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(Securities Code: 1979)

June 7, 2016

To Shareholders with Voting Rights:

Satoru Kamiyama
Representative Director, President
Taikisha Ltd.
8-17-1, Nishi-Shinjuku,
Shinjuku-ku, Tokyo 160-6129,
Japan

**NOTICE OF
THE 71ST ANNUAL SHAREHOLDERS' MEETING**

You are cordially invited to attend the 71st Annual Shareholders' Meeting of Taikisha Ltd. (the "Company"). If you are unable to attend the meeting, you can exercise your voting rights through either of the following methods. Please review the attached Reference Documents for the Shareholders' Meeting and exercise your voting rights by no later than 5:45 p.m. on Tuesday, June 28, 2016, Japan time.

[If you exercise your voting rights by mail]

You are kindly requested to mark and return the Voting Rights Exercise Form with your vote of approval or disapproval via mail so that it will be delivered to us by the aforementioned deadline.

[If you exercise your voting rights via the Internet]

You are kindly requested to read the Guide to Exercising Voting Rights on page 2 and enter your approval or disapproval of each proposal by the aforementioned deadline.

- 1. Date and Time:** Wednesday, June 29, 2016, at 10 a.m. Japan time
2. Place: 43rd floor, "Moon Light" Keio Plaza Hotel, located at 2-2-1, Nishi-Shinjuku, Shinjuku-ku, Tokyo, Japan
- 3. Meeting Agenda:**
- Matters for Reporting:**
1. The Business Report, the Consolidated Financial Statements for the 71st Fiscal Year (from April 1, 2015, to March 31, 2016) and the results of audits by the Accounting Auditors and the Audit & Supervisory Board of the Consolidated Financial Statements
 2. The Non-consolidated Financial Statements for the 71st Fiscal Year (from April 1, 2015, to March 31, 2016)

Matters for Resolution:

- Proposal No. 1:** Appropriation of Retained Earnings
Proposal No. 2: Partial Amendment to Articles of Incorporation
Proposal No. 3: Election of Ten (10) Directors
Proposal No. 4: Election of Two (2) Audit & Supervisory Board Members
Proposal No. 5: Election of One (1) Substitute Audit & Supervisory Board Member
Proposal No. 6: Revision to Amount of Compensation to Directors
Proposal No. 7: Approval of Countermeasures against Large-Scale Purchases of the Company's Share Certificates or Other Securities (Takeover Defense Measures)

Notes:

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

[Guide to Exercising Voting Rights via the Internet]

1. Exercise of voting Rights via the Internet

- (1) Instead of the exercise of voting rights in writing, you may exercise your voting rights via the Internet using the Voting Rights Website (of which the URL is indicated below). To exercise your voting rights, access the said website and enter the “Exercise of Voting Rights Code” and “Password” stated on the right end of the enclosed Voting Rights Exercise Form to log in, and follow the instructions on the screen. To ensure the security of communications, you will need to change the Password at the initial log-in.

<http://www.it-soukai.com>

- (2) The deadline for the exercise shall be by no later than 5:45 p.m. on Tuesday, June 28, 2016, Japan time. Your early exercise is recommended.
- (3) If you have exercised your voting rights both in writing using the Voting Rights Exercise Form and via the Internet, those exercised via the Internet will be taken as valid. If you have exercised your voting rights multiple times on the Internet, the final vote cast will be considered as valid.
- (4) The Password (including the new ones changed by the shareholders themselves) are valid only for this Annual Shareholders’ Meeting. New temporary passwords will be issued when the next shareholders’ meeting is convoked.
- (5) The charges required for connecting communication equipment to the Internet shall be borne by each shareholder.

(Cautionary statement)

- The “Password” is a crucial means through which to ascertain that a voting person is really a qualified shareholder. The Company never will ask you your Password.
- In case you commit more errors than a certain number of tries to input your Password, the Internet-based voting system will be immediately locked, making further operations unavailable. If such a locked status occurs, follow the screen guide to release the locked condition.
- Although the Voting Rights Website has been confirmed to function normally when connected with ordinary Internet-connectable communication equipment, it might not be available depending on the equipment type or use conditions of your equipment.

2. Inquiries

If you have any questions or need additional information, please contact Stock Transfer Agency Department, Mizuho Trust & Banking Co., Ltd., the administrator of shareholders’ register of the Company.

- (1) Dedicated phone of operation method, etc., on the Voting Rights Website.
Phone number in Japan: 0120-768-524 (toll-free within Japan)
(Reception time: 9:00 a.m.–9:00 p.m. on weekdays)
- (2) Any other inquiries regarding stock-related procedures
Phone number in Japan: 0120-288-324 (toll-free within Japan)
(Reception time: 9:00 a.m.–5:00 p.m. on weekdays)

(Reference)

Institutional investors may use the “ICJ platform,” a platform for electronic exercise of voting rights by institutional investors, which is operated by Investor Communications Japan, Inc. (ICJ).

Business Report

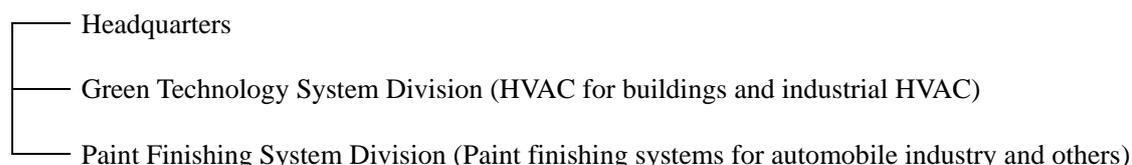
(From April 1, 2015, to March 31, 2016)

1. Overview of the Group

(1) Business Progress and Results

1) Management structure of the Company

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



2) Overview of business

During the fiscal year ended March 31, 2016, the global economy basically followed an expansive undertone, reflecting favorable consumer spending as represented by the U.S. economy with positive signs such as record high sales volume of automobiles. Europe saw several signs of an economic pickup mainly due to steady consumer spending. Meanwhile, the economies of the emerging countries lacked strong momentum, reflecting the slowed growth rate of the Chinese economy and the fall in resource prices worldwide. The Japanese economy followed a track to gradual recovery, supported by an increase in capital investment mainly due to the improvement of corporate profits and by the recovery of consumer spending against a backdrop of the improvement of the employment and income environments.

Given such circumstances, the Taikisha Group's orders received totaled ¥221,764 million (an 18.4% year-on-year increase), of which overseas orders received increased by 29.0% year on year to ¥120,428 million, mainly due to overseas orders for large-scale projects in the paint finishing systems category, which were received in the United States and China, as well as an increase in orders received in Japan thanks to the expansion of capital investment in the industrial HVAC category.

Net sales of completed construction contracts totaled ¥212,424 million (a 15.7% year-on-year increase), of which overseas net sales were ¥117,881 million, a 16.3% year-on-year increase, mainly due to increases in the sales of construction contracts in Japan and Thailand.

In terms of profits, the gross profit ratio improved 0.5 percentage point year on year, primarily supported by a year-on-year increase of ¥28,776 million in net sales of completed construction contracts and efforts to address profitability-focused order-receiving and cost-cutting activities. As a result, gross profit on completed construction contracts increased by ¥5,352 million to ¥32,570 million. Operating income totaled ¥12,734 million (a year-on-year increase of ¥4,065 million) and ordinary income totaled ¥12,343 million (a year-on-year increase of ¥2,764 million). As a result, for the fiscal year ended March 31, 2016, profit attributable to owners of parent was ¥7,084 million (a year-on-year increase of ¥1,000 million) on a consolidated basis.

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

Green Technology System Division:

Orders received in the industrial HVAC category increased for the fiscal year under review. Net sales of completed construction contracts increased in both the HVAC for buildings and the industrial HVAC categories.

As a result, orders received in this segment totaled ¥132,706 million (a 5.3% year-on-year increase). Of this figure, orders for the HVAC for buildings category decreased 2.6% year on year to ¥43,717 million whereas those for the Industrial HVAC category increased 9.7% year on year to ¥88,988 million. Net sales of completed construction contracts totaled ¥134,824 million (a 16.1% year-on-year increase). Of this figure, sales of the HVAC for buildings category increased 6.8% year on year to ¥43,608 million whereas those of the Industrial HVAC category increased 21.1% year on year to ¥91,216 million. Segment profit (ordinary income) amounted to ¥8,950 million (a year-on-year increase of ¥2,959 million).

Paint Finishing System Division:

Orders received for the fiscal year under review increased year on year due to increases in orders received in China and the United States for large-scale projects. Net sales of completed construction contracts increased, reflecting the increased turnover of construction contracts in Japan, the United States and India.

As a result, orders received in this segment totaled a record-high ¥89,058 million (a 45.2% year-on-year increase). Net sales of completed construction contracts totaled ¥77,735 million (a 15.0% year-on-year increase). Segment profit (ordinary income) amounted to ¥3,524 million (a year-on-year increase of ¥264 million).

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

(Millions of yen)

	Category	Construction brought forward	Orders received during the fiscal year under review	Total	Net sales of completed construction contracts during the fiscal year under review	Construction carried forward
Green Technology System Division	HVAC for buildings	49,481	43,717	93,198	43,608	49,590
	Industrial HVAC	43,907	88,988	132,895	91,214	41,681
	Subtotal (overseas)	93,388 (31,352)	132,706 (42,887)	226,094 (74,240)	134,822 (51,591)	91,271 (22,648)
Paint Finishing System Division	Paint finishing systems (overseas)	57,907 (50,926)	89,058 (77,541)	146,965 (128,467)	77,602 (66,290)	69,363 (62,177)
Both Divisions	Total (overseas)	151,295 (82,279)	221,764 (120,428)	373,060 (202,707)	212,424 (117,881)	160,635 (84,826)

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

As for the non-consolidated performance of the Company, orders received totaled ¥111,793 million (an 11.3% year-on-year increase) and net sales of completed construction contracts totaled ¥107,269 million (a 15.0% year-on-year increase). Profit of the Company was ¥4,949 million (a year-on-year decrease of ¥165 million).

3) Capital expenditures

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

4) Financing

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

(2) Transfer of Business, Absorption-Type Company Split and Incorporation-Type Company Split
Not applicable.

(3) Business Assigned from Other Companies
Not applicable.

(4) Succession of Rights and Obligations regarding Other Entities' Business due to Absorption-Type or Incorporation-Type Company Split
Not applicable.

(5) Acquisition or Disposition of Shares and Other Equity Interests or Share Subscription Rights of Other Companies
Not applicable.

(6) Changes in Assets and Income
1) Changes in operating results

(Millions of yen)

Fiscal year (term) Category	Year ended March 31, 2013 (68th term)	Year ended March 31, 2014 (69th term)	Year ended March 31, 2015 (70th term)	Year ended March 31, 2016 (71st term) Fiscal year under review
Orders received	195,920	189,026	187,311	221,764
Net sales of completed construction contracts	216,051	185,421	183,648	212,424
Ordinary income	10,728	9,292	9,579	12,343
Profit attributable to owners of parent	6,200	4,155	6,084	7,084
Basic earnings per share (yen)	170.99	116.08	172.64	204.35
Total assets	163,014	166,680	188,283	189,566
Net assets	78,537	84,712	99,669	95,921
Net assets per share (yen)	2,087.16	2,282.56	2,690.76	2,633.60

Notes:

1. "Basic earnings per share" is calculated based on the average number of shares outstanding during the year after subtracting treasury shares. "Net assets per share" is calculated based on the total number of issued shares at the end of the year after subtracting treasury shares. The number of treasury shares do not include the number of the Company's shares held by Trust & Custody Services Bank, Ltd. (Trust E Account), because of the introduction of ESOP (Employee Stock Ownership Plan).
2. By applying the "Revised Accounting Standard for Business Combinations" (ASBJ Statement No. 21 issued on September 13, 2013) and other relevant accounting standards, "Net income" has been presented as "Profit attributable to owners of parent," effective from the fiscal year under review.

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

(Millions of yen)

Fiscal year (term) Category		Year ended	Year ended	Year ended	Year ended
		March 31, 2013 (68th term)	March 31, 2014 (69th term)	March 31, 2015 (70th term)	March 31, 2016 (71st term) Fiscal year under review
Green Technology System Division	HVAC for buildings	46,573	36,455	40,827	43,608
	Industrial HVAC	90,641	78,989	75,307	91,214
	Subtotal	137,214	115,444	116,134	134,822
Paint Finishing System Division	Paint finishing systems	78,837	69,976	67,513	77,602
Both Divisions	Total (overseas)	216,051 (124,097)	185,421 (114,214)	183,648 (101,344)	212,424 (117,881)

(7) Issues to Be Addressed

1) Reinforce management base

The Company believes it is essential to respond quickly to changing social demands and strive to ensure stable and sustainable growth. Consequently, the Company has set up a policy of reinforcing its management base with the following proactive initiatives: (a) enhance and streamline corporate governance, (b) reinforce the global compliance system, (c) develop capabilities of human resources, and (d) carry out strategic investments to fortify its business base. Specific action plans, which serve to help realize these initiatives, are incorporated in the annual action policies at the respective departments, and each department in charge continues its own activities to this end while getting back to the basics of these initiatives.

On May 16, 2016, the Company announced its new Mid-Term Business Plan from the fiscal year ending March 2017 through the fiscal year ending March 2019. The outline of the business plan is as follows:

(Billions of yen)

	Targets for the fiscal year ending March 2017	Targets for the fiscal year ending March 2018	Targets for the fiscal year ending March 2019
Orders received	2,002	2,085	2,130
Net sales of completed construction contracts	1,940	2,025	2,081
Operating income	111	116	123
Ordinary income	118	123	130
Profit attributable to owners of parent	69	71	75

2) Business development with an emphasis on high-growth markets and fields

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

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

The Paint Finishing System Division intends to develop the total engineering-oriented business that aims to improve painting and coating efficiency, as well as reduce the energy impact of the whole paint plant. For the paint plants that will be newly established and renovated in India, China, the United

Stated and Europe, the Company will work to rack up profits by increasing orders received not only from Japanese car manufacturers but also locally capitalized counterparts. Moreover, business expansion will be pursued in peripheral fields including the business for paint finishing systems other than automobiles such as aircraft, painting technology commensurate with new materials and conveyor systems.

3) Compliance-based management

The Company received in October 2015 a cease-and-desist order and an order for payment of a surcharge from the Japan Fair Trade Commission for violation of the Anti-Monopoly Act with regard to the bidding for the equipment installation project of the Hokuriku Shinkansen Line. We deeply apologize for the impact of this serious situation on our shareholders, business partners and other parties concerned.

Since the onsite inspection conducted by the Japan Fair Trade Commission in September 2013, the Company has established an outside investigative committee composed of external intellectuals and experts to determine the cause of the incident. In addition, the Company has radically reviewed a compliance-focused system and measures, improved them on an ongoing basis and implemented measures to raise employees' awareness of compliance throughout the organization. Specific measures to this end include the new formulation of sales activity action guidelines; reinforced check and auditing functions regarding sales operations including double pre-examinations before bidding for construction works; and regular training sessions for officers and executives. The Company is committed to preventing a recurrence and reinforcing its compliance system in the future.

(8) Significant Subsidiaries

Company name	Capital	Percentage of voting rights held by the Company	Principal business
San Esu Industry Co., Ltd.	¥100 million	87.75%	Pipework, sheet metal work and can manufacturing work, as well as manufacture and sales of machinery and equipment
Nippon Noise Control Ltd.	¥30 million	100.00%	Design, manufacture, sales and installation of silencer and vibration-proof equipment
Tokyo Taikisha Service Ltd.	¥20 million	100.00%	Design and installation of HVAC systems
TKS Industrial Company	USD 10 thousand	100.00%	Design and installation of paint finishing and HVAC systems
Encore Automation LLC ^{1,3}	—	51.00%	Design and installation of paint systems and plants for automobile industry and aviation industry
Taikisha Canada Inc. ¹	CAD 442 thousand	100.00%	Design and installation of paint finishing and HVAC systems
Taikisha de Mexico, S.A. de C.V. ¹	MXN 400 thousand	100.00%	Design and installation of paint finishing and HVAC systems
Taikisha Mexicana Service S.A. de C.V. ¹	MXN 100 thousand	100.00%	Design and installation of paint finishing and HVAC systems, as well as temporary staffing services

Company name	Capital	Percentage of voting rights held by the Company	Principal business
Taikisha do Brasil Ltda. ¹	BRL 8,107 thousand	100.00%	Design and installation of paint finishing and HVAC systems
Taikisha (Singapore) Pte. Ltd.	SGD 20 million	100.00%	Design and installation of HVAC and paint finishing systems
Taikisha (Thailand) Co., Ltd. ¹	THB 40 million	85.65%	Design and installation of HVAC and paint finishing systems
Taikisha Trading (Thailand) Co., Ltd. ¹	THB 5 million	98.60%	Exports and imports of HVAC and paint finishing systems and other products for plants
Thaiken Maintenance & Service Co., Ltd. ¹	THB 5 million	95.00%	Maintenance services and small-scale works, etc.
Token Interior & Design Co., Ltd. ¹	THB 20 million	83.40%	Manufacture and sales of interior goods and materials
TKA Co., Ltd. ¹	THB 5 million	96.00%	Manufacture and sales of precision machinery parts
Token Myanmar Co., Ltd. ^{1,4}	USD 200 thousand	90.00%	Interior decoration-related design and installation
Taikisha Engineering (M) Sdn. Bhd.	MYR 750 thousand	100.00%	Design and installation of HVAC and paint finishing systems
P.T. Taikisha Indonesia Engineering	IDR 982 million	99.98%	Design and installation of HVAC and paint finishing systems
P.T. Taikisha Manufacturing Indonesia	IDR 87,531 million	99.25%	Painting of automobile parts
Taikisha Philippines Inc. ²	PHP 22 million	40.00%	Design and installation of HVAC and paint finishing systems
Taikisha Vietnam Engineering Inc.	VND 3,895 million	100.00%	Design and installation of HVAC and paint finishing systems
Taikisha (Cambodia) Co., Ltd.	USD 300 thousand	100.00%	Design and installation of HVAC and paint finishing systems
Taikisha Myanmar Co., Ltd. ¹	USD 2 million	100.00%	Design, installation and maintenance of HVAC and paint finishing systems
Wuzhou Taikisha Engineering Co., Ltd.	CNY 51 million	70.00%	Design and installation of HVAC and paint finishing systems
Beijing Wuzhou Taikisha Equipment Co., Ltd. ¹	CNY 800 thousand	100.00%	Manufacture, installation, adjustment and repair of paint finishing, HVAC and pollution control systems, as well as sales of machinery, equipment and electronic products

Company name	Capital	Percentage of voting rights held by the Company	Principal business
Tianjin Taikisha Paint Finishing System Ltd. ¹	CNY 73 million	90.00%	Research, development, manufacture, sales and maintenance of paint systems
Taikisha Hong Kong Limited	HKD 2 million	100.00%	Design and installation of HVAC and paint finishing systems
Taikisha (Taiwan) Ltd.	TWD 230 million	100.00%	Design and installation of HVAC and paint finishing systems
Taikisha Korea Ltd. ¹	KRW 700 million	65.00%	Design and installation of paint finishing and HVAC systems
Taikisha Engineering India Private Ltd.	INR 6 million	55.00%	Design and installation of paint finishing and HVAC systems
Geico S.p.A.	EUR 3 million	51.00%	Design and installation of paint systems and plants for automobile industry
Geico Taikisha Europe Ltd. ¹	EUR 4 million	100.00%	Design and installation of paint finishing and HVAC systems
J-CO Mexico, S. de R.L. de C.V. ¹	MXN 272 thousand	100.00%	Design and installation of paint systems and plants for automobile industry
Geico Brasil Ltda. ¹	BRL 5,500 thousand	100.00%	Design and installation of paint systems and plants for automobile industry
Geico Paint Shop India Private Limited ¹	INR 3 million	100.00%	Design and installation of paint systems and plants for automobile industry
Geico Painting System (Suzhou) Co., Ltd. ¹	CNY 25 million	100.00%	Design and installation of paint systems and plants for automobile industry
“Geico Russia” LLC ¹	RUB 6 million	100.00%	Design and installation of paint systems and plants for automobile industry

Notes:

1. For the companies marked with “1,” the percentage of voting rights held by the Company includes the equity investment by the Company’s subsidiaries.
2. Although the Company’s equity in the company marked with “2” is 50% or less, this company is included in the category of “consolidated subsidiaries” as the Company substantially controls it.
3. The company marked with “3” is a “limited liability company” under U.S. laws, the “Capital” is not stated in the table because the concept precisely falling under such “capital” does not exist.
4. The company marked with “4” is included in the category of “consolidated subsidiaries” as it was newly established during the fiscal year under review.
5. As the liquidation procedure of Taikisha (R) LLC was completed during the fiscal year under review, it is excluded from the category of “consolidated subsidiaries.”

