(Securities Code: 1979)
June 5, 2014

To Shareholders with Voting Rights:

Eitaro Uenishi
Chairman and Representative Director
Taikisha Ltd.
8-17-1, Nishi-Shinjuku,
Shinjuku-ku, Tokyo 160-6129,
Japan

NOTICE OF THE 69TH ANNUAL SHAREHOLDERS' MEETING

You are cordially invited to attend the 69th Annual Shareholders' Meeting of Taikisha Ltd. (the "Company"). If you are unable to attend the meeting, you can exercise your voting rights in writing. Please review the attached Reference Documents for the Shareholders' Meeting and return the Voting Rights Exercise Form with your vote of approval or disapproval so that it will be delivered to us by 5:45 p.m. on Thursday, June 26, 2014, Japan time.

1. **Date and Time:** Friday, June 27, 2014, at 10 a.m. Japan time
2. **Place:** 43rd floor, "Moon Light" Keio Plaza Hotel, located at 2-2-1, Nishi-Shinjuku, Shinjuku-ku, Tokyo, Japan
3. **Meeting Agenda:**

   Matters for Reporting:
   1. The Business Report, the Consolidated Financial Statements for the 69th Fiscal Year (from April 1, 2013, to March 31, 2014) and the results of audits by the Accounting Auditors and the Audit & Supervisory Board of the Consolidated Financial Statements
   2. The Non-consolidated Financial Statements for the 69th Fiscal Year (from April 1, 2013, to March 31, 2014)

   Matters for Resolution:

   Proposal No. 1: Appropriation of Retained Earnings
   Proposal No. 2: Election of Seven (7) Directors

Notes:
1) Upon arrival on the date of the meeting, please submit the enclosed Voting Rights Exercise Form at the reception desk of the venue on the day of the meeting for confirmation.
2) If any necessary revisions are made to the Reference Documents for the Shareholders' Meeting, the Business Report, the Consolidated Financial Statements and/or the Non-consolidated Financial Statements, they will be posted on the Company's website (http://www.taikisha.co.jp/).

[Attached Documents for the 69th Annual Shareholders' Meeting]

Business Report

(From April 1, 2013, to March 31, 2014)

Initially, we must deeply apologize for having caused you so much inconvenience and concern as the Tokyo District Public Prosecutor's Office brought charges against the Company and its former employees for violation of the Anti-Monopoly Act with regard to the bidding for the equipment installation project of the Hokuriku Shinkansen Line. The Company intends to work to restore confidence by taking measures to prevent the recurrence of similar incidents and further reinforce its compliance system. We therefore look forward to your continuing understanding and support.

1. Overview of the Group

(1) Business Progress and Results

1) Management structure of the Company

The Company's management structure consists of two operating bodies (the Green Technology System Division and the Paint Finishing System Division) and the Headquarters that control the whole Company, through which the Company expands its domestic and overseas business operations. The schematic structure of the Company's management structure is as follows:

- Headquarters
- Green Technology System Division (HVAC for buildings and industrial HVAC)
- Paint Finishing System Division (Paint finishing systems for automobile industry and others)

2) Overview of business

During the fiscal year ended March 31, 2014, a gradual recovery continued in the United States and Europe saw several signs of an economic pickup. Meanwhile, economic growth tended to slow in China and the economies tended to grow at a sluggish pace in the emerging nations such as the ASEAN countries due to a drain of capital which was considerably affected by the business outlook predicting a contraction of monetary easing in quantitative terms in the United States, and political uncertainty. The Japanese economy followed a track to gradual recovery with increases in exports and production against a backdrop of correction of the yen appreciation.

Given such circumstances, the Taikisha Group's orders received totaled ¥189,026 million (a 3.5% year-on-year decrease), of which overseas orders received decreased by 17.9% year on year to ¥99,506 million, mainly due to decreases in overseas orders received in North America, Brazil and Thailand despite an increase in orders received in Japan.

Net sales of completed construction contracts totaled ¥185,421 million (a 14.2% year-on-year decrease), of which overseas sales were ¥114,214 million, an 8.0% year-on-year decrease, mainly due to decreases in the sales of construction contracts in Japan, China, Singapore and Thailand.

In terms of profits, the gross profit ratio improved 1.4 percentage points year on year to 14.2%, primarily supported by profitability-focused order-receiving and cost-cutting activities. However, gross profit on completed construction contracts decreased by ¥1,335 million to ¥26,341 million mainly due to a year-on-year decrease of ¥30,630 million in net sales of completed construction contracts. Meanwhile, operating income totaled ¥8,083 million (a year-on-year decrease of ¥1,732 million) and ordinary income totaled ¥9,292 million yen (a year-on-year decrease of ¥1,436 million). In addition, gain on sales of investment securities of ¥1,219 million was posted under extraordinary income, whereas provision for loss on Anti-Monopoly Act of ¥592 million and provision of reserve for loss on dissolution of employees' pension fund of ¥651 million were posted under extraordinary loss. As a result, for the fiscal year ended March 31, 2014, net income was ¥4,155 million (a year-on-year decrease of ¥2,045 million) on a consolidated basis.

Operating results by business segment (including intersegment sales) are as follows:

Green Technology System Division:

Orders received for the fiscal year under review increased, reflecting favorable orders received in the HVAC for buildings category. Net sales of completed construction contracts decreased, mainly due to the decreased turnover of construction contracts in both HVAC for buildings and Industrial HVAC categories.

As a result, orders received in this segment totaled ¥126,058 million (a 1.1% year-on-year increase). Of this figure, orders for the HVAC for buildings category increased 43.6% year on year to ¥53,842 million whereas those for the Industrial HVAC category decreased 17.2% year on year to ¥72,216 million. Net sales of completed construction contracts totaled ¥115,447 million (a 15.9% year-on-year decrease). Of this figure, sales of the HVAC for buildings category decreased 21.7% year on year to ¥36,455 million whereas those of the Industrial HVAC category decreased 12.9% year on year to ¥78,991 million. Segment profit (ordinary income) amounted to ¥4,449 million (a year-on-year decrease of ¥596 million).

Paint Finishing System Division:

Orders received for the fiscal year under review decreased year on year, principally due to the negative effect from orders for large-scale paint finishing systems slated for automobile manufacturers in North America and Brazil during the previous fiscal year. Net sales of completed construction contracts decreased, reflecting the decreased turnover of construction contracts in Japan, China and North America.

As a result, orders received in this segment totaled ¥62,967 million (an 11.5% year-on-year decrease). Net sales of completed construction contracts totaled ¥70,046 million (an 11.2% year-on-year decrease). Segment profit (ordinary income) amounted to ¥4,506 million (a year-on-year decrease of ¥1,037 million).

Orders received, net sales of completed construction contracts and construction carried forward by division

(Millions of yen)

	Category	Construction brought forward	Orders received during the fiscal year under review	Total	Net sales of completed construction contracts during the fiscal year under review	Construction carried forward
Green Technology System Division	HVAC for buildings	28,025	53,842	81,867	36,455	45,412
	Industrial HVAC	41,450	72,216	113,666	78,989	34,677
	Subtotal (overseas)	69,475 (31,818)	126,058 (45,138)	195,534 (76,957)	115,444 (51,695)	80,089 (25,261)
Paint Finishing System Division	Paint finishing systems (overseas)	67,074 (65,664)	62,967 (54,367)	130,042 (120,032)	69,976 (62,519)	60,065 (57,513)
Both Divisions	Total (overseas)	136,550 (97,483)	189,026 (99,506)	325,576 (196,989)	185,421 (114,214)	140,155 (82,775)

Note: The conversion for “Construction brought forward” regarding overseas consolidated subsidiaries is adjusted for increases/decreases due to exchange rate fluctuations during the fiscal year under review.

As for the non-consolidated performance of the Company, orders received totaled ¥104,576 million (an 18.5% year-on-year increase) and net sales of completed construction contracts totaled ¥86,200 million (a 19.5% year-on-year decrease). Net income of the Company was ¥2,458 million (a year-on-year decrease of ¥1,261 million).

3) Capital expenditures

There is nothing of significance to mention for the fiscal year under review.

4) Financing

There is nothing of significance to mention for the fiscal year under review.

(2) Transfer of Business, Absorption-Type Company Split and Incorporation-Type Company Split

Not applicable.

(3) Business Assigned from Other Companies

Not applicable.

(4) Succession of Rights and Obligations regarding Other Entities' Business due to Absorption-Type or Incorporation-Type Company Split

Not applicable.

(5) Acquisition or Disposition of Shares and Other Equity Interests or Share Subscription Rights of Other Companies

Not applicable.

(6) Changes in Assets and Financial Position

1) Changes in operating results

(Millions of yen)

Category \ Fiscal year (term)	Year ended March 31, 2011 (66th term)	Year ended March 31, 2012 (67th term)	Year ended March 31, 2013 (68th term)	Year ended March 31, 2014 (69th term) Fiscal year under review
Orders received	165,638	195,268	195,920	189,026
Net sales	141,160	189,716	216,051	185,421
Ordinary income	6,166	9,033	10,728	9,292
Net income	3,703	4,372	6,200	4,155
Net income per share (Yen)	100.73	119.52	170.99	116.08
Total assets	132,698	156,108	163,014	166,680
Net assets	66,978	69,602	78,537	84,712
Net assets per share (Yen)	1,762.28	1,834.99	2,087.16	2,282.56

Note: "Net income per share" and "Net assets per share" are calculated based on the total number of issued shares after subtracting treasury shares. The treasury shares do not include the Company's shares held by Trust & Custody Services Bank, Ltd. (Trust E Account), because of the introduction of ESOP (Employee Stock Ownership Plan).

2) Changes in net sales of completed construction contracts by division

(Millions of yen)

Category	Fiscal year (term)	Year ended March 31, 2011 (66th term)	Year ended March 31, 2012 (67th term)	Year ended March 31, 2013 (68th term)	Year ended March 31, 2014 (69th term) Fiscal year under review
Green Technology System Division	HVAC for buildings	30,857	42,233	46,573	36,455
	Industrial HVAC	72,268	84,943	90,641	78,989
	Subtotal	103,125	127,176	137,214	115,444
Paint Finishing System Division	Paint finishing systems	38,034	62,540	78,837	69,976
Both Divisions	Total (overseas)	141,160 (62,621)	189,716 (97,369)	216,051 (124,097)	185,421 (114,214)

(7) Issues to Be Addressed

1) Reinforce management base

The Company believes it is essential to respond quickly to changing social demands and continue business activities. Consequently, the Company has set up a policy of reinforcing its management base with the following proactive initiatives: (a) enhance and streamline corporate governance, (b) develop organizations that respond flexibly to business globalization, (c) develop capabilities of human resources as a core management base, and (d) carry out strategic investments in research and development, IT system development and the development of human resources.

Specific action plans, which serve to help realize these initiatives, are incorporated in the annual action policies at the respective departments, and each department in charge continues its own activities to this end while getting back to the basics of these initiatives.

2) Business development with an emphasis on the environment and global operations

The Company has two mainstay business divisions: the Green Technology System Division, which encompasses relevant businesses ranging from the design and construction of HVAC equipment for buildings to the engineering of production facilities, and the Paint Finishing System Division, which engages in engineering mainly for automobile paint plants.

The Green Technology System Division intends to continue expanding business operations not only in Japan but also in overseas markets. Its priority is on developing environmental businesses, including plant designs that minimize environmental impact to meet the needs of a low-carbon society, innovative engineering for the renovation of existing equipment/facilities and to raise production efficiency, sales of high-efficiency exhaust gas treatment systems and exploitation of new business fields such as the plant factory system employing only artificial lights. Moreover, more stringent cost controls will be pursued to strengthen earnings capacity.

The Paint Finishing System Division intends to develop the total engineering-oriented business that aims to improve painting and coating efficiency, as well as reduce the energy impact of the whole paint plant. For the new paint plants that will be established in China, India, Russia and Brazil, the Company will work to rack up profits by increasing orders received not only from Japanese car manufacturers but also locally capitalized counterparts. Moreover, business expansion will be pursued in peripheral fields such as painting equipment, paint circulation systems and conveyor systems.

3) Compliance-based management

The Tokyo District Public Prosecutor's Office brought charges against the Company and its former employees in March 2014 for violation of the Anti-Monopoly Act with regard to the bidding for the equipment installation project of the Hokuriku Shinkansen Line.

We deeply apologize for having caused so much inconvenience and concern to our shareholders, business partners and other parties concerned.

Gravely and sincerely accepting this regrettable incident, the Company established an outside investigative committee composed of external intellectuals and experts to determine the cause of the incident. In addition, the Company has built a compliance-focused system while implementing effective measures to raise employees' awareness of compliance throughout the organization. Specific measures to this end include the new formulation of sales activity guidelines, regular training sessions and reinforced check and auditing functions regarding sales operations. In addition to these system and measures mentioned above, the Company is committed to continuously performing various initiatives based on the reports by the outside investigative committee to prevent recurrence and reinforce its compliance system.

