



# Annual Report 2019

APR. 2018 - MAR. 2019

# Philosophy and Vision

*Technology for the environment is the technology for the future*

## **Mission Statement “Customers First”**

Customers are defined as Overall Society in a broad sense. Spirit of “Customers first” is to win persistent trust from the customer. To achieve this goal, we have to follow our own conscience and make the utmost efforts in every doing based on the belief that the behavior of individuals or the company will bring benefit and happiness to one’s counterpart.

## **Corporate Philosophy : Management Objectives**

### **1. Establish a company which can continuously grow and contribute to the society:**

- 1) We strive to grow continuously by enhancing our added values; thereby, bringing prosperity to our customers and business partners as well as to our employees.
- 2) We strive to create rich environment and evolve the industrial society through our engineering expertise that meets the needs of the society, in order to achieve our ultimate objective to contribute to the society.

### **2. Establish an attractive company:**

- 1) We aim to be a motivation-oriented company where the employees can demonstrate creativity and vitality through their work responsibilities.
- 2) We aim to be a company having the corporate culture in which all employees work in close cooperation to achieve the goals of the company, with the spirits of mutual trust, collaboration and rationality.
- 3) Through the expansion of our expertise in “Energy, Air, and Water”, we aim to become a unique company in all aspects of corporate management, including engineering, marketing, and human resource development.

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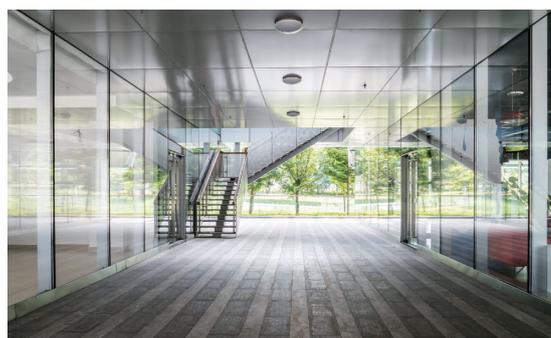
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## Under the slogan, “Aim to become a global corporate group that creates an optimal environment through unique engineering.” we will actively work on the new medium-term business plan.

We would like to express our sincerest gratitude to our shareholders for their continuous support.

I am Koji Kato. I assumed office as President of Taikisha, Ltd. this April.

Since we have finished the fiscal year ended March 31, 2019, we will report on the overview.

Looking at the market environment surrounding the Taikisha Group in the fiscal year ended March 31, 2019, in the domestic market, investments by manufacturers, mainly in the electronic parts industry, were robust and the demand for office building construction remained high in the Tokyo metropolitan area.

In the overseas market, on the other hand, uncertainties arising from factors such as the US-China trade friction continued to weigh on the market.

Under such circumstances, Taikisha achieved our targets for orders-received and net sales of completed construction contracts, as well as all profit items.

Moreover, with the exception of net sales of completed construction contracts, we achieved record levels in orders-received and all profit items.

Of this, ordinary income was affected by the profit deterioration of the Geico’s large-scale project in the U.S in the first half of FY2018, but finally exceeded original forecasts by recovery of the second half of paint finishing business, and favorable industrial HVAC business in Japan.

Also, gains on sales investment securities were recorded as extraordinary gains, but extraordinary gains and losses were negatively affected due to the amount of cancellation of goodwill in Geico as extraordinary losses. However, profit attributable to owners of parent was exceeded the original expectation.

Now let me explain the New Mid-Term Business Plan.

We formulated Mid-Term Business Plan for the three-year from March 2020 to March 2022.

In the New Mid-Term Business Plan, we have set out a long-term vision to “Aim to become a global corporate group that creates an optimal environment through unique engineering.”

With an eye to achieving this vision, each employee of the Taikisha Group will pursue the achievement of the New Mid-Term Business Plan from the perspective of “technology,” “environment,” and “human resources.”

We will therefore continuously exert every possible effort to achieve our management targets to gain the high trust and appreciation of all stakeholders. We appreciate the continued support and guidance of our shareholders and investors in the years to come.

**Koji Kato**

President and Representative Director



## Surrounding Environment and Management Issues

|                                    |   |   |
|------------------------------------|---|---|
| Outlook for the market environment | <ul style="list-style-type: none"> <li>● Market for HVAC systems for office buildings (in Japan):</li> </ul>  | Expectations for the market to remain steady in the long-term, due to the continuing need to rebuild/renew buildings constructed under the old earthquake-proof standards and to redevelop, despite the moderate decline in demand for office buildings   |
|                                    | <ul style="list-style-type: none"> <li>● Market for industrial HVAC systems (in Japan):</li> </ul>  | Expectations for continued further investments by electronic-parts manufacturers, the driving force of the manufacturing industry, in line with the advance of 5G (5th Generation Mobile Telecommunications System), as well as the use of electronics in automobiles, despite the decline in Japan's industrial production |
|                                    | <ul style="list-style-type: none"> <li>● Overseas HVAC systems market:</li> </ul>   | New potential investments in anticipation of a re-examination of the supply chain in the manufacturing industry due to the US-China trade friction  |
|                                    | <ul style="list-style-type: none"> <li>● Paint finishing systems market:</li> </ul>   | Expectations of changes in the investment trends of manufacturers in the major market of passenger vehicles due to the spread of electric vehicles, the advances in self-driving technology and the use of AI in automobiles  |
| Society and Customer needs         | <ul style="list-style-type: none"> <li>● Growth in demand for new solutions with sophistication of client needs toward energy-saving, cost-saving, environment-responsiveness, automation, the utilization of IoT/AI, etc.</li> <li>● Growth of the renovation/renewal market due to the increasing sophistication and diversification of corporate demand toward offices</li> <li>● Increase in demand to reduce environmental impact rising out of an awareness of the SDGs</li> <li>● Increasing interest by society and investors in ESG</li> </ul> |   |
| Globalization                      | <ul style="list-style-type: none"> <li>● Increasingly harsh business environment of clients on the global market due to the rise of manufacturers of emerging countries</li> <li>● Increasingly fluid and uncertain investment targets and destinations of Japanese corporate clients</li> <li>● Intensified competition with local enterprises in the emerging countries</li> </ul>  |   |
| Securing human resources           | <ul style="list-style-type: none"> <li>● Crucial task of securing human resources to support the future, as the working population shrinks</li> <li>● Necessity of improving the work-life balance of employees to aim to create an attractive company</li> <li>● Emerging issues of enhancing productivity by leveraging technological innovations</li> <li>● Necessity of human resource strategies to secure outstanding national staff overseas</li> </ul>  |   |

## Taikisha Philosophy Scheme

### Mission Statement "Customers First"

Customers are defined as Overall Society in a broad sense.

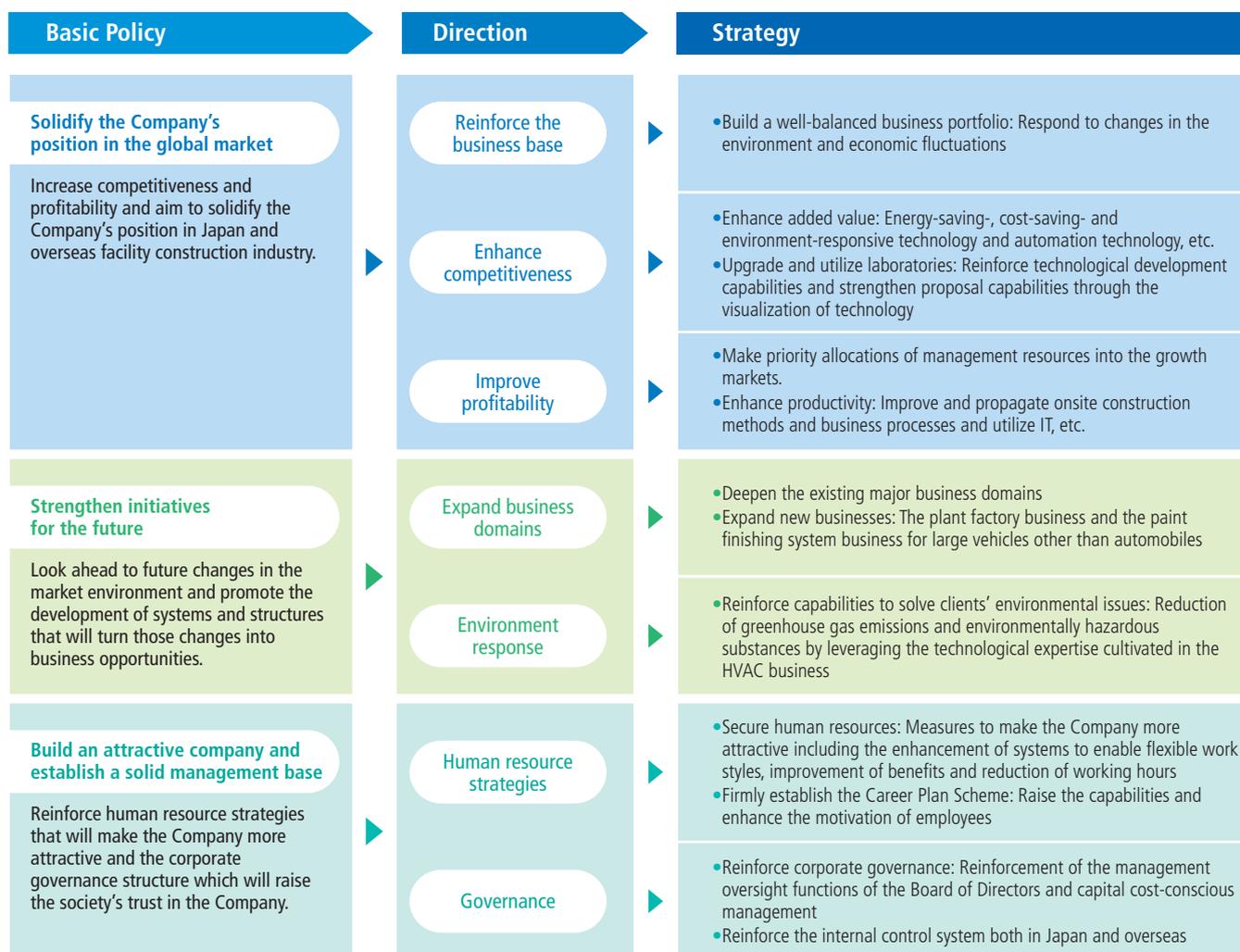
The spirit of "Customers First" is to win persistent trust from the customer.

To achieve this goal, we have to follow our conscience and make the utmost efforts in every doing based on the belief that the behavior of individuals or the company will bring benefit and happiness to one's counterpart.

### Corporate Philosophy

- |   |  |
|---|--|
| <p><b>1</b> Establish a company which can continuously grow and contribute to the society</p> | <ol style="list-style-type: none"> <li>① We strive to grow continuously by enhancing our added values; thereby, bringing prosperity to our customers and business partners as well as to our employees.</li> <li>② We strive to create rich environment and evolve the industrial society through our engineering expertise that meets the needs of the society, in order to achieve our ultimate objective to contribute to the society.</li> </ol>   |
| <p><b>2</b> Establish an attractive company</p>   | <ol style="list-style-type: none"> <li>① We aim to be a motivation-oriented company where the employees can demonstrate creativity and vitality through their work responsibilities.</li> <li>② We aim to be a company having the corporate culture in which all employees work in close cooperation to achieve the goals of the company, with the spirits of mutual trust, collaboration and rationality.</li> <li>③ Through the expansion of our expertise in "Energy, Air, and Water", we aim to become a unique company in all aspects of corporate management, including engineering, marketing, and human resource development.</li> </ol> |

## Basic Policy and Direction of the Mid-Term Business Plan / Strategy



## Long-term Vision

“Aim to become a global corporate group that creates an optimal environment  
Through unique engineering”

### Technology

Aim to become an engineering group that meets the diverse needs of clients through energy-, air- and water-based technology.

### Environment

Solve the clients’ environmental issues with innovative solution technology and contribute to passing on the rich global environment to future generations.

### Human Resources

Respect the individual’s creativity and diversity, and value the corporate culture which allows employees to experience one’s growth and the joy of working.

- Secure stable suppliers and business partners
- Maintain a sound financial base

- Utilize IoT/AI: Promote the development of new solutions
- Enhance the company’s presence through stepped-up PR

- Reinforce the project management structure

- Expand business areas into new countries
- Promote alliance with overseas Group companies: Reinforce capabilities to respond to the needs of overseas clients

- Respond to social needs such as SDGs- and ESG-related needs through business operations: Pursue these areas as new business opportunities

- Reinforce human capital and organizational capabilities through the utilization of diverse human resources
- Secure employees in line with the situation of each overseas group company

- Improve the global risk management system: Legal risks, information security, compliance, etc.

## Quantitative Management Targets

### Quantitative targets for the FY 2021

|   |       |                     |
|---|-------|---------------------|
| Orders-received                               | 2,650 | hundred million yen |
| Net sales of completed construction contracts | 2,600 | hundred million yen |
| Ordinary income                               | 160   | hundred million yen |
| Profit attributable to owners of parent       | 100   | hundred million yen |
| Return on equity (ROE)                        | 8     | % or higher         |
| Investment Plan                               | 200   | hundred million yen |

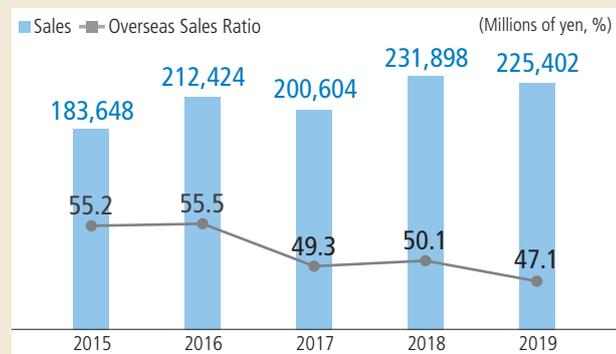
We will aim for return on equity (ROE) exceeding capital costs and strive to increase corporate value.

# MANAGEMENT'S DISCUSSION AND ANALYSIS

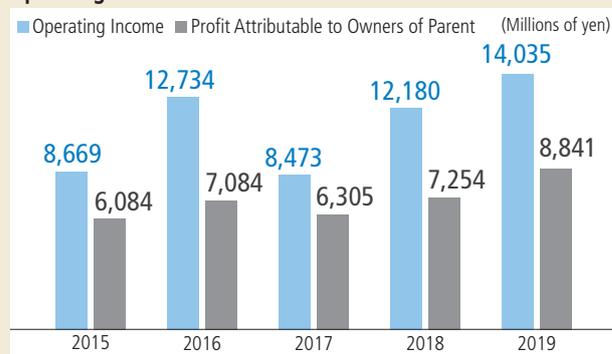
FIVE-YEAR SUMMARY : Taikisha Ltd. and its Consolidated Subsidiaries for the years ended March 31, 2015 to 2019

| CONSOLIDATED                                      | Millions of yen |          |          |          | Thousands of U.S. dollars |              |
|---|-----------------|----------|----------|----------|---------------------------|--------------|
|   | 2015            | 2016     | 2017     | 2018     | 2019                      | 2019         |
| Orders received:                                  | ¥187,311        | ¥221,764 | ¥218,323 | ¥219,844 | ¥241,889                  | \$2,178,989  |
| Green Technology System Division                  |                 |          |          |          |                           |              |
| Environmental facilities (building HVAC)          | 44,896          | 43,717   | 48,739   | 43,612   | 46,731                    | 420,970      |
| Industrial facilities (industrial HVAC)           | 81,093          | 88,988   | 81,690   | 103,898  | 111,856                   | 1,007,628    |
| Paint Finishing System Division                   | 61,321          | 89,058   | 87,893   | 72,333   | 83,300                    | 750,391      |
| Sales:  | ¥183,648        | ¥212,424 | ¥200,604 | ¥231,898 | ¥225,402                  | \$2,030,472  |
| Green Technology System Division                  |                 |          |          |          |                           |              |
| Environmental facilities (building HVAC)          | 40,827          | 43,608   | 43,857   | 45,845   | 46,158                    | 415,804      |
| Industrial facilities (industrial HVAC)           | 75,307          | 91,214   | 80,704   | 94,093   | 103,005                   | 927,898      |
| Paint Finishing System Division                   | 67,513          | 77,602   | 76,043   | 91,960   | 76,238                    | 686,770      |
| Profit attributable to owners of parent           | 6,084           | 7,084    | 6,305    | 7,254    | 8,841                     | 79,649       |
| Comprehensive income                              | 14,320          | 1,063    | 8,174    | 14,098   | 6,724                     | 60,573       |
| Total assets                                      | ¥187,066        | ¥187,910 | ¥197,753 | ¥215,392 | ¥223,080                  | \$2,009,551  |
| Total net assets                                  | 99,669          | 95,921   | 100,184  | 110,650  | 113,649                   | 1,023,781    |
| Equity ratio (%)                                  | 50.7            | 48.4     | 48.4     | 48.8     | 48.8                      | 48.8         |
| Return on equity (%)                              | 6.9             | 7.6      | 6.8      | 7.2      | 8.3                       | 8.3          |
|   |                 |          | Yen      |          |                           | U.S. dollars |
| Profit attributable to owners of parent per share | ¥172.64         | ¥204.35  | ¥183.16  | ¥212.40  | ¥259.53                   | \$2.34       |
| Cash dividends per share                          | 52.00           | 67.00    | 70.00    | 75.00    | 91.00                     | 0.82         |
| Net assets per share                              | 2,690.76        | 2,633.60 | 2,799.30 | 3,087.51 | 3,193.18                  | 28.76        |
| <b>NON-CONSOLIDATED</b>                           |                 |          |          |          |                           |              |
| Orders received:                                  | ¥100,479        | ¥111,793 | ¥112,222 | ¥125,703 | ¥134,799                  | \$1,214,305  |
| Green Technology System Division                  |                 |          |          |          |                           |              |
| Environmental facilities (building HVAC)          | 42,832          | 41,611   | 46,149   | 41,610   | 43,365                    | 390,647      |
| Industrial facilities (industrial HVAC)           | 38,482          | 46,416   | 46,676   | 63,306   | 69,510                    | 626,162      |
| Paint Finishing System Division                   | 19,164          | 23,765   | 19,395   | 20,786   | 21,924                    | 197,496      |
| Sales:  | ¥93,297         | ¥107,269 | ¥105,378 | ¥123,584 | ¥125,181                  | \$1,127,664  |
| Green Technology System Division                  |                 |          |          |          |                           |              |
| Environmental facilities (building HVAC)          | 38,530          | 41,420   | 41,490   | 43,875   | 42,964                    | 387,034      |
| Industrial facilities (industrial HVAC)           | 35,386          | 39,968   | 44,447   | 56,901   | 61,418                    | 553,274      |
| Paint Finishing System Division                   | 19,381          | 25,880   | 19,439   | 22,807   | 20,798                    | 187,356      |

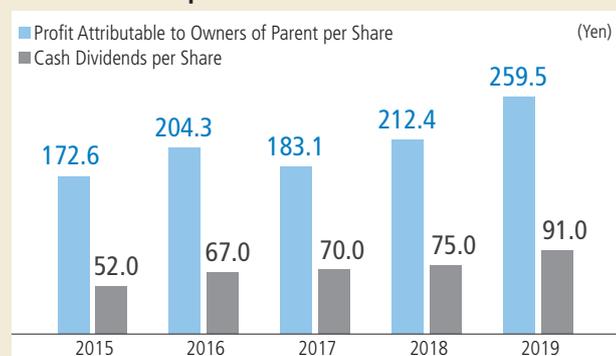
### Sales & Overseas Sales Ratio



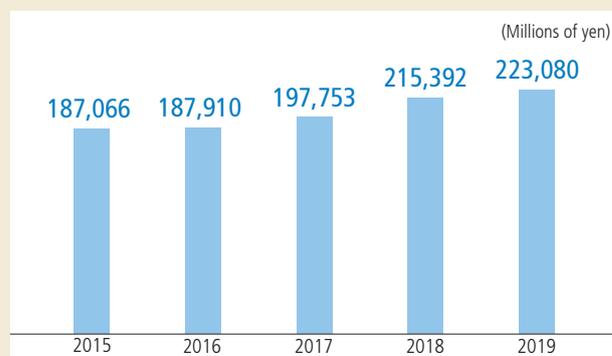
### Operating Income & Profit Attributable to Owners of Parent



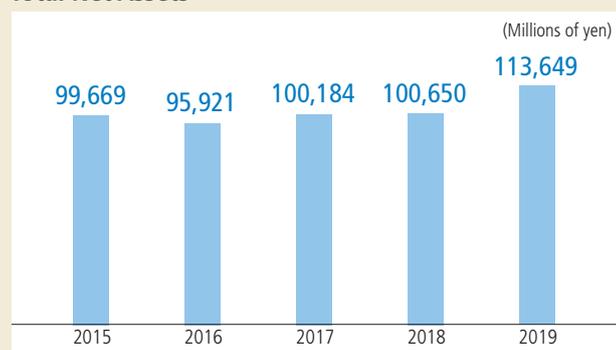
### Profit Attributable to Owners of Parent per Share & Cash Dividends per Share



### Total Assets



### Total Net Assets



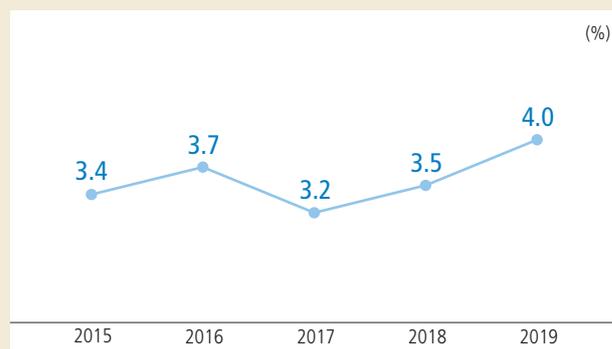
### Equity Ratio



### ROE



### ROA



The Company was founded in 1913 under the name of joint-stock company "Kenzaisha," as an affiliated company of L Leybold Co., Ltd., a German machinery import company. At that time, major business operations were the importation and installation of heating equipment, elevators and building materials, etc.

Taikisha Ltd. celebrated its 100th anniversary on April 10, 2013.

With the Green Technology System Business (building HVAC and industrial HVAC) and the Paint Finishing System Business as core business pillars, the Taikisha Group is developing business on a global scale as an environmental engineering company with 35 affiliates in 18 countries.

## We are carrying out stable management across three business sectors.

### Green Technology System Business



#### (1) Building HVAC

We design and construct building HVAC systems for a variety of facilities including office buildings, schools, hospitals, hotels, museums and airport terminals to help people spend time comfortably.



#### (2) Industrial HVAC

We also design and construct industrial HVAC systems optimized for "monozukuri" including clean rooms for manufacturing facilities and research laboratories which require an extremely clean environment for manufacturing processes in fields such as semiconductors and pharmaceuticals. Furthermore, we focus on environmental conservation equipment such as pollution control systems.

### Paint Finishing System Business



#### (3) Paint Finishing System

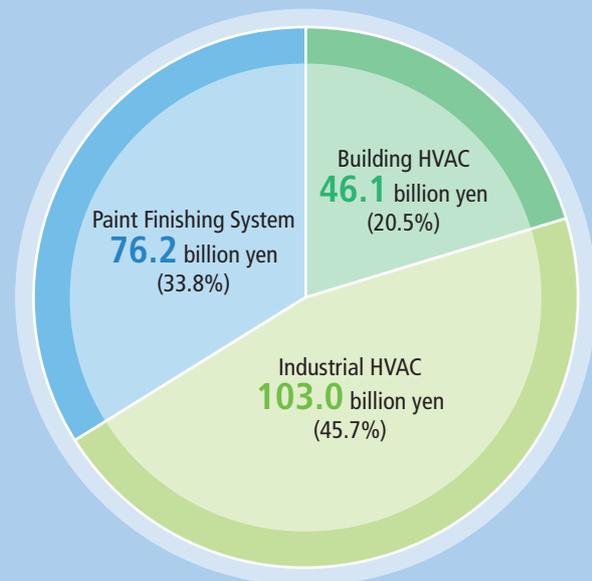
We design and construct large-scale paint plants for domestic and foreign automobile manufacturers in Japan, the United States, Europe, South Korea, China, India and other countries.

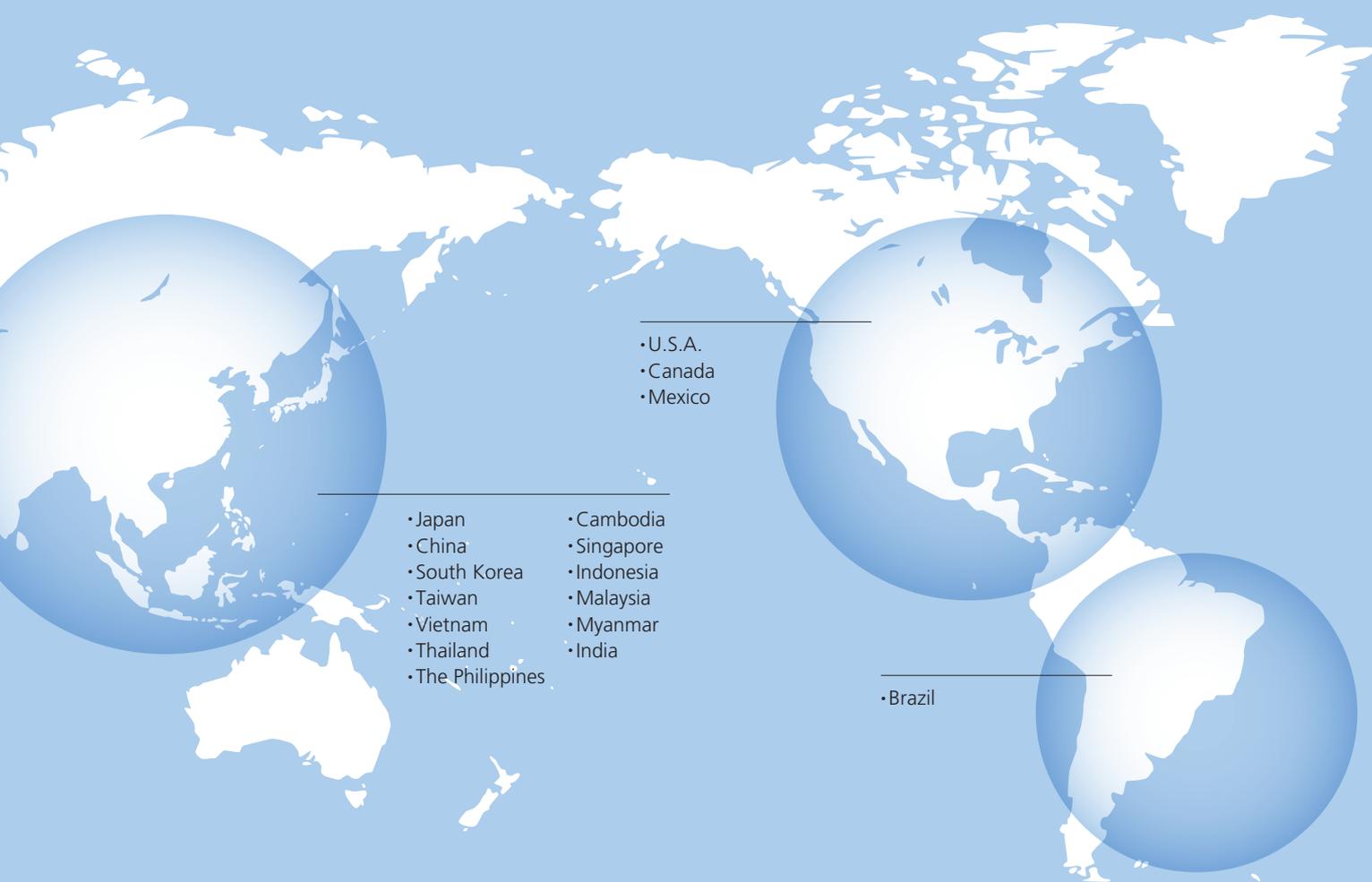
Our automobile paint plants, which balance energy saving with sophisticated pollution control functionality, have some of the largest sales globally.

#### ● Global Network



#### ● Composition of Sales (Total Sales) (for the fiscal year ended March 31, 2019)



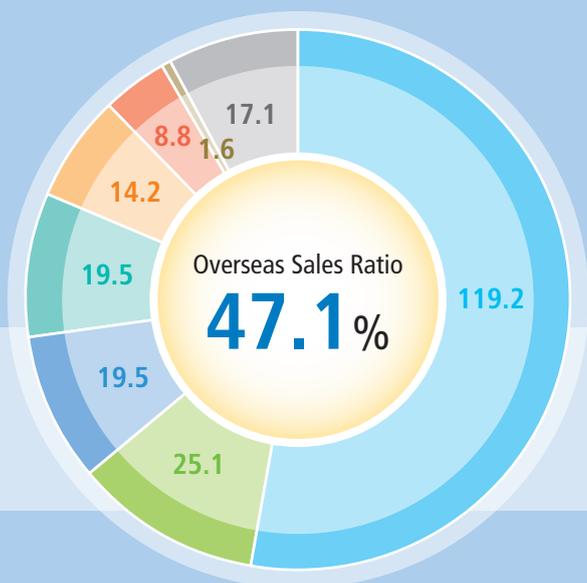


- U.S.A.
- Canada
- Mexico

- Japan
- China
- South Korea
- Taiwan
- Vietnam
- Thailand
- The Philippines
- Cambodia
- Singapore
- Indonesia
- Malaysia
- Myanmar
- India

- Brazil

● **Composition of Sales by Region**  
 (for the fiscal year ended March 31, 2019)  
 (Billions of yen)



## Powerful Global Network

The Company features an extremely high overseas sales ratio within the Japanese construction industry (overseas sales ratio 47.1%, as of March 31, 2019). The Company's 35 affiliates in 18 countries overseas are significantly greater in number than that of other companies in the same industry. This powerful global network contributes greatly to the reception of orders regarding overseas projects.