(9) Principal Business

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

Green Technology System Division	<ul style="list-style-type: none"> • General-purpose HVAC systems for offices, hotels, stores, schools, research institutes, theaters, halls, residences, hospitals, computer centers and so forth • Industrial HVAC systems, including clean rooms, for factories and plants of semiconductors, electronic parts/components, precision machinery, pharmaceuticals, foods and so forth
Paint Finishing System Division	<ul style="list-style-type: none"> • Paint finishing systems in factories not only for automobile parts/components such as chassis and bumpers slated for automobile industry but also for construction vehicles, rolling stock, aircraft and the like

(10) Principal Business Locations

1) The Company

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

2) Subsidiaries

Japan	San Esu Industry Co., Ltd.	Hirakata-shi, Osaka
	Nippon Noise Control Ltd.	Nakano-ku, Tokyo
	Tokyo Taikisha Service Ltd.	Nakano-ku, Tokyo
Overseas	TKS Industrial Company	U.S.A.
	Encore Automation LLC	U.S.A.
	Taikisha Canada Inc.	Canada
	Taikisha de Mexico, S.A. de C.V.	Mexico
	Taikisha Mexicana Service S.A. de C.V.	Mexico
	Taikisha do Brasil Ltda.	Brazil
	Taikisha (Singapore) Pte. Ltd.	Singapore
	Taikisha (Thailand) Co., Ltd.	Thailand
	Taikisha Trading (Thailand) Co., Ltd.	Thailand
	Thaiken Maintenance & Service Co., Ltd.	Thailand
	Token Interior & Design Co., Ltd.	Thailand
	TKA Co., Ltd.	Thailand
	Token Myanmar Co., Ltd.	Myanmar
	Taikisha Engineering (M) Sdn. Bhd.	Malaysia
	P.T. Taikisha Indonesia Engineering	Indonesia
	P.T. Taikisha Manufacturing Indonesia	Indonesia
	Taikisha Philippines Inc.	The Philippines
	Taikisha Vietnam Engineering Inc.	Vietnam
	Taikisha (Cambodia) Co., Ltd.	Cambodia
	Taikisha Myanmar Co., Ltd.	Myanmar
	WuZhou Taikisha Engineering Co., Ltd.	China
	Beijing Wuzhou Taikisha Equipment Co., Ltd.	China

Tianjin Taikisha Paint Finishing System Ltd.	China
Taikisha Hong Kong Limited	China
Taikisha (Taiwan) Ltd.	Taiwan
Taikisha Korea Ltd.	South Korea
Taikisha Engineering India Private Ltd.	India
Geico S.p.A.	Italy
Geico Taikisha Europe Ltd.	U.K.
J-CO Mexico, S. de R.L. de C.V.	Mexico
Geico Brasil Ltda.	Brazil
Geico Paint Shop India Private Limited	India
Geico Painting System (Suzhou) Co., Ltd.	China
“Geico Russia” LLC	Russia

(11) Employees

1) Taikisha Group

Type of business	Number of employees	Increase/Decrease from previous fiscal year-end
Equipment installation work	4,892	+97

2) The Company

Number of employees at fiscal year-end	Increase/Decrease from previous fiscal year-end	Average age	Average years of service
1,484	+9	43.7	18.6

(12) Major Lenders

Lenders	Balance of borrowings
Intesa Sanpaolo	¥2,063 million
Mizuho Bank, Ltd	¥1,131 million
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	¥733 million

2. Status of Shares

- (1) **Total Number of Authorized Shares** 100,000,000 shares
- (2) **Total Number of Issued Shares** 34,562,948 shares
(excluding 2,219,061 treasury shares)
- (3) **Number of Shareholders** 3,404 persons
(a year-on-year increase of 252 persons)

(4) Major Shareholders (top 10)

Name of shareholders	Number of shares held (in thousands)	Percentage of shares held to the total number of issued shares (%)
Ichigo Trust Pte. Ltd.	2,818	8.2
The Master Trust Bank of Japan, Ltd. (Trust Account)	2,669	7.7
Kenzaisha Ltd.	1,730	5.0
Japan Trustee Services Bank, Ltd. (Trust Account 9)	1,500	4.3
Japan Trustee Services Bank, Ltd. (Trust Account)	1,272	3.7
Taikisha Business Partners shareholding Association	1,003	2.9
Dai ni Kenzaisha Ltd.	1,000	2.9
BNYML-NON TREATY ACCOUNT	930	2.7
Taikisha Employees Shareholding Association	873	2.5
Nippon Life Insurance Company	866	2.5

Notes:

1. The Company holds 2,219,061 treasury shares but excludes these shares from the list of major shareholders above. The above treasury shares do not include 167,600 shares of the Company's shares held by Trust & Custody Services Bank, Ltd. (Trust E Account), because of the introduction of the ESOP (Employee Stock Ownership Plan).
2. The "Percentage of shares held to the total number of issued shares" is calculated by subtracting treasury shares from all issued shares.

(5) Other Share-Related Significant Matters

1) Acquisition of treasury shares

The Company, at its Board of Directors meeting held on May 15, 2015, resolved to acquire treasury shares in accordance with Article 156 of the Companies Act, which was deemed to be applied pursuant to Article 165, Paragraph 3, of said Act, as follows.

- a) Type of shares acquired: Common shares of the Company
- b) Total number of shares acquired: 680,000 shares
- c) Acquisition price: ¥2,206,600,000
- d) Date of acquisition: May 18, 2015
- e) Reason for acquisition: To enable the Company to implement a flexible capital strategy in response to changes in the business environment.

2) ESOP (Employee Stock Ownership Plan)

The Company introduced an ESOP (Employee Stock Ownership Plan) (the "Plan"), an incentive program to incentivize employees to improve stock prices and financial results by awarding shares of the Company to its employees.

The Plan has a scheme in which shares of the Company are awarded to its eligible employees who have satisfied certain requirements in accordance with the share awarding regulations set forth in advance by the Company. Said Company's shares are acquired with money initially contributed to a trust, including future portions, and separately managed as a trust estate.

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

Not applicable.

4. Company Officers

(1) Directors and Audit & Supervisory Board Members

Position	Name	Assignments in the Company and important positions con-currently held at other companies
Representative Director	Eitaro Uenishi	Chairman Corporate Officer
Representative Director	Satoru Kamiyama	President Corporate Officer
Director	Kiyoshi Hashimoto	Executive Vice President Corporate Officer, Chief Executive, Corporate Planning Headquarters
Director	Toshiaki Shiba	Executive Vice President Corporate Officer, Chief General Manager, Green Technology System Division
Director	Koji Kato	Managing Corporate Officer, Chief Executive, Administrative Management Headquarters and in charge of CSR
Director	Tetsuya Ogawa	Managing Corporate Officer, Chief General Manager, Paint Finishing System Division
○Director	Hiroshi Mukai	Managing Corporate Officer, Vice General Manager, Green Technology System Division
○Director	Yukinori Hamanaka	Senior Corporate Officer, Vice General Manager, Paint Finishing System Division, and Senior General Manager, Sales and Engineering Dept., Paint Finishing System Division
Director	Shuichi Murakami	
Full-time Audit & Supervisory Board Member	Mitsuru Sano	
Full-time Audit & Supervisory Board Member	Masaaki Saito	
Audit & Supervisory Board Member	Junichi Noro	Representative Director, President, NLI Research Institute
○Audit & Supervisory Board Member	Hirokazu Hikosaka	Lawyer Audit & Supervisory Board Member, Adways Inc.

Notes:

1. Directors and an Audit & Supervisory Board Member marked with ○ were newly elected as Directors and an Audit & Supervisory Board Member at the 70th Annual Shareholders' Meeting held on June 26, 2015, and assumed their respective positions.
2. Yoshikatsu Nakajima retired from the position of Audit & Supervisory Board Member due to expiry of the term of office at the conclusion of the 70th Annual Shareholders' Meeting held on June 26, 2015.
3. Director Shuichi Murakami is an Outside Director.
4. Audit & Supervisory Board Members Junichi Noro and Hirokazu Hikosaka are Outside Audit & Supervisory Board Members.
5. Audit & Supervisory Board Member Mitsuru Sano has long experience having been engaged in accounting practices of the Company as General Manager in Finance and Accounting Dept., and therefore has abundant knowledge regarding financial and accounting affairs.
6. The Company has notified Tokyo Stock Exchange, Inc., of the designation of Director Shuichi Murakami and Audit & Supervisory Board Members Junichi Noro and Hirokazu Hikosaka as Independent Director/Auditors as stipulated by the TSE regulations.
7. The following assignments in the Company were transferred as of April 1, 2016.

Name	After the transfer	Before the transfer
Eitaro Uenishi	Director, Chairman	Representative Director, Chairman Corporate Officer
Toshiaki Shiba	Representative Director, Executive Vice President Corporate Officer	Director, Executive Vice President Corporate Officer, Chief General Manager, Green Technology System Division
Koji Kato	Director, Executive Corporate Officer, Chief Executive, Administrative Management Headquarters and in charge of CSR	Director, Managing Corporate Officer, Chief Executive, Administrative Management Headquarters and in charge of CSR
Tetsuya Ogawa	Director, Executive Corporate Officer, Chief General Manager, Paint Finishing System Division	Director, Managing Corporate Officer, Chief General Manager, Paint Finishing System Division
Hiroshi Mukai	Director, Managing Corporate Officer, Chief General Manager, Green Technology System Division	Director, Managing Corporate Officer, Vice General Manager, Green Technology System Division
Yukinori Hamanaka	Director, Managing Corporate Officer, Vice General Manager, Paint Finishing System Division	Director, Senior Corporate Officer, Vice General Manager, Paint Finishing System Division, and Senior General Manager, Sales and Engineering Dept., Paint Finishing System Division

(2) Outline of limited liability agreement

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

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

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

Category	Number of persons	Amount of compensation, etc.	Remarks
Directors	9	¥406 million	1 Outside Director included therein ¥8 million
Audit & Supervisory Board Members	5	¥59 million	3 Outside Audit & Supervisory Board Members included therein ¥15 million
Total	14	¥465 million	

Notes:

- The above "Number of persons" includes one (1) Audit & Supervisory Board Member who retired from office at the conclusion of the 70th Annual Shareholders' Meeting held on June 26, 2015.
- The "Amount of compensation, etc.," to Directors includes ¥119 million to be paid relating to the fiscal year under review.
- At the 67th Annual Shareholders' Meeting held on June 28, 2012, a resolution was adopted to set an upper limit on compensation to Directors to be within ¥480 million per year (of which that for Outside Directors to be within ¥10 million per year) without including the portions of their salaries for Directors who concurrently serve as employees.
- At the 59th Annual Shareholders' Meeting held on June 29, 2004, a resolution was adopted to set an upper limit on compensation to Audit & Supervisory Board Members to be within ¥85 million per year.

(4) Outside Officers

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

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

2) Major activities during the year

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

Position	Name	Main activities at the meetings
Director	Shuichi Murakami	Attended all 16 meetings of the Board of Directors held during the fiscal year ended March 31, 2016, and timely made remarks based on his knowledge and experience nurtured during his services rendered at a leading non-life insurance company.
Audit & Supervisory Board Member	Junichi Noro	Attended 14 of 16 meetings of the Board of Directors and all nine meetings of the Audit & Supervisory Board held during the fiscal year ended March 31, 2016, and made remarks to ensure the legality of decision making by the Board of Directors.
Audit & Supervisory Board Member	Hirokazu Hikosaka	Attended all 14 meetings of the Board of Directors and all seven meetings of the Audit & Supervisory Board held during the fiscal year ended March 31, 2016, after his assumption of office, and made remarks to ensure the legality of decision making by the Board of Directors from a professional viewpoint as a lawyer.

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

The Company received in October 2015 a cease-and-desist order and an order for payment of a surcharge from the Japan Fair Trade Commission for violation of the Anti-Monopoly Act with regard to the bidding for the equipment installation project of the Hokuriku Shinkansen Line. Although Outside Director Shuichi Murakami and Outside Audit & Supervisory Board Member Junichi Noro did not perceive such violations until they were revealed by legal authorities, they had given recommendations from the standpoint of compliance and promoting awareness at the Board of Directors and other meetings. After the incident was revealed, they have been providing recommendations on the prevention of a recurrence and how to ensure the effectiveness of preventive measures in the pursuit of thorough compliance. They also have checked and verified the status of the recurrence preventive measures that have been implemented.

5. Accounting Auditors

(1) Designation of the Accounting Auditors

A&A Partners

(2) Accounting Auditors' Compensation, etc., Pertaining to the Fiscal Year Ended March 31, 2016

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

Notes:

1. The Audit & Supervisory Board of the Company examined the status of executed duties for the preceding fiscal years, the grounds for calculating the estimated compensation and other factors with required materials and reports, which were obtained and/or heard from the Directors, relevant in-house departments/sections and the Accounting Auditors. As a result, judging that the compensation amounts above are fair and reasonable, the Audit & Supervisory Board has given its consent, as set forth in Article 399, Paragraph 1, of the Companies Act, with regard to compensation, etc., to the Accounting Auditors.

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

(3) Non-Audit Services

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

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

In the event that the Audit & Supervisory Board judges it necessary to do so, including the cases where the Accounting Auditors are deemed to have violated or interfered with any of the relevant laws and/or regulations such as the Companies Act and the Certified Public Accountant Law, or where the Accounting Auditors have committed an outrage against public decency, the Audit & Supervisory Board shall, in accordance with the Audit & Supervisory Board Rules, decide the content of the proposal regarding the dismissal or non-reappointment of said Accounting Auditors whereas the Board of Directors shall submit said proposal to a shareholders' meeting.

6. The Company's Systems to Ensure Proper Execution of Business, as well as Operational Status of Said Systems

[1] Systems to Ensure Proper Execution of Business

The Board of Directors of the Company has determined its basic policy for the internal control system, which is set forth in the Companies Act and the Ordinance for Enforcement of the Companies Act, as follows:

[Objectives]

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

1. The System to Ensure that Directors and Employees of the Company Conformance to Laws and Articles of Incorporation

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

(2) The Corporate Compliance Committee headed by the Representative Director as chairperson and consisting of directors, the General Manager of the Corporate Compliance Department and the General Manager of the Internal Audit Office shall meet in principle monthly in order to examine and respond to issues regarding compliance in the overall business operations of the Company from a management standpoint and to validate the status of compliance with laws and ordinances as well as the Articles of Incorporation. In addition, audit & supervisory board members shall attend the Corporate Compliance Committee with an independent stance to assure the effectiveness of management monitoring.

(3) The Company shall, in Taikisha's Code of Conduct, implement a basic policy for Anti-Social Forces of refusing any involvement of Anti-Social Forces in our business, rejecting any requirement from Anti-Social Forces and prohibiting all directors and employees of the Company to have any relationship with Anti-Social Forces. In addition, the Company shall constantly conduct educational and dissemination

activities related to compliance in order to familiarize all directors and employees of the Company, shall make every effort to prevent any violation of the policy, and shall gather information related to Anti-Social Forces from the outside of the Company regularly. If the Company receives undue demands from Anti-Social Forces, the Company is committed to confront Anti-Social Forces systematically in cooperation with outside experts.

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

(5) For instances where a director or employee finds a violation of laws or Articles of Incorporation, an internal reporting system informing to the Corporate Compliance Department shall be developed and an external reporting system informing to independent outside attorneys shall be established. The Corporate Compliance Department shall remind all persons involved, both inside and outside the Company, of the reporting system so that those contacts are effectively utilized, and shall monitor and supervise the situation in accordance with the internal reporting rules so that a person who made a report pursuant to the preceding paragraph is not treated in a disadvantageous manner because he or she made such report.

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

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

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

3. Rules regarding Risk Management of Loss of the Company and Other Systems

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

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

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

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

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

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

(2) Based on the Board of Directors Rules, Rules for Managerial Approval, and other internal rules, the matters applicable for submission to the Board shall be submitted to the Board of Directors. In this regard, the appropriate materials concerning the agendas shall be distributed to all directors in advance and the Board of Directors shall pass a resolution after a full discussion based on such materials.

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

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

5. The System to Ensure the Appropriateness of Operations conducted by the Corporate Group Consisting of the Company and its Subsidiaries (including Affiliated Companies, the same hereinafter)

(1) Directors and employees of the subsidiaries of the Company who execute the business shall report the matters pertaining to the execution of duties to a responsible department and the responsible department shall manage subsidiaries based on the Affiliate Management Rules to enhance management efficiency of Taikisha Group.

(2) The Company shall conduct regular audits mainly by the Internal Audit Office to audit whether any risk exists in subsidiaries in accordance with the Internal Audit Rules and other related internal rules. In addition, the Company shall immediately report a risk of loss in subsidiaries, detected in subsidiaries as a result of audit, to directors, audit & supervisory board members and other departments in charge.

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

(4) To ensure that directors and employees of the subsidiaries execute their duties in compliance with laws and ordinances as well as their articles of association, the Internal Audit Office shall play a central role in regular audits and the Corporate Compliance Department shall conduct regular investigations in accordance with the Internal Audit Rules and other related internal rules. In addition, the Corporate Compliance Department shall remind all persons involved of the system so that the internal reporting systems of the Company are effectively utilized.

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

The Company shall establish the Audit & Supervisory Board Members Office under the audit & supervisory board members and appoint employees who shall assist with the audit & supervisory board members' duties. Consent from audit & supervisory board members shall be required for appointment,

dismissal and transfer of the employees from positions and personnel evaluation and the Company shall ensure that the employees are independent of directors and instructions to the employees are effective.

7. The System for Reporting Information Received from Directors and Employees of the Company and Directors, Statutory Auditors and Employees of Subsidiaries to the Audit & Supervisory Board Members and Other Systems relating to Reporting to the Audit & Supervisory Board Members

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

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

(2) The manager of the responsible department of the Company who received a report from a director, statutory auditor or employee of the subsidiaries shall make a report to the audit & supervisory board members of the Company at a meeting at which the audit & supervisory board members are present or periodically as necessary in accordance with the Affiliate Management Rules.

8. The System for Ensuring a Person who made a Report pursuant to the preceding Paragraph is not treated in a Disadvantageous Manner because He or She made Such Report

At the request of the Audit & Supervisory Board, the Company shall ensure that a person who made a report pursuant to the preceding paragraph is not treated in a disadvantageous manner because he or she made such report. In addition, the Corporate Compliance Department shall monitor and supervise the situation so that the person who made such report is not treated in a disadvantageous manner.

9. Matters regarding the Policy for Procedures for Advance Payment or Reimbursement of Expenses incurred with Respect to the Execution of Duties of Audit & Supervisory Board Members and Handling of Other Expenses or Obligations incurred with Respect to the Execution of Such Duties

Audit & supervisory board members may request that any expenses incurred with respect to the execution of duties be paid in advance or reimbursed in accordance with the provisions of the rules of the Audit & Supervisory Board.

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

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

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

[2] Summary of operational status of the Systems to Ensure Proper Execution of Business

(1) Compliance-related initiatives

During the fiscal year under review, 12 Corporate Compliance Committee meetings were held to examine and discuss the compliance-related issues of the Taikisha Group and verify the status of compliance with laws and regulations.

To raise the awareness of compliance among officers and employees, the Company took several measures such as transmitting information via its intranet, posting posters for enlightenment, holding workshops to explain manuals and training officers and employees. The Corporate

Compliance Department disseminated internally and externally the internal reporting systems via its intranet and posters and reported how said systems were used to the Corporate Compliance Committee.

(2) Risk management-related initiatives

2 Risk Management Committee meetings were held to examine and discuss basic policies on the risk management of the Taikisha Group. Regarding risks associated with departmental operations, pursuant to the basic policy on risk management, each department identified and prioritized risks, drafted specific measures against the risks and reported such circumstances to the Risk Management Committee.

(3) Initiatives to ensure the appropriateness and the efficiency of the execution of duties by Directors

16 Board of Directors meetings (12 regular and 4 extraordinary) were held for decision making of the Taikisha Group's management policies and important management issues, as well as for monitoring the execution of duties by Directors with reference to reports on their business execution.

12 Management Meetings were held to deliberate and make decisions on important execution of business entrusted by the Board of Directors and the matters to be submitted to the Board of Directors.

(4) Initiatives to ensure the appropriateness of operations conducted by the Taikisha Group

Regarding the important matters stipulated in the Affiliate Management Rules, we received reports from subsidiaries. In addition, we regularly checked compliance with the Affiliate Management Rules by subsidiaries and gave instructions, as required.

(5) Initiatives to ensure the effectiveness of reporting to audit & supervisory board members and the audits by audit & supervisory board members

The Audit & Supervisory Board Members attended the meetings of the Board of Directors, the Management Meeting and other important meetings to understand the execution of duties by directors, and collected information and received reports from the Directors, employees and other relevant personnel regarding performance of their duties.

The Internal Audit Office timely reported the results of its internal audits to the Board of Directors and reported the executed status of the audit plan and internal audits, the results of audits and other related matters to the Audit & Supervisory Board Members.

7. Basic Policy regarding the Control of the Company

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

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

However, the Company believes that, among the Large-Scale Purchasers who conduct those Large-Scale Purchases, in view of the purpose of the Large-Scale Purchase, in some cases, an inadequate Large-Scale Purchase is made by such Large-Scale Purchaser, such as the case where such purpose is likely to damage the corporate value of the Company, and consequently, the common interests of shareholders, or the case where a Large-Scale Purchase by the Large-Scale Purchaser would virtually force the shareholders to sell the Company shares.

When such inadequate Large-Scale Purchase is made that goes against the corporate value of the Company, and consequently, the common interests of shareholders, the Company believes that it is necessary to secure the sufficient information and time that are necessary to make a decision as to whether the shareholders will accept the request to purchase by the Large-Scale Purchaser and for the Company to secure the opportunity to negotiate with the Large-Scale Purchaser.

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

Thus, the Company believes that, in order to secure and enhance the corporate value of the Company, and consequently, the common interests of shareholders, it is essential for the shareholders to secure sufficient

information and time necessary for deciding whether to accept that Large-Scale Purchase in light of the special qualities of the Company and the Company group, and for the Company to secure the opportunity to negotiate with the Large-Scale Purchaser, where a Large-Scale Purchase of the Company's share certificates or other securities is made by a Large-Scale Purchaser.

(2) Initiatives to help realize the Basic Policy

The Company has focused on the following as its corporate philosophy: "Establishing a company that can perpetually grow and contribute to the society" and "Creating an attractive company". In order to realize this corporate philosophy, the Company strives for the prosperity of stakeholders through an increase of the value-added, a creation of the productive environment and the development of the industrial society through technologies, personal fulfillment of employees through work, building of an organizational climate that has mutual trust, cooperation and rationality, and other matters. In other words, the following is its management vision that expresses what the Company aims at: "Conduct businesses under free and fair competition in compliance with laws and the spirit thereof; contribute to customer/business partner, shareholder, employee, community/society and global environment with transparency and integrity.". Under the aforementioned philosophy and vision of the Company and based on the Mid-Term Business Plan for three years from the fiscal year ending March 2017 through the fiscal year ending March 2019, the Company aims at achieving sustainable development of the Company's business that is focused on the green technology system business and the paint finishing system business, and at the same time strives to secure and enhance the corporate value and the common interests of shareholders.

