

Financial Report for the Third Quarter of the Fiscal Year ending March 31, 2022

February 10, 2022

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..... Koji Kato, President and Representative Director

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Scheduled date to submit Quarterly report : February 10, 2022

Scheduled date to commence dividend payments : —

Supplemental materials prepared for financial results : No

Briefing session of financial results : No

(Round down to one million yen)

1. Consolidated Operating Performance (April 1, 2021 through December 31, 2021)

(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, 2021	144,859	6.8	5,578	(3.9)	6,644	7.3	4,424	(3.5)
December 31, 2020	135,592	(14.6)	5,806	(46.5)	6,195	(44.9)	4,585	(40.9)

(Note) Comprehensive income
 Nine months ended December 31, 2021 : 3,540 million yen (60.4)%
 Nine months ended December 31, 2020 : 8,941 million yen 4.0%

	Profit attributable to owners of parent per share	Profit attributable to owners of parent per share (Diluted)
Nine months ended	yen	yen
December 31, 2021	129.84	—
December 31, 2020	134.59	—

(2) Consolidated financial position

	Total assets	Net assets	Equity capital ratio
As of	million yen	million yen	%
December 31, 2021	227,368	126,593	53.3
March 31, 2021	228,855	126,311	52.9

(Note) Shareholders' Equity
 As of December 31, 2021 : 121,123 million yen
 As of March 31, 2021 : 121,033 million yen

2. Dividends

	Dividend per share				
	1Q	2Q	3Q	Year End	Total (annually)
Year ended	yen	yen	yen	yen	yen
March 31, 2021	—	30.00	—	60.00	90.00
March 31, 2022	—	30.00	—		
Year ending March 31, 2022 (Forecast)				70.00	100.00

(Note) Revisions to forecast of dividends : None

3. Consolidated Earnings Forecast for Fiscal Year Ending March 31, 2022

(April 1, 2021 through March 31, 2022)

(% 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	
Full year	205,000	1.2	9,000	(23.0)	10,000	(18.6)	6,000	(27.5)		176.08

(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. : Yes
 - (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, 2021 35,082,009 shares
 - As of March 31, 2021 35,082,009 shares
 - (ii) Number of treasury shares at end of period
 - As of December 31, 2021 998,420 shares
 - As of March 31, 2021 1,013,823 shares
 - (iii) Average number of shares during the period
 - Nine months ended December 31, 2021 34,077,489 shares
 - Nine months ended December 31, 2020 34,068,365 shares

(Note) The Company has introduced the "Board Benefit Trust (BBT)" as its performance-linked and share-based compensation plan and its own shares remaining in the trust are included as treasury shares. The number of treasury shares owned by the trust as of December 31, 2021 and as of March 31, 2021 are 120,700 and 136,400, respectively. The average number of treasury shares owned by the trust for nine months ended December 31, 2021 and for nine months ended December 31, 2020 are 126,980 and 136,400, respectively.

- ※ Notice of status of implementation for quarterly review procedures
This financial report is not subject to quarterly review procedures by certified public accountants or auditing firms.
- ※ 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, 2021	As of December 31, 2021
Assets		
Current assets		
Cash and deposits	52,059	47,345
Notes receivable, accounts receivable from completed construction contracts and other	101,413	96,930
Securities	2,000	2,000
Costs on uncompleted construction contracts	1,816	979
Raw materials and supplies	679	913
Other	8,068	19,689
Allowance for doubtful accounts	(649)	(641)
Total current assets	165,387	167,217
Non-current assets		
Property, plant and equipment	10,150	10,686
Intangible assets		
Goodwill	4,084	3,891
Customer-related assets	1,389	1,305
Other	2,976	2,674
Total intangible assets	8,450	7,871
Investments and other assets		
Investment securities	32,677	29,477
Deferred tax assets	1,026	562
Net defined benefit asset	9,111	9,375
Other	2,100	2,540
Allowance for doubtful accounts	(48)	(363)
Total investments and other assets	44,866	41,593
Total non-current assets	63,468	60,151
Total assets	228,855	227,368
Liabilities		
Current liabilities		
Notes payable, accounts payable for construction contracts and other	52,050	42,351
Short-term loans payable	6,588	17,016
Income taxes payable	1,607	510
Advances received on uncompleted construction contracts	14,200	9,346
Provision for bonuses	—	1,531
Provision for warranties for completed construction	475	490
Provision for loss on construction contracts	403	237
Provision for directors' bonuses	63	16
Other	11,528	12,510
Total current liabilities	86,919	84,011
Non-current liabilities		
Long-term loans payable	4,769	5,431
Deferred tax liabilities	8,821	9,254
Provision for directors' retirement benefits	40	42
Provision for share-based remuneration for directors	171	121
Net defined benefit liability	1,507	1,558
Other	315	355
Total non-current liabilities	15,625	16,763
Total liabilities	102,544	100,775

