Financial Data for 10 Years

Financial items		Unit	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	*Thousands of U.S. dollars FY2022
Orders received		Million yen	195,920	189,026	187,311	221,764	218,323	219,844	241,889	226,909	200,469	232,120	**288,670**	**2,161,676**
Ratio of overseas orders received		%	61.9	52.6	49.8	54.3	50.4	46.2	46.3	45.1	44.1	38.2	**47.1**	**47.1**
Net sales		Million yen	216,051	185,421	183,648	212,424	200,604	231,898	225,402	225,378	202,548	209,261	**214,793**	**1,608,456**
	Green Technology System	Million yen	137,222	115,447	116,150	134,824	124,565	139,948	149,164	157,378	134,058	134,399	**171,868**	**1,287,017**
	Paint Finishing System	Million yen	78,916	70,046	67,614	77,735	76,085	92,029	76,245	68,006	68,497	74,882	**42,960**	**321,709**
Ratio of overseas sales		%	57.4	61.6	55.2	55.5	49.3	50.1	47.1	41.3	45.8	48.5	**37.5**	**37.5**
Operating income		Million yen	9,815	8,083	8,669	12,734	8,473	12,180	14,035	15,439	11,690	9,428	**11,556**	**86,538**
Ratio of operating income to net sales		%	4.5	4.4	4.7	6.0	4.2	5.3	6.2	6.9	5.8	4.5	**5.4**	**5.4**
Ordinary income		Million yen	10,728	9,292	9,579	12,343	9,842	13,082	15,085	15,991	12,287	10,818	**13,001**	**97,364**
Segment profit	Green Technology System	Million yen	5,045	4,449	5,991	8,950	9,981	11,885	13,567	13,893	11,192	9,302	**14,599**	**109,324**
	Paint Finishing System	Million yen	5,543	4,506	3,260	3,524	(115)	1,160	1,676	2,814	911	667	**(1,606)**	**(12,032)**
Ratio of ordinary income to net sales		%	5.0	5.0	5.2	5.8	4.9	5.6	6.7	7.1	6.1	5.2	**6.1**	**6.1**
Profit attributable to owners of parent		Million yen	6,200	4,155	6,084	7,084	6,305	7,254	8,841	9,132	8,279	7,248	**7,917**	**59,286**
Return on equity (ROE)		%	8.7	5.3	6.9	7.6	6.8	7.2	8.3	8.4	7.2	5.9	**6.3**	**6.3**
Total assets		Million yen	163,014	166,680	188,283	189,566	199,024	215,392	223,080	215,389	228,855	228,159	**237,105**	**1,775,542**
Net assets		Million yen	78,537	84,712	99,669	95,921	100,184	110,650	113,649	112,843	126,311	130,788	**131,992**	**988,415**
Equity ratio		%	46.2	48.3	50.4	48.0	48.1	48.8	48.8	50.2	52.9	54.7	**53.1**	**53.1**
Cash flows from operating activities		Million yen	10,772	7,532	1,401	7,301	6,679	9,337	9,159	21,386	973	(8,544)	**4,806**	**35,991**
Cash flows from investing activities		Million yen	(1,308)	(1,194)	(3,900)	(328)	(6,505)	1,390	(2,830)	(877)	(6,913)	(1,071)	**(1,748)**	**(13,096)**
Cash flows from financing activities		Million yen	(2,569)	(3,290)	1,264	(7,409)	(5,286)	(885)	2,396	(11,475)	(1,435)	6,000	**(9,822)**	**(73,557)**
Research and development expenses		Million yen	800	876	822	889	946	1,024	1,084	1,105	1,122	1,106	**1,149**	**8,606**
Depreciation		Million yen	1,211	1,290	1,257	1,348	1,290	1,398	2,030	2,167	2,362	2,496	**2,000**	**14,982**
Purchase of property, plant and equipment and intangible assets		Million yen	(3,130)	(1,734)	(1,247)	(1,941)	(1,807)	(3,832)	(4,140)	(2,086)	(2,270)	(2,314)	**(2,176)**	**(16,301)**

Per share data:	Unit	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	*U.S. dollars FY2022
Profit attributable to owners of parent	Yen	170.99	116.08	172.64	204.35	183.16	212.40	259.53	268.07	243.03	212.69	**234.62**	**1.76**
Net assets	Yen	2,087.16	2,282.56	2,690.76	2,633.60	2,799.30	3,087.51	3,193.18	3,176.25	3,552.69	3,658.54	**3,788.75**	**28.37**
Annual dividend	Yen	50	45	52	67	70	75	91	100	90	100	**121**	**0.91**
Dividend payout ratio	%	29.2	38.8	30.1	32.8	38.2	35.3	35.1	37.3	37.0	47.0	**51.6**	**51.6**
Total return ratio	%	44.8	80.5	30.2	63.8	54.0	42.2	35.1	37.5	37.2	47.2	**89.3**	**89.3**

* The U.S. dollar amounts are translated on the basis of nearly 133.54 yen to 1 dollar, the rate of exchange prevailing at March 31, 2023.
* As the Company has been applying the Partial Amendments to Accounting Standard for Tax Effect Accounting (Accounting Standards Board of Japan (ASBJ) Statement No.28, February 16, 2018) since FY2018, the consolidated financial position of FY2017 is calculated after retrospectively applying the said accounting standard, etc. Therefore, the indicators and others for FY2017 reflect those retrospective adjustments.

RESULTS OF OPERATIONS (OVERVIEW)

The results for the fiscal year ended March 31, 2023

Accounting estimates and underlying assumptions

The consolidated financial statements of the Taikisha Group are prepared in accordance with accounting standards generally accepted in Japan. In preparing the consolidated financial statements, some accounting estimates that affect the amounts of assets and liabilities at the date of the financial statements and revenues and expenses during the reporting period are made in accordance with the accounting standards.

Please refer to "NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, 2. Summary of significant accounting policies, (12) Significant accounting estimates" for important items of accounting estimates and underlying assumptions.

Due to the uncertain nature of estimates, actual results may change from these estimates.

Earnings Overview

In this fiscal year, despite progress in balancing quarantines against COVID-19 with economic activities, the global economy outlook remained uncertain due to such factors as soaring resource prices associated with the prolonged Ukraine crisis, higher policy interest rates in the U.S. and Europe in response to accelerating inflation, and heightened tensions between the U.S. and China.

In the U.S., despite firm employment-related conditions, there were growing concerns of an economic recession against a backdrop of rising inflation and monetary tightening. In Europe, although the economy was on a recovery trend due to the easing of restrictions on activities, soaring energy prices and restrictions on energy imports from Russia constrained economic activity. In China, growth slowed down due to the zero-COVID policy until December 2022. In Southeast Asia, the COVID-19 situation calmed down and the economy continued to recover. The Japanese economy continued to recover moderately due to the normalization of economic activities as a result of the easing of restrictions on activities, despite exchange rate fluctuations and soaring energy prices.

Among the market environments of the Taikisha Group, in overseas markets, capital investment by various manufacturers made continuous recovery, despite uncertainties due to the impact of COVID-19 and soaring resource prices.

On the other hand, in the domestic market, investments by manufacturers of electronic components, pharmaceuticals and such were strong, and demand for construction of office buildings in the Tokyo metropolitan area and investment by automobile manufacturers remained steady.

Under such circumstances, the Taikisha Group has been promoting the following initiatives to achieve medium- to long-term growth.

In the Green Technology System Business, as part of the business development that continues to create added value, the Taikisha Group increased investment in Nicomac Taikisha Clean Rooms Private Limited, a consolidated subsidiary in India (made it a subsidiary in July 2020 to integrate panel manufacturing and installation technology and air conditioning installation technology), from 74% to 100%. The said company's main customers are Indian pharmaceutical manufacturers, and it provides integrated services from manufacturing to installation of clean panels, etc. In recent years, it has not limited its sales to the Indian market, but also exports to neighboring countries, the U.S., and other countries.

The Indian economy is expected to continue to grow at a steady pace against a backdrop of population growth, urbanization development, economic reforms, etc. Currently, the clean room market in India is mostly for pharmaceutical plants, but demand is also expected to grow for manufacturing facilities for semiconductors and lithium-ion batteries, etc. due to the Indian government's policy of attracting and fostering industries. Taking this opportunity of increasing investment rate, the Taikisha Group will further promote the business expansion strategy in the high-value-added clean room construction market in India by combining the high brand power of the said company to major pharmaceutical manufacturers with the Company's abundant knowledge and experience in the field of pharmaceutical plants in Japan.

In the Paint Finishing System Business, as part of development with an awareness of global social issues, the Taikisha Group has been developing a new energy management system (EMS) function for "i-Navistar," a system that uses IoT and AI to monitor and analyze factors on automobile coating lines.

A wide variety of equipment are installed in automotive coating lines, and at the production site, data analysis and verification are repeated over a long period of time based on the knowledge of skilled technicians, and in many cases, the identification of the causes of defects is also done manually. In order to solve these productivity and quality issues, the Company has been focusing on the development of "i-Navistar", which utilizes IoT and AI to analyze the causes of operational outages and quality defects. In order to contribute to the decarbonization efforts of automakers, the Company is now developing "energy management system (EMS)" functions for paint factories that aim to "visualize the wasted energy and have optimized energy management using a simulator function," and many automakers are already showing a high level of interest in the system.

As decarbonization efforts accelerate around the world, the need for EMS functions is expected to increase. The Taikisha Group will continue efforts to advance the sophistication of such developed products to solve social issues and meet the demand arising from climate change.

Given such circumstances, consolidated orders received increased 24.4% year-on-year to ¥288,670 million increased both in Japan and overseas. This includes orders received overseas, which increased 53.4% year-on-year to ¥135,956 million.

Consolidated net sales of completed construction contracts increased 2.6% year-on-year to ¥214,793 million, due to an increase in Japan, despite a decrease overseas. This includes net sales of completed construction contracts overseas, which decreased 20.7% year-on-year to ¥80,556 million.

In regard to profits, gross profit on completed construction contracts increased ¥1,456 million year-on-year to ¥33,071 million, operating income increased ¥2,127 million year-on-year to ¥11,556 million, ordinary income increased ¥2,183 million year-on-year to ¥13,001 million, and profit attributable to owners of parent increased ¥668 million year-on-year to ¥7,917 million.

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

Green Technology System

Consolidated orders received increased compared to the previous fiscal year, due to increases in the industrial HVAC sector in Japan and in China, Taiwan, and other markets. The consolidated net sales of completed construction contacts increased compared to the previous fiscal year, due to increases in the industrial HVAC sector in Japan and in Thailand, etc.

As a result, consolidated orders received increased 30.9% year-on-year to ¥208,078 million. The breakdown is orders received for building HVAC of ¥36,188 million which decreased 16.5% year-on-year and orders received for industrial HVAC of ¥171,889 million which increased 48.7% year-on-year. Consolidated net sales of completed construction contracts increased 27.9% year-on-year to ¥171,868 million. The breakdown is sales for building HVAC of ¥45,355 million which increased 10.7% year-on-year and sales for industrial HVAC of ¥126,512 million which increased 35.4% year-on-year. Segment profit (ordinary income) increased ¥5,296 million year-on-year to ¥14,599 million.

Paint Finishing System

Consolidated orders received increased compared to the previous fiscal year, due to increases in China, India, Korea, etc., though orders decreased in Europe. The consolidated net sales of completed construction contracts decreased compared to the previous fiscal year, due to decreases in regions such as Japan, Europe, North America, China, etc.

As a result, consolidated orders received increased 10.1% year-on-year to ¥80,591 million and consolidated net sales of completed construction contracts decreased 42.6% year-on-year to ¥42,960 million. Segment loss (ordinary loss) was ¥1,606 million (segment profit of ¥667 million for the previous fiscal year).

Financial Condition

Assets

As of March 31, 2023, current assets increased 9.7% year-on-year to ¥184,467 million. This is mainly due to increase in notes receivable, accounts receivable from completed construction contracts and other of ¥19,279 million despite decrease in securities of ¥3,000 million.

Non-current assets decreased 12.2% year-on-year to ¥52,638 million. This is mainly due to decrease in machinery, vehicles, tools, furniture and fixtures of ¥5,903 million, investment securities of ¥3,117 million and buildings and structures of ¥345 million respectively.

As a result, total assets increased 3.9% year-on-year to ¥237,105 million.

Assets by reportable segment are as follows.

Green Technology System

As of March 31, 2023, current assets increased 49.8% year-on-year to ¥116,952 million. This is mainly due to increase in notes receivables, accounts receivable from completed construction contracts and other of ¥30,664 million and cash and deposits of ¥6,787 million respectively.

Non-current assets decreased 8.8% year-on-year to ¥28,613 million. This is mainly due to decrease in investment securities of ¥2,194 million, goodwill of ¥368 million, buildings and structures of ¥325 million, and machinery, vehicles, tools, furniture and fixtures of ¥320 million respectively.

As a result, total assets increased 33.0% year-on-year to ¥145,565 million.

Paint Finishing System

As of March 31, 2023, current assets decreased 32.1% year-on-year to ¥37,141 million. This is mainly due to decrease in notes receivable, accounts receivable from completed construction contracts and other of ¥17,446 million and so on.

Non-current assets decreased 24.2% year-on-year to ¥12,161 million. This is mainly due to decrease in machinery, vehicles, tools, furniture and fixtures of ¥2,497 million and investment securities of ¥923 million respectively.

As a result, total assets decreased 30.3% year-on-year to ¥49,303 million.

Liabilities

As of March 31, 2023, current liabilities increased 17.2% year-on-year to ¥95,940 million. This is mainly due to increase in advances received on uncompleted construction contracts of ¥16,404 million and notes payable, accounts payable for construction contracts and other of ¥8,369 million respectively despite decrease in short-term loans payable of ¥12,593 million.

Non-current liabilities decreased 40.8% year-on-year to ¥9,172 million. This is mainly due to decrease in long-term loans payable of ¥5,507 million and deferred tax liabilities of ¥842 million respectively.

As a result, total liabilities increased 8.0% year-on-year to ¥105,112 million.

Net assets

As of March 31, 2023, total net assets increased 0.9% year-on-year to ¥131,992 million. This is mainly due to increase in foreign currency translation adjustment of ¥2,761 million and purchase and cancellation of treasury shares of ¥1,385 million and retained earnings of ¥403 million respectively despite decrease in capital surplus of ¥1,517 million, valuation difference on available-for-sale securities of ¥1,372 million and accumulated remeasurements of defined benefit plans of ¥526 million respectively.

Cash flows

Cash and cash equivalents (collectively, "Cash") as of March 31, 2022 and 2023 were ¥48,791 million and ¥43,946 million respectively. Compared to the previous year, it decreased ¥4,845 million.

Cash flows from operating activities

Cash used in operating activities for the year ended March 31, 2022 was ¥8,544 million, and cash provided by operating activities for the year ended March 31 2023 was ¥4,806 million. Cash increased mainly due to the recording of profit before income taxes, increase in notes payable, accounts payable for construction contracts, and increase in advances received on uncompleted construction contracts, although decreased mainly due to increase in sales receivables.

Cash flows from investing activities

Cash used in investing activities for the year ended March 31, 2022 and 2023 was ¥1,071 million and ¥1,748 million respectively. Cash decreased mainly due to purchase of property, plant and equipment and intangible assets and payments for sale of shares of subsidiaries resulting in change in scope of consolidation, although increased mainly due to increase in proceeds from sale of investment securities.

