 8.0% or more continuously and consistently.

### **Core Measures**

1. Expansion of Electronics Field
  - Enhancement of operation, technology, manufacturing and service solution systems in Japan, China and Taiwan.
  - Entering cutting-edge Semiconductor wet production process field including the U.S. market.
2. Development of Performance Products Business Unit
  - Developing new products and refining existing products.
  - Establishment of manufacturing and sales systems in China, Taiwan and Southeast Asia.
3. Development of New Businesses
  - Expansion of separation and purification technology to the markets of lithium-ion batteries, electronic materials and biopharmaceuticals
4. Enhancement of Overseas Business Foundations
  - Establishment of Global Engineering Center outside Japan, and diversification of technological expertise
  - Enhancement of business cooperation among overseas subsidiaries in Southeast Asia area, and enhancement of management and technology systems in India
5. Technological Evolution and Productivity Improvement
  - Evolution of core technologies in existing businesses, searching for innovative technology that enables creation of new businesses
  - Increasing productivity and improving working styles by utilizing engineering systems RPA, etc.

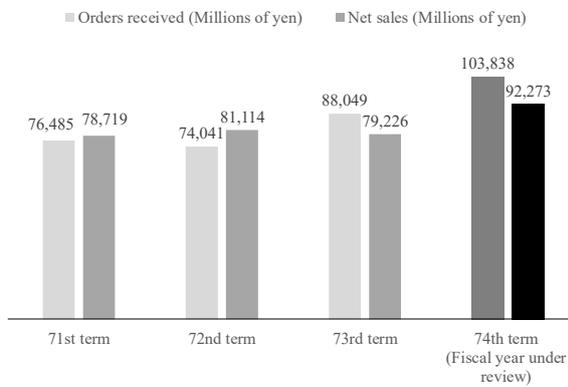
Note: RPA (Robotics Process Automation): Automation of work by robots

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

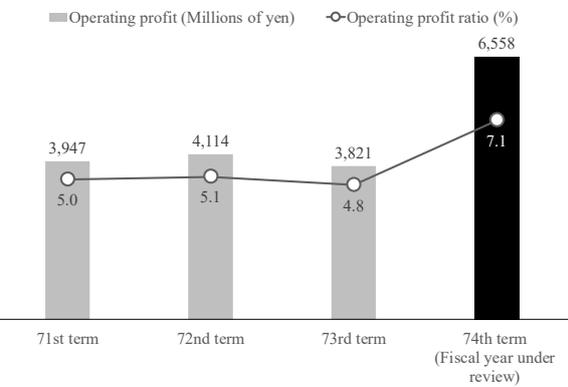
Category	71st term Fiscal year ended March 31, 2016	72nd term Fiscal year ended March 31, 2017	73rd term Fiscal year ended March 31, 2018	74th term (Fiscal year under review) Fiscal year ended March 31, 2019
Orders received (Millions of yen)	76,485	74,041	88,049	103,838
Net sales (Millions of yen)	78,719	81,114	79,226	92,273
Operating profit (Millions of yen)	3,947	4,114	3,821	6,558
Operating profit ratio (%)	5.0	5.1	4.8	7.1
Ordinary profit (Millions of yen)	3,871	4,162	3,933	6,538
Profit attributable to owners of parent (Millions of yen)	2,485	2,731	2,780	4,452
Basic earnings per share (yen)	43.17	237.18	241.50	388.48
Return on equity (ROE) (%)	5.4	5.7	5.5	8.4
Total assets (Millions of yen)	94,795	95,405	96,036	101,257
Net assets (Millions of yen)	46,567	49,034	51,681	54,795
Net assets per share (yen)	806.89	4,247.27	4,477.64	4,784.81

- Notes:
1. The Company implemented share consolidation on October 1, 2017, consolidating five common shares into one. Basic earnings per share and net assets per share have been calculated as if the aforementioned share consolidation had been carried out at the beginning of the 72nd fiscal year.
  2. 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 fiscal year under review, and this accounting standard, etc. has been retrospectively applied to the amount of total assets for the previous fiscal year.
  3. As for calculation of 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 fiscal year under review (47 thousand shares in the fiscal year under review).
  4. As for calculation of 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 for the fiscal year under review (85 thousand shares at the end of the fiscal year under review).

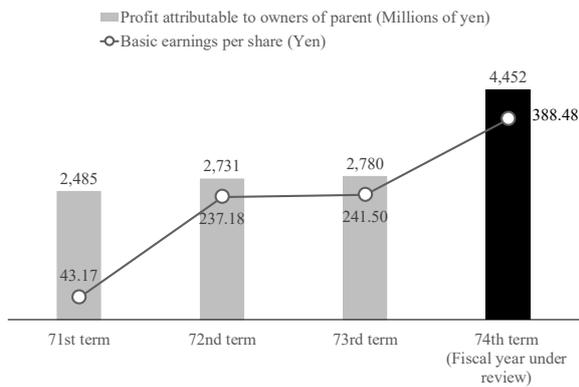
Orders received / Net sales



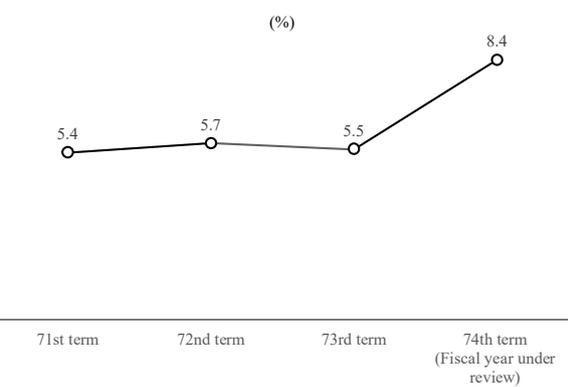
Operating profit / Operating profit ratio



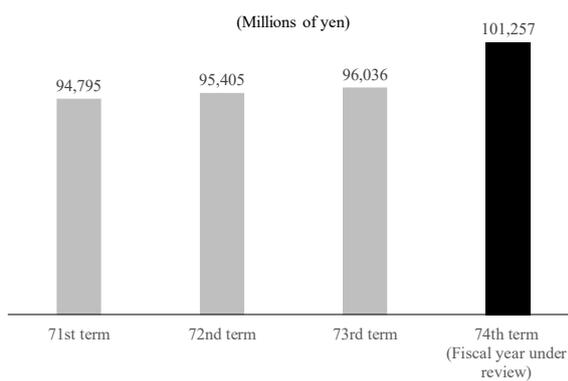
Profit attributable to owners of parent / Basic earnings per share



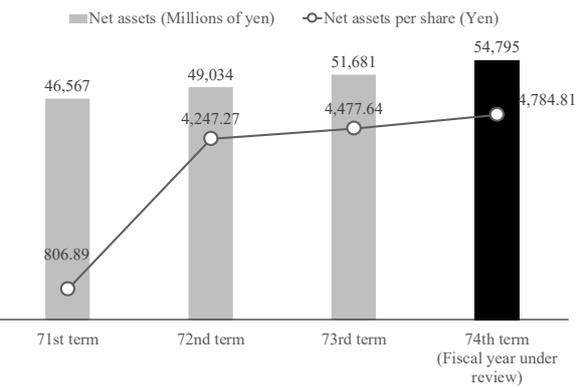
ROE



Total assets



Net assets / Net assets per share



**(6) Parent company and major subsidiaries**

**(i) Relationship with parent company**

The Company's parent company is Tosoh Corporation, and it holds 4,865 thousand shares (equity ownership 42.0% 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.

