

# Financial Report for the Third Quarter of the Fiscal Year ending March 31, 2018

February 9, 2018

The following statements are an English translation of the original Japanese document.

(All financial information has been prepared in accordance with accounting principles generally accepted in Japan.)

Name of company... Taikisha Ltd.

Stock Exchange..... First Section of Tokyo Stock Exchange

Code..... 1979

Representative..... Toshiaki Shiba, President and Representative Director

Contact..... Masanori Nakagawa, Managing Corporate Officer, Administrative Management Headquarters Chief Executive

TEL..... (03)5338 - 5052

URL..... <http://www.taikisha.co.jp/>

Scheduled date to submit Quarterly report : February 14, 2018

Scheduled date to commence dividend payments : -

Supplemental materials prepared for financial results : None

Briefing session of financial results : None

(Round down to one million yen)

## 1. Consolidated Operating Performance (April 1, 2017 through December 31, 2017)

### (1) Consolidated operating results (Cumulative)

(% indicates increase ratio over previous year)

	Sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	million yen	%	million yen	%	million yen	%	million yen	%
Nine months ended								
December 31, 2017	162,217	22.8	6,320	24.7	6,909	14.1	4,093	(4.8)
December 31, 2016	132,109	(9.1)	5,067	(42.2)	6,055	(24.4)	4,301	(0.8)

(Note) Comprehensive income  
 Nine months ended December 31, 2017 10,732 million yen 395.5 %  
 Nine months ended December 31, 2016 2,166 million yen 15.8 %

	Profit attributable to owners of parent per share	Profit attributable to owners of parent per share (Diluted)
Nine months ended	yen	yen
December 31, 2017	119.76	—
December 31, 2016	124.73	—

### (2) Consolidated financial position

	Total assets	Net assets	Equity capital ratio
As of	million yen	million yen	%
December 31, 2017	209,828	107,724	48.8
March 31, 2017	199,024	100,184	48.1

(Note) Shareholders' Equity  
 As of December 31, 2017 102,352 million yen  
 As of March 31, 2017 95,753 million yen

## 2. Dividends

	Dividend per share				
	1Q	2Q	3Q	Year End	Total (annually)
Year ended	yen	yen	yen	yen	yen
March 31, 2017	—	25.00	—	45.00	70.00
March 31, 2018	—	25.00			
Year ending March 31, 2018 (Forecast)				48.00	73.00

(Note) Revisions to forecast of dividends : None

## 3. Consolidated Earnings Forecast for Fiscal Year Ending March 31, 2018 (April 1, 2017 through March 31, 2018)

(% indicates increase ratio over previous year)

	Sales		Operating income		Ordinary income		Profit attributable to owners of parent		Profit attributable to owners of parent per share	
	million yen	%	million yen	%	million yen	%	million yen	%	yen	yen
Full year	213,200	6.3	11,700	38.1	12,300	25.0	7,100	12.6		206.24

(Note) Revisions to forecast of earnings : None

#### 4. Others

- (1) Changes in significant subsidiaries during the period  
(Changes in specified subsidiaries accompanying changes in scope of consolidation) : None
- (2) Adoption of particular accounting treatments for quarterly consolidated financial statements : None
- (3) Changes in accounting policies, changes in accounting estimates and restatements
- (i) Changes in accounting policies due to revisions of accounting standards etc. : None
  - (ii) Changes in accounting policies other than (i) : None
  - (iii) Changes in accounting estimates : None
  - (iv) Restatements : None
- (4) Number of shares issued (common shares)
- (i) Number of shares issued at end of period (including treasury shares)
    - As of December 31, 2017 36,782,009 shares
    - As of March 31, 2017 36,782,009 shares
  - (ii) Number of treasury shares at end of period
    - As of December 31, 2017 2,712,982 shares
    - As of March 31, 2017 2,575,841 shares
  - (iii) Average number of shares during the period
    - Nine months ended December 31, 2017 34,180,661 shares
    - Nine months ended December 31, 2016 34,491,555 shares
- ※ Notice of status of implementation for quarterly review procedures  
This financial report is not subject to quarterly review procedures.  
Quarterly review procedures for the consolidated financial statements in accordance with the Financial Instruments and Exchange Act have not been completed as at the time of disclosure of this financial report.
- ※ Explanation about the proper use of consolidated forecasts and other notes  
Data and forward-looking statements disclosed herein are based on current information as of today, and may change depending upon various factors. The data and assumptions do not mean guaranteeing accomplishment of goals and projections, and may be changed at any time without notice. Consequently, the Company ask you to use this information at your discretion based upon your own judgment and information you may obtain through other sources. The company will not be liable for any damages that result from the use of this information.