Cash flows from financing activities

Cash provided by financing activities for the year ended March 31, 2022 was ¥6,000 million, and cash used in financing activities for the year ended March 31, 2023 was ¥9,822 million. Cash decreased mainly due to payments for net increase in treasury shares, cash dividends paid, and payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation.

Business and Other Risks

Major risk factors that may significantly affect the financial condition, business performance and cash flows of the Taikisha Group, as recognized by senior management, are noted below.

Forward-looking statements in this section are based on judgments made by the Taikisha Group as of March 31, 2023.

Risk of Changes in Private Capital Investment
Changes in the environment for orders may significantly affect sales and profit in the Taikisha Group's businesses. In the Green Technology System Division, this may be caused by reduction in overseas investment by Japanese companies. In the Paint Finishing System Division, this may be caused by continued shrinkage of domestic manufacturing by Japanese automobile manufacturers, shrinkage of economic activities due to the prolonged Ukraine crisis, or reduction in new capital investment due to worldwide shortage of semiconductors. The Taikisha Group's business performance and other results may be affected by a decrease in the amount of orders received due to these factors. In addition, if the Taikisha Group fails to keep up with the change of production facility of automobile manufacturers that contributes to realization of carbon neutrality, the Taikisha Group may lose customers and the business performance and other results may also be affected.

In response, Green Technology System Division will work overseas to strengthen its sales structure targeting local companies, and promote initiatives to increase orders from Japanese manufacturers in collaboration with sales team in Japan. Paint Finishing System Division will accelerate the development of the Company's technology that introduces change the production facility of customers that contributes to realization of carbon neutrality, and will aim to expand automation business from the conventional 4-wheel and 2-wheel vehicle markets to other industries by the Company's automation technology.

Risk Associated with Large-Scale Disasters
The Taikisha Group's business performance and other results may be affected by losses sustained due to natural disasters, such as earthquakes, tsunamis, wind or water damage, or a global spread of infections and other diseases in regions where the Taikisha Group does business. Furthermore, in the case of large-scale, widespread natural disasters, the Taikisha Group's business performance and other results may be affected not only by the direct damage to property and people, but also by the long-term impact on customers' business activities and the larger economic climate.

In order to prepare for the possible occurrence of unforeseen disasters, accidents or events in Japan or overseas, the Taikisha Group has established a basic policy for crisis management and constructed a crisis management system. Should a crisis occur, it will be classified into one of three levels depending on its impact on personal safety and business continuity. Crisis countermeasures will be implemented based on these levels.

Risk Associated with the Spread of COVID-19
There is a risk that the Taikisha Group's business performance and other results may be affected by the impact of damages to employees, as well as delays in the procurement of construction materials and stoppages to construction works due to the spread of COVID-19 that first became apparent in early 2020.

Crisis countermeasures of the highest level have been implemented in response to COVID-19, a crisis task force has been established headed by the President and Representative Director, and composed of Chief General Managers and Chief Executives, and measures are carried out to respond to the crisis for the entire Taikisha Group, such as recommendation of work at home and staggered working hours that lower risk while commuting, reconsideration of company events and business activities in order to prevent infections, and appropriate correspondence for infected people. The Taikisha Group will timely correspond to the situation of the spread of infection.

Risk Associated with Overseas Business and the Management and Control of Overseas Subsidiaries and Associates
Unforeseen changes in laws and regulations, political instability and other factors in the overseas regions where the Taikisha Group operates could affect its business results. The Taikisha Group may sustain losses due to fluctuations in exchange rates pertaining to the payments and collections for foreign currency construction contracts. In addition, exchange rates could affect the Taikisha Group's business performance and other results because the financial statements of overseas subsidiaries and associates are translated into Japanese yen in preparing the consolidated financial statements. Furthermore, the Taikisha Group's business performance and other results may be affected by a deterioration in the results of overseas subsidiaries and associates, such as the failure to achieve business plan targets, due to bad debt because of bankruptcy of customers, the occurrence of problems that could not be predicted, or for which risk countermeasures that could not be implemented and so on.

In response, the Taikisha Group collects information on political, economic and statutory changes in the overseas regions in which it operates, and strives to control country risks and overseas legal and regulatory risks. The Taikisha Group implements forward exchange contracts and other instruments to hedge currency risks arising from payments and collections for foreign currency construction contracts, strengthens credit control before receiving orders to reduce the risk of receivables to become uncollectible, and avoids such kinds of risks as much as possible. It will also continue to enhance the governance structure of its overseas subsidiaries and associates.

Risk Associated with Technological Development
Should the Taikisha Group experience delays in the development of systems to meet increasing customer needs, such as carbon neutrality, energy saving, enhanced environmental measures and automation, its technological differentiation with competitors cannot be generated, and its business performance and other results may be affected by the resulting loss of opportunities to receive orders, as well as deterioration in customer trust and corporate reputation.

In response, the Taikisha Group endeavors to solve social issues through the development and demonstration of technologies aimed at reducing environmental impact to deal with decarbonization business in order to realize carbon neutrality, as well as automation technologies which is the strength technology of the Company. To this end, the Company established R&D satellite facility "TAIKISHA INNOVATION GATE Shinjuku" in April 2023 at the head office of Shinjuku, so that it expands communication, integrates solution inside and outside the company, and excavates innovation, and at the same time, by leveraging digital technologies, strengthening initiatives across the Group, and promoting development of innovative technologies by collaborating with academic institutions and start-up companies, the Taikisha Group will engage in themes that anticipate social needs.

Risk Associated with Human Resources to Execute Projects
Construction and equipment installation work, the Taikisha Group's business field, is heavily reliant on human resources. In Japan, the Taikisha Group's business results may be affected by inability to build the design and construction structures required to achieve medium- to long-term plans, with the concern of shortage in skilled and experienced engineers due to the aging population and delays in personnel development, as well as reduction of total working hours of engineering employees are expected due to the limitation of overtime work which will be applied also in construction industry from April 2024. Overseas, long-term business development may also be affected if the core human resources necessary to guide the localization of the Taikisha Group's businesses cannot be secured, due to factors such as delays in the development of local staff and employee turnover.

In response, the Taikisha Group will work to enhance employees' technical skills and develop human resources, by improving their basic technical capabilities through training, as well as on-site practical instruction. At the same time, it will endeavor to secure human resources, leveraging digital technology to increase productivity, promote work style reforms, and create attractive workplaces.

Overseas, the Taikisha Group will strive to secure and develop core human resources, and promote localization, through the introduction of a global personnel system.

In addition, in order to sustain and promote employees' healthy mind and body, the Company announced "Health management declaration" in 2020, clarified health management promotion system with President and Representative Director to become the supervisor of health control, and will verify the effectiveness and improve continuously along with planning and implementing health measures for various employees.

Legal and Regulatory Compliance Risk
The Taikisha Group's business fields are subject to a range of legal restrictions, including the Construction Business Act, the Antimonopoly Act, and the Labor Standards Act. The Taikisha Group's business performance and other results may be affected by restrictions placed upon its business activities, if any of these laws and regulations are violated by the actions of its officers or employees.

In response, the Taikisha Group will endeavor to create a corporate culture and mechanisms to prevent rule violations. It will engage in continuing implementation and follow-up of its compliance education program such as e-learning, as well as conducting survey of compliance attitude which leads to inspect the effectiveness of compliance activities and reflect to improvement process, in order to maintain and increase employee awareness of legal and regulatory compliance.

Risk of Serious Accidents and Quality Defects
In the event of serious accidents during construction, or serious contract nonconformity due to such as quality defects, the Taikisha Group's social credit would be damaged, and its business results may be affected. The Taikisha Group takes contract conformity responsibility with customers guaranteeing construction against defects for fixed period of time after completion of construction. The Taikisha Group allocates a provision for warranties for completed construction to cover repair costs based on previous warranty experience. However, these costs still could potentially exceed the balance of the provision, affecting the Taikisha Group's business performance and other results

In response, the Taikisha Group is improving safety awareness and level by utilizing digital technology such as digital signage, and instructing partner companies to create detailed work procedure diagrams at work procedure study meetings. Plus, the Taikisha Group strives to strengthen the management system and takes all possible measures for safety and health management at construction sites. In addition, the Taikisha Group is working to prevent quality defects by reviewing the construction management system, promoting the introduction of digital technology in construction management and company-wide sharing of information regarding quality, and the Group is enforcing the structure of assuring the technical quality on a company-wide basis.

Risk of Changes in Material Prices and Unit Labor Costs
Sharp rises in material prices due to the shortage of semiconductors and the rise of fuel prices and so on, and sharp rises in unit labor costs due to declining birthrate and aging population as well as lack of successors, could affect the Taikisha Group's business performance and other results if the Taikisha Group is unable to reflect them to contract prices.

In response, the Taikisha Group endeavors to control the risk of changes in material prices and unit labor costs through measures such as identifying reasonable costs for each region when it receives orders, and hedging the risk of price fluctuations in contracts.

Risk Associated with the Leakage of Confidential Information
Cyber-attacks are becoming increasingly sophisticated, diverse, and devious each year. If confidential information, such as personal information or customer information, is leaked through these cyber-attacks, the intentional, dishonest actions of an employee, or other means, the Taikisha Group's business performance and other results may be affected by the results of this leak, such as loss of credit and liability for compensation payments.

In response, the Taikisha Group is working to prevent the leakage of confidential information by strengthening IT security after grasping vulnerability using an IT security diagnosis, by enhancing internal rules, and by conducting thorough employee education.

Risk Associated with the Climate Change
In the transition of society toward decarbonization, policies, laws, technologies, and markets change, and these may affect companies' finance and reputation in various ways. Also for the Taikisha Group, there are risks that its earnings, etc. may be affected by transitional and physical risks, such as loss of customers due to failing to adapt successfully to customers' climate change correspondence, deterioration of competitiveness due to the delay of development of carbon neutral correspondence technologies, cost increase due to introduction of carbon tax, decline in labor productivity due to the rise in the average temperature, and project cancellation due to the increase of heat days, etc.

In response, the Taikisha Group will work on development of low carbon construction technology and system such as downsizing of facilities and saving energy, expanding construction of saving energy facilities such as net zero energy building of factories, promoting mechanization and automating constructions, and so on.

Subsidiaries and associates
Taikisha Group consists of Taikisha Ltd., 31 subsidiaries, and 3 associates. Taikisha Ltd., 4 subsidiaries and 1 associate are domiciled in Japan, and 27 subsidiaries and 2 associates are domiciled overseas.

CONSOLIDATED BALANCE SHEETS

Taikisha Ltd. and its Consolidated Subsidiaries
As of March 31, 2022 and 2023

Assets	Millions of yen 2022	Millions of yen 2023	Thousands of U.S. dollars 2023
Current assets:			
Cash and deposits (Note 3(3))	¥49,085	¥46,988	$351,866
Notes receivable, accounts receivable from completed construction contracts and other (Note 3(1))	104,956	124,236	930,330
Securities	3,000	–	–
Costs on uncompleted construction contracts (Note 3(7))	1,775	2,346	17,571
Raw materials and supplies	1,007	843	6,317
Other	9,084	10,721	80,285
Allowance for doubtful accounts	(718)	(668)	(5,007)
Total current assets	168,190	184,467	1,381,362
Non-current assets:			
Property, plant and equipment			
Buildings and structures	8,389	8,043	60,232
Machinery, vehicles, tools, furniture and fixtures (Note 3(3))	13,756	7,852	58,802
Land	1,737	1,705	12,772
Other	639	1,163	8,714
Accumulated depreciation	(13,279)	(10,207)	(76,441)
Total property, plant and equipment	11,243	8,557	64,079
Intangible assets			
Goodwill	3,966	3,640	27,259
Customer-related assets	1,334	1,184	8,869
Other	2,081	1,104	8,271
Total intangible assets	7,381	5,929	44,399
Investments and other assets			
Investment securities (Note 3(2))	29,605	26,487	198,349
Deferred tax assets	520	582	4,365
Net defined benefit asset	8,909	8,595	64,370
Other	2,710	2,993	22,418
Allowance for doubtful accounts	(401)	(507)	(3,800)
Total investments and other assets	41,344	38,152	285,702
Total non-current assets	59,969	52,638	394,180
Total assets	¥228,159	¥237,105	$1,775,542

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

Liabilities and Net assets	Millions of yen 2022	Millions of yen 2023	Thousands of U.S. dollars 2023
Current liabilities:			
Notes payable, accounts payable for construction contracts and other	¥47,102	¥55,472	$415,399
Short-term loans payable	15,535	2,942	22,035
Income taxes payable	1,672	1,772	13,275
Advances received on uncompleted construction contracts	6,901	23,306	174,525
Provision for warranties for completed construction	714	614	4,601
Provision for loss on construction contracts	392	300	2,251
Provision for directors' bonuses	43	71	532
Other	9,524	11,460	85,825
Total current liabilities	81,886	95,940	718,443
Non-current liabilities:			
Long-term loans payable	5,605	98	735
Deferred tax liabilities	7,877	7,034	52,675
Provision for directors' retirement benefits	44	56	424
Provision for share-based remuneration for directors	145	212	1,592
Net defined benefit liability	1,462	1,343	10,057
Other	349	427	3,201
Total non-current liabilities	15,484	9,172	68,684
Total liabilities	¥97,371	¥105,112	$787,127
Net assets:			
Shareholders' equity			
Capital stock			
Authorized: 100,000,000 shares			
Issued: 35,082,009 shares as of March 31, 2022 33,582,009 shares as of March 31, 2023	¥6,455	¥6,455	$48,339
Capital surplus	5,058	3,540	26,514
Retained earnings	99,893	100,296	751,061
Treasury shares, at cost — 998,559 shares as of March 31,2022	(2,544)	–	–
380,689 shares as of March 31,2023	–	(1,158)	(8,676)
Total shareholders' equity	108,862	109,133	817,238
Accumulated other comprehensive income			
Valuation difference on available-for-sale securities	11,908	10,535	78,897
Deferred gains or losses on hedges	(25)	(63)	(475)
Foreign currency translation adjustment	2,017	4,779	35,791
Accumulated remeasurements of defined benefit plans	1,932	1,405	10,525
Total accumulated other comprehensive income	15,833	16,657	124,738
Non-controlling interests	6,092	6,201	46,439
Total net assets	130,788	131,992	988,415
Total liabilities and net assets	¥228,159	¥237,105	$1,775,542

Per share data :	Yen 2022	Yen 2023	U.S. dollars 2023
Net assets	¥3,658.54	¥3,788.75	$28.37

Basis of calculation	Millions of yen 2022	Millions of yen 2023	Thousands of U.S. dollars 2023
Total net assets	¥130,788	¥131,992	$988,415
Amounts to be deducted from net assets (Non-controlling interests)	(6,092)	(6,201)	(46,439)
Net assets applicable to common shares	124,695	125,791	941,976
Number of common shares as of the year-end (thousands of shares)	34,083	33,201	33,201

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

CONSOLIDATED STATEMENTS OF INCOME AND CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Taikisha Ltd. and its Consolidated Subsidiaries
For the years ended March 31, 2022 and 2023

