ANNUAL REPORT 2011

APR 2010 – MAR 2011

Corporate Policy: "Customers First"

Customers are broadly interpreted as general society. The spirit of "Customers First" is to obtain ceaseless trust from our customers. For this purpose, we must conscientiously put forth our best effort in all areas of business, based upon the philosophy that behavior of a person or a company will generate benefits and happiness for one's counterpart.

Philosophy and Vision

Corporate Philosophy

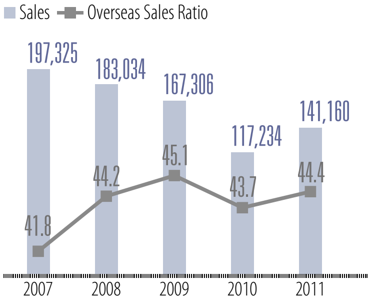
1. Establishing a company that can perpetually grow and contribute to the society

1) Make efforts to continue growth through increasing added value, and aim to create prosperity for customers and affiliated companies as well as affluent lives for employees

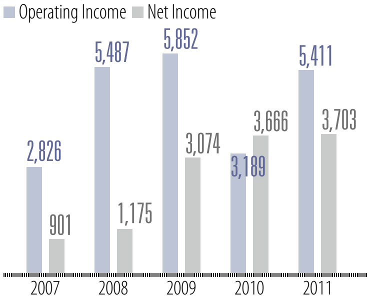
2) Make efforts to create an affluent environment and to advance industrial society, with an aim at making a contribution to society through technology that matches the needs of society

Financial Highlights

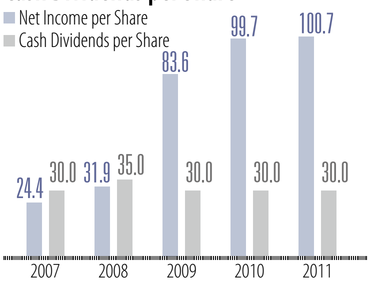
Sales & Overseas Sales Ratio (Millions of yen, %)



Operating Income & Net Income (Millions of yen)



Net Income per Share & Cash Dividends per Share (¥)



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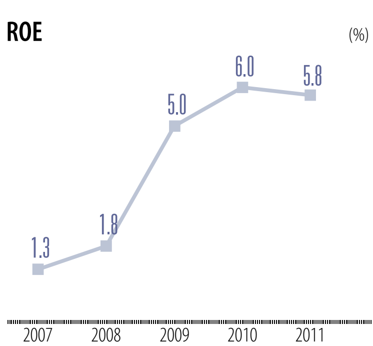
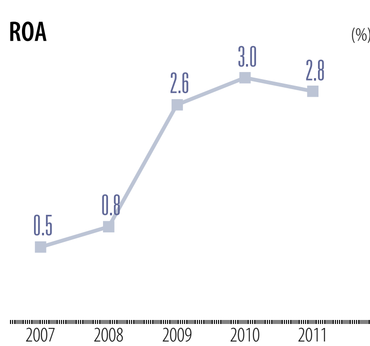
2. Creating an attractive company

1) Aim at creating a motivation-oriented company where the creativity and vitality of each employee will be realized through their work.
2) Aim at creating a company with an organization and corporate culture in which company goals will be achieved through the combined efforts of all employees under a spirit of mutual trust, cooperation, and rationality.
3) Aim at creating a unique company in all areas of company operations, including technology, market, and development of human resources, through amassing the expertise of "energy, air, and water".





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Our aim is to become an attractive company for all our stakeholders, while continuing to contribute to society.

President Eitaro Uenishi looks forward to a future of growth with a stress on global markets.

The global economy continued to exhibit a gradual recovery during the fiscal year ended March 31, 2011, supported by robust growth in emerging economies such as China. The pace of the recovery began to slow in the second half, however, due to such circumstances as uncertainty concerning the economies of the Eurozone countries and heightened concerns about political instability in the Middle East.

Operating in this environment, we introduced our new Medium-Term Business Plan beginning with the fiscal year ended March 2011, and commenced implementing a wide range of measures to achieve our business objectives. As a result, our consolidated orders received, consolidated sales and consolidated net income exceeded the targeted levels. The profit margin on sales of construction remains at a high level due to our continued adherence to a strategy of receiving orders with a focus on profitability while pursuing total cost-reduction activities.

In the fiscal year under review, we succeeded well ahead of schedule in exceeding our targeted profits for the fiscal year ending March 2013, announced last year in the Group's new Medium-Term Business Plan. We have consequently announced newly revised target levels, which reflect updated information concerning economic conditions and the external environment. These target levels have been determined in view of current information gathered by the Company and an awareness of our capabilities. We will make the utmost effort to fulfill the expectations of our shareholders and other stakeholders, achieve steady growth in orders received and sales and, as a result, provide further gains with respect to our targeted results.

The Group will strive to achieve further business expansion on a global scale under its "Customers First" corporate policy, continuing its growth by deploying its core environmental technologies with respect to "energy, air, and water," as indicated by our corporate name Taiki-sha. Our aim is to become an attractive company for all our stakeholders, while continuing to contribute to society.

We sincerely request your understanding of our management policy and your continued support and patronage as we move forward.

Eitaro Uenishi
President and Representative Director

Eitaro Uenishi

Q1

A year has passed since you implemented your Medium-Term Business Plan for the fiscal year ending March 2011 through the fiscal year ending March 2013. Would you please summarize your results for the initial fiscal year of the Plan?

The fiscal year to March 2011 began under a cloud of uncertainty concerning the outlook for the global economy, with Europe facing a credit crunch and the U.S. economy remaining stagnant. As the year progressed, however, the global economy continued on a path to gradual recovery, led by robust economies in emerging countries such as China and India.

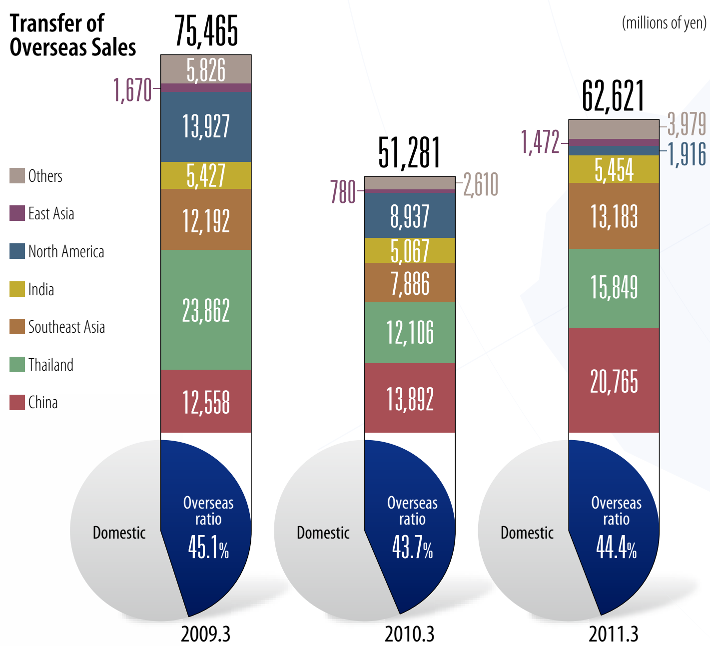
Our consolidated financial results for the fiscal year ended March 2011 were quite positive as a result. Consolidated orders received expanded by 39.6% from the previous year to ¥165.6 billion, consolidated sales in the construction business increased by 20.4% from the previous term to ¥141.1 billion and consolidated operating profit increased by 69.7% from the previous term to ¥5.4 billion.

The Group has been implementing a wide range of measures, including responses to globalization and further development of new business fields, based on our new Medium-Term Business Plan. Despite the continuing stagnation of the domestic economy, sales in overseas markets increased steadily by 22.1% to ¥62.6

Q2

You mentioned a 22.1% increase in overseas sales with respect to the previous term. Which countries contributed to this increase?

In terms of overseas construction regions, we saw growth in sales in Southeast Asia including Thailand, East Asia including China, and South Asia including India. Among these regions, both the highest sales and the largest year-on-year increase occurred in China. Chinese sales increased by ¥6,873 million from the previous term to ¥20,765 million. We have gained the ability in recent years to win projects not only from Japanese manufacturers in China but also from locally capitalized manufacturers, such as liquid crystal panel and motor vehicle makers. We consequently expect sales in China to continue to contribute to our operating results.



Major countries and regions: Southeast Asia: Indonesia, Singapore, Malaysia, the Philippines, and Vietnam / East Asia: Taiwan and Republic of Korea
North America: the U.S. and Canada / Other areas: the United Kingdom, Russia, France, South America, and others

Q3

Overseas orders received also increased dramatically, rising 95.8% from the previous term. What are your strategies with respect to overseas operations as you look to the future?

Our Green Technology System Division saw overseas orders received grow at a substantial rate of 114% from the previous term to ¥45.0 billion for the fiscal year ended March 2011, encouraged by optimal use of our global network and positive overseas development. Not only Japanese manufacturers but also Japan-billion as we promoted strategic business development in markets such as China and Thailand where we anticipated growth.

The future of the domestic economy is expected to remain uncertain due to the negative impact on Japan's manufacturing activities of the Great East Japan Earthquake of March 11, 2011 and the electric power shortage that has followed. Meanwhile, we foresee continued growth in orders received from overseas markets, especially from emerging countries. In May 2011, we revised the target values set in our Medium-Term Business Plan upward and announced these new targets in accordance with our strategy of achieving further improved results, even in today's dramatically changing business environment. We have, however, made no revisions in the basic policies or measures presented in the Plan.

Business target values (consolidated)

Target values announced on May 14th, 2010 (millions of yen)

	FY March 2011 (projected)	FY March 2012 (projected)	FY March 2013 (projected)
Orders received	138,000	157,000	161,000
Revenue	136,000	147,000	160,000
Operating profit	2,700	3,600	4,500
Ordinary profit	3,200	4,200	5,200
Net income	1,600	2,200	2,800

Revised target values (millions of yen)

	FY March 2011	FY March 2012 (projected)	FY March 2013 (projected)
Orders received	165,638	175,000	176,000
Revenue	141,160	176,000	176,000
Operating profit	5,411	5,900	6,200
Ordinary profit	6,166	6,500	6,800
Net income	3,703	3,700	4,000

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

Taikisha Engineering India Ltd.

based real estate developers, design offices and general contractors have a strong overseas orientation, and emerging countries are accelerating their infrastructure investment. Although we must necessarily compete with local companies in overseas markets, we are convinced that our company offers advantages in terms of costs and quality as well as superior energy-saving designs and a responsible attitude toward meeting deadlines for facilities completion. We intend to make full use of these advantages to continue our strategic promotion of globalization and expand the number of orders received.

Paint Finishing System Division established a subsidiary in Tianjin, China in October 2010, and its R&D facility for paint finishing systems is currently under construction. In India, we have expanded the facilities at our Pune factory. As these moves indicate, we are seeking to allocate management resources preferentially in potentially high-growth markets to enhance our competitiveness further.

We will continue our efforts to increase orders received and improve our operating results by taking advantage of the Group strength provided by our global network.

Q4 What is your approach to human resources development in response to the Company's accelerating global business development?

Our future overseas network will require human resources with capabilities in the management sphere as well as in such areas as sales and construction. We are expanding our overall training to develop these requisite human resources. Examples of our efforts include a new training program implemented for general managers for our overseas network and training programs conducted for both foreign and Japanese employees. Japanese employees will continue to serve as general managers in our overseas network for the time being, but we consider it ideal for local personnel who understand Japanese culture to take over these responsibilities in the future.

Q5 Could you also share your views on domestic business development?

If we are to maintain a stable management foundation as we pursue business globalization, it is essential that we secure a substantial share of the air-conditioning system construction in buildings in Japan. Recent changes in Japan's Energy Conservation Law and in the Guideline for the Introduction of Energy Conservation and Renewable Energy for Tokyo Metropolitan Government Facilities require the implementation of energy-use management and measures to reduce CO_2 emissions by buildings and facilities exceeding a certain scale. We consequently expect the volume of renewal construction to install eco-friendly air-conditioning facilities that reduce CO_2 emissions to increase in the near future. Under these circumstances, the Group will focus on presenting customers with proposals concerning the energy conservation and maintenance business with the aim of expanding its receipt of orders for renewal construction as well as new construction.

Q6 How would you evaluate the effectiveness of the approaches to new businesses presented in your Medium-Term Business Plan?

Last year, we successfully developed a new hydrogen peroxide-based decontamination system called HYPER DRYDECO, for which we have received an order from a major pharmaceutical company. We have recently completed development of a mobile version of the system, moreover, with the aim of boosting its sales further.

Meanwhile, our NMP Recovery System, a revolutionary system that recovers NMP employed in lithium-ion battery manufacturing, is registering positive sales results, and we expect orders for this system to increase. We plan to achieve further growth by developing new businesses and diversifying our fields of operation.

Sample Examination Device of HYPER DRYDECO

Q7 What is the Group's position regarding the return of profits and dividends to shareholders?

We view the return of profits to our shareholders through dividends as one of the most important responsibilities of management. Our dividend policy is to make returns to our shareholders from the perspectives of both earnings-based dividends and stable dividends.

Green Technology System Division

Business Overview / Business Report for the Current Fiscal Year

Green Technology System Division operates an Industrial HVAC business primarily for manufacturing facilities and a Building HVAC business for office buildings and large-scale commercial facilities, both in Japan and overseas. The Division designs facilities that reduce energy consumption and help meet the requirements for a low-carbon society. It is striving to achieve further enhancement of its eco-friendly businesses, such as its engineering business for improving production efficiency at plants and its solution business for developing and selling high-efficiency exhaust treatment equipment.

As concerns Green Technology System Division's results for the fiscal year ended March 31, 2011, orders received totaled ¥111.6 billion (a 30.8% year-on-year increase) and sales totaled ¥103.1 billion (a 32.3% year-on-year increase).

Regional Case Examples

JAPAN

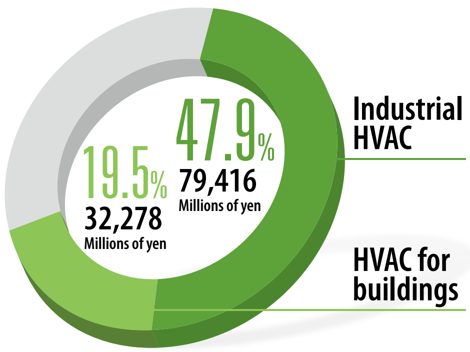
Supply of state-of-the-art energy-saving technologies and environmental pollution prevention facilities to one of the Japan's largest pharmaceutical research centers

Takeda Pharmaceutical Company Limited's Shonan Research Center in Fujisawa, Kanagawa Prefecture, was opened in February 2011. With 10 stories above ground and floor space totaling over 300,000 m^2, this new center is one of the largest pharmaceutical research centers in Japan. It is positioned as a core facility for the early stages of R&D for developing new medicines. Our Company was primarily responsible for the HVAC and heat source facilities in the research building and the heat source facilities in the energy center building.