- Japan
- Thailand
- Other Southeast Asian countries
- North America
- China
- India
- Other East Asian countries
- Other regions



## Please describe the business environment surrounding the Company and the business results for the year ended March 31, 2019.



Looking at the market environment surrounding the Taikisha Group in the fiscal year ended March 31, 2019, in the domestic market, investments by manufacturers, mainly in the electronic

parts industry, were robust and the demand for office building construction remained high in the Tokyo metropolitan area.

In the overseas market, on the other hand, uncertainties arising from factors such as the US-China trade friction continued to weigh on the market.

Given such circumstances, consolidated orders-received increased 22.0 billion yen year on year to 241.8 billion yen.

Of this, the Green Technology System Division's orders-received increased 11.0 billion yen to 158.5 billion yen due to strong orders-received in the industrial HVAC business in Japan.

Also, Paint Finishing Division's order-received increased 10.9 billion yen to 83.3 billion yen due to the two large-scale project in Europe.

Consolidated net sales of completed construction contracts declined 6.4 billion yen year on year to 225.4 billion yen.

Of this the net sales of the Green Technology System Division increased by 9.2 billion yen to 149.1 billion yen because sales increased due to the increase in the construction carried forward at the beginning of the fiscal year and the impact of favorable orders-received in industrial HVAC business both in Japan and overseas.

On the other hands, the net sales of Paint Finishing System Division decreased by 15.7 billion yen to 76.2 billion yen, because there was a reactionary fall due to two large-scale automobile Paint Finishing System projects in the U.S contributed significantly to

sales in the previous fiscal year.

Consolidated ordinary income increased 2.0 billion yen year on year to 15.0 billion yen.

Of this, ordinary income of Green Technology System Division increased 1.6 billion yen to 13.5 billion yen because of the increase in completed construction by capturing abundant demand in Japan, as well as profitability-oriented order activities and cost reductions.

Regarding Paint Finishing System Division, affected in the project of North American affiliate in the previous fiscal year and in the project of Geico group in the U.S. in the first half of the current fiscal year.

But it was recovered from the second half of the fiscal year onward due to factors such as the occurrence of an unused portion of costs appropriated for the project and the winning of orders for high margin projects.

As a result, ordinary income for FY2018 increased 0.5 billion yen to 1.6 billion yen.

### Achievements in FY2018

(Hundred millions of yen)

|   | Results of FY2017 | Results of FY2018 | Difference |
|---|-------------------|-------------------|------------|
| Orders-received                               | 2,198             | 2,418             | 220        |
| Net sales of completed construction contracts | 2,318             | 2,254             | -64        |
| Ordinary income                               | 130               | 150               | 20         |
| (Ratio)                                       | 5.6%              | 6.7%              | 1.1%       |
| Profit attributable to owners of parent       | 72                | 88                | 15         |
| (Ratio)                                       | 3.1%              | 3.9%              | 0.8%       |





## Please describe the business environment and business forecasts for the fiscal year ending March 31, 2020.



First of all, consolidated orders-received are forecast to be 239.8 billion yen.

As for the outlook for the market environment, we expect that the Japanese market will remain firm although there is a possibility that the demand for office buildings will decline at a moderate pace for the time being.

In addition, it is expected that electronic and electrical product manufacturers, which are one of the growth drivers of the manufacturing industry, continue investing according to 5G and the electrification of automobiles.

On the other hand, in the industrial HVAC business overseas, although there is uncertainty about the prospect of recovery in investment for equipment by Japanese manufacturer, it is expected that demand remains firm.

Also, regarding Paint Finishing System Division, in FY2019, a reactionary fall is expected due to orders-receiving the large-scale project in Europe in FY2018. However investment for equipment renewal in U.S., Europe and Japan, also investment increased

production in China, India etc. are expected to continue.

Consolidated net sales of completed construction contracts are expected to increase 13.5 billion yen from the fiscal year ended March 31, 2019 to 239.0 billion yen.

The primary contributing factor is expected to be the sharp sales growth of building HVAC.

Consolidated ordinary income is expected to be 15.3 billion yen.

In the Green Technology System Business, profitability is expected to decline from the fiscal year ended March 31, 2019, despite an increase in sales of completed construction contracts, due to factors such as increasing labor and material costs and decreasing in the proportion of relatively profitable renewal projects.

In the Paint Finishing System Business, profitability is expected to increase due to recovery from losses caused by automobile painting project of Geico group in the U.S. in the first half of the previous fiscal year.

Please note that margins were higher than normal in the second half of the fiscal year ended March 31, 2019 due to factors

### Earnings Forecast for FY2019 (Orders received)

(Hundred millions of yen)

|                         | FY2018<br>(Results)<br>A |       |         | FY2019<br>(Expectation)<br>B |       |         | Difference<br>B-A |        |       |
|-------------------------|--------------------------|-------|---------|------------------------------|-------|---------|-------------------|--------|-------|
|                         | H1                       | H2    | Total   | H1                           | H2    | Total   | H1                | H2     | Total |
| <b>Orders-received</b>  | 1,185                    | 1,233 | 2,418   | 1,112                        | 1,286 | 2,398   | -73               | 52     | -20   |
| (Japan)                 | (756)                    | (542) | (1,298) | (577)                        | (728) | (1,305) | (-179)            | (186)  | (6)   |
| (Overseas)              | (428)                    | (691) | (1,120) | (535)                        | (558) | (1,093) | (106)             | (-133) | (-27) |
| <b>Green Technology</b> | 884                      | 701   | 1,585   | 700                          | 910   | 1,610   | -184              | 208    | 24    |
| Building HVAC           | 252                      | 214   | 467     | 190                          | 271   | 461     | -62               | 56     | -6    |
| Industrial HVAC         | 632                      | 486   | 1,118   | 510                          | 639   | 1,149   | -122              | 152    | 30    |
| (Japan)                 | (443)                    | (250) | (694)   | (320)                        | (379) | (699)   | (-123)            | (128)  | (4)   |
| (Overseas)              | (188)                    | (235) | (423)   | (190)                        | (260) | (450)   | (1)               | (24)   | (26)  |
| <b>Paint Finishing</b>  | 300                      | 532   | 833     | 412                          | 376   | 788     | 111               | -156   | -45   |
| (Japan)                 | (60)                     | (76)  | (136)   | (67)                         | (78)  | (145)   | (6)               | (1)    | (8)   |
| (Overseas)              | (240)                    | (456) | (696)   | (345)                        | (298) | (643)   | (104)             | (-158) | (-53) |

### Earnings Forecast for FY2019 (Sales)

(Hundred millions of yen)

|  | FY2018<br>(Results)<br>A |       |         | FY2019<br>(Expectation)<br>B |       |         | Difference<br>B-A |      |       |
|--|--------------------------|-------|---------|------------------------------|-------|---------|-------------------|------|-------|
|  | H1                       | H2    | Total   | H1                           | H2    | Total   | H1                | H2   | Total |
| <b>Net sales of completed construction contracts</b> | 988                      | 1,265 | 2,254   | 1,106                        | 1,284 | 2,390   | 117               | 18   | 135   |
| (Japan)  | (550)                    | (641) | (1,192) | (652)                        | (653) | (1,305) | (101)             | (11) | (112) |
| (Overseas)   | (437)                    | (623) | (1,061) | (454)                        | (631) | (1,085) | (16)              | (7)  | (23)  |
| <b>Green Technology</b>                              | 691                      | 800   | 1,491   | 780                          | 825   | 1,605   | 88                | 24   | 113   |
| Building HVAC  | 190                      | 270   | 461     | 251                          | 287   | 538     | 60                | 16   | 76    |
| Industrial HVAC                                      | 500                      | 529   | 1,030   | 529                          | 538   | 1,067   | 28                | 8    | 36    |
| (Japan)  | (313)                    | (300) | (613)   | (339)                        | (293) | (632)   | (25)              | (-7) | (18)  |
| (Overseas)   | (187)                    | (228) | (416)   | (190)                        | (245) | (435)   | (2)               | (16) | (18)  |
| <b>Paint Finishing</b>                               | 297                      | 464   | 762     | 326                          | 459   | 785     | 28                | -5   | 22    |
| (Japan)  | (46)                     | (70)  | (117)   | (62)                         | (73)  | (135)   | (15)              | (2)  | (17)  |
| (Overseas)   | (250)                    | (394) | (645)   | (264)                        | (386) | (650)   | (13)              | (-8) | (4)   |

such as the occurrence of an unused portion of costs appropriated for the project and the winning of high margin projects.

Profitable attributable to owners of parent increase by 0.8 billion yen to 9.7 billion yen.

In FY2018, there was a negative impact of extraordinary gains and losses, however, the factor is fall off and profits are expected to increase in FY2019.

### Earnings Forecast for FY2019 (Profit)

(Hundred millions of yen)

|   | FY2018<br>(Results)<br>A |      |       | FY2019<br>(Expectation)<br>B |      |       | Difference<br>B-A |       |       |
|---|--------------------------|------|-------|------------------------------|------|-------|-------------------|-------|-------|
|   | H1                       | H2   | Total | H1                           | H2   | Total | H1                | H2    | Total |
| Ordinary income                         | 38                       | 112  | 150   | 64                           | 89   | 153   | 25                | -23   | 2     |
| (Ratio)                                 | 3.9%                     | 8.9% | 6.7%  | 5.8%                         | 6.9% | 6.4%  | 1.9%              | -1.9% | -0.3% |
| Green Technology                        | 65                       | 70   | 135   | 63                           | 74   | 137   | -2                | 3     | 1     |
| (Ratio)                                 | 9.4%                     | 8.8% | 9.1%  | 8.1%                         | 9.0% | 8.5%  | -1.3%             | 0.2%  | -0.6% |
| Paint Finishing                         | -28                      | 45   | 16    | 3                            | 18   | 21    | 31                | -27   | 4     |
| (Ratio)                                 | -9.5%                    | 9.7% | 2.2%  | 0.9%                         | 3.9% | 2.7%  | 10.5%             | -5.8% | 0.5%  |
| Profit attributable to owners of parent | 9                        | 79   | 88    | 42                           | 55   | 97    | 32                | -24   | 8     |
| (Ratio)                                 | 0.9%                     | 6.3% | 3.9%  | 3.8%                         | 4.3% | 4.1%  | 2.9%              | -2.0% | 0.1%  |



Please explain your initiatives to achieve the earnings forecasts for the fiscal year ending March 31, 2020.



Taikisha will steadily implement following each measure in accordance with the Basic Policy of the Mid-Term Business Plan.

| Direction                   | Priority issues  |
|-----------------------------|--|
| Reinforce the business base | Develop new customers  |
| Enhance competitiveness     | Reinforce technological development capabilities for customer needs and strengthen proposal capabilities through the visualization of technology by upgrading and utilizing laboratories   |
| Improve profitability       | Promotion of automation of design/calculation work by utilizing IT   |
| Expand business domains     | <ul style="list-style-type: none"> <li>Expand the plant factory business</li> <li>Expand business areas into new countries and establish a foothold in the future</li> <li>Expand the paint finishing system business for railway car and aircraft other than automobiles by strengthen collaboration with group company and utilizing laboratories</li> </ul>   |
| Environment response        | Work on environment businesses such as exhaust treatment system  |
| Human resource strategies   | <ul style="list-style-type: none"> <li>Secure human resources by measures to making the company more attractive including the enhancement of systems to enable flexible work styles, improvement of benefits and reduction of working hours</li> <li>Raise the capabilities and enhance the motivation of employees and achieve improvement of productivity by firmly establishing the career plan scheme</li> <li>Secure employees in line with the situation of each overseas group company and Enhance human resource and organizational ability by utilizing diverse human resource</li> </ul> |
| Governance                  | <ul style="list-style-type: none"> <li>Reinforce corporate governance by reinforcement of the management oversight functions of the Board of Directors and capital cost-conscious management</li> <li>Reinforce the internal control system both in Japan and overseas</li> <li>Improve the global risk management system about legal risks, information security, compliance, etc.</li> </ul>   |



## What is your policy on shareholders returns?



Our basic policy is to aim for a consolidated dividend payout ratio of 35% and to ensure stable dividends as we have done in the past.

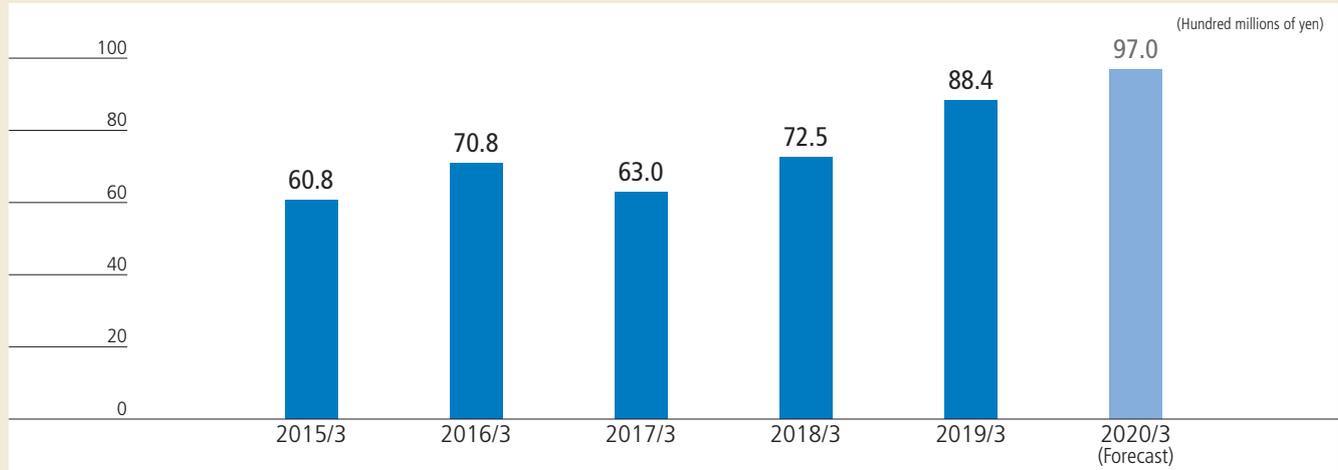
Based on this policy, Taikisha paid an annual dividend of 91 yen per share for the fiscal year ended March 31, 2019, which is an increase of 14 yen per share from the planned dividend of 77 yen per share we announced at the beginning of the current fiscal year.

Taikisha plans to pay an annual dividend of 100 yen per share for the fiscal year ending March 31, 2020.

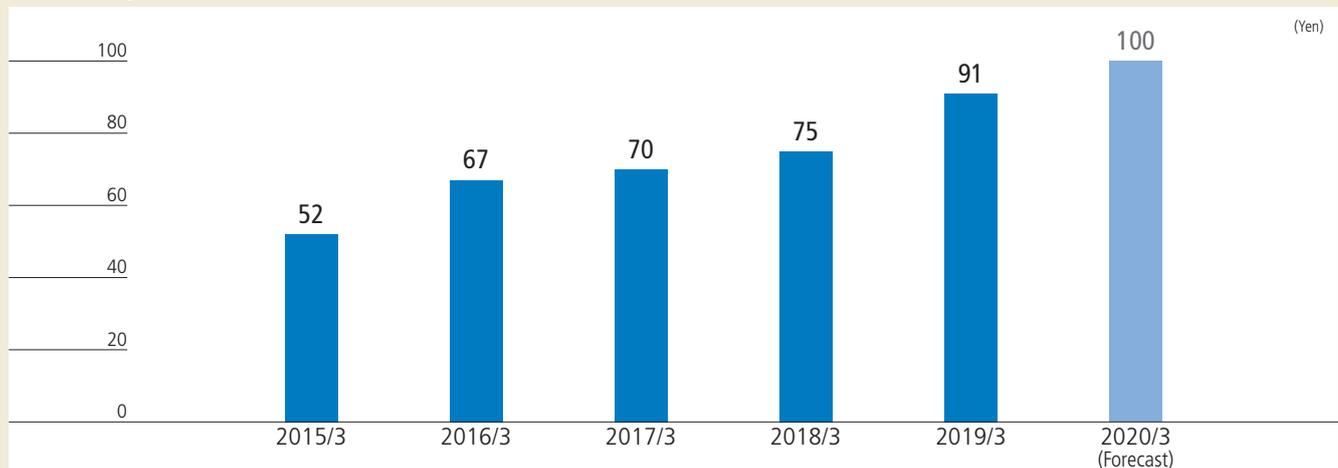
In addition, I would like to explain about the purchase and retirement of treasury shares.

Our basic policy is to purchase and retire treasury stock flexibly in order to improve capital efficiency and promptly implement financial policies.

### Profit attributable to owners of parent



### Dividends per Share



# Green Technology System Division

## Business Overview

Green Technology System Division conducts Industrial HVAC business (for clean rooms and other manufacturing facilities) and building HVAC business (for office buildings, etc.) that designs and constructs HVAC systems both in Japan and overseas.

## TOPICS 1

### New Production Line for ORONAMIN C DRINK Starts Operations at P.T. Amerta Indah Otsuka

In line with the June 2018 launch in Indonesia of ORONAMIN C DRINK, a carbonated nutritional drink containing vitamin C and other vitamins, P.T. Amerta Indah Otsuka, an Indonesian affiliate of Otsuka Pharmaceutical Co., Ltd., installed a new production line. The line was installed at the Sukabumi Factory and conforms to requirements for halal food products.

Taikisha's technologies and local responsiveness spanning more than a decade are evaluated highly, and Taikisha succeeded in obtaining the contract with Otsuka Pharmaceutical for the installation of facilities including HVAC, electricity, sanitation and other utilities.



## Aiming to Further Increase of Orders Received through priority Allocation of Management Resources and Active Proposal Marketing Activities to Customers

The Division designs and constructs HVAC systems for the industrial HVAC business sector (for clean rooms and other manufacturing facilities) and the building HVAC business sector (for office buildings, etc.) both in Japan and overseas.

For the industrial HVAC business sector, it is expected that electronic and electrical product manufacturers continue investing according to 5G and the electrification of automobiles. Overseas, the Division expects new potential investments in anticipation of a re-examination of the supply chain in the manufacturing industry from factors such as the US-China trade friction.

For the building HVAC business sector, the Division expects that the Japanese market will remain firm in the long term, due to the continuing need to rebuild/renew buildings constructed under the old earthquake-proof standards and to redevelop, despite the moderate decline in demand for office buildings.

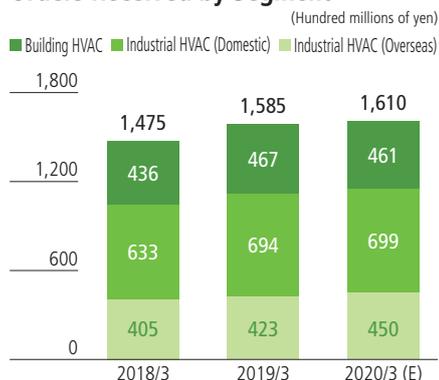
For the future, the Division will work to enhance added value by strengthening energy-saving, cost-saving and environment-responsive technology and automation technology, etc. The Division will also upgrade and utilize laboratories to reinforce technological development capabilities and strengthen proposal capabilities through the visualization of technology. Also, aiming to expand business domains, the Division will continue to promote the expansion of new businesses (such as the plant factory business), as well as aggressively expand business areas into new countries in response to changes in the investment destinations of corporate clients.



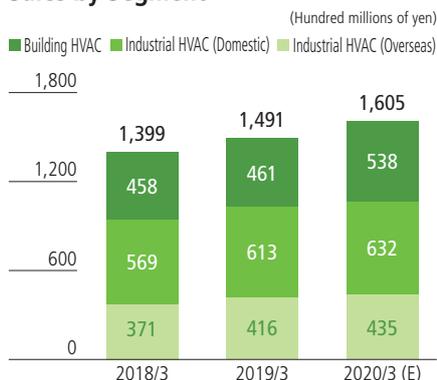
Director, Executive Corporate Officer, Chief General Manager, Green Technology System Division

**Yasushi Nakajima**

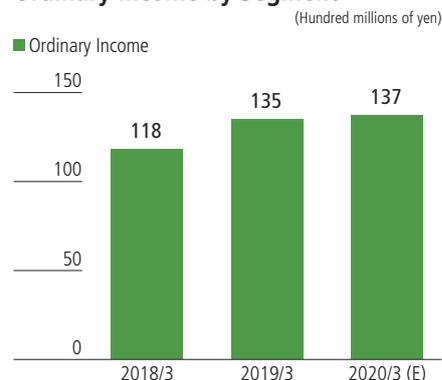
### Orders Received by Segment



### Sales by Segment



### Ordinary Income by Segment



## TOPICS 2

### Initiatives to Achieve Further Enhancement of Productivity

In the Japanese operations of the green technology system business for the fiscal year ended March 31, 2019, given the growing investments in the electronic parts industry and office buildings in the Tokyo metropolitan area, abundant demand was captured by ensuring construction capabilities, mainly through enhancement of productivity, flexible allocation of human resources between divisions and increased mid-career hires.

Demand for construction in Japan is expected to remain steady going forward, whereas further enhancement of productivity remains a challenge in view of the growing problem of labor shortage.

Taikisha has thus far been working to improve and propagate onsite construction methods and business processes, as well as

to improve construction management efficiency by utilizing tablet terminals at the work site.

Presently, Taikisha is developing a drawing system equipped with automatic plotting and diagnostic functions, to further enhance productivity. The aim is to shorten work hours using the automatic plotting function, and also to prevent loss costs associated with reworking of construction by using the automatic diagnosis function to perform a diagnosis on the drawings based on drawing standards and construction rules, thereby ensuring the quality of the drawings. System development is also underway to automate quantity survey operations.

Taikisha will continue with its drive to enhance productivity by promoting these efforts to utilize IT and other measures.



# Paint Finishing System Division

## Business Overview

Paint Finishing System Division designs and constructs automobile paint finishing plants, whose major customers are Japanese and overseas automobile manufacturers. Taikisha has one of the largest sales in this field globally.

## TOPICS



## Integration/Expansion of Research and Development Sites of Paint Finishing System Division – Establishment of the Technical Center in Zama-shi, Kanagawa –

Taikisha opened the Technical Center (Location: Komatsubara, Zama-shi, Kanagawa), the new research and development sites of the Paint Finishing System business, on February 2019. With the new Technical Center, established by partially innovating and expanding the former Zama Technical Center and integrating it with the former Hirakata Development Center (Location: Ikaga midori-machi, Hirakata-shi, Osaka), Taikisha will pursue further reinforcement of its comprehensive development capabilities and quality assurance system.

With the new Technical Center, Taikisha will develop innovative, environmentally friendly, energy-saving, and quality-improving technologies, and will reinforce its comprehensive

## Aiming to Further Increase of Orders Received through priority Allocation of Management Resources and Collaboration with Group Companies Overseas

The Division designs and constructs automobile paint finishing plants, whose major customers are Japanese and overseas automobile manufacturers. Taikisha has one of the largest sales in this field globally.

In the field of paint finishing systems for automobiles, the Division expects that the demand will remain firm, as investment for equipment renewal in U.S., Europe and Japan, also investment increased production in China, India etc. are expected to continue. Also, the Division expects changes in the investment trends of manufacturers in the major market of automobiles in the long-term due to the spread of electric vehicles, the advances in self-driving technology and the use of AI.

For the future, the Division will preferentially allocate management resources to markets with growth potential and create an organizational structure capable of responding more efficiently.

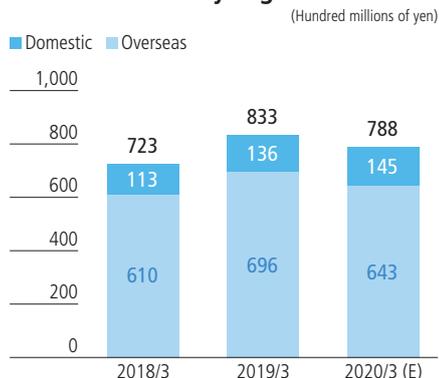
In addition, the Division will strengthen the collaboration with overseas Taikisha Group Companies, and upgrading and utilizing laboratories for aggressively increasing orders from automobile manufacturers and energetically expanding into peripheral business domains, such as paint finishing systems for other than automobiles, such as for aircraft, railway cars.



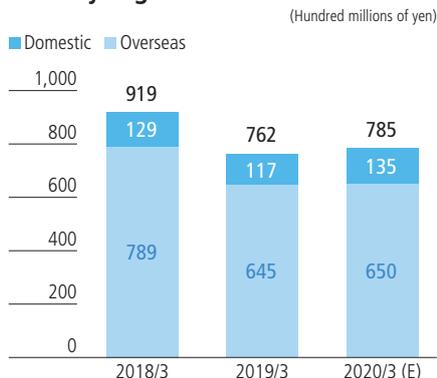
Director, Executive Corporate Officer, Chief General Manager, Paint Finishing System Division

### Kazuhide Hayakawa

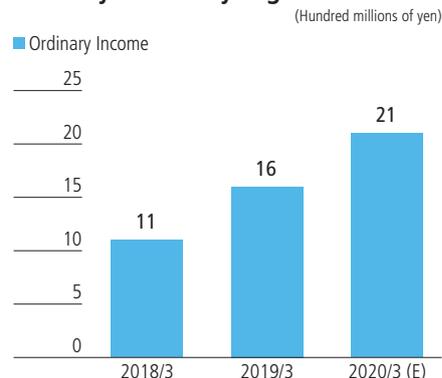
#### Orders Received by Segment



#### Sales by Segment



#### Ordinary Income by Segment



new technology development and quality assurance system to consistently meet customer needs.

Taikisha will also enhance its capability to provide services to its customers both inside and outside of Japan, by expanding into business surrounding the automotive paint shop, through promoting robotized painting systems for other customers than the automobile industry, such as the aircraft manufacturing and maintenance business, developing technology adapted to new materials, and expanding the conveyer system business. In particular, the development of automatic painting systems for aircraft has been accelerated as a future important and promising field through cooperation with Encore Automation LLC (Michigan, USA; in business and capital alliance from 2014) which has its own original painting system technology for aircraft. The plan to establish the Technical Center includes the installation of test equipment for automatic aircraft painting systems with an eye on the mid to long term business expansion of Taikisha.

### Integrated verification area for the MRO automation system

The integrated verification area of the Paint Finishing System Division includes a system to verify the automation of aircraft body maintenance services. The maintenance operation that currently requires the most burdensome manual labor is the polishing process for the undersurface of aircraft bodies. The Division aims to reduce the workload, improve the working environment and save process time by automating this troublesome polishing process.



\*MRO: Abbreviation for aircraft Maintenance, Repair and Overhaul services, which are essential for aircraft bodies and their equipment.

## Basic Policy

Taikisha Ltd. has established a basic policy of corporate governance to gain the trust of all stakeholders and aims to become a corporate group that grows and develops in a healthy manner by thoroughly incorporating compliance awareness and realizing fair and highly transparent management, in order to achieve its Corporate Philosophy and Management Vision in accordance with the spirit of the Company's Mission Statement: "Customers First"\*.

In conformity with the basic policy and based on the organizational structure of a Company with an Audit & Supervisory Board, the Company is continuously working to strengthen the Taikisha Group's governance and reform of management. It is doing this by taking measures such as reinforcing the supervisory function of the Board of Directors through the application of Non-executive Directors (meaning Outside Directors and the Director, Chairman, the same shall apply hereinafter) and speeding up the decision making of the Board of Directors through the adoption of the corporate officer system, aiming to further enhance and reinforce corporate governance of the Taikisha Group.

\*"Customers" is defined as Overall Society in a broad sense. The spirit of "Customers First" is to win persistent trust from the "Customers".

## Corporate Governance System

Taikisha Ltd. has the organizational structure of a company with Audit & Supervisory Board. Aiming to establish solid corporate governance, the Company has continuously addressed the reform of management, including reinforcing the supervisory function of the Board of Directors by appointing Non-Executive Directors and speeding up the decision making by the Board of Directors through the introduction of the Corporate Officer system. Consequently, the Company recognizes that the corporate governance has been effectively working through all such efforts, and thereby will keep the current status.

## Functions of the Board of Directors and the Audit & Supervisory Board

The Board of Directors is comprised of 10 Directors including 2 Outside Directors, the Chairman of the Board is Non-executive Director, Chairman, is held once each month with additional meetings as and when required. The Board of Directors makes decisions regarding the Taikisha Group's management policy, items stipulated in laws and regulation and the Articles of Incorporation, and important management matters, as well as monitors and supervises the execution of duties by each Director and Corporate Officer.