# 1 Consolidated Financial Statements

## (1) Consolidated Balance Sheets

	Millions of yen	
	As of March 31, 2017	As of December 31, 2017
<b>Assets</b>		
<b>Current assets</b>		
Cash and deposits	42,263	38,315
Notes receivable, accounts receivable from completed construction contracts and other	100,983	96,469
Securities	10	7
Costs on uncompleted construction contracts	1,951	3,500
Raw materials and supplies	265	377
Other	7,894	16,672
Allowance for doubtful accounts	(461)	(615)
<b>Total current assets</b>	<b>152,907</b>	<b>154,728</b>
<b>Non-current assets</b>		
Property, plant and equipment	7,633	7,867
<b>Intangible assets</b>		
Goodwill	2,668	2,822
Other	2,434	3,087
<b>Total intangible assets</b>	<b>5,103</b>	<b>5,909</b>
<b>Investments and other assets</b>		
Investment securities	25,629	32,098
Net defined benefit asset	4,984	5,401
Other	2,779	3,839
Allowance for doubtful accounts	(13)	(16)
<b>Total investments and other assets</b>	<b>33,380</b>	<b>41,322</b>
<b>Total non-current assets</b>	<b>46,116</b>	<b>55,099</b>
<b>Total assets</b>	<b>199,024</b>	<b>209,828</b>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Notes payable, accounts payable for construction contracts and other	55,287	53,030
Short-term loans payable	4,015	6,578
Income taxes payable	1,462	1,243
Advances received on uncompleted construction contracts	15,543	14,566
Provision for bonuses	—	1,461
Provision for warranties for completed construction	973	638
Provision for loss on construction contracts	790	682
Provision for directors' bonuses	101	67
Other	10,434	11,442
<b>Total current liabilities</b>	<b>88,608</b>	<b>89,710</b>
<b>Non-current liabilities</b>		
Long-term loans payable	986	1,150
Provision for directors' retirement benefits	50	60
Net defined benefit liability	1,492	1,565
Other	7,702	9,616
<b>Total non-current liabilities</b>	<b>10,231</b>	<b>12,392</b>
<b>Total liabilities</b>	<b>98,839</b>	<b>102,103</b>

	Millions of yen	
	As of March 31, 2017	As of December 31, 2017
Net assets		
Shareholders' equity		
Capital stock	6,455	6,455
Capital surplus	7,305	7,309
Retained earnings	77,945	79,644
Treasury shares	(6,128)	(6,629)
Total shareholders' equity	85,577	86,779
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	9,969	14,565
Deferred gains or losses on hedges	(111)	(13)
Foreign currency translation adjustment	349	822
Accumulated remeasurements of defined benefit plans	(31)	199
Total accumulated other comprehensive income	10,175	15,573
Non-controlling interests	4,431	5,371
Total net assets	100,184	107,724
Total liabilities and net assets	199,024	209,828

(2) Consolidated Income Statements and Consolidated Statements of Comprehensive Income  
Consolidated Income Statements

	Millions of yen	
	Nine months ended December 31, 2016 Apr. 1, 2016 - Dec. 31, 2016	Nine months ended December 31, 2017 Apr. 1, 2017 - Dec. 31, 2017
Net sales of completed construction contracts	132,109	162,217
Cost of sales of completed construction contracts	112,888	141,287
Gross profit on completed construction contracts	19,221	20,929
Selling, general and administrative expenses	14,154	14,609
Operating income	5,067	6,320
Non-operating income		
Interest income	403	320
Dividend income	388	423
Dividend income of insurance	133	176
Real estate rent	77	78
Foreign exchange gains	172	—
Reversal of allowance for doubtful accounts	1	0
Other	118	198
Total non-operating income	1,294	1,198
Non-operating expenses		
Interest expenses	129	164
Rent expenses on real estates	15	15
Foreign exchange losses	—	246
Share of loss of entities accounted for using equity method	59	71
Other	101	111
Total non-operating expenses	305	609
Ordinary income	6,055	6,909
Extraordinary income		
Gain on disposal of non-current assets	20	49
Gain on sales of investment securities	25	—
Reversal of reserve for loss on dissolution of employees' pension fund	9	—
Other	2	—
Total extraordinary income	57	49
Extraordinary losses		
Loss on disposal of non-current assets	13	51
Impairment loss	0	26
Loss on sales of investment securities	141	—
Loss on valuation of investment securities	0	—
Other	16	—
Total extraordinary losses	171	78
Profit before income taxes	5,941	6,880
Income taxes-current	1,109	2,407
Income taxes-deferred	746	(675)
Total income taxes	1,856	1,732
Profit	4,085	5,147
Profit (loss) attributable to non-controlling interests	(216)	1,054
Profit attributable to owners of parent	4,301	4,093