	Millions of yen		Thousands of U.S. dollars
	2022	2023	2023
Consolidated Statements of Income			
Net sales of completed construction contracts (Note 4(1))	¥209,261	¥214,793	$1,608,456
Cost of sales of completed construction contracts (Note 4(7))	177,646	181,721	1,360,805
Gross profit on completed construction contracts	31,614	33,071	247,651
Selling, general and administrative expenses:			
Directors' compensations	931	915	6,853
Employees' salaries and allowances	8,159	8,157	61,090
Provision for directors' bonuses	43	71	532
Retirement benefit expenses	390	330	2,474
Provision for directors' retirement benefits	11	11	88
Provision for share-based remuneration for directors	40	67	505
Correspondence and transportation expenses	902	1,091	8,175
Provision of allowance for doubtful accounts	468	332	2,493
Rents	1,642	1,322	9,907
Depreciation	2,146	1,578	11,822
Amortization of goodwill	414	462	3,465
Other	7,034	7,172	53,709
Total selling, general and administrative expenses (Note 4(2))	22,186	21,515	161,113
Operating income	9,428	11,556	86,538
Non-operating income:			
Interest income	259	324	2,432
Dividend income	657	698	5,227
Dividend income of insurance	159	178	1,336
Real estate rent	126	112	846
Foreign exchange gains	317	78	590
Reversal of allowance for doubtful accounts	–	0	2
Other	322	372	2,792
Total non-operating income	1,841	1,766	13,225
Non-operating expenses:			
Interest expenses	303	152	1,139
Rent expenses on real estates	16	15	116
Provision of allowance for doubtful accounts	0	–	–
Share of loss of entities accounted for using equity method	32	3	25
Other	99	149	1,119
Total non-operating expenses	451	320	2,399
Ordinary income	10,818	13,001	97,364
Extraordinary income:			
Gain on disposal of non-current assets (Note 4(3))	50	18	140
Gain on sales of investment securities	1,177	1,844	13,810
Gain on sale of shares of subsidiaries and associates	–	881	6,605
Total extraordinary income	1,228	2,744	20,555
Extraordinary losses:			
Loss on disposal of non-current assets (Note 4(4))	45	57	433
Impairment loss (Note 4(5))	0	642	4,813
Loss on sale of investment securities	–	0	7
Loss on valuation of investment securities	–	21	165
Loss on sale of shares of subsidiaries and associates	–	3	27
Business restructuring expenses (Note 4(6))	–	2,461	18,436
Total extraordinary losses	45	3,188	23,881
Profit before income taxes	12,001	12,557	94,038
Income taxes-current	3,179	4,002	29,972
Income taxes-deferred	753	(286)	(2,143)
Total income taxes	3,932	3,716	27,829
Profit	8,068	8,841	66,209
Profit attributable to non-controlling interests	820	924	6,923
Profit attributable to owners of parent	¥7,248	¥7,917	$59,286

	Millions of yen		Thousands of U.S. dollars
	2022	2023	2023
Consolidated Statements of Comprehensive Income			
Profit	¥8,068	¥8,841	$66,209
Other comprehensive income:			
Valuation difference on available-for-sale securities	(2,329)	(1,372)	(10,277)
Deferred gains or losses on hedges	(22)	(38)	(289)
Foreign currency translation adjustment	2,547	2,664	19,950
Remeasurements of defined benefit plans	(455)	(516)	(3,870)
Share of other comprehensive income of entities accounted for using equity method	69	29	220
Total other comprehensive income (Note 5(1))	(190)	765	5,734
Comprehensive income	¥7,878	¥9,607	$71,943
Comprehensive income attributable to :			
Owners of parent	¥6,669	¥8,467	$63,407
Non-controlling interests	1,208	1,139	8,536

	Yen		U.S. dollars
Per share data:			
Profit attributable to owners of parent	¥212.69	¥234.62	$1.76
Cash dividends	¥100.00	¥121.00	$0.91

	Millions of yen		Thousands of U.S. dollars
Basis of calculation			
Profit attributable to owners of parent	¥7,248	¥7,917	$59,286
Profit attributable to owners of parent for common shares	7,248	7,917	59,286
Average number of common shares (thousands of shares)	34,078	33,744	33,744

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

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

Taikisha Ltd. and its Consolidated Subsidiaries

For the year ended March 31, 2022	Millions of yen											
	Shareholders' equity					Accumulated other comprehensive income						
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Non-controlling interests	Total net assets
Balance at the beginning of current period	¥6,455	¥5,058	¥95,701	¥(2,594)	¥104,620	¥14,237	¥(3)	¥(237)	¥2,416	¥16,412	¥5,277	¥126,311
Cumulative effects of changes in accounting policies			21		21			(1)		(1)	(15)	4
Restated balance	6,455	5,058	95,723	(2,594)	104,642	14,237	(3)	(239)	2,416	16,411	5,261	126,315
Changes of items during the period												
Dividends of surplus			(3,078)		(3,078)							(3,078)
Profit attributable to owners of parent			7,248		7,248							7,248
Purchase of treasury shares				(1)	(1)							(1)
Disposal of treasury shares				51	51							51
Cancellation of treasury shares					–							–
Purchase of shares of consolidated subsidiaries		(0)			(0)				(0)	(0)		(0)
Sale of shares of consolidated subsidiaries					–							–
Net changes of items other than shareholders' equity						(2,329)	(21)	2,256	(484)	(578)	830	251
Total changes of items during the period	–	(0)	4,169	50	4,220	(2,329)	(21)	2,256	(484)	(578)	830	4,472
Balance at the end of current period	¥6,455	¥5,058	¥99,893	¥(2,544)	¥108,862	¥11,908	¥(25)	¥2,017	¥1,932	¥15,833	¥6,092	¥130,788

For the year ended March 31, 2023	Millions of yen											
	Shareholders' equity					Accumulated other comprehensive income						
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Non-controlling interests	Total net assets
Balance at the beginning of current period	¥6,455	¥5,058	¥99,893	¥(2,544)	¥108,862	¥11,908	¥(25)	¥2,017	¥1,932	¥15,833	¥6,092	¥130,788
Cumulative effects of changes in accounting policies					–							–
Restated balance	6,455	5,058	99,893	(2,544)	108,862	11,908	(25)	2,017	1,932	15,833	6,092	130,788
Changes of items during the period												
Dividends of surplus			(4,093)		(4,093)							(4,093)
Profit attributable to owners of parent			7,917		7,917							7,917
Purchase of treasury shares				(3,001)	(3,001)							(3,001)
Disposal of treasury shares					–							–
Cancellation of treasury shares		(116)	(4,270)	4,386	–							–
Purchase of shares of consolidated subsidiaries		(1,401)			(1,401)							(1,401)
Sale of shares of consolidated subsidiaries			850		850							850
Net changes of items other than shareholders' equity						(1,372)	(38)	2,761	(526)	824	109	933
Total changes of items during the period	–	(1,517)	403	1,385	271	(1,372)	(38)	2,761	(526)	824	109	1,204
Balance at the end of current period	¥6,455	¥3,540	¥100,296	¥(1,158)	¥109,133	¥10,535	¥(63)	¥4,779	¥1,405	¥16,657	¥6,201	¥131,992

For the year ended March 31, 2023	Thousands of U.S. dollars											
	Shareholders' equity					Accumulated other comprehensive income						
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Non-controlling interests	Total net assets
Balance at the beginning of current period	$48,339	$37,879	$748,041	$(19,053)	$815,206	$89,174	$(188)	$15,110	$14,468	$118,564	$45,621	$979,391
Cumulative effects of changes in accounting policies					–							–
Restated balance	48,339	37,879	748,041	(19,053)	815,206	89,174	(188)	15,110	14,468	118,564	45,621	979,391
Changes of items during the period												
Dividends of surplus			(30,655)		(30,655)							(30,655)
Profit attributable to owners of parent			59,286		59,286							59,286
Purchase of treasury shares				(22,473)	(22,473)							(22,473)
Disposal of treasury shares				–	–							–
Cancellation of treasury shares		(873)	(31,977)	32,850	–							–
Purchase of shares of consolidated subsidiaries		(10,492)			(10,492)							(10,492)
Sale of shares of consolidated subsidiaries			6,366		6,366							6,366
Net changes of items other than shareholders' equity						(10,277)	(287)	20,681	(3,943)	6,174	818	6,992
Total changes of items during the period	–	(11,365)	3,020	10,377	2,032	(10,277)	(287)	20,681	(3,943)	6,174	818	9,024
Balance at the end of current period	$48,339	$26,514	$751,061	$(8,676)	$817,238	$78,897	$(475)	$35,791	$10,525	$124,738	$46,439	$988,415

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

Taikisha Ltd. and its Consolidated Subsidiaries
For the years ended March 31, 2022 and 2023

	Millions of yen		Thousands of U.S. dollars
	2022	2023	2023
Cash flows from operating activities:			
Profit before income taxes	¥12,001	¥12,557	$94,038
Depreciation and amortization	2,496	2,000	14,982
Amortization of goodwill	414	462	3,465
Increase (decrease) in allowance for doubtful accounts	385	315	2,363
Increase (decrease) in provision for warranties for completed construction	210	(81)	(613)
Increase (decrease) in provision for loss on construction contracts	(16)	(103)	(779)
Increase (decrease) in provision for directors' retirement benefits	4	11	88
Increase (decrease) in provision for share-based remuneration for directors	(25)	67	505
Increase (decrease) in net defined benefit liability	(572)	(597)	(4,477)
Interest and dividend income	(916)	(1,022)	(7,660)
Interest expenses	303	152	1,139
Share of (profit) loss of entities accounted for using equity method	32	3	25
Loss (gain) on disposal of non-current assets	(4)	39	293
Loss (gain) on sales of investment securities	(1,177)	(1,843)	(13,803)
Loss (gain) on valuation of investment securities	–	21	165
Loss (gain) on sale of shares of subsidiaries and associates	–	(878)	(6,578)
Business restructuring expenses	–	2,461	18,436
Decrease (increase) in notes and accounts receivable-trade	(846)	(31,405)	(235,175)
Decrease (increase) in inventories	(655)	(356)	(2,668)
Decrease (increase) in accounts receivable-other	(238)	(17)	(132)
Increase (decrease) in notes and accounts payable-trade	(6,473)	10,670	79,903
Increase (decrease) in advances received on uncompleted construction contracts	(8,014)	17,466	130,796
Increase (decrease) in accrued consumption taxes	(423)	443	3,325
Increase (decrease) in deposits received	(69)	529	3,962
Increase (decrease) in accrued expenses	(196)	(84)	(633)
Other, net	(2,398)	(310)	(2,322)
Subtotal	(6,181)	10,502	78,645
Interest and dividend income received	916	1,017	7,620
Interest expenses paid	(303)	(152)	(1,139)
Income taxes paid	(2,976)	(4,099)	(30,699)
Payments for business restructuring expenses	–	(2,461)	(18,436)
Net cash provided by (used in) operating activities	(8,544)	4,806	35,991
Cash flows from investing activities:			
Payments into time deposits	(4,327)	(4,056)	(30,378)
Proceeds from withdrawal of time deposits	4,433	4,293	32,151
Purchase of property, plant and equipment and intangible assets	(2,314)	(2,176)	(16,301)
Proceeds from sales of property, plant and equipment and intangible assets	151	52	391
Purchase of investment securities	(501)	(44)	(332)
Proceeds from sales of investment securities	1,455	3,145	23,556
Proceeds from redemption of investment securities	0	–	–
Payments for sale of shares of subsidiaries resulting in change in scope of consolidation (Note 7(2))	–	(2,270)	(17,001)
Payments of long-term loans receivable	(35)	(183)	(1,376)
Collection of long-term loans receivable	56	50	379
Purchase of insurance funds	(0)	(0)	(3)
Purchase of long-term prepaid expenses	(9)	(228)	(1,711)
Other, net	18	(329)	(2,471)
Net cash provided by (used in) investing activities	(1,071)	(1,748)	(13,096)
Cash flows from financing activities:			
Net increase (decrease) in short-term loans payable	8,389	(134)	(1,010)
Proceeds from long-term loans payable	3,438	101	760
Repayments of long-term loans payable	(2,460)	(201)	(1,513)
Repayments of lease obligations	(95)	(102)	(771)
Net decrease (increase) in treasury shares	50	(3,001)	(22,474)
Cash dividends paid	(3,078)	(4,090)	(30,631)
Cash dividends paid to non-controlling interests	(239)	(304)	(2,284)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	(4)	(2,087)	(15,634)
Net cash provided by (used in) financing activities	6,000	(9,822)	(73,557)
Effect of exchange rate change on cash and cash equivalents	1,737	1,919	14,378
Net increase (decrease) in cash and cash equivalents	(1,878)	(4,845)	(36,284)
Cash and cash equivalents at beginning of period	50,670	48,791	365,370
Cash and cash equivalents at end of period (Note 7(1))	¥48,791	¥43,946	$329,086

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Taikisha Ltd. and its Consolidated Subsidiaries
For the years ended March 31, 2022 and 2023

1. Basis of presenting consolidated financial statements

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

The accounts of the consolidated financial statements presented herein are expressed in Japanese yen by rounding down to the nearest million. The U.S. dollar amounts shown in the accompanying consolidated financial statements and notes thereto are translated from the original Japanese yen into U.S. dollars on the basis of ¥133.54 to US$1, the rate of exchange prevailing at March 31, 2023, and are then rounded to the nearest thousand. These U.S. dollar amounts are not intended to imply that the Japanese yen amounts are or can be converted, realized or settled in U.S. dollars at this or any other rate.

2. Summary of significant accounting policies

(1) Scope of consolidation

During the consolidated fiscal year ended March 31, 2023, the Company entered into a contract to transfer a portion of its shares in Geico S.p.A. ("Geico") and the transfer has been completed.

With this share transfer, Geico and its consolidated subsidiaries, J-CO America Corporation, J-CO Mexico, S. de R.L. de C.V., Geico Brasil Ltda., Geico Paint Shop India Private Limited, Geico Painting System (Suzhou) Co., Ltd., "Geico Russia" LLC, Geico Taikisha GmbH, Geico Taikisha Controls d.o.o. and Process Solution Partner Rus LLC have been excluded from the scope of consolidation.

During the consolidated fiscal year ended March 31, 2023, Taikisha group transferred all of its shares of BTE Co., Ltd. ("BTE"), and BTE has been excluded from the scope of consolidation.

The consolidated financial statements include the accounts of the Company and all significant subsidiaries listed below as of March 31, 2023:

Domestic subsidiaries

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

Overseas subsidiaries

TKS Industrial Company
Encore Automation LLC (subsidiary of TKS Industrial Company)
Taikisha Canada Inc. (subsidiary of TKS Industrial Company)
Taikisha de Mexico, S.A. de C.V. (subsidiary of TKS Industrial Company)
Taikisha do Brasil Ltda.
Taikisha (Singapore) Pte. Ltd.
Taikisha (Thailand) Co., Ltd.
Taikisha Trading (Thailand) Co., Ltd. (subsidiary of Taikisha (Thailand) Co., Ltd.)
Thaiken Maintenance & Service Co., Ltd. (subsidiary of Taikisha (Thailand) Co., Ltd.)
Token Interior & Design Co., Ltd. (subsidiary of Taikisha (Thailand) Co., Ltd.)
TKA Co., Ltd. (subsidiary of Taikisha (Thailand) Co., Ltd.)
Token Myanmar Co., Ltd. (subsidiary of Taikisha (Thailand) Co., Ltd.)
Taikisha Engineering (M) Sdn. Bhd.
P.T. Taikisha Indonesia Engineering
P.T. Taikisha Manufacturing Indonesia
Taikisha Philippines Inc.
Taikisha Vietnam Engineering Inc.
Taikisha (Cambodia) Co., Ltd.
Taikisha Myanmar Co., Ltd.
Taikisha Lao Co., Ltd.
Wuzhou Taikisha Engineering Co., Ltd.
Tianjin Taikisha Paint Finishing System Ltd.
Taikisha Hong Kong Limited
Taikisha (Taiwan) Ltd.
Taikisha Korea Ltd.
Taikisha Engineering India Private Ltd.
Nicomac Taikisha Clean Rooms Private Limited

(2) Application of the equity method

Name of associates subject to the equity method

FreDelish Co., Ltd.
Tianjin Dongchun-Taiki Metal Finishing & Conveyor System Manufacturing Co., Ltd.