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

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

The Company resolved to introduce the "Countermeasures against Large-Scale Purchases of the Company's Share Certificates or Other Securities (Takeover Defense Measures)" (the "Original Plan") at the Board of Directors meeting of the Company held on January 31, 2008, to counter against purchases of the Company's share certificates or other securities, in which the ratio of voting rights of specified shareholders, etc. of the Company's share certificates or other securities is 20% or more, or purchases of the Company's share certificates or other securities that result in the ratio of voting rights of the specified shareholders, etc. is 20% or more ("Large-Scale Purchase"; and a person conducting a Large-Scale Purchase shall be referred to as the "Large-Scale Purchaser") with the aim of securing and enhancing the Company's corporate value, and consequently, the common interests of shareholders. Subsequently, the partial amendments to and continuation of the Original Plan was approved by the shareholders at the 63rd Annual Shareholders' Meeting of the Company held on June 27, 2008, and subsequently at the 65th Annual Shareholders' Meeting of the Company held on June 29, 2010, and at the 68th Annual Shareholders' Meeting of the Company held on June 27, 2013 (the currently effective plan that has been amended and resolved to be continued after the introduction of the Original Plan shall be referred to as the "Current Plan"), thereby continuing the Current Plan until the present. The effective period of the Current Plan will expire as of the conclusion of the 71st Annual Shareholders' Meeting to be held on June 29, 2016 (the "Annual Shareholders' Meeting").

The Company has been considering the role of the Current Plan, including the issue as to whether to continue it, from the viewpoint of securing and improving the Company's corporate value and, eventually, the common interests of the Company's shareholders, while taking into account the changes, etc., to the economic conditions.

The Company hereby announces that, as a result of such considerations, at the Board of Directors meeting of the Company held on May 16, 2016, the Board of Directors has resolved to further continue the Current Plan, partially amended (the Current Plan that has been amended and resolved to be continued shall be referred to as the "Plan"), subject to the approval of the Company's shareholders at the Annual Shareholders' Meeting. If the continuation of the Plan fails to be approved by the Company's shareholders, the Current Plan will be abolished at the time of the expiration of its effective period.

As the details of the Plan and major amendments from the Current Plan to the Plan are as described in Proposal No. 7 in the Reference Documents for the Shareholders' Meeting concerning the Annual Shareholders' Meeting, please refer to the Proposal.

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

Where the Large-Scale Purchaser fails to observe the Large-Scale Purchase Rules, or even where the Large-Scale Purchaser observes the Large-Scale Purchase Rules, however, if, the Large-Scale Purchase is deemed obvious to be an act that will inflict upon the Company any damage that is difficult to recover from, for example, only when the Large-Scale Purchase satisfies the objective requirements stipulated reasonably and in detail, the Board of Directors of the Company will, as a general rule, resolve to exercise countermeasures, and will exercise such countermeasures, in accordance with the recommendations of the Independent Committee.

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

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

1) Initiatives stated in 2.

The initiatives in "2. Initiatives to help realize the Basic Policy" above have been stipulated with the aim of continuously and sustainably securing and enhancing the Company's corporate value, and consequently, the common interests of shareholders, and therefore contribute to the realization of the Basic Policy.

Consequently, such initiatives comply with the Basic Policy and do not impair the common interests of the Company's shareholders or aim to protect the positions of any of the company officers.

2) Initiatives stated in 3.

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

a) Fully Satisfying the Three Principles Set Out in the Guidelines Regarding the Takeover Defense Measures

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

b) Reflecting the spirit of the Takeover Defense Measures released by the Corporate Value Study Group

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

c) Emphasis on the Intent of the Shareholders and Information Disclosure

The Company will confirm the intent of shareholders at the Annual Shareholders' Meeting as to whether to continue the Plan, and if no approval is obtained with respect to the continuation of the

Plan, then the Plan will be terminated as of the expiration of the effective period of the Current Plan, and the intent of shareholders will be reflected

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

Moreover, a shareholders' meeting (the "Shareholders' Meeting for Confirming the Intent of Shareholders") can be held in order to have an opportunity to confirm the intent of shareholders regarding the advantages and disadvantages of exercising a countermeasure and it will be possible to clarify that countermeasures are exercised by respecting the intent of shareholders.

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

d) Scheme to Eliminate Arbitrary Decisions by the Board of Directors of the Company

In introducing the Current Plan and continuing the Plan, the Company established the Independent Committee to eliminate arbitrary decisions by the Board of Directors of the Company.

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

Furthermore, the Plan will be exercised only when the Large-Scale Purchaser fails to observe formal Large-Scale Purchase Rules set out in the Plan, or when the Large-Scale Purchase satisfies objective requirements stipulated reasonably and in detail where the Large-Scale Purchaser considerably damages the Company's corporate value, and the Shareholders' Meeting for Confirming the Intent of Shareholders is held in certain cases and countermeasures are exercised only when the approval of the majority of the shareholders is obtained, and also on these points, a scheme to eliminate the exercise of arbitrary countermeasures by the Board of Directors of the Company will be in place.

e) No Dead-Handed or Slow-Handed Defense Measures

The Plan may be abolished by the Board of Directors of the Company, and therefore the Plan is not a dead-handed takeover defense measure (a takeover defense measure in which even if a majority of the constituent members of the Board of Directors are replaced, the exercise of the measures cannot be prevented). In addition, because the Company does not adopt a fixed-term system based on time differences with respect to the term of directors, the Plan is not a slow-handed takeover defense measure (a takeover defense measure that requires time to prevent the exercise because constituent members of the Board of Directors may not be replaced at one time).

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

Consolidated Balance Sheet

(As of March 31, 2016)

(Millions of yen)

Account title	Amount	Account title	Amount
(Assets)		(Liabilities)	
Current assets	148,690	Current liabilities	83,493
Cash and deposits	44,001	Notes payable, accounts payable for construction contracts and other	49,214
Notes receivable, accounts receivable from completed construction contracts and other	92,718	Short-term loans payable	5,261
Securities	13	Income taxes payable	2,045
Costs on uncompleted construction contracts	1,907	Deferred tax liabilities	53
Raw materials and supplies	283	Advances received on uncompleted construction contracts	15,905
Deferred tax assets	1,993	Provision for warranties for completed construction	1,346
Other	8,205	Provision for loss on construction contracts	190
Allowance for doubtful accounts	(433)	Provision for directors' bonuses	129
		Reserve for loss on dissolution of employees' pension fund	247
Non-current assets	40,876	Other	9,100
Property, plant and equipment	7,750	Non-current liabilities	10,152
Buildings and structures	7,361	Long-term loans payable	1,383
Machinery, vehicles, tools, furniture and fixtures	7,893	Deferred tax liabilities	5,871
Land	2,075	Provision for directors' retirement benefits	106
Other	482	Net defined benefit liability	1,646
Accumulated depreciation	(10,063)	Other	1,143
Intangible assets	4,536	Total liabilities	93,645
Goodwill	3,024	(Net assets)	
Other	1,512	Shareholders' equity	82,615
Investments and other assets	28,589	Capital stock	6,455
Investment securities	22,469	Capital surplus	7,344
Deferred tax assets	508	Retained earnings	73,943
Net defined benefit asset	3,203	Treasury shares	(5,127)
Other	2,440	Accumulated other comprehensive income	8,409
Allowance for doubtful accounts	(32)	Valuation difference on available-for-sale securities	7,908
		Deferred gains or losses on hedges	7
		Foreign currency translation adjustment	1,528
		Remeasurement of defined benefit plans	(1,036)
		Non-controlling interests	4,896
		Total net assets	95,921
Total assets	189,566	Total liabilities and net assets	189,566

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

Consolidated Income Statement

(From April 1, 2015, to March 31, 2016)

(Millions of yen)

Account title	Amount	
Net sales of completed construction contracts		212,424
Cost of sales of completed construction contracts		179,854
Gross profit on completed construction contracts		32,570
Selling, general and administrative expenses		19,836
Operating income		12,734
Non-operating income		
Interest and dividends income	1,095	
Other	510	1,605
Non-operating expenses		
Interest expenses	189	
Foreign exchange losses	1,656	
Other	150	1,996
Ordinary income		12,343
Extraordinary income		
Gains on disposal of non-current assets	11	
Gain on sales of investment securities	60	
Gain on liquidation of subsidiaries and associates	27	
Reversal of provision for loss on Anti-Monopoly Act	87	
Reversal of reserve for loss on dissolution of employees' pension fund	4	
Surrender value of insurance	0	191
Extraordinary loss		
Loss on disposal of non-current assets	17	
Impairment loss	0	
Loss on sales of investment securities	0	
Loss on valuation of investment securities	0	18
Income before income taxes		12,516
Income taxes—current	4,149	
Income taxes—deferred	127	4,276
Profit		8,239
Profit attributable to non-controlling interests		1,154
Profit attributable to owners of parent		7,084

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

Consolidated Statement of Comprehensive Income

(From April 1, 2015, to March 31, 2016)

(Millions of yen)

Account title	Amount,
Profit	8,239
Other comprehensive income	
Valuation difference on available-for-sale securities	(2,668)
Deferred gains or losses on hedges	13
Foreign currency translation adjustment	(2,646)
Remeasurements of defined benefit plans	(1,834)
Share of other comprehensive income of entities accounted for using equity method	(39)
Total other comprehensive income	(7,175)
Comprehensive income	1,063
Comprehensive income attributable to owners of the parent	393
Comprehensive income attributable to non-controlling interests	670

Notes:

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

Consolidated Statement of Changes in Net Assets

(From April 1, 2015, to March 31, 2016)

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at the beginning of current period	6,455	7,344	68,851	(2,919)	79,731
Changes of items during the period					
Dividends of surplus			(1,991)		(1,991)
Profit attributable to owners of parent			7,084		7,084
Purchase of treasury shares				(2,208)	(2,208)
Net changes of items other than shareholders' equity					
Total changes of items during the period	-	-	5,092	(2,208)	2,883
Balance at the end of current period	6,455	7,344	73,943	(5,127)	82,615

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at the beginning of current period	10,577	(5)	3,742	786	15,100	4,837	99,669
Changes of items during the period							
Dividends of surplus							(1,991)
Profit attributable to owners of parent							7,084
Purchase of treasury shares							(2,208)
Net changes of items other than shareholders' equity	(2,668)	13	(2,213)	(1,822)	(6,691)	58	(6,632)
Total changes of items during the period	(2,668)	13	(2,213)	(1,822)	(6,691)	58	(3,748)
Balance at the end of current period	7,908	7	1,528	(1,036)	8,409	4,896	95,921

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

Notes to Consolidated Financial Statements

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

1. Scope of consolidation

Number of consolidated subsidiaries	37
Names of significant subsidiaries	San Esu Industry Co., Ltd. TKS Industrial Company Taikisha (Thailand) Co., Ltd. WuZhou Taikisha Engineering Co., Ltd. The newly established Token Myanmar Co., Ltd., is included in the scope of consolidation effective from the fiscal year under review. For the fiscal year under review, Taikisha (R) LLC has been excluded from the scope of consolidation due to the completion of its liquidation procedure.

2. Application of the equity method

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

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

(2) Name of associates not subject to the equity method

Name of the associate	Makiansia Engineering (M) Sdn. Bhd.
Reason for not applying the equity method	The associate not subject to the equity method is excluded from application of the equity method because the impact of its profit or loss (amount corresponding to the Company's equity in this company), retained earnings (amount corresponding to the Company's equity in this company), etc., for the fiscal year under review is negligible even if it is excluded from the scope of application of the equity method.

3. Accounting policies

(1) Standards and methods for valuation of significant assets

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

(2) Depreciation method for principal depreciable assets

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

(3) Standards of accounting for principal allowance and provisions

- Allowance for doubtful accounts
The allowance for doubtful accounts is provided at the estimated amount of irrecoverable debt to prepare for bad debt losses on receivables such as accounts receivable from completed construction contracts based on the historical write-off rate for ordinary receivables and on the estimated recoverability of each doubtful account for specific doubtful receivables.
- Provision for warranties for completed construction
The provision for warranties for completed construction is provided to prepare for losses from repairs of completed construction contracts based on the past warranty experience rate.
- Provision for loss on construction contracts
The provision for loss on construction contracts is provided at the estimated amount to prepare for losses from orders received for construction contracts in stock, which involve a high probability of generating losses and where the loss amount can be reasonably estimated.
- Provision for directors' bonuses
The provision for directors' bonuses is provided at the estimated amount of payment corresponding to the fiscal year under review to prepare for the possible disbursement of bonuses to directors.
- Provision for loss on Anti-Monopoly Act
The provision for loss on Anti-Monopoly Act is provided at the estimated amount to prepare for payments for the surcharge relative to the Anti-Monopoly Act or the contractual penalty based on the probability of occurrence of relevant losses by taking into account the facts and circumstances of each incident.
- Reserve for loss on dissolution of employees' pension fund
The reserve for loss on dissolution of employees' pension fund is provided at the estimated amount to prepare for losses from the dissolution of the employees' pension fund.
(Additional information)
Nishinonreitokuutyō Employees' Pension Fund (general-type), with which the Company and its domestic consolidated subsidiaries are affiliated, resolved to dissolve the fund under special provisions at a meeting of its board of representatives held on September 18, 2013. Consequently, "Reversal of reserve for loss on dissolution of employees' pension fund" of ¥4 million was posted under extraordinary income in the consolidated income statement and "Reserve for loss on dissolution of employees' pension fund" of ¥247 million was posted under current liabilities in the consolidated balance sheet for the fiscal year under review.
- Provision for directors' retirement benefits
The provision for directors' retirement benefits of domestic consolidated subsidiaries is provided at the full required amount based on their relevant in-house regulations to prepare for the possible disbursement of retirement benefits to directors.

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

 - Important methods of hedge accounting
 - (i) Method of hedge accounting

Deferred hedge accounting is applied.

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

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

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

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

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

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

 - Accounting procedure for retirement benefits
 - (i) Period allocation of projected retirement benefits

In calculating the retirement benefit obligations, the benefit formula basis is used to allocate the projected retirement benefits to the years of service up to the end of the fiscal year under review.
 - (ii) Amortization method for actuarial gains/losses and prior service cost

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

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

 - Amortization method and period for goodwill

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

 - Accounting for consumption taxes

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

(Change in accounting policies)

(Application of the “Revised Accounting Standard for Business Combinations,” etc.)

The “Revised Accounting Standard for Business Combinations” (ASBJ Statement No. 21 issued on September 13, 2013; hereinafter the “Accounting Standard for Business Combinations”), the “Revised Accounting Standard for Consolidated Financial Statements” (ASBJ Statement No. 22 issued on September 13, 2013; hereinafter the “Accounting Standard for Consolidated Financial Statements”) and the “Revised Accounting Standard for Business Divestitures” (ASBJ Statement No. 7 issued on September 13, 2013;

hereinafter the “Accounting Standard for Business Divestitures”) have been applied effective from the fiscal year ended March 31, 2016. Consequently, in case of continuing control by the Company, the accounting method has been changed to that by which the differences in the Company’s equity in subsidiaries are posted under capital surplus and acquisition-related costs are treated as expenses for the fiscal year during which such costs are accrued. Meanwhile, with regard to business combinations that will be made on and after the beginning of the fiscal year under review, the accounting method has been revised to that where the distributed amounts of acquisition costs reviewed by determining the provisional accounting treatment are reflected on the consolidated financial statements for the fiscal year to which the date of said business combination belongs. In addition, the presentation of net income, etc., has been changed and “minority interests” has been changed to “non-controlling interests.” To reflect these changes in presentation, the consolidated financial statements have been reclassified for the previous fiscal year.

As for the application of the Accounting Standard for Business Combinations, etc., provisional accounting treatment, which is respectively set forth in Article 58, Paragraph 2, Item 4, of the Accounting Standard for Business Combinations, Article 44, Paragraph 5, Item 4, of the Accounting Standard for Business Combinations and Article 57, Paragraph 4, Item 4, of the Accounting Standard for Business Divestitures, has come to be applied from the beginning of the fiscal year under review onward.

There was no impact of the above accounting standards on the consolidated financial statements or on per-share information for the fiscal year ended March 31, 2016.

[Notes to Consolidated Balance Sheet]

1. Pledged assets

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

Cash and deposits ¥36 million

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

Investment securities ¥2 million

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

(Millions of yen)

Asset pledged as collateral	Year-end balance on account books	Secured obligations corresponding to the asset at left
Cash and deposits	307	231
Machinery, vehicles, tools, furniture and fixtures	28	15

2. Guarantee obligations

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

Employees ¥4 million

Tianjin Dongchun-Taiki Metal Finishing Conveyor System

Manufacturing Co., Ltd. ¥342 million

3. Endorsed notes

¥35 million

[Note to Consolidated Income Statement]

Provision for loss on construction contracts included in the cost of sales of completed construction contracts was ¥86 million.

[Notes to Consolidated Statement of Changes in Net Assets]

1. Type and total number of issued shares as of the consolidated balance sheet date
Common shares 36,782,009 shares

2. Dividends

(1) Dividend amount

Resolution	Type of shares	Total dividends (Millions of yen)	Dividend per share (Yen)	Record date	Effective date
Annual Shareholders' Meeting on June 26, 2015	Common shares	1,127	32.00	March 31, 2015	June 29, 2015
Board of Directors Meeting on November 10, 2015	Common shares	864	25.00	September 30, 2015	November 27, 2015

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

Resolution	Type of shares	Source of dividends	Total dividends (Millions of yen)	Dividend per share (Yen)	Record date	Effective date
Annual Shareholders' Meeting on June 29, 2016	Common shares	Retained earnings	1,451	42.00	March 31, 2016	June 30, 2016

[Notes to Financial Instruments]

1. Status of Financial Instruments

(1) Policies on financial instruments

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

(2) Description of financial instruments, related risks and risk management system

Notes receivable, accounts receivable from completed construction contracts and other, which are trade receivables, are exposed to the credit risk of the respective customers. As for the credit risk of customers, the Group's management system allows us to monitor the credit standing of major customers at any time on a timely basis based on the maturity and balance control by customer. Meanwhile, trade receivables denominated in foreign currencies, which originate from global business operations, are exposed to the risk of exchange rate fluctuations and are partly hedged by utilizing forward exchange contracts.

Although being exposed to the risk of fluctuations in market price, stocks included in the category of investment securities are those of companies with which the Group has business relations and are continuously monitored through regular checks of the current market value and financial positions of the issuers.

Notes payable, accounts payable for construction contracts and other, which are trade payables, generally entail the due date for payments, which typically mature within one year. Some of them are those denominated in foreign currencies due to the imports of materials and raw materials, etc., and are exposed to the risk of exchange rate fluctuations but are always within the limit of the balance of accounts receivable from completed construction contracts, which are similarly denominated in foreign currencies. Income taxes payable are imposed on the taxable income of the respective Group companies for the fiscal year under review, and they all mature within one year.

Both short-term and long-term loans payable are fund-raising means associated with business transactions. Short-term loans payable with variable interest rates are exposed to the risk of interest-rate fluctuations. However, long-term loans payables, which are procured at fixed interest rates, in principle, can avoid being exposed to interest-rate fluctuation risk.

Derivative transactions consist of forward exchange contracts and NDFs aimed at hedging the risk of fluctuations in exchange rates for exports and imports in the course of ordinary business operations, and of interest-rate swaps aimed at hedging the risk of interest-rate fluctuations for loans payable. Forward exchange contracts and NDFs are executed and managed in accordance with the relevant notice regarding foreign exchange control issued by the Chief Executive of the Administrative Management Headquarters. This notice clearly stipulates regulations for the management policies on derivative transactions, the regulating division and department in charge of risk management, use purposes, scope of utilization, reporting system and the like. The use of interest-rate swaps is limited only to transactions that satisfy the requirements for exceptional accounting. Derivative transactions are executed only with financial institutions of a high rating caliber to reduce the credit risk.

Although trade payables and loans payable are exposed to liquidity risk, the Group strives to control the liquidity risk with measures such as the preparation of a monthly cash management plan by each Group company.

(3) Supplementary explanation on market value of financial instruments, etc.

The contractual amounts, etc., with regard to derivative transactions in “2. Market Value of Financial Instruments” below only indicate nominal contractual or notional principal amounts in derivative transactions, and they are not a direct measure of the Group’s risk exposure in connection with the corresponding derivative transactions.

2. Fair Value of Financial Instruments

The following table indicates the book value in the consolidated balance sheet, the fair value and the differences thereof as of March 31, 2016. Financial instruments for which it is deemed extremely difficult to measure the fair value are not included in the table below. (Refer to Note 2.)

(Millions of yen)

	Book value in the consolidated balance sheet	Fair value	Difference
(1) Cash and deposits	44,001	44,001	—
(2) Notes receivable, accounts receivable from completed construction contracts and other	92,718		
Allowance for doubtful accounts*1	(314)		
	92,403	92,401	(2)
(3) Securities and investment securities*2	21,100	21,100	—
Total assets	157,505	157,502	(2)
(4) Notes payable, accounts payable for construction contracts and other	49,214	49,207	(6)
(5) Short-term loans payable	5,261	5,261	—
(6) Income taxes payable	2,045	2,045	—
(7) Long-term loans payable	1,383	1,306	(77)
Total liabilities	57,903	57,819	(84)
(8) Derivative transactions	68	68	—

*1. “Allowance for doubtful accounts” amounts separately included in “notes receivable, accounts receivable from completed construction contracts and other” are deducted.

*2. “Securities and investment securities” for which it is deemed extremely difficult to measure the market value are not included in the table above.

Notes:

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

Assets

(1) Cash and deposits:

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

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

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

(3) Securities and investment securities:

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

The securities and investment securities are held in the form of “other securities.”