(8) Significant Subsidiaries

Company name	Capital	Percentage of voting rights held by the Company	Principal business
San Esu Industry Co., Ltd.	¥100 million	87.75%	Pipework, sheet metal work and can manufacturing work, as well as manufacture and sales of machinery and equipment
Nippon Noise Control Ltd.	¥30 million	100.00%	Design, manufacture, sales and installation of silencer and vibration-proof equipment
Tokyo Taikisha Service Ltd.	¥20 million	100.00%	Design and installation of HVAC systems
TKS Industrial Company	USD 10 thousand	100.00%	Design and installation of paint and HVAC systems
Taikisha Canada Inc.[1]	CAD 442 thousand	100.00%	Design and installation of paint and HVAC systems
Taikisha de Mexico, S.A. de C.V.[1]	MXN 400 thousand	100.00%	Design and installation of paint and HVAC systems
Taikisha Mexicana Service, S.A. de C.V.[1]	MXN 100 thousand	100.00%	Design and installation of paint and HVAC systems, as well as temporary staffing services
Taikisha do Brasil Ltda.[1]	BRL 8,107 thousand	100.00%	Design and installation of paint and HVAC systems
Taikisha (Singapore) Pte. Ltd.	SGD 5 million	100.00%	Design and installation of HVAC and paint systems
Taikisha (Thailand) Co., Ltd.[1]	THB 40 million	85.25%	Design and installation of HVAC and paint systems
Taikisha Trading (Thailand) Co., Ltd.[1]	THB 5 million	97.40%	Exports and imports of HVAC and paint systems and other products for plants
Thaiken Maintenance & Service Co., Ltd.[1]	THB 5 million	95.00%	Maintenance services and small-scale works, etc.
Token Interior & Design Co., Ltd.[1]	THB 20 million	83.40%	Manufacture and sales of interior goods and materials
TKA Co., Ltd.[1]	THB 5 million	96.00%	Manufacture and sales of precision machinery parts
Taikisha Engineering (M) Sdn. Bhd.	MYR 600 thousand	100.00%	Design and installation of HVAC and paint systems
P.T. Taikisha Indonesia Engineering	IDR 982 million	99.98%	Design and installation of HVAC and paint systems
P.T. Taikisha Manufacturing Indonesia	IDR 87,531 million	99.25%	Painting of automobile parts

Company name	Capital	Percentage of voting rights held by the Company	Principal business
Taikisha Philippines Inc. [2]	PHP 22 million	40.00%	Design and installation of HVAC and paint systems
Taikisha Vietnam Engineering Inc.	VND 3,895 million	100.00%	Design and installation of HVAC and paint systems
Taikisha (Cambodia) Co., Ltd.	USD 300 thousand	100.00%	Design and installation of HVAC and paint systems
Taikisha Myanmar Co., Ltd.[1,3]	USD 500 thousand	100.00%	Design, installation and maintenance of HVAC and paint systems
WuZhou Taikisha Engineering Co., Ltd.	CNY 51 million	70.00%	Design and installation of HVAC and paint systems
Beijing Wuzhou Taikisha Equipment Co., Ltd.[1]	CNY 800 thousand	100.00%	Manufacture, installation, adjustment and repair of paint, HVAC and pollution control systems, as well as sales of machinery, equipment and electronic products
Tianjin Taikisha Paint Finishing System Ltd.[1]	CNY 73 million	90.00%	Research, development, manufacture, sales and maintenance of paint systems
Taikisha Hong Kong Limited	HKD 2 million	100.00%	Design and installation of HVAC and paint systems
Taikisha (Taiwan) Ltd.	TWD 230 million	100.00%	Design and installation of HVAC and paint systems
Taikisha Korea Ltd.[1]	KRW 700 million	65.00%	Design and installation of paint and HVAC systems
Taikisha Engineering India Ltd.	INR 6 million	55.00%	Design and installation of paint and HVAC systems
"Taikisha (R)" LLC	RUB 16 million	100.00%	Design and installation of paint and HVAC systems
Geico S.p.A.	EUR 3 million	51.00%	Design and installation of paint systems and plants for automobile industry
Geico Taikisha Europe Ltd.[1]	EUR 4 million	100.00%	Design and installation of paint and HVAC systems
Geico Brasil Ltda.[1]	BRL 5,500 thousand	100.00%	Design and installation of paint systems and plants for automobile industry
Geico Paint Shop India Private Limited[1]	INR 3 million	100.00%	Design and installation of paint systems and plants for automobile industry
Geico Painting Equipment Manufacture (Suzhou) Co., Ltd.[1]	CNY 25 million	100.00%	Design and installation of paint systems and plants for automobile industry
"Geico Russia" LLC[1]	RUB 6 million	100.00%	Design and installation of paint systems and plants for automobile industry

Notes:
1. For the companies marked with “1,” the percentage of voting rights held by the Company includes the equity investment by the Company’s subsidiaries.
2. Although the Company’s equity in the company marked with “2” is 50% or less, this company is included in the category of “consolidated subsidiaries” as the Company substantially controls it.
3. The company marked with “3” is included in the category of “consolidated subsidiaries” as it was newly established during the fiscal year under review.
4. Custom Ace Co., Ltd., is excluded from the category of “consolidated subsidiaries” as it was dissolved due to a merger, whereby Tokyo Taikisha Service Ltd., a consolidated subsidiary of the Company, became the surviving company, during the fiscal year under review.
5. Taniyama Co., Ltd., is excluded from the category of “consolidated subsidiaries” as the Company and San Esu Industry Co., Ltd., a consolidated subsidiary of the Company, sold all Taniyama’s shares they held, during the fiscal year under review.

(9) Principal Business

The Group is mainly engaged in the design, supervision and installation of HVAC systems and paint finishing systems in Japan and overseas, as well as in the manufacture and sales of related equipment and materials. Major markets and client fields for each business segment are as follows:

Green Technology System Division	・General-purpose HVAC systems for offices, hotels, stores, schools, research institutes, theaters, halls, residences, hospitals, computer centers and so forth ・Industrial HVAC systems, including clean rooms, for factories and plants of semiconductors, electronic parts/components, precision machinery, pharmaceuticals, foods, films and so forth
Paint Finishing System Division	・Paint finishing systems in factories not only for automobile parts/components such as chassis and bumpers slated for automobile industry but also for construction vehicles, rolling stock, aircraft and the like

(10) Principal Business Locations

1) The Company

Head Office	8-17-1, Nishi-Shinjuku, Shinjuku-ku, Tokyo
Branch	Sapporo Office, Tohoku Branch Office (Sendai-shi), Kanto Office (Saitama-shi), Tokyo Branch Office (Nakano-ku, Tokyo), Chubu Branch Office (Nagoya-shi), Osaka Branch Office, Chugoku Office (Hiroshima-shi), Kyushu Branch Office (Fukuoka-shi), International Operations Center (Shinjuku-ku, Tokyo), Process Tokyo Office (Shinjuku-ku, Tokyo), Process West Japan Office (Nagoya-shi), Automation Office (Zama-shi, Kanagawa)
Sales Office	Ibaraki (Tsukuba-shi), Hokuriku (Kanazawa-shi), Nagano, Kyoto, Kobe, Shikoku (Takamatsu-shi), Kagoshima, Okinawa (Naha-shi)
Research Laboratory	Zama Technical Center (Zama-shi, Kanagawa), Research and Development Center (Aikawa-cho, Aiko-gun, Kanagawa), Paint Finishing System Division Research and Development Department (Hirakata-shi, Osaka)

2) Subsidiaries

Japan	San Esu Industry Co., Ltd.	Hirakata-shi, Osaka
	Nippon Noise Control Ltd.	Taito-ku, Tokyo
	Tokyo Taikisha Service Ltd.	Chiyoda-ku, Tokyo
Overseas	TKS Industrial Company	U.S.A.
	Taikisha Canada Inc.	Canada
	Taikisha de Mexico, S.A. de C.V.	Mexico
	Taikisha Mexicana Service, S.A. de C.V.	Mexico

Taikisha do Brasil Ltda.	Brazil
Taikisha (Singapore) Pte. Ltd.	Singapore
Taikisha (Thailand) Co., Ltd.	Thailand
Taikisha Trading (Thailand) Co., Ltd.	Thailand
Thaiken Maintenance & Service Co., Ltd.	Thailand
Token Interior & Design Co., Ltd.	Thailand
TKA Co., Ltd.	Thailand
Taikisha Engineering (M) Sdn. Bhd.	Malaysia
P.T. Taikisha Indonesia Engineering	Indonesia
P.T. Taikisha Manufacturing Indonesia	Indonesia
Taikisha Philippines Inc.	The Philippines
Taikisha Vietnam Engineering Inc.	Vietnam
Taikisha (Cambodia) Co., Ltd.	Cambodia
Taikisha Myanmar Co., Ltd.	Myanmar
WuZhou Taikisha Engineering Co., Ltd.	China
Beijing Wuzhou Taikisha Equipment Co., Ltd.	China
Tianjin Taikisha Paint Finishing System Ltd.	China
Taikisha Hong Kong Limited	China
Taikisha (Taiwan) Ltd.	Taiwan
Taikisha Korea Ltd.	South Korea
Taikisha Engineering India Ltd.	India
"Taikisha (R)" LLC	Russia
Geico S.p.A.	Italy
Geico Taikisha Europe Ltd.	U.K.
Geico Brasil Ltda.	Brazil
Geico Paint Shop India Private Limited	India
Geico Painting Equipment Manufacture (Suzhou) Co., Ltd.	China
"Geico Russia" LLC	Russia

(11) Employees

1) Taikisha Group

Type of business	Number of employees	Increase/Decrease from previous fiscal year-end
Equipment installation work	4,961	＋69

2) The Company

Number of employees at fiscal year-end	Increase/Decrease from previous fiscal year-end	Average age	Average years of service
1,477	＋64	43.0	18.1

(12) Major Lenders

Lenders	Balance of borrowings
Mizuho Bank, Ltd	¥2,465 million
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	¥1,234 million

2. Status of Shares

(1) Total Number of Authorized Shares 100,000,000 shares

(2) Total Number of Issued Shares 35,244,955 shares
(excluding 1,537,054 treasury shares)

(3) Number of Shareholders 3,798 persons
(a year-on-year decrease of 455 persons)

(4) Major Shareholders (top 10)

Name of shareholders	Number of shares held (in thousands)	Percentage of shares held to the total number of issued shares (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	2,621	7.4
MSIP CLIENT SECURITIES	1,806	5.1
Kenzaisha Ltd.	1,690	4.8
Japan Trustee Services Bank, Ltd. (Trust Account)	1,345	3.8
Ruriko Uenishi	1,089	3.1
Japan Trustee Services Bank, Ltd. (Trust Account 9)	1,008	2.9
Dai ni Kenzaisha Ltd.	1,000	2.8
Taikisha Business Partners’ Stock Ownership Association	998	2.8
BNYML-NON TREATY ACCOUNT	971	2.8
Nippon Life Insurance Company	962	2.7

Notes:
1. The Company holds 1,537,054 treasury shares but excludes these shares from the list of major shareholders above. The above treasury shares do not include the 179,100 shares of the Company held by Trust & Custody Services Bank, Ltd. (Trust E Account), because of the introduction of the ESOP (Employee Stock Ownership Plan).
2. The Percentage of shares held to the total number of issued shares is calculated by subtracting treasury shares from all issued shares.

(5) Other Share-Related Significant Matters

1) Acquisition of treasury shares

The Company resolved, at the meeting of the Board of Directors held on December 4, 2013, to acquire treasury shares pursuant to Article 165, Paragraph 3, of the Companies Act, which was applied instead as having been replaced, in accordance with the provision of Article 156 of the Act, and acquired them in the following manner.

(1) Type of shares acquired	Common stock of the Company
(2) Total number of shares acquired	800,000 shares
(3) Total price of shares acquired	¥1,736,000,000
(4) Date of acquisition	December 5, 2013
(5) Reason for acquisition	To enable the Company to implement a flexible capital strategy according to changes in the business environment

2) ESOP

The Company introduced an ESOP (Employee Stock Ownership Plan) (the "Plan"), an incentive program for granting shares of the Company to its employees so as to incentivize employees to improve stock prices and financial results by enhancing the linkage of stock prices and financial results and sharing economic effects with shareholders.

The Plan has a scheme according to which shares of the Company are granted to its eligible employees who have satisfied certain requirements in accordance with the share granting regulations set forth in advance by the Company. The Company grants predetermined points to employees and later grants the Company's shares, corresponding to the granted points, when the employees are entitled to such points under certain conditions. The Company's shares to be granted to the employees are acquired with money initially designated for a trust, including future portions, and separately managed as a trust estate.

Pursuant to the introduction of the Plan, as of February 28, 2013, the Company disposed of 180,000 treasury shares by third-party allotment to Trust & Custody Services Bank, Ltd. (Trust E Account). The number of the Company's shares held by the Trust E Account was 179,100 as of March 31, 2014.

3. Share Subscription Rights (*Shinkabu Yoyakuken*) of the Company, etc.

Not applicable.

4. Company Officers

(1) Directors and Audit & Supervisory Board Members

Position	Name	Assignments in the Company and important positions concurrently held at other companies
Representative Director	Eitaro Uenishi	Chairman Corporate Officer
Representative Director	Satoru Kamiyama	President Corporate Officer
Director	Kiyoshi Hashimoto	Executive Corporate Officer, Chief General Manager, Paint Finishing System Division
Director	Toshiaki Shiba	Executive Corporate Officer, Chief General Manager, Green Technology System Division
Director	Takashi Sakurai	Executive Corporate Officer, Chief Executive, Administrative Management Headquarters
Director	Kouji Kato	Managing Corporate Officer, Chief Executive, Corporate Planning Headquarters, and charge of CSR
Director	Tetsuya Ogawa	Managing Corporate Officer, Vice General Manager, Paint Finishing System Division
Director	Shuichi Murakami	
Full-time Audit & Supervisory Board Member	Mitsuru Sano	
Full-time Audit & Supervisory Board Member	Katsuzo Konishi	
Full-time Audit & Supervisory Board Member (○)	Masaaki Saito	
Audit & Supervisory Board Member	Yoshikatsu Nakajima	
Audit & Supervisory Board Member	Junichi Noro	President and Representative Director of NLI Research Institute

Notes:

1. The Audit & Supervisory Board Member marked with a white circle (○) was newly elected and assumed the position of Audit & Supervisory Board Member at the 68th Annual Shareholders' Meeting held on June 27, 2013.
2. Suguru Kimura and Masashi Osada retired from the position of Director and Makoto Muneoka retired from the position of Audit & Supervisory Board Member due to expiry of the term of office as of the conclusion of the 68th Annual Shareholders' Meeting held on June 27, 2013.
3. Director Shuichi Murakami is an Outside Director.
4. Audit & Supervisory Board Members Katsuzo Konishi, Yoshikatsu Nakajima and Junichi Noro are Outside Audit & Supervisory Board Members.
5. Audit & Supervisory Board Member Mitsuru Sano has long experience having been engaged in accounting practices of the Company as General Manager in Finance and Accounting Dept., and therefore has abundant knowledge regarding financial and accounting affairs.
6. The Company has notified Tokyo Stock Exchange, Inc., of the designation of Director Shuichi Murakami and Audit & Supervisory Board Members Katsuzo Konishi, Yoshikatsu Nakajima and Junichi Noro as Independent Director/Auditors as stipulated by the TSE regulations.

7. The following assignments in the Company were transferred as of April 1, 2014.

Name	After the transfer	Before the transfer
Kiyoshi Hashimoto	Director, Executive Corporate Officer, Chief Executive, Corporate Planning Headquarters	Director, Executive Corporate Officer, Chief General Manager, Paint Finishing System Division
Kouji Kato	Director, Managing Corporate Officer, Chief Executive, Administrative Management Headquarters, and charge of CSR	Director, Managing Corporate Officer, Chief Executive, Corporate Planning Headquarters, and charge of CSR
Tetsuya Ogawa	Director, Managing Corporate Officer, Chief General Manager, Paint Finishing System Division	Director, Managing Corporate Officer, Vice General Manager, Paint Finishing System Division
Takashi Sakurai	Director, Administrative Management Headquarters	Director, Executive Corporate Officer, Chief Executive, Administrative Management Headquarters

(2) Compensation to Directors and Audit & Supervisory Board Members

Category	Number of persons	Amount of compensation, etc.	Remarks	
Directors	10	¥359 million	1 Outside Director included therein	¥8 million
Audit & Supervisory Board Members	6	¥81 million	3 Outside Audit & Supervisory Board Members included therein	¥37 million
Total	16	¥441 million		

Notes:

1. The above "Number of persons" includes two Directors and one Audit & Supervisory Board Member who retired at the conclusion of the 68th Annual Shareholders' Meeting held on June 27, 2013.
2. The "Amount of compensation, etc.," for Directors included ¥78 million to be paid relating to the fiscal year under review.
3. At the 67th Annual Shareholders' Meeting held on June 28, 2012, a resolution was adopted to set an upper limit on compensation to Directors to be within ¥480 million per year (of which that for Outside Directors to be within ¥10 million per year) without including the portions of their salaries for Directors who concurrently serve as employees.
4. At the 59th Annual Shareholders' Meeting held on June 29, 2004, a resolution was adopted to set an upper limit on compensation to Audit & Supervisory Board Members to be within ¥85 million per year.