**(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 businesses (As of March 31, 2019)**

Business Segment	Major Products and Business	
Water Treatment Engineering Business Unit	Plant Division	Ultrapure water production facilities, Pure water production facilities, Industrial process water treatment facilities, Wastewater treatment facilities, Wastewater recovery facilities, Valuable material recovery facilities, Production processing-related facilities
	Service Solutions Division	Replacement of expendable items, Maintenance, Operational Support Services, Renovation/Reconditioning, Build-Own-Operate(BOO), Comprehensive maintenance service
Performance Products Business Unit	Standard water treatment equipment	Ultrapure water production systems, Pure water production systems, Filters, Multi-functional water
	Water treatment chemicals	RO membrane protection chemicals, Wastewater treatment chemicals, Cooling water treatment chemicals, Cleaning chemicals, Boiler water treatment chemicals
	Food processing materials	Food ingredients, Food processing agents

**(8) Major business offices and factories (As of March 31, 2019)**

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

**(9) Employees** (As of March 31, 2019)

(i) Employees of the Organo Group

Business Segment	Number of employees	Change from previous fiscal year-end
Water Treatment Engineering Business Unit	1,734	Increase by 11
Performance Products Business Unit	313	Decrease by 1
Company-wide (common)	139	Decrease by 3
Total	2,186	Increase by 7

(ii) Employees of the Company

Number of employees	Change from previous fiscal year-end	Average age	Average years of service
1,023	Increase by 5	43.6 years old	16.1 years

**(10) Major lenders** (As of March 31, 2019)

Lenders	Amount of Borrowings (Millions of yen)
Mizuho Bank, Ltd.	4,400
Sumitomo Mitsui Banking Corporation	1,820
MUFG Bank, Ltd.	1,800
Sumitomo Mitsui Trust Bank, Limited	1,581
The Hachijuni Bank, Ltd.	1,100

Note: The Bank of Tokyo-Mitsubishi UFJ, Ltd. has changed its name to MUFG Bank, Ltd. as of April 1, 2018.

## 2. Shares of the Company (As of March 31, 2019)

- (1) **Total number of authorized shares:** 25,392,000 shares
- (2) **Total number of issued shares:** 11,589,925 shares (including treasury shares of 81,288 shares)
- (3) **Number of shareholders:** 5,165 shareholders
- (4) **Major shareholders**

Name of shareholder	Number of shares held (Thousands of shares)	Holding ratio (%)
Tosoh Corporation	4,852	42.17
Japan Trustee Services Bank, Ltd. (Trust account)	408	3.55
The Master Trust Bank of Japan, Ltd. (Trust account)	365	3.17
BBH The Advisors' Inner Circle Fund II Kopernik Global All-Cap Fund	361	3.14
GOVERNMENT OF NORWAY	213	1.86
Mizuho Bank, Ltd.	200	1.74
Mizuho Trust & Banking Co., Ltd.	155	1.35
Japan Trustee Services Bank, Ltd. (Trust account 5)	140	1.22
BBH BOSTON CUSTODIAN FOR BBHTSIA HEPTAGON FUND PLC COPEL 620357	137	1.19
SSBTC CLIENT OMNIBUS ACCOUNT	135	1.18

- Notes: 1. The treasury shares (81,288 shares) are excluded in the calculation of the holding ratio shown above.
2. 85,500 shares of the Company held by Japan Trustee Services Bank, Ltd. (Trust account) (shares in the Officer Share Delivery Trust) are not included in treasury shares.

### (5) Other significant matters relating to shares

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) and 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. As of March 31, 2019, the trust established by the Company held 85,500 shares of the Company.

### 3. Officers

#### (1) Names etc. of Directors and Audit and Supervisory Board Members (As of March 31, 2019)

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

- Notes:
1. Directors Motoo Nagai and Keikou Terui are Outside Directors.
  2. Audit and Supervisory Board Members Osamu Hamada and Masao Wada are Outside Audit and Supervisory Board Members.
  3. Changes in Directors during the fiscal year under review are as follows:
    - (i) Director Chikara Furuuchi retired from his office due to expiration of his term of office at the conclusion of the 73rd Ordinary General Meeting of Shareholders held on June 28, 2018.
    - (ii) Yasutoshi Nakayama was elected as Director at the 73rd Ordinary General Meeting of Shareholders held on June 28, 2018, and assumed his office.
  4. Audit and Supervisory Board Member Masahiko Toyoda, who has past experience of supervising finance and accounting divisions at other companies, possesses extensive financial and accounting knowledge.
  5. Audit and Supervisory Board Member Masao Wada is qualified as a Certified Public Accountant and possesses extensive financial and accounting knowledge.
  6. The Company has submitted notification to the Tokyo Stock Exchange that Outside Directors Motoo Nagai and Keikou Terui, and Outside Audit and Supervisory Board Member Masao Wada 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 Keiichiro Nishizawa, Motoo Nagai and Keikou Terui, and Audit and Supervisory Board Members Masahiko Toyoda, Osamu Hamada and Masao Wada, 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) 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

- Basic policy on remuneration

The remuneration system for Executive Directors 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.

- Remuneration framework

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). Short-term performance-linked remuneration is decided based on the consolidated operating profit for each fiscal year. Mid- and long-term performance-linked remuneration is decided according to consolidated ROE (Return On Equity), and shares of the Company are issued on a fixed date every year. The ratio of the total amount of performance-linked remuneration is intended to be approximately 50% to 60% when the standard performance target set in advance is achieved, and this ratio is higher for Directors of higher ranks.

Remuneration to Non-Executive Directors and Audit and Supervisory Board Members is a fixed amount according to their respective positions in the Company.

- Process of determining remuneration

The Company has established the 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 to Directors and provide an appropriate amount of remuneration. The amount of remuneration to each Director is determined by resolution of the Board of Directors

based on the opinion of the Remuneration Advisory Committee and within the scope of the remuneration limit determined by resolution of the General Meeting of Shareholders. The amount of remuneration to each Audit and Supervisory Board Member 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		
		Total amount (Millions of yen)	Number of persons covered	Short-term (Cash)	Mid- and long-term (Stocks)	Number of persons covered
Directors (excluding Outside Directors)	234	97	8	86	50	7
Audit and Supervisory Board Members (excluding Outside Audit and Supervisory Board Members)	17	17	1	-	-	-
Outside Directors	21	21	2	-	-	-
Outside Audit and Supervisory Board Members	19	19	2	-	-	-
Total	293	155	13	86	50	7

- Notes:
- The above figures include one Director who retired upon the conclusion of the 73rd Ordinary General Meeting of Shareholders held on June 28, 2018.
  - Remuneration of Directors does not include salaries as employees paid to directors who are also employees.
  - 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. 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 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.
  - One Non-Executive Director who is not eligible for performance-linked remuneration has been included under Directors (excluding Outside Directors). As such, the number of persons covered for mid- and long-term performance-linked remuneration (stock) is six, and the one Director who retired as of the conclusion of the 73rd Ordinary General Meeting of Shareholders held June 28, 2018 is not included.
  - The amount of mid- and long-term performance-linked remuneration (stock) is recorded as provision for share-based remuneration for directors (and other officers) in the fiscal year under review.