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

Other securities with fair value (as of March 31, 2016)

(Millions of yen)

	Book value in the consolidated balance sheet	Acquisition cost	Difference
Those of which book value exceeds their acquisition cost			
Stocks	20,039	8,540	11,498
Those of which book value does not exceed their acquisition cost			
Stocks	1,061	1,301	(240)
Total	21,100	9,841	11,258

(ii) The sales amount for other securities for the fiscal year under review was ¥203 million. The total gain on sales was ¥60 million, whereas the total loss on sales was ¥0 million.

(iii) The “Acquisition cost” in the table above is the book value after an impairment loss is deducted. In posting the impairment loss for the corresponding stocks, an impairment loss was reported for each stock whose market value had fallen more than 50% compared with the acquisition value without reasonable evidence that the market value would rally to the book value within one year. For each stock whose market value had fallen more than 30% but less than 50%, an impairment loss was similarly reported for an amount deemed necessary in the light of past trends in the market price for one prior year and the probability of recovery in its market value.

Liabilities

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

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

(6) Income taxes payable

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

(7) Long-term loans payable

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

(8) Derivative transactions

(i) Derivative transactions not subject to hedge accounting

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

Currency-related

(Millions of yen)

Classification	Type	Contract amount	Portion due after one year included herein	Fair value	Gain/loss on valuation
Non-market transactions	Forward foreign exchange contracts:				
	Buy:				
	JPY	137	—	0	0
	USD	176	—	0	0
	Sell:				
	JPY	26	—	(0)	(0)
	USD	425	—	(4)	(4)
	CNY	803	—	59	59
	Total	—	—	55	55

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

(ii) Derivative transactions subject to hedge accounting

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

Currency-related

(Millions of yen)

Hedge accounting method	Type of derivative transaction	Main hedged item	Contract amount	Portion due after one year included herein	Fair value
Accounting based on the principal method	Forward foreign exchange contracts:				
	Buy:				
	JPY	Accounts payable for construction contracts (forecasts)	533	9	10
	USD	Accounts payable for construction contracts (forecasts)	308	—	(24)
	THB	Accounts payable for construction contracts (forecasts)	50	—	(1)
	EUR	Accounts payable for construction contracts (forecasts)	37	—	1
	CNY	Accounts payable for construction contracts (forecasts)	2	—	(0)
	KRW	Accounts payable for construction contracts (forecasts)	626	—	(51)
	Sell:				
	USD	Accounts receivable from completed construction contracts (forecasts)	1,076	313	78
CNY	Accounts receivable from completed construction contracts (forecasts)	572	—	0	
Total			—	—	12

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

Interest rate-related

(Millions of yen)

Hedge accounting method	Type of derivative transaction	Main hedged item	Contract amount	Portion due after one year included herein	Fair value
Exceptional accounting for interest-rate swaps	Interest-rate swaps Payment fixed, reception variable	Long-term loans payable	39	—	(Note 1)

Notes:

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

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

(Millions of yen)

Classification	Carrying value in the consolidated balance sheet
Other securities	
Unlisted stocks	1,360
Investment trusts	8
Unlisted foreign bonds	13

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

3. Redemption schedule for monetary receivables and securities with maturity dates after the consolidated balance sheet date (March 31, 2016)

(Millions of yen)

	Due within one year	Due after one year but within five years	Due after five years but within 10 years	Due after 10 years
Cash and deposits	44,001	—	—	—
Notes receivable, accounts receivable from completed construction contracts and other	88,000	4,006	711	—
Investment securities				
Other securities with maturity dates (unlisted foreign bonds)	13	—	—	—
Total	132,015	4,006	711	—

[Notes to per-Share Information]

- | | |
|-----------------------------|-----------|
| 1. Net assets per share | ¥2,633.60 |
| 2. Basic earnings per share | ¥204.35 |

[Note to Significant Subsequent Events]

Not applicable.

[Other Notes]

(Note regarding 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 for awarding shares of the Company to its employees so as to incentivize employees to improve stock prices and financial results by enhancing the linkage of stock prices and financial results and sharing economic effects with shareholders.

1. Outline of the transactions

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 share awarding 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.

2. Although the 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.

3. Matters regarding the Company’s own shares held by the trust

- 1) The book value of the trust estate for the fiscal year under review was ¥311 million. The Company’s own shares held by the trust are not reported as treasury shares under shareholders’ equity.

- 2) The number of shares held at the fiscal year-end was 167 thousand, and the average number of shares outstanding during the year was 168 thousand. The number of shares at the fiscal year-end and the average number of shares outstanding during the year are not included in the number of treasury shares to be deducted in calculating per-share information.

(Additional information)

Following enactment at the Diet on March 29, 2016, of the “Act for Partial Amendment of the Income Tax Act, etc.,” and the “Act on Partial Revision, etc., of the Local Tax Act, etc.,” the effective statutory tax rate, which was used to measure deferred tax assets and deferred tax liabilities for the fiscal year under review (limited only to those expected to be eliminated on and after April 1, 2016), has been reduced mainly to 30.86% from 32.30% for the previous fiscal year for temporary differences that are expected to be recovered or paid during the period of April 1, 2016, through March 31, 2018, and to 30.62% for temporary differences that are expected to be recovered or paid during the period on and after April 1, 2018, respectively.

The impact of this change in the effective statutory tax rate was decreases of ¥163 million in deferred tax liabilities (after deducting the amount of deferred tax assets) and of ¥19 million in remeasurements of defined benefit plans, as well as increases of ¥183 million in valuation difference on available-for-sale securities and of ¥0 million in income taxes-deferred.

Non-consolidated Balance Sheet

(As of March 31, 2016)

(Millions of yen)

Account title	Amount	Account title	Amount
(Assets)		(Liabilities)	
Current assets	78,968	Current liabilities	42,046
Cash and deposits	8,825	Notes payable-trade	6,279
Notes receivable-trade	1,591	Electronically recorded obligations - operating	13,316
Accounts receivable from completed construction contracts	63,695	Accounts payable for construction contracts	11,027
Costs on uncompleted construction contracts	394	Short-term loans payable	2,242
Raw materials and supplies	128	Lease obligations	9
Deferred tax assets	1,576	Accounts payable-other	4,578
Other	2,757	Income taxes payable	1,524
		Advances received on uncompleted construction contracts	912
		Deposits received	163
		Provision for warranties for completed construction	401
Non-current assets	41,584	Provision for loss on construction contracts	60
Property, plant and equipment	2,831	Provision for directors' bonuses	119
Buildings	1,167	Reserve for loss on dissolution of employees' pension fund	224
Structures	15	Other	1,186
Machinery and equipment	41	Non-current liabilities	5,404
Vehicles	0	Long-term loans payable	100
Tools, furniture and fixtures	156	Lease obligations	2
Land	1,437	Deferred tax liabilities	4,302
Leased assets	12	Provision for retirement benefits	97
		Other	900
		Total liabilities	47,450
Intangible assets	1,157	(Net assets)	
Software	1,148	Shareholders' equity	65,191
Other	9	Capital stock	6,455
Investments and other assets	37,594	Capital surplus	7,344
Investment securities	21,730	Legal capital surplus	7,297
Shares of subsidiaries and associates	9,769	Other capital surplus	47
Long-term loans receivable	19	Retained earnings	56,519
Claims provable in bankruptcy, claims provable in rehabilitation and other	4	Legal retained earnings	1,613
Long-term prepaid expenses	182	Other retained earnings	54,906
Prepaid pension cost	4,311	Reserve for reduction entry	0
Lease and guarantee deposits	1,243	Reserve for investment on information technology	2,000
Insurance funds	340	General reserve	35,720
Other	3	Retained earnings brought forward	17,186
Allowance for doubtful accounts	(11)	Treasury shares	(5,127)
		Valuation and translation adjustments	7,910
		Valuation difference on available-for-sale securities	7,908
		Deferred gains or losses on hedges	1
Total assets	120,553	Total net assets	73,102
		Total liabilities and net assets	120,553

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

Non-consolidated Income Statement

(From April 1, 2015, to March 31, 2016)

(Millions of yen)

Account title	Amount	
Net sales of completed construction contracts		107,269
Cost of sales of completed construction contracts		91,551
Gross profit on completed construction contracts		15,718
Selling, general and administrative expenses		11,648
Operating income		4,069
Non-operating income		
Interest income and dividends income	1,535	
Dividends income of insurance	138	
Real estate rent	173	
Technical advisory fee	1,581	
Other	47	3,476
Non-operating expenses		
Interest expenses	14	
Sales discounts	45	
Rent expenses on real estate	49	
Foreign exchange losses	179	
Provision of allowance for doubtful accounts	1	
Other	32	323
Ordinary income		7,222
Extraordinary income		
Gain on disposal of non-current assets	0	
Gain on sales of investment securities	60	
Reversal of allowance for doubtful accounts for subsidiaries and associates	4	
Reversal of provision for loss on Anti-Monopoly Act	87	
Reversal of reserve for loss on dissolution of employees' pension fund	3	
Surrender value of insurance	0	157
Extraordinary loss		
Loss on disposal of non-current assets	13	
Impairment loss	0	
Loss on sales of investment securities	0	
Loss on valuation of investment securities	0	
Loss on valuation of shares of subsidiaries and associates	223	237
Income before income taxes		7,142
Income taxes—current	2,301	
Income taxes—deferred	(108)	2,193
Profit		4,949

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

Non-consolidated Statement of Changes in Net Assets

(From April 1, 2015, to March 31, 2016)

(Millions of yen)

	Shareholders' equity									
	Capital stock	Capital surplus			Legal retained earnings	Retained earnings				
		Legal capital surplus	Other capital surplus	Total capital surplus		Other retained earnings				Total retained earnings
						Reserve for reduction entry	Reserve for investment on information technology	General reserve	Retained earnings brought forward	
Balance at the beginning of current period	6,455	7,297	47	7,344	1,613	0	1,800	35,720	14,429	53,562
Changes of items during the period										
Reserve for investment on information technology							200		(200)	—
Dividends of surplus									(1,991)	(1,991)
Profit									4,949	4,949
Purchase of treasury shares										
Net changes of items other than shareholders' equity										
Total changes of items during the period	—	—	—	—	—	—	200	—	2,757	2,957
Balance at the end of current period	6,455	7,297	47	7,344	1,613	0	2,000	35,720	17,186	56,519

	Shareholders' equity		Valuation and translation adjustments			Total net assets
	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Total valuation and translation adjustments	
Balance at the beginning of current period	(2,919)	64,443	10,577	(5)	10,571	75,014
Changes of items during the period						
Reserve for investment on information technology		—				—
Dividends of surplus		(1,991)				(1,991)
Profit		4,949				4,949
Purchase of treasury shares	(2,208)	(2,208)				(2,208)
Net changes of items other than shareholders' equity			(2,668)	7	(2,661)	(2,661)
Total changes of items during the period	(2,208)	748	(2,668)	7	(2,661)	(1,912)
Balance at the end of current period	(5,127)	65,191	7,908	1	7,910	73,102

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

Notes to Non-consolidated Financial Statements

[Notes to Significant Accounting Policies]

Accounting Standards

(1) Standards and methods of valuation of assets

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

(2) Depreciation method for non-current assets

- Property, plant and equipment (excluding leased assets)
 - The declining-balance method is applied. However, the straight-line method is applied for buildings (except for accompanying facilities), which have been acquired on or after April 1, 1998. The useful lives and the residual value comply with the similar standards as stipulated in the Corporation Tax Act.
- Intangible assets (excluding leased assets)
 - The straight-line method is applied. However, computer software for internal use is amortized by the straight-line method over the estimated internal useful life (5 years).
- Leased assets (Finance leases that are not deemed to transfer the ownership of the leased assets to the lessee)
 - The straight-line method with no residual value is applied, regarding the lease term as the useful life.

(3) Standards of accounting for allowance and provisions

- Allowance for doubtful accounts
 - The allowance for doubtful accounts is provided at the estimated amount of irrecoverable debt to prepare for bad debt losses on receivables such as accounts receivable from completed construction contracts based on the historical write-off rate for ordinary receivables and on the estimated recoverability of each doubtful account for specific doubtful receivables.
- Provision for warranties for completed construction
 - The provision for warranties for completed construction is provided to prepare for losses from repairs of completed construction contracts based on the past warranty experience rate.
- Provision for loss on construction contracts
 - The provision for loss on construction contracts is provided at the estimated amount to prepare for losses from orders received for construction contracts in stock, which involve a high probability of generating losses and where the loss amount can be reasonably estimated.
- Provision for directors' bonuses
 - The provision for directors' bonuses is provided at the estimated amount of payment corresponding to the fiscal year under review to prepare for the possible disbursement of bonuses to Directors.
- Provision for loss on Anti-Monopoly Act

The provision for loss on Anti-Monopoly Act is provided at the estimated amount to prepare for payments for the surcharge relative to the Anti-Monopoly Act or the contractual penalty based on the probability of occurrence of relevant losses by taking into account the facts and circumstances of each incident.

- Reserve for loss on dissolution of employees' pension fund

The reserve for loss on dissolution of employees' pension fund is provided at the estimated amount to prepare for losses from the dissolution of the employees' pension fund.

(Additional information)

Nishinonreitokuyou Employees' Pension Fund (general-type), with which the Company is affiliated, resolved to dissolve the fund under special provisions at a meeting of its board of representatives held on September 18, 2013.

Consequently, "Reversal of reserve for loss on dissolution of employees' pension fund" of ¥3 million was posted under extraordinary income in the income statement and "Reserve for loss on dissolution of employees' pension fund" of ¥224 million was posted under current liabilities in the balance sheet for the fiscal year under review.

- Provision for retirement benefits

The provision for retirement benefits is provided based on projected benefit obligations and the fair value of plan assets at the balance sheet date.

- (i) Period allocation of projected retirement benefits

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

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

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

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

(4) Accounting standards for net sales of completed construction contracts and Cost of sales of completed construction contracts

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

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

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

- Methods of hedge accounting

- (i) Method of hedge accounting

Deferred hedge accounting is applied.

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

- (ii) Hedging instruments and hedged items

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

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

- (iv) Method of evaluation of effectiveness of hedging

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

- Accounting procedure for retirement benefits

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

- Accounting for consumption taxes
Transactions subject to the consumption tax and the local consumption tax are recorded at amounts exclusive of the consumption tax.

[Notes to Non-consolidated Balance Sheet]

1. Pledged assets

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

Investment securities	¥2 million
2. Accumulated depreciation of property, plant and equipment	¥4,854 million

3. Guarantee obligations

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

	(Millions of yen)
Employees	4
Taikisha de Mexico, S.A. de C.V.	184
Taikisha (Singapore) Pte. Ltd.	643
Taikisha (Thailand) Co., Ltd.	1,099
Taikisha Engineering (M) Sdn. Bhd.	6
P.T. Taikisha Indonesia Engineering	222
Taikisha Vietnam Engineering Inc.	282
WuZhou Taikisha Engineering Co., Ltd.	1,560
Tianjin Taikisha Paint Finishing System Ltd.	20
Taikisha Korea Ltd.	22
Taikisha Engineering India Private Ltd.	2,486
Geico Taikisha Europe Ltd.	32
Tianjin Dongchum-Taiki Metal Finishing & Conveyor System Manufacturing Co., Ltd.	<u>342</u>
Total	<u>6,908</u>

4. Monetary receivables from and payables to subsidiaries and associates

Short-term monetary receivables	¥5,411 million
Short-term monetary payables	¥2,758 million

[Notes to Non-consolidated Income Statement]

1. Transactions with associates

	(Millions of yen)
Net sales of completed construction contracts	4,211
Purchase of goods	8,174
Transactions other than operating transactions (for revenue)	2,759
Transactions other than operating transactions (for expenses)	74

2. Provision for loss on construction contracts included in the cost of sales of completed construction contracts was ¥60 million.

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

Type and number of treasury shares as of the balance sheet date

Common shares	2,219,061 shares
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[Note to Tax Effect Accounting]

Breakdown by cause of deferred tax assets and liabilities

(Millions of yen)

Deferred tax assets:

Allowance for doubtful accounts	3
Provision for warranties for completed construction	123
Provision for loss on construction contracts	18
Reserve for loss on dissolution of employees' pension fund	69
Provision for retirement benefits	30
Employee pension trust, investment securities	266
Accrued enterprise taxes	138
Accrued bonuses	1,271
Loss on valuation of investment securities	122
Loss on valuation of shares of subsidiaries and associates	445
Loss on valuation of golf club membership	59
Valuation difference on available-for-sale securities	73
Others	164
Subtotal	2,788
Valuation allowance	(718)
Total deferred tax assets	2,069

Deferred tax liabilities:

Prepaid pension cost	(1,320)
Valuation difference on available-for-sale securities	(3,423)
Others	(52)
Total deferred tax liabilities	(4,796)
Net deferred tax liabilities	(2,726)

[Notes to Transactions with Related Parties]

Subsidiaries and Associates

(Millions of yen)

Type	Name of company, etc.	Percentage of voting rights, etc., held (or held of the Company)	Relationship with related party	Transaction details	Transaction amount ⁴	Account title	Fiscal year-end balance
Subsidiary	Taikisha Engineering India Private Ltd.	Direct holding (55.00%)	Con-currently held Officers' posts; Financial support; Ordering to the Company for part of construction work	Guarantee of debt ¹	2,486	—	—
	Tianjin Taikisha Paint Finishing System Ltd.	Direct holding (72.14%) Indirectly holding (17.86%)	Con-currently held Officers' posts; Financial support; Ordering to the Company for part of construction work	Acceptance of construction cost ²	1,752	Accounts receivable from completed construction contracts	1,827
	WuZhou Taikisha Engineering Co., Ltd.	Direct holding (70.00%)	Con-currently held Officers' posts; Financial support; Ordering to the Company for part of construction work	Guarantee of debt ¹	1,560	—	—
Company officer(s) and relative(s) thereof	Ruriko Uenishi	Held of the Company ⁴ (3.09%)	Mother of Eitaro Uenishi, Director and Chairman	Acquisition of treasury shares ³	2,206	—	—

Transaction conditions and decision policy thereof:

Notes:

1. Consists of the guarantee for loans payable at said subsidiary and the guarantee for work to the customers of said subsidiary.
2. Entered into under general terms and conditions similar to those under arm's length transactions.
3. Was executed by placing purchase orders through the Tokyo Stock Exchange Trading Network System for Off-Auction Own Share Repurchase Trading (ToSTNeT-3), at a price equal to the closing price of the Company's common shares on the day preceding the trade date at the Tokyo Stock Exchange.
4. The "Percentage of voting rights, etc., held (or held of the Company)" before the sale of shares: As a result of the transfer of 680,000 shares by Mrs. Ruriko Uenishi on May 18, 2015, the percentage held of the Company as of the end of the fiscal year under review was 1.19%.
5. The transaction amount above does not include consumption taxes.

[Notes to per-Share Information]

- | | |
|-----------------------------|-----------|
| 1. Net assets per share | ¥2,115.05 |
| 2. Basic earnings per share | ¥142.75 |

[Note to Significant Subsequent Events]

Not applicable.

[Other Notes]

(Note regarding Transactions of Delivering the Company's Own Stock to Employees, etc., through Trusts)
With regard to "Note regarding Transactions of Delivering the Company's Own Stock to Employees, etc., through Trusts", it is omitted since the same content is stated in "Other Notes" under Notes to Consolidated Financial Statements.

(Additional information)

Following enactment at the Diet on March 29, 2016, of the "Act for Partial Amendment of the Income Tax Act, etc.," and the "Act on Partial Revision, etc., of the Local Tax Act, etc.," the effective statutory tax rate, which was used to measure deferred tax assets and deferred tax liabilities for the fiscal year under review (limited only to those expected to be eliminated on and after April 1, 2016), has been reduced to 30.86% from 32.30% for the previous fiscal year for temporary differences that are expected to be recovered or paid during the period of April 1, 2016, through March 31, 2018, and to 30.62% for temporary differences that are expected to be recovered or paid during the period on and after April 1, 2018, respectively.

The impact of this change in the effective statutory tax rate was a decrease of ¥160 million in deferred tax liabilities (after deducting the amount of deferred tax assets), as well as increases of ¥23 million in income taxes-deferred and of ¥183 million in valuation difference on available-for-sale securities.

Independent Auditors' Report
(English Translation)

May 11, 2016

To the Board of Directors
Taikisha Ltd.

A&A Partners

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

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

We have audited, pursuant to Article 444, Paragraph 4 of the Companies Act of Japan, the Consolidated Financial Statements, which consist of the Consolidated Balance Sheet, Consolidated Income Statement, Consolidated Statement of Changes in Net Assets and Notes to Consolidated Financial Statements of Taikisha Ltd. (hereinafter referred to as the "Company") for the fiscal year from April 1, 2015, to March 31, 2016.

Management's Responsibility for Consolidated Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on the Consolidated Financial Statements based on our audit, from an independent viewpoint. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit according to such plan to obtain reasonable assurance about whether the Consolidated Financial Statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Consolidated Financial Statements. The procedures selected and applied depend on the auditors' judgment, including the assessment of the risks of material misstatement of the Consolidated Financial Statements, whether due to fraud or error. Although the purpose of the audit is not to express an opinion on the effectiveness of the entity's internal control, in making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the Consolidated Financial Statements in order to design audit procedures that are appropriate for the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the Consolidated Financial Statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Audit Opinion

In our opinion, the Consolidated Financial Statements referred to above present fairly, in all material respects, the consolidated financial position of Taikisha Ltd. and its consolidated subsidiaries as of March 31, 2016, and the consolidated result of their operations for the year then ended in conformity with accounting principles generally accepted in Japan.

Interest

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

Independent Auditors' Report
(English Translation)

May 11, 2016

To the Board of Directors
Taikisha Ltd.

A&A Partners

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

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

We have audited, pursuant to Article 436, Paragraph 2, Item 1 of the Companies Act of Japan, the Non-consolidated Financial Statements, which consist of the Non-consolidated Balance Sheet, Non-consolidated Income Statement, Non-consolidated Statement of Changes in Net Assets and Notes to Non-consolidated Financial Statements, and the accompanying supplementary schedules thereof of Taikisha Ltd. (hereinafter referred to as the "Company") for the 71st fiscal year from April 1, 2015, to March 31, 2016.