Outside Directors are appointed in order to revitalize deliberation and ensure the transparency of decision-making processes in the Board of Directors, and to reinforce the supervisory function of the Board of Directors over Directors and Corporate Officers. The Audit & Supervisory Board is comprised of 4 Audit & Supervisory Board Members, including 2 Outside Audit & Supervisory Board Members.

Audit & Supervisory Board Members review important documents, including internal approval documents, and attend major meetings, including the Board of Directors and the

Management Meeting, in order to understand important decision-making processes and the execution of duties in the Company and its subsidiaries, as well as to collect information about the current decision making processes for important matters from each department and provide advice and recommendations for operational improvement and other issues as and when required.

Furthermore, audits by the Audit & Supervisory Board Members related to the status of development and operation of the internal control system have been conducted based on these audit results, reports from the internal control department and investigation into each department.

## Functions that Support Corporate Governance

As functions to support its corporate governance, Taikisha Ltd. has set up and is managing the following systems: 1) compliance system; 2) information management system; 3) risk management system; 4) system to ensure the efficiency and transparency of management decisions; 5) group management system; 6) system regarding audit by Audit & Supervisory Board Members (system to support Audit & Supervisory Board Members, system regarding reporting to Audit & Supervisory Board Members, and system to ensure the effectiveness of audit and other systems). The Company reviews these systems continuously to make improvements where necessary.



### Corporate Governance Report

<https://www.taikisha.co.jp/corporate/pdf/CorporateGovernance.pdf>

## Nomination Advisory Committee/ Compensation Advisory Committee

Taikisha Ltd. has established the Nomination Advisory Committee and the Compensation Advisory Committee as advisory bodies for the Board of Directors, with the aim of enhancing the independence and objectivity of functions and the accountability of the Board of Directors regarding nomination and compensation of senior management and Directors. Each Committee is chaired by an Independent Outside Director and comprises 3 Non-Executive Directors, including 2 Independent Outside Directors, and 2 Representative Directors.

## Evaluation of the Effectiveness of the Board of Directors

### Evaluation method

Taikisha Ltd. conducts an analysis and evaluation of the effectiveness of the Board of Directors and discloses the results thereof at least once a year in order to increase the effectiveness of the Board of Directors and enhance information provision to external stakeholders.

In Fiscal Year 2018, the Company, led by the Chairman of the Board, conducted an analysis and evaluation of the effectiveness of the Board of Directors as a whole in which each of Directors and Audit & Supervisory Board Members was asked to complete a self-

evaluation questionnaire on “roles to be played by the Board of Directors” and “matters that should be considered by the Board of Directors in order to fulfill such roles.” In addition, based on an objective analysis by an external advisor, the Company discussed sharing opinions on recognized issues and policies to address such issues, at the Board of Directors meeting.

### Results of the evaluation

As a result of the above, it was determined that the Board of Directors of Taikisha Ltd. is sufficiently effective.

The Board of Directors of the Company assumes the roles of making decisions on important management matters and effectively performing the supervisory function on the overall management of the Company in order to put Company’s Mission Statement “Customers First” into practice and contribute to achieving sustainable growth and medium- to long-term improvement of corporate value.

In order for the Board of Directors to fulfill such roles, it has been provided with sufficient amounts of reference materials and time necessary for deliberations on agendas for the Board of Directors meetings, while receiving reports on the status of business execution on a regular basis.

### Initiatives to address the issues raised

With regard to matters identified as issues by the analysis and evaluation of the effectiveness conducted in the previous fiscal year, Taikisha Ltd. has been improving those matters in order of precedence.

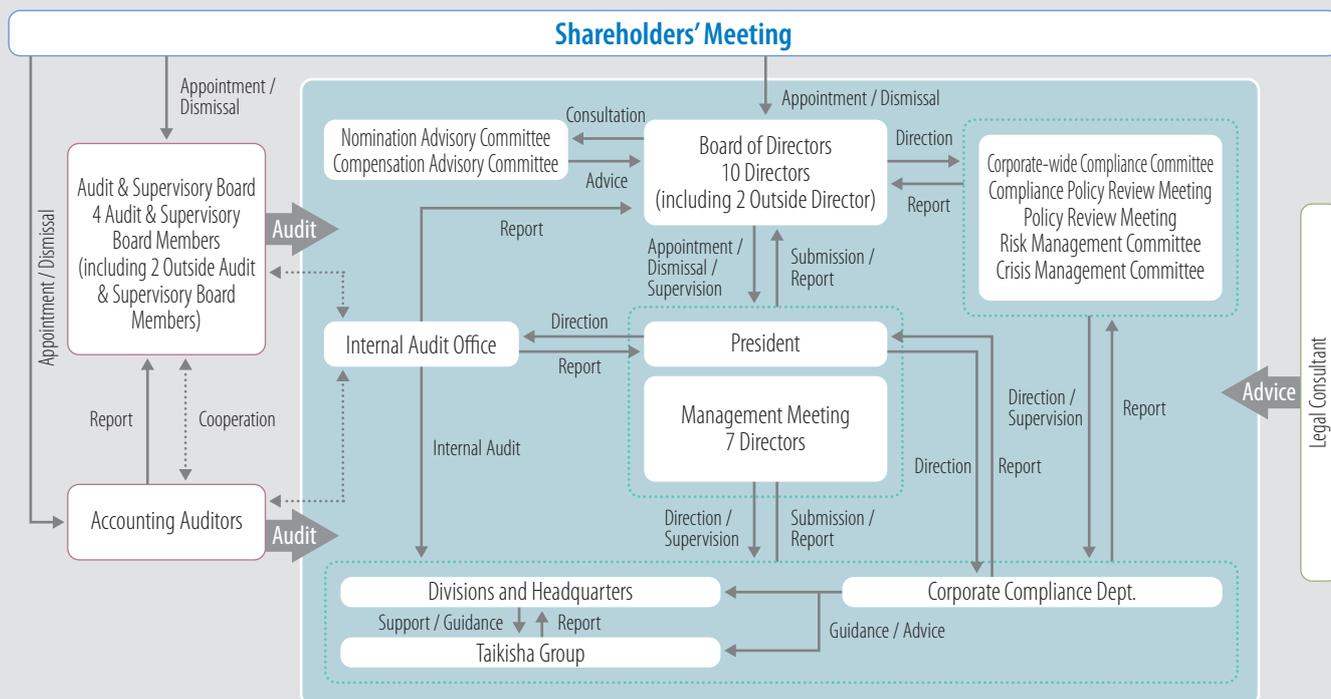
The Company reexamined the level of involvement of the Board

of Directors in the formulation and supervision of medium-and long-term plans, and decided to have the Board of Directors participate in and supervise the formulation of the new Mid-Term Business Plan at an earlier stage than previously, starting from the current fiscal year. In addition, the Company held a meeting attended only by Outside Directors and Outside Audit & Supervisory Board Members to exchange opinions on this matter, and fed the results back to management. Furthermore, the Company took more time at the Board of Directors meeting to discuss management issues, such as work style reforms, human resource development, strengthening of the Taikisha Group and overseas affiliates’ risk management system, and enhancing disclosure of non-financial information. The Company also introduced a stock-based compensation plan for management remuneration to serve as a sound incentive for achieving sustainable growth.

In order to reinforce the supervisory function of the Board of Directors, the Company will discuss the situation regarding development and operation of Taikisha Group’s risk management system of the business executive side, as it examines how to effectively supervise the progress of its medium- and long-term plans. The Company will also continue its efforts to improve the effectiveness and transparency of the Nomination Advisory Committee and the Compensation Advisory Committee, which were established in the previous fiscal year.

In order to further enhance and strengthen corporate governance, the Company will address the management issues identified through this year’s effectiveness analysis and evaluation in order of priority, and continuously examine measures to improve the effectiveness of the Board of Directors.

## Conceptual Diagram of Corporate Governance



## Compliance System

Toward the realization of Corporate Philosophy by conducting transparent and sound business activities, Taikisha has set out the Taikisha Ltd. Code of Conduct that all officers and employees adhere to. In addition, Taikisha has established a compliance promotion system in the Compliance Activity Standards. The Compliance Manual that describes concrete practice standard are distributed to all officers and employees to ensure that compliance is fully disseminated and well-known in entire Taikisha Group.

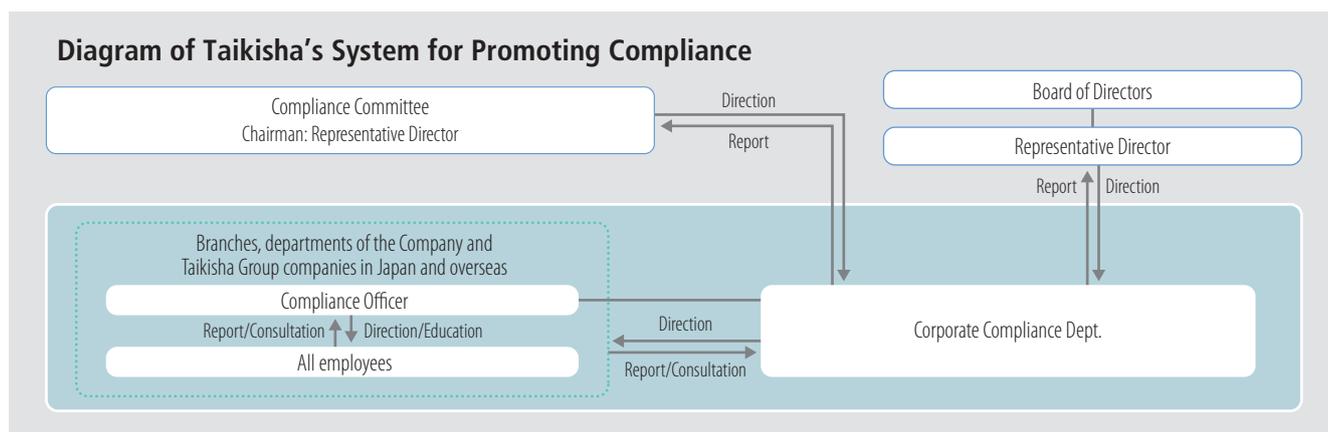
Taikisha's system for promoting compliance is operated by the Compliance Committee, the Corporate Compliance Dept., Compliance Officers and the Whistle-blowing System.

The Compliance Committee, chaired by the Representative Director, meets once a month, in principle, to review and respond to compliance issues in Taikisha's overall business, as well as to verify the status of compliance with laws and ordinances and the Articles of Incorporation. In addition, the Committee verifies recurrence prevention measures regarding cases of compliance violation that have actually occurred. Two of every 12 Committee meetings shall be the Compliance Policy Review Meetings at which all officers are

required to attend. The annual compliance policy, annual plans, violation countermeasures and other subjects are reviewed and validated, in addition to the aforementioned verifications, and a summary of the discussions are reported to the Board of Directors. Should any signs of a significant incident be identified, Taikisha shall swiftly convene the Company-wide Compliance Committee, which all officers are required to attend, to cope with the potential problems.

The Corporate Compliance Dept. conducts compliance-related educational and enlightenment activities on an ongoing basis, in accordance with the Japanese and overseas policy/plan (compliance programs) approved by the Compliance Policy Review Meetings, while maintaining independence as a department directly under the Representative Director. The Department reports on the status of such activities to the Compliance Committee.

Taikisha assigns a Compliance Officer in each business offices of Taikisha Group in Japan and overseas, thus establishing the directing/reporting routes to the Department to strengthen the compliance system.



## Technology utilizing IoT and AI

# Taikisha Develops i-Navistar, an IoT and AI-based root cause analysis system

– Allows root cause analyses of suspended operations of automotive paint lines and quality defects –

### Background and Purpose of Development

To maintain stable operations of automotive paint lines, it is essential to identify the status of the overall operation of a paint line that links each paint process, as well as to quickly detect signs of system failures and quality defects by analyzing and identifying the causes of disruptions to operations using advanced analysis techniques, in order to increase operation and yield rates. However, production lines are equipped with a wide variety of equipment, and painting conditions vary widely according to vehicle type. Accordingly, it is not easy to make a comprehensive judgment by integrating huge volumes of data recorded separately in each paint process. The causes of defects were previously examined at production sites based on the expertise of skilled workers by conducting the process of data analysis and verification repeatedly over a long period.

With rapid changes underway in the surrounding market environment, it is difficult to rapidly adapt to changes using conventional methods. To address productivity and quality improvement issues on automotive paint lines, Taikisha has developed i-Navistar, a system designed to analyze the root causes of operating failures and quality defects using IoT and AI technologies based on sensing data. Taikisha believes that introducing the system will allow customers to optimize various production conditions and further stabilize production quality efficiently and in a short period by taking account of the conditions of an entire production line, which will lead to dramatic improvements in productivity and resolve the issue of a shortage of skilled workers at production sites.

## Monitoring of Compliance Risk

The Corporate Compliance Dept. regularly visits each company of Taikisha Group in Japan and overseas to monitor their compliance risk.

The Department evaluates each company of Taikisha Group to a four-grade structure (S, A, B and C) and provides PDCA-based guidance for the recognition of issues and improvement.

As for monitoring in Japan, Taikisha identifies and verifies a broad range of compliance issues such as the status of compliance with laws and ordinances, including the Antimonopoly Act, and internal rules as well as the management system; the status of dissemination of mission statement and the Whistle-blowing System etc.; and issues related to the labor environment.

As for monitoring overseas, Taikisha identifies and verifies risks specific to each business office based on the conditions of each country; the framework and the operational status of compliance with laws and ordinances including the Competition Act and the Anti-Bribery Act; and the status of dissemination of the Whistle-blowing System.

Taikisha aims to establish an autonomous compliance system that prevents severe legal violations both in its domestic and overseas companies, while helping them to unerringly detect minor infringement cases and cope with such cases on their own.

### ● Risk Rating of Legal and Compliance for Taikisha's Monitoring

| Grade | Four Grades of Evaluation   |
|-------|---|
| S     | No violations of Laws recognized, and weaknesses in legal compliance are minor.                     |
| A     | Minor violations of laws recognized, but detected and controlled properly by ourselves.             |
| B     | Non-minor violations of Laws recognized, so it is necessary to improve the legal compliance system. |
| C     | Material violations of Laws recognized that could threaten the sustainability of business.          |

## Whistle-blowing System

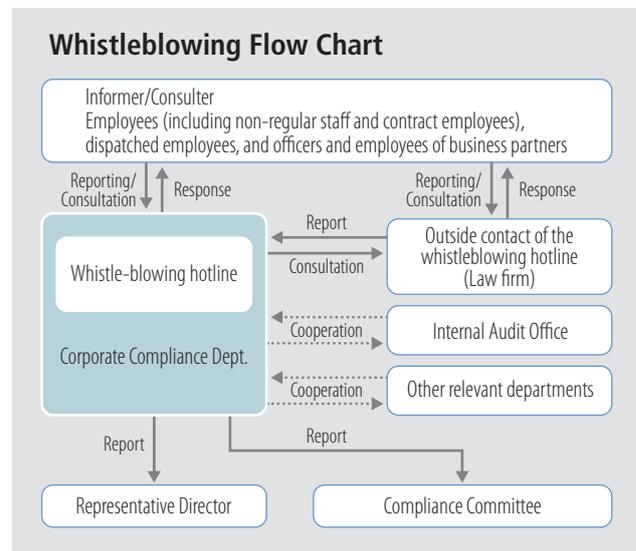
Taikisha has prepared the Whistle-blowing System so that any legal violation, violation of internal rules, misconduct or unethical conduct

can be reported directly, and has established the whistle-blowing hotline to the Corporate Compliance Dept. or an outside law firm. The Whistle-blowing System can be used not only by employees of Taikisha Group but also by dispatched employees as well as officers and employees of business partners.

The hotline of Taikisha has been established since FY2006. In FY2015, Taikisha started developing the hotline at its overseas affiliates as well. As of March 31, 2019, the hotline is in operation at 23 overseas affiliates.

In operating the Whistle-blowing system, the information reported to the hotline is strictly managed in accordance with the Whistleblowing Rules and Taikisha fully protects informers with measures such as raising awareness on the protection of whistleblowers through enlightenment activities for employees.

In FY2018, Taikisha received 6 whistleblowing reports domestically and took appropriate actions upon prompt investigation of each of these cases.

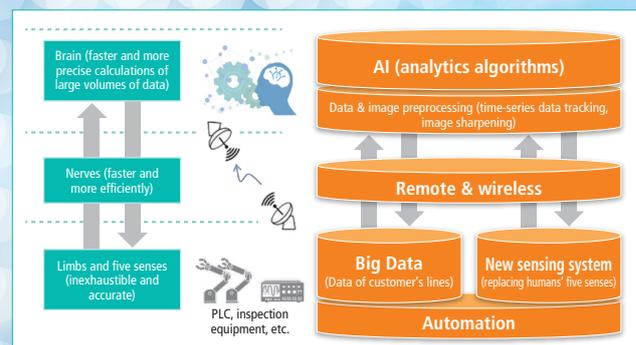


### ■ Features and overview of i-Navistar

i-Navistar tracks various types of time series data, such as facility/equipment operations information and process environment conditions, for each product according to vehicle type production information on automotive paint lines, and identifies the operating status of an entire production line on a real-time basis. In addition, the system analyzes the causes of defects using inspection and quality data on various products produced.

Since its full-scale entry into the paint finishing system business in the 1950s, over the years, Taikisha has undertaken the design and implementation of large paint finishing systems for automobile manufacturers in Japan, as well as around the world, and delivered high-quality paint operations to customers. Taikisha has great strengths in its extensive knowledge and accumulated expertise of automotive paint processes as a whole, gained by providing numerous air conditioning systems for paint finishing plants, robots used for paint finishing, auto body transport systems, and paint supply systems required in automotive plants,

as well as total plant engineering projects ranging from construction to designing an entire paint finishing plant. Taikisha takes pride in the fact that i-Navistar is a unique system only Taikisha could develop by applying its strengths.



## RESULTS OF OPERATIONS (OVERVIEW)

### The results for the fiscal year ended March 31, 2019

#### Earnings Overview

With regard to the world economy during the fiscal year ended March 31, 2019, in the United States, moderate expansion momentum continued against a backdrop of firm consumer spending and capital investment. However, the pace of growth in Europe trended downward, due partly to slower growth in exports despite solid consumer spending. Meanwhile, recovery momentum weakened overall in Asia, with a slowdown in China due to reduced exports and consumer spending from trade friction with the United States. Moderate recovery momentum was seen in Japan. Although exports were held back by economic deceleration overseas, the economy was supported by a moderate increase in consumer spending amid an improved employment and income environment, combined with robust capital investment.

With regard to the business situation of Taikisha Group, in the Japanese market, investment by electronics parts and other manufacturers was solid, and demand for construction of office buildings in the Tokyo metropolitan area also remained at a high level. However, economic uncertainty persisted in overseas markets, due in part to trade friction between the United States and China.

Given such circumstances, the Taikisha Group pursued the following initiatives to generate medium to long-term growth.

Turning first to domestic businesses, the Taikisha Group captured the abundant demand accompanying the growing investments in the electronic parts industry and in office construction in the Tokyo metropolitan area, by ensuring construction capabilities through enhancement of productivity, flexible allocation of human resources between divisions and expansion of mid-career hires. To step up productivity, it took measures to streamline on-site operations and spur procedural simplification through greater use of IT, and through the establishment of a Project Site Support Office, also reduced on-site workloads and fostered the sharing of expertise of experienced engineers.

In measures to expand business areas centering on core businesses, it established the Technical Center in Zama, Kanagawa Prefecture, to accelerate research and development in the paint finishing systems business in areas other than automobiles, such as aircraft and railway rolling stock.

In overseas businesses, orders from European automobile manufacturers were expanded through coordination with Group companies.

As a result of the above, in the consolidated fiscal year under review, orders received increased 10.0% year-on-year to ¥241,889 million, due to increased orders both in Japan and overseas. This includes orders received overseas, which increased 10.3% year-on-year to ¥112,013 million.

Consolidated net sales of completed construction contracts decreased 2.8% year-on-year to ¥225,402 million, with a decrease in overseas contracts more than offsetting the increase in Japan. This includes consolidated net sales of completed construction contracts overseas, which decreased 8.6% year-on-year to ¥106,136 million.

With regard to profits, gross profit on completed construction contracts increased ¥3,475 million year-on-year to ¥36,254 million, operating income increased ¥1,855 million year-on-year to ¥14,035 million, ordinary income increased ¥2,003 million year-on-year to ¥15,085 million, and profit attributable to owners of parent increased ¥1,587 million year-on-year to ¥8,841 million. Every profit related item was higher compared to the previous year due to the favorable performance of Green Technology System.

Earnings by reportable segment (including intersegment transactions) are as follows.

#### Green Technology System

Consolidated orders received increased compared to the previous year as a result of aggressively capturing the robust construction demand in the Tokyo metropolitan area in building HVAC operations as well as capital investments by electronics parts manufacturers in industrial HVAC operations, in Japan. Consolidated net sales of completed construction contracts increased compared to the previous year mainly due to the increase of industrial HVAC in Japan and growth in Thailand and other regions.

As a result, consolidated orders received increased 7.5% year-on-year to ¥158,588 million. The breakdown is orders received for building HVAC of ¥46,731 million which increased 7.2% year-on-year and orders received for industrial HVAC of ¥111,856 million which increased 7.7% year-on-year. Consolidated net sales of completed construction contracts increased 6.6% year-on-year to ¥149,164 million. The breakdown is sales for building HVAC of ¥46,158 million which increased 0.7% year-on-year and sales for industrial HVAC of ¥103,005 million which increased 9.5% year-on-year. Segment profit (ordinary income) increased ¥1,682 million year-on-year to ¥13,567 million.

#### Paint Finishing System

Consolidated orders received increased compared to the previous year mainly due to orders received for large projects in Europe, though orders received in North America declined. Consolidated net sales of completed construction contracts were decreased year-on-year as a reactionary drop from the significant contribution in the previous fiscal year of two large projects in North America, despite an increase in Europe and China and elsewhere.

As a result, consolidated orders received increased 15.2% year-on-year to ¥83,300 million and consolidated net sales of completed construction contracts decreased 17.2% year-on-year to ¥76,245 million. Segment profit (ordinary income) increased ¥516 million year-on-year to ¥1,676 million.

#### Financial Condition

##### Assets

As of March 31, 2019, current assets increased 6.3% year-on-year to ¥168,968 million. This is mainly due to increase in cash and deposits of ¥4,960 million, notes receivable, accounts receivable from completed construction contracts and other of ¥2,758 million, and securities of ¥1,000 million.

Non-current assets decreased 4.0% year-on-year to ¥54,111 million. This is mainly decrease in goodwill of ¥1,430 million, construction in progress in other under property, plant and equipment of ¥1,377 million and investment securities of ¥1,346 million, despite increase in machinery, vehicles, tools, furniture and fixtures of ¥1,916 million.

As a result, total assets increased 3.6% year-on-year to ¥223,080 million.

Assets by reportable segment are as follows.

#### Green Technology System

As of March 31, 2019, current assets decreased 4.6% year-on-year to ¥76,074 million. This is mainly due to decrease in notes receivable, accounts receivable from completed construction contracts and other of ¥1,929 million and cash and deposits of ¥1,742 million.

Non-current assets increased 3.0% year-on-year to ¥24,962 million. This is mainly due to increase in investment securities of ¥631 million.

As a result, total assets decreased 2.8% year-on-year to ¥101,036 million.

#### Paint Finishing System

As of March 31, 2019, current assets increased 13.7% year-on-year to ¥58,179 million. This is mainly due to increase in notes receivable, accounts receivable from completed construction contracts and other of ¥5,568 million.

Non-current assets decreased 9.3% year-on-year to ¥17,830 million. This is mainly due to decrease in investment securities of ¥1,921 million.

As a result, total assets increased 7.3% year-on-year to ¥76,009 million.

#### **Liabilities**

As of March 31, 2019, current liabilities increased 5.4% year-on-year to ¥98,791 million. This is mainly due to increase in short-term loans payable of ¥4,162 million and advances received on uncompleted construction contracts of ¥2,908 million, despite decrease in notes payable, accounts payable for construction contracts and other of ¥4,755 million.

Non-current liabilities decreased 3.3% year-on-year to ¥10,638 million. This is mainly due to increase in long-term loans payable of ¥1,470 million, despite a decrease in deferred tax liabilities of ¥1,566 million.

As a result, total liabilities increased 4.5% year-on-year to ¥109,430 million.

#### **Net assets**

As of March 31, 2019, total net assets increased 2.7% year-on-year to ¥113,649 million. This is mainly due to increase in retained earnings of ¥6,286 million, despite decrease in valuation difference on available-for-sale securities of ¥1,400 million and foreign currency translation adjustment of ¥977 million.

#### **Cash flows**

Cash and cash equivalents (collectively, "Cash") as of March 31, 2018 and 2019 were ¥42,292 million and ¥49,861 million respectively.

Compared to the previous year, it increased ¥7,568 million.

#### **Cash flows from operating activities**

Cash provided by operating activities for the years ended March 31, 2018 and 2019 totaled ¥9,337 million and ¥9,159 million respectively. Cash increased mainly due to the recording of profit before income taxes and an increase in advances received on uncompleted construction contracts, which more than offset outflows such as income taxes paid and an increase in notes and accounts receivable-trade.

#### **Cash flows from investing activities**

Cash provided by investing activities for the year ended March 31, 2018 was ¥1,390 million, and Cash used in investing activities for the year ended March 31, 2019 was ¥2,830 million. Cash decreased mainly because purchase of property, plant and equipment and intangible assets outweighed proceeds from sales of property, plant and equipment and intangible assets, although proceeds from withdrawal of time deposits exceeded payments into time deposits.

#### **Cash flows from financing activities**

Cash used in financing activities for the year ended March 31, 2018 totaled ¥885 million, and Cash provided by financing activities for the year ended March 31, 2019 was ¥2,396 million. Cash increased mainly because net increase in short-term loans payable and proceeds from long-term loans payable exceeded repayments of long-term loans payable, despite a reduction due in part to cash dividends paid.

#### **Business and Other Risks**

Risk factors that investors should consider before making any decision concerning Taikisha Group are noted below. Forward-looking statements in this section are based on judgments made as of March 31, 2019.

#### **Changes in Private Capital Investment**

Because of the economic situation changes, cancellation or postponement of clients' investment plans could affect Taikisha Group's business results.

#### **Overseas Business Risk**

Unforeseen changes in laws and regulations, political instability and other factors in overseas where Taikisha Group operates could affect business results.

Taikisha Group makes forward foreign exchange contracts and other instruments to hedge currency risks as much as possible in the payments and collections for the foreign currency construction contracts. However, changes of exchange rate still could affect Taikisha Group's business results.

In addition, exchange rate could affect Taikisha Group's business results because the financial statements of overseas subsidiaries are translated into Japanese yen in preparing the consolidated financial statements.

#### **Construction Defect Liabilities**

Taikisha Group makes warranty contracts with customers guaranteeing construction against defects for fixed period of time after completion of construction. Taikisha Group allocates a provision for warranties for completed construction to cover repair costs based on previous warranty experience. However, these costs still could potentially exceed the balance of the provision.

#### **Accounts Receivable Collection Risk**

Taikisha Group determines whether or not to deal with new customers by conducting credit check, and reviews credit status regularly for existing customers. However, accounts receivable may become uncollectible due to factors such as customer insolvency, which could affect Taikisha Group's business results.

#### **Risk Regarding Severe Price Competition**

There is a possibility that Taikisha Group has to deal with price competition with other companies in the industry, because the construction business is in highly competitive situation. As a result, it could deteriorate profitability and affect Taikisha Group's business results.

#### **Changes in Material Prices**

Sharp rises in material prices could affect Taikisha Group's business results if Taikisha Group is unable to reflect them to contract prices.

#### **Asset Possession Risk**

Taikisha Group owns real estates, securities and other assets. Changes in market value of these assets could affect Taikisha Group's business results.

#### **Risk Regarding Retirement Benefit Plan**

Downside of pension assets' market value, changes of rate of return or condition of discount rate, could affect Taikisha Group's business results.

#### **Disasters and Accidents**

The occurrence of unforeseen events such as natural disasters or accidents could affect Taikisha Group's business results.

Taikisha Group maintains the crisis management system. However, if massive and widespread disaster happens, it could damage not only Taikisha Group's property and personnel, but also clients' operating activities and consequently economic condition. These situations, if they continue for a long time, could affect Taikisha Group's business results.

#### **Legal Risk**

Taikisha Group is working in concert to ensure assiduous management of legal and regulatory compliance. However, any violation of laws or regulations by directors or employees of Taikisha Group could lead to bad results such as restriction on Taikisha Group's business activities, which could affect Taikisha Group's business results.

#### **Subsidiaries and associates**

Taikisha Group consists of Taikisha Ltd., 38 subsidiaries, and 4 associates. Taikisha Ltd. and 3 subsidiaries are domiciled in Japan, and 35 subsidiaries and 4 associates are domiciled overseas.