The Shonan Research Center adopted our unique technologies in the area of energy saving, including our "Heat Source Optimal Control System." It also placed an order for "HYPER DRYDECO," a new decontamination system we succeeded in developing during the past year to comply with the decontamination requirements of Japanese laws and regulations. This new decontamination system, which employs hydrogen peroxide in place of formaldehyde, is attracting considerable attention for its eco- and human-friendly approach to decontamination.

As the future unfolds, we will continue our pursuit of technological development that contributes to reducing the environmental burden and preventing environmental pollution.

Orders Received by Segment



Business Field Diversification

Contribution to energy saving by data centers through a new business alliance with Rasco Co., Ltd.

Data centers, which provide high value-added services such as cloud computing, are among businesses with particular promise of further growth. In July 2010, the Company formed a business alliance with Rasco Co., Ltd., which has its headquarters in Kazo, Saitama Prefecture, for the purpose of expanding its data center-related operations.

The need for energy-saving air-conditioning facilities has become a pressing issue for data centers, whose large numbers of data communications equipment and servers operate round the clock, 365 days a year, in close proximity to each other, generating large amounts of heat. We expect the combination of

CAMBODIA

Seeking orders in a new market

The Company established Taikisha (Cambodia) Co., Ltd., a 100% owned consolidated subsidiary, in Phnom Penh, the Kingdom of Cambodia, in June 2011. An ASEAN member country, Cambodia has been implementing positive incentive measures, including development of special economic zones and VAT reductions, in an effort to attract foreign companies. The Company expects many international companies, including Japanese manufacturers, to begin entering the Cambodian market in response.

Our purpose in establishing the new Cambodian subsidiary is to increase our opportunities to receive orders in this new market by operating in close association with the local business community there. At the same time, we will seek to improve customer satisfaction and confidence while filling orders for various services, including renovation projects.

We will pursue activities aimed at receiving orders, not only from our current customers but also from new customers in this potential growth market.

Taikisha's energy solution technologies for complete air-conditioning systems with Rasco's highly efficient energy-saving air-conditioners for server rooms to generate a synergistic effect that can also help data centers enhance their energy savings.

Paint Finishing System Division

Business Overview / Business Report for the Current Fiscal Year

Paint Finishing System Division operates automobile paint plant design and construction businesses focused primarily on Japanese and locally capitalized overseas automobile manufacturers. Its operations comprise a total engineering-oriented business that is concerned not only with enhancing automobile painting and paint transfer efficiency, but also with developing technologies for reducing CO_2 emissions and organic solvent gas (VOC) exhaust from paint plants. The division is justifiably proud of its world leadership in terms of both technological capabilities and market share.

As concerns the results of Paint Finishing System Division for the fiscal year ended March 31, 2011, orders received totaled ¥53.9 billion (a 62.0% year-on-year increase) and sales totaled ¥38.0 billion (a 3.2% year-on-year decrease).

Regional Case Examples

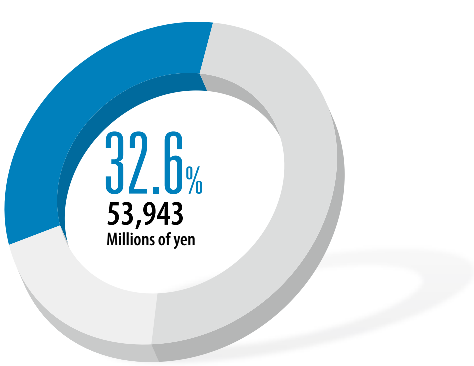
INDIA

Seeking further business expansion in India's constantly growing market

Automobile manufacturers from around the world, including Japan, have been advancing into India, an emerging country whose continued economic growth is anticipated. We have been awarded our first paint plant construction project for the Indian automaker Daimler India Commercial Vehicles Pvt. Ltd., a local subsidiary of Germany's largest truck manufacturer, Daimler AG. Taikisha has completed a considerable number of paint plant construction projects since establishing Taikisha Engineering India Ltd. in 1995. We believe our success in winning this project resulted from our progress in localizing our operations and the client's appreciation of our world-class painting technologies.

The Company is also working to upgrade its production facilities, by such means as installing metal parts processing machines, while also striving to increase the number of products manufactured at its Pune Factory in India. These efforts reflect our goal of extending our services to clients outside the automobile painting businesses and diversifying our revenue sources.

Orders Received by Segment



Business Field Diversification

Establishment of a business and capital alliance with Geico S.p.A. to further diversify the operations of Paint Finishing System Division

In May 2011, the Company formed a business and capital alliance with Milan, Italy-based Geico S.p.A. in a move toward global provision of original turnkey coating systems and plants for the motor vehicle industry. The Company purchased the equivalent of 51.0% of the total shares issued by Geico, making it a consolidated entity of the Company.

Geico is an engineering firm with a history and tradition dating back over a century. Its business resembles that of our Paint Finishing System Division, with original high-tech turnkey coating systems for the motor vehicle industry. These include its Dryspin dry scrubber waterless paint recovery booth and J-Jump conveyor system for low-volume production. Geico operates in a wide

CHINA

Establishment of an R&D facility in Tianjin, China, to strengthen competitiveness further in the Chinese market

The Company established a joint venture, Tianjin Taikisha Paint Finishing System Ltd., in Tianjin, China, in October 2010, which went into operation in April 2011. The purpose of establishing the new company is to pursue further development of the Group by enhancing its technical capabilities and improving productivity in China as part of efforts to respond effectively to the growing Chinese market. The new company is constructing an R&D facility on an approximately 30,000 m^2 site, moreover, with the start of operation scheduled for April 2012. This will be the first overseas R&D facility operated for the Paint Finishing System business. Its construction is aimed at promoting localization by developing state-of-the-art paint system technologies in China. Yet another purpose of the facility, moreover, will be to reinforce our competitiveness by augmenting our maintenance and user support capabilities. After completing construction, we plan to invite a number of overseas automakers as well as locally capitalized Chinese automakers to make use of the facility.

range of countries and regions worldwide, serving both European motor vehicle manufacturers and various other international vehicle manufacturers.

The Company has been pursuing ongoing efforts to develop a Group organization capable of coping with business globalization and strengthening our competitiveness. This alliance with Geico will establish a global-scale procurement system as well as to better serve customers of both companies through fulfilling the customer needs by complementing and combining each other's strength in technology and market presence.

We intend to continue strengthening our engineering capabilities and strategically expanding the globalization of our scope of business.

CSR Initiatives

Taikisha Group aims to be trusted and considered a faithful company by a large number of stakeholders, such as employees, customers, clients, and other involved parties.

Taikisha Group aims to be trusted and considered a faithful company.

We strive to conduct CSR activities to contribute towards creating a sustainable society and global environment by using our technologies to conserve the environment, returning profits to our shareholders and society through our sound business operations, and creating prosperity for customers and clients as well as providing comfortable lives for employees through our constant growth in accordance with our corporate philosophy, "establish a company that can perpetually grow and contribute to the society" and "create an attractive company." In addition, we make every effort to create a corporate culture with a high level of corporate ethics to thoroughly observe the applicable laws and ordinances and to gain our stakeholders' trust as a faithful company.

Contributions to Society

Environmental ISO activities, contributions to energy conservation through eco-friendly technologies, provision of exhaust detoxification technologies, reduction of our impact on global warming

Customer Confidence

Quality control, activities based on the ISO 9001 standard, development of technologies that meets users' needs

Compliance Information

Various activities, such as the creation of a corporate culture in which all applicable laws and ordinances are observed, formulation of a code of conduct, board resolutions regarding compliance with the Anti-monopoly Law and other relevant laws in business operations, implementation of compliance education for all employees, and other relevant activities are conducted under the instruction of the Corporate Compliance Committee.

Corporate Governance

Basic policy

The Group has established its management vision: "We observe the spirit of the law, perform business transactions through free and fair competition, and contribute to customers, clients, shareholders, employees, communities, society, and the global environment through our transparent and highly ethical management values." Under this management vision, the company has made it a basic policy to thoroughly incorporate compliance awareness, gain the trust of all stakeholders, aim to become a corporate group that grows and develops in a healthy manner, and realize fair and highly transparent management.

Environmentally Friendly Technologies

New eco-friendly E-DIP® automobile paint system installed in Mitsubishi Motors Corporation's Nagoya Plant

Mitsubishi Motors Corporation
Nagoya Plant

Energy-saving and environmental burden reduction measurers, as well as quality and production efficiency improvement, are high priorities for automobile manufacturers. Among the processes concerned, the energy-hungry painting process has a particular need for further energy savings as well as for reductions in organic solvent gas (VOC) exhaust.

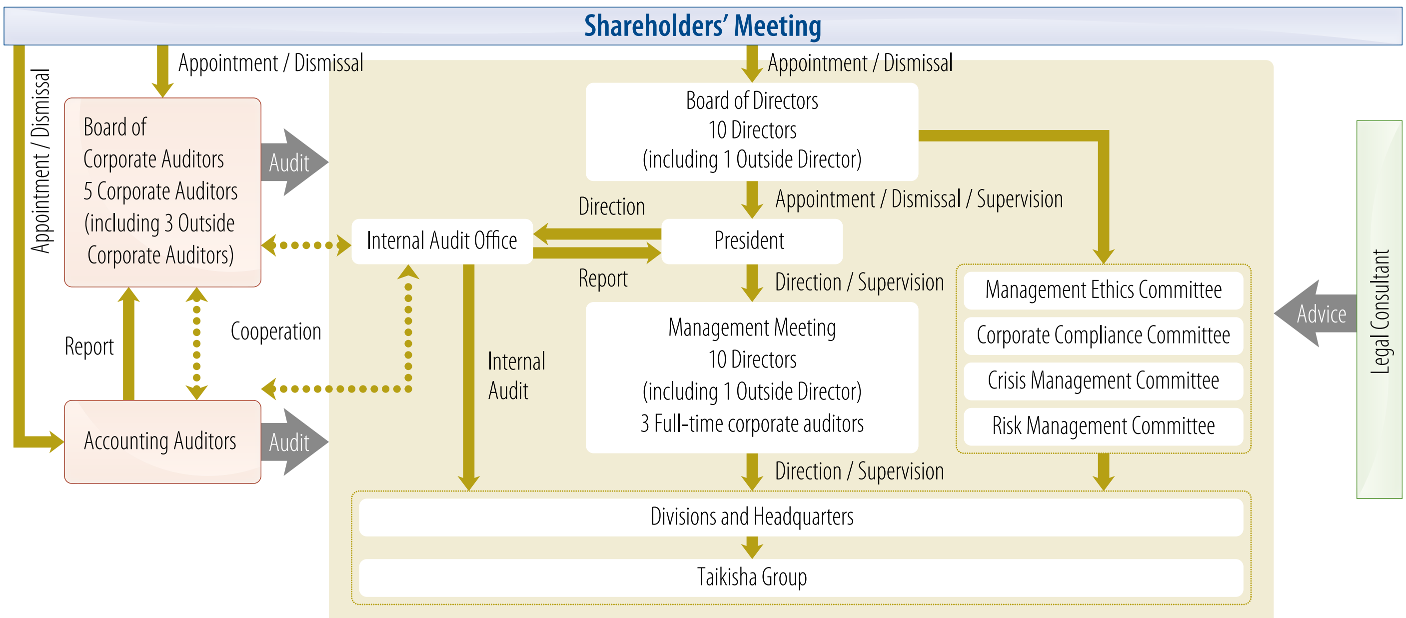
The pretreatment process employed in paint shops involves washing and surface treatment to facilitate paint transfer onto steel plates. The electrodepositing process is conducted primarily to apply a rust-prevention coating.

In conventional pretreatment and electrodepositing processes, automobile bodies are transported by an overhead chain conveyor system, which dips them into tanks containing washing liquid and electrodepositing liquid. For the current project, the Company's E-DIP® technology, which employs a dipping carrier for transportation and holds the automobile body at an acute angle as it enters and exits the tank, has been adopted. This marks the first installation of the E-DIP® system on actual production lines. Adoption of the system has made it

Compliance Information

Taikisha conducts its operations in accordance with its corporate philosophy and Code of Conduct, observes all the laws and ordinances related to its business, and makes every effort to implement fair and sound business practices. In addition, we have installed a Corporate Compliance Committee, Green Technology System Division Compliance Committee, and Corporate Compliance Department in order to remind all employees to observe the relevant laws and ordinances.

Conceptual Diagram of Corporate Governance



possible to shorten the processing line length significantly and to reduce the volume of waste liquid conveyed to the next process. Improvement of paint transfer efficiency has also been realized by controlling the movement of the automobile body in the tank once it is inserted.

The eco-friendly new E-DIP® system has not only reduced water consumption in the washing process, but it has also reduced the level of electrodepositing liquid contamination in the drainage as well as overall energy consumption and space requirements. The system thus makes a significant contribution to environmental burden reduction in the automobile painting process.

The Company will make continuous efforts to develop new technologies in the areas of energy saving and environmental pollution prevention with an eye to the future.

Entered and removed at a sharp angle, an automobile body conveys a significantly reduced volume of solution to the next process.

A swinging automobile body is lowered into a tank, where it is evenly coated with solution.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FIVE-YEAR SUMMARY : Taikisha Ltd. and its Consolidated Subsidiaries for the years ended March 31, 2007 to 2011

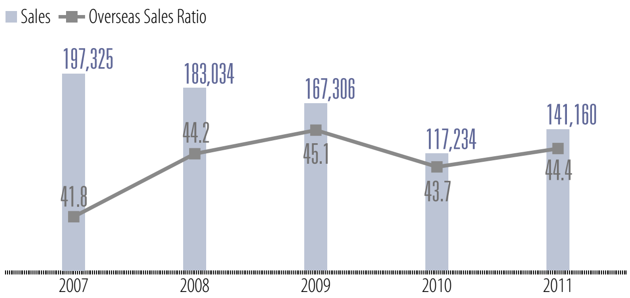
Millions of yen (except per share amounts)

CONSOLIDATED	2007	2008	2009	2010	**2011**
Orders received:	¥183,482	¥186,568	¥164,738	¥118,667	**¥165,638**
Green Technology System Division					
Environmental facilities(HVAC for building)	26,247	27,517	36,053	34,980	**32,278**
Industrial facilities(industrial HVAC)	89,479	92,566	77,124	50,383	**79,416**
Paint Finishing System Division	67,755	66,483	51,560	33,303	**53,943**
Sales:	197,325	183,034	167,306	117,234	**141,160**
Green Technology System Division					
Environmental facilities(HVAC for building)	40,120	40,535	24,611	26,804	**30,857**
Industrial facilities(industrial HVAC)	95,206	83,118	83,247	51,121	**72,268**
Paint Finishing System Division	61,997	59,380	59,447	39,307	**38,034**
Net income	901	1,175	3,074	3,666	**3,703**
Comprehensive income	–	–	–	–	**2,261**
Total assets	171,741	142,024	119,483	121,894	**132,698**
Total net assets	71,377	67,379	61,441	66,263	**66,978**
Equity ratio (%)	39.5	44.6	48.9	52.3	**48.8**
Return on equity (%)	1.3	1.8	5.0	6.0	**5.8**
Net income per share	24.43	31.97	83.60	99.73	**100.73**
Cash dividends per share	30.00	35.00	30.00	30.00	**30.00**
Net assets per share	¥1,845.87	¥1,723.67	¥1,590.08	¥1,734.49	**¥1,762.28**