Management's Responsibility for Non-consolidated Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on the Non-consolidated Financial Statements and the accompanying supplementary schedules from an independent viewpoint, based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit according to such plan to obtain reasonable assurance about whether the Non-consolidated Financial Statements and the accompanying supplementary schedules are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Non-consolidated Financial Statements and the accompanying supplementary schedules. The procedures selected and applied depend on the auditors' judgment, including the assessment of the risks of material misstatement of the Non-consolidated Financial Statements and the accompanying supplementary schedules, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the Non-consolidated Financial Statements and the accompanying supplementary schedules in order to design audit procedures that are appropriate for the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the Non-consolidated Financial Statements and the accompanying supplementary schedules.

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

Audit Opinion

In our opinion, the financial statements and the accompanying supplementary schedules thereof referred to above present fairly, in all material respects, the financial position of the Company as of March 31, 2016, and the result of its operation for the year then ended in conformity with accounting principles generally accepted in Japan.

Interest

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

Audit Report
(English Translation)

Regarding the performance of duties by the Directors for the 71st fiscal year from April 1, 2015, to March 31, 2016, the Audit & Supervisory Board hereby submits its Audit Report, which has been prepared upon careful consideration based on the audit report prepared by each Audit & Supervisory Board Member.

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

- (1) The Audit & Supervisory Board established auditing policies, allocation of duties, and other relevant matters for the fiscal year ended March 31, 2015, and received reports from each Audit & Supervisory Board Member regarding his or her audits and results thereof, as well as received reports from the Directors, other relevant personnel and the Accounting Auditors regarding performance of their duties, and requested explanations as necessary.
- (2) Each Audit & Supervisory Board Member complied with the auditing regulations stipulated by the Audit & Supervisory Board, followed the auditing policies, allocation of duties and other relevant matters for the fiscal year under review, communicated with the Directors, the Internal Audit Office, other employees and any other relevant personnel, and made efforts to prepare the environment for information collection and audits, and conducted his/her audit in the following manner.
 - 1) Each Audit & Supervisory Board Member attended the meetings of the Board of Directors and other important meetings, received reports from the Directors, employees and other relevant personnel regarding performance of their duties, requested explanations as necessary, examined important authorized documents and associated information, and conducted audit visits to study the operations and financial positions of the head office, as well as of principal branch offices, branches and business offices.

With respect to subsidiaries, each Audit & Supervisory Board Member communicated and exchanged information with Directors, Statutory Auditors and other relevant personnel of several major subsidiaries, and conducted audit visits to major subsidiaries including those overseas to study the operations and financial positions thereof.

- 2) With respect to the contents of resolutions of the Board of Directors regarding the improvement of the system stipulated in Article 100, Paragraphs 1 and 3 of the Ordinance for Enforcement of the Companies Act, which is considered necessary pursuant to the System to Ensure that Directors and Employees of the Company Conform to Laws and the Articles of Incorporation and the System to Ensure the Appropriateness of Operations conducted by the Corporate Group Consisting of the Company and its Subsidiaries in the Business Report, as well as to the systems (internal control system) that have been improved based on such resolutions, each Audit & Supervisory Board Member received regular reports from Directors, employees and other relevant personnel with regard to the improvement and operational status of said systems, requested explanations as necessary and expressed opinions, in accordance with the “Audit Standards for Audit & Supervisory Board Members Regarding the Internal Control System” and the “Checklist for the Internal Control System Audit,” which were stipulated through consultations among all the Audit & Supervisory Board Members.
- 3) With respect to the Basic Policy pursuant to Article 118, Item 3 (a), and the respective initiatives pursuant to Article 118, Item 3 (b), of the Ordinance for Enforcement of the Companies Act and described in the Business Report, each Audit & Supervisory Board Member examined the content thereof after taking into account deliberations at the Board of Directors and other relevant internal organs.
- 4) Each Audit & Supervisory Board Member monitored and verified whether the Accounting Auditors maintained their independence and implemented appropriate audits, as well as received reports from the Accounting Auditors regarding the performance of their duties and requested explanations as necessary. In addition, each Audit & Supervisory Board Member received notice from the Accounting Auditors that the “system for ensuring that duties are performed properly” (matters set forth in each item of Article 131 of the Ordinance for Corporate Accounting) had been prepared in accordance with the “Product Quality Management Standards Regarding Audits” (issued by the

Business Accounting Council on October 28, 2005) and other relevant standards, and requested explanations as necessary.

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

2. Results of Audit

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

- 1) In our opinion, the Business Report and the accompanying supplementary schedules are in accordance with the related laws, regulations and the Articles of Incorporation, and fairly present the Company's condition.
- 2) We have found no evidence of wrongful action or material violation of related laws and regulations, nor of any violation with respect to the Articles of Incorporation, related to performance of duties by the Directors.
- 3) In our opinion, the contents of the resolutions of the Board of Directors related to the internal control system are fair and reasonable. In addition, we have found no matters on which to remark regarding the description in the Business Report and the performance of duties by the Directors related to such internal control system. As described in the Business Report, the Company received a cease-and-desist order and an order for payment of a surcharge as of October 9, 2015, from the Japan Fair Trade Commission for violation of the Anti-Monopoly Act with regard to the bidding for the equipment installation project of the Hokuriku Shinkansen Line. The Audit & Supervisory Board has confirmed that the Taikisha Group has continued to take measures to prevent recurrence and to thoroughly enhance compliance.
- 4) We have found no matters to point out with respect to the basic policy regarding persons who control the Company's decisions on financial matters and business policies as described in the Business Report. In our opinion, the respective initiatives pursuant to Article 118, Item 3 (b), of the Ordinance for Enforcement of the Companies Act set forth in the Business Report comply with said basic policy and do not impair the common interests of the Company's shareholders or aim to protect the positions of any of the company officers.

(2) Results of Audit of Consolidated Financial Statements

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

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

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

May 13, 2016

Audit & Supervisory Board, Taikisha Ltd.

Full-time Audit & Supervisory Board Member	Mitsuru Sano (seal)
Full-time Audit & Supervisory Board Member	Masaaki Saito (seal)
Audit & Supervisory Board Member (Outside Audit & Supervisory Board Member)	Junichi Noro (seal)
Audit & Supervisory Board Member (Outside Audit & Supervisory Board Member)	Hirokazu Hikosaka (seal)

Reference Documents for the Shareholders' Meeting

Proposals and References

Proposal No. 1: Appropriation of Retained Earnings

The Company proposes the following appropriation of retained earnings.

1. Matters concerning year-end dividends

The Company plans to distribute a year-end dividend with due consideration to the operating results to reflect our appreciation of shareholders' continued support.

The annual dividend per share, therefore, would be ¥67, a year-on-year increase of ¥15 per share, including the interim dividend per share of ¥25 having already been paid.

 - (1) Type of property for dividends: Money
 - (2) Matters concerning allotment of property dividends to shareholders and the total amount thereof

The Company proposes a year-end dividend of ¥42 per share of common shares for a total of ¥1,451,643,816 to be distributed.
 - (3) Effective date of distribution from surplus: June 30, 2016
2. Matters concerning other retained earnings

To prepare for future business development, the Company proposes to post a "Reserve for investment on information technology" of ¥200 million.

 - (1) Item and amount of surplus to be decreased

Retained earnings brought forward: ¥200,000,000
 - (2) Item and amount of surplus to be increased

Reserve for investment on information technology: ¥200,000,000

Proposal No. 2: Partial Amendment to Articles of Incorporation

1. Reason for Amendment

In order to enable directors and audit & supervisory board members to adequately fulfill their expected roles, and in accordance with the "Act for Partial Revision of the Companies Act" (Act No. 90 of 2014) allowing companies to enter into contracts for limitation of liability with directors who are not executive directors, etc. and audit & supervisory board members who are not outside audit & supervisory board members, necessary amendments are to be made to the current Articles 25 and 33 of the Articles of Incorporation.

In addition, all audit & supervisory board members have agreed to the amendments to the current Article 25 of the Articles of Incorporation.
2. Details of amendments

The amendments are as described below.

(Amendments underlined.)

Current Articles of Incorporation	Proposed Amendments
Article 25 (<u>Contracts for Limitation of Liability of Outside Directors</u>) (Newly established)	Article 25 (<u>Exemption from Liability of Directors</u>) <u>1. Provided for Paragraph 1, Article 426 of the Companies Act, the Company may, by the resolution of the Board of Directors, exempt directors (including former directors) from the liabilities to the extent prescribed in laws and regulations.</u>

Current Articles of Incorporation	Proposed Amendments
<p>Provided for Paragraph 1, Article 427 of the Companies Act, the Company may enter into contracts with <u>outside directors</u> to the effect that, if such <u>outside directors</u> are not negligent in performing their duties, the liability of the <u>outside directors</u> shall be limited. The limitation of the amount shall be minimum liability amount prescribed in laws and regulations.</p> <p>Article 33 (<u>Contracts for Limitation of Liability of Outside Audit & Supervisory Board Members</u>) (Newly established)</p> <p>Provided for Paragraph 1, Article 427 of the Companies Act, the Company may enter into contracts with <u>outside audit & supervisory board members</u> to the effect that, if such <u>outside audit & supervisory board members</u> are not negligent in performing their duties, the liability of the <u>outside audit & supervisory board members</u> shall be limited. The limitation of the amount shall be minimum liability amount prescribed in laws and regulations.</p>	<p><u>2.</u> Provided for Paragraph 1, Article 427 of the Companies Act, the Company may enter into contracts with <u>directors (excluding those are executive directors, etc.)</u> to the effect that, if such <u>directors</u> are not negligent in performing their duties, the liability of the <u>directors</u> shall be limited. The limitation of the amount shall be minimum liability amount prescribed in laws and regulations.</p> <p>Article 33 (<u>Exemption from Liability of Audit & Supervisory Board Members</u>)</p> <p><u>1.</u> Provided for Paragraph 1, Article 426 of the Companies Act, the Company, may by the resolution of the Board of Directors, exempt <u>audit & supervisory board members (including former audit & supervisory board members)</u> from the liabilities to the extent prescribed in laws and regulations.</p> <p><u>2.</u> Provided for Paragraph 1, Article 427 of the Companies Act, the Company may enter into contracts with <u>audit & supervisory board members</u> to the effect that, if such <u>audit & supervisory board members</u> are not negligent in performing their duties, the liability of the <u>audit & supervisory board members</u> shall be limited. The limitation of the amount shall be minimum liability amount prescribed in laws and regulations.</p>

Proposal No. 3: Election of Ten (10) Directors

The terms of office of all nine (9) Directors will expire at the conclusion of this Annual Shareholders' Meeting. Accordingly, the election of ten (10) Directors with an increase of one (1) member is proposed to further reinforce the supervisory function of the Board of Directors.

The Company determines that the two candidates for Outside Director satisfy the "Independence Criteria for Outside Director/Outside Audit & Supervisory Board Member" stipulated by the Company. Refer to page 60 for details of said criteria.

The candidates are as follows:

Candidate No.	Name (Date of birth)	Career summary, positions and assignments in the Company and important positions concurrently held at other companies	Number of shares of the Company held
1	Eitaro Uenishi (January 12, 1951) [Reappointment]	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)	214,700
[Reason for nominating as a candidate for Director] Eitaro Uenishi has commanded the management of the Taikisha Group for six years since his assumption of office as Representative Director, President Corporate Officer. Since April 2016, he has addressed reinforcing the supervisory function of the Board of Directors as Chairman who is not an executive director. The Company reappoints him as a candidate for Director based on its judgment that he qualifies for this position taking into account his good track record.			
2	Satoru Kamiyama (November 20, 1947) [Reappointment]	April 1970 Joined the Company June 2003 Director April 2005 Chief General Manager, Paint Finishing System Division June 2005 Managing Director April 2006 Chief General Manager, Paint Finishing System Division, and Senior General Manager, Sales and Marketing Dept., Paint Finishing System Division April 2007 Director, Managing Corporate Officer, Chief General Manager, Paint Finishing System Division April 2009 Director, Executive Corporate Officer, Chief General Manager, Paint Finishing System Division April 2010 Representative Director, Executive Vice President Corporate Officer April 2013 Representative Director, President Corporate Officer (current position)	16,700
[Reason for nominating as a candidate for Director] Satoru Kamiyama has commanded the management of the Taikisha Group since his assumption of office in April 2013 as Representative Director, President Corporate Officer, and therefore has abundant experience in corporate management as a manager. The Company reappoints him as a candidate for Director based on its judgment that he qualifies for this position taking into account his good track record and his expected contribution to increasing corporate value by implementing the Mid-Term Business Plan.			

Candidate No.	Name (Date of birth)	Career summary, positions and assignments in the Company and important positions concurrently held at other companies	Number of shares of the Company held
3	Toshiaki Shiba (December 19, 1949) [Reappointment]	<p>April 1968 Joined the Company</p> <p>April 2008 Corporate Officer, General Manager, Global Business Management Supporting Office, Green Technology System Division, and Vice General Manager, Engineering Dept., Green Technology System Division, and General Manager, Construction Purchasing Office, Green Technology System Division</p> <p>April 2009 Senior Corporate Officer, Senior General Manager, Engineering Dept., Green Technology System Division</p> <p>April 2012 Managing Corporate Officer, Chief General Manager, Green Technology System Division</p> <p>June 2012 Director, Managing Corporate Officer, Chief General Manager, Green Technology System Division</p> <p>April 2013 Director, Executive Corporate Officer, Chief General Manager, Green Technology System Division</p> <p>April 2015 Director, Executive Vice President Corporate Officer, Chief General Manager, Green Technology System Division</p> <p>April 2016 Representative Director, Executive Vice President Corporate Officer (current position)</p>	15,000
<p>[Reason for nominating as a candidate for Director]</p> <p>Toshiaki Shiba has abundant business experience in the field of the green technology system business and has sufficiently fulfilled his duties as a Director, including decisions on important management matters, the execution of business and supervising the execution of duties by other Directors, since his assumption of the Director position in June 2012. The Company reappoints him as a candidate for Director based on its judgment that he qualifies for this position taking into account his good track record.</p>			
4	Kiyoshi Hashimoto (October 9, 1948) [Reappointment]	<p>April 1972 Joined the Company</p> <p>June 2005 Director</p> <p>April 2007 Director, Senior Corporate Officer, Vice General Manager, Paint Finishing System Division, and Senior General Manager, Engineering Dept., Paint Finishing System Division</p> <p>April 2009 Director, Managing Corporate Officer, Vice General Manager, Paint Finishing System Division, and Senior General Manager, Engineering Dept., Paint Finishing System Division</p> <p>April 2010 Director, Managing Corporate Officer, Chief General Manager, Paint Finishing System Division</p> <p>April 2012 Director, Executive Corporate Officer, Chief General Manager, Paint Finishing System Division</p> <p>April 2014 Director, Executive Corporate Officer, Chief Executive, Corporate Planning Headquarters</p> <p>April 2015 Director, Executive Vice President Corporate Officer, Chief Executive, Corporate Planning Headquarters (current position)</p>	12,700
<p>[Reason for nominating as a candidate for Director]</p> <p>Kiyoshi Hashimoto has abundant business experience in the fields of the paint finishing system business and corporate planning and has sufficiently fulfilled his duties as a Director, including decisions on important management matters, the execution of business and supervising the execution of duties by other Directors, since his assumption of the Director position in June 2005. The Company reappoints him as a candidate for Director based on its judgment that he qualifies for this position taking into account his good track record.</p>			

Candidate No.	Name (Date of birth)	Career summary, positions and assignments in the Company and important positions concurrently held at other companies	Number of shares of the Company held
5	Koji Kato (June 12, 1955) [Reappointment]	<p>April 1978 Joined the Company</p> <p>June 2005 Director</p> <p>April 2007 Assistant to Chief General Manager, Green Technology System Division</p> <p>April 2009 Corporate Officer; General Manager, Engineering Planning Dept., Green Technology System Division</p> <p>April 2010 Managing Corporate Officer, Chief General Manager, Green Technology System Division, and General Manager, Engineering Planning Dept., Green Technology System Division</p> <p>June 2010 Director, Managing Corporate Officer, Chief General Manager, Green Technology System Division, and General Manager, Engineering Planning Dept., Green Technology System Division</p> <p>April 2012 Director, Managing Corporate Officer, Chief Executive, Corporate Planning Headquarters and in charge of Environment, and General Manager, Corporate Planning Office</p> <p>April 2013 Director, Managing Corporate Officer, Chief Executive, Corporate Planning Headquarters and in charge of CSR</p> <p>April 2014 Director, Managing Corporate Officer, Chief Executive, Administrative Management Headquarters and in charge of CSR</p> <p>April 2016 Director, Executive Corporate Officer, Chief Executive, Administrative Management Headquarters and in charge of CSR (current position)</p>	6,600
<p>[Reason for nominating as a candidate for Director] Koji Kato has abundant business experience in the fields of the green technology system business, corporate planning and corporate administration and has sufficiently fulfilled his duties as a Director, including decisions on important management matters, the execution of business and supervising the execution of duties by other Directors, since his assumption of the Director position in June 2010. The Company reappoints him as a candidate for Director based on its judgment that he qualifies for this position taking into account his good track record.</p>			
6	Tetsuya Ogawa (April 25, 1953) [Reappointment]	<p>April 1972 Joined the Company</p> <p>April 2007 Corporate Officer, Senior General Manager, Process Quality Dept., Paint Finishing System Division</p> <p>April 2010 Senior Corporate Officer, Vice General Manager, Paint Finishing System Division, and Senior General Manager, Engineering Dept., Paint Finishing System Division</p> <p>June 2011 Director, Senior Corporate Officer, Vice General Manager, Paint Finishing System Division, and Senior General Manager, Engineering Dept., Paint Finishing System Division</p> <p>April 2012 Director, Managing Corporate Officer, Vice General Manager, Paint Finishing System Division, and Senior General Manager, Engineering Dept., Paint Finishing System Division</p> <p>April 2013 Director, Managing Corporate Officer, Vice General Manager, Paint Finishing System Division</p> <p>April 2014 Director, Managing Corporate Officer, Chief General Manager, Paint Finishing System Division</p> <p>April 2016 Director, Executive Corporate Officer, Chief General Manager, Paint Finishing System Division (current position)</p>	5,900
<p>[Reason for nominating as a candidate for Director] Tetsuya Ogawa has abundant business experience in the field of the paint finishing system business and has sufficiently fulfilled his duties as a Director, including decisions on important management matters, the execution of business and supervising the execution of duties by other Directors, since his assumption of the Director position in June 2011. The Company reappoints him as a candidate for Director based on its judgment that he qualifies for this position taking into account his good track record.</p>			

Candidate No.	Name (Date of birth)	Career summary, positions and assignments in the Company and important positions concurrently held at other companies		Number of shares of the Company held
7	Hiroshi Mukai (October 10, 1953) [Reappointment]	April 1974	Joined the Company	3,600
		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 (current position)			
[Reason for nominating as a candidate for Director] Hiroshi Mukai has abundant business experience in the field of the green technology system business and has sufficiently fulfilled his duties as a Director, including decisions on important management matters, the execution of business and supervising the execution of duties by other Directors, since his assumption of the Director position in June 2015. The Company reappoints him as a candidate for Director based on its judgment that he qualifies for this position taking into account his good track record.				
8	Yukinori Hamanaka (December 10, 1958) [Reappointment]	April 1981	Joined the Company	1,400
		April 2010	Corporate Officer, General Manager, Office 1, Paint Finishing System Division	
April 2013	Senior Corporate Officer, Senior General Manager, Engineering Dept., Paint Finishing System Division			
April 2015	Senior Corporate Officer, Vice General Manager, Paint Finishing System Division, and Senior General Manager, Sales and Engineering Dept., Paint Finishing System Division			
June 2015	Director, Senior Corporate Officer, Vice General Manager, Paint Finishing System Division, and Senior General Manager, Sales and Engineering Dept., Paint Finishing System Division			
April 2016	Director, Managing Corporate Officer, Vice General Manager, Paint Finishing System Division (current position)			
[Reason for nominating as a candidate for Director] Yukinori Hamanaka has abundant business experience in the field of the paint finishing system business and has sufficiently fulfilled his duties as a Director, including decisions on important management matters, the execution of business and supervising the execution of duties by other Directors, since his assumption of the Director position in June 2015. The Company reappoints him as a candidate for Director based on its judgment that he qualifies for this position taking into account his good track record.				

Candidate No.	Name (Date of birth)	Career summary, positions and assignments in the Company and important positions concurrently held at other companies		Number of shares of the Company held
	Shuichi Murakami (November 12, 1950) [Reappointment] [Candidate for Outside Director] [Independent Director]	April 2005	Managing Corporate Officer, General Manager, Shikoku Business, Sompo Japan Insurance Inc. (current Sompo Japan Nipponkoa Insurance Inc.)	7,500
		April 2008	Advisor, Corporate Planning Department. Sompo Japan Insurance Inc.	
		June 2008	Resigned from Sompo Japan Insurance Inc. Audit & Supervisory Board Member of the Company Full-time Outside Audit & Supervisory Board Member, Origin Electric Co., Ltd. (Retired in June 2012)	
		June 2012	Director of the Company (current position)	
9	[Reason for nominating as a candidate for Outside Director] Shuichi Murakami has abundant expertise and experience nurtured during his tenure as the person responsible for conducting business and affairs at a leading non-life insurance company and has provided precise advice on the management of the Company from an independent standpoint. The Company reappoints him as a candidate for Outside Director based on its judgment that he qualifies for this position from the viewpoint of ensuring transparent decision making by the Board of Directors and reinforcing the supervisory functions thereon.			
	[Special notes regarding the candidate for Outside Director] 1) Number of years the candidate for Outside Director has served as Director of the Company The number of years as Outside Director of the Company will be four (4) years at the conclusion of this Annual Shareholders' Meeting. 2) Attendance at the Board of Directors Meetings (fiscal 2015) 16/16 (attendance rate of 100%) 3) View on independence As Mr. Murakami satisfies the "Independence Criteria for Outside Director/Outside Audit & Supervisory Board Member" stipulated by the Company, the Company judges that he maintains independence from the Company. He came from Sompo Japan Nipponkoa Insurance Inc. but resigned in 2008. Although this company holds the Company's shares, its shareholding ratio is 0.36%. Although this company and the Company had transactions such as construction contract and insurance contracts in fiscal 2015, the respective amount of the relevant transactions did not exceed the amount of payments specified in the aforementioned criteria. (The average transaction amounts between both companies for the past three fiscal years (meaning fiscal 2013 through fiscal 2015; hereinafter, the same shall apply) was less than 1% of the three-year average transaction amounts of this company's consolidated ordinary income as well as the Company's consolidated net sales of completed construction contracts for the past three fiscal years.)			