**(4) 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
- Director Motoo Nagai is an Outside Statutory Auditor (Full time) of Nissan Motor Co., Ltd. and an Outside Audit & Supervisory Board Member of Nisshin Seifun Group Inc. The Company does not have any important dealing or other special relationship with the said organizations where Motoo Nagai holds significant concurrent positions.
  - Director Keikou Terui is President of Nonprofit Organization Japan Utility Telemetering Association, an Outside Director of Ube Industries, Ltd. and an Outside Director of

Bridgestone Corporation. The Company does not have any important dealing or other special relationship with the said organizations where Keikou Terui holds significant concurrent positions.

- Audit and Supervisory Board Member Masao Wada is Representative of Wada Certified Public Accountant Office and an Outside Corporate Auditor of Nissin Sugar Co., Ltd. The Company does not have any important dealing or other special relationship with the said organizations where Masao Wada holds significant concurrent positions.

(ii) Principal activities during the fiscal year under review

		Board of Directors meetings	Audit and Supervisory Board meetings	Status of Expression of Opinions
		Status of attendance	Status of attendance	
Director	Motoo Nagai	15/15 (100%)	–	He mainly provided opinions as he saw fit concerning such issues as management planning, business strategies, research and development, business investments, dividend policy, corporate governance, the rules for submit proposals to the Board of Directors, cross-shareholdings, and labor management of employees, based on his extensive knowledge and experience relating to company management as a top-level manager of a financial institution.
	Keikou Terui	13/15 (87%)	–	He mainly provided opinions as he saw fit concerning such issues as management planning, research and development, business investments, dividend policy, corporate governance, decision-making process, labor management of employees, and personnel policy, based on his extensive knowledge relating to industrial policy and industrial technology as well as his experience gained from holding key positions in the Ministry of Economy, Trade and Industry.
Audit and Supervisory Board Member	Osamu Hamada	15/15 (100%)	14/14 (100%)	He mainly provided opinions as he saw fit concerning such issues as foreign exchange risk, evaluation of investment plan, credit management, inventory control, corporate governance, independent auditor evaluation, and transparency of remuneration for directors (and other officers) based on his extensive knowledge and experience related to company management that he gained as a top-level manager of a business-operating company.
	Masao Wada	15/15 (100%)	14/14 (100%)	He mainly provided opinions as he saw fit concerning such issues as accounting policy, credit management, inventory control, development of core systems, independent auditor evaluation, and transparency of remuneration for directors (and other officers) based on his extensive knowledge and experience related to accounting and auditing operations as a certified public accountant.

#### 4. Independent Auditor

**(1) Name of Independent Auditor**

ARK MEIJI AUDIT & Co.

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

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

¥45 million

(ii) Total amount of money and other financial profits to be paid by the Company and its subsidiaries

¥45 million

Notes: 1. The audit agreement between the Company and its 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 assigns "Income attestation duties for the tax returns of employees seconded to overseas," which are not statutory auditing duties as stipulated in Article 2, paragraph 1 of the Certified Public Accountants Act (non-auditing services), to the Independent Auditor.

**(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

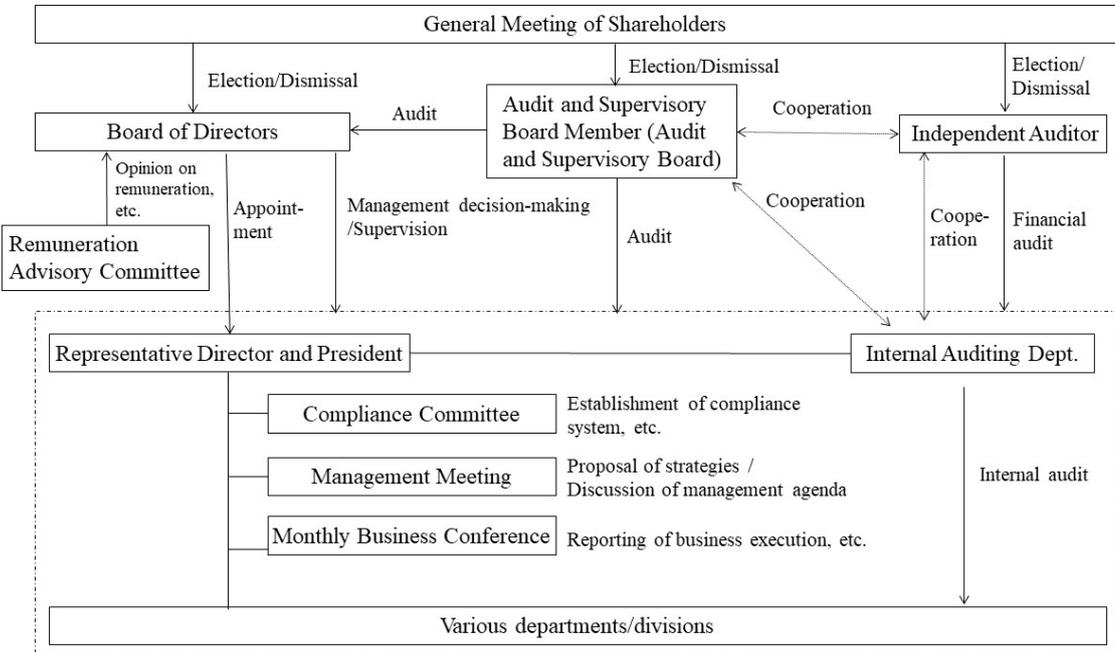
The Company has been engaging in efforts to enhance corporate governance that conforms to the following basic views in order to realize fair and trustworthy management and improve management efficiency.