NON-CONSOLIDATED					
Orders received:	¥112,143	¥112,217	¥110,898	¥78,272	**¥84,349**
Green Technology System Division					
Environmental facilities(HVAC for building)	25,529	26,149	34,722	33,994	**30,950**
Industrial facilities(industrial HVAC)	59,528	54,826	49,331	29,246	**34,695**
Paint Finishing System Division	27,085	31,241	26,843	15,032	**18,703**
Sales:	133,495	115,475	104,721	75,971	**89,763**
Green Technology System Division					
Environmental facilities(HVAC for building)	39,189	39,199	23,434	25,786	**29,557**
Industrial facilities(industrial HVAC)	64,846	47,707	53,385	30,956	**38,553**
Paint Finishing System Division	¥29,459	¥28,567	¥27,901	¥19,228	**¥21,651**

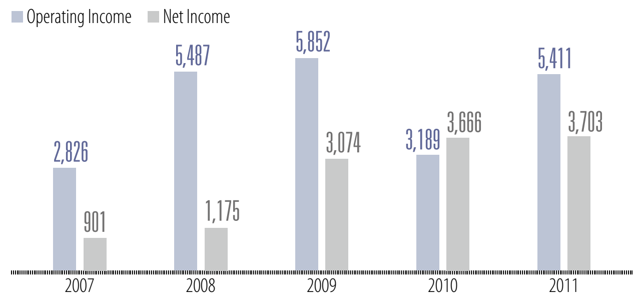
Sales & Overseas Sales Ratio

(Millions of yen, %)



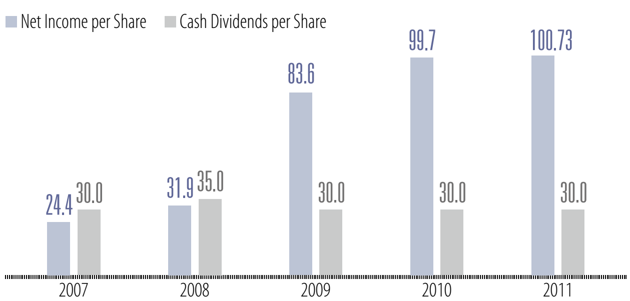
Operating Income & Net Income

(Millions of yen)



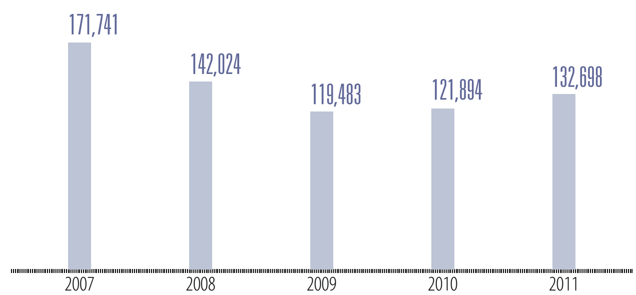
Net Income per Share & Cash Dividends per Share

(¥)



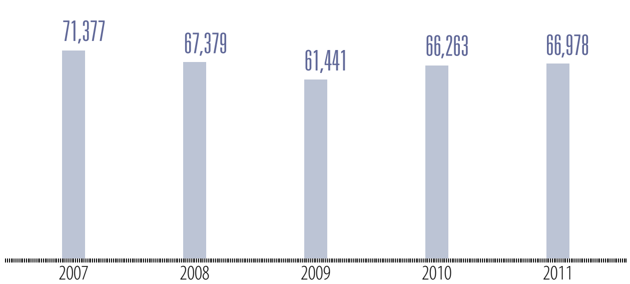
Total Assets

(Millions of yen)



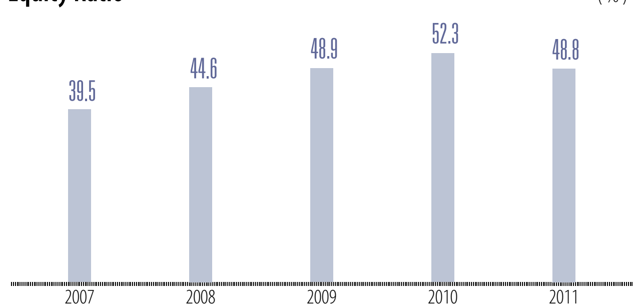
Total Net Assets

(Millions of yen)



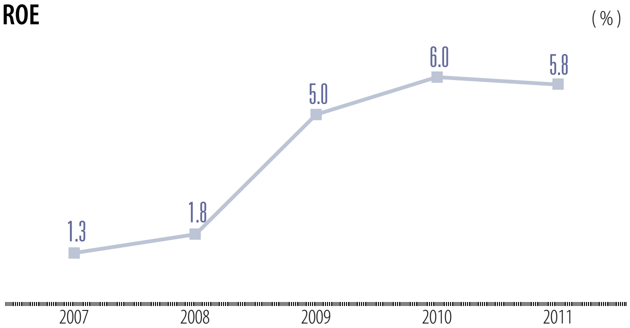
Equity Ratio

(%)



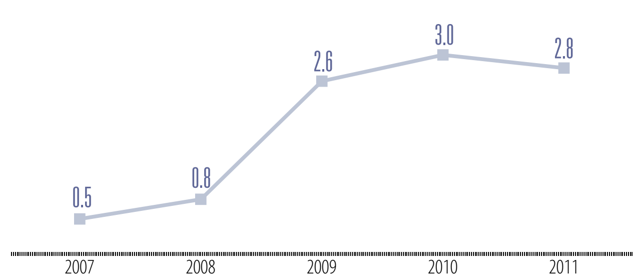
ROE

(%)



ROA

(%)



RESULTS OF OPERATIONS (OVERVIEW)

The results for the fiscal year ended March 31, 2011

Earnings Overview

World economy gradually recovered in the current consolidated fiscal year, led by high economic growth of developing countries including China.

In the second half, this recovery was slow down because of anxiety of financial crisis in Euro zone and political instability in the Middle East.

In this situation, Taikisha Ltd. (the "Company") began to execute the new mid-term business plan from this fiscal year. For accomplishing this plan, the Company worked on various measures. As a result, orders received steadily increased mainly the overseas market, consolidated orders received increased 39.6% year-on-year to ¥165,638 million.

Consolidated sales increased 20.4% year-on-year to ¥141,160 million because large brought forward projects that sales was recognized by completed contract method from the previous fiscal year completed this fiscal year and order received increased etc.

Though gross profit ratio decreased 0.4% year-on-year to 14.1%, gross profit increased ¥2,836 million year-on-year to ¥19,872 million because sales increased ¥23,926 million year-on-year etc.

Selling, general and administrative expenses totaled ¥14,460 million, ¥613 million increase over the previous fiscal year, because employees bonuses that reduced in the previous fiscal year increased and operating activities expenses increased.

As a result, operating income increased ¥2,222 million year-on-year to ¥5,411 million and net income increased ¥37 million year-on-year to ¥3,703 million.

Consolidated HVAC orders received increased 30.8% year-on-year to ¥111,695 million because the orders of the consolidated subsidiaries mainly in Southeast Asia and China increased. Consolidated HVAC orders received for building construction decreased 7.7% year-on-year to ¥32,278 million and for industrial construction increased 57.6% year-on-year to ¥79,416 million.

Consolidated sales in HVAC increased 32.3% year-on-year to ¥103,130 million. Consolidated sales in HVAC for building construction increased 15.1% year-on-year to ¥30,857 million, and for industrial HVAC increased 41.4% year-on-year to ¥72,272 million. Above consolidated sales include internal sales.

Consolidated orders received in Paint Finishing System increased 62.0% year-on-year to ¥53,943 million because the overseas orders greatly increased though the domestic orders decreased. Consolidated sales in Paint Finishing System decreased 3.1% year-on-year to ¥38,109 million, because in the previous fiscal year there were large scale of sales in North America and developing countries but in this fiscal year brought forward projects from the previous fiscal year decreased. Above consolidated sales include internal sales.

Financial Condition

Assets

As of March 31, 2011, total assets increased by ¥10,804 million from the previous fiscal year to ¥132,698 million. The principal factor was increase in notes and accounts receivable-trade and investment securities etc.

Liabilities

As of March 31, 2011, total liabilities increased by ¥10,089 million from the previous fiscal year to ¥65,720 million. The principal factor was increase in notes and accounts payable-trade and Income taxes payable etc.

Net Assets

As of March 31, 2011, total net assets increased by ¥715 million from the previous fiscal year to ¥66,978 million. The principal factor was increase in retained earnings etc. while valuation difference on available-for-sale securities and foreign currency translation adjustment decreased.

Cash Flows

As of March 31, 2011, cash and cash equivalents decreased by ¥717 million from the previous fiscal year to ¥26,035 million.

Cash flow from operating activities

Cash flows from operating activities during the current fiscal year increased by ¥5,869 million. The principal factor of increase was increase in notes and accounts payable-trade etc. though it decreased by increase in notes and accounts receivable-trade.

Indicators of consolidated financial position are as follows:

(Years ended March 31)

	2007	2008	2009	2010	**2011**
Equity ratio (%)	39.5	44.6	48.9	52.3	**48.8**
Equity ratio on market value basis (%)	28.7	30.8	32.3	45.5	**43.8**
Debt to cash flow ratio (%)	–	7.1	110.0	198.8	**58.1**
Interest coverage ratio (Times)	–	197.2	12.7	15.9	**62.7**

Notes:
1. All indicators are calculated using consolidated formulas according to the standards below:
   *Equity ratio: Shareholders' equity and Accumulated other comprehensive income/Total assets
   *Equity ratio on market value basis: Market capitalization/Total assets
   *Debt to cash flow ratio: Interest-bearing debt/Operating cash flow
   *Interest coverage ratio: Operating cash flow/Interest expenses
2. Market capitalization is calculated by multiplying the closing stock price on the balance sheet date by the number of outstanding shares (excluding treasury stock) at the balance sheet date.
3. For operating cash flow, Taikisha group uses cash flow from operating activities in the consolidated statements of cash flows.
4. Interest-bearing debt includes all debt recorded on the consolidated balance sheets on which Taikisha group pays interest.
5. For interest expenses, Taikisha group uses the amount of interest expenses paid as shown on the consolidated statements of cash flows.

Cash flow from investing activities

Cash flows from investment activities during the current fiscal year decreased by ¥5,838 million. The principal factor of decrease was purchase of short-term investment securities and purchase of investment securities though it increased by redemption of investment securities.

Cash flow from financing activities

Cash flows from financing activities during the current fiscal year increased by ¥92 million. The principal factor of increase was increase in short-term loans payable though it decreased by cash dividends paid.

Business Risks

Risk factors that investors should consider before making any decision concerning Taikisha Group were noted below. Forward-looking statements in this section are based on judgments made as of March 31, 2011.

Changes in Private Capital Investment

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

Overseas Business Risk

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

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

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

Construction Defect Liability

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

Accounts Receivable Collection Risk

Taikisha Group comprehensively manages customer credit. However, accounts receivable may become uncollectible due to factors such as customer insolvency, which could affect Taikisha Group's business results.

Risk regarding severe price competition

The construction business is highly competitive situation. This situation could affect Taikisha Group's business results due to the provision for loss on construction contracts.

Changes in Material Prices

A sharp rise in material prices when Taikisha Group procures construction materials could affect business results if Taikisha Group is unable to reflect the sharp rise to contract price.

Seasonal Fluctuation in Business Results

Completion of construction contracts in Japan is concentrated in the second half of the fiscal year, and consequently, though percentage of completion method is used, the sales of completed construction contracts and profits in the first half of the fiscal year tends to be considerably lower than them in the second half.

Asset Possession Risk

Taikisha Group owns real estates, securities and other assets related to its business activities, and fluctuations of the market value of these assets could affect Taikisha Group's business results.

Risk regarding Retirement Benefit Plan

Downside of pension assets' market value and retirement benefit trust, change of rate of return and condition of discount rate, could affect Taikisha Group's business results.

Disasters and Accidents

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

Taikisha Group establish the crisis management system. But if massive and widespread natural disaster happens, it could affect not only damages of Taikisha Group's property and personnel, but also clients operating activities and consequently economic condition. These situation, if continue for a long time, could affect Taikisha Group's business results.

Legal Risk

Taikisha Group is working in concert to ensure assiduous management of legal and regulatory compliance. However, any violation of laws or regulations by a director or employee of Taikisha Group could lead to results such as restrictions on Taikisha Group's business activities, increased costs or reduced sales, which could affect Taikisha Group's business results.

Subsidiaries and affiliates

Taikisha Group consists of Taikisha Ltd., 30 subsidiaries, and 3 affiliates. Taikisha and 5 subsidiaries are domiciled in Japan, and a total of 25 subsidiaries and 3 affiliates are domiciled overseas.

CONSOLIDATED BALANCE SHEETS

Taikisha Ltd. and its Consolidated Subsidiaries : As of March 31, 2011 and 2010

	Millions of yen		Thousands of U.S. dollars
Assets	2010	**2011**	**2011**
Current assets:			
Cash and deposits (Notes 3, 4 and 5)	¥27,320	**¥25,282**	**$304,054**
Notes and accounts receivable-trade (Note 4)	43,630	**52,381**	**629,957**
Short-term investment securities (Note 4)	–	**3,000**	**36,079**
Costs on uncompleted construction contracts (Note 6)	17,518	**17,100**	**205,662**
Raw materials and supplies	453	**478**	**5,756**
Deferred tax assets (Note 12)	1,317	**2,505**	**30,135**
Other	4,556	**3,881**	**46,681**
Allowance for doubtful accounts	(306)	**(338)**	**(4,068)**
Total current assets	94,489	**104,291**	**1,254,257**
Property, plant and equipment:			
Land (Note 5)	3,371	**3,333**	**40,091**
Buildings and structures (Note 5)	7,723	**7,737**	**93,051**
Machinery, equipment, vehicles, tools, furniture and fixtures (Note 5)	4,404	**4,500**	**54,129**
Other	317	**282**	**3,398**
	15,815	**15,854**	**190,670**
Accumulated depreciation	(8,743)	**(9,088)**	**(109,301)**
Property, plant and equipment, net	7,071	**6,765**	**81,368**
Intangible assets:			
Intangible assets, net	1,473	**1,125**	**13,532**
Investments and other assets:			
Investments in unconsolidated subsidiaries and affiliates (Note 4)	388	**402**	**4,837**
Investment securities (Notes 4 and 5)	15,827	**17,513**	**210,627**
Deferred tax assets (Note 12)	101	**108**	**1,299**
Other	3,275	**2,583**	**31,075**
Allowance for doubtful accounts	(733)	**(92)**	**(1,110)**
Total investments and other assets	18,859	**20,515**	**246,730**
Total assets	¥121,894	**¥132,698**	**$1,595,889**