(3) Outside Officers

1) Relationship between the companies where important positions are concurrently held by our outside officers and the Company

Audit & Supervisory Board Member Junichi Noro concurrently serves as President and Representative Director of the NLI Research Institute. There are no special interests between NLI and the Company.

2) Major activities during the year

a) Attendance at the meetings of the Board of Directors and the Audit & Supervisory Board, and opinions provided thereat

Position	Name	Main activities at the meetings
Director	Shuichi Murakami	Attended all 15 meetings of the Board of Directors held during the fiscal year ended March 31, 2014, and provided appropriate advice and recommendations based on his knowledge and experience nurtured during his services rendered at a leading non-life insurance company.
Audit & Supervisory Board Member	Katsuzo Konishi	Attended all 15 meetings of the Board of Directors and all 11 meetings of the Audit & Supervisory Board held during the fiscal year ended March 31, 2014, and provided opinions to ensure the legality of decision making by the Board of Directors.
Audit & Supervisory Board Member	Yoshikatsu Nakajima	Attended 14 of 15 meetings of the Board of Directors and all 11 meetings of the Audit & Supervisory Board held during the fiscal year ended March 31, 2014, and provided opinions to ensure the legality of decision making by the Board of Directors from a professional viewpoint as a lawyer.
Audit & Supervisory Board Member	Junichi Noro	Attended all 15 meetings of the Board of Directors and all 11 meetings of the Audit & Supervisory Board held during the fiscal year ended March 31, 2014, and provided opinions to ensure the legality of decision making by the Board of Directors.

b) Actions taken to prevent unfair or improper execution of duties and responses following an improper incident

The Tokyo District Public Prosecutor’s Office brought charges against the Company and its former employees in March 2014 for violation of the Anti-Monopoly Act with regard to the bidding for the equipment installation project of the Hokuriku Shinkansen Line.

Although the Outside Director and Outside Audit & Supervisory Board Members did not perceive such fact until its reveal, they had given recommendations from the standpoint of compliance and promoting awareness. After the incident was revealed, they have been providing recommendations on the prevention of a recurrence and how to ensure the effectiveness of preventive measures in the pursuit of thorough compliance.

3) Outline of limited liability agreement

The Company has concluded a limited liability agreement with each Outside Director/Audit & Supervisory Board Member to limit his/her liability for damages under Article 423, Paragraph 1 of the Companies Act, in accordance to the provision of Article 427, Paragraph 1 of the Act.

The liability for damages both for Directors and Audit & Supervisory Board Members pursuant to the agreement is up to the minimum liability amount provided for in law.

5. Accounting Auditors

(1) Designation of the Accounting Auditors

A&A Partners

(2) Accounting Auditors' Compensation, etc., Pertaining to the Fiscal Year Ended March 31, 2014

A&A Partners	Amount of compensation, etc.	¥83 million
	Cash and other profits payable by the Company and its subsidiaries to the Accounting Auditors	¥83 million

Notes:

1. Under the audit agreement between the Company and the Accounting Auditors, compensation for audits pursuant to the Companies Act and audits pursuant to the Financial Instruments and Exchange Act are not strictly separated and otherwise cannot be substantially distinguished from each other. Consequently, the above amount reflects total compensation.
2. The Company's overseas subsidiaries are audited by Certified Public Accountants or audit corporations (including those with comparable qualifications abroad) other than the Company's Accounting Auditors.

(3) Non-Audit Services

The non-audit services for which the Company pays compensation to the Accounting Auditors include examination of financial figures for the inspection on management matters.

(4) Policy regarding Determination of Termination or Non-Reappointment of Accounting Auditors

In addition to the case of non-reappointment due to the Company's convenience, in the event that the Accounting Auditors are deemed to have violated or interfered with any of the relevant laws and/or regulations including the Companies Act or the Certified Public Accountant Law, or have committed an outrage against public decency, and the Audit & Supervisory Board determines that its termination or non-reappointment is appropriate based on said allegation, it will request the Board of Directors to include on the agenda of a shareholders' meeting a proposal to terminate or not to reappoint the Accounting Auditors, in accordance with the Regulations of the Audit & Supervisory Board. The Board of Directors will discuss the request submitted by the Audit & Supervisory Board.

6. Company's Systems and Policies

(1) System to Ensure that Directors' and Employees' Execution of Duties Complies with Laws, Regulations and the Articles of Incorporation, and Any Other Systems to Ensure Proper Execution of Business

The Company has stipulated the "Basic Policy for Establishment of an Internal Control System" pursuant to the Companies Act and the Ordinance for Enforcement of the Companies Act, as described below.

[Objectives]
This resolution shall stipulate the outline regarding the establishment and improvement of the Company's internal control system, pursuant to the Companies Act and the Ordinance for Enforcement of the Companies Act, in order to recognize the fact that the biggest current managerial risk is violation of the laws and ordinances, and to familiarize and thoroughly carry out execution of observance of the laws and ordinances. The establishment of an internal control system, in accordance with this resolution, shall be implemented as soon as possible, and shall be improved by constant review with the purpose of creating an efficient and proper company structure.

1. The System to Ensure Director and Employee Conformance to Laws and Articles of Incorporation

(1) According to the Company's philosophy and policy, the Company shall consider its management vision—to conduct transactions through free and fair competition by abiding by the laws and their spirit, and to contribute to our customers, partners, shareholders, employees, community, society and global environment through transparency and high ethical standards—and Taikisha's Code of Conduct as performance guidelines for directors and employees, and shall remind all persons involved about these standards.

(2) The Business Ethics Committee headed by the Representative Director as chairperson and consisting of directors at the level of Managing Corporate Officer or higher and the General Manager of the Internal Audit Office shall meet in principle monthly in order to examine and respond to issues regarding compliance in the overall business operations of the Company from a management standpoint. In addition, audit & supervisory board members shall attend the Business Ethics Committee with an independent stance to assure the effectiveness of management monitoring.

(3) The Corporate Compliance Committee headed by the Representative Director as chairperson and mainly consisting of members of the Management Ethics Committee shall meet in principle bimonthly in order to examine compliance with laws and Articles of Incorporation.

(4) The Company shall, in Taikisha's Code of Conduct, implement a basic policy for Anti-Social Forces of refusing any involvement of Anti-Social Forces in our business, rejecting any requirement from Anti-Social Forces and prohibiting all management and employees of the Company to have any relationship with Anti-Social Forces. In addition, the Company shall constantly conduct educational and dissemination activities related to compliance in order to familiarize all officers and employees of the Company, shall make every effort to prevent any violation of the policy, and shall gather information related to Anti-Social Forces from the outside of the Company regularly. If the Company receives undue demands from Anti-Social Forces, the Company is committed to confront Anti-Social Forces systematically in cooperation with outside experts.

(5) The Corporate Compliance Department shall constantly conduct educational and dissemination activities related to compliance in order to familiarize all officers and employees of the Company with the management vision and Taikisha's Code of Conduct, and shall make every effort to prevent any violations of the law in cooperation with other compliance-related divisions and other departments, and shall report all relevant activities to the Corporate Compliance Committee.

(6) For instances where an officer or employee finds a violation of laws or Articles of Incorporation, an internal reporting system for employees' information and an external reporting system for business partners' information shall be established. The Corporate Compliance Department shall keep all persons involved, both inside and outside of the Company, informed about an internal and independent-lawyer-participating external reporting contact in order to effectively utilize such contacts.

(7) In the event of a compliance violation, the offenders concerned shall be severely disciplined according to internal rules and regulations.

2. The System regarding the Storage and Management of Information Related to the Directors' Execution of Duties

Information and materials related to the directors' execution of duties shall be handled pursuant to internal rules and regulations, especially the Information and Materials Management Rules, and shall be appropriately stored, managed and disposed of. If necessary, management status shall be examined and internal rules and regulations shall be reviewed.

3. Rules regarding Risk Management of Loss and Other Systems

(1) Regarding risk management of Taikisha group, the Company shall, in accordance with the Risk Management Rules, establish the Risk Management Committee to identify risks in an integrated fashion and to implement effective and efficient risk management. The Committee shall establish basic policies, responsibility systems, operations and other necessary measures for risk management of Taikisha group, and shall keep all persons involved informed about the establishment and implementation.

(2) Regarding risks associated with operations, such as quality control, safety control and compliance, assigned to each department, each department shall identify and prioritize the risks, draft specific measures against the risks and report to the Risk Management Committee. Each department shall implement internal rules and regulations, and shall keep all persons involved inform about the details of the implementation.

(3) On the assumption of situations in which measures should be taken to respond to exposed potential major risks (hereinafter referred to as "crisis"), the Company shall establish the Crisis Management Committee for the purpose of crisis response and daily crisis management. In the event that crisis breaks out, the Crisis Management Committee shall organize the crisis management team or establish the crisis task force to respond to the crisis under the supervision of the Crisis Management Committee. On the assumption of the outbreak of the crisis, the Company shall appropriately establish and maintain a business continuity plan to restore the damage caused by the crisis.

(4) The Internal Audit Office, which is under the direct control of the Representative Director, shall conduct internal audits in accordance with the Internal Audit Rules. The effectiveness of internal audits shall be ensured by the appointment of the General Manager of the Internal Audit Office chosen from employees at the level of Corporate Officer or higher, and by the placement of other necessary personnel. Furthermore, the Internal Audit Office shall examine audit methods and items to be audited, and shall amend the audit procedures as needed.

4. The System to Ensure the Efficient Execution of Duties by Directors

(1) By adopting a corporate officer system, responsibilities and authorities of corporate management and duty execution shall be clarified, aiming for revitalization of the Board of Directors, promotion of rapid decision-making, and advancement of management reforms.

(2) The matters addressed in the Board of Directors Rules and matters applicable for submission to the Board, shall be submitted to the Board of Directors. In this regard, the appropriate materials concerning the agendas shall be distributed to all directors in advance based on the principles of management judgment.

(3) With the Company's philosophy as a foundation, each departmental headquarters and business operations department, after a policy review meeting, shall establish an appropriate annual business plan and annual target, and shall work in order to achieve those targets.

(4) The Management Conference, mainly consisting of directors at the level of Managing Corporate Officer or higher, shall be established to conduct deliberations regarding Taikisha Group's important management issues to be addressed pursuant to the Decision Rules, and shall make prompt decisions on these issues. In addition, the Management Conference shall examine the progress toward annual target by monthly reviewing operating reports.

5. The System to Ensure the Appropriateness of Operations conducted by the Corporate Group Consisting of Stock Company, its Parent Company and its Subsidiaries (The Company has no parent company.)

(1) Subsidiaries and associates of the Company (hereinafter referred to as "subsidiaries") shall be supervised by the governing departments pursuant to the Management Rules for Subsidiaries, and shall enhance the management efficiency of Taikisha group.

(2) A system for implementing periodical audits, provided mainly by the Internal Audit Office, shall be established in order to identify the existence of risk information in subsidiaries. In addition, a post-audit system shall be established in order to promptly report the risk of loss, detected in subsidiaries, to directors, audit & supervisory board members and other departments responsible.

(3) Regarding a system to ensure the adequacy of materials concerning the finances and accounting of Taikisha group, and to ensure the adequacy of other related information pursuant to the Financial Instruments and Exchange Law, the Company shall, under the instructions of the Representative Director and President, establish the Basic Rules for Internal Control in compliance with the "Standards for Management Assessment and Audit concerning Internal Control Over Financial Reporting" and "Practice Standards for Management Assessment and Audit concerning Internal Control Over Financial Reporting" issued by the Financial Services Agency. In addition, the Company shall, in accordance with the Basic Rules, conduct improvement and management status assessments of internal control procedures carried out by Taikisha group.

6. Matters regarding Employees in Cases where Audit & Supervisory Board Members Request to Hire the Employees to Assist in their Audits, and Matters regarding the Independence of the Employees from Directors

The Company shall establish the Audit & Supervisory Board Member Office under the direction of audit & supervisory board members, and shall appoint employees who will assist audit & supervisory board members in order to ensure the independence of audit & supervisory board members. In addition, regarding appointments, dismissals, transfers, and personnel evaluations, the audit & supervisory board members' approval shall be required.

7. The System for Directors and Employees to Report to Audit & Supervisory Board Members, and the System regarding Other Matters concerning Reporting to Audit & Supervisory Board Members

Directors and employees shall be obligated to report the following matters to audit & supervisory board members, and shall also provide the necessary reports and information upon request from each audit & supervisory board member pursuant to the Audit & Supervisory Board Rules and the Rules for Audit by Audit & Supervisory Board Members;

- Matters resolved and reported by the Management Conference
- Matters discussed by the Management Ethics Committee, Risk Management Committee and Crisis Management Committee
- Matters which may cause serious harm to the Company and its subsidiaries
- Violations of the laws and Articles of Incorporation by directors or employees, or facts that may lead to such violations
- Results of internal audits conducted by the Internal Audit Office
- Request forms for internal managerial decisions and proceedings of meetings requested by audit & supervisory board members

8. The System to Ensure the Effective Implementation of Audits by Audit & Supervisory Board Members

(1) The Representative Director, the Chief Executive of the Administrative Management Headquarters and the General Manager of the Internal Audit Office shall arrange meetings and consultations in order to thoroughly discuss and examine the improvement of the environments for audits conducted by audit & supervisory board members, and shall ensure the effectiveness of such audits.

(2) Audit & supervisory board members may make requests for improvement of the audit system and other related matters in order to ensure the effectiveness of audits conducted by audit & supervisory board members.

(2) Basic Policies regarding the Control of Joint Stock Corporations (*Kabushiki Kaisha*)

1) Basic policy regarding persons who control the Company's decisions on financial matters and business policies

The Company believes that the trading of the Company shares should be left to the market, and believes that the shareholders should make the final decision as to whether to sell the Company's shares by accepting the request by the Large-Scale Purchaser who conducts the Large-Scale Purchase of the Company's share certificates or other securities. Furthermore, the involvement in the management by the Large-Scale Purchaser will not necessarily damage the corporate value, and if it leads to the expansion of the Company's corporate value, the Company will not deny such involvement.

Recently, in our country, however, among those Large-Scale Purchases of share certificates or other securities conducted unilaterally without going through sufficient negotiations with the Board of Directors of the target company, or agreements of the Board of Directors, there are quite a few examples where a disclosure of information, such as the purpose and the policy after the purchase, is not sufficiently made. The Company believes that an increase of those instances is likely to make it difficult to secure the sufficient information and time that are necessary to make a decision as to whether the shareholders will accept the request to purchase by the Large-Scale Purchaser.

In addition, in order to achieve the goal of securing and enhancing corporate value, and consequently, the common interests of shareholders that maintain the continuity, it is necessary to fully understand the position and the role of each business corporation within the Company group, and strive for a stable management by eyeing the future prospects from a more medium to long-term perspective.

The Company believes that, in order to secure and enhance the Company's corporate value, and consequently, the common interests of shareholders, it is essential for the shareholders to secure sufficient information and time necessary for deciding whether to accept that Large-Scale Purchase in light of the special qualities of the Company and the Company group, and for the Company to secure the opportunity to negotiate with the Large-Scale Purchaser, where a Large-Scale Purchase of the Company's share certificates or other securities is made by a Large-Scale Purchaser.