Name of associates not subject to the equity method

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

Makiansia Engineering (M) Sdn. Bhd.

(3) Fiscal year for consolidated subsidiaries

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

In preparing the consolidated financial statements, for consolidated subsidiaries whose balance sheet date is December 31, the Company uses each subsidiary's financial statements as of December 31. For Token Myanmar Co., Ltd., the Company uses provisional financial results as of December 31, which is the balance sheet date of its parent company, Taikisha (Thailand) Co., Ltd.

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

(4) Valuation of significant assets

Held-to-maturity debt securities

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

Shares of associates

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

Available-for-sale securities

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

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

Derivatives

Derivative instruments are recognized as either assets or liabilities at their respective fair values at the date of contract, and gains and losses arising from changes in fair value are recognized in earnings in the corresponding fiscal period. If certain hedging criteria are met, such gains and losses are deferred and accounted for as assets or liabilities.

Inventories

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

(5) Depreciation method for principal depreciable assets

Property, plant and equipment (excluding leased assets)

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

Intangible assets (excluding leased assets)

Intangible assets are amortized by the straight-line method. However, computer software for internal use is amortized by the straight-line method over the estimated useful life of 5 years. Customer-related assets are amortized by the straight-line method over the effective period of 10 years.

Leased assets

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

(6) Standards of accounting for principal allowance and provisions

Allowance for doubtful accounts

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

Provision for warranties for completed construction

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

Provision for loss on construction contracts

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

Provision for directors' bonuses

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

Provision for directors' retirement benefits

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

Provision for share-based remuneration for directors

In order to prepare for share-based remuneration to executive directors upon their retirements, the estimated amount of provision for share-based obligation as of the fiscal year end is provided based on the regulation of share-based remuneration for directors.

(7) Retirement and pension plans

(Method of attributing the projected benefit obligations to periods of service)
In calculating the retirement benefit obligations, the benefit formula basis is used to allocate the projected retirement benefits to the years of service up to the end of the fiscal year.
(Actuarial differences)
Actuarial differences are amortized using the straight-line method over a certain period of time (10 years) within the average remaining service period of employees from the following fiscal year of accrual.
(Prior service costs)
Prior service costs are amortized using the straight-line method over a certain period of time (10 years) within the average remaining service period of employees from the fiscal year of accrual.
(Simplified method for small companies)
Certain overseas consolidated subsidiaries apply the simplified method to calculate net defined benefit liability and retirement benefit expenses, where retirement benefit obligations are assumed to be equal to the benefits payable of the fiscal year.

(8) Revenue and cost recognition

The details of the main performance obligations in the major businesses related to revenue from contracts with the Taikisha Group's customers and the timing at which the Company typically satisfies these performance obligations (when it typically recognizes revenue) are as follows.

Construction contracts, and so on

In the Green Technology System business and the Paint Finishing System business, performance obligations for construction contracts, etc. mainly involving design, supervision, and installation are deemed to be satisfied over time, and revenue is recognized based on progress toward complete satisfaction of a performance obligation.

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

Sales of equipment and materials

In the Green Technology System business and the Paint Finishing system business, performance obligations for sales of equipment and materials are deemed to be satisfied at a point in time, and revenue is recognized when products are delivered.

(9) Hedge accounting

Method of hedge accounting

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

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

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

Hedging instruments and hedged items

Hedging instruments: Forward exchange contracts, non-deliverable forwards (NDF), interest rate swaps and interest rate caps

Hedged items: Foreign currency receivables, foreign currency payables, future transactions in foreign currency and interest-rate trading for loans payable

Hedging policy

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

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

Assessment of hedge effectiveness

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

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

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

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

(11) Amortization method and period for goodwill

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

(12) Significant accounting estimates

Estimates of percentage of completion in construction contracts, etc. in which revenue is recognized over time

(1) Amounts recorded in the consolidated financial statements

	Millions of yen		Thousands of U.S. dollars
	2022	2023	2023
Net sales of completed construction contracts	¥187,745	¥189,094	$1,416,012

(2) Contents of the significant accounting estimates

In the Taikisha Group, of the construction contracts as of the consolidated fiscal year-end, if the percentage of completion can be reasonably estimated for specific construction contracts, etc. in which revenue is recognized over time, revenue is recorded according to the said percentage of completion.

The percentage of completion is measured by the ratio of cost incurred as of the fiscal year-end to estimated total costs based on the working budget for the construction contract (input methods).

Regarding the total estimated cost for the construction contract until its completion, as changes may occur in line with the progress, etc. of the construction contract, the Taikisha Group shall continuously review the said estimates and assumptions.

The total estimated cost is calculated based on various types of information, including the details of the said construction contract, etc., the specifications, and the actual cost incurred in similar contracts in the past, for each contract. In particular, regarding projects undertaken by the Taikisha Group, specifications of the contract and details of the work are determined based on the customer's requests, and the details of each contract differ greatly from other contracts. If hindrances to the project's progress that were not foreseen at the initial stage of the contract occur, additional assessments and estimates may be required regarding the altered conditions and the extent of each component in the emergency response.

In addition, the total estimated cost may increase due to factors such as soaring prices of equipment and materials as a result of global circumstances.

As the predictions of such assumptions come with a high level of uncertainty depending on changes in each individual project's conditions, if there is an impact on the total estimated cost and as a result the actual figure differs greatly from the estimate, there may be a material impact on the amount of future income on the consolidated financial statements.

Valuation of goodwill and intangible assets

(1) Amounts recorded in the consolidated financial statements

	Millions of yen		Thousands of U.S. dollars
	2022	2023	2023
Goodwill	¥3,966	¥3,640	$27,259
Customer-related assets	¥1,334	¥1,184	$8,869

(2) Contents of the significant accounting estimates

The Taikisha Group judges the necessity of the recognition and measurement of an impairment regarding goodwill and customer-related assets as of the consolidated fiscal year-end by verifying whether there is indication of the impairment or not.

For performing the recognition and measurement of impairment, assumptions are set and implemented regarding future cash flows and discount rate based on the business plan.

These assumptions are determined at the discretion of management based on the best estimates. However, as they may be affected by the results of fluctuations of uncertain economic conditions in the future and so on, if they are necessary to be reviewed, there may be a material impact on the consolidated financial statements.

(13) Change in accounting policy

The "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, June 17, 2021, hereinafter referred to as the "Implementation Guidance on Accounting Standard for Fair Value Measurement ") has been applied from the beginning of the current consolidated fiscal year.

In accordance with the transitional treatment prescribed in Paragraph 27-2 of the "Implementation Guidance on Accounting Standard for Fair Value Measurement", the Company has decided to apply the new accounting policies set forth by the "Implementation Guidance on Accounting Standard for Fair Value Measurement" from the beginning of the current consolidated fiscal year to the future.

This change has no impact on the Company's consolidated financial statements.

(14) Accounting standards issued but not yet adopted

"Accounting Standard for Current Income Taxes" (Accounting Standards Board of Japan Statement No. 27, October 28, 2022)

"Accounting Standard for Presentation of Comprehensive Income" (Accounting Standards Board of Japan Statement No. 25, October 28, 2022)

"Implementation Guidance on Tax Effect Accounting" (Accounting Standards Board of Japan Guidance No. 28, October 28, 2022)

(Overview)

The accounting standards and the guidance stipulate the classification of corporate tax, etc. when taxed on other comprehensive income and the treatment of the tax effect on the sale of shares of subsidiaries, etc. when the group taxation regime is applied.

(Application date)

The accounting standards and the guidance are expected to be applied from the beginning of the fiscal year starting on or after April 1, 2024.

(Impact of the application of the accounting standards)

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

(15) Additional information

Application of "Practical Solution on Transactions of Delivering the Company's Own Stock to Employees etc. through Trusts"

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

(Overview of transaction)

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

Although "Practical Solution on Transactions of Delivering the Company's Own Stock to Employees, etc., through Trusts" (Practical Issues Task Force No. 30, March 26, 2015) has been applied, the previously applied method is continued for accounting.

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

The book value of the Company's own shares held by the trust was ¥227 million for the previous fiscal year, and ¥218 million (US$1,637 thousand) for the fiscal year. The Company's own shares held by the trust are not reported as treasury shares under shareholders' equity.

The number of shares held at the end of fiscal year-end was 122 thousand for the previous fiscal year and 117 thousand for the fiscal year. The average number of shares held during the year was 124 thousand for the previous fiscal year and 118 thousand for the fiscal year. The number of shares held at the end of fiscal year and the average number of shares held during the year are not included in the number of treasury shares to be deducted in calculating per-share information.

Introduction of the Board Benefit Trust (BBT)

The Company has introduced the "Board Benefit Trust (BBT)" as its performance-linked and share-based compensation plan (hereinafter referred to as the "Plan") for the Company's Board Members, pursuant to the resolution of the 74th Ordinary General Shareholders' Meeting held on June 27, 2019.

The Company, at its Board of Directors Meeting held on March 30, 2023, made a resolution to include its Corporate Officers (excluding domestic non-residents, hereinafter referred to as "Board Members, etc.") to stock benefit eligibility of the Plan by establishing "Share Benefit Regulations for Corporate Officers" set April 1, 2023 as its issue date.

The purpose of the Plan is to promote the motivation of Board Members, etc. in contributing to the improvement of business performance and corporate value over the medium to long term by making the linkage between their compensation and the Company's business performance and shareholder value even clearer and having Board Members, etc. share not only the benefits from higher stock prices, but also the risk of a drop in stock prices, with shareholders.

The gross method has been used for the accounting treatment under the Plan in accordance with "Practical Solution on Transactions of Delivering the Company's Own Stock to Employees, etc., through Trusts" (Practical Issues Task Force No. 30 of March 26, 2015).

(1) Overview of transactions

The Plan is a scheme whereby money contributed by the Company is used as financial resources to acquire the Company's shares through a trust (the trust established under the Plan shall be hereinafter referred to as the "Trust"), and the Company's shares and money in the amount of monetary equivalence of the Company's shares measured at fair value (hereinafter referred to as "the Company's Shares, etc.") are provided to Board Members, etc. through the Trust in accordance with the "Share Benefit Regulations for Directors" and "Share Benefit Regulations for Corporate Officers" stipulated by the Company.

The time when the Company's Shares, etc. are provided to Board Members, etc. shall be, in principle, the date of the retirement from the Company.

(2) The Company's own shares remaining in the Trust

The Company recognizes its own shares remaining in the Trust as treasury shares under the category of net assets, using the carrying amount in the Trust (excluding the amount of ancillary expenses). The carrying amount of such treasury shares is ¥398 million for the previous fiscal year and ¥398 million (US$2,982 thousand) for the fiscal year, and the number of such shares is 120,700 for the previous fiscal year and 120,700 for the fiscal year.

3. Notes of consolidated balance sheets

(1) Notes receivable, accounts receivable from completed construction contracts and other, arising from contracts with customers, such as accounts receivable and contract assets are as follows.

As of March 31, 2022 and 2023	Millions of yen		Thousands of U.S. dollars
	2022	2023	2023
Notes receivable - trade	¥2,908	¥9,672	$72,432
Accounts receivable from completed construction contracts	¥79,781	¥48,339	$361,985
Contract assets	¥22,266	¥66,224	$495,913

(2) The information of associates

As of March 31, 2022 and 2023	Millions of yen		Thousands of U.S. dollars
	2022	2023	2023
Investment securities	¥562	¥594	$4,452

(3) Pledged assets

Assets pledged as collateral for loans payable of subsidiaries and associates

As of March 31, 2022	Millions of yen	
Pledged assets	Book value	Liabilities covered by pledged assets
Cash and deposits	¥302	¥202
Machinery, vehicles, tools, furniture and fixtures	¥12	¥7

As of March 31, 2023	Millions of yen		Thousands of U.S. dollars	
Pledged assets	Book value	Liabilities covered by pledged assets	Book value	Liabilities covered by pledged assets
Cash and deposits	¥280	¥189	$2,104	$1,421
Machinery, vehicles, tools, furniture and fixtures	¥6	¥4	$51	$34

Assets pledged as collateral for security deposits at subsidiaries and associates

As of March 31, 2022 and 2023	Millions of yen		Thousands of U.S. dollars
	2022	2023	2023
Cash and deposits	¥57	¥60	$455

Assets pledged as collateral for overdraft facilities of subsidiaries and associates

As of March 31, 2022 and 2023	Millions of yen		Thousands of U.S. dollars
	2022	2023	2023
Cash and deposits	¥17	¥19	$143

(4) Guarantee obligations

As of March 31, 2022 and 2023	Millions of yen		Thousands of U.S. dollars
	2022	2023	2023
Tianjin Dongchun-Taiki Metal Finishing & Conveyor System Manufacturing Co., Ltd.	449	484	3,625

(5) Commitment lines

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

As of March 31, 2022 and 2023	Millions of yen		Thousands of U.S. dollars
	2022	2023	2023
Total amount of lending commitment	¥5,000	¥5,000	$37,442
Borrowing execution balance	–	–	–
Net	¥5,000	¥5,000	$37,442

(6) Endorsed notes

As of March 31, 2022 and 2023	Millions of yen		Thousands of U.S. dollars
	2022	2023	2023
Endorsed notes	¥41	¥20	$156

(7) Provision for loss on construction contracts

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

As of March 31, 2022 and 2023	Millions of yen		Thousands of U.S. dollars
	2022	2023	2023
Provision for loss on construction contracts	¥1	¥–	$–

4. Notes of consolidated statements of income

(1) Revenue from contracts with customers

Revenue from completed construction contracts is not separately stated from revenue from contracts with customers and other revenue. The amount of revenue from contracts with customers is stated in "Notes to Consolidated Financial Statements (Revenue Recognition) (1) Breakdown of revenue from contracts with customers".

(2) Research and development expenses

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

For the years ended March 31, 2022 and 2023	Millions of yen		Thousands of U.S. dollars
	2022	2023	2023
General and administrative expenses	¥1,106	¥1,149	$8,606

(3) Gain on disposal of non-current assets

For the years ended March 31, 2022 and 2023	Millions of yen		Thousands of U.S. dollars
	2022	2023	2023
Buildings and structures	¥33	¥0	$4
Machinery, vehicles, tools, furniture and fixtures	15	17	134
Leasehold and guarantee deposits	0	0	2
Total	¥50	¥18	$140

(4) Loss on disposal of non-current assets

For the years ended March 31, 2022 and 2023	Millions of yen		Thousands of U.S. dollars
	2022	2023	2023
Buildings and structures	¥34	¥24	$186
Machinery, vehicles, tools, furniture and fixtures	4	17	129
Land	6	15	115
Software	–	0	1
Other	–	0	2
Total	¥45	¥57	$433

(5) Impairment loss

For the year ended March 31, 2022
This item is omitted because it is immaterial.

For the year ended March 31, 2023
In the consolidated fiscal year, the Group recognized impairment loss for the following asset groups.