## CONSOLIDATED BALANCE SHEETS

Taikisha Ltd. and its Consolidated Subsidiaries

As of March 31, 2018 and 2019

| Assets  | Millions of yen |                 | Thousands of U.S. dollars |
|---|-----------------|-----------------|---------------------------|
|   | 2018            | 2019            | 2019                      |
| <b>Current assets:</b>  |                 |                 |                           |
| Cash and deposits (Notes 3, 7 and 9)  | ¥47,147         | ¥52,107         | \$469,393                 |
| Notes receivable, accounts receivable from completed construction contracts and other (Notes 3 and 9) | 101,947         | 104,705         | 943,211                   |
| Securities (Notes 7, 9 and 10)  | –               | 1,000           | 9,008                     |
| Costs on uncompleted construction contracts (Note 3)  | 2,120           | 2,807           | 25,292                    |
| Raw materials and supplies  | 348             | 396             | 3,569                     |
| Other   | 7,990           | 8,379           | 75,488                    |
| Allowance for doubtful accounts (Note 9)  | (539)           | (428)           | (3,858)                   |
| <b>Total current assets</b>   | <b>159,015</b>  | <b>168,968</b>  | <b>1,522,103</b>          |
| <b>Non-current assets:</b>  |                 |                 |                           |
| Property, plant and equipment   |                 |                 |                           |
| Buildings and structures  | 7,634           | 8,179           | 73,680                    |
| Machinery, vehicles, tools, furniture and fixtures (Notes 3 and 8)                                    | 9,161           | 11,077          | 99,793                    |
| Land  | 2,101           | 2,058           | 18,548                    |
| Other   | 2,034           | 551             | 4,968                     |
| Accumulated depreciation  | (11,517)        | (11,534)        | (103,907)                 |
| <b>Total property, plant and equipment</b>  | <b>9,414</b>    | <b>10,333</b>   | <b>93,082</b>             |
| Intangible assets   |                 |                 |                           |
| Goodwill (Note 18)  | 2,762           | 1,332           | 12,002                    |
| Other   | 3,364           | 3,318           | 29,890                    |
| <b>Total intangible assets</b>  | <b>6,126</b>    | <b>4,650</b>    | <b>41,892</b>             |
| Investments and other assets  |                 |                 |                           |
| Investment securities (Notes 3, 9 and 10)   | 30,724          | 29,378          | 264,648                   |
| Deferred tax assets (Note 13)   | 2,034           | 1,847           | 16,641                    |
| Net defined benefit asset (Note 12)   | 6,311           | 5,912           | 53,256                    |
| Other   | 1,780           | 2,043           | 18,411                    |
| Allowance for doubtful accounts   | (14)            | (53)            | (482)                     |
| <b>Total investments and other assets</b>   | <b>40,836</b>   | <b>39,128</b>   | <b>352,474</b>            |
| <b>Total non-current assets</b>   | <b>56,377</b>   | <b>54,111</b>   | <b>487,448</b>            |
| <b>Total assets</b>   | <b>¥215,392</b> | <b>¥223,080</b> | <b>\$2,009,551</b>        |

The accompanying notes are an integral part of these financial statements.

| Liabilities and Net assets   | Millions of yen |           | Thousands of U.S. dollars |
|--|-----------------|-----------|---------------------------|
|  | 2018            | 2019      | 2019                      |
| <b>Current liabilities:</b>  |                 |           |                           |
| Notes payable, accounts payable for construction contracts and other (Notes 3 and 9) | ¥60,590         | ¥55,835   | \$502,976                 |
| Short-term loans payable (Notes 9 and 21)  | 6,730           | 10,892    | 98,117                    |
| Income taxes payable (Note 9)  | 3,859           | 2,711     | 24,429                    |
| Advances received on uncompleted construction contracts                              | 11,870          | 14,778    | 133,126                   |
| Provision for warranties for completed construction                                  | 690             | 787       | 7,093                     |
| Provision for loss on construction contracts (Note 3)                                | 469             | 407       | 3,667                     |
| Provision for directors' bonuses   | 122             | 154       | 1,388                     |
| Other (Note 21)  | 9,409           | 13,225    | 119,141                   |
| Total current liabilities  | 93,742          | 98,791    | 889,937                   |
| <b>Non-current liabilities:</b>  |                 |           |                           |
| Long-term loans payable (Notes 9 and 21)   | 1,606           | 3,076     | 27,717                    |
| Deferred tax liabilities (Note 13)   | 7,442           | 5,876     | 52,939                    |
| Provision for directors' retirement benefits   | 64              | 62        | 567                       |
| Net defined benefit liability (Note 12)  | 1,563           | 1,370     | 12,350                    |
| Other (Note 21)  | 322             | 250       | 2,260                     |
| Total non-current liabilities  | 11,000          | 10,638    | 95,833                    |
| Total liabilities  | ¥104,742        | ¥109,430  | \$985,770                 |
| <b>Net assets:</b>   |                 |           |                           |
| <b>Shareholders' equity</b>  |                 |           |                           |
| Capital stock  |                 |           |                           |
| Authorized: 100,000,000 shares   |                 |           |                           |
| Issued: 35,082,009 shares as of March 31, 2018                                       |                 |           |                           |
| 35,082,009 shares as of March 31, 2019   | ¥6,455          | ¥6,455    | \$58,149                  |
| Capital surplus  | 7,258           | 7,244     | 65,264                    |
| Retained earnings  | 78,698          | 84,984    | 765,561                   |
| Treasury shares, at cost — 1,012,999 shares as of March 31, 2018                     | (2,475)         | —         | —                         |
| 1,013,293 shares as of March 31, 2019  | —               | (2,476)   | (22,307)                  |
| Total shareholders' equity   | 89,936          | 96,208    | 866,667                   |
| <b>Accumulated other comprehensive income</b>  |                 |           |                           |
| Valuation difference on available-for-sale securities                                | 13,242          | 11,842    | 106,678                   |
| Deferred gains or losses on hedges (Note 11)   | 3               | (0)       | (6)                       |
| Foreign currency translation adjustment  | 1,141           | 164       | 1,480                     |
| Accumulated remeasurements of defined benefit plans                                  | 864             | 572       | 5,161                     |
| Total accumulated other comprehensive income   | 15,252          | 12,578    | 113,313                   |
| <b>Non-controlling interests</b>   | 5,461           | 4,862     | 43,801                    |
| Total net assets   | 110,650         | 113,649   | 1,023,781                 |
| <b>Total liabilities and net assets</b>  | ¥215,392        | ¥223,080  | \$2,009,551               |
| <b>Per share data :</b>  |                 |           |                           |
|  | Yen             |           | U.S. dollars              |
| Net assets   | ¥3,087.51       | ¥3,193.18 | \$28.76                   |
| <b>Basis of calculation</b>  | Millions of yen |           | Thousands of U.S. dollars |
| Total net assets   | ¥110,650        | ¥113,649  | \$1,023,781               |
| Amounts to be deducted from net assets (Non-controlling interests)                   | (5,461)         | (4,862)   | (43,801)                  |
| Net assets applicable to common shares   | 105,188         | 108,787   | 979,980                   |
| Number of common shares as of the year-end (thousands of shares)                     | 34,069          | 34,068    | 34,068                    |

The accompanying notes are an integral part of these financial statements.

## CONSOLIDATED STATEMENTS OF INCOME AND CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Taikisha Ltd. and its Consolidated Subsidiaries  
For the years ended March 31, 2018 and 2019

|  | Millions of yen |          | Thousands of U.S. dollars |
|--|-----------------|----------|---------------------------|
|  | 2018            | 2019     | 2019                      |
| <b>Consolidated Statements of Income</b>                           |                 |          |                           |
| <b>Net sales of completed construction contracts</b>               | ¥231,898        | ¥225,402 | \$2,030,472               |
| <b>Cost of sales of completed construction contracts (Note 4)</b>  | 199,118         | 189,148  | 1,703,886                 |
| <b>Gross profit on completed construction contracts</b>            | 32,779          | 36,254   | 326,586                   |
| <b>Selling, general and administrative expenses:</b>               |                 |          |                           |
| Directors' compensations   | 853             | 895      | 8,068                     |
| Employees' salaries and allowances                                 | 7,966           | 8,827    | 79,518                    |
| Provision for directors' bonuses                                   | 122             | 154      | 1,388                     |
| Retirement benefit expenses (Note 12)                              | 699             | 533      | 4,806                     |
| Provision for directors' retirement benefits                       | 14              | 13       | 121                       |
| Correspondence and transportation expenses                         | 1,230           | 1,252    | 11,285                    |
| Provision of allowance for doubtful accounts                       | 112             | 239      | 2,160                     |
| Rents  | 1,479           | 1,504    | 13,549                    |
| Depreciation   | 1,186           | 1,825    | 16,440                    |
| Amortization of goodwill   | 365             | 220      | 1,988                     |
| Other  | 6,568           | 6,752    | 60,830                    |
| <b>Total selling, general and administrative expenses (Note 4)</b> | 20,599          | 22,218   | 200,153                   |
| <b>Operating income</b>  | 12,180          | 14,035   | 126,433                   |
| <b>Non-operating income:</b>                                       |                 |          |                           |
| Interest income  | 389             | 334      | 3,017                     |
| Dividend income  | 516             | 606      | 5,467                     |
| Dividend income of insurance                                       | 176             | 189      | 1,703                     |
| Real estate rent   | 103             | 103      | 934                       |
| Foreign exchange gains   | —               | 75       | 677                       |
| Reversal of allowance for doubtful accounts                        | —               | 1        | 16                        |
| Other  | 405             | 245      | 2,209                     |
| <b>Total non-operating income</b>                                  | 1,591           | 1,556    | 14,023                    |
| <b>Non-operating expenses:</b>                                     |                 |          |                           |
| Interest expenses  | 221             | 275      | 2,479                     |
| Sales discounts  | 75              | 85       | 774                       |
| Rent expenses on real estates                                      | 20              | 33       | 305                       |
| Foreign exchange losses  | 247             | —        | —                         |
| Provision of allowance for doubtful accounts                       | 0               | —        | —                         |
| Share of loss of entities accounted for using equity method        | 11              | 36       | 332                       |
| Other  | 113             | 74       | 675                       |
| <b>Total non-operating expenses</b>                                | 689             | 506      | 4,565                     |
| <b>Ordinary income</b>   | 13,082          | 15,085   | 135,891                   |
| <b>Extraordinary income:</b>                                       |                 |          |                           |
| Gain on disposal of non-current assets (Note 4)                    | 59              | 12       | 112                       |
| Gain on sales of investment securities (Note 10)                   | —               | 855      | 7,708                     |
| <b>Total extraordinary income</b>                                  | 59              | 868      | 7,820                     |
| <b>Extraordinary losses:</b>                                       |                 |          |                           |
| Loss on disposal of non-current assets (Note 4)                    | 65              | 195      | 1,758                     |
| Impairment loss (Note 17)  | 26              | 166      | 1,504                     |
| Loss on sales of investment securities (Note 10)                   | —               | 10       | 92                        |
| Amortization of goodwill (Note 4)                                  | —               | 1,245    | 11,222                    |
| <b>Total extraordinary losses</b>                                  | 91              | 1,618    | 14,576                    |
| <b>Profit before income taxes</b>                                  | 13,050          | 14,335   | 129,135                   |
| Income taxes-current   | 5,298           | 5,406    | 48,701                    |
| Income taxes-deferred  | (1,104)         | (664)    | (5,983)                   |
| <b>Total income taxes</b>  | 4,193           | 4,742    | 42,718                    |
| <b>Profit</b>  | 8,856           | 9,593    | 86,417                    |
| <b>Profit attributable to non-controlling interests</b>            | 1,602           | 751      | 6,768                     |
| <b>Profit attributable to owners of parent</b>                     | ¥7,254          | ¥8,841   | \$79,649                  |

|   | Millions of yen |         | Thousands of U.S. dollars |
|---|-----------------|---------|---------------------------|
|   | 2018            | 2019    | 2019                      |
| <b>Consolidated Statements of Comprehensive Income</b>                            |                 |         |                           |
| <b>Profit</b>   | ¥8,856          | ¥9,593  | \$86,417                  |
| <b>Other comprehensive income:</b>  |                 |         |                           |
| Valuation difference on available-for-sale securities                             | 3,273           | (1,400) | (12,613)                  |
| Deferred gains or losses on hedges  | 219             | (2)     | (25)                      |
| Foreign currency translation adjustment   | 840             | (1,127) | (10,157)                  |
| Remeasurements of defined benefit plans   | 888             | (293)   | (2,646)                   |
| Share of other comprehensive income of entities accounted for using equity method | 20              | (44)    | (403)                     |
| Total other comprehensive income (Note 5)   | 5,241           | (2,868) | (25,844)                  |
| <b>Comprehensive income</b>   | ¥14,098         | ¥6,724  | \$60,573                  |
| Comprehensive income attributable to :  |                 |         |                           |
| Owners of parent  | ¥12,326         | ¥6,168  | \$55,569                  |
| Non-controlling interests   | 1,772           | 555     | 5,004                     |
|   |                 | Yen     | U.S. dollars              |
| <b>Per share data:</b>  |                 |         |                           |
| Profit attributable to owners of parent   | ¥212.40         | ¥259.53 | \$2.34                    |
| Cash dividends  | ¥75.00          | ¥91.00  | \$0.82                    |

|   | Millions of yen |        | Thousands of U.S. dollars |
|---|-----------------|--------|---------------------------|
|   | 2018            | 2019   | 2019                      |
| <b>Basis of calculation</b>                               |                 |        |                           |
| Profit attributable to owners of parent                   | ¥7,254          | ¥8,841 | \$79,649                  |
| Profit attributable to owners of parent for common shares | 7,254           | 8,841  | 79,649                    |
| Average number of common shares (thousands of shares)     | 34,154          | 34,068 | 34,068                    |

The accompanying notes are an integral part of these financial statements.

# CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

Taikisha Ltd. and its Consolidated Subsidiaries

For the year ended March 31, 2018

Millions of yen

|  | Shareholders' equity |                 |                   |                 |                            | Accumulated other comprehensive income                |                                    |   |   |  |        | Non-controlling interests | Total net assets |
|--|----------------------|-----------------|-------------------|-----------------|----------------------------|---|------------------------------------|---|---|--|--------|---------------------------|------------------|
|  | Capital stock        | Capital surplus | Retained earnings | Treasury shares | Total shareholders' equity | 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 |        |                           |                  |
| <b>Balance at the beginning of current period</b>    | ¥6,455               | ¥7,305          | ¥77,945           | ¥(6,128)        | ¥85,577                    | ¥9,969  | ¥(111)                             | ¥349                                    | ¥(31)                                   | ¥10,175                                      | ¥4,431 | ¥100,184                  |                  |
| Changes of items during the period                   |                      |                 |                   |                 |                            |   |                                    |   |   |  |        |                           |                  |
| Dividends of surplus (Note 6)                        |                      |                 | (2,394)           |                 | (2,394)                    |   |                                    |   |   |  |        | (2,394)                   |                  |
| Profit attributable to owners of parent              |                      |                 | 7,254             |                 | 7,254                      |   |                                    |   |   |  |        | 7,254                     |                  |
| Purchase of treasury shares (Note 6)                 |                      |                 |                   | (501)           | (501)                      |   |                                    |   |   |  |        | (501)                     |                  |
| Retirement of treasury shares (Note 6)               |                      | (47)            | (4,106)           | 4,154           | –                          |   |                                    |   |   |  |        | –                         |                  |
| Purchase of shares of consolidated subsidiaries      |                      | 3               |                   |                 | 3                          |   |                                    |   |   |  |        | 3                         |                  |
| Sales of shares of consolidated subsidiaries         |                      | (3)             |                   |                 | (3)                        |   |                                    |   |   |  |        | (3)                       |                  |
| Net changes of items other than shareholders' equity |                      |                 |                   |                 |                            | 3,273   | 114                                | 792                                     | 896                                     | 5,076  | 1,030  | 6,106                     |                  |
| Total changes of items during the period             | –                    | (47)            | 752               | 3,653           | 4,358                      | 3,273   | 114                                | 792                                     | 896                                     | 5,076  | 1,030  | 10,465                    |                  |
| <b>Balance at the end of current period</b>          | ¥6,455               | ¥7,258          | ¥78,698           | ¥(2,475)        | ¥89,936                    | ¥13,242   | ¥3                                 | ¥1,141                                  | ¥864                                    | ¥15,252                                      | ¥5,461 | ¥110,650                  |                  |

For the year ended March 31, 2019

Millions of yen

|  | Shareholders' equity |                 |                   |                 |                            | Accumulated other comprehensive income                |                                    |   |   |  |        | Non-controlling interests | Total net assets |
|--|----------------------|-----------------|-------------------|-----------------|----------------------------|---|------------------------------------|---|---|--|--------|---------------------------|------------------|
|  | Capital stock        | Capital surplus | Retained earnings | Treasury shares | Total shareholders' equity | 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 |        |                           |                  |
| <b>Balance at the beginning of current period</b>    | ¥6,455               | ¥7,258          | ¥78,698           | ¥(2,475)        | ¥89,936                    | ¥13,242   | ¥3                                 | ¥1,141                                  | ¥864                                    | ¥15,252                                      | ¥5,461 | ¥110,650                  |                  |
| Changes of items during the period                   |                      |                 |                   |                 |                            |   |                                    |   |   |  |        |                           |                  |
| Dividends of surplus (Note 6)                        |                      |                 | (2,555)           |                 | (2,555)                    |   |                                    |   |   |  |        | (2,555)                   |                  |
| Profit attributable to owners of parent              |                      |                 | 8,841             |                 | 8,841                      |   |                                    |   |   |  |        | 8,841                     |                  |
| Purchase of treasury shares (Note 6)                 |                      |                 |                   | (0)             | (0)                        |   |                                    |   |   |  |        | (0)                       |                  |
| Retirement of treasury shares (Note 6)               |                      |                 |                   |                 | –                          |   |                                    |   |   |  |        | –                         |                  |
| Purchase of shares of consolidated subsidiaries      |                      | (13)            |                   |                 | (13)                       |   |                                    |   |   |  |        | (13)                      |                  |
| Sales of shares of consolidated subsidiaries         |                      |                 |                   |                 | –                          |   |                                    |   |   |  |        | –                         |                  |
| Net changes of items other than shareholders' equity |                      |                 |                   |                 |                            | (1,400)   | (4)                                | (977)                                   | (291)                                   | (2,673)                                      | (599)  | (3,272)                   |                  |
| Total changes of items during the period             | –                    | (13)            | 6,286             | (0)             | 6,272                      | (1,400)   | (4)                                | (977)                                   | (291)                                   | (2,673)                                      | (599)  | 2,999                     |                  |
| <b>Balance at the end of current period</b>          | ¥6,455               | ¥7,244          | ¥84,984           | ¥(2,476)        | ¥96,208                    | ¥11,842   | ¥(0)                               | ¥164                                    | ¥572                                    | ¥12,578                                      | ¥4,862 | ¥113,649                  |                  |

For the year ended March 31, 2019

Thousands of U.S. dollars

|  | Shareholders' equity |                 |                   |                 |                            | Accumulated other comprehensive income                |                                    |   |   |  |          | Non-controlling interests | Total net assets |
|--|----------------------|-----------------|-------------------|-----------------|----------------------------|---|------------------------------------|---|---|--|----------|---------------------------|------------------|
|  | Capital stock        | Capital surplus | Retained earnings | Treasury shares | Total shareholders' equity | 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 |          |                           |                  |
| <b>Balance at the beginning of current period</b>    | \$58,149             | \$65,385        | \$708,929         | \$(22,299)      | \$810,164                  | \$119,291   | \$32                               | \$10,282                                | \$7,789                                 | \$137,394                                    | \$49,200 | \$996,758                 |                  |
| Changes of items during the period                   |                      |                 |                   |                 |                            |   |                                    |   |   |  |          |                           |                  |
| Dividends of surplus (Note 6)                        |                      |                 | (23,017)          |                 | (23,017)                   |   |                                    |   |   |  |          | (23,017)                  |                  |
| Profit attributable to owners of parent              |                      |                 | 79,649            |                 | 79,649                     |   |                                    |   |   |  |          | 79,649                    |                  |
| Purchase of treasury shares (Note 6)                 |                      |                 |                   | (8)             | (8)                        |   |                                    |   |   |  |          | (8)                       |                  |
| Retirement of treasury shares (Note 6)               |                      |                 |                   |                 | –                          |   |                                    |   |   |  |          | –                         |                  |
| Purchase of shares of consolidated subsidiaries      |                      | (121)           |                   |                 | (121)                      |   |                                    |   |   |  |          | (121)                     |                  |
| Sales of shares of consolidated subsidiaries         |                      |                 |                   |                 | –                          |   |                                    |   |   |  |          | –                         |                  |
| Net changes of items other than shareholders' equity |                      |                 |                   |                 |                            | (12,613)  | (38)                               | (8,802)                                 | (2,628)                                 | (24,081)                                     | (5,399)  | (29,480)                  |                  |
| Total changes of items during the period             | –                    | (121)           | 56,632            | (8)             | 56,503                     | (12,613)  | (38)                               | (8,802)                                 | (2,628)                                 | (24,081)                                     | (5,399)  | 27,023                    |                  |
| <b>Balance at the end of current period</b>          | \$58,149             | \$65,264        | \$765,561         | \$(22,307)      | \$866,667                  | \$106,678   | \$(6)                              | \$1,480                                 | \$5,161                                 | \$113,313                                    | \$43,801 | \$1,023,781               |                  |

The accompanying notes are an integral part of these financial statements.

# CONSOLIDATED STATEMENTS OF CASH FLOWS

Taikisha Ltd. and its Consolidated Subsidiaries

For the years ended March 31, 2018 and 2019

|   | Millions of yen |         | Thousands of U.S. dollars |
|---|-----------------|---------|---------------------------|
|   | 2018            | 2019    | 2019                      |
| <b>Cash flows from operating activities:</b>  |                 |         |                           |
| Profit before income taxes  | ¥13,050         | ¥14,335 | \$129,135                 |
| Depreciation and amortization   | 1,398           | 2,030   | 18,287                    |
| Amortization of goodwill  | 365             | 1,466   | 13,210                    |
| Increase (decrease) in allowance for doubtful accounts  | 36              | (48)    | (435)                     |
| Increase (decrease) in provision for warranties for completed construction  | (287)           | 124     | 1,122                     |
| Increase (decrease) in provision for loss on construction contracts   | (306)           | (55)    | (504)                     |
| Increase (decrease) in provision for directors' retirement benefits   | 14              | (1)     | (16)                      |
| Increase (decrease) in net defined benefit liability  | (36)            | (205)   | (1,851)                   |
| Interest and dividend income  | (906)           | (941)   | (8,483)                   |
| Interest expenses   | 221             | 275     | 2,479                     |
| Share of (profit) loss of entities accounted for using equity method  | 24              | 44      | 399                       |
| Loss (gain) on disposal of non-current assets   | 5               | 182     | 1,647                     |
| Loss (gain) on sales of investment securities   | –               | (845)   | (7,617)                   |
| Decrease (increase) in notes and accounts receivable-trade  | 394             | (4,101) | (36,947)                  |
| Decrease (increase) in inventories  | (82)            | (849)   | (7,656)                   |
| Decrease (increase) in accounts receivable-other  | 74              | (235)   | (2,122)                   |
| Increase (decrease) in notes and accounts payable-trade   | 4,367           | (3,614) | (32,564)                  |
| Increase (decrease) in advances received on uncompleted construction contracts                                      | (4,059)         | 3,480   | 31,354                    |
| Increase (decrease) in accrued consumption taxes  | (2,367)         | 255     | 2,302                     |
| Increase (decrease) in deposits received  | 17              | 229     | 2,063                     |
| Increase (decrease) in accrued expenses   | 545             | 87      | 784                       |
| Other, net  | (639)           | 3,682   | 33,174                    |
| Subtotal  | 11,832          | 15,292  | 137,761                   |
| Interest and dividend income received   | 906             | 941     | 8,483                     |
| Interest expenses paid  | (221)           | (279)   | (2,515)                   |
| Income taxes paid   | (3,179)         | (6,795) | (61,218)                  |
| Net cash provided by (used in) operating activities   | 9,337           | 9,159   | 82,511                    |
| <b>Cash flows from investing activities:</b>  |                 |         |                           |
| Payments into time deposits   | (5,544)         | (4,718) | (42,506)                  |
| Proceeds from withdrawal of time deposits   | 11,324          | 6,092   | 54,881                    |
| Purchase of property, plant and equipment and intangible assets   | (3,832)         | (4,140) | (37,298)                  |
| Proceeds from sales of property, plant and equipment and intangible assets  | 43              | 31      | 285                       |
| Purchase of investment securities   | (498)           | (1,000) | (9,015)                   |
| Proceeds from sales of investment securities  | 50              | 1,089   | 9,811                     |
| Proceeds from redemption of investment securities   | 2               | 0       | 5                         |
| Purchase of shares of subsidiaries resulting in change in scope of consolidation (Note 7)                           | (260)           | –       | –                         |
| Contingent consideration payments for shares of subsidiaries  | –               | (132)   | (1,195)                   |
| Payments of long-term loans receivable  | (40)            | (59)    | (534)                     |
| Collection of long-term loans receivable  | 64              | 36      | 325                       |
| Purchase of insurance funds   | (0)             | (0)     | (4)                       |
| Proceeds from maturity of insurance funds   | 1               | –       | –                         |
| Purchase of long-term prepaid expenses  | (12)            | (23)    | (209)                     |
| Other, net  | 95              | (4)     | (42)                      |
| Net cash provided by (used in) investing activities   | 1,390           | (2,830) | (25,496)                  |
| <b>Cash flows from financing activities:</b>  |                 |         |                           |
| Net increase (decrease) in short-term loans payable   | 2,275           | 3,727   | 33,576                    |
| Proceeds from long-term loans payable   | 1,599           | 3,626   | 32,667                    |
| Repayments of long-term loans payable   | (881)           | (1,361) | (12,266)                  |
| Repayments of lease obligations   | (37)            | (39)    | (352)                     |
| Net decrease (increase) in treasury shares  | (501)           | (0)     | (8)                       |
| Cash dividends paid   | (2,393)         | (2,554) | (23,009)                  |
| Cash dividends paid to non-controlling interests  | (955)           | (815)   | (7,348)                   |
| Proceeds from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation | 7               | –       | –                         |
| Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation | –               | (185)   | (1,668)                   |
| Net cash provided by (used in) financing activities   | (885)           | 2,396   | 21,592                    |
| Effect of exchange rate change on cash and cash equivalents   | 776             | (1,157) | (10,430)                  |
| Net increase (decrease) in cash and cash equivalents  | 10,620          | 7,568   | 68,177                    |
| Cash and cash equivalents at beginning of period  | 31,672          | 42,292  | 380,983                   |
| Cash and cash equivalents at end of period (Note 7)   | ¥42,292         | ¥49,861 | \$449,160                 |

The accompanying notes are an integral part of these financial statements.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Taikisha Ltd. and its Consolidated Subsidiaries

For the years ended March 31, 2018 and 2019

## 1. Basis of presenting consolidated financial statements

The accompanying consolidated financial statements are prepared based on the accounts maintained by Taikisha Ltd. (the "Company") and its consolidated subsidiaries (collectively, the "Companies") in accordance with accounting principles generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards, and are compiled from the consolidated financial statements prepared by the Company as required by the Financial Instruments and Exchange Law of Japan. Certain amounts in the prior fiscal year's financial statements are reclassified to conform to the changes made for the latest fiscal year.

The accounts of the consolidated financial statements presented herein are expressed in Japanese yen by rounding down to the nearest million. The U.S. dollar amounts shown in the accompanying consolidated financial statements and notes thereto are translated from the original Japanese yen into U.S. dollars on the basis of ¥111.01 to US\$1, the rate of exchange prevailing at March 31, 2019, and are then rounded to the nearest thousand. These U.S. dollar amounts are not intended to imply that the Japanese yen amounts are or can be converted, realized or settled in U.S. dollars at this or any other rate.

## 2. Summary of significant accounting policies

### (1) Scope of consolidation

During the consolidated fiscal year ended March 31, 2019, Geico S.p.A., a consolidated subsidiary of Taikisha Ltd., merged Geico Taikisha Europe Ltd., a consolidated subsidiary of Geico S.p.A. As a result of the merger, Geico Taikisha Europe Ltd. was dissolved and excluded from the scope of consolidation.

The consolidated financial statements include the accounts of the Company and all significant subsidiaries listed below as of March 31, 2019:

#### Domestic subsidiaries

San Esu Industry Co., Ltd.  
Nippon Noise Control Ltd.  
Tokyo Taikisha Service Ltd.