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

Liabilities and Net assets	Millions of yen 2010	Millions of yen 2011	Thousands of U.S. dollars 2011
Current liabilities:			
Short-term loans payable (Notes 4, 5 and 7)	¥1,303	**¥2,596**	**$31,226**
Current portion of long-term loans payable (Notes 4, 5 and 7)	177	**118**	**1,425**
Notes and accounts payable-trade (Note 4)	28,052	**34,565**	**415,699**
Advances received on uncompleted construction contracts	14,721	**14,242**	**171,290**
Income taxes payable	449	**2,592**	**31,175**
Deferred tax liabilities (Note 12)	13	**12**	**147**
Provision for warranties for completed construction	309	**310**	**3,733**
Provision for loss on construction contracts	1,089	**1,343**	**16,156**
Provision for directors' bonuses	37	**44**	**529**
Other (Note 7)	3,730	**4,833**	**58,124**
Total current liabilities	49,885	**60,658**	**729,507**
Noncurrent liabilities:			
Long-term loans payable, less current portion (Notes 4, 5 and 7)	503	**568**	**6,832**
Provision for retirement benefits (Note 8)	3,167	**3,101**	**37,294**
Provision for directors' retirement benefits	204	**123**	**1,489**
Deferred tax liabilities (Note 12)	1,511	**1,077**	**12,956**
Other (Note 7)	358	**191**	**2,297**
Total noncurrent liabilities	5,745	**5,061**	**60,871**
Total liabilities	¥55,631	**¥65,720**	**$790,379**
Net assets:			
Shareholders' equity (Notes 13 and 17):			
Common stock			
Authorized: 100,000,000 shares			
Issued: 36,782,009 shares	¥6,455	**¥6,455**	**$77,632**
Capital surplus	7,297	**7,297**	**87,761**
Retained earnings	48,936	**51,537**	**619,808**
Treasury stock, at cost — 13,523 shares	(17)	**(18)**	**(226)**
Total shareholders' equity	62,671	**65,270**	**784,976**
Accumulated other comprehensive income			
Valuation difference on available-for-sale securities	3,933	**3,060**	**36,808**
Deferred gains or losses on hedges	(0)	**(1)**	**(19)**
Foreign currency translation adjustment	(2,828)	**(3,533)**	**(42,495)**
Total accumulated other comprehensive income	1,104	**(474)**	**(5,706)**
Minority interests	2,487	**2,181**	**26,240**
Total net assets	66,263	**66,978**	**805,510**
Total liabilities and net assets	¥121,894	**¥132,698**	**$1,595,889**

	Yen		U.S. dollars
Per share data (Note 13)**:**			
Net assets	¥1,734.49	**¥1,762.28**	**$21.19**
Basis of calculation	Millions of yen		
Total net assets	¥66,263	**¥66,978**	
Amounts to be deducted from net assets (Minority interests)	(2,487)	**(2,181)**	
Net assets applicable to common stock	63,776	**64,796**	
Number of shares of common stock as of the year-end (thousands)	36,769	**36,768**	

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

CONSOLIDATED STATEMENTS OF INCOME AND CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Taikisha Ltd. and its Consolidated Subsidiaries : For the years ended March 31, 2011 and 2010

	Millions of yen		Thousands of U.S. dollars
	2010	**2011**	**2011**
Consolidated Statements of Income			
Net sales of construction contracts	¥117,234	**¥141,160**	**$1,697,662**
Cost of sales of construction contracts (Note 6)	100,197	**121,288**	**1,458,667**
Gross profit on construction contracts	17,036	**19,872**	**238,994**
Selling, general and administrative expenses (Note 10)	13,847	**14,460**	**173,911**
Operating income	3,189	**5,411**	**65,082**
Non-operating income			
Interest income	220	**189**	**2,275**
Dividends income	273	**305**	**3,673**
Dividends income of insurance	73	**93**	**1,118**
Real estate rent	158	**132**	**1,591**
Equity in earnings of affiliates	95	**82**	**993**
Other	168	**304**	**3,661**
Total non-operating income	989	**1,107**	**13,314**
Non-operating expenses			
Interest expenses	68	**94**	**1,140**
Rent expenses on real estates	97	**90**	**1,088**
Foreign exchange losses	154	**63**	**758**
Provision of allowance for doubtful accounts	92	**12**	**148**
Other	66	**91**	**1,105**
Total non-operating expenses	479	**352**	**4,241**
Ordinary income	3,699	**6,166**	**74,155**
Extraordinary income			
Reversal of allowance for doubtful accounts	95	**154**	**1,852**
Gain on disposal of noncurrent assets (Note 9)	21	**14**	**174**
Gain on sales of investment securities	9	**–**	**–**
Gain on change in equity	–	**5**	**62**
Gain on negative goodwill	–	**172**	**2,073**
Surrender value of insurance	6	**–**	**–**
Other	178	**–**	**–**
Total extraordinary income	311	**346**	**4,162**
Extraordinary loss			
Loss on disposal of noncurrent assets (Note 9)	38	**20**	**240**
Impairment loss	18	**1**	**16**
Loss on sales of investment securities	–	**31**	**381**
Loss on valuation of investment securities	31	**53**	**643**
Provision for directors' retirement benefits for prior periods	11	**2**	**26**
Loss on adjustment for changes of accounting standard for asset retirement obligations	–	**48**	**584**
Loss on insurance cancellation	23	**0**	**1**
Bad debts written off	3	**–**	**–**
Total extraordinary losses	126	**157**	**1,891**
Income before income taxes and minority interests	3,884	**6,354**	**76,426**
Income taxes (Note 12):			
Current	1,086	**3,468**	**41,718**
Deferred	(27)	**(1,090)**	**(13,118)**
Income before minority interests	–	**3,976**	**47,826**
Minority interests in loss (income)	842	**(273)**	**(3,284)**
Net income	¥3,666	**¥3,703**	**$44,542**
Consolidated Statement of Comprehensive Income			
Income before minority interests	–	**¥3,976**	**$47,826**
Other comprehensive income			
Valuation difference on available-for-sale securities	–	**(875)**	**(10,524)**
Deferred gains or losses on hedges	–	**(1)**	**(13)**
Foreign currency translation adjustment	–	**(807)**	**(9,706)**
Share of other comprehensive income of associates accounted for using equity method	–	**(32)**	**(390)**
Total other comprehensive income	–	**(1,715)**	**(20,634)**
Comprehensive income	–	**2,261**	**27,192**
Comprehensive income attributable to			
Comprehensive income attributable to owners of the parent	–	**2,124**	**25,550**
Comprehensive income attributable to minority interests	–	**¥136**	**$1,641**
	Yen		U.S. dollars
Per share data (Note 13):			
Net income	¥100	**¥101**	**$1.21**
Cash dividends	¥30	**¥30**	**$0.36**

Basis of calculation	Millions of yen	
Net income	¥3,666	**¥3,703**
Net income not attributable to common stockholders	–	**–**
Net income attributable to common stockholders	3,666	**3,703**
Average number of shares of common stock (thousands)	36,769	**36,768**

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, 2010

For the year ended March 31, 2010

	Millions of yen										
	Shareholders' equity					Accumulated other comprehensive income					
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Other comprehensive income	Minority interests	Total net assets
Balance as of March 31, 2009	¥6,455	¥7,297	¥46,372	¥(15)	¥60,109	¥1,608	¥9	¥(3,258)	¥(1,640)	¥2,973	¥61,441
Changes of items during the period											
Dividends from surplus			(1,103)		(1,103)						(1,103)
Net income			3,666		3,666						3,666
Purchase of treasury stock				(4)	(4)						(4)
Disposal of treasury stock		0		2	3						3
Net changes of items other than shareholders' equity						2,325	(10)	430	2,745	(486)	2,259
Total changes of items during the period	–	0	2,563	(1)	2,562	2,325	(10)	430	2,745	(486)	4,821
Balance as of March 31, 2010	¥6,455	¥7,297	¥48,936	¥(17)	¥62,671	¥3,933	¥(0)	¥(2,828)	¥1,104	¥2,487	¥66,263

For the year ended March 31, 2011

	Millions of yen										
	Shareholders' equity					Accumulated other comprehensive income					
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Other comprehensive income	Minority interests	Total net assets
Balance as of March 31, 2010	¥6,455	¥7,297	¥48,936	¥(17)	¥62,671	¥3,933	¥(0)	¥(2,828)	¥1,104	¥2,487	¥66,263
Changes of items during the period											
Dividends from surplus			(1,103)		(1,103)						(1,103)
Net income			3,703		3,703						3,703
Purchase of treasury stock				(1)	(1)						(1)
Disposal of treasury stock		0		0	0						0
Net changes of items other than shareholders' equity						(873)	(1)	(704)	(1,579)	(305)	(1,884)
Total changes of items during the period	–	0	2,600	(1)	2,599	(873)	(1)	(704)	(1,579)	(305)	714
Balance as of March 31, 2011	¥6,455	¥7,297	¥51,537	¥(18)	¥65,270	¥3,060	¥(1)	¥(3,533)	¥(474)	¥2,181	¥66,978

	Thousands of U.S. dollars										
	Shareholders' equity					Accumulated other comprehensive income					
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Other comprehensive income	Minority interests	Total net assets
Balance as of March 31, 2010	$77,632	$87,761	$588,532	$(210)	$753,716	$47,309	$(5)	$(34,018)	$13,285	$29,912	$796,913
Changes of items during the period											
Dividends from surplus			(13,266)		(13,266)						(13,266)
Net income			44,542		44,542						44,542
Purchase of treasury stock				(15)	(15)						(15)
Disposal of treasury stock		0		0	0						0
Net changes of items other than shareholders' equity						(10,501)	(13)	(8,476)	(18,992)	(3,672)	(22,664)
Total changes of items during the period	–	0	31,276	(15)	31,260	(10,501)	(13)	(8,476)	(18,992)	(3,672)	8,596
Balance as of March 31, 2011	$77,632	$87,761	$619,808	$(226)	$784,976	$36,808	$(19)	$(42,495)	$(5,706)	$26,240	$805,510

CONSOLIDATED STATEMENTS OF CASH FLOWS

Taikisha Ltd. and its Consolidated Subsidiaries : For the years ended March 31, 2011 and 2010

	Millions of yen		Thousands of U.S. dollars
	2010	**2011**	**2011**
Cash provided by (used in) operating activities:			
Income before income taxes and minority interests	¥3,884	**¥6,354**	**$76,426**
Depreciation and amortization	1,107	**1,122**	**13,494**
Gain on negative goodwill	–	**(172)**	**(2,073)**
Increase (decrease) in allowance for doubtful accounts	91	**(602)**	**(7,250)**
Increase (decrease) in provision for retirement benefits	9	**(54)**	**(655)**
Increase (decrease) in provision for directors' retirement benefits	36	**(80)**	**(973)**
Increase (decrease) in provision for loss on construction contracts	232	**256**	**3,084**
Increase (decrease) in provision for warranties for completed construction	(247)	**8**	**99**
Interest and dividends income	(493)	**(494)**	**(5,949)**
Interest expenses	68	**94**	**1,140**
Equity in losses (earnings) of affiliates	(71)	**(45)**	**(552)**
Loss (gain) on sales of investment securities	(9)	**31**	**381**
Loss (gain) on disposal of property, plant and equipment and intangible assets	16	**5**	**66**
Loss (gain) on valuation of investment securities	31	**53**	**643**
Loss on adjustment for changes of accounting standard for asset retirement obligations	–	**48**	**584**
Decrease (increase) in notes and accounts receivable-trade	2,305	**(9,277)**	**(111,581)**
Decrease (increase) in inventories	123	**270**	**3,249**
Decrease (increase) in advances paid	(33)	**(134)**	**(1,616)**
Decrease (increase) in non-operating notes receivable	70	**73**	**885**
Decrease (increase) in accounts receivable-other	(115)	**110**	**1,330**
Increase (decrease) in notes and accounts payable-trade	(5,127)	**7,018**	**84,409**
Increase (decrease) in advances received on uncompleted construction contracts	2,505	**(18)**	**(221)**
Increase (decrease) in advances notes payable	32	**(14)**	**(169)**
Increase (decrease) in accrued consumption taxes	(293)	**390**	**4,698**
Increase (decrease) in deposits received	265	**69**	**832**
Increase (decrease) in accrued expenses	(210)	**64**	**771**
Other, net	(1,588)	**1,322**	**15,903**
Sub total	2,593	**6,399**	**76,959**
Interest and dividends income received	493	**494**	**5,945**
Interest expenses paid	(67)	**(93)**	**(1,126)**
Income taxes paid	(1,941)	**(930)**	**(11,192)**
Net cash provided by (used in) operating activities	1,077	**5,869**	**70,587**
Cash provided by (used in) investing activities:			
Payments into time deposits	(378)	**(2,766)**	**(33,265)**
Proceeds from withdrawal of time deposits	2,994	**2,714**	**32,650**
Purchase of short-term investment securities	–	**(2,000)**	**(24,052)**
Purchase of property, plant and equipment and intangible assets	(826)	**(783)**	**(9,426)**
Proceeds from sales of property, plant and equipment and intangible assets	69	**127**	**1,533**
Purchase of investment securities	(79)	**(4,697)**	**(56,499)**
Proceeds from sales of investment securities	44	**583**	**7,014**
Proceeds from redemption of investment securities	500	**1,000**	**12,026**
Purchase of investments in subsidiaries	(0)	**(100)**	**(1,207)**
Proceeds from purchase of investments in subsidiaries resulting in change in scope of consolidation	46	**–**	**–**
Payments of long-term loans receivable	(63)	**(76)**	**(917)**
Collection of long-term loans receivable	32	**89**	**1,070**
Purchase of insurance funds	(305)	**(58)**	**(704)**
Proceeds from maturity of insurance funds	204	**37**	**449**
Other, net	(132)	**92**	**1,109**
Net cash provided by (used in) investing activities	2,105	**(5,838)**	**(70,219)**
Cash provided by (used in) financing activities:			
Net increase (decrease) in short-term loans payable	(388)	**1,391**	**16,732**
Proceeds from long-term loans payable	–	**209**	**2,516**
Repayment of long-term loans payable	(176)	**(203)**	**(2,446)**
Repayments of lease obligations	(46)	**(49)**	**(599)**
Proceeds from stock issuance to minority shareholders	–	**69**	**829**
Net decrease (increase) in treasury stock	(1)	**(1)**	**(15)**
Cash dividends paid	(1,103)	**(1,105)**	**(13,297)**
Cash dividends paid to minority shareholders	(279)	**(217)**	**(2,611)**
Net cash provided by (used in) financing activities	(1,995)	**92**	**1,107**
Effect of exchange rate changes on cash and cash equivalents	297	**(840)**	**(10,105)**
Net increase (decrease) in cash and cash equivalents	1,485	**(717)**	**(8,630)**
Cash and cash equivalents at the beginning of period	25,267	**26,752**	**321,741**
Cash and cash equivalents at the end of period (Note 3)	¥26,752	**¥26,035**	**$313,110**

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, 2011 and 2010

1. Basis of presenting consolidated financial statements

The accompanying consolidated financial statements of Taikisha Ltd. (the "Company") and its consolidated subsidiaries (collectively the "Companies") are prepared from the consolidated financial statements which have been filed with the Director of Kanto Finance Bureau as required by the Financial Instruments and Exchange Act in Japan, and are prepared 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. In preparing these consolidated financial statements, however, certain reclassifications have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. In addition, the accompanying notes include certain information which is not required under generally accepted accounting principles in Japan but which is presented herein as additional information.