- a. The Company shall respect the rights of shareholders and ensure equality.
- b. The Company shall 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 shall disclose the Company’s information timely and properly, and ensure transparency.
- d. The Directors, Audit and Supervisory Board Members, and Executive Officers recognize their fiduciary responsibilities, and will effectively fulfill their expected roles and duties.
- e. The Company shall 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 two 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

Audit and Supervisory Board consists of three Audit and Supervisory Board Members (including two Outside Audit and Supervisory Board Members), two of whom have appropriate knowledge relating to finance and accounting.

c. Executive Officer System

The Company has introduced an Executive Officers system and appointed 16 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 eight Internal Officers (including six Directors), and engages in efforts to formulate compliance education plans and further establish the compliance system.

g. Remuneration Advisory Committee

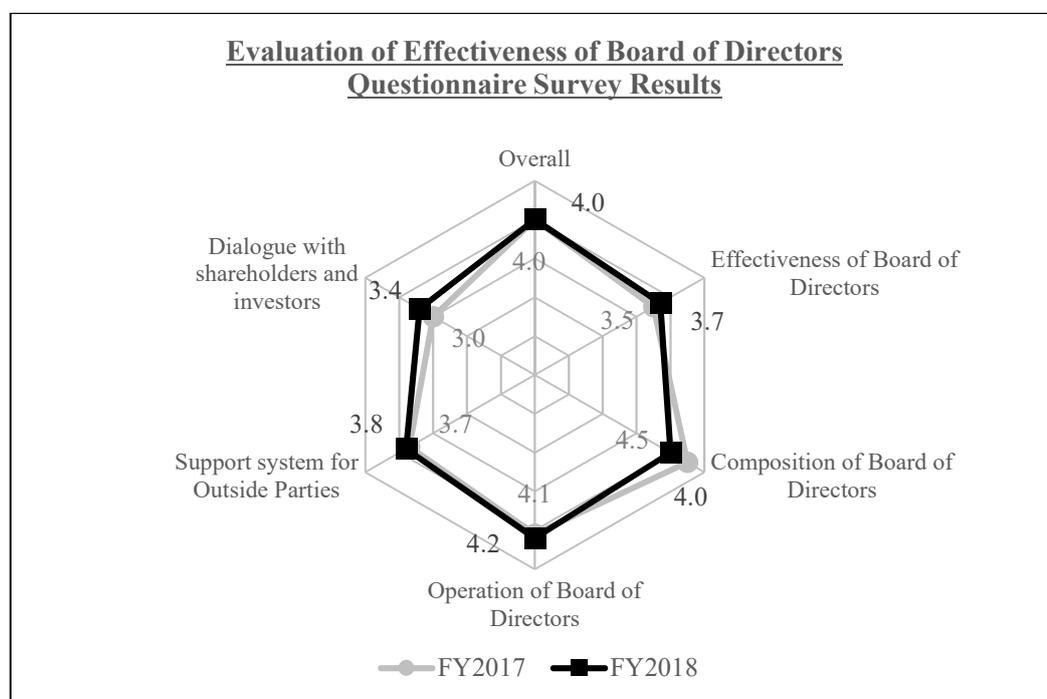
The Company has established the Remuneration Advisory Committee as a non-statutory advisory body to the Board of Directors. The Remuneration Advisory Committee consists of four Directors (of which two are Independent Outside Directors), and provides opinion on remuneration, etc. for Directors and Executive Officers 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 2017 to March 2018) was conducted in April 2018, and in June 2018, based on the results of that questionnaire, the Board of Directors performed an analysis/assessment and discussed future efforts in which to engage.

As a result of this assessment, the Company confirmed that the overall effectiveness of the Board of Directors was being ensured in terms of the Directors demonstrating the necessary competencies, and that the scale, frequency, agenda items presented, discussion lengths, document distribution dates, etc., were all appropriate. Furthermore, the Board of Directors is clarifying the corporate philosophy and management vision and dictating the direction toward achieving goals and designating subjects to be addressed, the chairman has created an atmosphere where active discussions can take place while still maintaining an appropriate amount of control, the Independent Outside Directors are fulfilling their expected roles appropriately, and explanations of the content of business, etc., to outside parties are suitable in allowing them participate in meetings. In addition, it was determined that progress has been made from the previous year in improving the function of the Director remuneration system. At the same time, the Company recognizes that there are still topics to consider such as the further promotion of dialogue with investors and shareholders, substantial disputes pertaining the election of Directors and the role/function, etc., of the Board of Directors, and the Company has confirmed that the Board of Directors is engaging in efforts to focus on improvement in these areas.

Regarding efforts for the current fiscal year, the Board of Directors has enhanced discussions on the Company's direction. In addition, the Company currently holds shareholder briefing sessions to explain the business outline and future business developments to shareholders after the General Meeting of Shareholders in order to provide dialogue with investors and shareholders, but also recognizes that there is room for improvement.



Notes: FY2017 (Evaluation period of questionnaire: April 2016 to March 2017)  
FY2018 (Evaluation period of questionnaire: April 2017 to March 2018)

**(2) 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 has established the Compliance Committee to enact company-wide initiatives such as the Organo Group Company Code of Conduct and spreading awareness of declarations on compliance.
  - 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 shall seek to raise awareness of compliance by providing compliance training to the Company's officers and employees as necessary.
  - The Internal Auditing Dept. shall 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 shall be able to inspect such documents and other information as necessary.
- (iii) Rules and other systems for management of risk of loss
- The Company shall 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 related to regular transactions, under the guidance of the supervising Director.
- (iv) Systems to ensure efficiency of the performance of duties by Directors
- The Company's systems for appropriate and efficient performance of duties include meetings of the Board of Directors (in principle, held once or more per month), at which the Company makes decisions regarding important business execution and supervises the status of business execution, and Management Meetings (in principle, held twice per month), consisting of Executive Directors and Executive Officers with titles, at which the Company drafts medium- and long-term strategies, etc., and discusses important management issues.

- The Company has introduced an Executive Officers 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 properness of 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 shall 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 shall 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 sets 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 ensures the appropriate execution of all projects through evaluating business progress reports by the Presidents of each group company.
    - The Company shall 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 shall 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 shall provide compliance training to the group companies’ officers and employees as necessary.
    - The Company’s Internal Auditing Dept. shall 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 properness of 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 shall cooperate in the development and operation of the accounting and financial reporting processes of the group companies.
  - The Company ensures 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 shall establish employees in Internal Auditing Dept. that assist in the duties of the Audit and Supervisory Board Members upon consulting with the Audit and Supervisory Board.
  - The Company shall determine proper procedures for handling matters related to human resources for employees that assist in the duties of the Audit and Supervisory Board Members upon consulting with the Audit and Supervisory Board.
  - Employees that assist in the duties of the Audit and Supervisory Board Members shall not receive instructions or orders from executives regarding directions given to them by Audit and Supervisory Board Members, and shall be independent in their assistance in the duties of the 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 shall provide an appropriate report without delay.
  - Directors and employees of the Company and group companies or audit and supervisory board members of group companies shall 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 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 shall 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 shall also serve as a contact point for the whistleblowing system.
  - The Company shall ensure that Directors and employees of the Company and group companies who make reports to the Audit and Supervisory Board Members, 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 shall regularly exchange opinions with the Audit and Supervisory Board Members on matters related to overall management.
- The Audit and Supervisory Board Members shall 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 shall 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.

### **(3) Overview of operational status of system for ensuring properness 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 2018, and conducted a course on work style reform-related laws for all employees in August 2018.

In addition, the Company arranged for external organizations to provide training to Directors and Audit and Supervisory Board Members, and the Directors and Audit and Supervisory Board Members attended as appropriate.

In June 2018, the Company enacted and operated rules on the handling of competitive research funding, etc., in order to appropriately handle competitive research funding and appropriately prevent fraudulent activities.