#### Overseas subsidiaries

|   |  |
|---|--|
| TKS Industrial Company  | Taikisha Vietnam Engineering Inc.  |
| Encore Automation LLC (subsidiary of TKS Industrial Company)                            | Taikisha (Cambodia) Co., Ltd.  |
| Taikisha Canada Inc. (subsidiary of TKS Industrial Company)                             | Taikisha Myanmar Co., Ltd.   |
| Taikisha de Mexico, S.A. de C.V. (subsidiary of TKS Industrial Company)                 | Wuzhou Taikisha Engineering Co., Ltd.  |
| Taikisha Mexicana Service S.A. de C.V. (subsidiary of Taikisha de Mexico, S.A. de C.V.) | Beijing Wuzhou Taikisha Equipment Co., Ltd.<br>(subsidiary of Wuzhou Taikisha Engineering Co., Ltd.) |
| Taikisha do Brasil Ltda.  | Tianjin Taikisha Paint Finishing System Ltd.   |
| Taikisha (Singapore) Pte. Ltd.  | Taikisha Hong Kong Limited   |
| Taikisha (Thailand) Co., Ltd.   | Taikisha (Taiwan) Ltd.   |
| Taikisha Trading (Thailand) Co., Ltd. (subsidiary of Taikisha (Thailand) Co., Ltd.)     | Taikisha Korea Ltd.  |
| Thaiken Maintenance & Service Co., Ltd. (subsidiary of Taikisha (Thailand) Co., Ltd.)   | Taikisha Engineering India Private Ltd.  |
| Token Interior & Design Co., Ltd. (subsidiary of Taikisha (Thailand) Co., Ltd.)         | Geico S.p.A.   |
| TKA Co., Ltd. (subsidiary of Taikisha (Thailand) Co., Ltd.)                             | J-CO America Corporation (subsidiary of Geico S.p.A.)  |
| BTE Co., Ltd. (subsidiary of Taikisha (Thailand) Co., Ltd.)                             | J-CO Mexico, S. de R.L. de C.V. (subsidiary of Geico S.p.A.)   |
| Token Myanmar Co., Ltd. (subsidiary of Taikisha (Thailand) Co., Ltd.)                   | Geico Brasil Ltda. (subsidiary of Geico S.p.A.)  |
| Taikisha Engineering (M) Sdn. Bhd.  | Geico Paint Shop India Private Limited (subsidiary of Geico S.p.A.)                                  |
| P.T. Taikisha Indonesia Engineering   | Geico Painting System (Suzhou) Co., Ltd. (subsidiary of Geico S.p.A.)                                |
| P.T. Taikisha Manufacturing Indonesia   | "Geico Russia" LLC (subsidiary of Geico S.p.A.)  |
| Taikisha Philippines Inc.   |  |

### (2) Application of the equity method

#### Name of associates subject to the equity method

Shanghai Dongbo-Taiki Conveyor System Manufacturing Co., Ltd.  
Tianjin Dongchun-Taiki Metal Finishing & Conveyor System Manufacturing Co., Ltd.  
J-PM Systems GmbH

#### Name of associates not subject to the equity method

The associate not subject to the equity method is excluded from the scope of application of the equity method because even if it is excluded from the scope of application of the equity method, it has minor impact on net income (proportionate to equity holdings), retained earnings (proportionate to equity holdings), etc., in the consolidated financial statements.

Makiansia Engineering (M) Sdn. Bhd.

### (3) Fiscal year for consolidated subsidiaries

The balance sheet date of all domestic consolidated subsidiaries as well as Taikisha Engineering India Private Ltd., Taikisha Myanmar Co., Ltd., Token Myanmar Co., Ltd., and Geico Paint Shop India Private Limited is March 31, which is the same as that of the Company. The balance sheet date of the other overseas consolidated subsidiaries is December 31.

In preparing the consolidated financial statements, for consolidated subsidiaries whose balance sheet date is December 31, the Company uses each subsidiary's financial statements as of December 31. For Token Myanmar Co., Ltd. and Geico Paint Shop India Private Limited., the Company uses provisional financial results as of December 31, which is the balance sheet date of their parent companies, Taikisha (Thailand) Co., Ltd. and Geico S.p.A., respectively.

For the subsidiaries with the balance sheet date of December 31, certain adjustments are made, where appropriate, in preparing the consolidated financial statements to reflect material transactions during the period from their fiscal year end to March 31.

### (4) Valuation of significant assets

#### Held-to-maturity debt securities

Held-to-maturity debt securities are determined by the amortized cost method. Discounts and premiums are amortized by the straight-line method.

#### Shares of associates

Shares of associates are stated at cost, determined by the moving average method.

#### Available-for-sale securities

Available-for-sale securities with fair value are stated at fair value based on the market prices at the end of fiscal year. Valuation difference is reported as a separate item in net assets at net-of-tax amount. The cost of securities sold is stated at cost, determined by the moving average method.

Available-for-sale securities without fair value are stated at cost using the moving average method.

#### Derivatives

Derivative instruments are recognized as either assets or liabilities at their respective fair values at the date of contract, and gains and losses arising

from changes in fair value are recognized in earnings in the corresponding fiscal period. If certain hedging criteria are met, such gains and losses are deferred and accounted for as assets or liabilities.

#### **Inventories**

Costs on uncompleted construction contracts are stated at cost using specific identification method. Raw materials and supplies are stated at cost determined by the moving average method. The cost method (the amounts stated in the balance sheets are calculated by writing down the book value based on the decline in profitability) is used as a valuation standard.

#### **(5) Depreciation method for principal depreciable assets**

##### **Property, plant and equipment (excluding leased assets)**

The Companies mainly calculate depreciation by the declining-balance method, while the straight-line method is applied to buildings, excluding facilities attached to buildings, acquired on or after April 1, 1998, and is applied to facilities attached to buildings and structures, acquired on or after April 1, 2016. Certain overseas consolidated subsidiaries apply the straight-line method. The useful lives and residual values of depreciable assets are estimated in accordance with the Corporate Tax Act.

##### **Intangible assets (excluding leased assets)**

Intangible assets are amortized by the straight-line method. However, computer software for internal use is amortized by the straight-line method over the estimated useful life of 5 years.

##### **Leased assets**

Leased assets under finance leases that do not transfer ownership of the leased assets to the lessee are depreciated by the straight-line method over the lease period with a residual value of zero.

#### **(6) Standards of accounting for principal allowance and provisions**

##### **Allowance for doubtful accounts**

In order to prepare for losses due to bad debts such as accounts receivable from completed construction contracts and other, the allowance for doubtful accounts is provided at the estimated amount of uncollectable debt. For receivables classified as "normal", it is provided based on a historical default ratio. For receivables classified as "doubtful" etc., it is provided based on individual assessment on the probability of collection.

##### **Provision for warranties for completed construction**

In order to prepare for the costs of repairs for damages related to completed construction work for which the Companies are responsible, the provision is provided based on past warranty experience.

##### **Provision for loss on construction contracts**

In order to prepare for future losses related to the construction contracts in process, the provision is provided based on estimated amount which will probably be incurred and which can be reasonably estimated.

##### **Provision for directors' bonuses**

In order to prepare for directors' bonuses, the provision is provided based on the estimated payment of the fiscal year.

##### **Provision for directors' retirement benefits**

In order to prepare for directors' retirement benefits, domestic consolidated subsidiaries recognize the provision for accrued retirement benefits to directors at 100 percent of the amount required by their internal policies for retirement benefits.

#### **(7) Retirement and pension plans**

(Method of attributing the projected benefit obligations to periods of service)

In calculating the retirement benefit obligations, the benefit formula basis is used to allocate the projected retirement benefits to the years of service up to the end of the fiscal year.

(Actuarial differences)

Actuarial differences are amortized using the straight-line method over a certain period of time (10 years) within the average remaining service period of employees from the following fiscal year of accrual.

(Prior service costs)

Prior service costs are amortized using the straight-line method over a certain period of time (10 years) within the average remaining service period of employees from the fiscal year of accrual.

#### **(8) Sales and cost recognition**

##### **Sales of completed construction contracts and cost of sales of completed construction contracts**

The percentage-of-completion method is applied for construction work for which the completion of a certain percentage of the entire work is reliably recognizable by the balance sheet date (percentage of completion is estimated by the cost-to-cost method). The completed-contract method is applied for the other construction contracts.

#### **(9) Hedge accounting**

##### **Method of hedge accounting**

Hedging instruments are valued at fair value and accounted for using the deferral method of accounting.

As permitted under the accounting principles generally accepted in Japan, when forward foreign exchange contracts meet certain conditions for hedge accounting, accounts receivable and payable covered by these contracts are translated using the contract rates of these forward foreign exchange contracts. The unrealized gains or losses on the accounts receivable and payable resulting from the difference between the spot foreign exchange rate and contract rate are deferred and amortized over the term of the contract.

With regard to interest rate swaps and interest rate caps which meet certain requirements, the Companies use the special treatment. The special treatment is net amounts to be paid or received under the interest rate swap contracts and interest rate cap contracts added to or deducted from the interest on liabilities for which the contracts are executed.

##### **Hedging instruments and hedged items**

Hedging instruments: Forward exchange contracts, non-deliverable forwards (NDF), 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

##### **Hedging policy**

The Companies use forward exchange contracts not for the purpose of speculation but for hedging future risks of fluctuation of foreign currency exchange rates.

The Companies use interest rate swaps and interest rate caps not for the purpose of speculation but for hedging future risks of fluctuation of interest rates.

##### **Assessment of hedge effectiveness**

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, evaluation of hedge effectiveness is omitted.

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

**(10) Scope of cash and cash equivalents in the consolidated statements of cash flows**

Cash and cash equivalents in the consolidated statement of cash flows are composed of cash in hand, bank deposits able to be withdrawn on demand and short-term investments with an original maturity of three months or less and which are easily convertible into cash and represent a minor risk of fluctuation in value.

**(11) Amortization method and period for goodwill**

Goodwill is amortized by the straight-line method over a period of 20 years. However, an immaterial goodwill is recognized as expenses in the fiscal year of accrual.

**(12) Accounting for consumption taxes**

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

**(13) Unapplied accounting standards**

“Accounting Standard for Revenue Recognition” (Accounting Standards Board of Japan Statement No. 29, March 30, 2018)  
 “Implementation Guidance on Accounting Standard for Revenue Recognition” (Accounting Standards Board of Japan Guidance No. 30, March 30, 2018)

(Overview)

The Accounting Standards Board of Japan (ASBJ) has developed comprehensive accounting standards for revenue recognition and published these accounting standards based on IFRS 15 “Revenue from Contracts with Customers” published in May 2014.

From a standpoint of comparability between financial statements which is one of the benefits of ensuring consistency with IFRS 15, the basic policy of the ASBJ in developing accounting standards for revenue recognition is incorporating the basic principles of IFRS 15 as a starting point. Also, these standards regulate to add alternative accounting treatments not to lose comparability if there is a matter which is necessary to consider the business practice which have been conducted in Japan.

(Application date)

The accounting standard and the guidance are expected to be applied from the beginning of the fiscal year starting on or after April 1, 2021.

(Impact of the application of the accounting standards)

The impact of the application of the accounting standard and the guidance are in process of assessment at the time when the consolidated financial statements are prepared.

**(14) Changes in presentation method**

**Changes accompanying the application of “Partial Amendments to Accounting Standard for Tax Effect Accounting”**

With the application from the beginning of the consolidated fiscal year under review of “Partial Amendments to Accounting Standard for Tax Effect Accounting” (Accounting Standards Board of Japan Statement No. 28, February 16, 2018), deferred tax assets are presented under investments and other assets, whereas deferred tax liabilities are presented under non-current liabilities.

As a result, “deferred tax assets” under “current assets” decreased ¥2,159 million while “deferred tax assets” under “investments and other assets” increased ¥571 million, in the consolidated balance sheet for the previous consolidated fiscal year. Likewise, “deferred tax liabilities” under “current liabilities” decreased ¥2 million and “deferred tax liabilities” under “non-current liabilities” decreased ¥1,585 million.

Deferred tax assets and deferred tax liabilities of the same tax-paying entity are stated as offset figures, such that total assets decreased ¥1,588 million compared with before the change.

Furthermore, in the notes on tax effect accounting, we have added the information specified in the Remarks (Note 8) (excluding the total amount of valuation allowance) and (Note 9) of the “Accounting Standard for Tax Effect Accounting, etc.” as provided in Paragraphs 3 to 5 of the “Partial Amendments to Accounting Standard for Tax Effect Accounting”. However, in accordance with Paragraph 7 of the “Partial Amendments to Accounting Standard for Tax Effect Accounting”, details relating to the previous consolidated fiscal year are omitted in accordance with the transitional provisions.

**Notes of consolidated statement of cash flows**

“Decrease (increase) in advances paid” and “decrease (increase) in non-operating notes receivable” under “cash flows from operating activities”, which in the previous consolidated fiscal year were separately stated, are included, starting from the consolidated fiscal year under review, under “other, net” because they have become immaterial. To reflect this change in presentation method, reclassifications have been made in the consolidated financial statements for the previous fiscal year.

As a result, “decrease (increase) in advances paid” of ¥10 million and “decrease (increase) in non-operating notes receivable” of ¥0 million stated under “cash flows from operating activities” in the consolidated statement of cash flows of the previous fiscal year are now reclassified as “other, net” of ¥10 million.

**(15) Additional information**

**Application of “Practical Solution on Transactions of Delivering the Company’s Own Stock to Employees etc. through Trusts”**

At the occasion of the 100th anniversary since its foundation, the Company introduced an ESOP (Employee Stock Ownership Plan) (the “Plan”), an incentive program granting the stocks of the Company to its employees to motivate them toward improving the Company’s stock prices and financial results by enhancing the linkage of stock prices and financial results and sharing economic effects with shareholders.

(Overview of transaction)

The Plan has a scheme according to which shares of the Company are awarded for each period to the eligible employees in accordance with the Stock Granting Regulations set forth in advance by the Company. The Company grants predetermined points to employees and later awards the Company’s shares, which corresponds to the total number of accumulated points granted, after the lapse of a predetermined period. The Company’s shares to be awarded to the employees shall be acquired by a trust bank from the Company through an allocation to a third party using funds that have been contributed to the trust and separately managed as a trust estate.

Although “Practical Solution on Transactions of Delivering the Company’s Own Stock to Employees, etc., through Trusts” (ASBJ PITF No. 30, March 26, 2015) has been applied, the previously applied method is continued for accounting.

(Matters regarding the Company’s own shares held by the trust)

The book value of the Company’s own shares held by the trust was ¥287 million for the previous fiscal year, and ¥272 million (US\$2,458 thousand) for the fiscal year under review. The Company’s own shares held by the trust are not reported as treasury shares under shareholders’ equity.

The number of shares held at the fiscal year-end was 154 thousand for the previous fiscal year and 146 thousand for the fiscal year under review.

The average number of shares held during the year was 155 thousand for the previous fiscal year and 148 thousand for the fiscal year under review.

The number of shares held at the fiscal year-end and the average number of shares held during the year are not included in the number of treasury shares to be deducted in calculating per-share information.

### 3. Notes of consolidated balance sheets

#### (1) The information of associates

| As of March 31, 2018 and 2019 | Millions of yen |      | Thousands of U.S. dollars |
|-------------------------------|-----------------|------|---------------------------|
|                               | 2018            | 2019 | 2019                      |
| Investment securities         | ¥728            | ¥637 | \$5,741                   |

#### (2) Pledged assets

Assets pledged as collateral for loans payable of subsidiaries and associates

| As of March 31, 2018                               | Millions of yen |                                       |
|--|-----------------|---------------------------------------|
|  | Book value      | Liabilities covered by pledged assets |
| Pledged assets                                     |                 |                                       |
| Cash and deposits                                  | ¥299            | ¥213                                  |
| Machinery, vehicles, tools, furniture and fixtures | ¥12             | ¥8                                    |

| As of March 31, 2019                               | Millions of yen |                                       | Thousands of U.S. dollars |                                       |
|--|-----------------|---------------------------------------|---------------------------|---------------------------------------|
|  | Book value      | Liabilities covered by pledged assets | Book value                | Liabilities covered by pledged assets |
| Pledged assets                                     |                 |                                       |                           |                                       |
| Cash and deposits                                  | ¥195            | ¥299                                  | \$1,765                   | \$2,694                               |
| Machinery, vehicles, tools, furniture and fixtures | ¥7              | ¥12                                   | \$70                      | \$116                                 |

Assets pledged as collateral for security deposits at subsidiaries and associates

| As of March 31, 2018 and 2019 | Millions of yen |      | Thousands of U.S. dollars |
|-------------------------------|-----------------|------|---------------------------|
|                               | 2018            | 2019 | 2019                      |
| Cash and deposits             | ¥57             | ¥56  | \$508                     |

Assets pledged as collateral for loans payable of invested company

| As of March 31, 2018 and 2019 | Millions of yen |      | Thousands of U.S. dollars |
|-------------------------------|-----------------|------|---------------------------|
|                               | 2018            | 2019 | 2019                      |
| Investment securities         | ¥2              | ¥2   | \$18                      |

Assets pledged as collateral for overdraft facilities of subsidiaries and associates

| As of March 31, 2018 and 2019 | Millions of yen |      | Thousands of U.S. dollars |
|-------------------------------|-----------------|------|---------------------------|
|                               | 2018            | 2019 | 2019                      |
| Cash and deposits             | ¥17             | ¥17  | \$154                     |

#### (3) Guarantee obligations

| As of March 31, 2018 and 2019  | Millions of yen |      | Thousands of U.S. dollars |
|--|-----------------|------|---------------------------|
|  | 2018            | 2019 | 2019                      |
| Guarantee of Employees' loans  | ¥2              | ¥1   | \$15                      |
| Tianjin Dongchun-Taiki Metal Finishing & Conveyor System Manufacturing Co., Ltd. | 276             | 259  | 2,336                     |
| Total  | ¥278            | ¥261 | \$2,351                   |

#### (4) Commitment lines

For efficient procurement of the operating funds, the Company has lending commitment contracts with four dealing banks. Lending commitment amounts are as follows:

| As of March 31, 2018 and 2019      | Millions of yen |        | Thousands of U.S. dollars |
|------------------------------------|-----------------|--------|---------------------------|
|                                    | 2018            | 2019   | 2019                      |
| Total amount of lending commitment | ¥5,000          | ¥5,000 | \$45,041                  |
| Borrowing execution balance        | —               | —      | —                         |
| Net                                | ¥5,000          | ¥5,000 | \$45,041                  |

#### (5) Endorsed notes

| As of March 31, 2018 and 2019 | Millions of yen |      | Thousands of U.S. dollars |
|-------------------------------|-----------------|------|---------------------------|
|                               | 2018            | 2019 | 2019                      |
| Endorsed notes                | ¥38             | ¥78  | \$710                     |

#### (6) Provision for loss on construction contracts

Following amounts of provision for loss on construction contracts are offset from the amounts of costs on uncompleted construction contracts.

| As of March 31, 2018 and 2019                | Millions of yen |      | Thousands of U.S. dollars |
|--|-----------------|------|---------------------------|
|  | 2018            | 2019 | 2019                      |
| Provision for loss on construction contracts | ¥0              | ¥5   | \$48                      |

**(7) Outstanding notes receivable and notes payable which maturity dates are same date as balance sheet date**

Notes receivable and notes payable are settled as of the date of bank clearing. However, as the balance sheet date of this fiscal year was a bank holiday, the following notes are included in the balance as of this fiscal year end.

| For the years ended March 31, 2018 and 2019       | Millions of yen |       | Thousands of U.S. dollars |
|---|-----------------|-------|---------------------------|
|   | 2018            | 2019  | 2019                      |
| Notes receivable-trade                            | ¥168            | ¥60   | \$543                     |
| Endorsed notes                                    | 1               | 7     | 68                        |
| Electronically recorded monetary claims-operating | 1               | 3     | 28                        |
| Notes payable-trade                               | 624             | 1,110 | 10,004                    |
| Electronically recorded obligations-operating     | 2,428           | 2,610 | 23,515                    |

**4. Notes of consolidated statements of income****(1) Research and development expenses**

Research and development expenses included in selling, general and administrative expenses are as follows.

| For the years ended March 31, 2018 and 2019 | Millions of yen |        | Thousands of U.S. dollars |
|---|-----------------|--------|---------------------------|
|   | 2018            | 2019   | 2019                      |
| General and administrative expenses         | ¥1,024          | ¥1,084 | \$9,767                   |

**(2) Gain on disposal of non-current assets**

| For the years ended March 31, 2018 and 2019        | Millions of yen |      | Thousands of U.S. dollars |
|--|-----------------|------|---------------------------|
|  | 2018            | 2019 | 2019                      |
| Buildings and structures                           | ¥45             | ¥-   | \$-                       |
| Machinery, vehicles, tools, furniture and fixtures | 4               | 12   | 112                       |
| Long-term deposits                                 | 7               | -    | -                         |
| Other  | 1               | -    | -                         |
| Total  | ¥59             | ¥12  | \$112                     |

**(3) Loss on disposal of non-current assets**

| For the years ended March 31, 2018 and 2019        | Millions of yen |      | Thousands of U.S. dollars |
|--|-----------------|------|---------------------------|
|  | 2018            | 2019 | 2019                      |
| Buildings and structures                           | ¥32             | ¥32  | \$295                     |
| Machinery, vehicles, tools, furniture and fixtures | 17              | 2    | 19                        |
| Land   | -               | 24   | 220                       |
| Software   | 6               | 135  | 1,223                     |
| Long-term deposits                                 | 6               | 0    | 1                         |
| Other  | 2               | 0    | 0                         |
| Total  | ¥65             | ¥195 | \$1,758                   |

(Note) In the previous consolidated fiscal year, "software" was included in "other". However, in light of its increased materiality, this item is now stated separately from the consolidated fiscal year under review.

**(4) Provision for loss on construction contracts**

Provision for loss on construction contracts included in cost of sales of completed construction contracts are as follows.

| For the years ended March 31, 2018 and 2019  | Millions of yen |      | Thousands of U.S. dollars |
|--|-----------------|------|---------------------------|
|  | 2018            | 2019 | 2019                      |
| Provision for loss on construction contracts | ¥347            | ¥249 | \$2,252                   |

**(5) Amortization of goodwill**

For the year ended March 31, 2018  
Not applicable.

For the year ended March 31, 2019  
One-time amortization of goodwill is recorded based on the provisions of Paragraph 32 of "Practical Guidelines on Capital Consolidation Procedures in Consolidated Financial Statements" (Accounting Systems Committee Report No. 7, Final Amendment of November 28, 2014, The Japanese Institute of Certified Public Accountants).

## 5. Notes of consolidated statements of comprehensive income

### (1) Reclassification adjustments and tax effects for other comprehensive income

| For the years ended March 31, 2018 and 2019                                       | Millions of yen |          | Thousands of U.S. dollars |
|---|-----------------|----------|---------------------------|
|   | 2018            | 2019     | 2019                      |
| Valuation difference on available-for-sale securities                             |                 |          |                           |
| Net gains (losses) arising during the period                                      | ¥4,639          | ¥(1,165) | \$(10,502)                |
| Reclassification adjustments  | –               | (845)    | (7,617)                   |
| Before tax effects  | 4,639           | (2,011)  | (18,119)                  |
| Tax effects   | (1,365)         | 611      | 5,506                     |
| Valuation difference on available-for-sale securities                             | 3,273           | (1,400)  | (12,613)                  |
| Deferred gains or losses on hedges  |                 |          |                           |
| Net gains (losses) arising during the period                                      | 400             | (4)      | (40)                      |
| Reclassification adjustments  | (103)           | –        | –                         |
| Before tax effects  | 297             | (4)      | (40)                      |
| Tax effects   | (77)            | 1        | 15                        |
| Deferred gains or losses on hedges  | 219             | (2)      | (25)                      |
| Foreign currency translation adjustment   |                 |          |                           |
| Net gains (losses) arising during the period                                      | 840             | (1,127)  | (10,157)                  |
| Foreign currency translation adjustment   | 840             | (1,127)  | (10,157)                  |
| Remeasurements of defined benefit plans   |                 |          |                           |
| Net gains (losses) arising during the period                                      | 934             | (463)    | (4,171)                   |
| Reclassification adjustments  | 339             | 6        | 59                        |
| Before tax effects  | 1,273           | (456)    | (4,112)                   |
| Tax effects   | (385)           | 162      | 1,466                     |
| Remeasurements of defined benefit plans   | 888             | (293)    | (2,646)                   |
| Share of other comprehensive income of entities accounted for using equity method |                 |          |                           |
| Net gains (losses) arising during the period                                      | 20              | (44)     | (403)                     |
| Other comprehensive income  | ¥5,241          | ¥(2,868) | \$(25,844)                |

## 6. Notes of consolidated statements of changes in net assets

### (1) The number of issued shares

| For the year ended March 31, 2018  | Beginning Balance | Increase | Decrease  | Ending Balance |
|--|-------------------|----------|-----------|----------------|
| Common shares  | 36,782,009        | –        | 1,700,000 | 35,082,009     |
| The number of issued shares decreased by 1,700,000 shares because of the retirement of the shares. |                   |          |           |                |
| For the year ended March 31, 2019  | Beginning Balance | Increase | Decrease  | Ending Balance |
| Common shares  | 35,082,009        | –        | –         | 35,082,009     |

### (2) The number of treasury shares

| For the year ended March 31, 2018  | Beginning Balance | Increase | Decrease  | Ending Balance |
|--|-------------------|----------|-----------|----------------|
| Common shares  | 2,575,841         | 137,158  | 1,700,000 | 1,012,999      |
| The number of treasury shares increased by 136,800 shares because of purchase of shares approved by the resolution of board of directors and increased by 358 shares because of purchase of shares less than one unit (*).<br>The number of treasury shares decreased by 1,700,000 shares because of the retirement of the shares. |                   |          |           |                |
| (*) The unit share is a specified number of shares which are treated as one purchasing lot and entitled to one voting right. One unit share consists of 100 shares.  |                   |          |           |                |
| For the year ended March 31, 2019  | Beginning Balance | Increase | Decrease  | Ending Balance |
| Common shares  | 1,012,999         | 294      | –         | 1,013,293      |

The number of treasury shares increased by 294 shares because of purchase of shares less than one unit (\*).  
(\*) The unit share is a specified number of shares which are treated as one purchasing lot and entitled to one voting right. One unit share consists of 100 shares.

**(3) Dividends****Dividends paid**

For the year ended March 31, 2018

| Resolution approved by                                 | Type of shares | Amount          |                      | Shareholders' cut-off date | Effective date    |
|--|----------------|-----------------|----------------------|----------------------------|-------------------|
|  |                | Millions of yen | Amount per share Yen |                            |                   |
| Annual general meeting of shareholders (June 29, 2017) | Common shares  | ¥1,539          | ¥45.00               | March 31, 2017             | June 30, 2017     |
| Board of directors (November 13, 2017)                 | Common shares  | ¥855            | ¥25.00               | September 30, 2017         | November 30, 2017 |

For the year ended March 31, 2019

| Resolution approved by                                 | Type of shares | Amount          |                           | Amount per share |              | Shareholders' cut-off date | Effective date    |
|--|----------------|-----------------|---------------------------|------------------|--------------|----------------------------|-------------------|
|  |                | Millions of yen | Thousands of U.S. dollars | Yen              | U.S. dollars |                            |                   |
| Annual general meeting of shareholders (June 28, 2018) | Common shares  | ¥1,703          | \$15,345                  | ¥50.00           | \$0.45       | March 31, 2018             | June 29, 2018     |
| Board of directors (November 12, 2018)                 | Common shares  | ¥851            | \$7,672                   | ¥25.00           | \$0.23       | September 30, 2018         | November 30, 2018 |

**Dividends with a shareholders' cut-off date during the fiscal year but an effective date subsequent to the fiscal year**

For the year ended March 31, 2018

| Resolution approved by                                 | Type of shares | Paid from         | Amount          |                      | Shareholders' cut-off date | Effective date |
|--|----------------|-------------------|-----------------|----------------------|----------------------------|----------------|
|  |                |                   | Millions of yen | Amount per share Yen |                            |                |
| Annual general meeting of shareholders (June 28, 2018) | Common shares  | Retained earnings | ¥1,703          | ¥50.00               | March 31, 2018             | June 29, 2018  |

For the year ended March 31, 2019

| Resolution approved by                                 | Type of shares | Paid from         | Amount          |                           | Amount per share |              | Shareholders' cut-off date | Effective date |
|--|----------------|-------------------|-----------------|---------------------------|------------------|--------------|----------------------------|----------------|
|  |                |                   | Millions of yen | Thousands of U.S. dollars | Yen              | U.S. dollars |                            |                |
| Annual general meeting of shareholders (June 27, 2019) | Common shares  | Retained earnings | ¥2,248          | \$20,255                  | ¥66.00           | \$0.59       | March 31, 2019             | June 28, 2019  |

**7. Notes of consolidated statements of cash flows****(1) Cash and cash equivalents**

The reconciliation between amounts of cash and cash equivalents reported in the consolidated statement of cash flows and amounts of cash and deposits reported in the consolidated balance sheet are as follows:

For the years ended March 31, 2018 and 2019

|                                 | Millions of yen |         | Thousands of U.S. dollars |
|---------------------------------|-----------------|---------|---------------------------|
|                                 | 2018            | 2019    | 2019                      |
| Cash and deposits               | ¥47,147         | ¥52,107 | \$469,393                 |
| Securities                      | —               | 1,000   | 9,008                     |
| Sub total                       | 47,147          | 53,107  | 478,401                   |
| Time deposits over three months | (4,854)         | (3,246) | (29,241)                  |
| Cash and cash equivalents       | ¥42,292         | ¥49,861 | \$449,160                 |

**(2) Details of assets and liabilities of the company which is included in the scope of consolidation because of acquisition of shares**

The details of assets, liabilities and purchase of shares of a subsidiary resulting in inclusion in consolidation are as follows:

For the year ended March 31, 2018

| BTE Co., Ltd. (as of January 1, 2017) | Millions of yen |
|---------------------------------------|-----------------|
| Current assets                        | ¥339            |
| Non-current assets                    | 153             |
| Goodwill                              | 158             |
| Current liabilities                   | (258)           |
| Non-current liabilities               | (16)            |
| Non-controlling interests             | (109)           |
| Acquisition cost of shares            | 268             |
| Cash and cash equivalents             | (7)             |
| Net : Purchase of shares              | ¥260            |

For the year ended March 31, 2019

Not applicable.