(1) Overview of the asset of which recognized impairment loss

Location	Usage	Classification of asset	Millions of yen Impairment loss	Thousands of U.S. dollars Impairment loss
Sugito Factory	Business Asset	Buildings and Machineries	588	4,404
Itabashi R&D Center	Common Asset	Buildings and Machineries	52	393
Head Office	Common Asset	Tools, Furniture and Fixtures	2	16

(2) Method and background of grouping of asset
The Group principally groups assets in the unit of companies or businesses. In addition, idle assets that are not expected to be used in future are grouped in the unit of individual asset. The book value of fixed assets in Vege-factory Co., Ltd., which is the consolidated subsidiary, has been written-down to the recoverable amount because the company no longer expects to generate the anticipated earnings due to continuous negative earnings from operating activities, and the recoverability has declined, and this decline is recognized as impairment loss in extraordinary losses.

(3) Details of impairment loss
Impairment loss consists of ¥363 million (US$2,723 thousand) for buildings and structures and ¥279 million (US$2,089 thousand) for machinery, vehicles, and tools, furniture and fixtures.

(4) Calculation method of recoverable amount
The recoverable amount in measuring impairment loss is measured by value in use, which is calculated by discounting future cash flows at 5.53%.

(6) Business restructuring expenses

For the year ended March 31, 2022
Not applicable.

For the year ended March 31, 2023
Expenses incurred for business structure improvements in Europe are recognized as business restructuring expenses in extraordinary losses.

(7) Provision for loss on construction contracts

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

For the years ended March 31, 2022 and 2023	Millions of yen		Thousands of U.S. dollars
	2022	2023	2023
Provision for loss on construction contracts	¥207	¥151	$1,133

5. Notes of consolidated statements of comprehensive income

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

For the years ended March 31, 2022 and 2023	Millions of yen		Thousands of U.S. dollars
	2022	2023	2023
Valuation difference on available-for-sale securities			
Net gains (losses) arising during the period	¥(2,148)	¥(26)	$(200)
Reclassification adjustments	(1,177)	(1,843)	(13,803)
Before tax effects	(3,326)	(1,870)	(14,003)
Tax effects	997	497	3,726
Valuation difference on available-for-sale securities	(2,329)	(1,372)	(10,277)
Deferred gains or losses on hedges			
Net gains (losses) arising during the period	(31)	(55)	(417)
Reclassification adjustments	–	–	–
Before tax effects	(31)	(55)	(417)
Tax effects	9	17	128
Deferred gains or losses on hedges	(22)	(38)	(289)
Foreign currency translation adjustment			
Net gains (losses) arising during the period	2,547	2,664	19,950
Foreign currency translation adjustment	2,547	2,664	19,950
Remeasurements of defined benefit plans			
Net gains (losses) arising during the period	(356)	(466)	(3,493)
Reclassification adjustments	(330)	(320)	(2,400)
Before tax effects	(687)	(787)	(5,893)
Tax effects	231	270	2,023
Remeasurements of defined benefit plans	(455)	(516)	(3,870)
Share of other comprehensive income of entities accounted for using equity method			
Net gains (losses) arising during the period	69	29	220
Other comprehensive income	¥(190)	¥765	$5,734

6. Notes of consolidated statements of changes in net assets

(1) The number of issued shares

For the year ended March 31, 2022	Beginning Balance	Increase	Decrease	Ending Balance
Common shares	35,082,009	–	–	35,082,009

For the year ended March 31, 2023	Beginning Balance	Increase	Decrease	Ending Balance
Common shares	35,082,009	–	1,500,000	33,582,009

(Note)The decrease was due to cancellation of 1,500,000 shares of treasury shares.

(2) The number of treasury shares

For the year ended March 31, 2022	Beginning Balance	Increase	Decrease	Ending Balance
Common shares	1,013,823	436	15,700	998,559

(Note1) The number of treasury shares increased by 436 shares because of purchase of shares less than one unit (*). Also, the number of treasury shares decreased by 15,700 shares because of provision to Board Members from the Board Benefit Trust (BBT).
(Note2) The number of treasury shares as of the fiscal year end includes 120,700 shares owned by Custody Bank of Japan, Ltd. (Trust E account) as trust assets of the Board Benefit Trust (BBT).
(*) The unit share is a specified number of shares which are treated as one purchasing lot and entitled to one voting right. One unit share consists of 100 shares.

For the year ended March 31, 2023	Beginning Balance	Increase	Decrease	Ending Balance
Common shares	998,559	882,130	1,500,000	380,689

(Note1) The number of treasury shares increased by 881,700 shares because of the approval of Board of directors and by 430 shares because of purchase of shares less than one unit (*). Also, the number decreased by 1,500,000 shares because of cancellation of treasury shares.
(Note2) The number of treasury shares as of the fiscal year end includes 120,700 shares owned by Custody Bank of Japan, Ltd. (Trust E account) as trust assets of the Board Benefit Trust (BBT).
(*) The unit share is a specified number of shares which are treated as one purchasing lot and entitled to one voting right. One unit share consists of 100 shares.

(3) Dividends

Dividends paid

For the year ended March 31, 2022

Resolution approved by	Type of shares	Amount Millions of yen	Amount per share Yen	Shareholders' cut-off date	Effective date
Annual general meeting of shareholders (June 29, 2021)	Common shares	¥2,052	¥60.00	March 31, 2021	June 30, 2021
Board of directors (November 10, 2021)	Common shares	¥1,026	¥30.00	September 30, 2021	November30, 2021

(Note1) Dividends on June 30, 2021 includes dividends of ¥8 million for treasury shares owned by Custody Bank of Japan, Ltd. (Trust E account) as trust assets for Board Benefit Trust (BBT).
(Note2) Dividends on November 30, 2021 includes dividends of ¥3 million for treasury shares owned by Custody Bank of Japan, Ltd. (Trust E account) as trust assets for Board Benefit Trust (BBT).

For the year ended March 31, 2023

Resolution approved by	Type of shares	Amount Millions of yen	Amount Thousands of U.S. dollars	Amount per share Yen	Amount per share U.S. dollars	Shareholders' cut-off date	Effective date
Annual general meeting of shareholders (June 29, 2022)	Common shares	¥2,394	$17,929	¥70.00	$0.52	March 31, 2022	June 30, 2022
Board of directors (November 10, 2022)	Common shares	¥1,699	$12,725	¥50.00	$0.37	September 30, 2022	November 30, 2022

(Note1) Dividends on June 29, 2022 includes dividends of ¥8 million (US$63 thousand) for treasury shares owned by Custody Bank of Japan, Ltd. (Trust E account) as trust assets for Board Benefit Trust (BBT).
(Note2) Dividends on November 10, 2022 includes dividends of ¥6 million (US$45 thousand) for treasury shares owned by Custody Bank of Japan, Ltd. (Trust E account) as trust assets for Board Benefit Trust (BBT).

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

For the year ended March 31, 2022

Resolution approved by	Type of shares	Paid from	Amount Millions of yen	Amount per share Yen	Shareholders' cut-off date	Effective date
Annual general meeting of shareholders (June 29, 2022)	Common shares	Retained earnings	¥2,394	¥70.00	March 31, 2022	June 30, 2022

(Note) Dividends total includes dividends of ¥8 million for treasury shares owned by Custody Bank of Japan, Ltd. (Trust E account) as trust assets for Board Benefit Trust (BBT).

For the year ended March 31, 2023

Resolution approved by	Type of shares	Paid from	Amount Millions of yen	Amount Thousands of U.S. dollars	Amount per share Yen	Amount per share U.S. dollars	Shareholders' cut-off date	Effective date
Annual general meeting of shareholders (June 29, 2023)	Common shares	Retained earnings	¥2,365	$17,717	¥71.00	$0.53	March 31, 2023	June 30, 2023

(Note) Dividends total includes dividends of ¥8 million (US$64 thousand) for treasury shares owned by Custody Bank of Japan, Ltd. (Trust E account) as trust assets for Board Benefit Trust (BBT).

7. Notes of consolidated statements of cash flows

(1) Cash and cash equivalents

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

For the years ended March 31, 2022 and 2023	Millions of yen 2022	Millions of yen 2023	Thousands of U.S. dollars 2023
Cash and deposits	¥49,085	¥46,988	$351,866
Securities	3,000	–	–
Sub total	52,085	46,988	351,866
Time deposits over three months	(3,294)	(3,042)	(22,780)
Cash and cash equivalents	¥48,791	¥43,946	$329,086

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

For the year ended March 31, 2022
Not applicable.

For the year ended March 31, 2023
Assets and liabilities at the time of the sale of shares of Geico S.p.A., which was excluded from the scope of consolidation are as follows.

	Millions of yen	Thousands of U.S. dollars
Current assets	¥18,575	$139,102
Non-current assets	3,812	28,550
Total assets	22,388	167,652
Current liabilities	18,605	139,324
Non-current liabilities	5,690	42,612
Total liabilities	¥24,295	$181,936

In addition, minus 2,248 million yen, which is calculated by cash and cash equivalents acquired through the sale subtracted by cash and cash equivalents included in the above current assets, are included in "Payments for sale of shares of subsidiaries resulting in change in scope of consolidation".

(3) Details of major non-cash transactions

Not applicable.

8. Lease transaction

(1) Finance lease transaction

As lessee

Details of leased assets

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

Depreciation method

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

Impairment loss

There is no impairment loss allocated to the leased assets.

(2) Operating lease transaction

As lessee

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

As of March 31, 2022 and 2023	Millions of yen		Thousands of U.S. dollars
	2022	2023	2023
Due within one year	¥262	¥355	$2,662
Due over one year	633	960	7,191
Total	¥896	¥1,315	$9,853

9. Financial instruments

(1) Status of financial instruments

Policies on financial instruments

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

Description of financial instruments, related risks and risk management system

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

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

Notes payable, accounts payable for construction contracts and other, which are trade payables, generally mature within one year. While some of them are denominated in foreign currencies for the purpose of importing equipment and raw materials, etc. and are exposed to the risk of exchange rate fluctuations, the amounts of those items are invariably less than the balance of accounts receivable from completed construction contracts, which are similarly denominated in foreign currencies.

Income taxes payable are imposed on the taxable income of the Companies for the fiscal year, and they all mature within one year.

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

Derivative transactions consist of forward exchange contracts and NDFs aimed at hedging the risk of fluctuations in exchange rates for exports and imports in the course of ordinary business operations, as well as interest rate swaps aimed at hedging the risk of fluctuations in the interest rates for loans payable. Forward exchange contracts and NDFs are executed and managed in accordance with the relevant guideline regarding foreign exchange control issued by the Chief Executive of the Administrative Management Headquarters. This guideline clearly stipulates regulations for the management policies on derivative transactions, the regulating division and department in charge of risk management, purposes of use, scope of utilization and reporting system. As for interest rate swaps, only those that meet the requirements for the application of special treatment are executed. Derivative transactions are executed only with financial institutions with high credit ratings to reduce the credit risk.

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

Supplementary explanation of fair values of financial instruments

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

(2) Fair value of financial instruments

The following table shows the book values and fair values of financial instruments and any differences.

As of March 31, 2022	Millions of yen		
	Book value	Fair value	Difference
Notes receivable, accounts receivable from completed construction contracts and other	¥104,956		
Allowance for doubtful accounts (*2)	(499)		
	104,456	104,400	(55)
Securities and Investment securities (*3)	31,607	31,607	–
Total Assets	136,064	136,008	(55)
Notes payable, accounts payable for construction contracts and other	47,102	47,066	(36)
Short-term loans payable	15,535	15,535	–
Long-term loans payable	5,605	5,624	19
Total Liabilities	68,244	68,226	(17)
Derivatives	¥(43)	¥(43)	¥–

(*1) Cash and deposits and income taxes payable are not stated because they are settled in a short period of time and their fair value approximates their book value.
(*2) "Allowance for doubtful accounts" separately included in "notes receivable, accounts receivable from completed construction contracts and other" is deducted.
(*3) Stocks and other securities without market prices are not included (see Note 1 below).

As of March 31, 2023	Millions of yen			Thousands of U.S. dollars		
	Book value	Fair value	Difference	Book value	Fair value	Difference
Notes receivable, accounts receivable from completed construction contracts and other	¥124,236			$930,330		
Allowance for doubtful accounts (*2)	(205)			(1,541)		
	124,030	123,966	(63)	928,789	928,310	(479)
Investment securities (*3)	25,436	25,436	–	190,478	190,478	–
Total Assets	149,466	149,402	(63)	1,119,267	1,118,788	(479)
Notes payable, accounts payable for construction contracts and other	55,472	55,458	(14)	415,399	415,293	(106)
Short-term loans payable	2,942	2,942	–	22,035	22,035	–
Long-term loans payable	98	98	(0)	735	735	(0)
Total Liabilities	58,513	58,498	(14)	438,169	438,063	(106)
Derivatives	¥(95)	¥(95)	¥–	$(711)	$(711)	$–

(*1) Cash and deposits and income taxes payable are not stated because they are settled in a short period of time and their fair value approximates their book value.
(*2) "Allowance for doubtful accounts" separately included in "notes receivable, accounts receivable from completed construction contracts and other" is deducted.
(*3) Stocks and other securities without market prices are not included (see Note 1 below).

(Note 1)

As of March 31, 2022 and 2023	Millions of yen		Thousands of U.S. dollars
	2022	2023	2023
Available-for-sale securities			
Non-listed stocks	¥992	¥1,046	$7,836
Non-listed foreign bonds	¥4	¥4	$35

(Note 2) Redemption schedule for monetary receivables and securities with maturities

As of March 31, 2022

	Millions of yen			
	Within one year	Over one year within five years	Over five years within ten years	Over ten years
Cash and deposits	¥49,085	¥–	¥–	¥–
Notes receivable, accounts receivable from completed construction contracts and other	94,984	9,924	46	–
Securities and Investment securities				
Available-for-sale securities with maturity date (Money trusts, etc.)	3,000	–	–	–
Available-for-sale securities with maturity date (Non-listed foreign bonds)	–	4	–	–
Total	¥147,070	¥9,929	¥46	¥–

As of March 31, 2023

	Millions of yen			
	Within one year	Over one year within five years	Over five years within ten years	Over ten years
Cash and deposits	¥46,988	¥–	¥–	¥–
Notes receivable, accounts receivable from completed construction contracts and other	112,686	11,503	46	–
Securities and Investment securities				
Available-for-sale securities with maturity date (Non-listed foreign bonds)	–	4	–	–
Total	¥159,675	¥11,507	¥46	¥–

As of March 31, 2023

	Thousands of U.S. dollars			
	Within one year	Over one year within five years	Over five years within ten years	Over ten years
Cash and deposits	$351,866	$–	$–	$–
Notes receivable, accounts receivable from completed construction contracts and other	843,844	86,140	346	–
Securities and Investment securities				
Available-for-sale securities with maturity date (Non-listed foreign bonds)	–	35	–	–
Total	$1,195,710	$86,175	$346	$–

(Note 3) Redemption schedule for long-term loans payable, lease obligations and other interest-bearing debts

As of March 31, 2022

	Millions of yen					
	Within one year	Over one year within two years	Over two years within three years	Over three years within four years	Over four years within five years	Over five years
Short-term loans payable	¥13,413	¥–	¥–	¥–	¥–	¥–
Long-term loans payable	2,122	2,165	1,484	1,216	607	131
Lease obligations	83	43	24	10	2	–
Total	¥15,618	¥2,209	¥1,509	¥1,227	¥609	¥131

As of March 31, 2023

	Millions of yen					
	Within one year	Over one year within two years	Over two years within three years	Over three years within four years	Over four years within five years	Over five years
Short-term loans payable	¥2,836	¥–	¥–	¥–	¥–	¥–
Long-term loans payable	106	62	36	–	–	–
Lease obligations	69	55	22	10	7	1
Total	¥3,012	¥117	¥58	¥10	¥7	¥1

As of March 31, 2023

	Thousands of U.S. dollars					
	Within one year	Over one year within two years	Over two years within three years	Over three years within four years	Over four years within five years	Over five years
Short-term loans payable	$21,238	$–	$–	$–	$–	$–
Long-term loans payable	797	465	270	–	–	–
Lease obligations	524	416	170	81	55	13
Total	$22,559	$881	$440	$81	$55	$13

(3) Breakdown of the fair value of financial instruments by level, and so on

The fair values of financial instruments are classified into the following three levels based on the observability and materiality of the inputs used to measure fair value.