The Company has established a BCP (Business Continuity Plan) to minimize loss or disadvantage suffered by the Company and group companies. As part of that, in November 2018, the Company conducted evacuation drills and crisis response training based on the premise of an earthquake at the head office.

In addition, the Company developed a BCP at the ORGANO FOOD TECH Main Factory and strengthened the business continuation system in the event of an earthquake.

In the fiscal year under review, the Company held 15 meetings of the Board of Directors, 26 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, and provided advice on sound management and efficient operations. In addition, in April 2018 and November 2018, the Representative Director and the Audit and Supervisory Board Members held opinion exchanges on overall management and endeavored to ensure the effectiveness of audits.

### **(4) Basic policy on control of the Company**

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

**(5) 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, 2019)

(Millions of yen)

Item	Amount	Item	Amount
<b>Assets</b>		<b>Liabilities</b>	
<b>Current assets</b>	<b>76,037</b>	<b>Current liabilities</b>	<b>39,930</b>
Cash and deposits	11,276	Notes and accounts payable - trade	18,516
Notes and accounts receivable - trade	40,256	Short-term borrowings	13,458
Investments in leases	13,574	Income taxes payable	1,546
Merchandise and finished goods	4,717	Advances received	1,499
Work in process	2,717	Provision for bonuses	1,165
Raw materials and supplies	1,426	Provision for product warranties	321
Other	2,206	Provision for loss on construction contracts	84
Allowance for doubtful accounts	(139)	Provision for share-based remuneration for directors (and other officers)	95
<b>Non-current assets</b>	<b>25,220</b>	Other	3,242
<b>Property, plant and equipment</b>	<b>19,272</b>	<b>Non-current liabilities</b>	<b>6,531</b>
Buildings and structures	5,511	Long-term borrowings	200
Machinery, equipment and vehicles	696	Deferred tax liabilities	8
Land	12,288	Retirement benefit liability	6,209
Construction in progress	45	Other	111
Other	731	<b>Total liabilities</b>	<b>46,462</b>
<b>Intangible assets</b>	<b>1,209</b>	<b>Net assets</b>	
<b>Investments and other assets</b>	<b>4,739</b>	<b>Shareholders' equity</b>	<b>55,071</b>
Investment securities	1,621	Share capital	8,225
Deferred tax assets	2,628	Capital surplus	7,508
Other	767	Retained earnings	39,967
Allowance for doubtful accounts	(278)	Treasury shares	(629)
		<b>Accumulated other comprehensive income</b>	<b>(414)</b>
		Valuation difference on available-for-sale securities	273
		Deferred gains or losses on hedges	(0)
		Foreign currency translation adjustment	(193)
		Remeasurements of defined benefit plans	(494)
		<b>Non-controlling interests</b>	<b>138</b>
		<b>Total net assets</b>	<b>54,795</b>
<b>Total assets</b>	<b>101,257</b>	<b>Total liabilities and net assets</b>	<b>101,257</b>

## Consolidated Statement of Income

(From April 1, 2018 to March 31, 2019)

(Millions of yen)

Item	Amount	
<b>Net sales</b>		<b>92,273</b>
<b>Cost of sales</b>		<b>69,353</b>
<b>Gross profit</b>		<b>22,919</b>
<b>Selling, general and administrative expenses</b>		<b>16,361</b>
<b>Operating profit</b>		<b>6,558</b>
<b>Non-operating income</b>		
Interest and dividend income	45	
Share of profit of entities accounted for using equity method	138	
Other	74	259
<b>Non-operating expenses</b>		
Interest expenses	85	
Foreign exchange losses	60	
Provision of allowance for doubtful accounts	101	
Other	32	279
<b>Ordinary profit</b>		<b>6,538</b>
<b>Extraordinary income</b>		
Gain on sales of non-current assets	39	39
<b>Extraordinary losses</b>		
Loss on sales of non-current assets	0	
Loss on abandonment of non-current assets	12	
Loss on valuation of investment securities	172	185
<b>Profit before income taxes</b>		<b>6,392</b>
Income taxes - current	2,045	
Income taxes - deferred	(123)	1,921
<b>Profit</b>		<b>4,470</b>
<b>Profit attributable to non-controlling interests</b>		<b>17</b>
<b>Profit attributable to owners of parent</b>		<b>4,452</b>

## Consolidated Statement of Changes in Equity

(From April 1, 2018 to March 31, 2019)

(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	36,170	(355)	51,548
Changes in items during period					
Dividends of surplus	-	-	(656)	-	(656)
Profit attributable to owners of parent	-	-	4,452	-	4,452
Purchase of treasury shares	-	-	-	(273)	(273)
Net changes in items other than shareholders' equity	-	-	-	-	-
Total changes in items during period	-	-	3,796	(273)	3,522
Balance at end of period	8,225	7,508	39,967	(629)	55,071

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

**Balance Sheet**  
(As of March 31, 2019)

(Millions of yen)

Item	Amount	Item	Amount
<b>Assets</b>		<b>Liabilities</b>	
<b>Current assets</b>	<b>58,558</b>	<b>Current liabilities</b>	<b>31,799</b>
Cash and deposits	5,356	Notes payable - trade	6,215
Notes receivable - trade	3,411	Accounts payable - trade	6,867
Accounts receivable - trade	26,394	Short-term borrowings	10,400
Investments in leases	13,517	Current portion of long-term borrowings	1,200
Merchandise and finished goods	4,072	Accounts payable - other	1,241
Work in process	1,691	Income taxes payable	1,065
Raw materials and supplies	1,066	Advances received	898
Advance payments - trade	520	Deposits received	2,002
Prepaid expenses	186	Provision for bonuses	781
Short-term loans receivable	1,592	Provision for product warranties	256
Other	889	Provision for loss on construction contracts	181
Allowance for doubtful accounts	(139)	Provision for share-based remuneration for directors (and other officers)	95
<b>Non-current assets</b>	<b>25,485</b>	Other	593
<b>Property, plant and equipment</b>	<b>18,676</b>	<b>Non-current liabilities</b>	<b>5,599</b>
Buildings	5,112	Long-term borrowings	200
Structures	130	Provision for retirement benefits	5,354
Machinery and equipment	537	Other	44
Vehicles	5	<b>Total liabilities</b>	<b>37,398</b>
Tools, furniture and fixtures	648	<b>Net assets</b>	
Land	12,196	<b>Shareholders' equity</b>	<b>46,413</b>
Construction in progress	45	<b>Share capital</b>	<b>8,225</b>
<b>Intangible assets</b>	<b>1,121</b>	<b>Capital surplus</b>	<b>7,508</b>
Software	245	Legal capital surplus	7,508
Other	876	<b>Retained earnings</b>	<b>31,309</b>
<b>Investments and other assets</b>	<b>5,687</b>	Legal retained earnings	832
Investment securities	661	Other retained earnings	30,477
Shares of subsidiaries and associates	2,370	Reserve for dividends	140
Long-term loans receivable	301	Reserve for research and development	90
Guarantee deposits	83	Reserve for tax purpose reduction entry of non-current assets	34
Deferred tax assets	2,243	General reserve	25,065
Other	232	Retained earnings brought forward	5,146
Allowance for doubtful accounts	(205)	<b>Treasury shares</b>	<b>(629)</b>
		<b>Valuation and translation adjustments</b>	<b>232</b>
		Valuation difference on available-for-sale securities	232
		Deferred gains or losses on hedges	(0)
		<b>Total net assets</b>	<b>46,646</b>
<b>Total assets</b>	<b>84,044</b>	<b>Total liabilities and net assets</b>	<b>84,044</b>