**(3) Details of major non-cash transactions**

Not applicable.

## 8. Lease transaction

### The non-transfer-ownership finance lease as lessee which entered into a contract on and before March 31, 2008

Until the year ended March 31, 2008, non-transfer-ownership finance leases were permitted to be accounted for in the same manner as operating leases.

From the year ended March 31, 2009, non-transfer-ownership finance leases are to be capitalized in accordance with "Accounting Standard for Lease Transactions" (Accounting Standards Board of Japan Statement No.13, March 30, 2007). However, the lease transactions entered into contracts on and before March 31, 2008 are continuously accounted for in the same manner as operating leases.

#### As lessee

The acquisition costs, accumulated depreciation and net book value of the leased assets

As of March 31, 2018  
Not applicable.

As of March 31, 2019  
Not applicable.

The amounts of future lease payments  
Not applicable.

Total lease payments and depreciation  
For the years ended March 31, 2018 and 2019

|                      | Millions of yen |      | Thousands of U.S. dollars |
|----------------------|-----------------|------|---------------------------|
|                      | 2018            | 2019 | 2019                      |
| Total lease payments | ¥9              | ¥—   | \$—                       |
| Depreciation         | ¥9              | —    | —                         |

Depreciation method

Depreciation is calculated by the straight-line method over the lease period with a residual value of zero.

### (1) Finance lease transaction

#### As lessee

Details of leased assets

The leased assets are mainly office equipment and vehicles in Japan and production equipment and vehicles overseas. The account title which the Companies use is "Machinery, vehicles, tools, furniture and fixtures".

Depreciation method

Depreciation is calculated by the straight-line method over the lease period with a residual value of zero.

Impairment loss

There is no impairment loss allocated to the leased assets.

### (2) Operating lease transaction

#### As lessee

The amounts of outstanding future lease payments under non-cancelable operating leases are as follows:

| As of March 31, 2018 and 2019 | Millions of yen |        | Thousands of U.S. dollars |
|-------------------------------|-----------------|--------|---------------------------|
|                               | 2018            | 2019   | 2019                      |
| Due within one year           | ¥202            | ¥299   | \$2,700                   |
| Due over one year             | 810             | 752    | 6,776                     |
| Total                         | ¥1,012          | ¥1,051 | \$9,476                   |

## 9. Financial instruments

### (1) Status of financial instruments

#### Policies on financial instruments

The Companies invest its temporary surplus funds in financial assets that are highly secure and procure its short-term working capital in the form of borrowings from banks. The Companies utilize derivatives only to hedge their exposure to the risks as described below and do not enter into such transactions for speculative purposes.

#### 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 Companies' management system allows us to monitor the credit standing of major customers 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 Companies have business relations and are continuously monitored through regular checks of their fair value and financial positions of the issuers.

Notes payable, accounts payable for construction contracts and other, which are trade payables, generally mature within one year. While some of them are denominated in foreign currencies for the purpose of importing equipment and raw materials, etc. and are exposed to the risk of exchange rate fluctuations, the amounts of those items are invariably less than 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 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 payable, which are procured at fixed interest rates, in principle, are hedged against 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, as well as interest rate swaps aimed at hedging the risk of fluctuations in the interest rates for loans payable. Forward exchange contracts and NDFs are executed and managed in accordance with the relevant guideline regarding foreign exchange control issued by the Chief Executive of the Administrative Management Headquarters. This guideline clearly stipulates regulations for the management policies on derivative transactions, the regulating division and department in charge of risk management, purposes of use, scope of utilization and reporting system. As for interest rate swaps, only those that meet the requirements for the application of special treatment are executed. Derivative transactions are executed only with financial institutions with high credit ratings to reduce the credit risk.

Although trade payables and loans payable are exposed to liquidity risk, the Companies strive to control the liquidity risk such as by having each Group company prepare a monthly cash management plan.

### Supplementary explanation of fair values of financial instruments

Derivative transactions in “(2) Fair value of financial instruments” below are not indicative of the actual market risk involved in derivative transactions but nominal contract amounts or estimated amounts based on certain assumptions.

#### (2) Fair value of financial instruments

The following table shows the book values and fair values of financial instruments and any differences. Certain financial instruments for which it is extremely difficult to determine the fair value are not included (see Note 2 below).

As of March 31, 2018

|   | Millions of yen |            |            |
|---|-----------------|------------|------------|
|   | Book value      | Fair value | Difference |
| Cash and deposits   | ¥47,147         | ¥47,147    | ¥-         |
| Notes receivable, accounts receivable from completed construction contracts and other | 101,947         |            |            |
| Allowance for doubtful accounts (*1)  | (501)           |            |            |
|   | 101,445         | 101,418    | (27)       |
| Investment securities (*2)  | 29,457          | 29,457     | -          |
| Total Assets  | 178,050         | 178,023    | (27)       |
| Notes payable, accounts payable for construction contracts and other                  | 60,590          | 60,586     | (4)        |
| Short-term loans payable  | 6,730           | 6,730      | -          |
| Income taxes payable  | 3,859           | 3,859      | -          |
| Long-term loans payable   | 1,606           | 1,562      | (43)       |
| Total Liabilities   | 72,786          | 72,739     | (47)       |
| Derivatives   | ¥5              | ¥5         | ¥-         |

(\*1) “Allowance for doubtful accounts” separately included in “notes receivable, accounts receivable from completed construction contracts and other” is deducted.

(\*2) “Investment securities” for which it is deemed extremely difficult to determine the fair value are not included in the table above.

As of March 31, 2019

|   | Millions of yen |            |            | Thousands of U.S. dollars |            |            |
|---|-----------------|------------|------------|---------------------------|------------|------------|
|   | Book value      | Fair value | Difference | Book value                | Fair value | Difference |
| Cash and deposits   | ¥52,107         | ¥52,107    | ¥-         | \$469,393                 | \$469,393  | \$-        |
| Notes receivable, accounts receivable from completed construction contracts and other | 104,705         |            |            | 943,211                   |            |            |
| Allowance for doubtful accounts (*1)  | (372)           |            |            | (3,352)                   |            |            |
|   | 104,333         | 104,318    | (15)       | 939,859                   | 939,724    | (135)      |
| Securities and Investment securities (*2)   | 29,306          | 29,306     | -          | 264,000                   | 264,000    | -          |
| Total Assets  | 185,747         | 185,732    | (15)       | 1,673,252                 | 1,673,117  | (135)      |
| Notes payable, accounts payable for construction contracts and other                  | 55,835          | 55,830     | (4)        | 502,976                   | 502,936    | (40)       |
| Short-term loans payable  | 10,892          | 10,892     | -          | 98,117                    | 98,117     | -          |
| Income taxes payable  | 2,711           | 2,711      | -          | 24,429                    | 24,429     | -          |
| Long-term loans payable   | 3,076           | 3,074      | (1)        | 27,717                    | 27,700     | (17)       |
| Total Liabilities   | 72,516          | 72,509     | (6)        | 653,239                   | 653,182    | (57)       |
| Derivatives   | ¥(10)           | ¥(10)      | ¥-         | \$(96)                    | \$(96)     | \$-        |

(\*1) “Allowance for doubtful accounts” separately included in “notes receivable, accounts receivable from completed construction contracts and other” is deducted.

(\*2) “Securities and investment securities” for which it is deemed extremely difficult to determine the fair value are not included in the table above.

(Note 1) Method to determine the fair value of financial instruments and securities and derivative transactions

**Assets**

**Cash and deposits**

Since deposits are settled within a short period of time, the book value approximates the fair value. Therefore the book value is used as the fair value.

**Notes receivable, accounts receivable from completed construction contracts and other**

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

**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 present value calculated by applying discount rates, which take into account the remaining period prior to maturity, the yield of government bonds and other.

**Liabilities**

**Notes payable, accounts payable for construction contracts and other and short-term loans payable**

The fair value of these liabilities is determined based on the present value calculated by applying 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.

**Income taxes payable**

As these liabilities are settled within a short period of time, the book value approximates the fair value. Therefore, the book value is used as the fair value.

**Long-term loans payable**

With regard to floating rate loans, the book value approximates the fair value because the market interest rate is reflected in the interest rate within a short period of time and the credit risk did not fluctuate significantly after borrowing. Therefore, the book value is used as the fair value. With regard to fixed rate loans, the fair value is determined based on the present value of the total principal and interest discounted by an interest rate to be applied to similar new loans.

**Derivative transactions**

See 11 "Derivative transactions"

(Note 2) Book value of financial instruments for which it is extremely difficult to determine the fair value

| As of March 31, 2018 and 2019 | Millions of yen |        | Thousands of U.S. dollars |
|-------------------------------|-----------------|--------|---------------------------|
|                               | 2018            | 2019   | 2019                      |
| Available-for-sale securities |                 |        |                           |
| Non-listed stocks             | ¥1,260          | ¥1,065 | \$9,600                   |
| Non-listed foreign bonds      | ¥6              | ¥6     | \$56                      |

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 "Securities and investment securities" above.

(Note 3) Redemption schedule for monetary receivables and securities with maturities

| As of March 31, 2018  | Millions of yen |                                 |                                  |                |
|---|-----------------|---------------------------------|----------------------------------|----------------|
|   | Within one year | Over one year within five years | Over five years within ten years | Over ten years |
| Cash and deposits   | ¥47,147         | ¥—                              | ¥—                               | ¥—             |
| Notes receivable, accounts receivable from completed construction contracts and other | 92,824          | 9,123                           | —                                | —              |
| Investment securities   |                 |                                 |                                  |                |
| Available-for-sale securities with maturity date (Non-listed foreign bonds)           | —               | 6                               | —                                | —              |
| <b>Total</b>  | <b>¥139,971</b> | <b>¥9,130</b>                   | <b>¥—</b>                        | <b>¥—</b>      |

As of March 31, 2019

|   | Millions of yen |                                 |                                  |                |
|---|-----------------|---------------------------------|----------------------------------|----------------|
|   | Within one year | Over one year within five years | Over five years within ten years | Over ten years |
| Cash and deposits   | ¥52,107         | ¥-                              | ¥-                               | ¥-             |
| Notes receivable, accounts receivable from completed construction contracts and other | 89,846          | 14,859                          | -                                | -              |
| Securities and Investment securities  |                 |                                 |                                  |                |
| Available-for-sale securities with maturity date (Money trusts, etc.)                 | 1,000           | -                               | -                                | -              |
| Available-for-sale securities with maturity date (Non-listed foreign bonds)           | -               | 6                               | -                                | -              |
| <b>Total</b>  | <b>¥142,953</b> | <b>¥14,866</b>                  | <b>¥-</b>                        | <b>¥-</b>      |

As of March 31, 2019

|   | Thousands of U.S. dollars |                                 |                                  |                |
|---|---------------------------|---------------------------------|----------------------------------|----------------|
|   | Within one year           | Over one year within five years | Over five years within ten years | Over ten years |
| Cash and deposits   | \$469,393                 | \$-                             | \$-                              | \$-            |
| Notes receivable, accounts receivable from completed construction contracts and other | 809,351                   | 133,860                         | -                                | -              |
| Securities and Investment securities  |                           |                                 |                                  |                |
| Available-for-sale securities with maturity date (Money trusts, etc.)                 | 9,008                     | -                               | -                                | -              |
| Available-for-sale securities with maturity date (Non-listed foreign bonds)           | -                         | 57                              | -                                | -              |
| <b>Total</b>  | <b>\$1,287,752</b>        | <b>\$133,917</b>                | <b>\$-</b>                       | <b>\$-</b>     |

(Note 4) Redemption schedule for long-term loans payable, lease obligations and other interest-bearing debts

As of March 31, 2018

|                          | Millions of yen |                                |                                   |                                    |                                   |                 |
|--------------------------|-----------------|--------------------------------|-----------------------------------|------------------------------------|-----------------------------------|-----------------|
|                          | Within one year | Over one year within two years | Over two years within three years | Over three years within four years | Over four years within five years | Over five years |
| Short-term loans payable | ¥5,719          | ¥-                             | ¥-                                | ¥-                                 | ¥-                                | ¥-              |
| Long-term loans payable  | 1,011           | 657                            | 449                               | 368                                | 131                               | -               |
| Lease obligations        | 39              | 28                             | 24                                | 18                                 | 13                                | 17              |
| <b>Total</b>             | <b>¥6,769</b>   | <b>¥685</b>                    | <b>¥473</b>                       | <b>¥387</b>                        | <b>¥145</b>                       | <b>¥17</b>      |

As of March 31, 2019

|                          | Millions of yen |                                |                                   |                                    |                                   |                 |
|--------------------------|-----------------|--------------------------------|-----------------------------------|------------------------------------|-----------------------------------|-----------------|
|                          | Within one year | Over one year within two years | Over two years within three years | Over three years within four years | Over four years within five years | Over five years |
| Short-term loans payable | ¥9,274          | ¥-                             | ¥-                                | ¥-                                 | ¥-                                | ¥-              |
| Long-term loans payable  | 1,617           | 1,754                          | 954                               | 341                                | 26                                | -               |
| Lease obligations        | 28              | 24                             | 18                                | 13                                 | 11                                | 5               |
| <b>Total</b>             | <b>¥10,920</b>  | <b>¥1,779</b>                  | <b>¥973</b>                       | <b>¥355</b>                        | <b>¥37</b>                        | <b>¥5</b>       |

As of March 31, 2019

|                          | Thousands of U.S. dollars |                                |                                   |                                    |                                   |                 |
|--------------------------|---------------------------|--------------------------------|-----------------------------------|------------------------------------|-----------------------------------|-----------------|
|                          | Within one year           | Over one year within two years | Over two years within three years | Over three years within four years | Over four years within five years | Over five years |
| Short-term loans payable | \$83,545                  | \$-                            | \$-                               | \$-                                | \$-                               | \$-             |
| Long-term loans payable  | 14,572                    | 15,807                         | 8,598                             | 3,076                              | 235                               | -               |
| Lease obligations        | 254                       | 219                            | 169                               | 124                                | 104                               | 52              |
| <b>Total</b>             | <b>\$98,371</b>           | <b>\$16,026</b>                | <b>\$8,767</b>                    | <b>\$3,200</b>                     | <b>\$339</b>                      | <b>\$52</b>     |

## 10. Securities

### (1) Held-to-maturity debt securities

As of March 31, 2018  
Not applicable.

As of March 31, 2019  
Not applicable.

### (2) Available-for-sale securities

As of March 31, 2018

|  | Millions of yen |                  |            |
|--|-----------------|------------------|------------|
|  | Book value      | Acquisition cost | Difference |
| Securities whose book value exceeds their acquisition cost         |                 |                  |            |
| Stocks   | ¥29,441         | ¥10,507          | ¥18,934    |
| Securities whose book value does not exceed their acquisition cost |                 |                  |            |
| Stocks   | 15              | 20               | (4)        |
| Total  | ¥29,457         | ¥10,527          | ¥18,929    |

As of March 31, 2019

|  | Millions of yen |                  |            |
|--|-----------------|------------------|------------|
|  | Book value      | Acquisition cost | Difference |
| Securities whose book value exceeds their acquisition cost         |                 |                  |            |
| Stocks   | ¥28,197         | ¥11,271          | ¥16,926    |
| Securities whose book value does not exceed their acquisition cost |                 |                  |            |
| Stocks   | 109             | 117              | (8)        |
| Bonds  |                 |                  |            |
| Other  | 1,000           | 1,000            | –          |
| Total  | ¥29,306         | ¥12,388          | ¥16,917    |

As of March 31, 2019

|  | Thousands of U.S. dollars |                  |            |
|--|---------------------------|------------------|------------|
|  | Book value                | Acquisition cost | Difference |
| Securities whose book value exceeds their acquisition cost         |                           |                  |            |
| Stocks   | \$254,009                 | \$101,533        | \$152,476  |
| Securities whose book value does not exceed their acquisition cost |                           |                  |            |
| Stocks   | 983                       | 1,059            | (76)       |
| Bonds  |                           |                  |            |
| Other  | 9,008                     | 9,008            | –          |
| Total  | \$264,000                 | \$111,600        | \$152,400  |

### (3) Available-for-sale securities sold

For the year ended March 31, 2018

|        | Millions of yen |                     |                     |
|--------|-----------------|---------------------|---------------------|
|        | Sales amount    | Total gain on sales | Total loss on sales |
| Stocks | ¥50             | ¥–                  | ¥–                  |
| Total  | ¥50             | ¥–                  | ¥–                  |

For the year ended March 31, 2019

|        | Millions of yen |                     |                     |
|--------|-----------------|---------------------|---------------------|
|        | Sales amount    | Total gain on sales | Total loss on sales |
| Stocks | ¥1,089          | ¥855                | ¥10                 |
| Total  | ¥1,089          | ¥855                | ¥10                 |

For the year ended March 31, 2019

|        | Thousands of U.S. dollars |                     |                     |
|--------|---------------------------|---------------------|---------------------|
|        | Sales amount              | Total gain on sales | Total loss on sales |
| Stocks | \$9,811                   | \$7,708             | \$92                |
| Total  | \$9,811                   | \$7,708             | \$92                |

**(4) Securities with impairment loss**

For the years ended March 31, 2018 and 2019

The "acquisition cost" in the tables above is the book value after deducting impairment losses. The Companies recognize an impairment loss when the fair value of stocks falls 50% or more compared with the acquisition cost and there is no evidence to indicate that the fair value will recover to the book value within one year. When the fair value falls by 30% or more but less than 50% compared with the acquisition cost, the Companies recognize a necessary amount of impairment loss after considering the market prices in the past year and the possibility of recovery.

**11. Derivative transactions****(1) Derivative transactions to which the hedge accounting method is not applied**  
**Currency-related transactions**

| As of March 31, 2018    |                             | Millions of yen |               |            |                        |
|-------------------------|-----------------------------|-----------------|---------------|------------|------------------------|
| Category                | Transaction type            | Contract amount | Over one year | Fair value | Unrealized gain (loss) |
| Non-market transactions | Forward exchange contracts: |                 |               |            |                        |
|                         | Buy                         |                 |               |            |                        |
|                         | Yen                         | ¥64             | ¥-            | ¥(0)       | ¥(0)                   |
|                         | U.S. dollars                | 28              | -             | (0)        | (0)                    |
| Total                   |                             | ¥92             | ¥-            | ¥(1)       | ¥(1)                   |

(Note) Estimated fair value is provided by financial institutions.

| As of March 31, 2019    |                             | Millions of yen |               |            |                        |
|-------------------------|-----------------------------|-----------------|---------------|------------|------------------------|
| Category                | Transaction type            | Contract amount | Over one year | Fair value | Unrealized gain (loss) |
| Non-market transactions | Forward exchange contracts: |                 |               |            |                        |
|                         | Buy                         |                 |               |            |                        |
|                         | Yen                         | ¥184            | ¥-            | ¥(3)       | ¥(3)                   |
|                         | U.S. dollars                | 42              | -             | (1)        | (1)                    |
|                         | Euros                       | 30              | -             | (2)        | (2)                    |
|                         | Sell                        |                 |               |            |                        |
| U.S. dollars            | 815                         | -               | (3)           | (3)        |                        |
| Total                   |                             | ¥1,074          | ¥-            | ¥(9)       | ¥(9)                   |

(Note) Estimated fair value is provided by financial institutions.

| As of March 31, 2019    |                             | Thousands of U.S. dollars |               |            |                        |
|-------------------------|-----------------------------|---------------------------|---------------|------------|------------------------|
| Category                | Transaction type            | Contract amount           | Over one year | Fair value | Unrealized gain (loss) |
| Non-market transactions | Forward exchange contracts: |                           |               |            |                        |
|                         | Buy                         |                           |               |            |                        |
|                         | Yen                         | \$1,665                   | \$-           | \$(31)     | \$(31)                 |
|                         | U.S. dollars                | 385                       | -             | (9)        | (9)                    |
|                         | Euros                       | 277                       | -             | (21)       | (21)                   |
|                         | Sell                        |                           |               |            |                        |
| U.S. dollars            | 7,350                       | -                         | (28)          | (28)       |                        |
| Total                   |                             | \$9,677                   | \$-           | \$(89)     | \$(89)                 |

**(2) Derivative transactions to which the hedge accounting method is applied**  
**Currency-related transactions**

| As of March 31, 2018 |                            |  | Millions of yen |               |            |
|----------------------|----------------------------|--|-----------------|---------------|------------|
| Hedging method       | Transaction type           | Main hedged items  | Contract amount | Over one year | Fair value |
| Method in principle  | Forward exchange contracts |  |                 |               |            |
|                      | Buy                        |  |                 |               |            |
|                      | U.S. dollars               | Accounts payable for construction contracts (forecast)               | ¥0              | ¥-            | ¥(0)       |
|                      | Baht                       | Accounts payable for construction contracts (forecast)               | 2               | -             | (0)        |
|                      | Sell                       |  |                 |               |            |
|                      | U.S. dollars               | Accounts receivable from completed construction contracts (forecast) | 286             | 28            | 9          |
|                      | Baht                       | Accounts receivable from completed construction contracts (forecast) | 1               | -             | (0)        |
|                      | Chinese Yuan               | Accounts receivable from completed construction contracts (forecast) | 114             | -             | (1)        |
| Total                |                            |  | ¥405            | ¥28           | ¥7         |

(Note) Calculation method of the fair value: Based on the prices and other data submitted by counterparty financial institutions.

| As of March 31, 2019 |                            |  | Millions of yen |               |            |
|----------------------|----------------------------|--|-----------------|---------------|------------|
| Hedging method       | Transaction type           | Main hedged items  | Contract amount | Over one year | Fair value |
| Method in principle  | Forward exchange contracts |  |                 |               |            |
|                      | Buy                        |  |                 |               |            |
|                      | U.S. dollars               | Accounts payable for construction contracts (forecast)               | ¥7              | ¥-            | ¥(0)       |
|                      | Baht                       | Accounts payable for construction contracts (forecast)               | 68              | -             | 0          |
|                      | Won                        | Accounts payable for construction contracts (forecast)               | 46              | -             | (1)        |
|                      | Sell                       |  |                 |               |            |
|                      | U.S. dollars               | Accounts receivable from completed construction contracts (forecast) | 78              | -             | 0          |
|                      | Chinese Yuan               | Accounts receivable from completed construction contracts (forecast) | 143             | -             | (0)        |
| Total                |                            |  | ¥344            | ¥-            | ¥(0)       |

(Note) Calculation method of the fair value: Based on the prices and other data submitted by counterparty financial institutions.

| As of March 31, 2019 |                            |  | Thousands of U.S. dollars |               |            |
|----------------------|----------------------------|--|---------------------------|---------------|------------|
| Hedging method       | Transaction type           | Main hedged items  | Contract amount           | Over one year | Fair value |
| Method in principle  | Forward exchange contracts |  |                           |               |            |
|                      | Buy                        |  |                           |               |            |
|                      | U.S. dollars               | Accounts payable for construction contracts (forecast)               | \$72                      | \$-           | \$1        |
|                      | Baht                       | Accounts payable for construction contracts (forecast)               | 620                       | -             | 4          |
|                      | Won                        | Accounts payable for construction contracts (forecast)               | 416                       | -             | (13)       |
|                      | Sell                       |  |                           |               |            |
|                      | U.S. dollars               | Accounts receivable from completed construction contracts (forecast) | 708                       | -             | 5          |
|                      | Chinese Yuan               | Accounts receivable from completed construction contracts (forecast) | 1,290                     | -             | (4)        |
| Total                |                            |  | \$3,106                   | \$-           | \$(7)      |

**Interest-related transactions**

| As of March 31, 2018 |                            |                         | Millions of yen |               |            |
|----------------------|----------------------------|-------------------------|-----------------|---------------|------------|
| Hedging method       | Transaction type           | Main hedged items       | Contract amount | Over one year | Fair value |
| Special treatment    | Interest rate swap         |                         |                 |               |            |
|                      | Pay fixed/Receive floating | Long-term loans payable | ¥641            | ¥507          | (Note)     |

(Note) Because interest rate swaps qualified for the special treatment are accounted for as part of hedged long-term loans payable, the fair value thereof is included in the fair value of the corresponding long-term loans payable.

| As of March 31, 2019 |                            |                         | Millions of yen |               |            |
|----------------------|----------------------------|-------------------------|-----------------|---------------|------------|
| Hedging method       | Transaction type           | Main hedged items       | Contract amount | Over one year | Fair value |
| Special treatment    | Interest rate swap         |                         |                 |               |            |
|                      | Pay fixed/Receive floating | Long-term loans payable | ¥477            | ¥350          | (Note)     |

(Note) Because interest rate swaps qualified for the special treatment are accounted for as part of hedged long-term loans payable, the fair value thereof is included in the fair value of the corresponding long-term loans payable.

| As of March 31, 2019 |                            |                         | Thousands of U.S. dollars |               |            |
|----------------------|----------------------------|-------------------------|---------------------------|---------------|------------|
| Hedging method       | Transaction type           | Main hedged items       | Contract amount           | Over one year | Fair value |
| Special treatment    | Interest rate swap         |                         |                           |               |            |
|                      | Pay fixed/Receive floating | Long-term loans payable | \$4,298                   | \$3,159       |            |

**12. Retirement and pension plans****(1) Overview**

The Company and its domestic consolidated subsidiaries apply defined benefit plans and defined contribution plans.

The overseas consolidated subsidiaries, which apply retirement benefit plan, apply defined benefit or defined contribution plans.

The defined benefit plans consist of outside funded defined benefit pension plans and lump-sum retirement payment plans. A retirement benefit trust is set up in certain outside funded defined benefit pension plan.

Certain overseas consolidated subsidiaries, which apply lump-sum retirement payment plans, apply simplified method for calculating projected benefit obligations.

**(2) Defined benefit plan (except simplified method)****Reconciliation of beginning and ending balances for projected benefit obligations**

| For the years ended March 31, 2018 and 2019                      | Millions of yen |         | Thousands of U.S. dollars |
|--|-----------------|---------|---------------------------|
|  | 2018            | 2019    | 2019                      |
| Projected benefit obligations at the beginning of current period | ¥18,119         | ¥17,699 | \$159,443                 |
| Service costs  | 1,180           | 1,195   | 10,770                    |
| Interest costs   | 62              | 57      | 521                       |
| Actuarial differences accrued in the current period              | (548)           | 386     | 3,481                     |
| Benefits paid  | (1,150)         | (1,201) | (10,826)                  |
| Foreign currency translation                                     | 30              | (42)    | (384)                     |
| Other  | 6               | (23)    | (211)                     |
| Projected benefit obligations at the end of current period       | ¥17,699         | ¥18,071 | \$162,794                 |

**Reconciliation of beginning and ending balances for pension assets**

| For the years ended March 31, 2018 and 2019         | Millions of yen |         | Thousands of U.S. dollars |
|---|-----------------|---------|---------------------------|
|   | 2018            | 2019    | 2019                      |
| Pension assets at the beginning of current period   | ¥21,859         | ¥22,694 | \$204,438                 |
| Expected return on pension assets                   | 477             | 501     | 4,520                     |
| Actuarial differences accrued in the current period | 393             | (66)    | (601)                     |
| Contributions from employers                        | 1,006           | 829     | 7,471                     |
| Benefits paid                                       | (1,040)         | (1,112) | (10,023)                  |
| Foreign currency translation                        | (2)             | (4)     | (41)                      |
| Pension assets at the end of current period         | ¥22,694         | ¥22,841 | \$205,764                 |

Reconciliation of projected benefit obligations, pension assets, net defined benefit liability, and net defined benefit asset in the consolidated balance sheets

| As of March 31, 2018 and 2019   | Millions of yen |          | Thousands of U.S. dollars |
|---|-----------------|----------|---------------------------|
|   | 2018            | 2019     | 2019                      |
| Funded projected benefit obligations                                    | ¥16,568         | ¥17,102  | \$154,059                 |
| Pension assets  | (22,694)        | (22,841) | (205,764)                 |
| Sub total   | (6,125)         | (5,739)  | (51,705)                  |
| Unfunded projected benefit obligations                                  | 1,130           | 969      | 8,735                     |
| Net amount of liabilities and assets in the consolidated balance sheets | (4,994)         | (4,770)  | (42,970)                  |
| Net defined benefit liability   | 1,316           | 1,141    | 10,286                    |
| Net defined benefit asset   | 6,311           | 5,912    | 53,256                    |
| Net amount of liabilities and assets in the consolidated balance sheets | ¥(4,994)        | ¥(4,770) | \$(42,970)                |

Retirement benefit expenses

| For the years ended March 31, 2018 and 2019          | Millions of yen |        | Thousands of U.S. dollars |
|--|-----------------|--------|---------------------------|
|  | 2018            | 2019   | 2019                      |
| Service costs  | ¥1,180          | ¥1,195 | \$10,770                  |
| Interest costs                                       | 62              | 57     | 521                       |
| Expected return on pension assets                    | (477)           | (501)  | (4,520)                   |
| Amortization of actuarial differences                | 330             | (10)   | (91)                      |
| Other  | –               | (23)   | (211)                     |
| Retirement benefit expenses of defined benefit plans | ¥1,095          | ¥718   | \$6,469                   |

Remeasurements of defined benefit plans

Details of remeasurements of defined benefit plans before tax effect adjustments are as follows.

| For the years ended March 31, 2018 and 2019 | Millions of yen |        | Thousands of U.S. dollars |
|---|-----------------|--------|---------------------------|
|   | 2018            | 2019   | 2019                      |
| Actuarial differences                       | ¥1,273          | ¥(456) | \$(4,112)                 |
| Total                                       | ¥1,273          | ¥(456) | \$(4,112)                 |

Accumulated remeasurements of defined benefit plans

Details of accumulated remeasurements of defined benefit plans before tax effect adjustments are as follows.

| As of March 31, 2018 and 2019      | Millions of yen |      | Thousands of U.S. dollars |
|------------------------------------|-----------------|------|---------------------------|
|                                    | 2018            | 2019 | 2019                      |
| Unrecognized actuarial differences | ¥1,228          | ¥772 | \$6,957                   |
| Total                              | ¥1,228          | ¥772 | \$6,957                   |

Pension assets

Composition ratio of pension assets is as follows

| As of March 31, 2018 and 2019     |      |      |
|-----------------------------------|------|------|
|                                   | 2018 | 2019 |
| Debt securities                   | 20%  | 28%  |
| Stocks                            | 40   | 34   |
| Cash and deposits                 | 3    | 3    |
| General account of life insurance | 33   | 30   |
| Other                             | 4    | 5    |
| Total                             | 100% | 100% |

(Note) For the previous fiscal year, 12% of total pension assets are attributed to the employee retirement benefit trust for benefit pension plan. For this fiscal year, 13% of total pension assets are attributed to the employee retirement benefit trust for benefit pension plan.