The consolidated financial statements are not intended to present the consolidated financial position, results of operations and cash flows in accordance with accounting principles generally accepted in countries and jurisdictions other than Japan.

The U.S. dollar amounts included herein are presented solely for the convenience of the reader and are calculated at the approximate rate of exchange prevailing at March 31, 2011 of ¥83.15 to US$1.00. The U.S. dollar amounts should not be construed as a representation that Japanese yen have been, or could be converted into U.S. dollars at the prevailing rate. Figures are rounded down to the nearest million yen and thousand U.S. dollars.

2. Summary of significant accounting policies

(1) Basis of consolidation

The consolidated financial statements include the accounts of Taikisha Ltd. and all significant subsidiaries listed below:

Foreign subsidiaries

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. (subsidiary of TKS Industrial Company)
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.)
Taikisha Engineering (M) Sdn. Bhd.
P.T. Taikisha Indonesia Engineering
P.T. Taikisha Manufacturing Indonesia
Taikisha Philippines Inc.
Taikisha Vietnam Engineering Inc.
Wuzhou Taikisha Engineering Co., Ltd.
Beijing Wuzhou Taikisha Equipment Co., Ltd. (subsidiary of Wuzhou Taikisha Engineering Co., Ltd)
Taikisha Hong Kong Limited
Taikisha (Taiwan) Ltd.
Taikisha Korea Ltd.
Taikisha Europe Ltd.
Taikisha Engineering India Ltd.
"Taikisha (R) " LLC
Tianjin Taikisha Paint Finishing System Ltd. (Founded in October 2010)

Domestic subsidiaries

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

The following unconsolidated subsidiary would have no material effect on the consolidated financial statements of the Companies and is therefore excluded from consolidation.

Unconsolidated subsidiary

Taikisha Espana S.A.

Investments in the following affiliates are accounted for by the equity method of accounting:

Affiliates

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

Investments in unconsolidated subsidiaries and affiliates not accounted for by the equity method are stated at cost due to their immaterial effect on the consolidated financial statements of the Companies.

Unconsolidated subsidiaries and affiliates whose investments are not accounted for by the equity method

Taikisha Espana S.A.
Makiansia Engineering (M) Sdn. Bhd.

All domestic consolidated subsidiaries as well as Taikisha Engineering India Ltd., have a fiscal year ending on March 31, which is the same as the fiscal year of the Company. The other foreign consolidated subsidiaries have a fiscal year ending on December 31. For those foreign subsidiaries with a fiscal year ending December 31, certain adjustments have been made, where appropriate, in preparing the consolidated financial statements to reflect material transactions which might have taken place between their fiscal year end and March 31.

The full portion of the assets and liabilities of the subsidiaries is marked to fair value as of the acquisition of control.

(2) Sales recognition

Projects that outcomes of the construction activity up to the end of the reporting period are deemed certain are recognized by the percentage-of-completion method. The percentage of completion is developed using costs of incurred as compared to total estimated costs for each project (cost-to-cost method). Other projects are recognized by the completed-contract method.

(3) Cash and cash equivalents

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 represent a minor risk of fluctuation in value.

(4) Investments in securities

Securities issued by unconsolidated subsidiaries and affiliates are stated at cost, determined by the moving average method.

Investments in securities are classified into three categories: 1) trading securities, 2) held-to-maturity debt securities, and 3) other securities. These categories are treated differently for the purposes of measuring and accounting for changes in fair value. The Companies hold 2) held-to-maturity debt securities and 3) other securities. Held-to-maturity debt securities are determined by the amortized cost method. Discounts and premiums are amortized by the straight-line method. Other securities for which market quotations are available are stated at fair value based on market prices at the end of fiscal year. Net unrealized gains or losses on these securities are 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. Other securities for which market quotations are not available are stated at cost method determined by the moving average method.

(5) 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.

(6) Hedge accounting

Gains or losses arising from changes in the fair value of the derivatives designated as "hedging instruments" are deferred as a component of deferred gains or losses on hedges in net assets and included in net profit or loss in the same period during which the gains and losses on the underlying hedged items or hedged transactions are recognized.

The derivatives designated as hedging instruments by the Companies are forward exchange contracts, non-deliverable forward (NDF) and interest rate swap. The underlying hedged items are foreign trade accounts receivable and payable, forecasted foreign currency transactions and interest for loan payable.

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.

Also, as permitted under the accounting principles generally accepted in Japan, when interest rate swap contracts meet certain conditions for hedge accounting, net amounts to be paid or received under the interest rate swap contracts are added to or deducted from the interest on liabilities for which the swap contracts were executed.

The Companies have a policy of utilizing the above hedging instruments in order to reduce the Companies' exposure to the risk of foreign exchange rate fluctuation or interest rate fluctuation. Thus, the Companies' purchase of the hedging instruments are limited to, at maximum, the amounts of the underlying hedged items.

The Companies omit evaluations for effectiveness of its hedging activities.

(7) Inventories

Costs on uncompleted construction contracts are stated at cost on an individual basis. 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 values based on lower profitability) is used as a valuation standard.

(8) Allowance for doubtful accounts

To provide for expected credit losses, a general allowance for doubtful accounts is established based on historical default rates for losses. A specific allowance for doubtful accounts is established on an individual account basis to recognize the risk of credit losses on individual receivables.

(9) Provision for warranties for completed construction

The Companies recognize a provision for warranties for completed construction based on past experience rates.

(10) Provision for loss on construction contracts

The Companies provide a provision for loss on construction contracts, which are probable to result in and can be reasonably estimated with respect to total estimated construction cost over construction price among construction contracts in progress.

(11) Provision for directors' bonuses

In preparation for future bonus payments to directors, the Companies record the estimated amount of payments for the current period.

(12) Property, plant, equipment and depreciation

Property, plant and equipment are stated at cost. Accumulated depreciation is principally computed using the declining-balance method.

Depreciation is computed by certain foreign subsidiaries using the straight-line method based on the estimated useful lives of the assets.

(13) Provision for retirement benefits

The Companies accrue an allowance for employees' retirement benefits, which is provided for in an amount equal to the difference between retirement benefit obligations and plan assets, less the unrecognized balance of actuarial differences and prior service costs, at the end of fiscal year.

Unrecognized actuarial differences are amortized using the straight-line method over 10 years from the year following that in which they arise. Their balances are ¥1,412 million (US$ 16,992 thousand) and ¥2,229 million as of March 31, 2011 and 2010, respectively.

Unrecognized prior service costs (reduction in liability) are amortized using the straight-line method over 10 years. The balances of unrecognized prior service costs are ¥1,555 million (US$18,708 thousand) and ¥1,850 million as of March 31, 2011 and 2010, respectively.

The Company and certain of its domestic subsidiaries have retirement plans of the integrated establishment agency type which are governed by the regulations of the Japanese Welfare Pension Insurance Law.

Plan assets at the end of the fiscal year calculated based on the proportion of the funded amounts are ¥7,584 million (US$91,213 thousand) and ¥7,933 million as of March 31, 2011 and 2010, respectively.

(14) Provision for directors' retirement benefits

The Company's domestic subsidiaries recognize liabilities for accrued severance benefits to directors and corporate auditors at 100 percent of the amount required by their policies for severance benefits.

(15) Accounting for leases

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

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

Depreciation is computed by the straight-line method considering lease period to be useful life and scrap value to be zero.

(16) Research and development and computer software

Research and development expenditure is charged to expense when incurred. Expenditure relating to computer software developed for internal use is charged to expense when incurred, except when it contributes to the generation of income or to future cost savings. Such expenditure is capitalized as an asset and is amortized using the straight-line method over its estimated useful life of 5 years.

(17) Income taxes

Income taxes payable is calculated based on taxable income for the period. Deferred income taxes are determined using the asset and liability approach, whereby deferred tax assets and liabilities are recognized in respect of temporary differences between the tax basis of assets and liabilities and those as reported in the consolidated financial statements.

(18) Accounting for consumption tax

Transactions are recorded at amounts exclusive of consumption tax.

(19) Appropriation of retained earnings

Appropriation of retained earnings is accounted for and reflected in the accompanying consolidated financial statements when approved by the shareholders.

(20) Asset retirement obligations

From the fiscal year, the Companies applied "Accounting Standards for Asset Retirement Obligations" (Accounting Standards Board of Japan statement No. 18) and "Guidance on Accounting Standards for Asset Retirement Obligations" (Accounting Standards Board of Japan guidance No. 21).

As a result of the application of these standards, operating income and ordinary income decreased by ¥10 million (US$ 131 thousand) and income before income taxes and minority interests decreased by ¥59 million (US$ 716 thousand).

(21) Presentation of Comprehensive Income

From the fiscal year, the Companies applied "Accounting Standard for Presentation of Comprehensive Income" (Accounting Standards Board of Japan statement No.25).

"Accumulated other comprehensive income" and "Total accumulated other comprehensive income" in the previous year are stated the amounts of "Valuation and translation adjustments" and "Total valuation and translation adjustments" respectively.

3. Cash and cash equivalents

Cash and cash equivalents consist of:

	Millions of yen		Thousands of U.S. dollars
	2010	2011	2011
Cash and deposits	¥27,320	¥25,282	$304,054
Short term investment securities	–	3,000	36,079
Sub total	27,320	28,282	340,133
Time deposits over three months	(567)	(246)	(2,970)
Short term investment securities over three month	–	(2,000)	(24,052)
Cash and cash equivalents	¥26,752	¥26,035	$313,110

4. Financial instruments

The Companies invest temporary surplus funds in highly secure financial assets and finance short-term operating funds by bank borrowings. Derivatives are used for avoiding risks described below and are not used for trading or speculative purposes.

Receivables such as notes and accounts receivable-trade are exposed to the customer credit risk. For this risk, the Companies have an internal system which check customer credit status timely by monitoring each transaction's due date and balance. Though receivables in foreign currencies are exposed to the market risk of fluctuation in foreign currency exchange rates, this risk is hedged partly by forward foreign currency contracts.

Stocks in investment securities are exposed to market risk of fluctuation. These stocks are mainly the stocks of companies with business relationships. And the Companies check market price and financial position of these companies on a timely basis.

Payables such as notes and accounts payable-trade are almost all due within one year. Though trade payables including foreign currency for importing equipment and materials are exposed to the market risks of fluctuation in foreign currency exchange rates, these amounts are always less than notes and accounts receivable-trade in the same foreign currencies.

Both short-term loans payable and long-term loans payable are for operating activities. Short-term loans payable are exposed to the risks of fluctuation in interest rate. Long-term loans payable are hedged the risks of fluctuation by using fixed interest rates.

The Companies use forward foreign currency contracts and non-deliverable forward (NDF) for managing exposures to the market risk from changes in foreign currency exchange rates of receivables in export and payables in import. The Companies use interest rate swap for reducing the fluctuation risk of interest rate.

The Companies have an internal guideline of foreign exchange management authorized by administrative management chief executive and make forward exchange contracts and non-deliverable forward (NDF) in accordance with the guideline. The guideline states management policy, division name in charge of risk management, purpose of transactions, kinds of transactions and reporting system. About interest rate swap, the Companies permit to make a contract only when this meets the requirements for special treatment. When making derivatives transactions, the Companies do business only with high credit rating financial institutions to reduce credit risk.

Trade payable and loans payable are exposed to liquidity risk. The Companies manage their risks by preparing financing plans by each subsidiaries.

(1) Fair Value of financial instruments

The carrying value of the financial statements on the consolidated balance sheets as of March 31, 2011 and 2010 and estimated fair value are shown below. The following tables do not include financial instruments for which it is extremely difficult to determine the fair value.

	Millions of yen		
	2010		
	Book value	Fair value	Difference
Cash and deposits	¥27,320	¥27,320	¥–
Notes and accounts receivable-trade	43,630	43,228	(402)
Investment securities	15,095	15,095	(0)
Total Assets	¥86,047	¥85,644	¥(402)
Notes and accounts payable-trade	28,052	28,020	(31)
Short-term loans payable	1,481	1,481	–
Long-term loans payable	503	503	–
Total Liabilities	¥30,036	¥30,005	¥(31)
Derivatives	–	(2)	(2)

	Millions of yen		
	2011		
	Book value	Fair value	Difference
Cash and deposits	¥25,282	¥25,282	¥–
Notes and accounts receivable-trade	52,381		
Allowance for doubtful accounts	(60)		
	52,320	51,587	(733)
Short-term investment securities and Investment securities	19,500	19,496	(3)
Total Assets	¥97,103	¥96,366	¥(737)
Notes and accounts payable-trade	34,565	34,483	(81)
Short-term loans payable	2,714	2,681	(33)
Long-term loans payable	568	451	(117)
Total Liabilities	¥37,848	¥37,616	¥(232)
Derivatives	–	(6)	(6)

	Thousands of U.S. dollars		
	2011		
	Book value	Fair value	Difference
Cash and deposits	$304,054	$304,054	$–
Notes and accounts receivable-trade	629,957		
Allowance for doubtful accounts	(722)		
	629,235	620,416	(8,819)
Short-term investment securities and Investment securities	234,518	234,472	(46)
Total Assets	$1,167,808	$1,158,942	$(8,865)
Notes and accounts payable-trade	415,699	414,716	(982)
Short-term loans payable	32,651	32,248	(402)
Long-term loans payable	6,832	5,425	(1,407)
Total Liabilities	$455,184	$452,391	$(2,793)
Derivatives	–	(78)	(78)

Assets

(a) Cash and deposits

All deposits are in short term period. Therefore book value is close to fair value and book value is used as fair value.

(b) Notes and accounts receivable-trade

These fair value are discounted to present value. Receivables are categorized by their collection terms, then discounted by each using the discount rate which takes collection terms and credit risk into consideration.

(c) Short-term investment securities and Investment securities

Fair value of stocks are quoted in stock exchange. Fair value of bonds are discounted to present value. Discount rate is government bond yields etc.

Liabilities

(a) Notes and accounts payable-trade and (b) Short-term loans payable

These fair value are discounted to present value. Payables are categorized by their repayment terms, then discounted by each using the discount rate which takes repayment terms and credit risk into consideration.

(c) Long-term loans payable

These fair value are discounted to present value. Discount rate is the expected rate applies when the company borrow additional amount same as principal and interest.