**Statement of Income**  
(From April 1, 2018 to March 31, 2019)

(Millions of yen)

Item	Amount	
<b>Net sales</b>		<b>65,617</b>
<b>Cost of sales</b>		<b>48,443</b>
<b>Gross profit</b>		<b>17,173</b>
<b>Selling, general and administrative expenses</b>		<b>13,676</b>
<b>Operating profit</b>		<b>3,497</b>
<b>Non-operating income</b>		
Interest and dividend income	931	
Rental income from non-current assets	336	
Other	51	1,318
<b>Non-operating expenses</b>		
Interest expenses	60	
Provision of allowance for doubtful accounts	11	
Depreciation	118	
Property tax	36	
Other	3	230
<b>Ordinary profit</b>		<b>4,586</b>
<b>Extraordinary income</b>		
Gain on sales of non-current assets	33	33
<b>Extraordinary losses</b>		
Loss on abandonment of non-current assets	7	
Loss on valuation of investment securities	1	
Loss on valuation of shares of subsidiaries and associates	395	404
<b>Profit before income taxes</b>		<b>4,215</b>
Income taxes - current	1,231	
Income taxes - deferred	(197)	1,034
<b>Profit</b>		<b>3,181</b>

**Statement of Changes in Equity**  
(From April 1, 2018 to March 31, 2019)

(Millions of yen)

	Shareholders' equity					Total shareholders' equity
	Share capital	Capital surplus	Retained earnings		Treasury shares	
		Legal capital surplus	Legal retained earnings	Other retained earnings		
Balance at beginning of period	8,225	7,508	832	27,951	(355)	44,162
Changes in items during period						
Dividends of surplus	-	-	-	(656)	-	(656)
Profit	-	-	-	3,181	-	3,181
Reversal of reserve for tax purpose reduction entry of non-current assets	-	-	-	-	-	-
Provision of general reserve	-	-	-	-	-	-
Purchase of treasury shares	-	-	-	-	(273)	(273)
Net changes in items other than shareholders' equity	-	-	-	-	-	-
Total changes in items during period	-	-	-	2,525	(273)	2,251
Balance at end of period	8,225	7,508	832	30,477	(629)	46,413

	Valuation and translation adjustments			Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Total valuation and translation adjustments	
Balance at beginning of period	276	(0)	275	44,437
Changes in items during period				
Dividends of surplus	-	-	-	(656)
Profit	-	-	-	3,181
Reversal of reserve for tax purpose reduction entry of non-current assets	-	-	-	-
Provision of general reserve	-	-	-	-
Purchase of treasury shares	-	-	-	(273)
Net changes in items other than shareholders' equity	(43)	0	(43)	(43)
Total changes in items during period	(43)	0	(43)	2,208
Balance at end of period	232	(0)	232	46,646

## (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	37	23,065	4,619	27,951
Changes in items during period						
Dividends of surplus	-	-	-	-	(656)	(656)
Profit	-	-	-	-	3,181	3,181
Reversal of reserve for tax purpose reduction entry of non-current assets	-	-	(2)	-	2	-
Provision of general reserve	-	-	-	2,000	(2,000)	-
Purchase of treasury shares	-	-	-	-	-	-
Net changes in items other than shareholders' equity	-	-	-	-	-	-
Total changes in items during period	-	-	(2)	2,000	527	2,525
Balance at end of period	140	90	34	25,065	5,146	30,477

Amounts in this Business Report 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 7, 2019

The Board of Directors  
ORGANO CORPORATION

ARK MEIJI AUDIT & Co.

Designated Partner Engagement Partner	Certified Public Accountant	Masaki Ueda	[Seal]
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Designated Partner Engagement Partner	Certified Public Accountant	Tsuyoshi Tokunaga	[Seal]
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Pursuant to Article 444, paragraph 4 of the Companies Act, we have audited the accompanying consolidated financial statements, which comprise the consolidated balance sheet, the consolidated statement of income, the consolidated statement of changes in equity and the notes to consolidated financial statements of ORGANO CORPORATION applicable to the fiscal year from April 1, 2018 through March 31, 2019.

#### Management's Responsibility 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.

#### Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit as independent auditor. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected and applied in accordance with our judgment, based on the risk assessment of material misstatement in the consolidated financial statements, due to fraud or error. The purpose of an audit of the consolidated financial statements is not to express an opinion on the effectiveness of the entity's internal control, but in making these risk assessments the auditor considers internal controls relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### Audit Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position and results of operations of the corporate group, which consisted of ORGANO

CORPORATION and consolidated subsidiaries, applicable to the fiscal year ended March 31, 2019, in conformity with accounting principles generally accepted in Japan.

#### Conflicts of Interest

Our firm and engagement partners have no interest in the Company which shall be disclosed pursuant to the provisions of the Certified Public Accountants Act.

(English translation)

## Certified copy of Independent Auditor's audit report

### Independent Auditor's Report

May 7, 2019

The Board of Directors  
ORGANO CORPORATION

ARK MEIJI AUDIT & Co.

Designated Partner Engagement Partner	Certified Public Accountant	Masaki Ueda	[Seal]
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Designated Partner Engagement Partner	Certified Public Accountant	Tsuyoshi Tokunaga	[Seal]
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Pursuant to Article 436, paragraph 2, item 1 of the Companies Act, we have audited the accompanying non-consolidated financial statements, which comprise the non-consolidated balance sheet, the non-consolidated statement of income, the non-consolidated statement of changes in equity and the notes to non-consolidated financial statements, and the supplementary schedules of ORGANO CORPORATION applicable to the 74th fiscal year from April 1, 2018 through March 31, 2019.

#### Management's Responsibility for the Financial Statements and Others

Management is responsible for the preparation and fair presentation of these non-consolidated financial statements and supplementary schedules 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 and supplementary schedules, free of material misstatement due to fraud or error and the presentation of appropriate accounting information.

#### Auditors' Responsibility

Our responsibility is to express an opinion on these non-consolidated financial statements and supplementary schedules based on our audit as independent auditor. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the non-consolidated financial statements and the supplementary schedules are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the non-consolidated financial statements and the supplementary schedules. The procedures selected and applied in accordance with our judgment, based on the risk assessment of material misstatement in the non-consolidated financial statements and the supplementary schedules, due to fraud or error. The purpose of an audit of the consolidated financial statements is not to express an opinion on the effectiveness of the entity's internal control, but in making these risk assessments the auditor considers internal controls relevant to the entity's preparation and fair presentation of the non-consolidated financial statements and the supplementary schedules in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the non-consolidated financial statements and the supplementary schedules.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### Audit Opinion

In our opinion, the non-consolidated financial statements and the supplementary schedules referred to above present fairly, in all material respects, the financial position and results of operations of ORGANO

CORPORATION for the relevant term of the non-consolidated financial statements and the supplementary schedules in conformity with accounting principles generally accepted in Japan.