2) Initiatives to help realize the Basic Policy

The Company has focused on the following as its corporate philosophy: "Establishing a company that can perpetually grow and contribute to the society" and "Creating an attractive company". In order to realize this corporate philosophy, the Company strives for the prosperity of stakeholders through an increase of the value-added, a creation of the productive environment and the development of the industrial society through technologies, personal fulfillment of employees through work, building of an organizational climate that has mutual trust, cooperation and rationality, and other matters. In other words, the following is management vision that expresses what the Company aims at: "We observe the spirit of the law, perform business transactions through free and fair competition, and contribute to customers, clients, shareholders, employees, communities, society, and the global environment through our transparent and highly ethical management values".

Under the aforementioned philosophy and vision of the Company and based on the Mid-Term Business Plan for three years from the fiscal year ending March 2014 through the fiscal year ending March 2016, the Company aims at achieving sustainable development and reinforcing the management base of the Company's business that is focused on the green technology system business and the paint finishing system business, and at the same time strives to secure and enhance the corporate value, and consequently, the common interests of shareholders.

The Company is acutely aware that the biggest management risk that will damage the corporate value is a breach of laws and regulations, and therefore it has given top priority to enhance the corporate value through the implementation of compliance, and further expand corporate governance to widely receive recognition from society. Through activities of organizations such as the Board of Directors, the Audit & Supervisory Board, the Management Meeting, the Management Ethics Committee, the Corporate Compliance Committee and the Internal Audit Office, and also through establishment of an internal control system, the Company strives to comply with relevant laws and regulations such as the Construction Business Act and the Financial Instruments and Exchange Act.

3) Initiatives to prevent the Company's decisions on financial matters and business policies from being controlled by a person deemed as inappropriate pursuant to the Basic Policy

The Company resolved to introduce the "Countermeasures against Large-Scale Purchases of the Company's Share Certificates or Other Securities (Takeover Defense Measures)" (the "Plan") at the meeting of the Board of Directors of the Company held on January 31, 2008, to counter against purchases of the Company's share certificates or other securities, in which the ratio of voting rights of specified shareholders, etc. of the Company's share certificates or other securities is 20% or more, or purchases of the Company's share certificates or other securities that result in the ratio of voting rights of the specified shareholders, etc. is 20% or more ("Large-Scale Purchase"; and a person conducting a Large-Scale Purchase shall be referred to as the "Large-Scale Purchaser" hereinafter) with the aim of securing and enhancing the Company's corporate value, and consequently, the common interests of shareholders. Thereafter, the continuation of the Plan was approved by the shareholders at the 63rd Annual Shareholders' Meeting of the Company held on June 27, 2008, and subsequently at the 65th Annual Shareholders' Meeting of the Company held on June 29, 2010, and at the 68th Annual Shareholders' Meeting of the Company held on June 27, 2013.

The Plan stipulates the procedures for the Board of Directors of the Company to require a Large-Scale Purchaser to provide information on a large-scale purchase in advance to evaluate and examine the Large-Scale Purchase, negotiate with the Large-Scale Purchaser regarding terms and other matters of the purchase, and to propose an alternative plan to shareholders and other matters to shareholders, in order to secure sufficient information and time necessary for shareholders to appropriately decide whether to accept the Large-Scale Purchase upon a Large-Scale Purchase of the Company's share certificates or other securities, and also, while respecting the recommendations of the Independent Committee as necessary, to exercise any countermeasures against a Large-Scale Purchaser that are deemed reasonable at the point in time against a Large-Scale Purchase ("Large-Scale Purchase Rules").

Where the Large-Scale Purchaser fails to observe the Large-Scale Purchase Rules, or even where the Large-Scale Purchaser observes the Large-Scale Purchase Rules, however, if, the Large-Scale Purchase is deemed obvious to be an act that will inflict upon the Company any damage that is difficult to recover from, countermeasures will be exercised upon respecting as much as possible the recommendations of the Independent Committee.

As specific countermeasures, appropriate countermeasures will be selected, depending on the situation at different times, out of those accepted as being within the authority of the Board of Directors of the Company in relation to a gratis allotment of share subscription rights, other laws and regulations, and the Company's Articles of Incorporation.

Please refer to the Company's website below for the details of the Plan.

http://www.taikisha.co.jp/corporate/news/20130515_1.pdf

4) Above initiatives comply with the Basic Policy and do not impair the common interests of the Company's shareholders or aim to protect the positions of any of the company officers

a. Initiatives stated in 2)

The initiatives in "2) Initiatives to help realize the Basic Policy" above have been stipulated with the aim of continuously and sustainably securing and enhancing the Company's corporate value, and consequently, the common interests of shareholders, and therefore contribute to the realization of the Basic Policy. Consequently, such initiatives comply with the Basic Policy and do not impair the common interests of the Company's shareholders or aim to protect the positions of any of the company officers.

b. Initiatives stated in 3)

The Company believes, for the following reasons, that the initiatives in "3. Initiatives to prevent the Company's decisions on financial matters and business policies from being controlled by a person deemed as inappropriate pursuant to the Basic Policy" above comply with the Basic Policy, and they do not impair the common interests of the Company's shareholders or aim to protect the positions of any of the company officers.

(i) Fully Satisfying the Three Principles Set Out in the Guidelines Regarding the Takeover Defense Measures
The Plan fully satisfies the three principles ((i) Protection and Enhancement of Corporate Value and Shareholders' Common Interests, (ii) Prior Disclosure and Shareholders' Intent and (iii) Necessity and Reasonableness) set out in the "Guidelines Regarding Takeover Defense for the Purposes of Ensuring and Enhancing Corporate Value and Shareholders' Common Interests" released by the Ministry of Economy, Trade and Industry and the Ministry of Justice as of May 27, 2005.

(ii) Reflecting the spirit of the Takeover Defense Measures released by the Corporate Value Study Group
The contents of the Plan reflect the spirit of "Takeover Defense Measures in Light of Recent Environmental Changes" released on June 30, 2008 by the Corporate Value Study Group established by the Ministry of Economy, Trade and Industry.

(iii) Emphasis on the Shareholders' Intent and Information Disclosure
The Plan shall remain effective until the conclusion of the annual shareholders' meeting pertaining to the last of the fiscal years ending within three years from the conclusion of the 68th Annual Shareholders' Meeting (71st Annual Shareholders' Meeting to be held in June 2016).

However, even before the expiration of the effective period of the Plan, if the shareholders' meeting resolves to abolish the Plan, then the Plan will be abolished as of the time of such resolution, and for this point, the continuation and abolition of the Plan will be conducted in a manner that respects the shareholders' intent.

Furthermore, in order to enable the shareholders to appropriately make decisions such as decisions on the abolition or other matters of the Plan, the decision as to whether to sell share certificates of the Company by accepting the Large-Scale Purchase, and other matters, the Board of Directors of the Company will disclose to shareholders the Large-Scale Purchase Relevant Information and other information provided by the Large-Scale Purchaser at the time and in a method the Board of Directors of the Company deems appropriate.

(iv) Scheme to Eliminate Arbitrary Decisions by the Board of Directors of the Company
In introducing and continuing the Plan, the Company established the Independent Committee to eliminate arbitrary decisions by the Board of Directors of the Company.

If a Large-Scale Purchase is made against the Company, the Independent Committee will make a recommendation to the Board of Directors of the Company upon discussing and examining whether to exercise countermeasures against the Large-Scale Purchase, and other matters, and the Board of Directors of the Company will make a resolution by respecting as much as possible the recommendation of the Independent Committee, and a scheme to eliminate the exercise of countermeasures based on arbitrary decisions by the Board of Directors of the Company is thereby secured.

Furthermore, the Plan will be exercised only when the Large-Scale Purchaser fails to observe formal Large-Scale Purchase Rules set out in the Plan, or when the Large-Scale Purchase satisfies objective requirements stipulated reasonably and in detail where the Large-Scale Purchaser considerably damages the Company's corporate value, and also on this point, a scheme to eliminate the exercise of arbitrary countermeasures by the Board of Directors of the Company is in place.

(v) No Dead-Handed or Slow-Handed Defense Measures
The Plan may be abolished by the Board of Directors of the Company, and therefore the Plan is not a dead-handed takeover defense measure (a takeover defense measure in which even if a majority of the constituent members of the Board of Directors are replaced, the exercise of the measures cannot be prevented). In addition, because the Company does not adopt a fixed-term system based on time differences with respect to the term of directors, the Plan is not a slow-handed takeover defense measure (a takeover defense measure that requires time to prevent the exercise because constituent members of the Board of Directors may not be replaced at one time).

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Amounts and numbers of shares in this Business Report are rounded down to the nearest unit, while ratios and other figures are rounded off to the nearest unit.
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Consolidated Balance Sheet

(As of March 31, 2014)

(Millions of yen)

Account title	Amount	Account title	Amount
(Assets)		**(Liabilities)**	
Current assets	**131,613**	**Current liabilities**	**73,375**
Cash and deposits	39,831	Notes payable, accounts payable for construction contracts and other	44,600
Notes receivable, accounts receivable from completed construction contracts and other	73,298	Short-term loans payable	5,850
Securities	6,009	Income taxes payable	950
Costs on uncompleted construction contracts	3,741	Deferred tax liabilities	66
Raw materials and supplies	410	Advances received on uncompleted construction contracts	13,029
Deferred tax assets	1,704	Provision for warranties for completed construction	759
Other	6,919	Provision for loss on construction contracts	1,010
Allowance for doubtful accounts	(301)	Provision for directors' bonuses	78
		Provision for loss on Anti-Monopoly Act	592
Noncurrent assets	**35,067**	Other	6,436
Property, plant and equipment	**8,769**	**Noncurrent liabilities**	**8,592**
Buildings and structures	8,504	Long-term loans payable	491
Machinery, vehicles, tools, furniture and fixtures	7,034	Deferred tax liabilities	3,938
Land	2,860	Provision for directors' retirement benefits	99
Other	412	Reserve for loss on dissolution of employees' pension fund	651
Accumulated depreciation	(10,041)	Net defined benefit liability	2,625
		Other	786
Intangible assets	**3,715**	**Total liabilities**	**81,968**
Goodwill	2,779	**(Net assets)**	
Other	936	**Shareholders' equity**	**72,792**
Investments and other assets	**22,582**	Capital stock	6,455
Investment securities	19,634	Capital surplus	7,344
Deferred tax assets	300	Retained earnings	61,908
Other	2,678	Treasury shares	(2,915)
Allowance for doubtful accounts	(31)	**Accumulated other comprehensive income**	**7,656**
		Valuation difference on available-for-sale securities	6,765
		Deferred gains or losses on hedges	(6)
		Foreign currency translation adjustment	1,158
		Remeasurement of defined benefit plans	(261)
		Minority interests	**4,263**
		Total net assets	**84,712**
Total assets	**166,680**	**Total liabilities and net assets**	**166,680**

Note: Stated amounts are rounded down to the nearest million yen.

Consolidated Income Statement

(From April 1, 2013, to March 31, 2014)

(Millions of yen)

Account title	Amount	
Net sales of completed construction contracts		185,421
Cost of sales of completed construction contracts		159,079
Gross profit on completed construction contracts		**26,341**
Selling, general and administrative expenses		18,258
Operating income		**8,083**
Non-operating income		
Interest and dividend income	726	
Other	1,022	1,749
Non-operating expenses		
Interest expenses	237	
Other	304	541
Ordinary income		**9,292**
Extraordinary income		
Gains on disposal of noncurrent assets	74	
Gain on sales of investment securities	1,219	
Surrender value of insurance	29	1,324
Extraordinary losses		
Loss on disposal of noncurrent assets	50	
Impairment loss	22	
Loss on sales of investment securities	1	
Loss on sales of shares of subsidiaries and associates	73	
Provision for loss on Anti-Monopoly Act	592	
Provision of reserve for loss on dissolution of employees' pension fund	651	
Loss on insurance cancellation	4	1,396
Income before income taxes and minority interests		**9,219**
Income taxes—current	2,865	
Income taxes—deferred	1,244	4,110
Income before minority interests		**5,109**
Minority interests in income		954
Net income		**4,155**

Note: Stated amounts are rounded down to the nearest million yen.

Consolidated Statement of Comprehensive Income

(From April 1, 2013, to March 31, 2014)

(Millions of yen)

Account title	Amount
Income before minority interests	**5,109**
Other comprehensive income	
Valuation difference on available-for-sale securities	1,520
Deferred gains or losses on hedges	(6)
Foreign currency translation adjustment	4,106
Share of other comprehensive income of entities accounted for using equity method	122
Total other comprehensive income	**5,742**
Comprehensive income	**10,852**
Comprehensive income attributable to	
Comprehensive income attributable to owners of the parent	9,197
Comprehensive income attributable to minority interests	1,655

Notes:

1. Stated amounts are rounded down to the nearest million yen.
2. The amounts in this statement are not subject to the audit by the Accounting Auditors.

Consolidated Statement of Changes in Net Assets

(From April 1, 2013, to March 31, 2014)

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at the beginning of current period	6,455	7,344	59,735	(1,173)	72,361
Changes of items during the period					
Dividends of surplus			(1,982)		(1,982)
Net income			4,155		4,155
Purchase of treasury shares				(1,741)	(1,741)
Net changes of items other than shareholders' equity					
Total changes of items during the period	—	—	2,172	(1,741)	431
Balance at the end of current period	6,455	7,344	61,908	(2,915)	72,792

	Accumulated other comprehensive income					Minority 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 the beginning of current period	5,245	(11)	(2,358)	—	2,875	3,300	78,537
Changes of items during the period							
Dividends of surplus							(1,982)
Net income							4,155
Purchase of treasury shares							(1,741)
Net changes of items other than shareholders' equity	1,520	4	3,517	(261)	4,780	963	5,743
Total changes of items during the period	1,520	4	3,517	(261)	4,780	963	6,174
Balance at the end of current period	6,765	(6)	1,158	(261)	7,656	4,263	84,712

Note: Stated amounts are rounded down to the nearest million yen.

Notes to Consolidated Financial Statements

[Notes to the Basis for Preparation of Consolidated Financial Statements]

1. Scope of consolidation

Number of consolidated subsidiaries	35
Names of significant subsidiaries	San Esu Industry Co., Ltd. TKS Industrial Company Taikisha (Thailand) Co., Ltd. WuZhou Taikisha Engineering Co., Ltd.
	Taniyama Co., Ltd. is excluded from the scope of consolidation as the Company and San Esu Industry Co., Ltd., a consolidated subsidiary of the Company, sold all Taniyama's shares they held, during the fiscal year under review. Custom Ace Co., Ltd. is excluded from the scope of consolidation as it was dissolved due to a merger, whereby Tokyo Taikisha Service Ltd., a consolidated subsidiary of the Company, became the surviving company, during the fiscal year under review. The newly established Taikisha Myanmar Co., Ltd., is included in the scope of consolidation effective from the fiscal year under review.

2. Application of the equity method

(1) Number and name of the associates subject to the equity method

Number of the equity-method associates	2
Name of the equity-method associates	Shanghai Dongbo-Taiki Conveyor System Manufacturing Co., Ltd. Tianjin Dongchun-Taiki Metal Finishing & Conveyor System Manufacturing Co., Ltd.