(2) Investments in securities

Investments in securities at March 31, 2011 and 2010 are as follows:

(a) Bonds held to maturity

	Millions of yen		
	2010		
	Book value	Fair value	Unrealized gain (loss)
Bonds whose fair value does not exceed book value:			
Bonds	¥10	¥9	¥(0)
Total	¥10	¥9	¥(0)

	Millions of yen		
	2011		
	Book value	Fair value	Unrealized gain (loss)
Bonds whose fair value exceeds book value:			
Bonds	¥935	¥937	¥1
Bonds whose fair value does not exceed book value:			
Bonds	1,015	1,010	(5)
Total	¥1,951	¥1,947	¥(3)

	Thousands of U.S. dollars		
	2011		
	Book value	Fair value	Unrealized gain (loss)
Bonds whose fair value exceeds book value:			
Bonds	$11,249	$11,270	$20
Bonds whose fair value does not exceed book value:			
Bonds	12,218	12,151	(67)
Total	$23,468	$23,421	$(46)

(b) Other securities

	Millions of yen		
	2010		
	Acquisition cost	Book value	Unrealized gain (loss)
Securities whose book value exceeds acquisition cost:			
Stocks	¥7,181	¥13,894	¥6,713
Securities whose book value does not exceed acquisition cost:			
Stocks	1,440	1,191	(249)
Total	¥8,621	¥15,085	¥6,463

	Millions of yen		
	2011		
	Acquisition cost	Book value	Unrealized gain (loss)
Securities whose book value exceeds acquisition cost:			
Stocks	¥5,266	¥10,888	¥5,621
Securities whose book value does not exceed acquisition cost:			
Money in trust	3,000	3,000	–
Stocks	3,722	3,164	(557)
Bonds			
Other	500	495	(4)
Total	¥12,489	¥17,548	¥5,059

	Thousands of U.S. dollars		
	2011		
	Acquisition cost	Book value	Unrealized gain (loss)
Securities whose book value exceeds acquisition cost:			
Stocks	$63,341	$130,952	$67,610
Securities whose book value does not exceed acquisition cost:			
Money in trust	36,079	36,079	–
Stocks	44,766	38,058	(6,707)
Bonds			
Other	6,013	5,959	(53)
Total	$150,200	$211,050	$60,849

The acquisition cost is the amount that is already deducted an impairment loss. The Companies recorded an impairment loss of ¥53 million (US$ 643 thousand) and ¥31 million for other securities for which market quotations are available for the years ended March 31, 2011 and 2010 respectively.

The Companies recognize an impairment loss when those securities' market value fall 50% or more than the acquisition cost and there is no evidence to indicate that the current price will be recovered to the acquisition cost within one year. And when those market value fall 30% or more than acquisition cost, the Companies recognize an impairment loss according to market price and the possibility of recovery in the past 1 year.

(c) Other securities sold in the years ended March 31, 2011 and 2010

	Millions of yen		
	2010		
	Proceeds	Gain on sales	Loss on sales
Other securities:			
Investment trusts	¥3	¥0	¥–
Unlisted foreign bonds	40	8	–
Total	¥44	¥9	¥–

	Millions of yen		
	2011		
	Proceeds	Gain on sales	Loss on sales
Other securities:			
Stocks	¥328	¥37	¥64
Investment trusts	283	0	5
Total	¥612	¥38	¥69

	Thousands of U.S. dollars		
	2011		
	Proceeds	Gain on sales	Loss on sales
Other securities:			
Stocks	$3,953	$456	$778
Investment trusts	3,410	3	62
Total	$7,363	$459	$840

(d) Financial instruments whose market quotations cannot be reliably determined.

	Millions of yen		Thousands of U.S. dollars
	2010	2011	2011
Other securities			
Unlisted stocks	¥997	¥960	$11,547
Investment trusts	65	383	4,611
Bonds and debentures denominated in foreign currencies	57	72	867

(e) Repayment schedule of monetary assets and securities with maturity

	Millions of yen			
	2010			
	Within one year	One to five years	Five to ten years	More than ten years
Cash and deposits	¥27,320	¥–	¥–	¥–
Notes and accounts receivable-trade	41,109	2,520	–	–
Investment securities				
Held-to-maturity debt securities (School bonds)	–	10	–	–
Other securities with maturity (Unlisted foreign bonds)	–	21	36	–
Total	¥68,430	¥2,552	¥36	¥–

	Millions of yen			
	2011			
	Within one year	One to five years	Five to ten years	More than ten years
Cash and deposits	¥25,282	¥–	¥–	¥–
Notes and accounts receivable-trade	45,451	6,929	–	–
Short-term investment securities and Investment securities				
Held-to-maturity debt securities (Foreign bonds etc.)	–	1,951	–	–
Other securities with maturity				
(Money in trust)	3,000	495	–	–
(Unlisted foreign bonds)	–	28	44	–
Total	¥73,734	¥9,404	¥44	¥–

	Thousands of U.S. dollars			
	2011			
	Within one year	One to five years	Five to ten years	More than ten years
Cash and deposits	$304,054	$–	$–	$–
Notes and accounts receivable-trade	546,625	83,332	–	–
Short-term investment securities and Investment securities				
Held-to-maturity debt securities (Foreign bonds etc.)	–	23,468	–	–
Other securities with maturity				
(Money in trust)	36,079	5,959	–	–
(Unlisted foreign bonds)	–	337	529	–
Total	$886,759	$113,097	$529	$–

(3) Derivatives and hedging activities

Fair value of derivative financial instruments

The aggregate amounts contracted to be paid or received and the fair values of derivative financial instruments of the Companies as of March 31, 2011 and 2010 are as follows:

Contract amounts are nominal amounts or notional principal in calculation. These amounts don't indicate the risk of derivatives.

(a) Currency-related derivatives not applied for hedge accounting

	Millions of yen			
	2010			
	Contract amount	Over one year	Fair value	Unrealized gain (loss)
Forward exchange contracts:				
Buy				
Yen	¥52	¥–	¥(1)	¥(1)
U.S. dollars	10	–	0	0
Singapore dollars	2	–	(0)	(0)
Euros	45	–	(0)	(0)
Sell				
Yen	9	–	0	0
Total	–	–	¥(2)	¥(2)

	Millions of yen			
	2011			
	Contract amount	Over one year	Fair value	Unrealized gain (loss)
Forward exchange contracts:				
Buy				
Yen	¥57	¥–	¥0	¥0
U.S. dollars	47	–	0	0
Euros	0	–	(0)	(0)
Sell				
Yen	15	–	0	0
Total	–	–	¥1	¥1

	Thousands of U.S. dollars			
	2011			
	Contract amount	Over one year	Fair value	Unrealized gain (loss)
Forward exchange contracts:				
Buy				
Yen	$691	$–	$9	$9
U.S. dollars	565	–	2	2
Euros	3	–	(0)	(0)
Sell				
Yen	182	–	7	7
Total	–	–	$19	$19

(b) Currency-related derivatives applied for hedge accounting

	Millions of yen			
	2010			
	Hedging instrument	Contract amount	Over one year	Fair value
Forward exchange contracts:				
Sell				
U.S. dollars	Accounts payable	¥42	¥28	¥42
Total		¥42	¥28	¥42

Hedging instrument		Millions of yen 2011 Contract amount	Over one year	Unrealized gain (loss)
Forward exchange contracts:				
Buy				
Yen	Accounts payable (Forecasted)	¥298	¥298	¥7
U.S. dollars	Accounts payable (Forecasted)	128	11	(6)
Sell				
U.S. dollars	Accounts payable (Forecasted)	961	24	(7)
Euros	Accounts payable (Forecasted)	64	–	(2)
Total		–	–	¥(8)

Hedging instrument		Thousands of U.S. dollars 2011 Contract amount	Over one year	Unrealized gain (loss)
Forward exchange contracts:				
Buy				
Yen	Accounts payable (Forecasted)	$3,587	$3,587	$94
U.S. dollars	Accounts payable (Forecasted)	1,549	143	(78)
Sell				
U.S. dollars	Accounts payable (Forecasted)	11,565	290	(86)
Euros	Accounts payable (Forecasted)	773	–	(28)
Total		–	–	$(98)

(c) Interest- related derivatives applied for hedge accounting

Hedging Method	Transaction type	Hedging instrument	Millions of yen 2011 Contract amount	Over one year	Unrealized gain (loss)
Special treatment of interest swap	Interest rate swap transaction Payment fixed/ receiving variable	Long-term loans payable	¥240	¥220	(Note)

Hedging Method	Transaction type	Hedging instrument	Thousands of U.S. dollars 2011 Contract amount	Over one year	Unrealized gain (loss)
Special treatment of interest swap	Interest rate swap transaction Payment fixed/ receiving variable	Long-term loans payable	$2,886	$2,645	(Note)

Note: Because special treatment of interest rate swaps is made together with hedged long-term loans payable, their market value of interest rate swaps have been included in those of the relevant long-term loans payable.

5. Pledged assets

Assets pledged as collateral as of March 31, 2011 and 2010 are as follows:

Pledged assets	Liabilities covered by pledged assets	Millions of yen 2010	2011	Thousands of U.S. dollars 2011
Cash and deposits	Deposits as security for dealings by subsidiaries and affiliates	¥32	¥32	$390
	Loans by subsidiaries and affiliates	325	363	4,373
Investment securities	Loans by invested company	2	2	24
Buildings and structures	Loans by subsidiaries and affiliates	94	88	1,063
Land	Loans by subsidiaries and affiliates	487	487	5,858
Machinery, equipment, vehicles, tools, furniture, and fixtures	Loans by subsidiaries and affiliates	6	7	95

6. Provision for loss on construction contracts

The amount of costs on uncompleted construction contracts was deducted ¥490 million. This deducted amount is provision for loss on construction contracts that is expected losses on construction contracts.

The amount of cost of sales of completed construction contracts includes provision for loss on construction contracts of ¥244 million.

7. Short-term loans payable and long-term loans payable

Annual average interest rate applicable to short-term loans outstanding as of March 31, 2011 is 3.973%.

Short-term loans outstanding during the years ended March 31, 2011 and 2010 are ¥2,596 million (US$ 31,226 thousand) and ¥1,303 million, respectively.
Long-term loans payable as of March 31, 2011 and 2010 are as follows:

	Millions of yen 2010	2011	Thousands of U.S. dollars 2011
Long-term debt without collateral	¥681	¥686	$8,258
Less: Current portion	(177)	(118)	(1,425)
Long-term debt, less current portion	¥503	¥568	$6,832

The aggregate annual maturities of lease obligations as of March 31, 2011 are as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2011	¥50	$601
2012 and thereafter	74	897
Total	¥124	$1,499

The aggregate annual maturities of long-term loans payable (excluding current portion) as of March 31, 2011 are as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2013	¥107	$1,290
2014	91	1,104
2015	39	479
2016	39	480
2017 and thereafter	289	3,477
Total	¥568	$6,832

The aggregate annual maturities of lease obligations (excluding current portion) as of March 31, 2011 are as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2013	¥32	$389
2014	19	231
2015	13	164
2016	8	106
2017 and thereafter	0	5
Total	¥74	$897

8. Retirement benefit plan

The Company and its domestic subsidiaries adopt three defined benefit retirement plans which consist of plans that are governed by the regulations of the Japanese Welfare Pension Insurance Law, outside funded retirement benefit plans and lump-sum retirement payment plans. Certain domestic and overseas subsidiaries adopt lump-sum defined benefit plans and most overseas subsidiaries adopt defined contribution pension plans.

The provision for retirement benefits as of March 31, 2011 and 2010 are analyzed as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	2011	2011
Projected benefit obligations	¥(18,191)	¥(17,926)	$(215,587)
Pension assets (*)	14,645	14,967	180,008
Sub total	(3,546)	(2,958)	(35,579)
Unrecognized actuarial differences (*)	2,229	1,412	16,992
Unrecognized prior service costs	(1,850)	(1,555)	(18,708)
Provision for retirement benefits	¥(3,167)	¥(3,101)	$(37,294)

Notes: 1. Items marked with an asterisk (*) include amounts related to a portion of contributions to a retirement benefit trust.

2. The Company and certain domestic subsidiaries have retirement plans of the integrated establishment agency type which are governed by the regulations of the Japanese Welfare Pension Insurance Law. Plan assets calculated based on the proportion of the funded amounts are ¥ 7,584 million (US$91,213 thousand) and ¥7,933 million for years ended March 31, 2011 and 2010, respectively.

3. Certain domestic and overseas subsidiaries which have lump-sum retirement payment plans adopt the simplified method of calculating the accrued retirement benefits.

Multi-employer pension plans as of March 31, 2011 and 2010 are as follows: Fund status

	Millions of yen		Thousands of U.S. dollars
	2010	2011	2011
Pension assets	¥32,758	¥38,107	$458,292
Retirement benefit obligations based on the financial calculations	51,004	53,527	643,740
Net Amount	¥(18,246)	¥(15,420)	$(185,447)

Notes: 1. The main factors of net amount as of March 31, 2011 are additional amount of assets evaluation adjustment of ¥5,757 million, past service costs of ¥7,024 million, and a capital fund deficit of ¥2,639 million.

2. The main factors of net amount as of March 31, 2010 are additional amount of assets evaluation adjustment of ¥4,949 million, past service costs of ¥7,524 million, and a capital fund deficit of ¥5,773 million.

3. Unrecognized prior service costs are amortized over 17 years.

4. The contribution ratios of Taikisha Group in the multi-employer pension plans are 20.44% and 20.67% for the years ended March 31, 2011 and 2010, respectively.

Net retirement benefit expenses related to retirement benefits for the years ended March 31, 2011 and 2010 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	2011	2011
Service costs	¥958	¥1,171	$14,092
Interest costs	369	358	4,314
Expected return on plan assets	(309)	(329)	(3,960)
Amortization of unrecognized actuarial differences	845	731	8,792
Amortization of prior service costs	(293)	(293)	(3,534)
Contribution to Defined Contribution Plan	5	3	47
Net retirement benefit expenses	¥1,576	¥1,642	$19,751

Service costs include pension expense calculated by using the simplification method and amounts paid to welfare pension funds.

Assumptions used in calculation of the above information are as follows:

	2010	2011
Method of attributing the projected benefits to periods of service	straight-line basis	straight-line basis
Discount rate	2.0%	2.0%
Expected rate of return on plan assets	2.5%	2.5%
Amortization of unrecognized actuarial differences	10 years	10 years
Amortization of prior service costs	10 years	10 years

9. Gain (loss) on disposal of noncurrent assets

(1) Gain on disposal of noncurrent assets include the following:

	Millions of yen		Thousands of U.S. dollars
	2010	2011	2011
Buildings and structures	¥10	¥–	$–
Machinery, equipment, vehicles, tools, furniture and fixtures	6	2	33
Land	0	–	–
Long-term deposits	4	11	141
Total	¥21	¥14	$174

(2) Loss on disposal of noncurrent assets include the following:

	Millions of yen		Thousands of U.S. dollars
	2010	2011	2011
Buildings and structures	¥29	¥4	$57
Machinery, equipment, vehicles, tools, furniture and fixtures	6	2	30
Land	–	10	130
Long-term deposits	0	1	18
Other	2	0	2
Total	¥38	¥20	$240

10. Selling, general and administrative expenses

(1) Selling, general and administrative expenses for the years ended March 31, 2011 and 2010 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2010	2011	2011
Compensations to directors and corporate auditors	¥713	¥728	$8,756
Salaries and wages	5,690	6,019	72,390
Provision for directors' bonuses	37	44	529
Retirement benefit expenses	793	734	8,828
Provision for directors' retirement benefits	24	26	323
Communication and transportation expenses	953	1,072	12,896
Provision for allowance for doubtful accounts	108	83	1,005
Rents	1,038	1,002	12,053
Depreciation	786	810	9,748
Other	3,699	3,939	47,380
Total	¥13,847	¥14,460	$173,911

(2) Research and development expense

Research and development expense included in selling, general and administrative expenses are ¥744 million (US$8,954 thousand) and ¥668 million for the years ended March 31, 2011 and 2010, respectively.