	Millions of yen	
	As of March 31, 2021	As of December 31, 2021
Net assets		
Shareholders' equity		
Capital stock	6,455	6,455
Capital surplus	5,058	5,058
Retained earnings	95,701	97,069
Treasury shares	(2,594)	(2,543)
Total shareholders' equity	104,620	106,039
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	14,237	12,187
Deferred gains or losses on hedges	(3)	(12)
Foreign currency translation adjustment	(237)	592
Accumulated remeasurements of defined benefit plans	2,416	2,316
Total accumulated other comprehensive income	16,412	15,084
Non-controlling interests	5,277	5,469
Total net assets	126,311	126,593
Total liabilities and net assets	228,855	227,368

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

	Millions of yen	
	Nine months ended December 31, 2020 Apr. 1, 2020 - Dec. 31, 2020	Nine months ended December 31, 2021 Apr. 1, 2021 - Dec. 31, 2021
Net sales of completed construction contracts	135,592	144,859
Cost of sales of completed construction contracts	114,327	123,607
Gross profit on completed construction contracts	21,264	21,251
Selling, general and administrative expenses	15,457	15,673
Operating income	5,806	5,578
Non-operating income		
Interest income	215	170
Dividend income	510	558
Dividend income of insurance	145	157
Real estate rent	75	96
Foreign exchange gains	—	139
Reversal of allowance for doubtful accounts	0	0
Other	212	229
Total non-operating income	1,159	1,352
Non-operating expenses		
Interest expenses	124	175
Rent expenses on real estates	22	11
Foreign exchange losses	423	—
Share of loss of entities accounted for using equity method	84	30
Other	116	68
Total non-operating expenses	771	286
Ordinary income	6,195	6,644
Extraordinary income		
Gain on disposal of non-current assets	618	13
Gain on sales of investment securities	—	1,139
Gain on step acquisitions	61	—
Total extraordinary income	680	1,152
Extraordinary losses		
Loss on disposal of non-current assets	158	44
Impairment loss	0	0
Loss on valuation of investment securities	13	—
Total extraordinary losses	171	44
Profit before income taxes	6,703	7,752
Income taxes-current	618	1,146
Income taxes-deferred	1,482	1,871
Total income taxes	2,100	3,017
Profit	4,603	4,734
Profit attributable to non-controlling interests	17	309
Profit attributable to owners of parent	4,585	4,424

Consolidated Statements of Comprehensive Income

	Millions of yen	
	Nine months ended December 31, 2020	Nine months ended December 31, 2021
	Apr. 1, 2020 - Dec. 31, 2020	Apr. 1, 2021 - Dec. 31, 2021
Profit	4,603	4,734
Other comprehensive income		
Valuation difference on available-for-sale securities	4,930	(2,050)
Deferred gains or losses on hedges	3	(9)
Foreign currency translation adjustment	(1,524)	919
Remeasurements of defined benefit plans	933	(98)
Share of other comprehensive income of entities accounted for using equity method	(4)	44
Total other comprehensive income	4,338	(1,194)
Comprehensive income	8,941	3,540
Comprehensive income attributable to :		
Owners of parent	8,935	3,097
Non-controlling interests	5	442

(Change in accounting policy)

(Application of Accounting Standard for Revenue Recognition, etc.)