Level 1: Fair values measured using quoted prices in active markets with respect to identical assets or liabilities
Level 2: Fair values measured using inputs other than quoted prices that are observable, either directly or indirectly
Level 3: Fair values measured using inputs not based on observable market data

If multiple inputs that have significant impacts on the measurement of fair value are used, fair values are classified to the level with the lowest priority in the measurement of fair value among the levels to which each of those inputs belongs.

Financial instruments recorded on the consolidated balance sheet at fair value

As of March 31, 2022	Millions of yen			
	Level 1	Level 2	Level 3	Total
Securities and Investment securities				
Available-for-sale securities				
Stocks	¥28,607	¥–	¥–	¥28,607
Total Assets	28,607	–	–	28,607
Derivative transactions	¥–	¥(43)	¥–	¥(43)

As of March 31, 2023	Millions of yen			
	Level 1	Level 2	Level 3	Total
Investment securities				
Available-for-sale securities				
Stocks	¥25,436	¥–	¥–	¥25,436
Total Assets	25,436	–	–	25,436
Derivative transactions	¥–	¥(95)	¥–	¥(95)

As of March 31, 2023	Thousands of U.S. dollars			
	Level 1	Level 2	Level 3	Total
Investment securities				
Available-for-sale securities				
Stocks	$190,478	$–	$–	$190,478
Total Assets	190,478	–	–	190,478
Derivative transactions	$–	$(711)	$–	$(711)

Financial instruments other than financial instruments recorded on the consolidated balance sheet at fair value

As of March 31, 2022	Millions of yen			
	Level 1	Level 2	Level 3	Total
Notes receivable, accounts receivable from completed construction contracts and other	¥–	¥104,400	¥–	¥104,400
Securities and Investment securities				
Money trusts	–	2,000	–	2,000
Bonds				
Other	–	1,000	–	1,000
Total Assets	–	107,400	–	107,400
Notes payable, accounts payable for construction contracts and other	–	47,066	–	47,066
Short-term loans payable	–	15,535	–	15,535
Long-term loans payable	–	5,624	–	5,624
Total Liabilities	¥–	¥68,226	¥–	¥68,226

As of March 31, 2023	Millions of yen			
	Level 1	Level 2	Level 3	Total
Notes receivable, accounts receivable from completed construction contracts and other	¥–	¥123,966	¥–	¥123,966
Total Assets	–	123,966	–	123,966
Notes payable, accounts payable for construction contracts and other	–	55,458	–	55,458
Short-term loans payable	–	2,942	–	2,942
Long-term loans payable	–	98	–	98
Total Liabilities	¥–	¥58,498	¥–	¥58,498

As of March 31, 2023	Thousands of U.S. dollars			
	Level 1	Level 2	Level 3	Total
Notes receivable, accounts receivable from completed construction contracts and other	$–	$928,310	$–	$928,310
Total Assets	–	928,310	–	928,310
Notes payable, accounts payable for construction contracts and other	–	415,293	–	415,293
Short-term loans payable	–	22,035	–	22,035
Long-term loans payable	–	735	–	735
Total Liabilities	$–	$438,063	$–	$438,063

(Note) Explanation of valuation method used in the measurement of fair value and inputs related to the measurement of fair value

Assets
Notes receivable, accounts receivable from completed construction contracts and other
These fair values are classified into level 2 because these fair values are calculated based on the discount rate that takes into account the period until these maturities and credit risks for each receivables classified by a certain period of time.
Securities and investment securities
These fair values of these listed stocks are evaluated using quoted market prices. These fair values are classified into level 1 because these listed stocks are treated in active markets. Also, bonds are classified into level 2 because these fair values are calculated by discounting the bonds by the period to these maturities and the yield on government bonds.

Liabilities
Notes payable, accounts payable for construction contracts and other and short-term loans payable
These fair values of these payables or loans are classified into level 2 because these fair values are calculated by discounting by the discount rate that takes into account the period until these payment or repayment and interest rate that takes credit risk into account.
Long-term loans payable
Fair values of long-term loans with floating interest rates are classified into level 2 because these fair values are deemed to approximate the book values and the floating interest rates reflect the market interest rates and these credit statuses are not significantly different from those when the loans are executed. Fair values of long-term loans with fixed interest rates are classified into level 2 because the total amount of principal and interest of the long-term loans divided by a certain period of time are calculated fair value by discounting by the interest rate assumed when a new similar loans are executed.

Derivative transactions
These fair values are classified into level 2 because these fair values are based on the prices provided by the financial institutions with which the Company has transactions. In addition, the special treatments of interest rate swaps are included in the fair values of relevant long-term loans payable because they are treated together with long-term loans to be hedged.

10. Securities

(1) Held-to-maturity debt securities

As of March 31, 2022
Not applicable.

As of March 31, 2023
Not applicable.

(2) Available-for-sale securities

As of March 31, 2022

	Millions of yen		
	Book value	Acquisition cost	Difference
Securities whose book value exceeds their acquisition cost			
Stocks	¥28,441	¥11,381	¥17,059
Securities whose book value does not exceed their acquisition cost			
Money trusts	2,000	2,000	–
Stocks	166	182	(16)
Bonds			
Other	1,000	1,000	–
Total	¥31,607	¥14,563	¥17,043

As of March 31, 2023

	Millions of yen		
	Book value	Acquisition cost	Difference
Securities whose book value exceeds their acquisition cost			
Stocks	¥22,541	¥7,227	¥15,313
Securities whose book value does not exceed their acquisition cost			
Stocks	2,894	3,034	(140)
Total	¥25,436	¥10,262	¥15,173

As of March 31, 2023

	Thousands of U.S. dollars		
	Book value	Acquisition cost	Difference
Securities whose book value exceeds their acquisition cost			
Stocks	$168,802	$54,126	$114,676
Securities whose book value does not exceed their acquisition cost			
Stocks	21,676	22,725	(1,049)
Total	$190,478	$76,851	$113,627

(3) Available-for-sale securities sold

For the year ended March 31, 2022

	Millions of yen		
	Sales amount	Total gain on sales	Total loss on sales
Stocks	¥1,455	¥1,177	¥–
Total	¥1,455	¥1,177	¥–

For the year ended March 31, 2023

	Millions of yen		
	Sales amount	Total gain on sales	Total loss on sales
Stocks	¥3,145	¥1,844	¥0
Total	¥3,145	¥1,844	¥0

For the year ended March 31, 2023

	Thousands of U.S. dollars		
	Sales amount	Total gain on sales	Total loss on sales
Stocks	$23,556	$13,810	$7
Total	$23,556	$13,810	$7

(4) Securities with impairment loss

For the years ended March 31, 2022

Not applicable. The Companies recognize an impairment loss when the fair value of stocks falls 50% or more compared with the acquisition cost and there is no evidence to indicate that the fair value will recover to the book value within one year. When the fair value falls by 30% or more but less than 50% compared with the acquisition cost, the Companies recognize a necessary amount of impairment loss after considering the market prices in the past year and the possibility of recovery.

For the years ended March 31, 2023

Impairment loss of ¥21 million (US$165 thousand) is recognized on Investment securities (Available-for-sale of securities) in the fiscal year. The Companies recognize an impairment loss when the fair value of stocks falls 50% or more compared with the acquisition cost and there is no evidence to indicate that the fair value will recover to the book value within one year. When the fair value falls by 30% or more but less than 50% compared with the acquisition cost, the Companies recognize a necessary amount of impairment loss after considering the market prices in the past year and the possibility of recovery.

11. Derivative transactions

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

As of March 31, 2022

Category	Transaction type	Contract amount	Over one year	Fair value	Unrealized gain (loss)
		Millions of yen			
Non-market transactions	Forward exchange contracts:				
	Buy				
	Yen	¥157	¥–	¥(3)	¥(3)
	U.S. dollars	22	–	0	0
	Chinese Yuan	92	–	(1)	(1)
	Sell				
	Yen	1	–	0	0
Total		¥273	¥–	¥(4)	¥(4)

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

As of March 31, 2023

Category	Transaction type	Contract amount	Over one year	Fair value	Unrealized gain (loss)
		Millions of yen			
Non-market transactions	Forward exchange contracts:				
	Buy				
	Yen	¥149	¥–	¥(3)	¥(3)
	U.S. dollars	1	–	(0)	(0)
	Chinese Yuan	1	–	(0)	(0)
	Sell				
	Yen	9	–	(0)	(0)
	U.S. dollars	12	–	(0)	(0)
Total		¥173	¥–	¥(3)	¥(3)

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

As of March 31, 2023

Category	Transaction type	Contract amount	Over one year	Fair value	Unrealized gain (loss)
		Thousands of U.S. dollars			
Non-market transactions	Forward exchange contracts:				
	Buy				
	Yen	$1,119	$–	$(24)	$(23)
	U.S. dollars	9	–	(0)	(0)
	Chinese Yuan	10	–	(0)	(0)
	Sell				
	Yen	72	–	(2)	(2)
	U.S. dollars	91	–	(2)	(2)
Total		$1,301	$–	$(28)	$(27)

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

As of March 31, 2022

Hedging method	Transaction type	Main hedged items	Contract amount	Over one year	Fair value
			Millions of yen		
Method in principle	Forward exchange contracts				
	Buy				
	Baht	Accounts payable for construction contracts (forecast)	¥10	¥–	¥0
	Chinese Yuan	Accounts payable for construction contracts (forecast)	13	–	(0)
	Sell				
	U.S. dollars	Accounts receivable from completed construction contracts (forecast)	118	–	(3)
	Euros	Accounts receivable from completed construction contracts (forecast)	155	155	(8)
	Chinese Yuan	Accounts receivable from completed construction contracts (forecast)	649	362	(27)
		Total	¥947	¥517	¥(38)

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

As of March 31, 2023

Hedging method	Transaction type	Main hedged items	Contract amount	Over one year	Fair value
			Millions of yen		
Method in principle	Forward exchange contracts				
	Buy				
	Baht	Accounts payable for construction contracts (forecast)	¥86	¥–	¥2
	Euros	Accounts payable for construction contracts (forecast)	182	–	5
	Chinese Yuan	Accounts payable for construction contracts (forecast)	30	–	(0)
	Taiwan dollars	Accounts payable for construction contracts (forecast)	150	–	(7)
	Sell				
	U.S. dollars	Accounts receivable from completed construction contracts (forecast)	67	–	(2)
	Euros	Accounts receivable from completed construction contracts (forecast)	70	–	(7)
	Malaysia ringgit	Accounts receivable from completed construction contracts (forecast)	1,539	114	(73)
	Chinese Yuan	Accounts receivable from completed construction contracts (forecast)	504	176	(3)
	Indian rupee	Accounts receivable from completed construction contracts (forecast)	60	–	(2)
		Total	¥2,691	¥290	¥(91)

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

As of March 31, 2023

Hedging method	Transaction type	Main hedged items	Contract amount	Over one year	Fair value
			Thousands of U.S. dollars		
Method in principle	Forward exchange contracts				
	Buy				
	Baht	Accounts payable for construction contracts (forecast)	$646	$–	$15
	Euros	Accounts payable for construction contracts (forecast)	1,364	–	40
	Chinese Yuan	Accounts payable for construction contracts (forecast)	230	–	(6)
	Taiwan dollars	Accounts payable for construction contracts (forecast)	1,127	–	(57)
	Sell				
	U.S. dollars	Accounts receivable from completed construction contracts (forecast)	504	–	(20)
	Euros	Accounts receivable from completed construction contracts (forecast)	529	–	(57)
	Malaysia ringgit	Accounts receivable from completed construction contracts (forecast)	11,527	855	(553)
	Chinese Yuan	Accounts receivable from completed construction contracts (forecast)	3,775	1,320	(28)
	Indian rupee	Accounts receivable from completed construction contracts (forecast)	454	–	(18)
		Total	$20,156	$2,175	$(684)

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Interest-related transactions

As of March 31, 2022

Hedging method	Transaction type	Main hedged items	Contract amount (Millions of yen)	Over one year (Millions of yen)	Fair value (Millions of yen)
Special treatment	Interest rate swap				
	Pay fixed/Receive floating	Long-term loans payable	¥2,676	¥2,039	(Note)

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

As of March 31, 2023
There is nothing applicable.

12. Retirement and pension plans

(1) Overview

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

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

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

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

(2) Defined benefit plan (except simplified method)

Reconciliation of beginning and ending balances for projected benefit obligations

For the years ended March 31, 2022 and 2023

	Millions of yen		Thousands of U.S. dollars
	2022	2023	2023
Projected benefit obligations at the beginning of current period	¥17,441	¥17,847	$133,648
Service costs	1,229	1,232	9,227
Interest costs	38	60	456
Actuarial differences accrued in the current period	137	(258)	(1,938)
Benefits paid	(1,001)	(977)	(7,322)
Past service costs accrued in the current period	(39)	(1)	(10)
Foreign currency translation	41	118	889
Decrease due to exclusion from consolidation	–	(18)	(135)
Projected benefit obligations at the end of current period	¥17,847	¥18,003	$134,815

Reconciliation of beginning and ending balances for pension assets

For the years ended March 31, 2022 and 2023

	Millions of yen		Thousands of U.S. dollars
	2022	2023	2023
Pension assets at the beginning of current period	¥25,242	¥25,495	$190,920
Expected return on pension assets	524	539	4,038
Actuarial differences accrued in the current period	(249)	(732)	(5,484)
Contributions from employers	885	891	6,678
Benefits paid	(915)	(869)	(6,513)
Foreign currency translation	8	15	115
Pension assets at the end of current period	¥25,495	¥25,339	$189,754

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

As of March 31, 2022 and 2023

	Millions of yen		Thousands of U.S. dollars
	2022	2023	2023
Funded projected benefit obligations	¥16,586	¥16,745	$125,394
Pension assets	(25,495)	(25,339)	(189,754)
Sub total	(8,908)	(8,594)	(64,360)
Unfunded projected benefit obligations	1,260	1,258	9,421
Net amount of liabilities and assets in the consolidated balance sheets	(7,648)	(7,336)	(54,939)
Net defined benefit liability	1,261	1,258	9,421
Net defined benefit asset	8,909	8,594	64,360
Net amount of liabilities and assets in the consolidated balance sheets	¥(7,648)	¥(7,336)	$(54,939)

Retirement benefit expenses

For the years ended March 31, 2022 and 2023

	Millions of yen		Thousands of U.S. dollars
	2022	2023	2023
Service costs	¥1,229	¥1,232	$9,227
Interest costs	38	60	456
Expected return on pension assets	(524)	(539)	(4,038)
Amortization of actuarial differences	(344)	(329)	(2,470)
Amortization of past service costs	6	2	20
Retirement benefit expenses of defined benefit plans	¥405	¥426	$3,195

Remeasurements of defined benefit plans

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

For the years ended March 31, 2022 and 2023

	Millions of yen		Thousands of U.S. dollars
	2022	2023	2023
Past service costs	¥47	¥(5)	$(39)
Actuarial differences	(735)	(781)	(5,854)
Total	¥(687)	¥(787)	$(5,893)

Accumulated remeasurements of defined benefit plans

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

As of March 31, 2022 and 2023

	Millions of yen		Thousands of U.S. dollars
	2022	2023	2023
Unrecognized past service costs	¥(67)	¥(73)	$(548)
Unrecognized actuarial differences	2,864	2,082	15,598
Total	¥2,796	¥2,009	$15,050

Pension assets

Composition ratio of pension assets is as follows.