Expected long-term return rate on pension asset is determined by considering current and anticipated future portfolio of pension assets, and current and anticipated future long-term performance of individual asset classes that comprise the funds' asset mix.

#### Assumptions and policies used to calculate projected benefit obligations

As of March 31, 2018 and 2019

|  | 2018 | 2019 |
|--|------|------|
| Discount rates (weighted average)                                    | 0.4% | 0.3% |
| Expected long-term return rates on pension assets (weighted average) | 2.5% | 2.5% |

### (3) Defined benefit plan calculated by simplified method

#### Reconciliation of beginning and ending balances for net defined benefit liability by the simplified method

For the years ended March 31, 2018 and 2019

|  | Millions of yen |      | Thousands of U.S. dollars |
|--|-----------------|------|---------------------------|
|  | 2018            | 2019 | 2019                      |
| Net defined benefit liability at the beginning of current period | ¥248            | ¥247 | \$2,227                   |
| Retirement benefit expenses                                      | 21              | 15   | 140                       |
| Benefits paid  | (22)            | (10) | (97)                      |
| Contributions to the plan  | (10)            | (11) | (106)                     |
| Foreign currency translation                                     | 15              | (14) | (128)                     |
| Other  | (4)             | 3    | 28                        |
| Net defined benefit liability at the end of current period       | ¥247            | ¥229 | \$2,064                   |

#### Reconciliation of projected benefit obligations, pension assets and net defined benefit liability in the consolidated balance sheets

As of March 31, 2018 and 2019

|   | Millions of yen |      | Thousands of U.S. dollars |
|---|-----------------|------|---------------------------|
|   | 2018            | 2019 | 2019                      |
| Funded projected benefit obligations                                    | ¥81             | ¥77  | \$699                     |
| Pension assets  | (64)            | (61) | (558)                     |
| Sub total   | 17              | 15   | 141                       |
| Unfunded projected benefit obligations                                  | 230             | 213  | 1,923                     |
| Net amount of liabilities and assets in the consolidated balance sheets | 247             | 229  | 2,064                     |
| Net defined benefit liability   | 247             | 229  | 2,064                     |
| Net amount of liabilities and assets in the consolidated balance sheets | ¥247            | ¥229 | \$2,064                   |

#### Retirement benefit expenses

Retirement benefit expenses calculated by the simplified method are ¥21 million for the previous fiscal year and ¥ 15 million (US\$ 140 thousand) for this fiscal year.

### (4) Defined contribution plans

Required contribution amount for defined contribution plans is ¥248 million for the previous fiscal year and ¥315 million (US\$2,844 thousand) for this fiscal year.

### 13. Tax effect accounting

#### (1) Significant components of deferred tax assets and liabilities

As of March 31, 2018 and 2019

|   | Millions of yen |          | Thousands of U.S. dollars |
|---|-----------------|----------|---------------------------|
|   | 2018            | 2019     | 2019                      |
| Deferred tax assets   |                 |          |                           |
| Allowance for doubtful accounts   | ¥25             | ¥80      | \$725                     |
| Provision for warranties for completed construction                     | 170             | 186      | 1,681                     |
| Provision for loss on construction contracts                            | 132             | 103      | 929                       |
| Net defined benefit liability   | 268             | 216      | 1,949                     |
| Employees' pension trust, investment securities                         | 287             | 298      | 2,692                     |
| Provision for directors' retirement benefits                            | 26              | 26       | 235                       |
| Accrued enterprise tax etc.   | 194             | 183      | 1,653                     |
| Accrued bonuses   | 1,293           | 2,114    | 19,051                    |
| Loss on valuation of investment securities                              | 123             | 121      | 1,095                     |
| Loss on valuation of golf club membership                               | 57              | 56       | 509                       |
| Foreign tax credit carried forward                                      | 11              | 185      | 1,667                     |
| Tax loss carried forward (Note)   | 1,873           | 1,710    | 15,407                    |
| Other   | 747             | 723      | 6,521                     |
| Sub total   | 5,213           | 6,007    | 54,114                    |
| Valuation allowance for tax loss carried forward (Note)                 | –               | (605)    | (5,458)                   |
| Valuation allowance for total of deductible temporary differences, etc. | –               | (523)    | (4,718)                   |
| Sub total   | (1,090)         | (1,129)  | (10,176)                  |
| Total deferred tax assets   | 4,123           | 4,877    | 43,938                    |
| Deferred tax liabilities  |                 |          |                           |
| Net defined benefit assets  | (1,931)         | (1,806)  | (16,274)                  |
| Valuation difference on available-for-sale securities                   | (5,688)         | (5,078)  | (45,747)                  |
| Retained earnings of consolidated overseas subsidiaries                 | (1,671)         | (1,701)  | (15,325)                  |
| Other   | (239)           | (320)    | (2,890)                   |
| Total deferred tax liabilities  | (9,531)         | (8,906)  | (80,236)                  |
| Net deferred tax assets (or liabilities)                                | ¥(5,408)        | ¥(4,029) | \$(36,298)                |

(Note) Total of tax loss carried forward and its deferred tax assets, by carryforward expiration date.

|                              | Millions of yen |                                |                                   |                                    |                                   |                 |            |
|------------------------------|-----------------|--------------------------------|-----------------------------------|------------------------------------|-----------------------------------|-----------------|------------|
|                              | Within one year | Over one year within two years | Over two years within three years | Over three years within four years | Over four years within five years | Over five years | Total      |
| Tax loss carried forward (a) | ¥25             | ¥0                             | ¥14                               | ¥6                                 | ¥12                               | ¥1,650          | ¥1,710     |
| Valuation allowance          | (25)            | (0)                            | (14)                              | (4)                                | (12)                              | (547)           | (605)      |
| Deferred tax assets          | ¥–              | ¥–                             | ¥–                                | ¥1                                 | ¥0                                | ¥1,102          | (b) ¥1,104 |

|                          | Thousands of U.S. dollars |                                |                                   |                                    |                                   |                 |          |
|--------------------------|---------------------------|--------------------------------|-----------------------------------|------------------------------------|-----------------------------------|-----------------|----------|
|                          | Within one year           | Over one year within two years | Over two years within three years | Over three years within four years | Over four years within five years | Over five years | Total    |
| Tax loss carried forward | \$230                     | \$2                            | \$134                             | \$56                               | \$117                             | \$14,868        | \$15,407 |
| Valuation allowance      | (230)                     | (2)                            | (134)                             | (44)                               | (113)                             | (4,935)         | (5,458)  |
| Deferred tax assets      | \$–                       | \$–                            | \$–                               | \$12                               | \$4                               | \$9,933         | \$9,949  |

(a) The sum for tax loss carried forward is the result of multiplication by the effective statutory tax rate for each tax-paying entity.

(b) With regard to the ¥1,710 million (US\$15,407 thousand) tax loss carried forward (the result of multiplication by the effective statutory tax rate for each tax-paying entity), ¥1,104 million (US\$9,949 thousand) in deferred tax assets have been recorded. This total of ¥1,104 million (US\$9,949 thousand) in deferred tax assets relates mainly to tax loss carried forward at consolidated subsidiaries TKS Industrial Company and J-CO America Corporation amounting to ¥662 million (US\$5,966 thousand) and ¥363 million (US\$3,274 thousand), respectively. At TKS Industrial Company, the tax loss carried forward arose from the recording of a loss before income taxes for the period ended December 31, 2017, and at J-CO America Corporation from the recording of a loss before income taxes for the period ended December 31, 2018. Deferred tax assets relating to the tax loss carried forward are deemed recoverable based on likely future taxable income.

**(2) The reconciliation between the effective statutory tax rate and the actual tax rate after the application of tax effect accounting**

As of March 31, 2018 and 2019

|  | 2018 | 2019   |
|--|------|--------|
| Effective statutory tax rate   | –%   | 30.62% |
| (Adjustments)  |      |        |
| Expenses not deductible permanently  | –    | 2.30   |
| Income not taxable permanently   | –    | (1.28) |
| Inhabitant tax on per capita basis, etc.   | –    | 0.56   |
| Increase (Decrease) in valuation allowance   | –    | 0.60   |
| Difference in effective statutory tax rate between the Company and consolidated subsidiaries | –    | (1.45) |
| Special tax deductions   | –    | (1.67) |
| Retained earnings of consolidated overseas subsidiaries                                      | –    | 0.20   |
| Amortization of goodwill   | –    | 2.86   |
| Other  | –    | 0.34   |
| Actual tax rate after the application of tax effect accounting                               | –%   | 33.08% |

(Note) The note is omitted because the difference between effective statutory tax rate and actual effective tax rate after adoption of tax effect accounting is less than 5% of effective statutory tax rate for the previous fiscal year.

**14. Asset retirement obligations**

The Companies are under the term of rental agreements for head offices etc. and have obligations for restitution on their leaving. The obligations are recognized by way of decreasing deposits.

**15. Segment information****(1) Overview of reportable segment**

The reportable segment of the Companies is components for which discrete financial information is available and whose operating results are regularly reviewed by the board of directors to make decisions about resource allocation and to assess performance.

The Companies establish their divisions for types of construction equipment and each division plans the comprehensive domestic and foreign strategies and do business based on the strategies. Therefore, the Companies are composed of segment for types of construction equipment based on the divisions. The Companies have two reportable segments "Green Technology System Division" and "Paint Finishing System Division".

"Green Technology System Division" mainly designs, manages and constructs building HVAC for office buildings, and industrial HVAC for manufacturing facilities and laboratories. This division also produces and sells related equipment.

"Paint Finishing System Division" mainly designs, manages and constructs automobile paint plants and sells related equipment.

**(2) Calculation method of sales and profits or losses, assets or liabilities and others**

The accounting treatment of reportable segment is almost the same as the one disclosed in "2. Summary of significant accounting policies".

The profit of reportable segment is the amount on the basis of ordinary income. Internal profits and transfer amounts between the segment are calculated based on the market price.

### (3) Sales and profits or losses, assets or liabilities and others by reportable segment

For the year ended March 31, 2018

|  | Millions of yen                  |                                 |          |             |  |
|--|----------------------------------|---------------------------------|----------|-------------|--|
|  | Green Technology System Division | Paint Finishing System Division | Total    | Adjustments | Amount recorded in the consolidated financial statements |
| Sales  |                                  |                                 |          |             |  |
| Sales to customers   | ¥139,938                         | ¥91,960                         | ¥231,898 | ¥-          | ¥231,898   |
| Intersegment   | 10                               | 69                              | 79       | (79)        | -  |
| Total  | 139,948                          | 92,029                          | 231,977  | (79)        | 231,898  |
| Segment profit   | 11,885                           | 1,160                           | 13,045   | 36          | 13,082   |
| Segment assets   | 103,959                          | 70,817                          | 174,776  | 40,615      | 215,392  |
| Other items  |                                  |                                 |          |             |  |
| Depreciation and amortization  | 411                              | 989                             | 1,400    | (2)         | 1,398  |
| Amortization of goodwill   | 161                              | 204                             | 365      | -           | 365  |
| Interest income  | 128                              | 267                             | 395      | (6)         | 389  |
| Interest expenses  | 18                               | 192                             | 211      | 10          | 221  |
| Share of profit (loss) of entities accounted for using equity method | -                                | (11)                            | (11)     | -           | (11)   |
| Investments in associates accounted for using equity method          | -                                | 725                             | 725      | -           | 725  |
| Increase in property, plant and equipment and intangible assets      | ¥233                             | ¥2,585                          | ¥2,818   | ¥1,094      | ¥3,913   |

Note 1. The amounts of Adjustments are as follows.

Adjustments of Segment profit of ¥36 million include non-allocatable common profits of ¥35 million and other adjustment of ¥1 million. Non-allocatable common profits are mainly general and administrative expenses, dividend income, etc., which are not attributed to any reportable segment.

Adjustments of Segment assets of ¥40,615 million are elimination of receivable and payable etc., of minus ¥2,561 million and non-allocatable common assets which are not allocated to any reportable segments of ¥43,177 million. Non-allocatable common assets are mainly cash and deposits, property, plant and equipment, intangible assets and net defined benefit asset, etc., which are not attributed to any reportable segment.

Adjustments of increase in property, plant and equipment, intangible assets of ¥1,094 million are buildings and structures, machinery, equipment and vehicles, tools, furniture and fixtures and software, etc., which are not attributed to any reportable segment.

The allocation method of assets for reportable segment is different from that of related income and expenses.

Note 2. Segment profit is adjusted to the ordinary income of the consolidated statement of income.

For the year ended March 31, 2019

|  | Millions of yen                  |                                 |          |             |  |
|--|----------------------------------|---------------------------------|----------|-------------|--|
|  | Green Technology System Division | Paint Finishing System Division | Total    | Adjustments | Amount recorded in the consolidated financial statements |
| Sales  |                                  |                                 |          |             |  |
| Sales to customers   | ¥149,164                         | ¥76,238                         | ¥225,402 | ¥-          | ¥225,402   |
| Intersegment   | -                                | 7                               | 7        | (7)         | -  |
| Total  | 149,164                          | 76,245                          | 225,409  | (7)         | 225,402  |
| Segment profit   | 13,567                           | 1,676                           | 15,244   | (159)       | 15,085   |
| Segment assets   | 101,036                          | 76,009                          | 177,046  | 46,033      | 223,080  |
| Other items  |                                  |                                 |          |             |  |
| Depreciation and amortization  | 781                              | 1,299                           | 2,080    | (50)        | 2,030  |
| Amortization of goodwill   | -                                | 1,466                           | 1,466    | -           | 1,466  |
| Interest income  | 151                              | 190                             | 341      | (6)         | 334  |
| Interest expenses  | 8                                | 246                             | 254      | 20          | 275  |
| Share of profit (loss) of entities accounted for using equity method | -                                | (36)                            | (36)     | -           | (36)   |
| Investments in associates accounted for using equity method          | -                                | 634                             | 634      | -           | 634  |
| Increase in property, plant and equipment, intangible assets         | ¥186                             | ¥2,897                          | ¥3,083   | ¥473        | ¥3,557   |

Note 1. The amounts of Adjustments are as follows.

Adjustments of Segment profit of minus ¥159 million (minus US\$1,437 thousand) include non-allocatable common profits of minus ¥158 million (minus US\$1,424 thousand) and other adjustment of minus ¥1 million (minus US\$13 thousand). Non-allocatable common profits are mainly general and administrative expenses, dividend income, etc., which are not attributed to any reportable segment.

Adjustments of Segment assets of ¥46,033 million (US\$414,681 thousand) are elimination of receivable and payable etc., of minus ¥2,783 million (minus US\$25,072 thousand) and non-allocatable common assets which are not allocated to any reportable segments of ¥48,816 million (US\$439,753 thousand). Non-allocatable common assets are mainly cash and deposits, property, plant and equipment, intangible assets, and net defined benefit asset, etc., which are not attributed to any reportable segment.

Adjustments of Increase in property, plant and equipment, intangible assets of ¥473 million (US\$4,263 thousand) are buildings and structures, machinery, equipment and vehicles, tools, furniture and fixtures and software, etc., which are not attributed to any reportable segment.

The allocation method of assets for reportable segment is different from that of related income and expenses.

Note 2. Segment profit is adjusted to the ordinary income of the consolidated statement of income.

For the year ended March 31, 2019

|  | Thousands of U.S. dollars        |                                 |             |             |  |
|--|----------------------------------|---------------------------------|-------------|-------------|--|
|  | Green Technology System Division | Paint Finishing System Division | Total       | Adjustments | Amount recorded in the consolidated financial statements |
| Sales  |                                  |                                 |             |             |  |
| Sales to customers   | \$1,343,702                      | \$686,770                       | \$2,030,472 | \$-         | \$2,030,472  |
| Intersegment   | -                                | 63                              | 63          | (63)        | -  |
| Total  | 1,343,702                        | 686,833                         | 2,030,535   | (63)        | 2,030,472  |
| Segment profit   | 122,222                          | 15,106                          | 137,328     | (1,437)     | 135,891  |
| Segment assets   | 910,160                          | 684,710                         | 1,594,870   | 414,681     | 2,009,551  |
| Other items  |                                  |                                 |             |             |  |
| Depreciation and amortization  | 7,036                            | 11,703                          | 18,739      | (452)       | 18,287   |
| Amortization of goodwill   | -                                | 13,210                          | 13,210      | -           | 13,210   |
| Interest income  | 1,361                            | 1,718                           | 3,079       | (62)        | 3,017  |
| Interest expenses  | 73                               | 2,219                           | 2,292       | 187         | 2,479  |
| Share of profit (loss) of entities accounted for using equity method | -                                | (332)                           | (332)       | -           | (332)  |
| Investments in associates accounted for using equity method          | -                                | 5,716                           | 5,716       | -           | 5,716  |
| Increase in property, plant and equipment, intangible assets         | \$1,679                          | \$26,102                        | \$27,781    | \$4,263     | \$32,044   |

## 16. Related information in regard to segment information

### (1) Information by product and service

For the year ended March 31, 2018

This item is omitted because similar information is disclosed in "15. Segment information"

For the year ended March 31, 2019

This item is omitted because similar information is disclosed in "15. Segment information"

### (2) Sales by region

For the year ended March 31, 2018

| Millions of yen |               |                |                      |           |                 |        |         |          |
|-----------------|---------------|----------------|----------------------|-----------|-----------------|--------|---------|----------|
| Japan           | North America | Southeast Asia |                      | East Asia |                 | India  | Other   | Total    |
|                 |               | Thailand       | Other Southeast Asia | China     | Other East Asia |        |         |          |
| ¥115,728        | ¥41,982       | ¥20,056        | ¥22,478              | ¥11,089   | ¥2,354          | ¥8,110 | ¥10,097 | ¥231,898 |

Note. Sales are classified to the countries or regions based on their customers' location.

For the year ended March 31, 2019

| Millions of yen |               |                |                      |           |                 |        |         |          |
|-----------------|---------------|----------------|----------------------|-----------|-----------------|--------|---------|----------|
| Japan           | North America | Southeast Asia |                      | East Asia |                 | India  | Other   | Total    |
|                 |               | Thailand       | Other Southeast Asia | China     | Other East Asia |        |         |          |
| ¥119,266        | ¥19,543       | ¥25,126        | ¥19,559              | ¥14,230   | ¥1,669          | ¥8,881 | ¥17,125 | ¥225,402 |

Note. Sales are classified to the countries or regions based on their customers' location.

For the year ended March 31, 2019

| Thousands of U.S. dollars |               |                |                      |           |                 |          |           |             |
|---------------------------|---------------|----------------|----------------------|-----------|-----------------|----------|-----------|-------------|
| Japan                     | North America | Southeast Asia |                      | East Asia |                 | India    | Other     | Total       |
|                           |               | Thailand       | Other Southeast Asia | China     | Other East Asia |          |           |             |
| \$1,074,376               | \$176,050     | \$226,349      | \$176,193            | \$128,190 | \$15,036        | \$80,005 | \$154,273 | \$2,030,472 |

### (3) Property, plant and equipment by region

For the year ended March 31, 2018

| Millions of yen |          |           |       |        |        |       |        |
|-----------------|----------|-----------|-------|--------|--------|-------|--------|
| Japan           | Thailand | Indonesia | China | India  | Italy  | Other | Total  |
| ¥3,389          | ¥511     | ¥247      | ¥815  | ¥1,821 | ¥2,388 | ¥241  | ¥9,414 |

For the year ended March 31, 2019

| Millions of yen |          |           |       |        |        |       |         |
|-----------------|----------|-----------|-------|--------|--------|-------|---------|
| Japan           | Thailand | Indonesia | China | India  | Italy  | Other | Total   |
| ¥4,523          | ¥447     | ¥204      | ¥676  | ¥1,775 | ¥2,467 | ¥237  | ¥10,333 |

For the year ended March 31, 2019

| Thousands of U.S. dollars |          |           |         |          |          |         |          |
|---------------------------|----------|-----------|---------|----------|----------|---------|----------|
| Japan                     | Thailand | Indonesia | China   | India    | Italy    | Other   | Total    |
| \$40,748                  | \$4,033  | \$1,839   | \$6,094 | \$15,996 | \$22,228 | \$2,144 | \$93,082 |

#### (4) Sales information by main customer

For the year ended March 31, 2018

The item is omitted because there are no sales to external customers which represented 10% or more of sales of the consolidated statement of income.

For the year ended March 31, 2019

The item is omitted because there are no sales to external customers which represented 10% or more of sales of the consolidated statement of income.

## 17. Impairment loss by reportable segment

### Impairment loss of the non-current assets by reportable segment

For the year ended March 31, 2018

|                 | Millions of yen                  |                                 |       |                               |       |
|-----------------|----------------------------------|---------------------------------|-------|-------------------------------|-------|
|                 | Green Technology System Division | Paint Finishing System Division | Total | Eliminations/Corporate (Note) | Total |
| Impairment loss | ¥-                               | ¥-                              | ¥-    | ¥26                           | ¥26   |

(Note) Eliminations/Corporate is due to the impairment on assets that will be disposed of and on the idle asset.

For the year ended March 31, 2019

|                 | Millions of yen                  |                                 |       |                               |       |
|-----------------|----------------------------------|---------------------------------|-------|-------------------------------|-------|
|                 | Green Technology System Division | Paint Finishing System Division | Total | Eliminations/Corporate (Note) | Total |
| Impairment loss | ¥20                              | ¥-                              | ¥20   | ¥146                          | ¥166  |

(Note) Eliminations/Corporate is due to the impairment on assets that will be disposed of and on the idle asset.

For the year ended March 31, 2019

|                 | Thousands of U.S. dollars        |                                 |       |                        |         |
|-----------------|----------------------------------|---------------------------------|-------|------------------------|---------|
|                 | Green Technology System Division | Paint Finishing System Division | Total | Eliminations/Corporate | Total   |
| Impairment loss | \$188                            | \$-                             | \$188 | \$1,316                | \$1,504 |

## 18. Amortization and balance of goodwill

### (1) Amortization and balance of goodwill by reportable segment

For the year ended March 31, 2018

|                     | Millions of yen                  |                                 |        |                        |        |
|---------------------|----------------------------------|---------------------------------|--------|------------------------|--------|
|                     | Green Technology System Division | Paint Finishing System Division | Total  | Eliminations/Corporate | Total  |
| Balance of goodwill | ¥-                               | ¥2,762                          | ¥2,762 | ¥-                     | ¥2,762 |

(Note) Amortization of goodwill is omitted because it is already disclosed in the "15. Segment information".

For the year ended March 31, 2019

|                     | Millions of yen                  |                                 |        |                        |        |
|---------------------|----------------------------------|---------------------------------|--------|------------------------|--------|
|                     | Green Technology System Division | Paint Finishing System Division | Total  | Eliminations/Corporate | Total  |
| Balance of goodwill | ¥-                               | ¥1,332                          | ¥1,332 | ¥-                     | ¥1,332 |

(Note) Amortization of goodwill is omitted because it is already disclosed in the "15. Segment information".

For the year ended March 31, 2019

|                     | Thousands of U.S. dollars        |                                 |          |                        |          |
|---------------------|----------------------------------|---------------------------------|----------|------------------------|----------|
|                     | Green Technology System Division | Paint Finishing System Division | Total    | Eliminations/Corporate | Total    |
| Balance of goodwill | \$-                              | \$12,002                        | \$12,002 | \$-                    | \$12,002 |

**(2) Gain on negative goodwill by reportable segment**

For the year ended March 31, 2018  
Not applicable.

For the year ended March 31, 2019  
Not applicable.

**19. Related party transactions**

For the year ended March 31, 2018  
Not applicable.

For the year ended March 31, 2019  
Not applicable.

**20. Details of bonds**

No applicable.

**21. Details of loans**

As of March 31, 2019

|   | Millions of yen   |                | Thousands of U.S. dollars | Average interest rate (%) | Maturity                  |
|---|-------------------|----------------|---------------------------|---------------------------|---------------------------|
|   | Beginning balance | Ending balance | Ending balance            |                           |                           |
| Short-term loans payable                            | ¥5,719            | ¥9,274         | \$83,545                  | 2.174                     | –                         |
| Current portion of long-term loans payable          | 1,011             | 1,617          | 14,572                    | 1.415                     | –                         |
| Current portion of lease obligations                | 39                | 28             | 254                       | –                         | –                         |
| Long-term loans payable (excluding current portion) | 1,606             | 3,076          | 27,717                    | 1.345                     | October 2021 to June 2023 |
| Lease obligations (excluding current portion)       | 102               | 74             | 668                       | –                         | May 2021 to February 2025 |
| Total   | ¥8,478            | ¥14,071        | \$126,756                 | –                         | –                         |

Note 1. The "Average interest rate" is the weighted average interest rate for the ending balance of loans etc.

Note 2. The average interest rates on lease obligations are not presented because interest equivalents in the total lease obligation are allocated to expenses every year by the straight-line method.

Note 3. The annual repayment schedules of long-term loans payable and lease obligations (excluding current portion) subsequent to March 31, 2019 are as follows.

|                         | Millions of yen                |                                   |                                    |                                   |
|-------------------------|--------------------------------|-----------------------------------|------------------------------------|-----------------------------------|
|                         | Over one year within two years | Over two years within three years | Over three years within four years | Over four years within five years |
| Long-term loans payable | ¥1,754                         | ¥954                              | ¥341                               | ¥26                               |
| Lease obligations       | ¥24                            | ¥18                               | ¥13                                | ¥11                               |

|                         | Thousands of U.S. dollars      |                                   |                                    |                                   |
|-------------------------|--------------------------------|-----------------------------------|------------------------------------|-----------------------------------|
|                         | Over one year within two years | Over two years within three years | Over three years within four years | Over four years within five years |
| Long-term loans payable | \$15,807                       | \$8,598                           | \$3,076                            | \$235                             |
| Lease obligations       | \$219                          | \$169                             | \$124                              | \$104                             |

**22. Details of asset retirement obligations**

This item is omitted because asset retirement obligations represented less than 1% of total assets at the beginning of this fiscal year and at the end of this fiscal year, respectively.

**23. Significant subsequent events**

Not applicable.

# Report of Independent Auditors

## Independent auditor's report

To the Board of Directors of Taikisha Ltd.,

We have audited the accompanying consolidated financial statements of Taikisha Ltd. and consolidated subsidiaries, which comprise the consolidated balance sheet as at March 31, 2019, and the consolidated statements of income, comprehensive income, changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, all expressed in Japanese Yen.

### *Management's Responsibility for the Consolidated Financial Statements*

Management is responsible for the preparation and fair presentation of these consolidated financial statements in conformity with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers 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 in 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 consolidated financial statements.

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

### *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 consolidated subsidiaries as at March 31, 2019, and their consolidated financial performance and cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

### *Convenience Translation*

The amounts expressed in U.S. dollars, which are provided solely for the convenience of the reader, have been translated on the basis set forth in Note 1 to the accompanying consolidated financial statements.