The "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020, hereinafter referred to as "Revenue Recognition Accounting Standard"), etc. have been applied from the beginning of the first quarter of the fiscal year ending March 31, 2022. In accordance with the Revenue Recognition Accounting Standard etc., revenue is recognized at the amount expected to be received in exchange for the promised goods or services when the control of the goods or services is transferred to the customer. Regarding construction contracts and so on, as a result of examining the identification of performance obligations and the timing of its satisfaction, revenue recognition method has been changed to recognize revenue over time after the application of the Revenue Recognition Accounting Standard etc., though previously the percentage-of-completion method had been applied for construction contracts for which the completion of a certain percentage of the entire work is reliably recognizable and the completed-contract method had been applied for the other construction contracts.

Regarding maintenance contracts and so on, as a result of examining the identification of performance obligations and the timing of its satisfaction, revenue recognition method has been changed to recognize revenue over time after the application of the Revenue Recognition Accounting Standard, though previously revenue had been recognized when service is completely rendered.

The progress of satisfaction of performance obligations in revenue recognition over time is measured by the ratio of incurred costs to estimated total costs (input methods). In addition, revenue is recognized by cost recovery method in case incurred costs are expected to be recoverable though the progress of satisfaction of performance obligations cannot be reasonably measured.

In addition, the sales discount recorded as non-operating expenses in the previous consolidated fiscal year is deducted from the net sales of completed construction contracts from this consolidated fiscal year.

The application of the Revenue Recognition Accounting Standard etc. is pursuant to the transitional treatment stipulated in the proviso of Paragraph 84 of the Revenue Recognition Accounting Standard. The cumulative effect when applying the Revenue Recognition Accounting Standard etc. retrospectively from before the beginning of the first quarter of this consolidated fiscal year is added to or subtracted from the retained earnings at the beginning of the first quarter of this consolidated fiscal year, and thus the Revenue Recognition Accounting Standard etc. have been applied from the beginning balance.

As a result, consolidated net sales of completed construction contracts increased by 1,882 million yen, consolidated cost of sales of completed construction contracts increased by 1,649 million yen, gross profit on completed construction contracts and operating income increased by 232 million yen, ordinary income and profit before income taxes increased by 246 million yen respectively. Also, beginning balance of retained earnings increased by 21 million yen.

(Application of Accounting Standard for Fair Value Measurement, etc.)

The "Accounting Standard for Fair Value Measurement" (ASBJ Statement No. 30, July 4, 2019, hereinafter referred to as "Fair Value Measurement Accounting Standard") etc., have been applied from the beginning of this consolidated fiscal year. In accordance with the transitional treatment stipulated in the Paragraph 19 of Fair Value Measurement Accounting Standard and stipulated in the Paragraph 44-2 of "Accounting Standard for Financial Instruments" (ASBJ Statement No. 10, July 4, 2019), the new accounting policy stipulated by the Fair Value Measurement Accounting Standard, etc. are applied in the future. These applications have no impact on the quarterly consolidated financial statements.

(Additional information)

(Accounting estimates associated with the spread of COVID-19)

There is no significant change in the assumption stated in "(Additional information) Accounting estimates associated with the spread of COVID-19" in the securities report for the previous consolidated fiscal year.

(Segment information)

Nine months ended December 31, 2020 (April 1, 2020 - December 31, 2020)

1. Sales and profits or losses by reportable segments

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	92,212	43,380	135,592	—	135,592
Intersegment	6	—	6	(6)	—
Total	92,218	43,380	135,599	(6)	135,592
Segment profit (loss)	7,287	(1,473)	5,813	382	6,195

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

Eliminations/ Corporate of Segment profit (loss) of 382 million yen includes non-allocatable common profits (net amount of common profit and loss) of 381 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.

2. Impairment loss on non-current assets or goodwill etc. by reportable segment

(Significant fluctuation in the amount of goodwill)

In Green Technology System Division, the Company has acquired equity interest of Nicomac Clean Rooms Far East LLP (currently, Nicomac Taikisha Clean Rooms Private Limited) and it has become a consolidated subsidiary of the Company. As a result, goodwill in Green Technology System Division is increased by 3,432 million yen in the consolidated cumulative third quarter.