As of March 31, 2022 and 2023

	2022	2023
Debt securities	30%	25%
Stocks	31	37
Cash and deposits	4	5
General account of life insurance	22	23
Other	13	10
Total	100%	100%

(Note) For the previous fiscal year, 15% of total pension assets are attributed to the employee retirement benefit trust for benefit pension plan. For this fiscal year, 15% of total pension assets are attributed to the employee retirement benefit trust for benefit pension plan.

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

Assumptions and policies used to calculate projected benefit obligations

As of March 31, 2022 and 2023

	2022	2023
Discount rates (weighted average)	0.4%	0.5%
Expected long-term return rates on pension assets (weighted average)	2.5%	2.5%

(3) Defined benefit plan calculated by simplified method

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

For the years ended March 31, 2022 and 2023

	Millions of yen		Thousands of U.S. dollars
	2022	2023	2023
Net defined benefit liability at the beginning of current period	¥196	¥200	$1,503
Retirement benefit expenses	22	20	153
Benefits paid	(35)	(2)	(19)
Contributions to the plan	(4)	(24)	(181)
Foreign currency translation	11	9	73
Decrease due to exclusion from consolidation	–	(120)	(902)
Other	9	–	–
Net defined benefit liability at the end of current period	¥200	¥83	$627

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

As of March 31, 2022 and 2023

	Millions of yen		Thousands of U.S. dollars
	2022	2023	2023
Funded projected benefit obligations	¥76	¥84	$635
Pension assets	(65)	(86)	(644)
Sub total	10	(1)	(9)
Unfunded projected benefit obligations	189	85	636
Net amount of liabilities and assets in the consolidated balance sheets	200	83	627
Net defined benefit liability	200	83	627
Net amount of liabilities and assets in the consolidated balance sheets	¥200	¥83	$627

Retirement benefit expenses

Retirement benefit expenses calculated by the simplified method are ¥22 million for the previous fiscal year and ¥20 million (US$153 thousand) for this fiscal year.

(4) Defined contribution plans

Required contribution amount for defined contribution plans is ¥321 million for the previous fiscal year and ¥270 million (US$2,027 thousand) for this fiscal year.

13. Tax effect accounting

(1) Significant components of deferred tax assets and liabilities

As of March 31, 2022 and 2023

	Millions of yen		Thousands of U.S. dollars
	2022	2023	2023
Deferred tax assets			
Allowance for doubtful accounts	¥222	¥241	$1,808
Provision for warranties for completed construction	172	123	922
Provision for loss on construction contracts	114	97	728
Net defined benefit liability	213	213	1,596
Employees' pension trust, investment securities	336	352	2,639
Provision for directors' retirement benefits	15	19	147
Accrued enterprise tax etc.	125	129	973
Accrued bonuses	1,226	1,540	11,533
Loss on valuation of investment securities	116	365	2,740
Loss on valuation of golf club membership	56	56	422
Valuation difference on available-for-sale securities	4	42	321
Foreign tax credit carried forward	182	210	1,575
Tax loss carried forward (Note2)	1,670	899	6,739
Other	1,528	1,217	9,118
Subtotal	5,985	5,510	41,261
Valuation allowance for tax loss carried forward (Note2)	(1,662)	(856)	(6,415)
Valuation allowance for total of deductible temporary differences, etc.	(906)	(1,083)	(8,112)
Subtotal (Note1)	(2,568)	(1,939)	(14,527)
Total deferred tax assets	3,416	3,570	26,734
Deferred tax liabilities			
Net defined benefit assets	(2,719)	(2,618)	(19,608)
Valuation difference on available-for-sale securities	(5,140)	(4,680)	(35,052)
Retained earnings of consolidated overseas subsidiaries	(1,921)	(2,141)	(16,037)
Other	(992)	(580)	(4,347)
Total deferred tax liabilities	(10,773)	(10,021)	(75,044)
Net deferred tax assets liabilities	¥(7,357)	¥(6,451)	$(48,310)

(Note1) Valuation allowance decreased by ¥628 million (US$4,708 thousand). This decreased is mainly due to the exclusion from the scope of consolidation of Geico S.p.A. and its subsidiaries since the Company transferred a portion of its shares in Geico S.p.A
(Note2) Total of tax loss carried forward and its deferred tax assets, by carryforward expiration date.

As of March 31, 2022

	Millions of yen						
	Within one year	Over one year within two years	Over two years within three years	Over three years within four years	Over four years within five years	Over five years	Total
Tax loss carried forward (a)	¥13	¥8	¥7	¥1	¥1	¥1,637	¥1,670
Valuation allowance	(10)	(8)	(7)	(1)	(1)	(1,632)	(1,662)
Deferred tax assets	¥2	¥–	¥–	¥–	¥–	¥4	¥7

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

As of March 31, 2023	Millions of yen						
	Within one year	Over one year within two years	Over two years within three years	Over three years within four years	Over four years within five years	Over five years	Total
Tax loss carried forward (a)	¥32	¥8	¥4	¥–	¥–	¥854	¥899
Valuation allowance	(9)	(7)	(4)	–	–	(835)	(856)
Deferred tax assets	¥23	¥1	¥–	¥–	¥–	¥18	¥43

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

	Thousands of U.S. dollars						
	Within one year	Over one year within two years	Over two years within three years	Over three years within four years	Over four years within five years	Over five years	Total
Tax loss carried forward	$245	$64	$35	$–	$–	$6,395	$6,739
Valuation allowance	(72)	(54)	(35)	–	–	(6,254)	(6,415)
Deferred tax assets	$173	$10	$–	$–	$–	$141	$324

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

As of March 31, 2022 and 2023

	2022	2023
Effective statutory tax rate	30.62%	–%
Adjustment		
Expenses not deductible permanently	2.54	–
Income not taxable permanently	(1.78)	–
Inhabitant tax on per capita basis, etc.	0.69	–
Increase (Decrease) in valuation allowance	4.80	–
Difference in effective statutory tax rate between the Company and consolidated subsidiaries	(0.32)	–
Special tax deductions	(0.63)	–
Retained earnings of consolidated overseas subsidiaries	(6.99)	–
Withholding tax on dividends from overseas related companies	1.90	–
Amortization of goodwill	1.06	–
Other	0.88	–
Actual tax rate after the application of tax effect accounting	32.77%	–%

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

14. Business combination

(1) Transfer of subsidiary shares

On April 19, 2022, the Company entered into a contract to transfer a portion of its shares in Geico S.p.A. ("Geico") and the transfer has been completed on April 20, 2022. With this share transfer, Geico and its consolidated subsidiaries, J-CO America Corporation, J-CO Mexico, S. de R.L. de C.V., Geico Brasil Ltda., Geico Paint Shop India Private Limited, Geico Painting System (Suzhou) Co., Ltd., "Geico Russia" LLC, Geico Taikisha GmbH, Geico Taikisha Controls d.o.o. and Process Solution Partner Rus LLC have been excluded from the scope of consolidation.

Overview of share transfer

(Name of the company to which the shares were transferred)
Gecofin S.p.A.

(Name and business description of the company whose shares were transferred)
Name Geico S.p.A.
Business description Design and construction of paint finishing systems and plants for the automotive industry

(Reason for the share transfer)
Since 2011, the Company has acquired 51.0% of Geico's outstanding shares and has been working to complement and strengthen the technological and market strengths of the two companies through the capital alliance with Geico.
Because of the continuing pandemic situation caused by the COVID-19 and the conflict between Russia and Ukraine which is expected to affect the capital investment of European automakers and cause a sharp rise in price of resources, materials and equipment, the Paint Finishing System business of the Company has decided to focus on the automobile market in regions other than Europe in external collaboration with Geico and to expand automation business areas other than the automobile market in order to improve medium- to long-term business value.
Given the above background and in accordance with the purpose of the Corporate Governance Code, the Company has decided to reduce the shareholding ratio in Geico from 51.0% to 14.5% from the view of focusing on capital efficiency.

(Date of share transfer)
April 20, 2022

(Overview of other transactions including legal form)
Share transfer in exchange for cash etc. only

Overview of accounting treatment that was carried out

(Profit (Loss) of share transfer)
Gain on sale of shares of subsidiaries and associates ¥881 million (US$ 6,605 thousand)

(Appropriate book value and major breakdown of assets and liabilities of the company that was transferred)

	Millions of yen	Thousands of U.S. dollars
Current assets	¥18,575	$139,102
Non-current assets	3,812	28,550
Total assets	22,388	167,652
Current liabilities	18,605	139,324
Non-current liabilities	5,690	42,612
Total liabilities	¥24,295	$181,936

(Accounting treatment)
The difference between the consolidated book value of the transferred shares and the selling price is recognized as "Gain on sale of shares of subsidiaries and associates" in extraordinary income.

Reportable segment in which the subsidiary was included

Paint Finishing System Division

Estimated amount of profit (loss) that relates to the transferred subsidiary which is recognized in consolidated statements of income in the current fiscal year

Profit(Loss) that relates to the transferred subsidiary is not included in consolidated statements of income in the current fiscal year, since the subsidiary is excluded from the scope of consolidation by regarding the beginning of the current fiscal year as deemed transfer date.

(2) Transactions under common control

Additional acquisition of subsidiary shares

Overview of the transaction

(Name and business description of combined company)
Name: Nicomac Taikisha Clean Rooms Private Limited
Business description: Manufacturing, installation and design for Cleanroom

(Date of business combination)
December 7, 2022 (Deemed acquisition date is December 31, 2022.)

(Legal form of business combination)
Acquisition of shares from non-controlling interests

(Combined company's name after acquisition)
There is no change.

(Overview of other transactions)
Voting rights ratio of the additionally acquired shares is 26%, and the voting rights ratio of the Group has become 100% due to the transaction.

Overview of accounting treatment that was carried out

The transaction is treated as transaction under common control, specifically transaction with non-controlling interests in accordance with the Accounting Standard for Business Combinations and the Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures.

Consideration for additional acquisition of subsidiary shares

		Millions of yen	Thousands of U.S. dollars
Consideration for acquisition	Cash	¥2,087	$15,634
Acquisition cost		¥2,087	$15,634

Change in equity of the Company by the transaction with non-controlling interests

(Main reason of the fluctuation of capital surplus)
Additional acquisition of subsidiary shares

(The amount of decrease of capital surplus by the transaction with non-controlling interests)
¥1,401 million (US$ 10,492 thousand)

15. Asset retirement obligations

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

16. Revenue recognition

(1) Disaggregation of revenues from contracts with customers

For the year ended March 31, 2022

	Millions of yen		
	Green Technology System Division	Paint Finishing System Division	Total
By region			
Japan	¥94,137	¥13,570	¥107,708
Overseas	40,255	61,297	101,552
Revenues from contracts with customers	134,393	74,867	209,261
Other revenues	–	–	–
Revenues to external customers	¥134,393	¥74,867	¥209,261

For the year ended March 31, 2023

	Millions of yen		
	Green Technology System Division	Paint Finishing System Division	Total
By region			
Japan	¥123,081	¥11,154	¥134,236
Overseas	48,762	31,793	80,556
Revenues from contracts with customers	171,844	42,948	214,793
Other revenues	–	–	–
Revenues to external customers	¥171,844	¥42,948	¥214,793

For the year ended March 31, 2023

	Thousands of U.S. dollars		
	Green Technology System Division	Paint Finishing System Division	Total
By region			
Japan	$921,683	$83,533	$1,005,216
Overseas	365,155	238,085	603,240
Revenues from contracts with customers	1,286,838	321,618	1,608,456
Other revenues	–	–	–
Revenues to external customers	$1,286,838	$321,618	$1,608,456

(2) Information that is the basis for understanding the revenues from contracts with customers

Taikisha Group is engaged in construction contracts and so on and sales of equipment and materials for design, supervision, and construction work in the Green Technology System business and Paint Finishing System business.

Construction contracts and so on

Taikisha Group's performances of construction contracts or other contracts results in arising or increasing in value of an assets, along with these assets increase, the Company considers that it has transferred control of the assets to the customers over a certain period of time. Therefore, revenue is recognized based on progress toward complete satisfaction of performance obligations as of the closing date.

Progress is measured as the ratio of the costs incurred to the total estimated costs (input method), because it is possible to make reasonable estimates of the total estimated costs based on the budgets. In addition, revenue is recognized by cost recovery method in case incurred costs are expected to be recoverable though the progress of satisfaction of performance obligations cannot be reasonably measured.

Sales of equipment and materials

Regarding Taikisha Group's sales of equipment and materials, as a result of consideration of indicators related to the transfer of control, such as physical possession of the equipment and materials, significant risks associated with ownership and the transfer of economic value to the customer, Taikisha Group has determined that control over the equipment and materials are transferred to the customers and the performance of obligation is satisfied at the time of delivery of equipment and materials. In this reason, revenue is recognized when equipment and materials are delivered.

For these performance obligations, Taikisha Group provides guarantees such as free repair for contractual non-conformities that occur within a certain period of time after handover or delivery. It provides assurance to the customer that the products will function as intended and in accordance with the specifications agreed upon with the customers. Expected future expenditures are estimated by taking into account historical warranty rates and are recognized as a provision for warranties for completed construction.

Also, these terms of payments for these performance obligations are common and do not include significant financial elements.

(3) Information about the relationship between the satisfaction of performance obligations under contracts with customers and cash flows from such contracts, and the amount and timing of revenue expected to be recognized from contracts with customers that existed at the end of the current consolidated fiscal year and are expected to be recognized in the following consolidated fiscal year or later

Balances of contract assets and liabilities

As of March 31, 2022 and 2023	Millions of yen		Thousands of U.S. dollars
	2022	2023	2023
Receivables arising from contracts with customers (Beginning balance)	¥80,179	¥79,781	$597,435
Receivables arising from contracts with customers (Ending balance)	¥79,781	¥48,339	$361,985
Contract assets (Beginning balance)	¥17,473	¥22,266	$166,739
Contract assets (Ending balance)	¥22,266	¥66,224	$495,913
Contract liabilities (Beginning balance)	¥14,200	¥6,901	$51,682
Contract liabilities (Ending balance)	¥6,901	¥23,306	$174,525

In the consolidated balance sheets, accounts receivable for completed construction contracts and contract assets arising from contracts with customers are included in notes receivable, accounts receivable from completed construction contracts and other while contract liabilities are presented as advances received on uncompleted construction contracts.

The amounts of revenue recognized in the previous fiscal year and the current fiscal year that were included in the balance of contract liabilities at the beginning of each period are ¥13,697 million for the previous fiscal year and ¥5,577 million (US$41,763 thousand) for the current fiscal year. The amount of revenue recognized in the previous fiscal year and the current fiscal year from performance obligations that were satisfied (or partially satisfied) in the previous fiscal years are not material.

Transaction price allocated to the remaining performance obligations

The aggregate transaction prices allocated to unsatisfied performance obligations and the period over which revenues are expected to be recognized are as follows.