11. Leases

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

The following pro forma amounts represent the acquisition costs, (including the interest portion thereon) accumulated depreciation and net book value of the leased assets as of March 31, 2011 and 2010, which would have been reflected in the consolidated balance sheets if these leased assets are capitalized:

March 31, 2010	Millions of yen		
	Acquisition cost	Accumulated depreciation	Net book value
Tools and furniture	¥103	¥70	¥33
Machinery	304	151	153
Other	78	51	27
Total	¥486	¥273	¥213

March 31, 2011	Millions of yen			Thousands of U.S. dollars
	Acquisition cost	Accumulated depreciation	Net book value	Net book value
Tools and furniture	**¥65**	**¥55**	**¥10**	**$122**
Machinery	**304**	**189**	**115**	**1,389**
Other	**67**	**55**	**11**	**139**
Total	**¥437**	**¥300**	**¥137**	**$1,651**

The amount of outstanding future lease payments (including the interest portion thereon) as of March 31, 2011 and 2010 for the finance leases accounted for in the same manner as operating leases are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	**2011**	**2011**
Due within one year	¥73	**¥51**	**$624**
Due over one year	140	**85**	**1,026**
Total	¥213	**¥137**	**$1,651**

Total lease payments are ¥72 million (US$866 thousand) and ¥87 million for the years ended March 31, 2011 and 2010, respectively. Pro forma depreciation expenses computed using the straight-line method are ¥72 million (US$866 thousand) and ¥87 million for the years ended March 31, 2011 and 2010, respectively.

The amount of outstanding future lease payments under non-cancelable operating leases as of March 31, 2011 and 2010 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	**2011**	**2011**
Due within one year	¥105	**¥79**	**$952**
Due over one year	85	**41**	**496**
Total	¥191	**¥120**	**$1,448**

12. Income taxes

The statutory effective tax rate used for calculating deferred tax assets and liabilities for the years ended March 31, 2011 and 2010 are 40.69%. The significant components of deferred tax assets and liabilities as of March 31, 2011 and 2010 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	**2011**	**2011**
Deferred tax assets:			
Allowance for doubtful accounts	¥254	**¥106**	**$1,281**
Provision for loss on construction contracts	427	**536**	**6,446**
Provision for retirement benefits	1,237	**1,213**	**14,592**
Employee pension trust, investment securities	288	**298**	**3,592**
Provision for directors' retirement benefits	83	**50**	**606**
Accrued enterprise taxes	23	**200**	**2,413**
Accrued bonuses	396	**683**	**8,225**
Costs on uncompleted construction contracts	203	**199**	**2,401**
Valuation of investment securities	332	**231**	**2,779**
Write-down of golf club memberships	129	**122**	**1,475**
Valuation difference on available-for-sale securities	100	**221**	**2,669**
Deficit carried forward	411	**420**	**5,056**
Foreign tax credit carried forward	173	**153**	**1,845**
Other	381	**1,081**	**13,008**
Sub total	4,444	**5,520**	**66,395**
Valuation allowance	(1,412)	**(1,222)**	**(14,707)**
Total deferred tax assets	3,032	**4,297**	**51,688**
Deferred tax liabilities:			
Valuation difference on available-for-sale securities	(2,633)	**(2,225)**	**(26,760)**
Retained earnings of consolidated foreign subsidiaries	(466)	**(496)**	**(5,967)**
Other	(38)	**(52)**	**(629)**
Total deferred tax liabilities	(3,138)	**(2,773)**	**(33,357)**
Net deferred tax assets(or liabilities)	¥(106)	**¥1,524**	**$18,330**

The reconciliation between the statutory effective tax rate and the actual effective tax rate after the application of tax effect accounting as of March 31, 2011 and 2010 are as follows:

	2010	**2011**
Statutory effective tax rate	40.69%	**40.69%**
Adjustments for:		
Permanent differences:		
Entertainment expenses	1.67	**1.38**
Dividend income	(2.48)	**(1.07)**
Equalization of inhabitants taxes	1.99	**1.16**
Valuation allowance:		
Deficit carried forward	(0.86)	**1.31**
Foreign tax credit carried forward	0.92	**0.15**
Loss on valuation of investment securities	(0.13)	**(1.59)**
Write-down of golf club memberships	(0.97)	**(0.20)**
Other	3.86	**(1.44)**
Elimination of intercompany dividends	2.30	**3.00**
Lower income tax rates applicable to income in certain foreign countries	(5.09)	**(5.87)**
Special tax reduction	(1.32)	**(0.75)**
Indirect foreign tax credit	(1.63)	**(1.29)**
Retained earnings of consolidated foreign subsidiaries	(12.21)	**0.46**
Other	0.54	**1.48**
Actual effective tax rate after the application of tax effect accounting	27.28%	**37.42%**

13. Net assets and per share data

Under the Corporate Law of Japan (the "Law"), the lower of 50% of the proceeds from issuance of new shares is permitted to be transferred to the "Capital surplus" account. The Law provides that an amount equivalent to at least 10% of the cash dividends paid with respect to each fiscal period be appropriated to the earned reserve account in retained earnings until the legal reserve equals 25% of common stock. Under the Law, the Company is allowed to repurchase its own shares. Treasury stocks are stated at cost in net assets in the consolidated balance sheets.

In accordance with the Law, proposed appropriations of retained earnings have not been reflected in the financial statements at the end of each fiscal year. However, dividends per share shown in the consolidated statements of income have been presented on an accrual basis and include, in each fiscal year ended March 31, dividends approved after March 31, but applicable to the year then ended.

Net income per share is based on the weighted average number of common shares outstanding during each year. The Financial Instruments and Exchange Act in Japan requires the disclosure of net income per share adjusted for dilution (assuming full conversion of all convertible debentures of the Company outstanding with related reduction in interest expense and exercise of all warrants), if any. However, since no convertible bonds and warrants were issued by the Company, there is no dilutive effect on net income per share.

14. Contingent liabilities

Contingent liabilities as of March 31, 2011 and 2010 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	2011	2011
Liabilities for guarantee to Employees	¥42	¥39	$477
Total	¥42	¥39	$477

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

	Millions of yen		Thousands of U.S. dollars
	2010	2011	2011
Total amount of lending commitment	¥5,000	¥5,000	$60,132
Borrowing execution balance	–	–	–
Net Amount	¥5,000	¥5,000	$60,132

Notes receivable endorsed for transfer amounts are as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	2011	2011
Notes endorsed	¥35	¥35	$428
Net Amount	¥35	¥35	$428

15. Segment information

Segment information of the Companies for the year ended March 31, 2010 is as follows:

(1) Industry segments

As the Companies operate as one equipment construction industry segment, information by industry segment is not presented.

(2) Geographical segments

Segment information by geographic area for the year ended March 31, 2010 is summarized as follows:

	Millions of yen							
	2010							
	Japan	North America	Southeast Asia	East Asia	Other areas	Total	Eliminations/Corporate	Consolidated
Sales to customers	¥77,785	¥10,256	¥18,964	¥7,337	¥2,890	¥117,234	¥–	¥117,234
Intersegment sales	1,108	17	34	89	26	1,276	(1,276)	–
Total sales	78,894	10,273	18,999	7,426	2,916	118,510	(1,276)	117,234
Operating expenses	77,540	9,994	18,550	6,816	2,843	115,745	(1,701)	114,044
Operating income (loss)	1,354	278	448	609	73	2,765	424	3,189
Assets	¥104,500	¥2,860	¥11,381	¥5,608	¥3,238	¥127,588	¥(5,693)	¥121,894

Notes: 1. The classification of country and geographical segment is made according to geographical distances.

2. Major countries/ regions outside Japan (1) North America...United States, Canada (2) Southeast Asia...Singapore, Thailand, Malaysia, Indonesia, Philippines, Vietnam (3) East Asia...China, Taiwan, Korea (4) Other areas...United Kingdom, Russia, India

3. "Accounting Standard for Construction Contracts" (Accounting Standards Board of Japan Statement No.15 issued on December 27, 2007) and "Guidance on Accounting Standard for Construction Contracts" (Accounting Standards Board of Japan Guidance No. 18 issued on December 27, 2007) are applied from this accounting period. As a result of the application of these standards, sales in Japan increased by ¥14,393 million, and operating income in same area increased by ¥1,836 million.

(3) Overseas sales

Overseas sales, which consisted of export sales by the Company and its domestic consolidated subsidiaries and overseas sales of overseas consolidated subsidiaries, for the year ended March 31, 2010 is summarized as follows:

	Millions of yen				
	2010				
	North America	Southeast Asia	East Asia	Other areas	Total
Overseas sales	¥8,937	¥19,992	¥14,672	¥7,678	¥51,281
Consolidated sales					117,234
Ratio of overseas sales to consolidated sales (%)	7.6	17.1	12.5	6.5	43.7

Notes: 1. The classification of country and geographical segment is made according to geographical distances.
2. Major countries/regions outside Japan (1) North America...United States, Canada (2) Southeast Asia...Singapore, Thailand, Malaysia, Indonesia, Philippines, Vietnam (3) East Asia...China, Taiwan, Korea (4) Other areas...United Kingdom, India, France
3. "Accounting Standard for Construction Contracts" (Accounting Standards Board of Japan Statement No.15 issued on December 27, 2007) and "Guidance on Accounting Standard for Construction Contracts" (Accounting Standards Board of Japan Guidance No. 18 issued on December 27, 2007) are applied from this accounting period. As a result of the application of these standards, sales in Southeast Asia increased by ¥35 million, sales in East Asia increased by ¥3,499 million and sales in other areas increased by ¥954 million.

Segment information of the Companies for the year ended March 31, 2011 is as follows:

(4) Reporting segments

(a) Overview of Reporting segments

The reporting segments of the Companies are the subjects that each segment financial information can be identified and is used regularly by the director's meeting for decision on the allocation of management resources and evaluation of its performance.

The Companies set their divisions according to kinds of construction equipment and each division plans the comprehensive domestic and foreign strategy and do business based on the strategy.

Therefore the Companies have two reporting segments "Green Technology System Division" and "Paint Finishing System Division". These reporting segments are divided by the kinds of construction equipment based on the operating division.

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

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

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

The accounting treatment of reporting segments is almost all the same as the one the companies apply when preparing the consolidated financial statements.

Internal profits and transfer amounts between the segments are calculated based on the market price.

(c) Sales and profits or losses, assets or liabilities and others by reporting segments

	Millions of yen				
	2010				
	Green Technology System Division	Paint Finishing System Division	Total	Eliminations / Corporate	Consolidated
Sales					
Sales to customers	¥77,926	¥39,308	¥117,234	¥ –	¥117,234
Intersegment sales	3	–	3	(3)	–
Total	77,929	39,308	117,237	(3)	117,234
Segment profit	522	3,071	3,594	105	3,699
Segment assets	59,379	28,847	88,227	33,667	121,894
Other items					
Depreciation	504	532	1,037	17	1,054
Amortization of negative goodwill	–	–	–	33	33
Interest income	64	151	215	5	220
Interest expenses	21	27	48	19	68
Equity in earnings (losses) of affiliates	(2)	97	95	–	95
Investments in associates accounted for using the equity method	–	353	353	–	353
Increase in tangible and intangible assets	¥373	¥240	¥613	¥249	¥863

Notes: 1. The amount of Eliminations/ Corporate is as follows:
(1) Eliminations/ Corporate of Segment profit of ¥105 million includes non-allocatable common costs of ¥95 million and other adjustment of ¥10 million.
Non-allocatable common costs is mainly dividend income etc. which are not attribute to any reporting segments.
(2) Eliminations/ Corporate of Segment assets of ¥33,667 million is elimination of receivable and payable etc. of minus ¥2,030 million and non-allocatable common assets that are not allocated to any segments of ¥35,698 million.
Non-allocatable common assets are mainly cash and deposit, tangible fixed assets, investment securities and deferred tax assets etc. which are not attribute to any reporting segments.
(3) Eliminations/ Corporate of Increase in tangible and intangible assets of ¥249 million is mainly buildings and accompanying facilities etc. in headquarters.
2. Segment profit (loss) are adjusted in the ordinary income of the consolidated income statement.

	Millions of yen				
	2011				
	Green Technology System Division	Paint Finishing System Division	Total	Eliminations / Corporate	Consolidated
Sales					
Sales to customers	¥103,125	¥38,034	¥141,160	¥–	¥141,160
Intersegment sales	4	75	79	(79)	–
Total	103,130	38,109	141,240	(79)	141,160
Segment profit	2,219	3,494	5,714	451	6,166
Segment assets	69,667	26,646	96,314	36,383	132,698
Other items					
Depreciation	519	528	1,047	19	1,067
Interest income	58	105	163	25	189
Interest expenses	36	36	73	20	94
Equity in earnings (losses) of affiliates	–	82	82	–	82
Investments in associates accounted for using the equity method	–	366	366	–	366
Increase in tangible and intangible assets	¥199	¥316	¥516	¥175	¥692

Notes: 1. The amount of Eliminations/ Corporate is as follows:

(1) Eliminations/ Corporate of Segment profit of ¥451 million includes non-allocatable common costs of ¥471 million and other adjustment of minus ¥20 million.
Non-allocatable common costs is mainly dividend income etc. which are not attribute to any reporting segments.

(2) Eliminations/ Corporate of Segment assets of ¥36,383 million is elimination of receivable and payable etc. of minus ¥2,409 million and non-allocatable common assets that are not allocated to any segments of ¥38,793 million.
Non-allocatable common assets are mainly cash and deposit, tangible fixed assets, investment securities and deferred tax assets etc. which are not attribute to any reporting segments.

(3) Eliminations/ Corporate of Increase in tangible and intangible assets of ¥175 million is mainly buildings and accompanying facilities etc. in headquarters.

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

	Thousands of U.S. dollars				
	2011				
	Green Technology System Division	Paint Finishing System Division	Total	Eliminations / Corporate	Consolidated
Sales					
Sales to customers	$1,240,240	$457,421	$1,697,662	$–	$1,697,662
Intersegment sales	52	903	956	(956)	–
Total	1,240,292	458,325	1,698,618	(956)	1,697,662
Segment profit	26,695	42,028	68,723	5,431	74,155
Segment assets	837,855	320,465	1,158,321	437,567	1,595,889
Other items					
Depreciation	6,249	6,353	12,602	231	12,833
Interest income	705	1,264	1,969	306	2,275
Interest expenses	443	444	887	252	1,140
Equity in earnings (losses) of affiliates	–	993	993	–	993
Investments in associates accounted for using the equity method	–	4,410	4,410	–	4,410
Increase in tangible and intangible assets	$2,403	$3,804	$6,207	$2,115	$8,323

(Additional Information)

From the fiscal year, the Companies adopted "Accounting Standard for Disclosures about Segments of an Enterprise and Related Information" (Accounting Standards Board of Japan statement No. 17 issued on March 27, 2009) and "Guidance on Accounting Standard for Disclosures about Segments of an Enterprise and Related Information" (Accounting Standards Board of Japan guidance No. 20 issued on March 21, 2008).