In addition, the amount of goodwill reflects a revision of the initially allocated amounts of acquisition costs as a result of the finalization of a provisional consolidated accounting treatment.

Nine months ended December 31, 2021 (April 1, 2021 - December 31, 2021)

1. Sales and profits or losses by reportable segments

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	90,836	54,022	144,859	—	144,859
Intersegment	6	—	6	(6)	—
Total	90,842	54,022	144,865	(6)	144,859
Segment profit (loss)	5,839	(31)	5,807	836	6,644

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

Eliminations/ Corporate of Segment profit (loss) of 836 million yen includes non-allocatable common profits (net amount of common profit and loss) of 836 million yen and other adjustments of minus 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.

2. Impairment loss on non-current assets or goodwill etc. by reportable segment

Not applicable.

3. Matters Regarding the Changes in Reportable Segment, etc.

As stated under "Change in accounting policy", the Revenue Recognition Accounting Standard, etc. have been applied from the beginning of the first quarter of this consolidated fiscal year. As a result of a change in the method of accounting treatment for revenue recognition, the method of measuring profit or loss in each reportable segment has also been changed accordingly.

Due to this change, compared with traditional method, net sales of completed construction contracts and segment profit in Green Technology System increased by 1,645 million yen and 199 million yen respectively and net sales of completed construction contracts in Paint Finishing System increased by 236 million yen and segment loss in Paint Finishing System decreased by 46 million yen.

(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, 2020 (Apr. 1, 2020 - Dec. 31, 2020)		Nine months ended December 31, 2021 (Apr. 1, 2021 - Dec. 31, 2021)		Increase (decrease)	
	Amounts	%	Amounts	%	Amounts	%
	Orders-received					
Green Technology System Division						
Building HVAC	26,097	19.0	32,288	22.2	6,191	23.7
Industrial HVAC	57,846	42.1	72,340	49.7	14,493	25.1
Total	83,943	61.1	104,629	71.9	20,685	24.6
[Overseas]	[24,350]	[17.7]	[20,254]	[13.9]	[(4,095)]	[(16.8)]
Paint Finishing System Division	53,476	38.9	40,882	28.1	(12,594)	(23.6)
[Overseas]	[46,030]	[33.5]	[31,627]	[21.7]	[(14,402)]	[(31.3)]
Total	137,420	100.0	145,511	100.0	8,090	5.9
[Overseas]	[70,381]	[51.2]	[51,882]	[35.6]	[(18,498)]	[(26.3)]
Net sales of completed construction contracts						
Green Technology System Division						
Building HVAC	27,267	20.1	30,188	20.8	2,921	10.7
Industrial HVAC	64,944	47.9	60,647	41.9	(4,296)	(6.6)
Total	92,212	68.0	90,836	62.7	(1,375)	(1.5)
[Overseas]	[25,108]	[18.5]	[27,012]	[18.6]	[1,903]	[7.6]
Paint Finishing System Division	43,380	32.0	54,022	37.3	10,641	24.5
[Overseas]	[35,688]	[26.3]	[43,758]	[30.2]	[8,070]	[22.6]
Total	135,592	100.0	144,859	100.0	9,266	6.8
[Overseas]	[60,796]	[44.8]	[70,770]	[48.8]	[9,974]	[16.4]
Construction carried forward						
Green Technology System Division						
Building HVAC	44,434	25.2	52,526	29.9	8,092	18.2
Industrial HVAC	63,848	36.3	79,821	45.4	15,973	25.0
Total	108,282	61.5	132,348	75.3	24,065	22.2
[Overseas]	[34,648]	[19.7]	[31,120]	[17.7]	[(3,527)]	[(10.2)]
Paint Finishing System Division	67,793	38.5	43,341	24.7	(24,452)	(36.1)
[Overseas]	[61,488]	[34.9]	[35,391]	[20.1]	[(26,097)]	[(42.4)]
Total	176,076	100.0	175,689	100.0	(386)	(0.2)
[Overseas]	[96,137]	[54.6]	[66,512]	[37.8]	[(29,625)]	[(30.8)]

(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 6 million yen difference between net sales of completed construction contracts of 92,212 million yen and total sales of 92,218 million yen in the segment information by the Green Technology System Division. Above difference is due to intersegment sales.