(2) Name of unconsolidated subsidiary not subject to the equity method

Name of the unconsolidated subsidiary	Makiansia Engineering (M) Sdn. Bhd.
Reason for not applying the equity method	The unconsolidated subsidiary not subject to the equity method is excluded from application of the equity method because the impact on net income, retained earnings, etc., for the fiscal year under review is negligible, and neither is it material as a whole.

3. Accounting standards

(1) Standards and methods for valuation of significant assets

- Securities
  - Held-to-maturity debt securities
    - Amortized cost method (straight-line method)
  - Shares of associates
    - Stated at cost using the moving average method
  - Other securities
    - Securities with fair value
      - Stated at fair value based on the market price, etc., on the balance sheet date (Valuation difference is reported as a component of net assets. The cost of sales is calculated using the moving-average method.)
    - Securities without fair value
      - Stated at cost using the moving-average method
- Derivatives
  - Stated at fair value
- Inventories
  - Costs on uncompleted construction contracts
    - Stated at cost using the specific identification method
  - Raw materials and supplies

Stated at cost using the moving-average method (The figures shown in the consolidated balance sheet have been calculated by writing down the book value based on decline in profitability.)

(2) Depreciation method for principal depreciable assets

- Property, plant and equipment (excluding leased assets)
  The declining-balance method is mainly applied. However, the straight-line method is applied for buildings (except for accompanying facilities), which have been acquired on or after April 1, 1998. The straight-line method is applied by several overseas consolidated subsidiaries. The useful lives and the residual value comply with the similar standards as stipulated in the Corporation Tax Act.
- Intangible assets (excluding leased assets)
  The straight-line method is applied. However, computer software for internal use is amortized by the straight-line method over the estimated internal useful life (five years).
- Leased assets (Finance leases that are not deemed to transfer the ownership of the leased assets to the lessee)
  The straight-line method with no residual value is applied, regarding the lease term as the useful life.

(3) Standards of accounting for principal allowance and provisions

- Allowance for doubtful accounts
  The allowance for doubtful accounts is provided at the estimated amount of irrecoverable debt to prepare for bad debt losses on receivables such as accounts receivable from completed construction contracts based on the historical write-off rate for ordinary receivables and on the estimated recoverability of each doubtful account for specific doubtful receivables.
- Provision for warranties for completed construction
  The provision for warranties for completed construction is provided to prepare for losses from repairs of completed construction contracts based on the historical write-off rate.
- Provision for loss on construction contracts
  The provision for loss on construction contracts is provided at the estimated amount to prepare for losses from orders received for construction contracts in stock, which involve a high probability of generating losses and where the loss amount can be reasonably estimated.
- Provision for directors' bonuses
  The provision for directors' bonuses is provided at the estimated amount of payment corresponding to the fiscal year under review to prepare for the possible disbursement of bonuses to Directors.
- Provision for loss on Anti-Monopoly Act
  The provision for loss on Anti-Monopoly Act is provided at the estimated amount to prepare for payments for the surcharge relative to the Anti-Monopoly Act or the contractual penalty based on the probability of occurrence of relevant losses by taking into account the facts and circumstances of each incident.
- Provision for directors' retirement benefits
  The provision for directors' retirement benefits of domestic consolidated subsidiaries is provided at the 100% of required amount based on their relevant in-house regulations to prepare for the possible disbursement of retirement benefits to Directors.
- Reserve for loss on dissolution of employees' pension fund
  The reserve for loss on dissolution of employees' pension fund is provided at the estimated amount to prepare for losses from the dissolution of the employees' pension fund.
  (Additional information)
  Nishinihonreitoukuutyou Employees' Pension Fund (general-type), with which the Company and its domestic consolidated subsidiaries are affiliated, resolved to dissolve the fund under special provisions at a meeting of its board of representatives held on September 18, 2013.
  Consequently, "Provision of reserve for loss on dissolution of employees' pension fund" of ¥651 million was posted under extraordinary loss in the consolidated income statement and "Reserve for loss on dissolution of employees' pension fund" of ¥651 million was posted under noncurrent liabilities in the consolidated balance sheet for the fiscal year under review.

(4) Other important matters as the basis of presenting the Consolidated Financial Statements

- Accounting standards for net sales of completed construction contracts and cost of sales of completed construction contracts

(i) The percentage-of-completion method is applied for construction work for which the completion of a certain percentage of the entire work is clearly recognizable by the balance sheet date for the year under review (percentage of completion is estimated by the cost-to-cost method).

(ii) The completed-contract method is applied for other construction contracts.

- Methods of important hedge accounting

(i) Method of hedge accounting

Deferred hedge accounting is applied.

With regard to forward exchange contracts that meet the requirements for deferral hedge accounting (“*furiate-shori*”), deferral hedge accounting is applied.

With regard to interest-rate swaps and interest-rate caps that meet the requirements for exceptional accounting (“*tokurei-shori*”), exceptional accounting is applied.

(ii) Hedging instruments and hedged items

Hedging instruments	Forward exchange contracts, spot exchange forward agreements (non-deliverable forward: NDF), and interest-rate swaps and interest-rate caps
Hedged items	Foreign currency receivables, foreign currency payables, future transactions in foreign currency and interest-rate trading for loans payable

(iii) Hedging policy

The Company’s policy of hedging activities for forward exchange contracts is to reduce exchange-rate fluctuation risks when contracts are concluded and not to conduct speculative trading. The Company’s policy of interest-rate swaps and interest-rate caps is to reduce interest-rate fluctuation risks for loans payable and not to conduct speculative trading.

(iv) Method of evaluation of effectiveness of hedging

As forward exchange contracts in the same currency are used for forward exchange transactions, the correlation to subsequent exchange rate fluctuations is completely ensured. Accordingly, evaluating the effectiveness of hedging activities is omitted.

For interest-rate swaps and interest-rate caps, the judgment on whether to apply exceptional accounting is used instead of an evaluation of the effectiveness of hedging.

- Accounting procedure for retirement benefits

(i) Period allocation of projected retirement benefits

In calculating the retirement benefit obligations, the straight-line attribution is used to allocate the projected retirement benefits to the years of service up to the end of the fiscal year under review.

(ii) Amortization method for actuarial gains/losses and prior service cost

Actuarial gains or losses are amortized for the pro-rata amount computed by the straight-line method over a certain period (10 years) within the average remaining service years of employees at the time of recognition, commencing from the following fiscal year of recognition.

The prior service cost is amortized by the straight-line method over a certain period (10 years) within the average remaining service years of employees at the time of recognition.

As the Company and several domestic consolidated subsidiaries are affiliated with a general-type employees’ pension fund, the amounts that need to be contributed are reported as retirement benefit expenses. The plan assets at the end of the fiscal year ended March 31, 2014, calculated on the basis of their respective contribution ratios was ¥8,446 million.

(Change in accounting policies)

The “Accounting Standard for Retirement Benefits” (Accounting Standards Board of Japan Statement No. 26, May 17, 2012; hereinafter the “Accounting Standard for Retirement Benefits”) and the “Guidance on Accounting Standard for Retirement Benefits” (Accounting Standards Board of Japan Guidance No. 25, May 17, 2012; hereinafter the “Guidance”) have been applied effective from the end of the fiscal year under review (however, excluding the provisions set forth in Paragraph 35 of the Accounting Standard for Retirement Benefits and Paragraph 67 of the Guidance). As a result of this change, the amount of retirement benefit obligations after deducting the plan assets was reported as “Net defined benefit liability” and unrecognized actuarial gains or losses and unrecognized prior service cost are reported as net defined benefit liability.

The application of the Accounting Standard for Retirement Benefits, etc. complies with provisional accounting treatment which is set forth in Paragraph 37 of the Accounting Standard for Retirement Benefits and, accordingly, the effects of this change in accounting method are adjusted as “Remeasurements of defined benefit plans” at the end of the fiscal year under review.

As a result, a net defined benefit liability of ¥2,625 million was reported at the end of the fiscal year under review. Meanwhile, accumulated other comprehensive income was negative ¥261 million. Meanwhile, net assets per share decreased by ¥7.42.

- Amortization method and period for goodwill

  Goodwill is equally amortized using the straight-line method over a period of twenty (20) years.

- Accounting for consumption taxes

  At the Company and its domestic consolidated subsidiaries, transactions subject to the consumption tax and the local consumption tax are recorded at amounts exclusive of the consumption tax.

[Notes to Consolidated Balance Sheet]

1. Pledged assets

(1) The following assets are pledged as collateral for security deposits at subsidiaries and associates

Cash and deposits	¥32 million

(2) The following assets are pledged as collateral for loans payable at investees.

Investment securities	¥2 million

(3) The following assets are pledged as collateral for loans payable at associates.

(Millions of yen)

Asset pledged as collateral	Year-end balance on account books	Secured obligations corresponding to the asset at left
Cash and deposits	296	188
Machinery, vehicles, tools, furniture and fixtures	15	11

2. Guarantee obligations

The Taikisha Group guarantees loans payable, etc., made by its employees and associates under agreements concluded with financial institutions.

(Millions of yen)

Employees	14
Tianjin Dongchun-Taiki Metal Finishing & Conveyor System Manufacturing Co., Ltd.	183
Total	197

3. Endorsed notes ¥40 million

4. Provision for loss on construction contracts

The costs on uncompleted construction contracts relating to construction contracts that are expected to generate losses are presented after offsetting the corresponding provision for loss on construction contracts of ¥5 million.

[Note to Consolidated Income Statement]

Provision for loss on construction contracts included in the cost of sales of completed construction contracts was ¥480 million.

[Notes to Consolidated Statement of Changes in Net Assets]

1. Total number of issued shares as of the consolidated balance sheet date
   Common stock 36,782,009 shares
2. Dividends
   (1) Dividend amount

Resolution	Class of stock	Total dividends (Millions of yen)	Dividend per share (Yen)	Record date	Effective date
Annual Shareholders' Meeting on June 27, 2013	Common stock	1,261	35.00	March 31, 2013	June 28, 2013
Board of Directors Meeting on November 8, 2013	Common stock	720	20.00	September 30, 2013	November 29, 2013

   (2) Dividends whose record date is during the fiscal year under review, but whose effective date is after the end of the fiscal year under review

Resolution	Class of stock	Source of dividends	Total dividends (Millions of yen)	Dividend per share (Yen)	Record date	Effective date
June 27, 2014	Common stock	Retained earnings	881	25.00	March 31, 2014	June 30, 2014

[Notes to Financial Instruments]

1. Status of Financial Instruments
   (1) Policies on financial instruments
   The Taikisha Group invests its temporary surplus funds in financial assets that are highly secure and procures its short-term working capital in the form of borrowings from banks. The Group utilizes derivatives only to hedge their exposure to the risks as described below but does not enter into such transactions for speculative purposes.

   (2) Description of financial instruments, related risks and risk management system
   Notes receivable, accounts receivable from completed construction contracts and other, which are trade receivables, are exposed to the credit risk of the respective customers. As for the credit risk of customers, the Group's management system allows us to monitor the credit standing of major customers at any time on a timely basis based on the maturity and balance control by customer. Meanwhile, trade receivables denominated in foreign currencies, which originate from global business operations, are exposed to the risk of exchange rate fluctuations and are partly hedged by utilizing forward exchange contracts.
   Although being exposed to the risk of fluctuations in market price, stocks included in the category of investment securities are those of companies with which the Group has business relations and are continuously monitored through regular checks of the current market value and financial positions of the issuers.
   Notes payable, accounts payable for construction contracts and other, which are trade payables, generally entail the due date for payments, which typically mature within one year. Some of them are those denominated in foreign currencies due to the imports of materials and raw materials, etc., and are exposed to the risk of exchange rate fluctuations but are always within the limit of the balance of accounts receivable from completed construction contracts, which are similarly denominated in foreign currencies.
   Income taxes payable are imposed on the taxable income of the respective Group companies for the fiscal year under review, and they all mature within one year.
   Both short-term and long-term loans payable are fund-raising means associated with business transactions. Short-term loans payable with variable interest rates are exposed to the risk of interest-rate fluctuations. However, long-term loans payables, which are procured at fixed interest rates, in principle, can avoid being exposed to interest-rate fluctuation risk.
   Derivative transactions consist of forward exchange contracts and NDFs aimed at hedging the risk of fluctuations in exchange rates for exports and imports in the course of ordinary business operations, and of

interest-rate swaps and interest-rate caps aimed at hedging the risk of interest-rate fluctuations for loans payable. Forward exchange contracts and NDFs are executed and managed in accordance with the relevant notice regarding foreign exchange control issued by the Chief Executive of the Administrative Management Headquarters. This notice clearly stipulates regulations for the management policies on derivative transactions, the regulating division and department in charge of risk management, use purposes, scope of utilization, reporting system and the like. The use of interest-rate swaps and interest-rate caps is limited only to transactions that satisfy the requirements for exceptional accounting. Derivative transactions are executed only with financial institutions of a high rating caliber to reduce the credit risk. Although trade payables and loans payable are exposed to liquidity risk, the Group strives to control the liquidity risk with measures such as the preparation of a monthly cash management plan by each Group company.

(3) Supplementary explanation on fair value of financial instruments, etc.
The contract amounts, etc., with regard to derivative transactions in “2. Fair Value of Financial Instruments” below only indicate nominal contract or notional principal amounts in derivative transactions, and they are not a direct measure of the Group’s risk exposure in connection with the corresponding derivative transactions.

2. Fair Value of Financial Instruments
The following table indicates the fair value in the consolidated balance sheet, the fair value and the differences thereof as of March 31, 2014. Financial instruments for which it is deemed extremely difficult to measure the fair value are not included in the table below. (Refer to Note 2.)

(Millions of yen)

	Book value in the consolidated balance sheet	Fair value	Difference
(1) Cash and deposits	39,831	39,831	—
(2) Notes receivable, accounts receivable from completed construction contracts and other	73,298		
Allowance for doubtful accounts*1	(194)		
	73,103	73,005	(98)
(3) Securities and investment securities*2	24,313	24,315	2
Total assets	137,248	137,152	(96)
(4) Notes payable, accounts payable for construction contracts and other	44,600	44,564	(35)
(5) Short-term loans payable	5,850	5,850	—
(6) Income taxes payable	950	950	—
(7) Long-term loans payable	491	468	(22)
Total liabilities	51,892	51,833	(58)
(8) Derivative transactions	—	(5)	(5)

*1. “Allowance for doubtful accounts” amounts separately included in “notes receivable, accounts receivable from completed construction contracts and other” are deducted.
*2. “Investment securities” for which it is deemed extremely difficult to measure the fair value are not included in the table above.

Notes:

1. Calculation method of the fair value of financial instruments and securities and derivative transactions

<u>Assets</u>

(1) Cash and deposits:
As cash is settled within a short time, the fair value thereof is almost equal to the book value. Therefore, the calculation of the fair value of these assets is based on the book value concerned.

(2) Notes receivable, accounts receivable from completed construction contracts and other:

The calculation of the fair value of these assets is based on the present value to be achieved by discounting using discount rates, which take into account the remaining period prior to maturity and the credit risk, for receivables individually segmented by certain duration.