Candidate No.	Name (Date of birth)	Career summary, positions and assignments in the Company and important positions concurrently held at other companies	Number of shares of the Company held
10	Kazumasa Suezawa (September 3, 1948) [New appointment] [Candidate for Outside Director] [Independent Director (planned)]	<p>April 1972 Joined The Industrial Bank of Japan, Limited (current Mizuho Bank, Ltd.) (Resigned in March 2001)</p> <p>June 2001 Executive Officer, Dowa Mining Co., Ltd. (current Dowa Holdings Co., Ltd.)</p> <p>March 2002 Outside Audit & Supervisory Board Member, Fujita Kanko Inc. (Retired in March 2003)</p> <p>June 2002 Director in charge of corporate staff, Dowa Mining Co., Ltd.</p> <p>April 2003 Director and CFO in charge of corporate staff, Dowa Mining Co., Ltd.</p> <p>June 2006 Director, Executive Vice President, Dowa Mining Co., Ltd. (Retired in March 2008)</p> <p>October 2007 Advisor, Fujita Kanko Inc.</p> <p>March 2008 Representative Director, Executive Officer and President, Fujita Kanko Inc.</p> <p>August 2009 Representative Director, Executive Officer, President, Chief General Manager and in charge of Mejiro District in Business Division, Fujita Kanko Inc.</p> <p>February 2010 Representative Director, Executive Officer and President, Fujita Kanko Inc.</p> <p>March 2013 Chairman, Fujita Kanko Inc.</p> <p>April 2014 Counselor, Fujita Kanko Inc. (Resigned in March 2015)</p> <p>February 2016 Outside Audit & Supervisory Board Member, Tobu Trading Co., Ltd. (current position)</p> <p>April 2016 Outside Director, Kamakura Shinsho, Ltd. (current position)</p>	0
[Reason for nominating as a candidate for Outside Director] Kazumasa Suezawa has abundant expertise and experience nurtured during his tenure as a manager of operating companies, The Company therefore expects that he would provide valuable advice on the management of the Company from an independent standpoint. The Company newly appoints him as a candidate for Outside Director based on its judgment that he qualifies for this position from the viewpoint of ensuring transparent decision making by the Board of Directors and reinforcing the supervisory functions thereon.			
[Special notes regarding the candidate for Outside Director] 1) Number of years the candidate for Outside Director has served as Director of the Company — 2) Attendance at the Board of Directors Meetings (fiscal 2015) — 3) View on independence As Kazumasa Suezawa satisfies the “Independence Criteria for Outside Director/Outside Audit & Supervisory Board Member” stipulated by the Company, the Company judges that he maintains independence from the Company. There are no interests including personal, capital and transactional relationships between Dowa Holdings Co., Ltd., and Fujita Kanko Inc., at which he was an executing person in the past, and the Company.			

Notes:

- No material conflict of interest exists between the Company and any of the above ten (10) candidates for Director.
- Shuichi Murakami and Kazumasa Suezawa are candidates for Outside Director.
- The Company has notified Tokyo Stock Exchange, Inc., of the designation of Shuichi Murakami as an Independent Director as stipulated by the TSE regulations. If his appointment as Outside Director is approved at this Annual Shareholders' Meeting, the Company intends to continuously designate him as an Independent Director. If the election of Kazumasa Suezawa as Outside Director is approved at this Annual Shareholders' Meeting, the Company intends to designate him as an Independent Director and notify the Tokyo Stock Exchange of his designation as such.
- In October 2015, during the term of office of Shuichi Murakami as an Outside Director, the Company received a cease-and-desist order and an order for payment of a surcharge from the Japan Fair Trade Commission for violation of the Anti-Monopoly Act with regard to the bidding for the equipment installation project of the Hokuriku Shinkansen Line. Although he did not perceive such violations until they were revealed by legal authorities, he had given recommendations from the standpoint of compliance and promoting awareness. After the incident was revealed, he has been providing recommendations on the prevention of a recurrence and how to ensure the effectiveness of preventive measures in the pursuit of thorough compliance. He also has checked and verified the status of the recurrence preventive measures that have been implemented.
- The Company has stipulated in its Articles of Incorporation that it can conclude a limited liability agreement with each Outside Director to limit his/her liability for damages to a certain degree, and

has concluded such limited liability agreement with Shuichi Murakami. If this Proposal is approved, the Company intends to continue the limited liability agreement with him and intends to conclude said agreement with Kazumasa Suezawa. In addition, the Company intends to conclude said agreement with Eitaro Uenishi, who is not an executive director, subject to the approval and adoption of Proposal No. 2: Partial Amendment to Articles of Incorporation at this Annual Shareholders' Meeting.

The outline of the aforementioned limited liability agreement is as follows:

- In case an Outside Director causes damage to the Company due to his/her negligence of duty, his/her liability for the damage shall be up to the minimum liability amount provided for in law when said Director's duty is performed in good faith and with no gross negligence.

(Reference)

“Independence Criteria for Outside Director/Outside Audit & Supervisory Board Member”

In order to increase the soundness and transparency of management, the Company has established the following independence criteria for outside directors and outside audit & supervisory board members. Outside directors and outside audit & supervisory board members are considered to be independent unless any of the following criteria applies.

1. Major shareholder¹ of the Company or an Executive thereof;
2. Major lender² of the Company or an Executive thereof;
3. A party whose major client or supplier is the Company³ or an Executive thereof;
4. Major client or supplier of the Company⁴ or an Executive thereof;
5. Consultant, accountant or legal professional who receives ¥10 million per year in monetary consideration or other property from the Company besides compensation as a director/audit & supervisory board member (if the recipient of such property is a corporation, partnership or other entities, a person who belongs to an entity for which the total amount of money and property received from the Company exceeds 2% of its annual gross revenue);
6. Person who receives more than ¥10 million per year in donation (or Executive thereof, if the recipient of such donation is a corporation, partnership or other entities);
7. Person who fell under any of the above-listed items 1. through 6.during the past three years; or
8. Relatives within the second degree of kinship of the person (excluding significant persons) who fall under any of the following items (1) through (3).
 - (1) Person who falls under any of the above-listed items 1 through 7;
 - (2) Executive of any subsidiaries of the Company; or
 - (3) Non-Executive director of any subsidiaries of the Company.

Notes:

1. “Major shareholder” refers to a shareholder who holds 10% or more of the voting rights directly or indirectly at the end of the nearest fiscal year.
2. “Major lender” refers to a lender to whom the Company has outstanding borrowings in the amount that exceeded 2% of the consolidated total assets of the Company at the end of the nearest fiscal year.
3. “A party whose major client or supplier is the Company” refers to a party for whom the average amount of payments received from the Company for the past three fiscal years exceeds 2% of the average consolidated net sales of said party for the past three fiscal years.
4. “A major client or supplier of the Company” refers to a party for whom the average amount of payments to the Company for the past three years exceeds 2% of the average consolidated net sales of the Company for the past three fiscal years.

Proposal No. 4: Election of Two (2) Audit & Supervisory Board Members

The terms of office of Audit & Supervisory Board Members Mitsuru Sano and Junichi Noro will expire at the conclusion of this Annual Shareholders' Meeting. Accordingly, the election of two (2) Audit & Supervisory Board Members is proposed.

The Company determines that one candidate for Outside Audit & Supervisory Board Member satisfies the "Independence Criteria for Outside Director/Outside Audit & Supervisory Board Member" stipulated by the Company. Refer to page 60 for details of said criteria.

The Audit & Supervisory Board has given its prior consent to this Proposal.

The candidates are as follows:

Candidate No.	Name (Date of birth)	Career summary and positions in the Company and important positions concurrently held at other companies	Number of shares of the Company held
1	Toshiya Furukatsu (August 6, 1955) [New appointment]	<p>April 1979 Joined the Company</p> <p>April 1994 Overseas Dept., Green Technology System Division Transferred Taikisha (Thailand) Co., Ltd.</p> <p>January 1998 Director in charge of Administration (Accounting and Finance), Taikisha (Thailand) Co., Ltd.</p> <p>April 2002 General Manager, Overseas Operation Office, Administrative Management Headquarters</p> <p>April 2003 General Manager, Overseas Operation Dept., Administrative Management Headquarters</p> <p>April 2007 General Manager, President's Office</p> <p>April 2009 Internal Audit Office (current position)</p>	1,000
[Reason for nominating as a candidate for Audit & Supervisory Board Member] Since he joined the Company, Toshiya Furukatsu has been mainly engaged in accounting/financial and internal audit operations and has abundant business experience and in-depth expertise in finance and accounting. The Company newly appoints him as a candidate for Audit & Supervisory Board Member based on its judgment that he qualifies for this position because he is well-versed in the actual condition of the Company, for example, as a responsible executive in overseas operation, in addition to the aforesaid experience and expertise.			
2	Junichi Noro (September 2, 1954) [Reappointment] [Candidate for Outside Audit & Supervisory Board Member] [Independent Auditor]	<p>March 2010 Managing Executive Officer, General Manager, Head Office 2nd Corporate Marketing Dept., and Deputy General Manager, Metropolitan Area Headquarters, Nippon Life Insurance Company</p> <p>March 2012 Resigned from Nippon Life Insurance Company Adviser, NLI Research Institute</p> <p>June 2012 Representative Director, President, NLI Research Institute (current position) Audit & Supervisory Board Member of the Company (current position)</p>	0
[Reason for nominating as a candidate for Outside Audit & Supervisory Board Member] The Company reappoints Junichi Noro as a candidate for Outside Audit & Supervisory Board Member based on its judgment that he qualifies for this position as he has abundant expertise and experience nurtured during his tenure as an executing person of a leading life insurance company and a manager of operating companies and the expectation that he would appropriately perform duties from an objective standpoint to supervise the legality of the execution of duties by Directors.			
[Special notes regarding the candidate for Outside Audit & Supervisory Board Member] 1) Number of years the candidate for Outside Audit & Supervisory Board Member has served as Audit & Supervisory Board Member of the Company The number of years as Audit & Supervisory Board Member of the Company will be four (4) years at the conclusion of this Annual Shareholders' Meeting. 2) Attendance at the Board of Directors Meetings (fiscal 2015) 14/16 (attendance rate of 87.5%) 3) Attendance at the Audit & Supervisory Board Meetings (fiscal 2015) 9/9 (attendance rate of 100%) 4) View on independence As Junichi Noro satisfies the "Independence Criteria for Outside Director/Outside Audit & Supervisory Board Member" stipulated by the Company, the Company judges that he maintains independence from the Company. Although he concurrently serves as President of NLI Research Institute, there are no personal, capital, transactional or any other relationships between this company and the Company. He came from Nippon Life Insurance Company but resigned in 2012. Although this company holds the Company's shares, its shareholding ratio is 2.36%. Although this company and the Company had transactions such as construction contract and insurance contracts in fiscal 2015, the respective amount of the relevant transactions did not exceed the amount of payments specified in the aforementioned criteria. (The average transaction amounts between both companies for the past three fiscal years was less than 1% of the three-year average transaction amounts of this company's consolidated ordinary income as well as the Company's consolidated net sales of completed construction contracts for the past three fiscal years..)			

Notes:

1. No material conflict of interest exists between the Company and either of the above two (2) candidates for Audit & Supervisory Board Member.
2. Junichi Noro is a candidate for Outside Audit & Supervisory Board Member.
3. The Company has notified Tokyo Stock Exchange, Inc., of the designation of Junichi Noro as an Independent Auditor as stipulated by the TSE regulations. If his appointment as an Audit & Supervisory Board Member is approved at this Annual Shareholders' Meeting, the Company intends to continuously designate him as an Independent Auditor as stipulated in the provisions of the Tokyo Stock Exchange.
4. In October 2015, during the term of office of Junichi Noro as an Outside Audit & Supervisory Board Member, the Company received a cease-and-desist order and an order for payment of a surcharge from the Japan Fair Trade Commission for violation of the Anti-Monopoly Act with regard to the bidding for the equipment installation project of the Hokuriku Shinkansen Line. Although he did not perceive such violations until they were revealed by legal authorities, he had given recommendations from the standpoint of compliance and promoting awareness. After the incident was revealed, he has been providing recommendations on the prevention of a recurrence and how to ensure the effectiveness of preventive measures in the pursuit of thorough compliance. He also has checked and verified the status of the recurrence preventive measures that have been implemented.
5. The Company has stipulated in its Articles of Incorporation that it can conclude a limited liability agreement with each Outside Audit & Supervisory Board Member to limit his/her liability for damages to a certain degree and has concluded said agreement with Junichi Noro. If his election as Outside Audit & Supervisory Board Member is approved, the Company intends to continue said agreement with him. In addition, the Company intends to conclude said agreement with Toshiya Furukatsu, subject to the approval and adoption of Proposal No. 2: Partial Amendment to Articles of Incorporation at this Annual Shareholders' Meeting. The outline of the aforementioned limited liability agreement is as follows:
 - In case an Outside Audit & Supervisory Board Member causes damage to the Company due to his/her negligence of duty, his/her liability for the damage shall be up to the minimum liability amount provided for in law when said Audit & Supervisory Board Member's duty is performed in good faith and with no gross negligence.

Proposal No. 5: Election of One (1) Substitute Audit & Supervisory Board Member

To prepare for a possible vacancy in the number of Audit & Supervisory Board Members, which is stipulated by the relevant laws and regulations, the prior election of one (1) Substitute Audit & Supervisory Board Member is proposed.

The Audit & Supervisory Board has given its prior consent to this Proposal.

The candidate is as follows:

Name (Date of birth)	Career summary and positions in the Company and important positions concurrently held at other companies	Number of shares of the Company held
Takashi Kouno (February 22, 1955)	<p>April 1978 Joined The Long-Term Credit Bank of Japan, Limited (current Shinsei Bank, Limited) (Resigned in October 1985)</p> <p>April 1992 Admitted as attorney. Joined Komatsu & Koma Law Office</p> <p>January 1996 Established Toranomom Daiichi Law Office</p> <p>June 1997 Outside Audit & Supervisory Board Member, Tamura Electric Works, Ltd. (current SAXA, Inc.)</p> <p>February 2004 Outside Audit & Supervisory Board Member, SAXA Holdings, Inc. (current position)</p> <p>April 2004 Outside Audit & Supervisory Board Member, SAXA, Inc. (current position)</p> <p>October 2006 Established Kouno Law Office (current position)</p>	0

Notes:

1. No material conflict of interest exists between the Company and the candidate for Substitute Audit & Supervisory Board Member.
2. Takashi Kouno is a candidate for Outside Audit & Supervisory Board Member.
3. Although Takashi Kouno is currently an Outside Audit & Supervisory Board Member of SAXA Holdings, Inc., and an Outside Audit & Supervisory Board Member of SAXA, Inc., he will retire therefrom as of June 29, 2016.
4. Although Takashi Kouno has had no experience of directly engaging in corporate management, the Company appoints him as a candidate for Outside Audit & Supervisory Board Member based on its judgment that he qualifies for this position as he has professional expertise and abundant experience as a lawyer, and the expectation that he would appropriately perform duties from an objective standpoint to supervise the legality of the execution of duties by Directors.
5. If Takashi Kouno assumes the position of Outside Audit & Supervisory Board Member, the Company intends to designate him as an Independent Auditor as stipulated in the provisions of the Tokyo Stock Exchange and notify the Tokyo Stock Exchange of his designation as such.
6. The Company has stipulated in its Articles of Incorporation that it can conclude a limited liability agreement with each Outside Audit & Supervisory Board Member to limit his/her liability for damages to a certain degree. If Takashi Kouno assumes the position of Outside Audit & Supervisory Board Member, the Company intends to conclude said agreement with him.

The outline of the aforementioned limited liability agreement is as follows:

- In case an Outside Audit & Supervisory Board Member causes damage to the Company due to his/her negligence of duty, his/her liability for the damage shall be up to the minimum liability amount provided for in law when said Audit & Supervisory Board Member's duty is performed in good faith and with no gross negligence.

Proposal No. 6: Revision to Amount of Compensation to Directors

The upper limit on the compensation to Directors of the Company to be within ¥480 million per year without including the portions of their salaries for Directors who concurrently serve as employees was approved at the 67th Annual Shareholders' Meeting held on June 28, 2012, and remains effective until now. In light of subsequent changes in the economic situation, an increase in the number of outside directors and other various conditions, the revision to the amount of compensation to directors to within ¥540 million (of which that for Outside Directors is to be within ¥20 million per year) per year is proposed.

As usual, such amount of compensation to Directors shall not include the portions of their salaries for Directors who concurrently serve as employees.

Although the number of incumbent Directors is nine (9) (including one (1) Outside Director), if Proposal No. 3 is approved as originally proposed, the number of Directors will be ten (10) (including two (2) Outside Directors).

Proposal No. 7: Approval of Countermeasures against Large-Scale Purchases of the Company's Share Certificates or Other Securities (Takeover Defense Measures)

The Company resolved to introduce the "Countermeasures against Large-Scale Purchases of the Company's Share Certificates or Other Securities (Takeover Defense Measures)" ("Original Plan") at the Board of Directors meeting of the Company held on January 31, 2008 and to partially amend the Original Plan at the

Board of Directors meeting of the Company held on May 15, 2008, and the continuation of the Original Plan was approved by the shareholders at the Annual Shareholders' Meeting of the Company held on June 27, 2008. Subsequently, the amendments to and the continuation of the Original Plan in accordance with the implementation of the so-called Electronic Share Certificate System, etc., was approved by the shareholders at the Annual Shareholders' Meeting of the Company held on June 29, 2010; and the change of the upper limit for the period during which the Large-Scale Purchaser (as defined in the "Contents of the Plan" in the referenced section, the same shall apply hereinafter) may provide information and the amendments to and the continuation of the Original Plan in accordance with the review of the requirements for implementing the Original Plan were respectively approved by the shareholders at the Annual Shareholders' Meeting of the Company held on June 27, 2013 (hereinafter, the currently effective plan that has been amended and resolved to be continued after the introduction of the Original Plan shall be referred to as the "Current Plan"); however, the effective period of the Current Plan will expire as of the conclusion of the 71st Annual Shareholders' Meeting of the Company to be held on June 29, 2016 (such June 29, 2016 shareholders' meeting hereinafter referred to as the "Annual Shareholders' Meeting", the same definition shall also apply in the referenced section below titled "Contents of the Plan").

The Company has been considering the role of the Current Plan, including the issue as to whether to continue it, from the viewpoint of securing and improving the Company's corporate value and, eventually, the common interests of the Company's shareholders, while taking into account the changes, etc., to the economic conditions. The Company hereby announces that, as a result of such considerations, at the Board of Directors meeting of the Company held on May 16, 2016, the Board of Directors has resolved to further continue the Current Plan, partially amended (hereinafter the Current Plan that has been amended and resolved to be continued shall be referred to as the "Plan"), subject to the approval of the Company's shareholders at the Annual Shareholders' Meeting.

If the continuation of the Plan fails to be approved by the Company's shareholders, the Current Plan will be abolished at the time of the expiration of its effective period.

The major amendments from the Current Plan to the Plan are as follows:

- Specifying that, if the Company exercises countermeasures based on the Plan, the Company does not indemnify the Large-Scale Purchaser by providing any consideration such as money, etc. or any other financial consideration;
- Specifying that, if the Company exercises countermeasures based on the Plan, the Board of Directors of the Company will, as a general rule, follow the recommendations of the Independent Committee; and
- Specifying that, when considering exercising countermeasures based on the Plan, the Company may confirm the intent of shareholders at the shareholders' meeting in certain cases.

Please refer to the referenced section "Contents of The Plan" for further details of the contents of the Plan, including revised wording etc., of the Plan. Please also refer to the Internet website of the Company (<http://www.taikisha.co.jp/>) for the content of the Current Plan.

The career summaries, etc., of the candidate members of the Independent Committee who will be appointed at the first Board of Directors meeting of the Company to be held after the holding of the Annual Shareholders' Meeting are as indicated in Exhibit 3 of the referenced section.

Prior to the decision at the meeting of the Board of Directors of the Company, the Company obtained the unanimous approval of the Independent Committee of the Company regarding the amendment of the Current Plan and continuation of the Plan.

Furthermore, all four audit & supervisory board members of the Company, including the two outside audit & supervisory board members, were present at the Board of Directors meeting of the Company held on May 16, 2016, and all of the audit & supervisory board members expressed their views to support the amendment of the Current Plan and the continuation of the Plan on the condition that the management of the Plan will be appropriately conducted.

The status of the major shareholders of the Company as of March 31, 2016, is as shown in Exhibit 1 of the referenced section and, as of the date of this announcement, the Company is unaware of any of its share certificates, etc., being targeted by any Large-Scale Purchases (as defined in the "Contents of the Plan" in the referenced section).

(Reference)

Contents of the Plan

1. Measures for the Enhancement of Corporate Value of the Company

(1) Philosophy and Vision of the Company

The Company has focused on the following as its corporate philosophy: “Establish a company which can continuously grow and contribute to the society”; and “Establish an attractive company”. In order to realize this corporate philosophy, the Company strives for the prosperity of stakeholders through an increase of the value-added, a creation of the productive environment and the development of the industrial society through technologies, personal fulfillment of employees through work, building of an organizational climate that has mutual trust, cooperation and rationality, and other matters. In other words, the following is its management vision that express what the Company aims at: “Conduct businesses under free and fair competition in compliance with laws and the spirit thereof; contribute to customer/business partner, shareholder, employee, community/society and global environment with transparency and integrity.”.