For the year ended March 31, 2022	Millions of yen		
	Green Technology System Division	Paint Finishing System Division	Total
By region			
Japan	¥109,493	¥15,904	¥125,398
Overseas	33,672	39,218	72,891
Total	¥143,166	¥55,123	¥198,289

For the year ended March 31, 2023	Millions of yen		
	Green Technology System Division	Paint Finishing System Division	Total
By region			
Japan	¥117,331	¥26,543	¥143,875
Overseas	65,561	48,862	114,423
Total	¥182,892	¥75,406	¥258,299

For the year ended March 31, 2023	Thousands of U.S. dollars		
	Green Technology System Division	Paint Finishing System Division	Total
By region			
Japan	$878,625	$198,770	$1,077,395
Overseas	490,948	365,904	856,852
Total	$1,369,573	$564,674	$1,934,247

The transaction prices allocated to unsatisfied performance obligations in the "Green Technology System business" and "Paint Finishing System business" are expected to be recognized as construction revenue within two years, primarily based on the progress of construction.

17. Segment information

(1) Overview of reportable segment

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

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

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

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

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

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

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

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

For the year ended March 31, 2022	Millions of yen				
	Green Technology System Division	Paint Finishing System Division	Total	Adjustments	Amount recorded in the consolidated financial statements
Sales					
Sales to customers	¥134,393	¥74,867	¥209,261	¥–	¥209,261
Intersegment	6	14	20	(20)	–
Total	134,399	74,882	209,282	(20)	209,261
Segment profit	9,302	667	9,969	849	10,818
Segment assets	109,420	70,719	180,139	48,019	228,159
Other items					
Depreciation and amortization	1,052	1,461	2,513	(17)	2,496
Amortization of goodwill	362	52	414	–	414
Interest income	108	154	263	(4)	259
Interest expenses	3	294	298	5	303
Share of profit (loss) of entities accounted for using equity method	(7)	(25)	(32)	–	(32)
Investments in associates accounted for using equity method	–	559	559	–	559
Increase in property, plant and equipment, intangible assets	¥1,210	¥900	¥2,111	¥212	¥2,324

(Note 1) The amounts of Adjustments are as follows.

Adjustments of Segment profit of ¥849 million include non-allocatable common profits of ¥849 million and other adjustment of ¥0 million. Non-allocatable common profits are mainly general and administrative expenses, dividend income, etc., which are not attributed to any reportable segment.

Adjustments of Segment assets of ¥48,019 million are elimination of receivable and payable etc., of minus ¥3,312 million and non-allocatable common assets which are not allocated to any reportable segments of ¥51,332 million. Non-allocatable common assets are mainly cash and deposits, securities, property, plant and equipment, intangible assets, and net defined benefit asset, etc., which are not attributed to any reportable segment.

Adjustments of Increase in property, plant and equipment, intangible assets of ¥212 million are buildings and structures, machinery, equipment and vehicles, tools, furniture and fixtures and software, etc., which are not attributed to any reportable segment.

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

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

For the year ended March 31, 2023

	Millions of yen				
	Green Technology System Division	Paint Finishing System Division	Total	Adjustments	Amount recorded in the consolidated financial statements
Sales					
Sales to customers	¥171,844	¥42,948	¥214,793	¥–	¥214,793
Intersegment	23	12	36	(36)	–
Total	171,868	42,960	214,829	(36)	214,793
Segment profit (loss)	14,599	(1,606)	12,992	9	13,001
Segment assets	145,565	49,303	194,869	42,236	237,105
Other items					
Depreciation and amortization	1,167	837	2,005	(5)	2,000
Amortization of goodwill	400	62	462	–	462
Interest income	159	166	325	(1)	324
Interest expenses	5	134	139	12	152
Share of profit (loss) of entities accounted for using equity method	(6)	3	(3)	–	(3)
Investments in associates accounted for using equity method	–	591	591	–	591
Increase in property, plant and equipment, intangible assets	¥1,139	¥1,046	¥2,185	¥204	¥2,390

(Note 1) The amounts of Adjustments are as follows.
Adjustments of Segment profit of ¥9 million (US$72 thousand) include non-allocatable common profits of ¥9 million (US$68 thousand) and other adjustment of ¥0 million (US$4 thousand). Non-allocatable common profits are mainly general and administrative expenses, dividend income, etc., which are not attributed to any reportable segment.
Adjustments of Segment assets of ¥42,236 million (US$316,286 thousand) are elimination of receivable and payable etc., of minus ¥2,917 million (minus US$21,847 thousand) and non-allocatable common assets which are not allocated to any reportable segments of ¥45,154 million (US$338,132 thousand). Non-allocatable common assets are mainly cash and deposits, securities, property, plant and equipment, intangible assets, and net defined benefit asset, etc., which are not attributed to any reportable segment.
Adjustments of Increase in property, plant and equipment, intangible assets of ¥204 million (US$1,534 thousand) are buildings and structures, machinery, equipment and vehicles, tools, furniture and fixtures and software, etc., which are not attributed to any reportable segment.
The allocation method of assets for reportable segment is different from that of related income and expenses.
(Note 2) Segment profit (loss) is adjusted to the ordinary income of the consolidated statement of income.

For the year ended March 31, 2023

	Thousands of U.S. dollars				
	Green Technology System Division	Paint Finishing System Division	Total	Adjustments	Amount recorded in the consolidated financial statements
Sales					
Sales to customers	$1,286,838	$321,618	$1,608,456	$–	$1,608,456
Intersegment	179	91	270	(270)	–
Total	1,287,017	321,709	1,608,726	(270)	1,608,456
Segment profit (loss)	109,324	(12,032)	97,292	72	97,364
Segment assets	1,090,052	369,204	1,459,256	316,286	1,775,542
Other items					
Depreciation and amortization	8,746	6,275	15,021	(39)	14,982
Amortization of goodwill	2,999	466	3,465	–	3,465
Interest income	1,194	1,247	2,441	(9)	2,432
Interest expenses	40	1,005	1,045	94	1,139
Share of profit (loss) of entities accounted for using equity method	(48)	23	(25)	–	(25)
Investments in associates accounted for using equity method	–	4,431	4,431	–	4,431
Increase in property, plant and equipment, intangible assets	$8,532	$7,834	$16,366	$1,534	$17,900

18. Related information in regard to segment information

(1) Information by product and service

For the year ended March 31, 2022

This item is omitted because similar information is disclosed in "17. Segment information"

For the year ended March 31, 2023

This item is omitted because similar information is disclosed in "17. Segment information"

(2) Sales by region

For the year ended March 31, 2022

Millions of yen								
Japan	North America	Southeast Asia		East Asia		India	Other	Total
		Thailand	Other Southeast Asia	China	Other East Asia			
¥107,708	¥17,347	¥17,106	¥19,765	¥14,416	¥2,605	¥11,456	¥18,855	¥209,261

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

For the year ended March 31, 2023

Millions of yen								
Japan	North America	Southeast Asia		East Asia		India	Other	Total
		Thailand	Other Southeast Asia	China	Other East Asia			
¥134,236	¥6,203	¥19,719	¥23,648	¥13,982	¥3,058	¥13,173	¥770	¥214,793

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

For the year ended March 31, 2023

Thousands of U.S. dollars								
Japan	North America	Southeast Asia		East Asia		India	Other	Total
		Thailand	Other Southeast Asia	China	Other East Asia			
$1,005,216	$46,456	$147,668	$177,090	$104,703	$22,904	$98,647	$5,772	$1,608,456

(3) Property, plant and equipment by region

For the year ended March 31, 2022

Millions of yen							
Japan	Thailand	Indonesia	China	India	Italy	Other	Total
¥5,249	¥490	¥205	¥491	¥1,994	¥2,300	¥512	¥11,243

For the year ended March 31, 2023

Millions of yen							
Japan	Thailand	Indonesia	China	India	Italy	Other	Total
¥4,724	¥381	¥198	¥588	¥2,148	¥–	¥515	¥8,557

For the year ended March 31, 2023

Thousands of U.S. dollars							
Japan	Thailand	Indonesia	China	India	Italy	Other	Total
$35,377	$2,854	$1,485	$4,410	$16,091	$–	$3,862	$64,079

(4) Sales information by main customer

For the year ended March 31, 2022

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

For the year ended March 31, 2023

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

19. Impairment loss by reportable segment

Impairment loss of the non-current assets by reportable segment

For the year ended March 31, 2022

	Millions of yen				
	Green Technology System Division	Paint Finishing System Division	Total	Eliminations/ Corporate (Note)	Total
Impairment loss	¥–	¥–	¥–	¥0	¥0

(Note) Eliminations/Corporate is due to the impairment on the idle asset.

For the year ended March 31, 2023

	Millions of yen				
	Green Technology System Division	Paint Finishing System Division	Total	Eliminations/ Corporate (Note)	Total
Impairment loss	¥643	¥–	¥643	¥(0)	¥642

(Note) Eliminations/Corporate is due to the impairment on the idle asset.

For the year ended March 31, 2023

	Thousands of U.S. dollars				
	Green Technology System Division	Paint Finishing System Division	Total	Eliminations/ Corporate	Total
Impairment loss	$4,816	$–	$4,816	$(3)	$4,813

20. Amortization and balance of goodwill

(1) Amortization and balance of goodwill by reportable segment

For the year ended March 31, 2022

	Millions of yen				
	Green Technology System Division	Paint Finishing System Division	Total	Eliminations/ Corporate	Total
Balance of goodwill	¥3,282	¥684	¥3,966	¥–	¥3,966

(Note) Amortization of goodwill is omitted because it is already disclosed in the "17. Segment information".

For the year ended March 31, 2023

	Millions of yen				
	Green Technology System Division	Paint Finishing System Division	Total	Eliminations/ Corporate	Total
Balance of goodwill	¥2,913	¥726	¥3,640	¥–	¥3,640

(Note) Amortization of goodwill is omitted because it is already disclosed in the "17. Segment information".

For the year ended March 31, 2023

	Thousands of U.S. dollars				
	Green Technology System Division	Paint Finishing System Division	Total	Eliminations/ Corporate	Total
Balance of goodwill	$21,820	$5,439	$27,259	$–	$27,259

(2) Gain on negative goodwill by reportable segment

For the year ended March 31, 2022
Not applicable.

For the year ended March 31, 2023
Not applicable.

21. Related party transactions

For the year ended March 31, 2022
Not applicable.

For the year ended March 31, 2023
Not applicable.

22. Details of bonds

Not applicable.

23. Details of loans

As of March 31, 2023

	Millions of yen		Thousands of U.S. dollars		
	Beginning balance	Ending balance	Ending balance	Average interest rate (%)	Maturity
Short-term loans payable	¥13,413	¥2,836	$21,238	5.262	–
Current portion of long-term loans payable	2,122	106	797	0.715	–
Current portion of lease obligations	83	69	524	–	–
Long-term loans payable (excluding current portion)	5,605	98	735	0.687	May 2025 to June 2031
Lease obligations (excluding current portion)	82	98	734	–	May 2024 to October 2027
Total	¥21,306	¥3,208	$24,028	–	–

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

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

(Note 3) The annual repayment schedules of long-term loans payable and lease obligations (excluding current portion) subsequent to March 31, 2023 are as follows.

	Millions of yen			
	Over one year within two years	Over two years within three years	Over three years within four years	Over four years within five years
Long-term loans payable	¥62	¥36	¥–	¥–
Lease obligations	¥55	¥22	¥10	¥7

	Thousands of U.S. dollars			
	Over one year within two years	Over two years within three years	Over three years within four years	Over four years within five years
Long-term loans payable	$465	$270	$–	$–
Lease obligations	$416	$170	$81	$55

24. Details of asset retirement obligations

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

25. Significant subsequent events

Not applicable.

Report of Independent Auditors

A&A partners

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Taikisha Ltd.,

Opinion

We have audited the consolidated financial statements of Taikisha Ltd. and its subsidiaries (the Group), which comprise the consolidated balance sheet as at March 31, 2023, and the consolidated statements of income, comprehensive income, changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, all expressed in Japanese Yen.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2023, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

1. Reasonableness of estimates regarding the completion percentage of construction contracts for which revenue is recognized over time.	
Description of Key Audit Matter	Auditor's Response
As described in the note 2. Summary of significant accounting policies, (8) Revenue and cost recognition, in the Green Technology System business and the Paint Finishing System business, performance obligations for construction contracts, etc. mainly involving design, supervision, and installation are deemed to be satisfied over time, and revenue is recognized based on progress toward complete satisfaction of a performance obligation. As stated in the notes "Estimates of percentage of completion in construction contracts, etc. in which revenue is recognized over time" under(12) Significant accounting estimates, The percentage of completion is measured by the ratio of costs incurred as of the fiscal year-end to estimated total costs based on the working budget for the construction contract (input methods). The Group recorded net sales of completed construction contracts ¥189,094 million on a consolidated basis for the fiscal year by the method. The estimated total cost is calculated by making working budgets for each construction, and the budgets have high uncertainty as the construction cost could change by the construction site conditions, changes in the content of the work and price negotiation with contractors after launching the constructions. Also, the accuracy of cost aggregation to each contract has significant effect on the estimation of the progress . Therefore, we determined estimates regarding the completion percentage of construction contracts for which revenue is recognized over time as a key audit matter.	As revenue arise from construction contracts in which revenue is recognized over time is calculated by the progress measured based on total costs of construction, we performed following audit procedures to evaluate the reasonableness of estimation on the progress of constructions. Main procedures are as follows. ・ We evaluated the design and operational effectiveness of internal controls over estimates of total construction costs. Specifically we focused on the controls over developing working budgets, updating the budgets to reflect the changes after the construction has commenced, and allocating incurred costs to appropriate contracts. ・ We identified the contracts in which the uncertainty of the working budget is relatively high by analyzing the correlation between the order amount and the working budget, as well as the profit margin of each construction contract. ・ For the identified construction contracts, we examined the reasonableness of estimates of the working budget made by the management by comparing the latest estimate of working budget as of the fiscal year end with the original ones and investigating the reason of fluctuation. ・ For the construction projects in process we examined whether there was any over or underrun in the working budget by obtaining documents related to the latest purchase order. ・ For the construction on which we determined that deliberate judgement is required by the size, profit rate, and the progress at the end of the fiscal year, we performed vouching on the incurred costs by related documents such as invoice etc., enquiry to construction managers, reviewing related documents such as construction schedules and planned cost lists, and furthermore we visited the construction site to evaluate the consistency of the progress between the record and the situation of the site when necessary. ・ We instructed the auditors of significant components to perform audit procedures and evaluated the sufficiency and appropriateness of their work and audit evidence obtained through communicating with them and reviewing their interoffice audit deliverables etc.

Other Information

The other information comprises the information included in the integrated report, but does not include the consolidated financial statements and our auditor's report hereon. Management is responsible for the other information. In addition, those charged with governance are responsible for overseeing the Group's reporting process of the other information.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of Management and Audit & Supervisory Board for the Consolidated Financial Statements
Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in Japan and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.
In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, including whether the use of the disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.
Audit & Supervisory Board is responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements
Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in Japan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.
As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the audit & supervisory board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
We also provide the audit & supervisory board with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.
From the matters communicated with the audit & supervisory board, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Interest required to be disclosed by the Certified Public Accountants Act of Japan
Our firm and its designated engagement partners do not have any interest in the Company and its consolidated subsidiaries which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

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

Hiroaki Kagami
Hiroaki Kagami
Designated Engagement Partner
Certified Public Accountant

Kenji Oka
Kenji Oka
Designated Engagement Partner
Certified Public Accountant

Daisuke Miyanohara
Daisuke Miyanohara
Designated Engagement Partner
Certified Public Accountant

A&A Partners
Tokyo, Japan
December 4, 2023