(3) Securities and investment securities:

As for the calculation of the fair value of these assets, stocks are based on the prices traded at the stock exchange, whereas bonds are based on the prices proposed by the correspondent financial institution.

The securities and investment securities are held in the form of "held-to-maturity debt securities" and "other securities."

(i) The differences between the book value in the consolidated balance sheet and the fair value are as follows

Held-to-maturity debt securities with fair value (as of March 31, 2014)

(Millions of yen)

	Book value in the consolidated balance sheet	Fair value	Difference
Those of which fair value exceeds their book value	2,009	2,012	2
Those of which fair value does not exceed their book value	500	500	—
Total	2,509	2,512	2

Other securities with fair value (as of March 31, 2014)

(Millions of yen)

	Book value in the consolidated balance sheet	Acquisition cost	Difference
Those of which book value exceeds their acquisition cost			
Stocks	17,263	6,835	10,427
Those of which book value does not exceed their acquisition cost			
Money trusts	3,500	3,500	—
Stocks	1,040	1,133	(92)
Subtotal	4,540	4,633	(92)
Total	21,803	11,469	10,334

(ii) The sales amount for other securities for the fiscal year under review was ¥2,263 million. The total gain on sales was ¥1,219 million, whereas the total loss on sales was ¥1 million.
(iii) The "Acquisition cost" in the table above is the book value after an impairment loss is deducted. In posting the impairment loss for the corresponding stocks, an impairment loss is reported for each stock whose fair value have fallen more than 50% compared with the acquisition value without reasonable evidence that the fair value would rally to the book value within one year. For each stock whose fair value have fallen more than 30% but less than 50%, an impairment loss is similarly reported for an amount deemed necessary in the light of past trends in the market price for one prior year and the probability of recovery in its fair value.

Liabilities

(4) Notes payable, accounts payable for construction contracts and other, and (5) Short-term loans payable

The calculation of the fair value of these liabilities is based on the present value to be achieved by discounting using discount rates, which take into account the remaining period prior to maturity or repayment and the credit risk, for payables individually segmented by certain duration.

(6) Income taxes payable

As these liabilities are settled within a short time, the fair value thereof is almost equal to the book value. Therefore, the calculation of the fair value of these assets is based on the book value concerned.

(7) Long-term loans payable

The calculation of the fair value of these liabilities is based on the book value concerned for long-term loans payable with variable interest rates because these liabilities sufficiently reflect the market interest rate within a short time and the credit standing does not change much, thereby making the fair value similar to the book value. For long-term loans payable with fixed interest rates, the fair value is calculated based on the present value estimated by discounting the total principal and interest for said long-term loans payable individually segmented by certain duration, using discount rates that would be applicable for similar new borrowings.

(8) Derivative transactions

(i) Derivative transactions not subject to hedge accounting

For derivative transactions to which hedge accounting is not applied, contractual amounts or the notional principal amounts specified in the derivative contracts, fair value and gain (loss) on valuation as of the consolidated balance sheet date by type of target transaction, as well as the calculation method of said fair value, are as follows:

Currency-related

(Millions of yen)

Classification	Type	Contract amount	Contract amount due after one year	Fair value	Gain/loss on valuation
Non-market transactions	Forward foreign exchange contracts:				
	Buy:				
	JPY	136	—	(4)	(4)
	USD	291	—	(9)	(9)
	GBP	5	—	0	0
	EUR	1,740	—	13	13
	Sell:				
	USD	65	—	2	2
Total		—	—	2	2

Note: Calculation method of the fair value: Based on the prices and other data submitted by the financial institutions with which business transactions exist.

(ii) Derivative transactions subject to hedge accounting

For derivative transactions to which hedge accounting is applied, contract amounts or the notional principal amounts specified in the derivative contracts as of the consolidated balance sheet date by type of hedge accounting method are as follows:

Currency-related

(Millions of yen)

Hedge accounting method	Type of derivative transaction	Main hedged item	Contract amount	Contract amount due after one year	Fair value
Accounting based on the principal method	Forward foreign exchange contracts:				
	Buy:				
	USD	Accounts payable for construction contracts (forecasts)	62	—	(0)
	EUR	Accounts payable for construction contracts (forecasts)	240	—	2
	KRW	Accounts payable for construction contracts (forecasts)	654	32	7
	Sell:				
	USD	Accounts receivable from completed construction contracts (forecasts)	5	—	(0)
	CNY	Accounts receivable from completed construction contracts (forecasts)	1,850	—	(16)
Total			—	—	(7)

Note: Calculation method of the fair value: Based on the prices and other data submitted by the financial institutions with which business transactions exist.

Interest rate-related

(Millions of yen)

Hedge accounting method	Type of derivative transaction	Main hedged item	Contract amount	Contract amount due after one year	Fair value
Exceptional accounting for interest-rate swaps	Interest-rate swaps Payment fixed, receiving variable	Long-term loans payable	159	101	(Note)
Exceptional accounting for interest-rate caps	Interest-rate caps Buy	Short-term loans payable	29	—	(Note)

Note: As the interest-rate swaps and interest-rate caps subject to exceptional accounting are collectively processed with the short- and long-term loans payable as a hedged item, their fair value is included in the fair value of said short- and long-term loans payable.

2. Financial instruments for which it is deemed difficult to measure the fair value

(Millions of yen)

Classification	Book value in the consolidated balance sheet
Other securities	
Unlisted stocks	1,294
Investment trusts	8
Unlisted foreign bonds	27

Securities classified under this category have no market prices and estimating future cash flows would likely necessitate enormous costs. Accordingly, it is deemed extremely difficult to measure the fair value, and they are not included in “(3) Securities and investment securities.”

3. Redemption schedule for monetary receivables and securities with maturity dates after the consolidated balance sheet date (March 31, 2014)

(Millions of yen)

	Due within one year	Due after one year but within five years	Due after five years but within 10 years	Due after 10 years
Cash and deposits	39,831	—	—	—
Notes receivable, accounts receivable from completed construction contracts and other	70,758	2,539	—	—
Securities and investment securities				
Held-to-maturity debt securities (foreign bonds, etc.)	2,509	—	—	—
Other securities with maturity dates (money trusts, etc.)	3,500	—	—	—
Other securities with maturity dates (unlisted foreign bonds)	—	27	—	—
Total	116,599	2,567	—	—

[Notes to per-Share Information]

1. Net assets per share ¥2,282.56
2. Net income per share ¥116.08

[Notes to Significant Subsequent Events]

Not applicable.

[Other Note]

(Additional information)

Following the promulgation on March 31, 2014, of the “Act for Partial Amendment of the Income Tax Act, etc.,” the Special Reconstruction Corporation Tax has been abolished for the fiscal year that begins on or after April 1, 2014. In accordance with this measure, the effective statutory tax rate, which is used to measure deferred tax assets and deferred tax liabilities, has been reduced to 35.64% from 38.01% for temporary differences that are expected to be eliminated during the fiscal year commencing on April 1, 2014.

The impact of this change in the effective statutory tax rate was a decrease of ¥100 million in deferred tax assets (after deducting the amount of deferred tax liabilities) and an increase of ¥100 million in income taxes-deferred.

Non-consolidated Balance Sheet

(As of March 31, 2014)

(Millions of yen)

Account title	Amount	Account title	Amount
(Assets)		**(Liabilities)**	
Current assets	**71,706**	**Current liabilities**	**35,660**
Cash and deposits	14,133	Notes payable-trade	4,472
Notes receivable-trade	858	Accounts payable for construction contracts	22,835
Accounts receivable from completed construction contracts	45,562	Short-term loans payable	2,008
Securities	6,009	Lease obligations	12
Costs on uncompleted construction contracts	289	Accounts payable-other	2,805
Raw materials and supplies	132	Income taxes payable	122
Deferred tax assets	1,126	Advances received on uncompleted construction contracts	1,168
Other	3,593	Deposits received	252
		Provision for warranties for completed construction	285
		Provision for loss on construction contracts	595
Noncurrent assets	**34,266**	Provision for directors' bonuses	78
Property, plant and equipment	**4,198**	Provision for loss on Anti-Monopoly Act	592
		Other	431
Buildings	1,628	**Noncurrent liabilities**	**5,039**
Structures	24	Long-term loans payable	114
Machinery and equipment	55	Lease obligations	20
Vehicles	0	Deferred tax liabilities	2,471
Tools, furniture and fixtures	177	Provision for retirement benefits	1,359
Land	2,281	Provision for loss on guarantees of subsidiaries and associates	79
Leased assets	30	Reserve for loss on dissolution of employees' pension fund	592
		Other	402
		Total liabilities	**40,700**
Intangible assets	**538**	**(Net assets)**	
Software	519	**Shareholders' equity**	**58,512**
Other	18	**Capital stock**	**6,455**
Investments and other assets	**29,528**	**Capital surplus**	**7,344**
Investment securities	18,946	Legal capital surplus	7,297
Shares of subsidiaries and associates	8,476	Other capital surplus	47
Long-term loans receivable	28	**Retained earnings**	**47,628**
Long-term accounts receivable from subsidiaries and associates	227	Legal retained earnings	1,613
Claims provable in bankruptcy, claims provable in rehabilitation and other	105	Other retained earnings	46,014
Long-term prepaid expenses	284	Reserve for reduction entry	0
Lease and guarantee deposits	1,219	Reserve for investment on information technology	1,600
Insurance funds	396	General reserve	35,720
Other	165	Retained earnings brought forward	8,694
Allowance for doubtful accounts	(322)	**Treasury shares**	**(2,915)**
		Valuation and translation adjustments	**6,760**
		Valuation difference on available-for-sale securities	**6,765**
		Deferred gains or losses on hedges	**(5)**
		Total net assets	**65,273**
Total assets	**105,973**	**Total liabilities and net assets**	**105,973**

Note: Stated amounts are rounded down to the nearest million yen.

Non-consolidated Income Statement

(From April 1, 2013, to March 31, 2014)

(Millions of yen)

Account title	Amount	
Net sales of completed construction contracts		86,200
Cost of sales of completed construction contracts		74,834
Gross profit on completed construction contracts		**11,365**
Selling, general and administrative expenses		10,910
Operating income		455
Non-operating income		
Interest and dividend income	2,935	
Dividends income of insurance	162	
Real estate rent	215	
Foreign exchange gains	37	
Technical advisory fee	768	
Reversal of allowance for doubtful accounts	53	
Other	62	4,235
Non-operating expenses		
Interest expenses	17	
Sales discounts	17	
Rent expenses on real estate	72	
Other	30	138
Ordinary income		**4,552**
Extraordinary income		
Gain on disposal of noncurrent assets	52	
Gain on sales of investment securities	1,219	
Surrender value of insurance	29	1,302
Extraordinary losses		
Loss on disposal of noncurrent assets	38	
Impairment loss	17	
Loss on sales of investment securities	1	
Loss on sales of shares of subsidiaries and associates	8	
Loss on valuation of shares of subsidiaries and associates	389	
Provision of allowance for doubtful accounts for subsidiaries and associates	211	
Provision for loss on Anti-Monopoly Act	592	
Provision for loss on guarantees of subsidiaries and associates	79	
Provision of reserve for loss on dissolution of employees' pension fund	592	
Provision for contract loss	83	
Loss on insurance cancellation	4	2,021
Income before income taxes		**3,833**
Income taxes—current	585	
Income taxes—deferred	789	1,374
Net income		**2,458**

Note: Stated amounts are rounded down to the nearest million yen.

Non-consolidated Statement of Changes in Net Assets

(From April 1, 2013, to March 31, 2014)

(Millions of yen)

	Shareholders' equity										
		Capital surplus			Retained earnings						
						Other retained earnings					
	Capital stock	Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	Reserve for reduction entry	Reserve for investment on information technology	General reserve	Retained earnings brought forward	Total other retained earnings	Total retained earnings
Balance at the beginning of current period	6,455	7,297	47	7,344	1,613	6	1,400	35,720	8,411	45,538	47,152
Changes of items during the period											
Reversal of reserve for reduction entry						(6)			6		
Reserve for investment on information technology							200		(200)		
Dividends of surplus									(1,982)	(1,982)	(1,982)
Net income									2,458	2,458	2,458
Purchase of treasury shares											
Net changes of items other than shareholders' equity											
Total changes of items during the period	—	—	—	—	—	(6)	200	—	282	476	476
Balance at the end of current period	6,455	7,297	47	7,344	1,613	0	1,600	35,720	8,694	46,014	47,628

	Shareholders' equity		Valuation and translation adjustments			
	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Total valuation and translation adjustments	Total net assets
Balance at the beginning of current period	(1,173)	59,778	5,245	(31)	5,214	64,993
Changes of items during the period						
Reversal of reserve for reduction entry						
Reserve for investment on information technology						
Dividends of surplus		(1,982)				(1,982)
Net income		2,458				2,458
Purchase of treasury shares	(1,741)	(1,741)				(1,741)
Net changes of items other than shareholders' equity			1,519	25	1,545	1,545
Total changes of items during the period	(1,741)	(1,265)	1,519	25	1,545	279
Balance at the end of current period	(2,915)	58,512	6,765	(5)	6,760	65,273

Note: Stated amounts are rounded down to the nearest million yen.

Notes to Non-consolidated Financial Statements

[Notes to Significant Accounting Policies]

Accounting Standards

(1) Standards and methods of valuation of assets

- Securities

  Held-to-maturity debt securities

  Amortized cost method (straight-line method)

  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, etc., on the balance sheet date (Valuation difference is reported as a component of net assets. The cost of sales is calculated using the moving-average method.)

  - Securities without fair value

    Stated at cost using the moving-average method

- Derivatives

  Stated at fair value

- Inventories

  - Costs on uncompleted construction contracts

    Stated at cost using the specific identification method

  - Raw materials and supplies

    Stated at cost using the moving-average method (The figures shown in the non-consolidated balance sheet have been calculated by writing down the book value based on the decline in profitability.)

(2) Depreciation method for noncurrent assets

- Property, plant and equipment (excluding leased assets)

  The declining-balance method is applied. However, the straight-line method is applied for buildings (except for accompanying facilities), which have been acquired on or after April 1, 1998. The useful lives and the residual value comply with the similar standards as stipulated in the Corporation Tax Act.

- Intangible assets (excluding leased assets)

  The straight-line method is applied. However, computer software for internal use is amortized by the straight-line method over the estimated internal useful life (five years).

- Leased assets (Finance leases that are not deemed to transfer the ownership of the leased assets to the lessee)

  The straight-line method with no residual value is applied, regarding the lease term as the useful life.

(3) Standards of accounting for allowance and provisions

- Allowance for doubtful accounts

  The allowance for doubtful accounts is provided at the estimated amount of irrecoverable debt to prepare for bad debt losses on receivables such as accounts receivable from completed construction contracts based on the historical write-off rate for ordinary receivables and on the estimated recoverability of each doubtful account for specific doubtful receivables.

- Provision for warranties for completed construction

  The provision for warranties for completed construction is provided to prepare for losses from repairs of completed construction contracts based on the historical write-off rate.

- Provision for loss on construction contracts

  The provision for loss on construction contracts is provided at the estimated amount to prepare for losses from orders received for construction contracts in stock, which involve a high probability of generating losses and where the loss amount can be reasonably estimated.