(2) Mid-Term Business Plan

In May, 2016, the Company established a mid-term business plan for three years from the fiscal year ending March 2017 through the fiscal year ending March 2019. The mid-term business plan consists of the following four items: I. Philosophy and Vision; II. Basic Principles; III. The Group’s Mid-Term Business Targets; and IV. Measures to Realize Business Targets, and the overview is as follows. The Company aims at achieving sustainable development of the Company’s business that is focused on the green technology system business and the paint finishing system business, and at the same time strives to secure and enhance the corporate value and the common interests of shareholders.

I. Philosophy and Vision

“Mission Statement”: Customers First

“Corporate Philosophy”:

1. Establish a company which can continuously grow and contribute to the society
2. Establish an attractive company

“Management Vision”:

Conduct businesses under free and fair competition in compliance with laws and the spirit thereof; contribute to customer/business partner, shareholder, employee, community/society and global environment with transparency and integrity.

II. Basic Principles

1. Responding flexibly and quickly to the needs of society and changes in the market environment and aiming at achieving steady and sustainable development.
2. Intending to be highly trusted and evaluated by all stakeholders.

III. Group’s Mid-Term Business Targets (Consolidated)

With respect to ordinary profit forecasts out of the targets (consolidated) on a yearly basis from the fiscal year ending March 2017 through the fiscal year ending March 2019, the Company has established 11.8 billion yen for the fiscal year ending March 2017, 12.3 billion yen for the fiscal year ending March 2018, and 13.0 billion yen for the fiscal year ending March 2019.

With respect to the dividend policy, the basic policy is to implement steady dividends by targeting a consolidated dividend payout ratio of 35%. The Company also intends to implement stock buybacks flexibly in order to improve the efficiency of capital use and to achieve a flexible financial policy.

IV. Measures to Realize Business Targets

In order to achieve the business targets, the Company has established specific measures for its green technology system business and the paint finishing system business, and at the same time has established measures to enhance the business base.

For details of the Company’s mid-term business plan, please see the Company’s website (<http://www.taikisha.co.jp/>).

(3) Measures for Corporate Governance

The Company is acutely aware that the biggest management risk that will damage the corporate value is a breach of laws and regulations, and therefore it has given top priority to enhance the corporate value

through the implementation of compliance, and further expand corporate governance to widely receive recognition from society. Through activities of organizations such as the Board of Directors, the Board of Audit & Supervisory Board Members, the Management Meeting, the Corporate Compliance Committee and the Internal Audit Office, and also through establishment of an internal control system, the Company strives to comply with relevant laws and regulations such as the Construction Business Act and the Financial Instruments and Exchange Act.

2. Purpose of Continuing the Plan

The Company will continue the Plan with the aim of securing and enhancing the corporate value of the Company, and consequently, the common interests of shareholders.

The Company believes that the trading of the Company shares should be left to the market, and believes that the shareholders should make the final decision as to whether to sell the Company's shares by accepting the request by the Large-Scale Purchaser (Note 2) who conducts the Large-Scale Purchase (Note 1) of the Company's share certificates or other securities. Furthermore, the involvement in the management by the Large-Scale Purchaser will not necessarily damage the corporate value, and if it leads to the expansion of the Company's corporate value, the Company will not deny such involvement.

However, the Company believes that, among the Large-Scale Purchasers who conduct those Large-Scale Purchases, in view of the purpose of the Large-Scale Purchase, in some cases, an inadequate Large-Scale Purchase is made by such Large-Scale Purchaser, such as the case where such purpose is likely to damage the corporate value of the Company, and consequently, the common interests of shareholders, or the case where a Large-Scale Purchase by the Large-Scale Purchaser would virtually force the shareholders to sell the Company shares.

When such inadequate Large-Scale Purchase is made that goes against the corporate value of the Company, and consequently, the common interests of shareholders, the Company believes that it is necessary to secure the sufficient information and time that are necessary to make a decision as to whether the shareholders will accept the request to purchase by the Large-Scale Purchaser and for the Company to secure the opportunity to negotiate with the Large-Scale Purchaser.

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

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

The status of large shareholders of the Company as of March 31, 2016 is as indicated in Exhibit 1, and at this point in time, the Company has no knowledge of the Company's share certificates or other securities having become subject to a Large-Scale Purchase. However, the Company has decided to continue the Plan, which stipulates the rules of a large-scale purchase (as defined in part 3 below) and countermeasures against a Large-Scale Purchase, in order to prevent in advance the Company's corporate value from being damaged without discretion, and prevent any unexpected disadvantages that might occur to shareholders, by securing the information and time necessary for examining the following: 1) whether the purpose of the Large-Scale Purchase by the Large-Scale Purchaser is likely to damage the corporate value, and consequently, the common interests of shareholders; 2) whether the Large-Scale Purchase by the Large-Scale Purchaser would virtually force the shareholders to sell the Company shares; 3) whether a necessary and sufficient disclosure of information has been made by the Large-Scale Purchaser to the shareholders; and 4) whether there is sufficient time necessary for the shareholders to examine the appropriateness of the Large-Scale Purchase; and other matters, where a Large-Scale Purchase is made in the future that poses a risk of damaging the corporate value, and consequently, the common interests of shareholders.

Note 1: Large-Scale Purchase

Purchases of the Company's share certificates or other securities (Note 1-1) in which the ratio of voting rights (Note 1-3) of specified shareholders, etc. (Note 1-2) of the Company's share certificates or other securities is 20% or more, or purchases of the Company's share certificates or other securities that result in the ratio of voting rights of the specified shareholders, etc. is 20% or more (with respect to any of them, unless agreed by the Company's Board of Directors in advance, and in whatever the specific purchase method, such as a market transaction and a tender offer).

Note 1-1: Share certificates or other securities

Either Share certificates or other securities stipulated in Paragraph 1, Article 27-23 of the Financial Instruments and Exchange Act, or Share certificates or other securities stipulated in Paragraph 1, Article 27-2 of the Financial Instruments and Exchange Act.

Note 1-2: Specified shareholders, etc.

- (i) Holders (holders as stipulated in Paragraph 1, Article 27-23 of the Financial Instruments and Exchange Act, including a person deemed as a holder pursuant to Paragraph 3, Article 27-23 of the Financial Instruments and Exchange Act) of share certificates or other securities (share certificates or other securities as stipulated in Paragraph 1, Article 27-23 of the Financial Instruments and Exchange Act) of the Company, and any joint holders (joint holders as stipulated in Paragraph 5, Article 27-23 of the Financial Instruments and Exchange Act, including a person deemed as a joint holder pursuant to Paragraph 6, Article 27-23 thereof; the same will apply hereafter), or
- (ii) A person who makes a purchase (a purchase as stipulated in Paragraph 1, Article 27-2 of the Financial Instruments and Exchange Act, including a purchase made on a securities exchange market, whether or not the purchase is made in a manner of auctions) of share certificates or other securities (defined in Paragraph 1, Article 27-2 of the Financial Instruments and Exchange Act) of the Company, and any specially related parties (specially related parties as defined in Paragraph 7, Article 27-2 of the Financial Instruments and Exchange Act).

Note 1-3: Shares of voting rights

- (i) "Shares of voting rights" refers to (i) the shareholding ratio of the holder as stipulated in Paragraph 4, Article 27-23 of the Financial Instruments and Exchange Act, taking into account the number of shares held by any joint holders of that holder (the number of the share certificates or other securities held as stipulated in the said Paragraph; the same will apply hereafter), when the specified shareholders, etc. is as defined in Note 1-2 (i), or
- (ii) The sum of the shareholding ratio of the large-scale purchaser and any specially related parties (the shareholding ratio of share certificates or other securities stipulated in Paragraph 8, Article 27-2 of the Financial Instruments and Exchange Act) when the specified shareholders, etc. is as stipulated in Note 1-2 (ii).

In calculating the shareholding ratio of share certificates or other securities, or the ratio of possessing share certificates or other securities, the total voting rights (as stipulated in Paragraph 8, Article 27-2 of the Financial Instruments and Exchange Act), and the total number of outstanding and issued shares (as stipulated in Paragraph 4, Article 27-23 of the Financial Instruments and Exchange Act) may refer to Securities Reports, Semi-Annual Reports and Reports on the Status of Purchasing Treasury Share Certificates, of which were most recently submitted.

Note 2: Large-Scale Purchaser

A person conducting a Large-Scale Purchase.

3. Details of Large-Scale Purchase Rules

The Plan stipulates the procedures for the Board of Directors of the Company to require a Large-Scale Purchaser to provide information on a large-scale purchase in advance (as defined in (1) below; the same will apply hereafter) to evaluate and examine the Large-Scale Purchase, negotiate with the Large-Scale Purchaser regarding terms and other matters of the purchase, and to propose an alternative plan to shareholders and other matters to shareholders, in order to secure sufficient information and time necessary for shareholders to appropriately decide whether to accept the Large-Scale Purchase upon a Large-Scale Purchase of the Company's share certificates or other securities, and also stipulates the procedures for the Board of Directors of the Company to, while, as a general rule, following the recommendations of the Independent Committee (please see subpart (3) below for details of the Independent Committee), allot a gratis share subscription rights (*Shinkabu Yoyakuken*) or exercise other countermeasures against a Large-Scale Purchaser that are deemed reasonable at the point in time against a Large-Scale Purchase ("Large-Scale Purchase Rules"). Details of the Large-Scale Purchase Rules are as follows:

(1) Request for Providing Information to a Large-Scale Purchaser

Unless agreed to by the Board of Directors of the Company in advance, the Large-Scale Purchaser is required to submit to the Board of Directors of the Company a pledge that indicates the wording of pledges and other matters to observe the Large-Scale Purchase Rules in implementing the Large-Scale Purchase, and a document in a format prescribed by the Company that indicates information stipulated in the

following items (i) to (viii) (“Large-Scale Purchase Relevant Information”) prior to the commencement of the Large-Scale Purchase.

Where the Board of Directors of the Company receives the Large-Scale Purchase Relevant Information from a Large-Scale Purchaser, it will immediately provide the Independent Committee with that Large-Scale Purchase Relevant Information.

If the Board of Directors of the Company or the Independent Committee determines that the Large-Scale Purchase Relevant Information is insufficient to examine the Large-Scale Purchase intended by the Large-Scale Purchaser, it may, directly or indirectly, request that the Large-Scale Purchaser submit additional information.

The Board of Directors of the Company will set a period of 60 days from the day on which the Large-Scale Purchase Relevant Information to be provided by the Large-Scale Purchaser to the Board of Directors of the Company is first delivered to the Board of Directors of the Company, as a period during which the Board of Directors of the Company requests that the Large-Scale Purchaser submits additional information and which the Large-Scale Purchaser gives a response thereto (“Information Providing Period”), and even when a sufficient amount of Large-Scale Purchase Relevant Information has not been not provided, the Examination Period set forth in (2) below shall immediately commence upon expiration of the Information Providing Period. However, upon the Large-Scale Purchaser’s request to extend such period based on reasonable grounds, the Board of Directors of the Company may extend the Information Providing Period for up to 30 days as necessary. If, prior to the expiration of the Information Providing Period, it is deemed that a sufficient amount of additional information had been submitted in order to examine the Large-Scale Purchase, then the Board of Directors of the Company shall commence the Examination Period after notifying the Large-Scale Purchaser to that effect.

The Board of Directors of the Company will disclose as necessary a whole or a part of the fact that the Large-Scale Purchase has been proposed, and the Large-Scale Purchase Relevant Information and other information provided by the Large-Scale Purchaser, at the time and in a manner in which the Board of Directors of the Company deems appropriate.

- (i) Outline of the Large-Scale Purchaser and its group (including specified shareholders, etc., interested parties, and each partner and other constituent members in case of a partnership or a fund; the same will apply hereafter) (including the specific name, capital structure, financial details and other matters);
 - (ii) The purposes, methods and details of the Large-Scale Purchase (including the price and type of consideration, period of the purchase, structure of the related transactions, the legality of the method, feasibility of the implementation and other matters);
 - (iii) Whether or not any communication has been made with a third party with regard to the Large-Scale Purchase and the details, if any;
 - (iv) The basis of calculating the consideration of the purchase (including the assumed facts of the calculation, calculation method, numeric information used for the calculation, details of synergies that are expected to occur as a result of the series of transactions, and details of the synergies shareholders will be affected by out of those synergies, and other matters), and the corroboration of the funds for the purchase (including the specific name of the fund provider (including substantial provider), methods of raising funds, details of the related transactions, and other matters);
 - (v) Management policies, capital policy, dividend policy and financial policy of the Company and the Company group that the Large-Scale Purchaser intends to adopt after the Large-Scale Purchase;
 - (vi) Policies for responding to employees, business partners, customers of the Company, and other interested parties of the Company after the Large-Scale Purchase;
 - (vii) Specific measures to avoid a conflict of interest between other shareholders of the Company; and
 - (viii) Other information that the Board of Directors of the Company or the Independent Committee determines to be necessary.
- (2) Examination of the Details of the Large-Scale Purchase and the Alternative Measures, and Negotiation with the Large-Scale Purchaser by the Board of Directors of the Company
- After the expiration of the Information Providing Period or if the Board of Directors of the Company deems that a sufficient amount of additional information has been submitted as the Large-Scale Purchase Relevant Information, the Board of Directors of the Company will examine the Large-Scale Purchase by the

Large-Scale Purchaser from the perspective of whether it will contribute to secure and enhance the Company's corporate value, and consequently, the common interests of shareholders, based on the Large-Scale Purchase Relevant Information received from the Large-Scale Purchaser, and information and other materials that the Board of Directors of the Company independently obtained.

In examining the Large-Scale Purchase, the Board of Directors of the Company will, as a general rule, follow the recommendation of the Independent Committee to be held in accordance with subpart (3) below, and at the same time, it may receive advice from third party organizations such as financial advisors, certified public accountants, attorneys and consultants. In addition, the Board of Directors of the Company will negotiate with the Large-Scale Purchaser and make a proposal of alternative measures as necessary.

The Board of Directors of the Company will set 60 days in the circumstance of a whole purchase of the Company's share certificates or other securities by a tender offer that makes cash the only consideration (yen value), and 90 days in the circumstance of other purchases, commencing from the date when the Board of Directors of the Company begins the examination as the period to examine the Large-Scale Purchase ("Examination Period"), and the Large-Scale Purchaser is allowed to conduct the Large-Scale Purchase only after the termination of the Examination Period. If the Shareholders' Meeting for Confirming the Intent of Shareholders set forth in subpart 4(1) below is held, the Large-Scale Purchaser is not allowed to conduct the Large-Scale Purchase until after the intent of the shareholders has been confirmed at the Shareholders' Meeting for Confirming the Intent of Shareholders in addition to the Examination Period, and the Large-Scale Purchaser is allowed to conduct the Large-Scale Purchase only after the conclusion of the Shareholders' Meeting for Confirming the Intent of Shareholders.

Upon expiration of the Information Providing Period or when the Board of Directors of the Company deems that the additional information submitted by the Large-Scale Purchaser suffices as the Large-Scale Purchase Relevant Information and it is to commence the Examination Period, it will notify the Large-Scale Purchaser, and will make a disclosure with respect to the commencement of the Examination Period at the time and in a manner which the Company deems appropriate.

Where the Board of Directors of the Company determines that an examination of the details of the Large-Scale Purchase, proposal of alternative measures, negotiation with the Large-Scale Purchaser, or other matters has been insufficient, even upon the expiration of the Examination Period, it may extend the Examination Period up to a maximum period of 30 days by its resolution. The Board of Directors of the Company will consult the Independent Committee, and respect the recommendation of the Independent Committee in resolving upon the extension of the Examination Period. In addition, where the extension of the Examination Period is resolved upon, the Board of Directors of the Company will notify the Large-Scale Purchaser the period of extension and the reason of the extension, and will make the corresponding disclosure at the time and in a manner the Board of Directors of the Company deems appropriate.

- (3) Examination of Details of the Large-Scale Purchase by the Independent Committee, and Other Matters
In order to eliminate arbitrary decisions by the Board of Directors in exercising a gratis allotment of share subscription rights and other countermeasures, the Plan will go through the decision process of the Independent Committee that only consists of people outside the Company who have no specific interest with the Company and are independent from the Board of Directors of the Company.

The members of the Independent Committee will be appointed from outside directors, outside audit & supervisory board members and outside advisors who have no specific interest with the Company and are highly independent from the Board of Directors of the Company. Please see Exhibit 2 with respect to the outline of the Independent Committee Rules, and Exhibit 3 with respect to biographies of each candidate independent committee member planned to become a member after the continuation of the Plan, and other matters.

The Independent Committee will discuss and examine whether the Large-Scale Purchase Relevant Information provided by the Large-Scale Purchaser is sufficient, and whether to exercise countermeasures against the Large-Scale Purchase (whether the Large-Scale Purchaser observes the Large-Scale Purchase Rules, or whether it is obvious that the Large-Scale Purchase by the Large-Scale Purchaser will inflict upon the Company any damage that is difficult to recover, and other matters) to the extent of the Information Providing Period and the Examination Period, and, based on the result of such discussion and examination,

will make a recommendation to the Board of Directors of the Company as to whether they should exercise countermeasures, in addition to making a demand for the submission of additional information to the Large-Scale Purchaser or the Board of Directors of the Company. The Board of Directors of the Company will, as a general rule, resolve upon whether to exercise countermeasures against the Large-Scale Purchase in accordance with the procedures indicated in part 4 below by following the details of the recommendations of the Independent Committee.

Specifically, if the Independent Committee determines that the Large-Scale Purchase Information and other information provided by the Large-Scale Purchaser are insufficient for discussing and examining, it may request, during the Information Providing Period, directly or through the Board of Directors that the Large-Scale Purchaser provide additional information. In addition, in order to make a comparative review between the Large-Scale Purchase Relevant Information and other information provided by the Large-Scale Purchaser on the one hand and business plans of the Board of Directors of the Company, an evaluation of the corporate value and other matters on the other, the Independent Committee may also request, by from time to time establishing the deadline of the response, that the Board of Directors of the Company provide views on the details of the Large-Scale Purchase Relevant Information by the Large-Scale Purchaser and other information provided by the Large-Scale Purchaser (including views to withhold opinions on that information), the supporting materials, alternative measures (only where there are any alternative measures), other information that the Independent Committee from time to time deems necessary, and other matters.

Where there is any change in a fact that supports such recommendation such as where the Large-Scale Purchaser suspends the Large-Scale Purchase after that recommendation, the Independent Committee may change the details of the recommendation, cancel the recommendation, or take other actions.

4. Exercise of Countermeasures

(1) Where the Large-Scale Purchase Rules are Observed

The Plan stipulates certain rules for the purpose of providing shareholders with sufficient information necessary for deciding as to whether to accept such Large-Scale Purchase, for evaluation, opinions and other matters of the Board of Directors of the Company that is actually involved in the management, from the perspective of securing and enhancing the corporate value of the Company and the common interests of shareholders with respect to the Large-Scale Purchase of share certificates or other securities with a scale that might have an influence on the Company's management, and further assuring opportunities to receive a proposal of alternative measures and sufficient time necessary for examining those opportunities.

Therefore, where the Large-Scale Purchaser observes the Large-Scale Purchase Rules, countermeasures will not be exercised in principle.

Even where the Large-Scale Purchaser observes the Large-Scale Purchase Rules, however, if, as a result of examining the Large-Scale Purchase based on the Large-Scale Purchase Relevant Information, other information received from the Large-Scale Purchaser, and information independently obtained by the Board of Directors of the Company, that the Large-Scale Purchase is deemed obvious to be an act that will inflict upon the Company any damage that is difficult to recover from, such as an act falling under one or more of the requirements in the following items (i) through (v), the Board of Directors of the Company will, as a general rule, resolve to exercise countermeasures, and will exercise such countermeasures, in accordance with the recommendations of the Independent Committee made in accordance with subpart 3 (3) above.

As specific countermeasures, appropriate countermeasures will be selected, depending on the situation at different times, out of those accepted as being within the authority of the Board of Directors of the Company in relation to a gratis allotment of share subscription rights, other laws and regulations, and the Company's Articles of Incorporation. The outline of share subscription rights where implementing that gratis allotment of share subscription rights as a countermeasure is as indicated in Exhibit 4. Upon exercising a countermeasure, the Company does not indemnify the Large-Scale Purchaser by providing money, etc. or other financial consideration, regardless of the name thereof, such as consideration for acquisition or transfer of share subscription rights, etc. The Board of Directors of the Company may confirm the intent of shareholders regarding the exercise of countermeasures at the shareholders' meeting (the "Shareholders' Meeting for Confirming the Intent of Shareholders") (i) when the Independent Committee makes a recommendation with the reservation that it is appropriate to confirm the intent of shareholders in advance or (ii) when, regarding the exercising of countermeasures, the Board of Directors

of the Company decides that it is appropriate to confirm the intent of shareholders in advance, in view of the fiduciary duty of directors, taking into account the time required for holding the shareholders' meeting, etc. The Board of Directors of the Company will resolve to exercise a countermeasure if the approval of shareholders regarding the exercise of a countermeasure is obtained at the Shareholders' Meeting for Confirming the Intent of Shareholders, and the Board of Directors of the Company will resolve not to exercise a countermeasure if the approval of shareholders regarding the exercise of a countermeasure is not obtained at the Shareholders' Meeting for Confirming the Intent of Shareholders.

Even after deciding to exercise a countermeasure, where that Large-Scale Purchase is not deemed obvious to inflict upon the Company any damage that is difficult to recover from for reasons such as any change occurring to an assumed fact, the Board of Directors of the Company may, as a general rule, cancel a resolution related to the exercise of a countermeasure in accordance with the recommendations of the Independent Committee.