Interest

Our firm and engagement partners have no interest in the Company which shall be disclosed pursuant to the provisions of the Certified Public Accountants Act.

(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 74th fiscal year from April 1, 2018 to March 31, 2019, 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 ARK MEIJI AUDIT & Co., the Independent Auditor, are proper.

(3) Results of audit of consolidated financial statements

We confirm that the auditing methods and results of ARK MEIJI AUDIT & Co., the Independent Auditor, are proper.

May 7, 2019

Audit and Supervisory Board of ORGANO  
CORPORATION

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

Outside Audit and Supervisory Board Member  
Osamu Hamada [Seal]

Outside Audit and Supervisory Board Member  
Masao Wada [Seal]

## **Items Disclosed on the Internet Concerning Notice of the 74th Ordinary General Meeting of Shareholders**

74th fiscal year  
(From April 1, 2018 to March 31, 2019)

- (i) Notes to Consolidated Financial Statements
- (ii) Notes to Non-consolidated Financial Statements

### **ORGANO CORPORATION**

Notes to Consolidated Financial Statements in the Consolidated Financial Statements and Notes to Non-consolidated Financial Statements in the Non-consolidated Financial Statements are provided to shareholders by posting them on the Company's website (<https://www.organo.co.jp/>) pursuant to the provisions of laws and regulations and Article 16 of the Company's Articles of Incorporation.

## 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 (amount corresponding to the Company's equity), retained earnings (amount corresponding to the Company's equity) 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 has 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 provide for warranties against defects in completed construction contracts stipulated in internal regulations, 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.

- 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 are recorded for some of the construction projects as of the end of the fiscal year under review, which are highly probable to incur a large amount of 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 mainly 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. *Furiate-shori* is applied to forward exchange contracts that satisfy requirements for *furiate-shori*, and exceptional treatment is applied to interest rate swaps that satisfy the requirements for exceptional treatment.
  - b. Hedging instruments and hedged items  
Hedging instruments: Forward foreign 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 five years.
- (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 balance sheet)

The Company has applied the “Ministerial Order on Partial Revisions to the Regulation for Enforcement of the Companies Act and the Regulation on Corporate Accounting” (Order of the Ministry of Justice No. 5; March 26, 2018) accompanying the “Partial Amendments to Accounting Standard for Tax Effect Accounting” (ASBJ Statement No. 28; February 16, 2018) from the fiscal year under review, and the presentation of deferred tax assets and deferred tax liabilities has changed to the categories of investments and other assets and non-current liabilities, respectively.

(Consolidated statement of income)

“Compensation for damage” (¥15 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.

## 3. Additional Information

(Performance-linked share-based remuneration plan for Directors and Executive Officers)

Upon receiving approval at the 73rd Ordinary General Meeting of Shareholders held on June 28, 2018, the Company introduced a performance-linked share-based remuneration plan (the “Plan”) using a trust for Directors (excluding Non-Executive Directors; hereinafter, the same applies) and Executive Officers (excluding non-residents; hereinafter, the same applies) of the Company.

The objective of the Plan is to heighten the Company’s Directors and Executive Officers’ awareness of contributing to enhancing the Organo Group’s medium- to long-term operating results and increasing corporate value, by linking part of their remuneration to the Organo Group’s operating results and share value.

(1) Overview of transactions

The Plan is a share-based remuneration plan under which a trust (the “Trust”) established with money contributed by the Company shall acquire shares of the Company, and a number of the Company’s shares and an amount of cash equivalent to the conversion value of the Company’s shares together equivalent to the number of points granted to Directors and Executive Officers shall be delivered and paid to each Director and Executive Officer through the Trust at a certain time each year.

(2) Shares of the Company remaining in the Trust

Shares of the Company remaining in the Trust shall be recorded as treasury shares under net assets at their book value in the Trust (minus the amount of any incidental expenses). The book value and number of such treasury shares at the end of the fiscal year under review were ¥269 million and 85 thousand shares, respectively.

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

- (1) Accumulated depreciation for property, plant and equipment ¥21,456 million
- (2) Contingent liabilities
- Guarantee obligation for bank loans of employees ¥4 million
- Performance bonds
- Organo (Vietnam) Co., Ltd. ¥89 million
- (3) Notes matured at the end of the fiscal year shall be settled as of their clearing date.
- However, since the last day of the fiscal year under review was a holiday for financial institutions, the following notes maturing on the last day of the fiscal year are included in the balance at the end of the fiscal year under review.
- Notes receivable - trade ¥218 million
- Notes payable - trade ¥1,431 million
- Notes payable - facilities (current liabilities “Other”) ¥12 million

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

- (1) Total number of shares issued

Class of shares	Number of shares as of April 1, 2018 (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 as of April 1, 2018 (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	79	87	–	166

Note: The increase of 87 thousand shares in the number of treasury shares reflects the acquisition of 85 thousand shares by the Officer Share Delivery Trust and the increase of 1 thousand shares due to the purchase of shares less than one unit. Furthermore, the number of treasury shares at the end of the fiscal year under review includes 85 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 73rd Ordinary General Meeting of Shareholders held on June 28, 2018
- Total dividends: ¥322 million
  - Dividend per share: ¥28
  - Record date: March 31, 2018
  - Effective date: June 29, 2018
- b. Dividends resolved at the meeting of the Board of Directors held on November 2, 2018
- Total dividends: ¥333 million
  - Dividend per share: ¥29
  - Record date: September 30, 2018
  - Effective date: December 10, 2018

Note: Total dividends resolved at the meeting of the Board of Directors held on November 2, 2018 include ¥2 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 74th Ordinary General Meeting of Shareholders, scheduled for June 27, 2019

• Total dividends:	¥506 million
• Source of dividends:	Retained earnings
• Dividend per share:	¥44
• Record date:	March 31, 2019
• Effective date:	June 28, 2019

Note: Total dividends include ¥3 million in dividends for shares of the Company held by the Officer Share Delivery Trust.

## 6. 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 and investments in leases 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 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 division 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 value if it has no market price. As changeable factors are included in calculating these values, if different assumptions, etc. are used, these values could vary.

- (2) Fair value of financial instruments

Amount on the consolidated balance sheet as of March 31, 2019, fair value 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	11,276	11,276	-
(ii) Notes and accounts receivable - trade	40,256	40,256	-
(iii) Investments in leases	13,574	13,574	-
(iv) Investment securities	716	716	-
Total assets	65,824	65,824	-
(i) Notes and accounts payable - trade	18,516	18,516	-
(ii) Short-term borrowings	13,458	13,461	2
(iii) Long-term borrowings	200	200	(0)
Total liabilities	32,176	32,178	2
Derivatives [*]	[1]	[1]	-

[\*] 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, (ii) Notes and accounts receivable - trade

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

- (iii) 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.