- Provision for directors' bonuses

  The provision for directors' bonuses is provided at the estimated amount of payment corresponding to the fiscal year under review to prepare for the possible disbursement of bonuses to Directors.

- Provision for loss on Anti-Monopoly Act
  The provision for loss on Anti-Monopoly Act is provided at the estimated amount to prepare for payments for the surcharge relative to the Anti-Monopoly Act or the contractual penalty based on the probability of occurrence of relevant losses by taking into account the facts and circumstances of each incident.
- Provision for retirement benefits
  The provision for retirement benefits is provided based on projected benefit obligations and the fair value of plan assets at the balance sheet date.
  (i) Period allocation of projected retirement benefits
  In calculating the retirement benefit obligations, the straight-line attribution is used to allocate the projected retirement benefits to the years of service up to the end of the fiscal year under review.
  (ii) Amortization method for actuarial gains/losses and prior service cost
  Actuarial gains or losses are amortized for the pro-rata amount computed by the straight-line method over a certain period (10 years) within the average remaining service years of employees at the time of recognition, commencing from the following fiscal year of recognition.
  The prior service cost is amortized by the straight-line method over a certain period (10 years) within the average remaining service years of employees at the time of recognition.
  As the Company is affiliated with a general-type employees' pension fund, the amount that needs to be contributed is reported as retirement benefit expenses. The plan assets at the end of the fiscal year ended March 31, 2014, calculated on the basis of its contribution ratios was ¥7,732 million.
- Provision for loss on guarantees of subsidiaries and associates
  The provision for loss on guarantees of subsidiaries and associates is provided at the estimated amount for loss on guarantees of subsidiaries and associates in light of the financial position of the relevant subsidiaries/associates.
- Reserve for loss on dissolution of employees' pension fund
  The reserve for loss on dissolution of employees' pension fund is provided at the estimated amount to prepare for losses from the dissolution of the employees' pension fund.

  (Additional information)
  Nishinihonreitoukuutyou Employees' Pension Fund (general-type), with which the Company is affiliated, resolved to dissolve the fund under special provisions at a meeting of its board of representatives held on September 18, 2013.
  Consequently, "Provision of reserve for loss on dissolution of employees' pension fund" of ¥592 million was posted under extraordinary loss in the income statement and "Reserve for loss on dissolution of employees' pension fund" of ¥592 million was posted under noncurrent liabilities in the balance sheet for the fiscal year under review.

(4) Accounting standards for net sales of completed construction contracts and Cost of sales of completed construction contracts
  (i) The percentage-of-completion method is applied for construction work for which the completion of a certain percentage of the entire work is clearly recognizable by the balance sheet date for the year under review (percentage of completion is estimated by the cost-to-cost method).
  (ii) The completed-contract method is applied for other construction contracts.

(5) Other important matters as the basis of presenting the Non-consolidated Financial Statements
- Methods of hedge accounting

  (i) Method of hedge accounting
  Deferred hedge accounting is applied.
  With regard to forward exchange contracts that meet the requirements for deferral hedge accounting ("*furiate-shori*"), deferral hedge accounting is applied.

(ii) Hedging instruments and hedged items

Hedging instruments	Forward exchange contracts and spot exchange forward agreements (non-deliverable forward: NDF)
Hedged items	Foreign currency receivables, foreign currency payables and future transactions in foreign currency

(iii) Hedging policy

The Company's policy of hedging activities for forward exchange contracts is to reduce exchange-rate fluctuation risks when contracts are concluded and not to conduct speculative trading.

(iv) Method of evaluation of effectiveness of hedging

As forward exchange contracts in the same currency are used for forward exchange transactions, the correlation to subsequent exchange rate fluctuations is completely ensured. Accordingly, evaluating the effectiveness of hedging activities is omitted.

- Accounting procedure for retirement benefits

  Accounting procedures for unrecognized actuarial gains or losses and unrecognized prior service cost relative to retirement benefits differ from those applied in the consolidated financial statements.
- Accounting for consumption taxes

  Transactions subject to the consumption tax and the local consumption tax are recorded at amounts exclusive of the consumption tax.

[Notes to Non-consolidated Balance Sheet]

1. Pledged assets

The following assets are pledged as collateral for loans payable at investees.

Investment securities	¥2 million

2. Accumulated depreciation of property, plant and equipment ¥5,918 million

3. Guarantee obligations

The Company guarantees loans payable, etc., made by its employees, subsidiaries and associates under agreements concluded with financial institutions.

	(Millions of yen)
Employees	14
Taikisha (Singapore) Pte. Ltd.	3,728
Taikisha (Thailand) Co., Ltd.	1,822
Token Interior & Design Co., Ltd.	9
P.T. Taikisha Indonesia Engineering	230
Taikisha Vietnam Engineering Inc.	117
WuZhou Taikisha Engineering Co., Ltd.	662
Taikisha (Taiwan) Ltd.	84
Taikisha Korea Ltd.	25
Geico Taikisha Europe Ltd.	429
Taikisha Engineering India Ltd.	1,344
Tianjin Dongchun-Taiki Metal Finishing & Conveyor System Manufacturing Co., Ltd.	183
Total	8,654

4. Monetary receivables from and payables to subsidiaries and associates

Short-term monetary receivables	¥5,015 million
Short-term monetary payables	¥2,196 million

5. Provision for loss on construction contracts

The costs on uncompleted construction contracts relating to construction contracts that are expected to generate losses are presented after offsetting the corresponding provision for loss on construction contracts of ¥5 million.

[Notes to Non-consolidated Income Statement]

1. Transactions with associates

	(Millions of yen)
Net sales of completed construction contracts	3,982
Purchase of goods	6,688
Transactions other than operating transactions (for revenue)	3,423
Transactions other than operating transactions (for expenses)	96

2. Provision for loss on construction contracts included in the Cost of sales of completed construction contracts was ¥141 million.

[Notes to Non-consolidated Statement of Changes in Net Assets]

Number of treasury shares as of the balance sheet date

Common stock	1,537,054 shares

Note: During the fiscal year ended March 31, 2014, the number of treasury shares held by the Company increased by 800,000 by acquisition pursuant to a resolution at the Board of Directors and by 2,687 shares by the purchase of shares less than one unit.

[Notes to Tax Effect Accounting]

Breakdown by cause of deferred tax assets and liabilities

	(Millions of yen)
Deferred tax assets:	
Allowance for doubtful accounts	114
Provision for loss on construction contracts	212
Provision for retirement benefits	484
Employee pension trust, investment securities	289
Long-term accounts payable-other	21
Accrued bonuses	819
Loss on valuation of shares of subsidiaries and associates	458
Loss on valuation of investment securities	143
Loss on valuation of golf club membership	73
Valuation difference on available-for-sale securities	33
Provision of reserve for loss on dissolution of employees' pension fund	211
Provision for loss on Anti-Monopoly Act	211
Others	409
Subtotal	3,483
Valuation allowance	(1,117)
Total deferred tax assets	2,366
Deferred tax liabilities:	
Valuation difference on available-for-sale securities	(3,602)
Others	(109)
Total deferred tax liabilities	(3,711)
Net deferred tax assets	(1,344)

[Notes to Transactions with Related Parties]

Subsidiaries and Associates (Millions of yen)

Type	Name of company, etc.	Percentage of voting rights, etc., held (or held of the Company)	Relationship with related party	Transaction details	Transaction amount[6]	Account title	Fiscal year-end balance
Subsidiaries	Taikisha (Singapore) Pte. Ltd.[5]	Direct holding (100.00%)	Concurrently held Officers' posts; Financial support; Ordering to the Company for part of construction work	Guarantee of debt[1]	3,728	—	—
	Tianjin Taikisha Paint Finishing System Ltd.	Direct holding (72.14%) Indirect holding (17.86%)	Concurrently held Officers' posts; Financial support; Ordering to the Company for part of construction work	Receiving orders of construction work[2]	1,978	Accounts receivable from completed construction contracts	1,868
	Taikisha (Thailand) Co., Ltd.	Direct holding (49.00%) Indirect holding (36.25%)	Concurrently held Officers' posts; Financial support; Ordering to the Company for part of construction work	Guarantee of debt[3]	1,822	—	—
	Taikisha Engineering India Ltd.	Direct holding (55.00%)	Concurrently held Officers' posts; Financial support; Ordering to the Company for part of construction work	Guarantee of debt[4]	1,344	—	—

Transaction conditions and decision policy thereof:

Notes:

1. Consists of the guarantee for loans payable at said subsidiary and the guarantee for work to the customers.
2. Construction contract is concluded on an arm's length basis similar to that with an independent third party.
3. Consists of the guarantee for said subsidiary's participation in bidding and the guarantee for work to the customers.
4. Consists of the guarantee for loans payable at said subsidiary, the guarantee for said subsidiary's participation in bidding and the guarantee for work to the customers.
5. "Provision for loss on guarantees of subsidiaries and associates" of ¥79 million is posted with regard to the guarantee of debt of said subsidiary.
6. The transaction amount above does not include consumption taxes.

[Notes to per-Share Information]

1. Net assets per share ¥1,851.98
2. Net income per share ¥68.69

[Notes to Significant Subsequent Events]

Not applicable.

[Other Note]

(Additional information)

Following the promulgation on March 31, 2014, of the “Act for Partial Amendment of the Income Tax Act, etc.,” the Special Reconstruction Corporation Tax has been abolished for the fiscal year that begins on or after April 1, 2014. In accordance with this measure, the effective statutory tax rate, which is used to measure deferred tax assets and deferred tax liabilities, has been reduced to 35.64% from 38.01% for temporary differences that are expected to be eliminated during the fiscal year commencing on April 1, 2014.

The impact of this change in the effective statutory tax rate was a decrease of ¥100 million in deferred tax assets (after deducting the amount of deferred tax liabilities) and an increase of ¥99 million in income taxes-deferred.

Accounting Auditors' Audit Report on Consolidated Financial Statements (duplicated copy)

Independent Auditors' Report

(English Translation)

May 12, 2014

To the Board of Directors
Taikisha Ltd.

A&A Partners

Hiroko Sakamoto (seal)
Certified Public Accountant
Designated and Engagement Partner

Hiroaki Kagami (seal)
Certified Public Accountant
Designated and Engagement Partner

Satoshi Terada (seal)
Certified Public Accountant
Designated and Engagement Partner

We have audited, pursuant to Article 444, Paragraph 4 of the Companies Act of Japan, the Consolidated financial statements, which consist of the Consolidated Balance Sheet, Consolidated Income Statement, Consolidated Statement of Changes in Net Assets and Notes to Consolidated Financial Statements of Taikisha Ltd. (hereinafter referred to as the "Company") for the fiscal year from April 1, 2013, to March 31, 2014.

Management's Responsibility for Consolidated Financial Statements
Management is responsible for the preparation and fair presentation of Consolidated Financial Statements in accordance with accounting principles generally accepted in Japan. This responsibility includes designing and operating internal control, which management considers necessary for the preparation and fair presentation of the Consolidated Financial Statements that are free from material misstatements, whether due to fraud or error.

Auditors' Responsibility
Our responsibility is to express an opinion on the Consolidated Financial Statements based on our audit, from an independent viewpoint. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit according to such plan 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 depend on the auditors' judgment, including the assessment of the risks of material misstatement of the Consolidated Financial Statements, whether due to fraud or error. Although the purpose of the audit is not to express an opinion on the effectiveness of the entity's internal control, in making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the Consolidated Financial Statements in order to design audit procedures that are appropriate for 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 consolidated financial position of Taikisha Ltd. and its consolidated subsidiaries as of March 31, 2014, and the consolidated result of their operations for the year then ended in conformity with accounting principles generally accepted in Japan.

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

Accounting Auditors' Audit Report on Non-consolidated Financial Statements (duplicated copy)

Independent Auditors' Report
(English Translation)

May 12, 2014

To the Board of Directors
Taikisha Ltd.

A&A Partners

Hiroko Sakamoto (seal)
Certified Public Accountant
Designated and Engagement Partner

Hiroaki Kagami (seal)
Certified Public Accountant
Designated and Engagement Partner

Satoshi Terada (seal)
Certified Public Accountant
Designated and Engagement Partner

We have audited, pursuant to Article 436, Paragraph 2, Item 1 of the Companies Act of Japan, the Non-consolidated Financial Statements, which consist of the Non-consolidated Balance Sheet, Non-consolidated Income Statement, Non-consolidated Statement of Changes in Net Assets and Notes to Non-consolidated Financial Statements, and the accompanying supplementary schedules thereof of Taikisha Ltd. (hereinafter referred to as the "Company") for the 69th fiscal year from April 1, 2013, to March 31, 2014.

Management's Responsibility for Non-consolidated Financial Statements
Management is responsible for the preparation and fair presentation of the Non-consolidated Financial Statements and the accompanying supplementary schedules in accordance with accounting principles generally accepted in Japan. This responsibility includes designing and operating internal control, which management considers necessary for the preparation and fair presentation of the Non-consolidated Financial Statements and the accompanying supplementary schedules that are free from material misstatements, whether due to fraud or error.

Auditors' Responsibility
Our responsibility is to express an opinion on the Non-consolidated Financial Statements and the accompanying supplementary schedules from an independent viewpoint, based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit according to such plan to obtain reasonable assurance about whether the Non-consolidated Financial Statements and the accompanying 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 accompanying supplementary schedules. The procedures selected and applied depend on the auditors' judgment, including the assessment of the risks of material misstatement of the Non-consolidated Financial Statements and the accompanying supplementary schedules, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the Non-consolidated Financial Statements and the accompanying supplementary schedules in order to design audit procedures that are appropriate for the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. 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 accompanying 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 financial statements and the accompanying supplementary schedules thereof referred to above present fairly, in all material respects, the financial position of the Company as of March 31, 2014, and the result of its operation for the year then ended in conformity with accounting principles generally accepted in Japan.

Interest
We do not have any interests in the Company which are required to be disclosed pursuant to the provisions of the Certified Public Accountant Act of Japan.

Audit & Supervisory Board Audit Report (duplicated copy)

Audit Report

(English Translation)

Regarding the performance of duties by the Directors for the 69th fiscal year from April 1, 2013, to March 31, 2014, the Audit & Supervisory Board hereby submits its Audit Report, which has been prepared upon careful consideration based on the audit report prepared by each Audit & Supervisory Board Member.

1. Summary of Auditing Methods by the Audit & Supervisory Board Members and Audit & Supervisory Board

The Audit & Supervisory Board established auditing policies, allocation of duties, and other relevant matters for the fiscal year ended March 31, 2014, and received reports from each Audit & Supervisory Board Member regarding his or her audits and results thereof, as well as received reports from the Directors, other relevant personnel and the Accounting Auditors regarding performance of their duties, and requested explanations as necessary.

Each Audit & Supervisory Board Member complied with the auditing regulations stipulated by the Audit & Supervisory Board, followed the auditing policies, allocation of duties and other relevant matters for the fiscal year under review, communicated with the Internal Audit Office, other employees and any other relevant personnel, and made efforts to prepare the environment for information collection and audit, as well as participated in meetings of the Board of Directors and other important meetings, received reports from the Directors, employees and other relevant personnel regarding performance of their duties, requested explanations as necessary, examined important authorized documents and associated information, and conducted audit visits to study the operations and financial positions of the head office, as well as of principal branch offices, branches and business offices.