- (i) Where the Large-Scale Purchase is made for the purpose of driving up the share price and forcing interested parties of the Company to purchase the Company's share certificates or other securities at a high price despite no intent to truly participate in the company management of the Company (so-called greenmailer);
- (ii) Where the Large-Scale Purchase is made for the purpose of transferring to the Large-Scale Purchaser or its group intellectual property rights, know-how, trade secret information, major business partners, customers or other matters necessary for the business management of the Company by temporarily taking control of the Company's management;
- (iii) Where the Large-Scale Purchase is made in order to divert the Company's assets as collateral for or repayment of debts of the Large-Scale Purchaser or its group after taking control of the Company's management;
- (iv) Where the Large-Scale Purchase is made by temporarily controlling the Company's management for the purpose of bringing about a disposal by sale or other methods of its high-value assets or other matters such as real estate and securities that have no current relevance to the Company's business and declaring temporarily high dividends from the profits of the disposal, or selling share certificates or other securities of the Company at a high price, taking advantage of the opportunity afforded by the sudden rise in share prices created by the temporarily high dividends; or
- (v) Where the purchase results in virtually compelling the shareholders to sell their shares, by unfavorably (or without clarification) setting terms of the purchase in the second stage and making the purchase, without soliciting a purchase of all share certificates or other securities of the Company (so-called coercive two-tiered tender offer).

(2) Where the Large-Scale Purchase Rules are not Observed

Where the Large-Scale Purchaser fails to observe the Large-Scale Purchase Rules, the Board of Directors of the Company will, as a general rule, resolve to exercise countermeasures and exercise such countermeasures for securing the Company's corporate value and the common interests of shareholders in accordance with the recommendations of the Independent Committee made in accordance with subpart 3(3) above. As specific countermeasures, appropriate countermeasures will be selected, depending on the situation at different times, out of those accepted as being within the authority of the Board of Directors of the Company in relation to a gratis allotment of share subscription rights, other laws and regulations, and the Company's Articles of Incorporation. The outline of share subscription rights where implementing that gratis allotment of share subscription rights as a countermeasure is as indicated in Exhibit 4. Upon exercising a countermeasure, the Company does not indemnify the Large-Scale Purchaser by providing money, etc. or other financial consideration, regardless of the name thereof, such as consideration for acquisition or transfer of share subscription rights, etc.

In addition, similar to subpart (1) above, even after deciding upon an exercise of countermeasures, where that Large-Scale Purchase is not deemed obvious to inflict upon the Company any damage that is difficult to recover from for reasons such as any change occurring to an assumed fact, the Board of Directors of the Company may, as a general rule, cancel a resolution related to the exercise of countermeasures in accordance with the recommendations of the Independent Committee.

5. Effective Period, Abolition and Change of the Plan

The effective period of the Plan will be until the completion of the annual shareholders' meeting regarding the last fiscal year ending within three years after the end of the Annual Shareholders' Meeting upon approval of the shareholders at the Annual Shareholders' Meeting.

On the other hand, if no approval is received at the Annual Shareholders' Meeting, then the Plan will not continue and, at that point in time, the Current Plan will be abolished.

However, even after shareholders approve the Plan, if the shareholders' meeting of the Company resolves to abolish the Plan, or the Board of Directors of the Company resolves to abolish the Plan, before the expiration of the effective period of the Plan, then the Plan will be abolished as of the time of such resolution.

In addition, unless it is against the purpose of introducing the Current Plan and continuing the Plan, where it is appropriate to revise the Plan because of a new establishment, revision or abolition of laws and regulations regarding the Plan, stock exchange rules and other rules even during the effective period of the Plan, if it is appropriate to make a revision of the wording such as revisions and supplements of errors, omissions and other matters, and that revision will not adversely affect the shareholders of the Company, the Board of Directors of the Company will revise or change the Plan upon obtaining approval of the Independent Committee.

If the abolition, revision, change or other matter of the Plan is made, the Company will promptly make a disclosure with respect to the fact and details or other matters of that abolition, revision, change or other matters.

6. Scheme to Enhance the Rationale of the Plan

- (1) Fully Satisfying the Three Principles Set Out in the Guidelines Regarding the Takeover Defense Measures
The Plan fully satisfies the three principles ((i) Protection and Enhancement of Corporate Value and Shareholders' Common Interests, (ii) Prior Disclosure and Shareholders' Intent and (iii) Ensuring the Necessity and Reasonableness) set out in the "Guidelines Regarding Takeover Defense for the Purposes of Ensuring and Enhancing Corporate Value and Shareholders' Common Interests" released by the Ministry of Economy, Trade and Industry and the Ministry of Justice as of May 27, 2005.
- (2) Reflecting the spirit of the Takeover Defense Measures released by the Corporate Value Study Group
The contents of the Plan reflect the spirit of "Takeover Defense Measures in Light of Recent Environmental Changes" released on June 30, 2008 by the Corporate Value Study Group established by the Ministry of Economy, Trade and Industry.
- (3) Emphasis on the Intent of the Shareholders and Information Disclosure
The Company will confirm the intent of shareholders at the Annual Shareholders' Meeting as to whether to continue the Plan, and if no approval is obtained with respect to the continuation of the Plan, then the Plan will be terminated as of the expiration of the effective period of the Current Plan, and the intent of shareholders will be reflected.

In addition, as indicated in part 5 "Effective Period, Abolition and Change of the Plan" above, even before the expiration of the effective period of the Plan, if the shareholders' meeting resolves to abolish the Plan, then the Plan will be abolished as of the time of such resolution, and for this point, the continuation and abolition of the Plan will be conducted in a manner that respects the intent of the shareholders.

Moreover, as mentioned in subpart 4 (1), the Shareholders' Meeting for Confirming the Intent of Shareholders can be held in order to have an opportunity to confirm the intent of shareholders regarding the advantages and disadvantages of exercising a countermeasure and it will be possible to clarify that countermeasures are exercised by respecting the intent of shareholders.

Furthermore, in order to enable the shareholders to appropriately make decisions such as decisions on the abolition or other matters of the Plan, the decision as to whether to sell shares of the Company by accepting the Large-Scale Purchase, and other matters, the Board of Directors of the Company will, as indicated in subpart 3(1) above, disclose to shareholders the Large-Scale Purchase Relevant Information and other information provided by the Large-Scale Purchaser at the time and in a method the Board of Directors of the Company deems appropriate.

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

If a Large-Scale Purchase is made against the Company, as indicated in subpart 3(3) “Examination of Details of the Large-Scale Purchase by the Independent Committee, and Other Matters” above, the Independent Committee will make a recommendation to the Board of Directors of the Company upon discussing and examining whether to exercise countermeasures against the Large-Scale Purchase, and other matters, and the Board of Directors of the Company will, as a regular rule, make a resolution following the recommendation of the Independent Committee, and a scheme to eliminate the exercise of countermeasures based on arbitrary decisions by the Board of Directors of the Company is thereby secured.

Furthermore, the Plan will be exercised only when the Large-Scale Purchaser fails to observe formal Large-Scale Purchase Rules set out in the Plan as indicated in subparts 4(1) and (2) above, or when the Large-Scale Purchase satisfies objective requirements stipulated reasonably and in detail where the Large-Scale Purchaser considerably damages the Company’s corporate value, and the Shareholders’ Meeting for Confirming the Intent of Shareholders is held in certain cases and countermeasures are exercised only when the approval by the majority of the shareholders is obtained, and also on these points, a scheme to eliminate the exercise of arbitrary countermeasures by the Board of Directors of the Company will be in place.

(5) No Dead-Handed or Slow-Handed Defense Measures

As indicated in part 5 “Effective Period, Abolition and Change of the Plan” above, the Plan may be abolished by the Board of Directors of the Company, and therefore the Plan is not a dead-handed takeover defense measure (a takeover defense measure in which even if a majority of the constituent members of the Board of Directors are replaced, the exercise of the measures cannot be prevented). In addition, because the Company does not adopt a fixed-term system based on time differences with respect to the term of directors, the Plan is not a slow-handed takeover defense measure (a takeover defense measure that requires time to prevent the exercise because constituent members of the Board of Directors may not be replaced at one time).

7. Impact on Shareholders and Investors and Other Matters

(1) Impact of the Continuation of the Plan on Shareholders and Investors

At the time of continuation of the Plan, no allotment of share subscription rights or other matters will be implemented, and therefore, there will be no direct impact on the relation of rights of the shareholders.

The Plan aims to secure sufficient information and time necessary for shareholders and investors to accept a Large-Scale Purchase, or provide opinions of the Board of Directors of the Company that currently engages in the Company’s management, and other matters, and further guarantees the shareholders and investors the opportunity to receive a proposal of alternative measures. It is considered that this will enable shareholders and investors to make an appropriate decision whether to accept a Large-Scale Purchase based on sufficient and necessary information and time, and will lead to a protection of the common interests of shareholders and investors. Accordingly, it is considered that the continuation of the Plan will be the premise for the shareholders and investors to make an appropriate investment decision, and will contribute to secure and enhance the common interests of shareholders and investors.

As indicated in part 4 above, the Company’s response polices to that Large-Scale Purchase will differ depending on whether the Large-Scale Purchaser will observe the Large-Scale Purchase Rules, and therefore, shareholders and investors should monitor the Large-Scale Purchaser.

(2) Impact on Shareholders and Investors upon the Exercise of Countermeasures, and Other Matters

If the Large-Scale Purchaser fails to observe the Large-Scale Purchase Rules, the Board of Directors of the Company might take countermeasures that are accepted as being within the authority of the Board of Directors of the Company in relation to a gratis allotment of share subscription rights, other laws and regulations, and the Company’s Articles of Incorporation; however, under the structure of those countermeasures, it has not assumed any circumstance will arise where the shareholders (excluding the Large-Scale Purchaser that has become subject to the exercise of countermeasures) will suffer particular damage to their legal rights or economic interests.

If the Board of Directors of the Company decides to take specific countermeasures, a timely and appropriate disclosure will be made from time to time in accordance with the laws and regulations and stock exchange rules.

In addition, of the possible countermeasures, procedures involving the shareholders where the Company conducts a gratis allotment of share subscription rights in accordance with the outline of Exhibit 4 and where the Company acquires share subscription rights are as follows:

- (i) **Procedures to conduct a gratis allotment of share subscription rights**
Shareholders that became subject to a gratis allotment of share subscription rights will automatically become right holders on the effective date stipulated in the Board of Directors of the Company, and therefore, it is not necessary to conduct special procedures along with the allotment.
However, a gratis allotment of share subscription rights will be made to shareholders as of the certain reference date stipulated by the Board of Directors of the Company, and therefore please note that it is necessary for shareholders to be registered on the shareholders list by that reference date to receive that gratis allocation.
- (ii) **Where shareholders exercise share subscription rights**
Where exercising share subscription rights, shareholders are required to pay a certain amount within a prescribed period. Details of such procedures will be separately made known in accordance with the laws and regulations and other matters at the time when any allotment of share subscription rights is actually implemented.
- (iii) **Where the Company acquires share subscription rights**
Where the Company acquires any share subscription rights in exchange for the Company shares, if the Company takes prescribed procedures necessary for such acquisition, shareholders, who hold share subscription rights that the Board of Directors of the Company approved as the target of that acquisition, may receive a delivery of the Company shares as consideration for the acquisition of share subscription rights by the Company without going through the procedures related to the exercise of share subscription rights such as a payment of the amount equivalent to the exercise price. Such shareholder might be requested, however, to submit a document or other matter evidencing that it does not fall under a Large-Scale Purchaser when the Company acquires share subscription rights from such shareholder.

Please note that, even after the Board of Directors of the Company resolves for a gratis allotment of share subscription rights as countermeasures, and shareholders to whom share subscription rights will be allocated are decided, it might cancel that gratis allotment of share subscription rights during the period until the preceding day of the effective date, or acquire those share subscription rights during the period after the effective date of a gratis allotment of share subscription rights until the previous day of the commencement date of the exercise period. In these circumstances, the Board of Directors of the Company will, as a regular rule, follow the recommendation of the Independent Committee.

When the Company cancels such gratis allotment of share subscription rights, or acquires such share subscription rights during the period after the effective date of a gratis allotment of share subscription rights until the day preceding the commencement date of the exercise period, a dilution of the value per share of the Company shares will not occur, and therefore, shareholders or investors who make transactions based on the premise that a dilution of the value per share of the Company shares will occur might incur a corresponding loss because of changes in share prices.

Exhibit 1

Major Shareholders of the Company as of March 31, 2016

Name of Shareholders	Number of Shares Held (in thousands)	Percentage of Shares Held to the Total Number of Issued Shares (%)
Ichigo Trust Pte. Ltd.	2,818	8.2
The Master Trust Bank of Japan, Ltd. (Trust Account)	2,669	7.7
Kenzaisha Ltd.	1,730	5.0
Japan Trustee Services Bank, Ltd. (Trust Account 9)	1,500	4.3
Japan Trustee Services Bank, Ltd. (Trust Account)	1,272	3.7
Taikisha Business Partners Shareholding Association	1,003	2.9
Dai ni Kenzaisha Ltd.	1,000	2.9
BNYML-NON TREATY ACCOUNT	930	2.7
Taikisha Employees Shareholding Association	873	2.5
Nippon Life Insurance Company	866	2.5

(Notes)

1. The Company holds 2,219,061 treasury shares but excludes these shares from the list of major shareholders above. The above treasury shares do not include 167,600 shares of the Company's shares held by Trust & Custody Services Bank, Ltd. (Trust E Account), because of the introduction of ESOP (Employee Stock Ownership Plan).
2. The Percentage of Shares Held to the Total Number of Issued Shares is calculated by subtracting treasury shares from all issued shares.

Summary of Independent Committee Rules

1. Purpose of Establishment of Independent Committee

The Independent Committee will be established to secure the objectiveness, fairness and reasonableness of decisions made by the Board of Directors with respect to this Plan.

2. Composition of Independent Committee

The Independent Committee will be comprised of at least three members. The members who are elected, through a resolution of the Board of Directors, are outside directors, outside audit & supervisory board members, or well-informed outsiders and others (including attorneys, certified public accountants, business managers with proven records, academic experts, or those with equivalent qualifications as the above) who are independent from the management engaged in the execution of duties of the Company, in order to make it possible to render fair and reasonable judgments.

3. Term of the members of the Independent Committee

The term of office of the Independent Committee members will be from the time of their election until the time of the conclusion of the Board of Directors meeting held for the first time after the conclusion of the annual shareholders' meeting relating to the last fiscal year that ends within one year following their election. Members may be re-elected.

4. Convocation Procedures for the Independent Committee

The Independent Committee will be convened by a representative director of the Company or by any member of the Independent Committee.

5. Resolution Method by the Independent Committee

The recommendation by the Independent Committee will be issued by the majority of the members, with all the members of the Independent Committee present in principle.

6. Authority of Independent Committee

The Independent Committee is authorized to do all of the following matters. Each member of the Independent Committee shall deliberate and discuss any of the following, from the perspective of securing and enhancing the corporate value of the Company and the common interests of shareholders.

- (1) To deliberate and discuss whether or not to take countermeasures in the Plan and issue a recommendation to the Board of Directors;
- (2) To deliberate and discuss whether or not to discontinue or withdraw from the countermeasures taken in the Plan and issue a recommendation to the Board of Directors;
- (3) To deliberate and discuss whether or not the Large-Scale Relevant Information submitted by a Large-Scale Purchaser is necessary and sufficient;
- (4) To request the Large-Scale Purchaser, directly or through the Board of Directors, to submit additional information;
- (5) To agree with any modification or amendment to the Plan to the extent not to cause any disadvantage to shareholders; and
- (6) To deliberate and discuss any other matters the Board of Directors of the Company voluntarily consulted with the Independent Committee relating to the Plan.

7. Attendees at Independent Committee

The Independent Committee may cause the directors, audit & supervisory board members or employees of the Company to be present at the Independent Committee, as appropriate, and may request them to submit information necessary for the Independent Committee.

8. Advice from Third Party Organizations

In deliberating and discussing, the Independent Committee may receive advice from third party organizations, including financial advisors, certified public accountants, attorneys, consultants, etc., at the cost of the Company.

Exhibit 3

Profile of Candidates to become Independent Committee Members

Name: Shuichi Murakami
 Date of Birth: November 12, 1950
 Career Summary: April 2005 Managing Corporate Officer, General Manager, Shikoku Business, Sompo Japan Insurance Inc. (current Sompo Japan Nipponkoa Insurance Inc.)
 April 2008 Advisor, Corporate Planning Department, Sompo Japan Insurance Inc.
 June 2008 Resigned from Sompo Japan Insurance Inc. Outside Audit & Supervisory Board Member of the Company
 Full-time Outside Audit & Supervisory Board Member, Origin Electric Co., Ltd. (Retired in June 2012)
 June 2012 Outside Director of the Company (current position)

* Shuichi Murakami is an outside director of the Company provided for in Article 2, Item (xv) of the Companies Act, and is also an Independent Director provided for in Article 436-2 of the Securities Listing Regulations of the Tokyo Stock Exchange, Inc. No material conflict of interest exists between Shuichi Murakami and the Company.

Name: Kazumasa Suezawa
 Date of Birth: September 3, 1948
 Career Summary: April 1972 Joined the Industrial Bank of Japan, Ltd. (current Mizuho Bank, Ltd.) (Resigned in March 2001)
 June 2001 Executive Officer, Dowa Mining Co., Ltd. (current Dowa Holdings Co., Ltd.)
 March 2002 Outside Audit & Supervisory Board Member, Fujita Kanko Inc. (Retired in March 2003)
 June 2002 Director in charge of corporate staff, Dowa Mining Co., Ltd.
 April 2003 Director and CFO in charge of corporate staff, Dowa Mining Co., Ltd.
 June 2006 Director, Executive Vice President, Dowa Mining Co., Ltd. (Retired in March 2008)
 October 2007 Advisor, Fujita Kanko Inc.
 March 2008 Representative Director, Executive Officer and President, Fujita Kanko Inc.
 Retired as Director, Executive Vice President, Dowa Mining Co., Ltd.
 August 2009 Representative Director, Executive Officer, President, Chief General Manager and in charge of Mejiro District in Business Division, Fujita Kanko Inc.
 February 2010 Representative Director, Executive Officer and President, Fujita Kanko Inc.
 March 2013 Chairman, Fujita Kanko Inc.
 April 2014 Counselor, Fujita Kanko Inc. (Resigned in March 2015)
 February 2016 Outside Audit & Supervisory Board Member, Tobu Trading Co., Ltd. (current position)
 April 2016 Outside Director, Kamakura Shinsho, Ltd. (current position)

* Kazumasa Suezawa is a candidate who will be appointed as an outside director by the shareholders at the Annual Shareholders' Meeting, and will also be an Independent Director provided for in Article 436-2 of the Securities Listing Regulations of the Tokyo Stock Exchange, Inc., subject to the approval of the appointment. No material conflict of interest exists between Kazumasa Suezawa and the Company.

Name: Hirokazu Hikosaka
 Date of Birth: December 2, 1960
 Career Summary:

April 1983	Joined the Asahi Shinkin Bank (Resigned in March 1985)
April 1992	Admitted as attorney. 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 (current position)

* Mr. Hirokazu Hikosaka is an outside audit & supervisory board member of the Company provided for in Article 2, Item (xvi) of the Companies Act, and is also an Independent Auditor provided for in Article 436-2 of the Securities Listing Regulations of the Tokyo Stock Exchange, Inc. No material conflict exists between Yoshikatsu Nakajima and the Company.

Summary of Share Subscription Rights

1. Shareholders subject to the allotment and the number of share subscription rights to be allotted to shareholders
The share subscription rights will be allotted gratis to the shareholders who are registered on the latest shareholders list as of the record date determined by the Board of Directors of the Company, at the rate of one unit of rights per share held by them (excluding the common shares of the Company held by the Company).
2. Type and number of shares subject to share subscription rights
The type of shares subject to the share subscription rights will be the common shares of the Company, and the number of shares of the common shares of the Company issued by the exercise of one unit of the share subscription rights will be one share; however, the number of shares will be adjusted as necessary if the Company conducts a stock split or reverse stock split.
3. Effective date for gratis allotment of share subscription rights
The effective date will be separately determined by the Board of Directors of the Company.
4. Value of assets contributed in connection with the exercise of each share subscription right
When exercising each share subscription right, a person will be given shares and in exchange will pay a sum of money; and the value of the assets contributed in connection with the exercise of the share subscription rights will be at least one yen per share of the common shares of the Company, and will be determined by the Board of Directors of the Company.
5. Limitation on transfer of share subscription rights
The acquisition by way of transfer of the share subscription rights requires approval of the Board of Directors of the Company.
6. Acquisition of share subscription rights by the Company
The Company may acquire all the share subscription rights that have not been exercised by the day previous to the acquisition day determined by the Board of Directors of the Company (the “Acquisition Day”) at the time of the Acquisition Day (excluding the share subscription rights held by any person who cannot exercise the rights due to the exercise conditions determined in accordance with the provisions in part 7 below), and in exchange for the above, the Company may issue one share of the common shares of the Company per unit of the share subscription rights. It is not permitted to set a provision which enables the Company to acquire all or part of the share subscription rights that are held by any person who cannot exercise such rights due to the exercise conditions determined in accordance with the provisions in part 7 below, and that have not been exercised, and provide money, etc. or other financial compensation as per one unit of the share subscription rights, in exchange for such share subscription rights.
7. Exercise condition for share subscription rights
The Large-Scale Purchaser and the specified shareholders, etc., and the persons who acquired or assumed share subscription rights from the Large-Scale Purchaser and specified shareholders, etc., without approval of the Board of Directors of the Company may not exercise the share subscription rights. All other exercise conditions will be determined by the Board of Directors of the Company.
8. Exercise period of share subscription rights, etc.
The exercise period of the share subscription rights and other necessary matters will be separately determined by the Board of Directors of the Company.