*A & A Partners*

Tokyo, Japan  
June 27, 2019

# Corporate Directory



|    | Location of office   | FOUNDATION |    | Location of office   | FOUNDATION |    | Location of office  | FOUNDATION |
|----|--|------------|----|--|------------|----|---|------------|
| 1  | <b>Taikisha Ltd.</b><br>Sumitomo Fudosan Shinjuku Grand Tower, 8-17-1, Nishi-Shinjuku, Shinjuku-ku, Tokyo, 160-6129, Japan<br>Tel: 81-3-3365-5320 Fax: 81-3-5338-5195                          | 1913       | 9  | <b>Token Myanmar Co., Ltd.</b><br>Room No.10A, 10th floor, Ga Mone Complex, Kabaraye Pagoda Road, Mayangone Township, Yangon, Myanmar<br>TEL: 95-01-653653   | 2015       | 16 | <b>Taikisha Engineering India Private Ltd.</b><br>Plot No.26, Udyog Vihar, Phase-4, Gurugram, Haryana. Pin-122015. India<br>Tel: 91-124-234-8246 Fax: 91-124-234-8247   | 1995       |
| 2  | <b>San Esu Industry Co., Ltd.</b><br>3-24, Ikaga Midori-machi, Hirakata-shi, Osaka, 573-0067, Japan<br>Tel: 81-72-845-0128 Fax: 81-72-845-1660   | 1976       | 10 | <b>Taikisha Engineering (M) Sdn. Bhd.</b><br>Suite W306, 3rd Floor West Wing, Wisma Consplant 1, No.2, Jalan SS 16/4, Subang Jaya, Selangor 47500, Malaysia<br>Tel: 60-3-5623-7200 Fax: 60-3-5623-7201     | 1989       | 17 | <b>Geico S.p.A.</b><br>Via Pelizza da Volpedo, 109/111, 20092 Cinisello Balsamo, Milan, Italy<br>Tel: 39-2-660221 Fax: 39-2-66022.321   | 1963       |
| 3  | <b>Taikisha (Thailand) Co., Ltd.</b><br>6th Floor, Thaniya Bldg., 62 Silom Road, Bangkok 10500, Thailand<br>Tel: 66-2-236-8055 Fax: 66-2-236-3502  | 1971       | 11 | <b>P.T. Taikisha Indonesia Engineering</b><br>Menara Bidakara I, 13th Floor Jl. Jend. Gatot Subroto Kav. 71-73, Jakarta 12870, Indonesia<br>Tel: 62-21-8379-3325 Fax: 62-21-8379-3310                      | 1990       | 18 | <b>J-CO America Corporation</b><br>888 West Big Beaver Road, Suite 1295, Troy, MI 48084<br>Tel: 1-248-422-6208 Fax: 1-248-422-6974  | 2016       |
| 4  | <b>Taikisha Trading (Thailand) Co., Ltd.</b><br>6th Floor, Thaniya Bldg., 62 Silom Road, Bangkok 10500, Thailand<br>Tel: 66-2-236-8055 Fax: 66-2-236-3502                                      | 1983       | 12 | <b>Taikisha Philippines Inc.</b><br>5th Floor, Golden Rock Bldg., No.168 Salcedo St., Legaspi Village, Makati City, 1229, Philippines<br>Tel: 63-2-818-1707 Fax: 63-2-816-1516                             | 1995       | 19 | <b>J-CO Mexico, S. de R.L. de C.V.</b><br>Bosque de Ciruelos, 180 Bosques de Las Lomas, Miguel Hidalgo 11700 Ciudad de México, D.F., Mexico<br>Tel: 52-55-2282-1030 Fax: 52-55-2282-1001  | 2014       |
| 5  | <b>Thaiken Maintenance &amp; Service Co., Ltd.</b><br>445 Moo 17, Thepharak Rd., T. Bangsaonthong, Amphur Bangsaonthong, Samutprakarn 10540, Thailand<br>Tel: 66-2-705-8744 Fax: 66-2-705-8748 | 1990       | 13 | <b>Taikisha Vietnam Engineering Inc.</b><br>12th Floor, Detech Tower, No. 8 Ton That Thuyet, My Dinh 2 Ward, Nam Tu Liem District, Hanoi, Vietnam<br>Tel: 84-24-3562-2750 Fax: 84-24-3562-2751             | 1998       | 20 | <b>Geico Brasil Ltda.</b><br>Rua Francisco Rocha n. 2113, Bairro Bigorriho, Cep 80710, 540, Curitiba, Paraná, Brasile<br>Tel: 55-41-3019-2727 Fax: 55-41-3336-7534  | 1995       |
| 6  | <b>Token Interior &amp; Design Co., Ltd.</b><br>9th Floor, Thaniya Bldg., 62 Silom Road, Bangkok 10500, Thailand<br>Tel: 66-2-236-9103 Fax: 66-2-236-0119                                      | 1986       | 14 | <b>Wuzhou Taikisha Engineering Co., Ltd.</b><br>#1110, Beijing Fortune Bldg., #5 Dong San Huan Bei Lu, Chaoyang District, Beijing 100004, China<br>Tel: 86-10-6590-8251 Fax: 86-10-6590-8257               | 1994       | 21 | <b>Geico Paint Shop India Private Ltd.</b><br>A-4, 5th Floor The 5th Avenue, Dhole Patil Road, 411001, Pune, Maharashtra, India<br>Tel: 91-997-039-3892   | 2006       |
| 7  | <b>TKA Co., Ltd.</b><br>445 Moo 17, Bangna-Trad Rd., Km. 23, Tambol Bangsaonthong, Amphur Bangsaonthong, Samutprakarn 10540, Thailand<br>Tel: 66-2-705-8363 Fax: 66-2-705-8993                 | 1991       | 15 | <b>Beijing Wuzhou Taikisha Equipment Co., Ltd.</b><br>#1116, Beijing Fortune Bldg., #5 Dong San Huan Bei Lu, Chaoyang District, Beijing 100004, China<br>Tel: 86-10-6590-8253 Fax: 86-10-6590-8250         | 2002       | 22 | <b>Geico Painting System (Suzhou) Co., Ltd.</b><br>Room 1702, Harmony Mansion, No.8 wan sheng street, building 1, Suzhou Industrial Park, 215000 China<br>Tel: 86-512-8555-0256 Fax: 86-512-8555-0701                                   | 2011       |
| 8  | <b>BTE Co., Ltd</b><br>21/2 Moo 12, Lum lukka Sub-District, Lumlukka District, Pathumthani. Province Thailand<br>Tel: 66-2-191-0244-47 Fax: 66-2-191-0243                                      | 1996       | 26 | <b>Taikisha (Singapore) Pte. Ltd.</b><br>2 International Business Park #11-01 Jurong East Singapore 609930<br>Tel: 65-6223-9928 Fax: 65-6223-9328  | 2004       | 23 | <b>Geico Russia LLC</b><br>12, Krasnopresnenskaya emb., Entrance 6, office 325, 123610 Moscow - Russia<br>Tel: 7-495-249-0780   | 2011       |
| 24 | <b>Nippon Noise Control Ltd.</b><br>Sumitomo-Nakanosakaue Bldg. 1-38-1, Chuo, Nakano-ku, Tokyo, 164-0011, Japan<br>Tel: 81-3-5937-6532 Fax: 81-3-5937-6533                                     | 1986       | 27 | <b>Taikisha (Taiwan) Ltd.</b><br>[Tai Yuen Hi-Tech Industrial Park] 3F, No.6, Taiyuen 1st Street, Zhubei City, Hsinchu, Taiwan, ROC<br>Tel: 886-3-560-1661 Fax: 886-3-560-1671                             | 1989       | 28 | <b>Taikisha (Cambodia) Co., Ltd.</b><br>#37&39, Trapaingkol Village, Sangkat Kantouk, Khan Posenchey, Phnom Penh, Cambodia<br>Tel: 855-23-729-317 Fax: 855-23-729-318   | 2011       |
| 25 | <b>Tokyo Taikisha Service Ltd.</b><br>Sumitomo-Nakanosakaue Bldg. 1-38-1, Chuo, Nakano-ku, Tokyo, 164-0011, Japan<br>Tel: 81-3-5331-8370 Fax: 81-3-5331-8380                                   | 2000       | 35 | <b>Taikisha do Brasil Ltda.</b><br>Rua Barão de Teffé, nº 160, 6º Andar Cj 609-Anhangabau-Jundiaí CEP: 13208-760-Sao Paulo<br>Tel: 55-11-4038-8880 Fax: 55-11-4038-8880                                    | 1996       | 29 | <b>Taikisha Myanmar Co., Ltd.</b><br>Room No.10A, 10th floor, Ga Mone Complex, Kabaraye Pagoda Road, Mayangone Township, Yangon, Myanmar<br>Tel: 95-01-653653   | 2013       |
| 30 | <b>TKS Industrial Company</b><br>901 Tower Drive, Suite 300, Troy, Michigan 48098-2817, U.S.A.<br>Tel: 1-248-786-5000 Fax: 1-248-786-5001  | 1981       | 36 | <b>P.T. Taikisha Manufacturing Indonesia</b><br>Jl. Permata V Lot EE-5, Kawasan Industri KIIC, Karawang 41361, West-Java, Indonesia<br>Tel: 62-21-8911-4831 Fax: 62-21-8911-4833                           | 2004       | 40 | <b>Tianjin Dongchun-Taiki Metal Finishing &amp; Conveyor System Manufacturing Co., Ltd.</b><br>NO.9, NO.7 Road, North area of Economic Development Zone of Jinghai, Tianjin, 301617, China<br>Tel: 86-22-6864-5848 Fax: 86-22-6864-5849 | 2004       |
| 31 | <b>Encore Automation LLC</b><br>50 Corporate Drive, Auburn Hills, Michigan 48326, U.S.A.<br>Tel: 1-248-253-0200 Fax: 1-248-418-2308  | 2014       | 37 | <b>Tianjin Taikisha Paint Finishing System Ltd.</b><br>No7, Road 7, Economic Development Zone of Jinghai, Tianjin, 301600, China<br>Tel: 86-22-6829-9518 Fax: 86-22-6829-9510                              | 2010       | 41 | <b>J-PM Systems GmbH</b><br>Hewlett-Packard-Strasse 1/1 D-71083 Herrenberg GERMANY<br>Tel: 49-7032-7869928 Fax: 49-7032-7869930   | 2015       |
| 32 | <b>Taikisha Canada Inc.</b><br>(C/O) 901 Tower Drive, Suite 300, Troy, Michigan 48098-2817, U.S.A.<br>Tel: 1-248-786-5000 Fax: 1-248-786-5001  | 1985       | 38 | <b>Taikisha Korea Ltd.</b><br>6F, SH Suhyup-Bank B/D, 315, Siheung-daero, Geumcheon-gu, Seoul, 08608, Korea<br>Tel: 82-2-783-0270 Fax: 82-2-783-0274   | 1992       | 42 | <b>Makiansia Engineering (M) Sdn. Bhd.</b><br>No. 141, Jalan SS 17/1A, Subang Jaya, 47500 Petaling Jaya, Selangor Darul Ehsan, Malaysia<br>Tel: 60-3-5635-2394 Fax: 60-3-5634-7004  | 1981       |
| 33 | <b>Taikisha de Mexico, S.A. de C.V.</b><br>Homero 407 Piso 7. Col Polanco V Sección CP 11560. Del. Miguel Hidalgo Ciudad de México, México.<br>Tel: 52-55-5250-7128 Fax: 52-55-5250-6178       | 1990       | 39 | <b>Shanghai Dongbo-Taiki Conveyor System Manufacturing Co., Ltd.</b><br>Room 906, Building 1, SCG Business Plaza, No.51 Wuzhong Road, Shanghai, 201103, China<br>Tel: 86-21-6443-0780 Fax: 86-21-6443-9478 | 2002       |    |   |            |
| 34 | <b>Taikisha Mexicana Services, S.A. de C.V.</b><br>Homero 407 Piso 7. Col Polanco V Sección CP 11560. Del. Miguel Hidalgo Ciudad de México, México.<br>Tel: 52-55-5516-2834                    | 2011       |    |  |            |    |   |            |

# Directors and Audit & Supervisory Board Members

## Directors

Director,  
Chairman

### Eitaro Uenishi



|            |  |
|------------|--|
| April 1974 | Joined the Company   |
| 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  |
| April 2016 | Director, Chairman (current position)  |

Representative Director,  
President Corporate Officer

### Koji Kato



|            |  |
|------------|--|
| April 1978 | Joined the Company   |
| June 2005  | Director   |
| April 2007 | Assistant to Chief General Manager, 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 in charge of Environment, and General Manager, Corporate Planning Office              |
| April 2013 | Director, Managing Corporate Officer, Chief Executive, Corporate Planning Headquarters and in charge of CSR  |
| April 2014 | Director, Managing Corporate Officer, Chief Executive, Administrative Management Headquarters and in charge of CSR   |
| April 2016 | Director, Executive Corporate Officer, Chief Executive, Administrative Management Headquarters and in charge of CSR  |
| April 2017 | Representative Director, Executive Vice President Corporate Officer, in charge of Administrative Management Headquarters   |
| April 2018 | Representative Director, Executive Vice President Corporate Officer  |
| April 2019 | Representative Director, President Corporate Officer (current position)  |

Representative Director,  
Executive Vice President Corporate Officer

### Hiroshi Mukai



|            |  |
|------------|--|
| April 1974 | Joined the Company   |
| April 2012 | Corporate Officer, General Manager, Osaka Branch Office, Green Technology System Division        |
| April 2014 | Senior Corporate Officer, General Manager, Osaka Branch Office, Green Technology System Division |
| April 2015 | Managing Corporate Officer, Vice General Manager, Green Technology System Division               |
| June 2015  | Director, Managing Corporate Officer, Vice General Manager, Green Technology System Division     |
| April 2016 | Director, Managing Corporate Officer, Chief General Manager, Green Technology System Division    |
| April 2017 | Director, Executive Corporate Officer, Chief General Manager, Green Technology System Division   |
| April 2019 | Representative Director, Executive Vice President Corporate Officer (current position)           |

Director,  
Executive Corporate Officer,  
Chief General Manager,  
Paint Finishing System Division

### Kazuhide Hayakawa



|              |   |
|--------------|---|
| April 1979   | Joined the Company  |
| April 2012   | Corporate Officer, Senior General Manager, Engineering Supervisory Dept., Green Technology System Division  |
| October 2013 | Corporate Officer, Senior General Manager, Sales and Marketing Dept., Green Technology System Division  |
| April 2014   | Senior Corporate Officer, Senior General Manager, Sales and Marketing Dept., Green Technology System Division   |
| April 2016   | Senior Corporate Officer, Vice General Manager in charge of sales and Senior General Manager, Sales and Marketing Dept., Green Technology System Division |
| April 2017   | Managing Corporate Officer, Chief Executive, Corporate Planning Headquarters  |
| June 2017    | Director, Managing Corporate Officer, Chief Executive, Corporate Planning Headquarters  |
| April 2018   | Director, Managing Corporate Officer, Vice General Manager, Paint Finishing System Division   |
| April 2019   | Director, Executive Corporate Officer, Chief General Manager, Paint Finishing System Division (current position)  |

Director,  
Executive Corporate Officer,  
Chief General Manager,  
Green Technology System Division

### Yasushi Nakajima



|            |   |
|------------|---|
| April 1982 | Joined the Company  |
| April 2014 | Corporate Officer, Senior General Manager, Engineering Supervisory Dept., Green Technology System Division  |
| April 2015 | Senior Corporate Officer, Senior General Manager, Engineering Supervisory Dept., Green Technology System Division and Senior General Manager, Global Business Management Dept.  |
| April 2016 | Senior Corporate Officer, Vice General Manager in charge of technology and Senior General Manager, Engineering Supervisory Dept., Green Technology System Division and Senior General Manager, Global Business Management Dept. |
| April 2017 | Managing Corporate Officer, Vice General Manager, Green Technology System Division  |
| June 2017  | Director, Managing Corporate Officer, Vice General Manager, Green Technology System Division  |
| April 2019 | Director, Executive Corporate Officer, Chief General Manager, Green Technology System Division (current position)   |

Director,  
Managing Corporate Officer,  
Chief Executive,  
Administrative Management Headquarters and  
in charge of CSR

### Masanori Nakagawa



|              |  |
|--------------|--|
| April 2009   | General Manager, Strategic Investment Department, Headquarters Business Administration Division of Mizuho Corporate Bank, Ltd. (current Mizuho Bank, Ltd.) |
| October 2012 | Joined the Company   |
| April 2013   | General Manager, Corporate Planning Office, Corporate Planning Headquarters  |
| April 2014   | Vice Executive, Administrative Management Headquarters   |
| April 2017   | Managing Corporate Officer, Chief Executive, Administrative Management Headquarters and in charge of CSR   |
| June 2018    | Director, Managing Corporate Officer, Chief Executive, Administrative Management Headquarters and in charge of CSR (current position)                      |

Director,  
Managing Corporate Officer,  
Vice General Manager,  
Green Technology System Division, and General Manager,  
Tokyo Branch Office



## Nobutaka Inagawa

- April 1972 Joined the Company
- April 2008 Corporate Officer, General Manager, Tohoku Branch Office, Green Technology System Division
- April 2009 Corporate Officer, Vice Senior General Manager, Engineering Supervisory Dept., Green Technology System Division
- April 2010 Corporate Officer, General Manager, Chubu Branch Office, Green Technology System Division
- April 2011 Corporate Officer, General Manager, Chubu Branch Office and General Manager, Engineering Dept., Green Technology System Division
- April 2012 Senior Corporate Officer, General Manager, Tokyo Branch Office, Green Technology System Division
- April 2017 Managing Corporate Officer, General Manager, Tokyo Branch Office, Green Technology System Division
- April 2019 Managing Corporate Officer, Vice General Manager, Green Technology System Division, and General Manager, Tokyo Branch Office
- June 2019 Director, Managing Corporate Officer, Vice General Manager, Green Technology System Division, and General Manager, Tokyo Branch Office (current position)

Director,  
Managing Corporate Officer,  
Vice General Manager,  
Paint Finishing System Division, and Senior General  
Manager, Engineering Supervisory Dept.



## Junichi Murakawa

- April 1976 Joined the Company
- April 2013 Corporate Officer; General Manager, Process West Japan Head Office and General Manager, Nagoya Office, Paint Finishing System Division
- April 2014 Corporate Officer, General Manager, Process West Japan Head Office, General Manager, Nagoya Office and General Manager, Osaka Office, Paint Finishing System Division
- April 2015 Corporate Officer, General Manager, West Japan Head Office, General Manager, Nagoya Office, General Manager, Osaka Office, and Senior General Manager, Engineering Supervisory Dept., Paint Finishing System Division
- April 2018 Senior Corporate Officer, Assistant to Chief General Manager, Paint Finishing System Division
- April 2019 Managing Corporate Officer, Vice General Manager, Paint Finishing System Division, and Senior General Manager, Engineering Supervisory Dept.
- June 2019 Director, Managing Corporate Officer, Vice General Manager, Paint Finishing System Division, and Senior General Manager, Engineering Supervisory Dept. (current position)

Outside Director

## Hirokazu Hikosaka



- April 1983 Joined Asahi Shinkin Bank (Resigned in March 1985)
- April 1992 Admitted as attorney and joined Nakajima Law Office (current Nakajima Hikosaka Kubouchi Law Office) (current position)
- April 1999 Commissioner, Kanto Federation of Bar Associations
- April 2005 Executive Commissioner, Japan Federation of Bar Associations
- June 2006 Outside Director, Adways Inc.
- June 2010 Audit & Supervisory Board Member, Adways Inc. (current position)
- April 2014 Vice President, Tokyo Bar Association
- June 2015 Audit & Supervisory Board Member of the Company
- June 2017 Director of the Company (current position)
- April 2019 Vice President, Kanto Federation of Bar Associations (current position)

Outside Director

## Kiyotaka Fuke



- April 2014 Deputy President, Executive Officer, Meiji Yasuda Life Insurance Company
- July 2014 Director, Deputy President, Executive Officer, Meiji Yasuda Life Insurance Company
- April 2016 Director, Meiji Yasuda Life Insurance Company (retired in July 2016)
- June 2016 Outside Audit & Supervisory Board Member, Mizuho Trust & Banking Co., Ltd.
- July 2016 Advisor, Meiji Yasuda Life Insurance Company
- June 2017 Member of the Board of Directors (Outside Director and Audit & Supervisory Committee Member), Mizuho Trust & Banking Co., Ltd. (current position)
- Audit & Supervisory Board Member of the Company
- June 2019 Director of the Company (current position)

## Audit & Supervisory Board Members

Full-time Audit & Supervisory Board Member

### Tetsuya Ogawa

Full-time Audit & Supervisory Board Member

### Toshiya Furukatsu

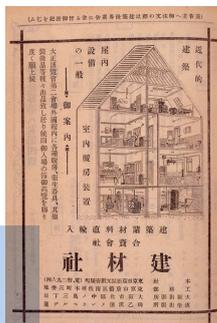
Outside Audit & Supervisory Board Member

### Junichi Noro

Outside Audit & Supervisory Board Member

### Toshiyuki Hanazawa

# History



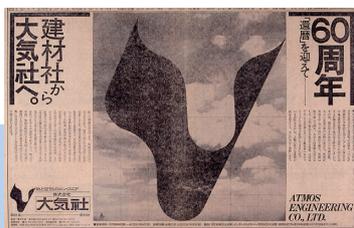
1913

Founded under the name of joint-stock company "Kenzaisha"



1971

Established first overseas subsidiary in Bangkok



1973

Changed the name to "Taikisha Ltd."



2011

Formed global alliance with Geico S.p.A



2013

The 100th anniversary of the foundation

- 1913 Kenzaisha (former name of Taikisha Ltd.) founded
- 1949 Joint stock company, Kenzaisha dissolved and Kenzaisha Co., Ltd. established
- 1971 Thai Kenzaisha Co., Ltd. established in Bangkok
- 1973 Company name changed to Taikisha Ltd.
- 1976 San Esu Industry Co., Ltd. established
- 1980 Shares listed on the First Section of the Tokyo Stock Exchange
- 1981 TKS Industrial Company established in U.S.A.
- 1983 Thai Kenzai Trading Co., Ltd. established in Bangkok
- 1985 Branch office opened in Singapore  
Taikisha Canada Inc. established in Toronto
- 1986 Nippon Noise Control Ltd. established
- 1989 Taikisha (Taiwan) Ltd. established in Taipei  
Taikisha Engineering (M) Sdn. Bhd. established in Kuala Lumpur, Malaysia  
Taikisha UK Ltd. established in Birmingham, UK (former name of Geico  
Taikisha Europe Ltd.)
- 1990 P.T. Taikisha Indonesia Engineering established in Jakarta  
Taikisha de Mexico, S.A. de C.V. established in Mexico City
- 1992 Donki TEC Ltd. established in Seoul, Korea (former name of Taikisha Korea Ltd.)
- 1994 Wuzhou Taikisha Engineering Co., Ltd. established in Beijing, China
- 1995 Taikisha Engineering India Ltd. established in New Delhi  
Taikisha Philippines Inc. established in Manila  
Representative office opened in Ho Chi Minh City, Vietnam
- 1996 Taikisha do Brasil Ltda. established in São Paulo, Brazil
- 1997 Representative office opened in Hong Kong
- 1998 Taikisha Vietnam Engineering Inc. established in Hanoi
- 2000 Tokyo Taikisha Service Ltd. established (formerly Atmos Service Ltd.  
established in 1987)
- 2001 Thai Kenzaisha Co. Ltd. renamed Taikisha (Thailand) Co., Ltd.  
Thai Kenzai Trading Co., Ltd. renamed Taikisha Trading (Thailand) Co., Ltd.
- 2003 Company reorganized into three division structure
- 2004 Singapore branch office closed. Subsidiary Taikisha (Singapore) Pte. Ltd. established  
R&D facilities integrated as Research and Development Center in Kanagawa prefecture  
P.T. Taikisha Manufacturing Indonesia established
- 2006 Established the company-wide Compliance Committee and the Compliance Division
- 2007 Reorganized businesses into two division structure comprising the Green Technology System Division and the Paint Finishing Division
- 2009 "Taikisha (R)" LLC established in Kaluga, Russia
- 2010 Tianjin Taikisha Paint Finishing System Ltd. established in Tianjin, China
- 2011 Formed a capital and business alliance with Geico S.p.A.  
Taikisha (Cambodia) Co., Ltd. established in Phnom Penh, Cambodia
- 2013 The 100th anniversary of the foundation  
Taikisha Myanmar Co., Ltd. established in Yangon, Myanmar
- 2014 Formed a capital and business alliance with Encore Automation LLC
- 2017 Formed a capital and business alliance with BTE Co., Ltd.
- 2019 Established the Technical Center

## Corporate Data

|                      |  |
|----------------------|--|
| Corporate Name:      | Taikisha Ltd.  |
| Head Office:         | Sumitomo Fudosan Shinjuku Grand Tower,<br>8-17-1, Nishi-Shinjuku Shinjuku-ku,<br>Tokyo 160-6129, Japan<br>Tel: 81-(0)3-3365-5320<br>Fax: 81-(0)3-5338-5195 |
| Established:         | April 10, 1913   |
| Sales:               | ¥225,402 million<br>(Consolidated: year ended March 2019)  |
| Number of Employees: | 4,829 (Consolidated: as of March 2019)   |

### ISO Certification Obtained

| Country                  | Corporate Name                        | ISO 9001 | ISO 14001 |
|--------------------------|---------------------------------------|----------|-----------|
| Japan                    | Taikisha Ltd.                         | ●        | ●         |
| China                    | Wuzhou Taikisha Engineering Co., Ltd. | ●        | ●         |
| Taiwan                   | Taikisha (Taiwan) Ltd.                | ●        |           |
| Thailand                 | Taikisha (Thailand) Co., Ltd.         | ●        | ●         |
| Vietnam                  | Taikisha Vietnam Engineering Inc.     | ●        | ●         |
| Philippines              | Taikisha Philippines Inc.             | ●        |           |
| Singapore                | Taikisha (Singapore) Pte. Ltd.        | ●        | ●         |
| Malaysia                 | Taikisha Engineering (M) Sdn. Bhd.    | ●        |           |
| Indonesia                | P.T. Taikisha Indonesia Engineering   | ●        |           |
| India                    | Taikisha Engineering India Pvt. Ltd.  | ●        | ●         |
| United States of America | TKS Industrial Company                | ●        | ●         |
| Italy                    | Geico S.p.A.                          | ●        | ●         |

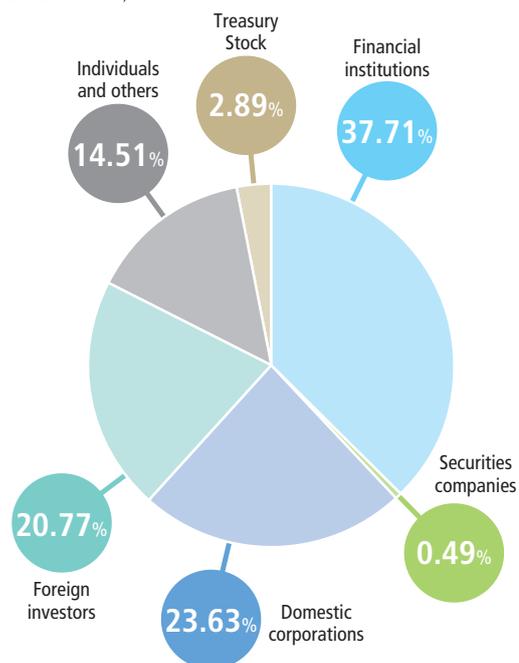
## Investor Information

(As of March 31, 2019)

|  |             |
|--|-------------|
| Authorized number of shares                                      | 100,000,000 |
| Number of issued shares<br>(excluding 1,013,293 treasury shares) | 34,068,716  |
| Number of shareholders   | 2,965       |

### COMPOSITION OF SHAREHOLDERS

(BY SHARE HOLDING RATIO)



### Major Shareholders of the Company as of March 31, 2019

| Shareholder's Name   | Number of shares held (in thousands) | Ratio of shareholding (%) |
|--|--------------------------------------|---------------------------|
| The Master Trust Bank of Japan, Ltd. (Trust Account)       | 3,423                                | 10.05                     |
| Japan Trustee Services Bank, Ltd. (Trust Account 9)        | 2,285                                | 6.71                      |
| Kenzaisha Ltd.   | 1,730                                | 5.08                      |
| Japan Trustee Services Bank, Ltd. (Trust Account)          | 1,250                                | 3.67                      |
| Taikisha Business Partners Shareholding Association        | 1,008                                | 2.96                      |
| Dai ni Kenzaisha Ltd.                                      | 1,000                                | 2.94                      |
| Sumitomo Realty & Development Co., Ltd.                    | 981                                  | 2.88                      |
| Taikisha Employees Shareholding Association                | 900                                  | 2.64                      |
| THE BANK OF NEW YORK MELLON (INTERNATIONAL) LIMITED 131800 | 894                                  | 2.62                      |
| Nippon Life Insurance Company                              | 866                                  | 2.54                      |

(Notes) 1. The Company holds 1,013,293 treasury shares but is excluded from the list of major shareholders above. The above treasury shares do not include 146,700 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 "Ratio of shareholding" is calculated by subtracting treasury shares from all issued shares.