In addition, with respect to the system for ensuring that the performance of duties by the Directors as stated in the Business Report conforms to the related laws, regulations and the Articles of Incorporation, and the system prepared based on the contents of the resolutions of the Board of Directors and such resolutions regarding preparation of the system stipulated in Article 100, Paragraphs 1 and 3 of the Ordinance for Enforcement of the Companies Act (internal control system), we received regular reports from Directors, employees and other relevant personnel regarding the development and the operation of the system, requested explanations as necessary and expressed opinions.

With regard to the internal control over financial reporting based on the Financial Instruments and Exchange Act, we received reports on the assessment and audit status of said internal control from the Directors and the Accounting Auditors (A&A Partners), and requested explanations as necessary.

We examined the details of the Basic Policy pursuant to Article 118, Item 3 (a), as well as the respective initiatives pursuant to Article 118, Item 3 (b), of the Ordinance for Enforcement of the Companies Act set forth in the Business Report, based on the careful consideration that took place during meetings of the Board of Directors and others. With respect to subsidiaries, we communicated and exchanged information with Directors, Audit & Supervisory Board Members and other relevant personnel of several major subsidiaries, and conducted audit visits to major subsidiaries including those overseas to study the operations and financial positions thereof.

Based on the above methods, we examined the Business Report and the accompanying supplementary schedules pertaining to the relevant fiscal year.

Furthermore, we monitored and verified whether the Accounting Auditors maintained its independence and implemented appropriate audits, as well as received reports from the Accounting Auditors regarding the performance of their duties and requested explanations as necessary. In addition, we received notice from the Accounting Auditors that the “system for ensuring that duties are performed properly” (matters set forth in each item of Article 131 of the Ordinance for Corporate Accounting) had been prepared in accordance with the “Product Quality Management Standards Regarding Audits” (issued by the Business Accounting Council on October 28, 2005) and other relevant standards, and requested explanations as necessary.

Based on the above methods, we examined the Non-consolidated Financial Statements (Non-consolidated Balance Sheet, Non-consolidated Income Statement, Non-consolidated Statement of Changes in Net Assets, and Notes to Non-consolidated Financial Statements) and the accompanying supplementary schedules, as well as the Consolidated Financial Statements (Consolidated Balance Sheet, Consolidated Income Statement, Consolidated Statement of Changes in Net Assets and Notes to Consolidated Financial Statements) pertaining to the relevant fiscal year.

2. Results of Audit

(1) Results of Audit of Business Report and Other Relevant Documents

1. In our opinion, the Business Report and the accompanying supplementary schedules are in accordance with the related laws, regulations and the Articles of Incorporation, and fairly present the Company's condition.
2. We have found no evidence of wrongful action or material violation of related laws and regulations, nor of any violation with respect to the Articles of Incorporation, related to performance of duties by the Directors.
3. In our opinion, the contents of the resolutions of the Board of Directors related to the internal control system are fair and reasonable. In addition, we have found no matters on which to remark regarding the description in the Business Report and the performance of duties by the Directors related to such internal control system, including the internal control over financial reporting. As for the incident regarding the violation of the Anti-Monopoly Act with regard to the bidding for the equipment installation Project of the Hokuriku Shinkansen Line, which is described in the Business Report, the Audit & Supervisory Board has confirmed that the Taikisha Group has taken measures to prevent recurrence and to thoroughly enhance compliance. The Board will keep an eye on the Group's future initiatives to reinforce the compliance system and thoroughly enhance corporate ethics.
4. We have found no matters to point out with respect to the basic policy regarding persons who control the Company's decisions on financial matters and business policies as described in the Business Report. In our opinion, the respective initiatives pursuant to Article 118, Item 3 (b), of the Ordinance for Enforcement of the Companies Act set forth in the Business Report comply with said basic policy and do not impair the common interests of the Company's shareholders or aim to protect the positions of any of the company officers.

(2) Results of Audit of Consolidated Financial Statements

In our opinion, the methods and results employed and rendered by A&A Partners are fair and reasonable.

(3) Results of Audit of Non-consolidated Financial Statements and the Accompanying Supplementary Schedules

In our opinion, the methods and results employed and rendered by A&A Partners are fair and reasonable.

May 14, 2014

Audit & Supervisory Board, Taikisha Ltd.

Full-time Audit & Supervisory Board Member	Mitsuru Sano (seal)
Full-time Audit & Supervisory Board Member (Outside Audit & Supervisory Board Member)	Katsuzo Konishi (seal)
Full-time Audit & Supervisory Board Member	Masaaki Saito (seal)
Audit & Supervisory Board Member (Outside Audit & Supervisory Board Member)	Yoshikatsu Nakajima (seal)
Audit & Supervisory Board Member (Outside Audit & Supervisory Board Member)	Junichi Noro (seal)

Reference Documents for the Shareholders' Meeting

Proposals and References

Proposal No. 1: Appropriation of Retained Earnings

The Company proposes the following appropriation of retained earnings.

1. Matters concerning year-end dividends
   The Company plans to distribute a year-end dividend of ¥25 per share with due consideration to the operating results to reflect our appreciation of shareholders' continued support.
   The annual dividend per share therefore would be ¥45, consisting of the interim dividend per share of ¥20 having already been paid and the year-end dividend of ¥25, compared with the annual dividend per share of ¥50 for the previous fiscal year including ¥5 per share in commemoration of the 100th anniversary of the Company's foundation.
   (1) Type of property for dividends: Money
   (2) Matters concerning allotment of property dividends to shareholders and the total amount thereof
   The Company proposes a year-end dividend of ¥25 per share of common stock for a total of ¥881,123,875 to be distributed.
   (3) Effective date of distribution from surplus: June 30, 2014
2. Matters concerning other retained earnings
   To prepare for future business development, the Company proposes to post a "Reserve for investment on information technology" of ¥200 million.
   (1) Item and amount of surplus to be decreased
   Retained earnings brought forward: ¥200,000,000
   (2) Item and amount of surplus to be increased
   Reserve for investment on information technology: ¥200,000,000

Proposal No. 2: Election of Seven (7) Directors

The terms of office of all eight (8) Directors will expire at the conclusion of this Annual Shareholders' Meeting. Accordingly, the election of seven (7) Directors is proposed.
The candidates are as follows:

Candidate No.	Name (Date of birth)	Career summary, positions and assignments in the Company and important positions concurrently held at other companies		Number of shares of the Company held
1	Eitaro Uenishi (January 12, 1951)	April 1974	Joined the Company	231,700
		April 2001	Acting General Manager, in charge of Sales, Green Technology System Division	
		April 2003	General Manager, Tohoku Branch Office, Green Technology System Division	
		June 2003	Director	
		April 2005	General Manager, Osaka Branch Office, Green Technology System Division	
		April 2007	Director, Senior Corporate Officer, General Manager, Tokyo Branch Office 1, Green Technology System Division	
		April 2008	Director, Senior Corporate Officer, Assistant to President, in charge of Corporate Planning	
		April 2009	Director, Managing Corporate Officer, Assistant to President, in charge of Company-wide Sales Promotion	
		April 2010	Representative Director, President Corporate Officer	
		April 2013	Representative Director, Chairman Corporate Officer (current position)	
2	Satoru Kamiyama (November 20, 1947)	April 1970	Joined the Company	13,400
		April 2002	Senior General Manager, Engineering Dept., Paint Finishing System Division	
		June 2003	Director	
		April 2005	Chief General Manager, Paint Finishing System Division	
		June 2005	Managing Director	
		April 2006	Chief General Manager, Paint Finishing System Division, and Senior General Manager, Sales and Marketing Dept., Paint Finishing System Division	
		April 2007	Director, Managing Corporate Officer, Chief General Manager, Paint Finishing System Division	
		April 2009	Director, Executive Corporate Officer, Chief General Manager, Paint Finishing System Division	
		April 2010	Representative Director, Executive Vice President Corporate Officer	
		April 2013	Representative Director, President Corporate Officer (current position)	
3	Kiyoshi Hashimoto (October 9, 1948)	April 1972	Joined the Company	10,600
		April 2003	General Manager, Cost Control Dept., Paint Finishing System Division	
		April 2005	Senior General Manager, Engineering Dept., Paint Finishing System Division	
		June 2005	Director	
		April 2007	Director, Senior Corporate Officer, Vice General Manager, Paint Finishing System Division, and Senior General Manager, Engineering Dept., Paint Finishing System Division	
		April 2009	Director, Managing Corporate Officer, Vice General Manager, Paint Finishing System Division, and Senior General Manager, Engineering Dept., Paint Finishing System Division	
		April 2010	Director, Managing Corporate Officer, Chief General Manager, Paint Finishing System Division	
		April 2012	Director, Executive Corporate Officer, Chief General Manager, Paint Finishing System Division	
		April 2014	Director, Executive Corporate Officer, Chief Executive, Corporate Planning Headquarters (current position)	

Candidate No.	Name (Date of birth)	Career summary, positions and assignments in the Company and important positions concurrently held at other companies		Number of shares of the Company held
4	Toshiaki Shiba (December 19, 1949)	April 1968	Joined the Company	12,600
		April 1996	General Manager, Construction Dept. #4, Tokyo Branch Office, Green Technology System Division	
		April 2002	General Manager, Engineering Dept., Kita-kanto Branch, Green Technology System Division	
		April 2003	General Manager, Engineering Dept., Tokyo Office, Green Technology System Division	
		April 2007	Acting Senior General Manager, Engineering Dept., Green Technology System Division, and General Manager, Construction Site Support Section, Green Technology System Division	
		April 2008	Corporate Officer, General Manager, Global Business Management Supporting Office, Green Technology System Division, and Vice General Manager, Engineering Dept., Green Technology System Division, and General Manager, Construction Purchasing Office, Green Technology System Division	
		April 2009	Senior Corporate Officer, Senior General Manager, Engineering Dept., Green Technology System Division	
		April 2012	Managing Corporate Officer, Chief General Manager, Green Technology System Division	
		June 2012	Director, Managing Corporate Officer, Chief General Manager, Green Technology System Division	
		April 2013	Director, Executive Corporate Officer, Chief General Manager, Green Technology System Division (current position)	
5	Kouji Kato (June 12, 1955)	April 1978	Joined the Company	5,000
		April 2004	General Manager, Engineering Dept. Tokyo Branch Office, Green Technology System Division	
		April 2005	Senior General Manager, Engineering Dept., Green Technology System Division	
		June 2005	Director	
		April 2007	Assistant to Chief General Manager, Green Technology System Division	
		April 2008	Engineering Planning Dept. Green Technology System Division	
		April 2009	Corporate Officer, General Manager, Engineering Planning Dept., Green Technology System Division	
		April 2010	Managing Corporate Officer, Chief General Manager, Green Technology System Division, and General Manager, Engineering Planning Dept., Green Technology System Division	
		June 2010	Director, Managing Corporate Officer, Chief General Manager, Green Technology System Division, and General Manager, Engineering Planning Dept., Green Technology System Division	
		April 2012	Director, Managing Corporate Officer, Chief Executive, Corporate Planning Headquarters, and charge of Environment, and General Manager, Corporate Planning Office	
		April 2013	Director, Managing Corporate Officer, Chief Executive, Corporate Planning Headquarters, and charge of CSR	
		April 2014	Director, Managing Corporate Officer, Chief Executive, Administrative Management Headquarters, and charge of CSR (current position)	

Candidate No.	Name (Date of birth)	Career summary, positions and assignments in the Company and important positions concurrently held at other companies		Number of shares of the Company held
6	Tetsuya Ogawa (April 25, 1953)	April 1972	Joined the Company	4,000
		April 2003	General Manager, Nagoya Office, Paint Finishing System Division	
		April 2005	General Manager, Process Quality Dept., Paint Finishing System Division	
		April 2007	Corporate Officer, Senior General Manager, Process Quality Dept., Paint Finishing System Division	
		April 2010	Senior Corporate Officer, Vice General Manager, Paint Finishing System Division, and Senior General Manager, Engineering Dept., Paint Finishing System Division	
		June 2011	Director, Senior Corporate Officer, Vice General Manager, Paint Finishing System Division, and Senior General Manager, Engineering Dept., Paint Finishing System Division	
		April 2012	Director, Managing Corporate Officer, Vice General Manager, Paint Finishing System Division, and Senior General Manager, Engineering Dept., Paint Finishing System Division	
		April 2013	Director, Managing Corporate Officer, Vice General Manager, Paint Finishing System Division	
		April 2014	Director, Managing Corporate Officer, Chief General Manager, Paint Finishing System Division (current position)	
7	Shuichi Murakami (November 12, 1950)	April 2005	Managing Corporate Officer, General Manager, Shikoku Business, Sompo Japan Insurance Inc.	6,100
		April 2008	Advisor, Corporate Planning Department, Sompo Japan Insurance Inc.	
		June 2008	Resigned from Sompo Japan Insurance Inc.	
			Audit & Supervisory Board Member of the Company	
			Full-time Audit & Supervisory Board Member (Outside), Origin Electric Co., Ltd.	
		June 2012	Director of the Company (current position)	
			Retired as Full-time Audit & Supervisory Board Member (Outside), Origin Electric Co., Ltd.	

Notes:

1. No material conflict of interest exists between the Company and any of the above seven (7) candidates for Director.
2. Shuichi Murakami is a candidate for Outside Director.
3. The Company chose Shuichi Murakami for Outside Director based on our judgment that he has abundant expertise and experience nurtured during his tenure as the person responsible for conducting business and affairs at a leading non-life insurance company and the expectation that he would appropriately perform duties from the viewpoint of ensuring transparent decision making by the Board of Directors and reinforcing the supervisory functions thereon.
   He is currently an Outside Director of the Company, and the number of years as Outside Director of the Company will be two (2) years at the conclusion of this Annual Shareholders' Meeting.
4. The Company has notified Tokyo Stock Exchange, Inc., of the designation of Shuichi Murakami as an Independent Director as stipulated by the TSE regulations. If his appointment as Outside Director is approved at this Annual Shareholders' Meeting, the Company intends to continuously designate him as an Independent Director.
5. In March 2014,during the term of office of Shuichi Murakami as an Outside Director, the Tokyo District Public Prosecutor's Office brought charges against the Company and its former employees for violation of the Anti-Monopoly Act with regard to the bidding for the equipment installation project of the Hokuriku Shinkansen Line. Although he did not perceive such fact until its reveal, he had given recommendations from the standpoint of compliance and promoting awareness. After the incident was revealed, he has been providing recommendations on the prevention of a recurrence and how to ensure the effectiveness of preventive measures in the pursuit of thorough compliance.
6. The Company has stipulated in its Articles of Incorporation that it can conclude a limited liability agreement with each Outside Director to limit his/her liability for damages to a certain degree, and has concluded such limited liability agreement with Shuichi Murakami. If his election as Outside Director is approved, the Company intends to continue the limited liability agreement.
   The outline of the aforementioned contract limits the liability for damages as follows:
   In case an Outside Director causes damage to the Company due to his/her negligence of duty, his/her liability for the damage shall be up to the minimum liability amount provided for in law when said Director's duty is performed in good faith and with no gross negligence.