(iv) 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

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.

(ii) Short-term borrowings, (iii) 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 short-term borrowings and 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.

(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 exceptional treatment, are treated in conjunction with short-term borrowings and long-term borrowings that are deemed as hedged items, fair values of the interest rate swaps are included in the fair values of the short-term borrowings and 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	905

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

**7. Notes to per share information**

Net assets per share ¥4,784.81

Basic earnings per share ¥388.48

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 (85 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 (47 thousand shares in the fiscal year under review).

**8. Significant subsequent events**

Not applicable.

## 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
  - (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 provide for warranties against defects in completed construction contracts stipulated in internal regulations, 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 are recorded for some of the construction projects as of the end of the fiscal year under review, which are highly probable to incur a large amount of 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 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.
- (vi) Provision for retirement benefits
 

To prepare for the payment of employees' retirement benefits, the Company recorded a provision for retirement benefits 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.
- (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. *Furiate-shori* is applied to forward exchange contracts that satisfy requirements for *furiate-shori*, and exceptional treatment is applied to interest rate swaps that satisfy the requirements for exceptional treatment.
  - (ii) Hedging instruments and hedged items
 

Hedging instruments: Forward foreign 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 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

(Balance sheet)

The Company has applied the “Ministerial Order on Partial Revisions to the Regulation for Enforcement of the Companies Act and the Regulation on Corporate Accounting” (Order of the Ministry of Justice No. 5; March 26, 2018) accompanying the “Partial Amendments to Accounting Standard for Tax Effect Accounting” (ASBJ Statement No. 28; February 16, 2018) from the fiscal year under review, and the presentation of deferred tax assets and deferred tax liabilities has changed to the categories of investments and other assets and non-current liabilities, respectively.

## 3. Additional Information

(Performance-linked share-based remuneration plan for Directors and Executive Officers)

Upon receiving approval at the 73rd Ordinary General Meeting of Shareholders held on June 28, 2018, the Company introduced a performance-linked share-based remuneration plan (the “Plan”) using a trust for Directors (excluding Non-Executive Directors; hereinafter, the same applies) and Executive Officers (excluding non-residents; hereinafter, the same applies) of the Company.

The objective of the Plan is to heighten the Company’s Directors and Executive Officers’ awareness of contributing to enhancing the Organo Group’s medium- to long-term operating results and increasing corporate value, by linking part of their remuneration to the Organo Group’s operating results and share value.

(1) Overview of transactions

The Plan is a shared-based remuneration plan under which a trust (the “Trust”) established with money contributed by the Company shall acquire shares of the Company, and a number of the Company’s shares and an amount of cash equivalent to the conversion value of the Company’s shares together equivalent to the number of points granted to Directors and Executive Officers shall be delivered and paid to each Director and Executive Officer through the Trust at a certain time each year.

(2) Shares of the Company remaining in the Trust

Shares of the Company remaining in the Trust shall be recorded as treasury shares under net assets at their book value in the Trust (minus the amount of any incidental expenses). The book value and number of such treasury shares at the end of the fiscal year under review were ¥269 million and 85 thousand shares, respectively.

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

(1) Accumulated depreciation for property, plant and equipment	¥20,599 million
(2) Contingent liabilities	
Guarantee obligation for bank loans of employees	¥4 million
Joint and several suretyship for bank loans	
Organo (Suzhou) Water Treatment Co., Ltd.	¥1,882 million
Organo Technology Co., Ltd.	¥108 million
Performance bonds	
Organo (Asia) Sdn. Bhd.	¥93 million
Organo (Suzhou) Water Treatment Co., Ltd.	¥148 million
Organo (Vietnam) Co., Ltd.	¥89 million
(3) Monetary claims and obligations to subsidiaries and associates	
Short-term monetary claims	¥3,656 million
Long-term monetary claims	¥300 million
Short-term monetary obligations	¥5,067 million
(4) Notes matured at the end of the fiscal year shall be settled as of their clearing date.	
However, since the last day of the fiscal year under review was a holiday for financial institutions, the following notes maturing on the last day of the fiscal year are included in the balance at the end of the fiscal year under review.	
Notes receivable - trade	¥202 million
Notes payable - trade	¥1,000 million
Notes payable - trade for plant and equipment (current liabilities “other”)	¥12 million

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

Total transactions with subsidiaries and associates	
Net sales	¥3,550 million
Purchase of goods	¥16,241 million
Transactions other than operating transactions:	¥1,261 million

## 6. 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	79	87	-	166

Note: The increase of 87 thousand shares in the number of treasury shares reflects the acquisition of 85 thousand shares by the Officer Share Delivery Trust and the increase of 1 thousand shares due to the purchase of shares less than one unit. Furthermore, the number of treasury shares at the end of the fiscal year under review includes 85 thousand shares of the Company held by the Officer Share Delivery Trust.

## 7. Note to tax-effect accounting

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

	(Millions of yen)
Deferred tax assets	
Provision for bonuses	239
Enterprise tax payable	79
Provision for retirement benefits	1,638
Provision for product warranties	78
Provision for loss on construction contracts	55
Provision for share-based remuneration for directors (and other officers)	29
Testing and research facilities	50
Allowance for doubtful accounts	105
Loss on valuation of right to use facilities	79
Loss on valuation of shares of subsidiaries and associates	237
Other	212
Subtotal deferred tax assets	2,806
Valuation allowance	(444)
Total deferred tax assets	2,361
Deferred tax liabilities	
Valuation difference on available-for-sale securities	(102)
Reserve for tax purpose reduction entry of non-current assets	(15)
Total deferred tax liabilities	(117)
Net deferred tax assets	2,243

## 8. 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	6,885	Accounts payable - trade	1,344
					Deposits of funds	1,192	Deposits received	1,300
					Dividends received	582	-	-
ORGANO FOOD TECH CORPORATION	Satte City, Saitama	¥50 million	Direct ownership 100.0%	Ordering of food ingredients and food processing agents Dispatching of officers	Loans of funds	1,038	Short-term loans receivable	900
ORGANO ECO TECH CORPORATION	Koto-ku, Tokyo	¥50 million	Direct ownership 100.0%	Ordering of wastewater treatment systems and related construction Dispatching of officers	Ordering of wastewater treatment systems and related construction	4,193	Accounts payable - trade	1,203
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	2,030	-	-
Organo Technology Co., Ltd.	Hsinchu, Taiwan	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	1,751	Accounts receivable - trade	1,413

- 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 loans of funds and that 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. Dividend income is rationally determined pursuant to certain standards based on the amount of surplus able to be distributed.
  5. The Company provides debt guarantees on their loans from financial institutions. The Company does not receive guarantee fees.

## 9. Notes to per share information

Net assets per share	¥4,083.48
Basic earnings per share	¥277.56

- 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 (85 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 (47 thousand shares in the fiscal year under review).

## 10. Notes to significant subsequent events

Not applicable.

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Figures are rounded down to the nearest unit.