## Consolidated Statements of Comprehensive Income

	Millions of yen	
	Nine months ended December 31, 2016	Nine months ended December 31, 2017
	Apr. 1, 2016 - Dec. 31, 2016	Apr. 1, 2017 - Dec. 31, 2017
Profit	4,085	5,147
Other comprehensive income		
Valuation difference on available-for-sale securities	1,910	4,596
Deferred gains or losses on hedges	55	203
Foreign currency translation adjustment	(4,035)	546
Remeasurements of defined benefit plans	270	232
Share of other comprehensive income of entities accounted for using equity method	(120)	5
Total other comprehensive income	(1,919)	5,584
Comprehensive income	2,166	10,732
Comprehensive income attributable to :		
Owners of parent	2,810	9,491
Non-controlling interests	(643)	1,241

(Segment information)

Sales and profits or losses by reportable segments

Nine months ended December 31, 2016 (April 1, 2016 - December 31, 2016)

Millions of yen

	Reportable segments			Eliminations/ Corporate	Amount recorded in the consolidated financial statements
	Green Technology System Division	Paint Finishing System Division	Total		
Sales					
Sales to customers	85,053	47,056	132,109	—	132,109
Intersegment	3	20	23	(23)	—
Total	85,057	47,076	132,133	(23)	132,109
Segment profit (loss)	5,951	(131)	5,819	236	6,055

(Note) 1. The amount of Eliminations/ Corporate is as follows:

Eliminations/ Corporate of Segment profit (loss) of 236 million yen includes non-allocatable common profits (net amount of common profit and loss) of 236 million yen and other adjustments of 0 million yen.

Non-allocatable common profit and loss are mainly general and administrative expenses and dividend income etc. those are not attributed to any reportable segments.

2. Segment profit (loss) is adjusted in the ordinary income of the consolidated income statement.

Nine months ended December 31, 2017 (April 1, 2017 - December 31, 2017)

Millions of yen

	Reportable segments			Eliminations/ Corporate	Amount recorded in the consolidated financial statements
	Green Technology System Division	Paint Finishing System Division	Total		
Sales					
Sales to customers	93,479	68,738	162,217	—	162,217
Intersegment	2	8	10	(10)	—
Total	93,481	68,746	162,228	(10)	162,217
Segment profit (loss)	7,165	(545)	6,619	289	6,909

(Note) 1. The amount of Eliminations/ Corporate is as follows:

Eliminations/ Corporate of Segment profit (loss) of 289 million yen includes non-allocatable common profits (net amount of common profit and loss) of 287 million yen and other adjustments of 2 million yen.

Non-allocatable common profit and loss are mainly general and administrative expenses and dividend income etc. those are not attributed to any reportable segments.

2. Segment profit (loss) is adjusted in the ordinary income of the consolidated income statement.

(Significant subsequent events)

(Retirement of treasury shares)

Taikisha Ltd. (the "Company") resolved to retire treasury shares pursuant to Article 178 of the Companies Act at the meeting of the Board of Directors held on February 9, 2018 as stated below.

1. Type of shares to be retired  
Common shares of the Company
2. Total number of shares to be retired  
1,700,000 shares (4.62% of issued shares before the retirement)
3. Scheduled date of the retirement  
February 28, 2018
4. Total numbers of issued shares after the retirement  
35,082,009 shares



(Additional information)

In accordance with enactment of "The Tax Cuts and Jobs Act of 2017" in December 2017 in the U.S., federal corporate income tax rate in the U.S. was reduced from 35% to 21% from the fiscal year commencing on January 1, 2018. In the consolidated cumulative third quarter, consolidated subsidiaries in the U.S. do not apply the new tax rate but apply the tax rate before the change. Consolidated subsidiaries in the U.S. will apply the new tax rate from the consolidated fiscal year end.