There is no difference between net sales of completed construction contracts and total sales in the segment information by the Paint Finishing System Division.

3. In the consolidated cumulative third quarter, there is 6 million yen difference between net sales of completed construction contracts of 90,836 million yen and total sales of 90,842 million yen in the segment information by the Green Technology System Division. Above difference is due to intersegment sales.

There is no difference between net sales of completed construction contracts and total sales in the segment information by the Paint Finishing System Division.

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, 2020 (Apr. 1, 2020 - Dec. 31, 2020)		Nine months ended December 31, 2021 (Apr. 1, 2021 - Dec. 31, 2021)		Increase (decrease)	
	Amounts	%	Amounts	%	Amounts	%
Orders-received						
Green Technology System Division						
Building HVAC	24,168	36.1	30,153	31.6	5,985	24.8
Industrial HVAC	33,649	50.3	52,077	54.5	18,428	54.8
Total	57,817	86.4	82,231	86.1	24,413	42.2
[Overseas]	[247]	[0.4]	[102]	[0.1]	[(144)]	[(58.5)]
Paint Finishing System Division	9,128	13.6	13,293	13.9	4,164	45.6
[Overseas]	[3,122]	[4.7]	[5,475]	[5.7]	[2,353]	[75.4]
Total	66,946	100.0	95,524	100.0	28,577	42.7
[Overseas]	[3,369]	[5.1]	[5,578]	[5.8]	[2,208]	[65.5]
Net sales of completed construction contracts						
Green Technology System Division						
Building HVAC	24,709	33.6	28,276	38.3	3,567	14.4
Industrial HVAC	40,012	54.3	33,807	45.7	(6,204)	(15.5)
Total	64,721	87.9	62,084	84.0	(2,637)	(4.1)
[Overseas]	[264]	[0.4]	[269]	[0.4]	[4]	[1.8]
Paint Finishing System Division	8,898	12.1	11,839	16.0	2,940	33.0
[Overseas]	[2,525]	[3.4]	[3,118]	[4.2]	[593]	[23.5]
Total	73,620	100.0	73,924	100.0	303	0.4
[Overseas]	[2,790]	[3.8]	[3,388]	[4.6]	[598]	[21.4]
Construction carried forward						
Green Technology System Division						
Building HVAC	43,383	53.1	51,481	45.6	8,097	18.7
Industrial HVAC	29,369	36.0	48,672	43.1	19,303	65.7
Total	72,752	89.1	100,153	88.7	27,401	37.7
[Overseas]	[184]	[0.2]	[5]	[0.0]	[(179)]	[(97.2)]
Paint Finishing System Division	8,869	10.9	12,704	11.3	3,834	43.2
[Overseas]	[3,497]	[4.3]	[5,530]	[4.9]	[2,032]	[58.1]
Total	81,622	100.0	112,858	100.0	31,235	38.3
[Overseas]	[3,681]	[4.5]	[5,535]	[4.9]	[1,853]	[50.3]

3. Sales by regions

Nine months ended December 31, 2020 (April 1, 2020 - December 31, 2020)

Millions of yen

Japan	North America	Southeast Asia		East Asia		India	Other	Total
		Thailand	Other Southeast Asia	China	Other East Asia			
74,796	13,676	11,820	12,868	8,669	1,338	3,081	9,341	135,592

Nine months ended December 31, 2021 (April 1, 2021 - December 31, 2021)

Millions of yen

Japan	North America	Southeast Asia		East Asia		India	Other	Total
		Thailand	Other Southeast Asia	China	Other East Asia			
74,088	14,412	12,571	12,495	7,682	1,260	7,880	14,467	144,859