If consolidated subsidiaries in the U.S. applied the new tax rate in the consolidated cumulative third quarter, deferred tax assets (current assets) would be decreased by 98 million yen, deferred tax assets (investments and other assets) would be decreased by 512 million yen, foreign currency translation adjustment would be decreased by 7 million yen and income taxes-deferred would be increased by 603 million yen compared with applying the tax rate before the change.

## (Supplementary information)

## 1. Statement for orders-received during this period, net sales of completed construction contracts during this period, and construction carried forward by division (consolidated)

Millions of yen

	Nine months ended December 31, 2016 (Apr. 1, 2016 - Dec. 31, 2016)		Nine months ended December 31, 2017 (Apr. 1, 2017 - Dec. 31, 2017)		Increase (decrease)	
	Amounts	%	Amounts	%	Amounts	%
Orders-received						
Green Technology System Division						
Building HVAC	37,433	22.3	33,598	20.6	(3,835)	(10.2)
Industrial HVAC	61,252	36.6	79,443	48.7	18,191	29.7
Total	98,685	58.9	113,041	69.3	14,356	14.5
[Overseas]	[ 24,385 ]	[ 14.6 ]	[ 27,705 ]	[ 17.0 ]	[ 3,320 ]	[ 13.6 ]
Paint Finishing System Division	68,932	41.1	49,971	30.7	(18,961)	(27.5)
[Overseas]	[ 57,010 ]	[ 34.0 ]	[ 41,151 ]	[ 25.2 ]	[ (15,859) ]	[ (27.8) ]
Total	167,618	100.0	163,012	100.0	(4,606)	(2.7)
[Overseas]	[ 81,395 ]	[ 48.6 ]	[ 68,857 ]	[ 42.2 ]	[ (12,538) ]	[ (15.4) ]
Net sales of completed construction contracts						
Green Technology System Division						
Building HVAC	28,742	21.8	32,300	19.9	3,558	12.4
Industrial HVAC	56,310	42.6	61,178	37.7	4,868	8.6
Total	85,053	64.4	93,479	57.6	8,426	9.9
[Overseas]	[ 24,858 ]	[ 18.8 ]	[ 25,825 ]	[ 15.9 ]	[ 967 ]	[ 3.9 ]
Paint Finishing System Division	47,056	35.6	68,738	42.4	21,682	46.1
[Overseas]	[ 39,304 ]	[ 29.8 ]	[ 59,431 ]	[ 36.7 ]	[ 20,127 ]	[ 51.2 ]
Total	132,109	100.0	162,217	100.0	30,108	22.8
[Overseas]	[ 64,162 ]	[ 48.6 ]	[ 85,257 ]	[ 52.6 ]	[ 21,095 ]	[ 32.9 ]
Construction carried forward						
Green Technology System Division						
Building HVAC	58,280	31.1	55,770	32.5	(2,510)	(4.3)
Industrial HVAC	44,058	23.5	58,803	34.2	14,745	33.5
Total	102,339	54.6	114,574	66.7	12,235	12.0
[Overseas]	[ 19,610 ]	[ 10.5 ]	[ 21,205 ]	[ 12.4 ]	[ 1,595 ]	[ 8.1 ]
Paint Finishing System Division	85,111	45.4	57,199	33.3	(27,912)	(32.8)
[Overseas]	[ 73,755 ]	[ 39.3 ]	[ 51,072 ]	[ 29.7 ]	[ (22,683) ]	[ (30.8) ]
Total	187,451	100.0	171,773	100.0	(15,678)	(8.4)
[Overseas]	[ 93,365 ]	[ 49.8 ]	[ 72,278 ]	[ 42.1 ]	[ (21,087) ]	[ (22.6) ]

(Note) 1. The amounts of orders received, net sales of completed construction contracts, and carried forward are the transacted amount with external customers.

2. In the previous consolidated cumulative third quarter, there is 3 million yen difference between net sales of completed construction contracts of 85,053 million yen and total sales of 85,057 million yen in the segment information by the Green Technology System Division.

There is 20 million yen difference between net sales of completed construction contracts of 47,056 million yen and total sales of 47,076 million yen in the segment information by the Paint Finishing System Division.

Above differences are due to intersegment sales.

3. In the consolidated cumulative third quarter, there is 2 million yen difference between net sales of completed construction contracts of 93,479 million yen and total sales of 93,481 million yen in the segment information by the Green Technology System Division.

There is 8 million yen difference between net sales of completed construction contracts of 68,738 million yen and total sales of 68,746 million yen in the segment information by the Paint Finishing System Division.

Above differences are due to intersegment sales.

2. Statement for orders-received during this period, net sales of completed construction contracts during this period, and construction carried forward by division (Non-consolidated)

Millions of yen

	Nine months ended December 31, 2016 (Apr. 1, 2016 - Dec. 31, 2016)		Nine months ended December 31, 2017 (Apr. 1, 2017 - Dec. 31, 2017)		Increase (decrease)	
	Amounts	%	Amounts	%	Amounts	%
Orders-received						
Green Technology System Division						
Building HVAC	35,339	40.4	31,885	31.9	(3,454)	(9.8)
Industrial HVAC	37,267	42.7	51,834	51.9	14,567	39.1
Total	72,607	83.1	83,719	83.8	11,112	15.3
[Overseas]	[ 460 ]	[ 0.5 ]	[ 247 ]	[ 0.2 ]	[ (213) ]	[ (46.3) ]
Paint Finishing System Division	14,747	16.9	16,228	16.2	1,481	10.0
[Overseas]	[ 4,068 ]	[ 4.7 ]	[ 9,573 ]	[ 9.6 ]	[ 5,505 ]	[ 135.3 ]
Total	87,354	100.0	99,947	100.0	12,593	14.4
[Overseas]	[ 4,529 ]	[ 5.2 ]	[ 9,821 ]	[ 9.8 ]	[ 5,292 ]	[ 116.8 ]
Net sales of completed construction contracts						
Green Technology System Division						
Building HVAC	27,129	38.6	30,809	37.3	3,680	13.6
Industrial HVAC	31,596	45.0	35,511	42.9	3,915	12.4
Total	58,726	83.6	66,320	80.2	7,594	12.9
[Overseas]	[ 230 ]	[ 0.3 ]	[ 240 ]	[ 0.3 ]	[ 10 ]	[ 4.3 ]
Paint Finishing System Division	11,496	16.4	16,417	19.8	4,921	42.8
[Overseas]	[ 5,094 ]	[ 7.3 ]	[ 8,533 ]	[ 10.3 ]	[ 3,439 ]	[ 67.5 ]
Total	70,222	100.0	82,738	100.0	12,516	17.8
[Overseas]	[ 5,324 ]	[ 7.6 ]	[ 8,773 ]	[ 10.6 ]	[ 3,449 ]	[ 64.8 ]
Construction carried forward						
Green Technology System Division						
Building HVAC	57,553	59.6	55,078	53.2	(2,475)	(4.3)
Industrial HVAC	24,690	25.5	37,571	36.3	12,881	52.2
Total	82,244	85.1	92,650	89.5	10,406	12.7
[Overseas]	[ 253 ]	[ 0.2 ]	[ 49 ]	[ 0.0 ]	[ (204) ]	[ (80.6) ]
Paint Finishing System Division	14,389	14.9	10,904	10.5	(3,485)	(24.2)
[Overseas]	[ 3,454 ]	[ 3.6 ]	[ 5,754 ]	[ 5.6 ]	[ 2,300 ]	[ 66.6 ]
Total	96,633	100.0	103,554	100.0	6,921	7.2
[Overseas]	[ 3,707 ]	[ 3.8 ]	[ 5,803 ]	[ 5.6 ]	[ 2,096 ]	[ 56.5 ]

### 3. Sales by regions

Nine months ended December 31, 2016 (April 1, 2016 - December 31, 2016)

Millions of yen

Japan	North America	Southeast Asia		East Asia		India	Other	Total
		Thailand	Other Southeast Asia	China	Other East Asia			
67,947	16,372	14,111	12,497	10,714	663	5,246	4,556	132,109

Nine months ended December 31, 2017 (April 1, 2017 - December 31, 2017)

Millions of yen

Japan	North America	Southeast Asia		East Asia		India	Other	Total
		Thailand	Other Southeast Asia	China	Other East Asia			
76,959	33,994	14,895	16,182	7,609	1,508	3,999	7,067	162,217