(d) Sales by regions

Millions of yen

2011								
		South East Asia		East Asia				
Japan	North America	Thailand	Other South East Asia	China	Other East Asia	India	Other	Total
¥78,539	¥1,916	¥15,849	¥13,183	¥20,765	¥1,472	¥5,454	¥3,979	¥141,160

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

Thousands of U.S. dollars

2011								
		South East Asia		East Asia				
Japan	North America	Thailand	Other South East Asia	China	Other East Asia	India	Other	Total
$944,552	$23,049	$190,608	$158,550	$249,740	$17,709	$65,596	$47,854	$1,697,662

(e) Tangible fixed assets by regions

Millions of yen

2011					
Japan	Thailand	Indonesia	India	Other	Total
¥5,292	¥492	¥322	¥511	¥147	¥6,765

Thousands of U.S. dollars

2011					
Japan	Thailand	Indonesia	India	Other	Total
$63,652	$5,919	$3,878	$6,148	$1,769	$81,368

(f) Main customers

Millions of yen

2011		
Main customers	Sales	Segments
Takenaka corporation	¥16,815	Green Technology System Division

(g) Impairment loss of the noncurrent assets by reporting segments

Millions of yen

	2011				
	Green Technology System Division	Paint Finishing System Division	Total	Eliminations / Corporate	Consolidated
Impairment loss	¥–	¥–	¥–	¥1	¥1

(h) Gain on negative goodwill by reporting segments

In the fiscal year, the Company additionally purchased the stocks of three subsidiaries such as San Esu Industry Co., Ltd. Therefore, the Companies recognized gain on negative goodwill. This negative goodwill is not allocated to any reporting segments because this negative goodwill have no relation with any reporting segments.

16. Related party transactions

There are no material related party transactions for the years ended March 31, 2011 and 2010.

17. Subsequent events

The following appropriations of retained earnings were approved at the shareholders' meeting held on June 29, 2011:

	Millions of yen	Thousands of U.S. dollars
Appropriations of retained earnings:		
Cash dividends paid	¥551	$6,632

REPORT OF INDEPENDENT AUDITORS

Report of independent auditors

To the Board of Directors of Taikisha Ltd.,

We have audited the accompanying consolidated balance sheet of Taikisha Ltd. and its consolidated subsidiaries as of March 31, 2011, and the related consolidated statements of income, comprehensive income, changes in net assets, and cash flows for the year then ended, all expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Taikisha Ltd. and its consolidated subsidiaries as of March 31, 2011, and the consolidated results of their operations and their cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

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

A&A Partners

A&A Partners

Tokyo, Japan

June 29, 2011

Corporate Directory

(As of July 1, 2011)

Location of bases	FOUNDATION

1 Taikisha Ltd. — 1913
25th Floor Shinjuku-Sumitomo Bldg., 2-6-1, Nishi-Shinjuku, Shinjuku-ku, Tokyo, 163-0225, Japan
Tel: 81-3-3344-1851 Fax: 81-3-3342-5590

2 San Esu Industry Co., Ltd. — 1976
3-24 Ikaga Midori-machi, Hirakata-shi, Osaka, 573-0067, Japan
Tel: 81-72-845-0128 Fax: 81-72-845-1660

3 Nippon Noise Control Ltd. — 1986
7th Floor Lego Bldg., 2-22-8, Yanagibashi, Taito-ku, Tokyo, 111-0052, Japan
Tel: 81-3-5822-3691 Fax: 81-3-5822-3692

4 Tokyo Taikisha Service Ltd. — 2000
4th Floor Nishi-Shinjuku Sato Bldg., 7-9-16, Nishi-Shinjuku, Shinjuku-ku, Tokyo, 160-0023, Japan
Tel: 81-3-5925-3575 Fax: 81-3-5925-3578

5 Custom Ace Co., Ltd. — 1989
1-7-10, Shingashi, Itabashi-ku, Tokyo, 175-0081, Japan
Tel: 81-3-3935-8843 Fax: 81-3-3932-0470

6 Taniyama Co., Ltd. — 1907
18 Kitahatsusimacho, Amagasaki-shi, Hyogo, 660-0834, Japan
Tel: 81-6-4868-3530 Fax: 81-6-4868-3672

Location of bases	FOUNDATION

7 TKS Industrial Company — 1981
901 Tower Drive, Suite 150, Troy, Michigan 48098-2817, U.S.A.
Tel: 1-248-786-5000 Fax: 1-248-786-5001

8 Taikisha Canada Inc. — 1985
901 Tower Drive, Suite 150, Troy, Michigan 48098-2817, U.S.A.
Tel: 1-248-786-5000 Fax: 1-248-786-5001

9 Taikisha de Mexico, S. A. de C.V. — 1990
Homero No. 407, Piso 7, Col. Chapultepec Morales, 11570 Mexico D. F., Mexico
Tel: 52-55-5203-2130, 2276 Fax: 52-55-5250-6178

10 Taikisha do Brasil Ltda. — 1996
Rua Maestro Cardim, 1293-CJ.102-10º Andar-bera Vista-Sao PAULO-SP-CEP:01323-001
Tel: 55-11-2386-3409 Fax: 55-11-2386-3409

11 Taikisha (Singapore) Pte. Ltd. — 1985
1 Commonwealth Lane #06-27 One Commonwealth, Singapore 149544
Tel: 65-6223-9928 Fax: 65-6223-9328

12 Taikisha (Thailand) Co., Ltd. — 1971
6th Floor, Thaniya Bldg., 62 Silom Road, Bangkok 10500, Thailand
Tel: 66-2-236-8055 Fax: 66-2-236-3502

Location of bases	FOUNDATION

13 Taikisha Trading (Thailand) Co., Ltd. — 1983
6th Floor, Thaniya Bldg., 62 Silom Road, Bangkok 10500, Thailand
Tel: 66-2-236-8055 Fax: 66-2-236-3502

14 Thaiken Maintenance & Service Co., Ltd. — 1990
445 Moo 17, Thepharak Rd., T. Bangsaothong Sub District Bangsaothong Samutprakarn 10540, Thailand
Tel: 66-2-705-8744 Fax: 66-2-705-8748

15 Token Interior & Design Co., Ltd. — 1986
9th Floor, Thaniya Bldg., 62 Silom Road, Bangkok 10500, Thailand
Tel: 66-2-236-9103 Fax: 66-2-236-0119

16 TKA Co., Ltd. — 1991
445 Moo 17, Bangna-Trad Rd, Km. 23, Tambol Bangsaothong, Kingamphur Bangsaothong, Samutprakarn, 10540, Thailand
Tel: 66-2-705-8363 Fax: 66-2-705-8993

17 Taikisha Engineering (M) Sdn. Bhd. — 1989
Suite W306 & W307, 3rd Floor West Wing, Wisma Consplant 1 No.2 Jalan SS 16/4 Subang Jaya, Selangor 47500 Malaysia
Tel: 60-3-5632-5711 Fax: 60-3-5637-9644

18 P.T. Taikisha Indonesia Engineering — 1990
6th Floor, New Summitmas Bldg. Jl. Jend. Sudirman Kav. 61-62, Jakarta Selatan, 12190, Indonesia
Tel: 62-21-522-6420 Fax: 62-21-520-2516

Location of bases	FOUNDATION

19 P.T. Taikisha Manufacturing Indonesia — 2004
Jl. Permata V Lot EE-5, Kawasan Industri KIIC, Karawang 41361, West-Java, Indonesia
Tel: 62-21-8911-4831 Fax: 62-21-8911-4833

20 Taikisha Philippines Inc. — 1995
5th Floor, Golden Rock Bldg., No.168 Salcedo St., Legaspi Village, Makati City, 1229, Philippines
Tel: 63-2-818-1707 Fax: 63-2-816-1516

21 Taikisha Vietnam Engineering Inc. — 1998
Room 303, 3rd Floor, Thang Long Bldg., 105 Lang Ha St., Dong Da District, Hanoi, Vietnam
Tel: 84-4-3562-2750 Fax: 84-4-3562-2751

22 Taikisha (Cambodia) Co., Ltd. — 2011
#37&39 Trapaingkol Village, Sangkat Kantouk, Khan Dangkor, Phnom Penh, Cambodia
Tel: 855-23-729-317 Fax: 855-23-729-318

23 Wuzhou Taikisha Engineering Co., Ltd. — 1994
#1110, Beijing Fortune Bldg., #5 Dong San Huan Bei Lu, Chaoyang District, Beijing 100004, China
Tel: 86-10-6590-8251 Fax: 86-10-6590-8257

Location of bases	FOUNDATION

24 Beijing Wuzhou Taikisha Equipment Co., Ltd. — 2002
#1110, Beijing Fortune Bldg., #5 Dong San Huan Bei Lu, Chaoyang District, Beijing 100004, China
Tel: 86-10-6590-8251 Fax: 86-10-6590-8257

25 TianJin Taikisha Paint Finishing System Ltd. — 2010
Room 1705-6 Tianxin BLD, No.125 Weitidao, Hexi District, Tianjin, P.R.C Postcode 300074
Tel: 86-22-2840-8697 Fax: 86-22-2840-8694

26 Taikisha (Taiwan) Ltd. — 1989
No. 337, Sec. 1, 4th Floor, Sheng Yang Bldg., Tung Hwa S. Rd., 10685 Taipei, Taiwan, R.O.C.
Tel: 886-2-2706-4327 Fax: 886-2-2706-4328

27 Taikisha Korea Ltd. — 1992
#209, 14-11, Daeha Bldg., Yoido-Dong, Youngdeungpo-Gu, Seoul, 150-010, Korea
Tel: 82-2-783-0270 Fax: 82-2-783-0274

28 Taikisha Europe Ltd. — 1989
5th Floor, Delta View, 2309 Coventry Road, Sheldon, Birmingham B26 3PG, U.K.
Tel: 44-121-700-1140 Fax: 44-121-742-4035

Location of bases	FOUNDATION

29 Geico S.p.A. — 1905
Via Cornaggia 58 20092 Cinisello Balsamo, Milano, Italy
Tel: 39-2-660221 Fax: 39-2-66022

30 Taikisha Engineering India Ltd. — 1995
Plot No. 404, Udyog Vihar, Phase-IV, Gurgaon-122 001, Haryana, India
Tel: 91-124-234-8246 Fax: 91-124-234-8247

31 "Taikisha (R)" LLC. — 2009
Office #213, str.2, d.19, Akademicheski proezd, 3-i, Kaluga, Russian Federation, 248033
Tel: 7-4842-221-180 Fax: 7-4842-221-180

32 Shanghai Dongbo-Taiki Conveyor System & Manufacturing Co., Ltd. — 2002
#1128 Pine City Hotel, #.8, Dong An Road, Xuhui Dist., Shanghai 200032
Tel: 86-21-6443-0780 Fax: 86-21-6443-9478

33 Tianjin Dongchun-Taiki Metal Finishing Conveyor System Manufacturing Co., Ltd. — 2004
Yang Cheng Zhuang Bridge Southwest Side, Jinghai County, Tianjin 301617
Tel: 86-22-6864-5848 Fax: 86-22-6864-5849

Corporate Information

Directors and Auditors

1. Representative Director President
Eitaro Uenishi

2. Representative Director, Executive Vice President
Suguru Kimura

3. Representative Director, Executive Vice President
Satoru Kamiyama

4. Director, Executive Corporate Officer
Takashi Sakurai

5. Director, Managing Corporate Officer
Kiyoshi Hashimoto

6. Director, Managing Corporate Officer
Kouji Kato

7. Director, Managing Corporate Officer
Yusuke Oshida

8. Director, Managing Corporate Officer
Masashi Osada

9. Director, Senior Corporate Officer
Tetsuya Ogawa

10. Director
Takeshi Asahara

Corporate Auditor
Makoto Muneoka

Corporate Auditor
Mitsuru Sano

Corporate Auditor
Katsuzo Konishi

Corporate Auditor
Shuichi Murakami

Corporate Auditor
Yoshikatsu Nakajima

Corporate Data

Corporate Name:	Taikisha Ltd.
Head Office:	25th Floor, Shinjuku-Sumitomo Bldg., 2-6-1, Nishi-Shinjuku, Shinjuku-ku, Tokyo, 163-0225, Japan Tel: 81-3-3344-1851 Fax: 81-3-3342-5590
Established:	April 10, 1913
Sales:	¥141,160 million (Consolidated: year ended March 2011)
Number of Employees:	3,981 (Consolidated: as of March 2011)

ISO Certification Obtained

ISO 9001

» Green Technology System Division, Paint Finishing System Division
» TKS Industrial Company
» Wuzhou Taikisha Engineering Co., Ltd.
» Taikisha Philippines Inc.
» Taikisha (Thailand) Co., Ltd.
» Taikisha Engineering (M) Sdn. Bhd.
» Taikisha (Singapore) Pte. Ltd.
» Taikisha Europe Ltd.
» Taikisha (Taiwan) Ltd.
» P.T. Taikisha Indonesia Engineering
» Taikisha Engineering India Ltd.

ISO 14001

» Green Technology System Division, Paint Finishing System Division
» TKS Industrial Company
» Taikisha (Thailand) Co., Ltd.
» Taikisha Europe Ltd.

History

1913 Kenzaisha (former name of Taikisha Ltd.) founded

1949 Joint stock company, Kenzaisha dissolved and Kenzaisha Co., Ltd. established

1971 N.J. Axivane Co., Ltd. established
Thai Kenzaisha Co., Ltd. established in Bangkok

1973 Company name changed to Taikisha Ltd.

1976 San Esu Industry Co., Ltd. established

1980 Shares listed on the First Section of the Tokyo Stock Exchange

1981 TKS Industrial Company established in U.S.A.

1983 Thai Kenzai Trading Co., Ltd. established in Bangkok

1985 Branch office opened in Singapore
Taikisha Canada Inc. established in Toronto

1986 Nippon Noise Control Ltd. established

1987 Taikisha España S.A. established in Madrid

1989 Taikisha (Taiwan) Ltd. established in Taipei
Custom-Ace Ltd. established
Taikisha Engineering (M) Sdn. Bhd. established in Kuala Lumpur, Malaysia
Taikisha UK Ltd. established in Birmingham, UK (former name of Taikisha Europe Ltd.)

1990 P.T. Taikisha Indonesia Engineering established in Jakarta
Taikisha de Mexico, S.A. de C.V. established in Mexico City

1992 Donki TEC Ltd. established in Seoul, Korea (former name of Taikisha Korea Ltd.)

1994 Wuzhou Taikisha Engineering Co., Ltd. established in Beijing, China

1995 Taikisha Engineering India Ltd. established in New Delhi
Taikisha Philippines Inc. established in Manila
Representative office opened in Ho Chi Minh City, Vietnam

1996 Taikisha do Brasil Ltda. established in São Paulo, Brazil

1997 Representative office opened in Hong Kong

1998 Taikisha Vietnam Engineering Inc. established in Hanoi

1999 Branch office of Taikisha Europe opened in France

2000 Tokyo Taikisha Service Ltd. established (formerly Atmos Service Ltd. established in 1987)
Taikisha Hong Kong Limited established

2001 Thai Kenzaisha Co. Ltd. renamed Taikisha (Thailand) Co., Ltd.
Thai Kenzai Trading Co., Ltd. renamed Taikisha Trading (Thailand) Co., Ltd.

2003 Company reorganized into three division structure

2004 Singapore branch office closed. Subsidiary Taikisha (Singapore) Pte. Ltd. established
R&D facilities integrated as Research and Development Center in Kanagawa prefecture
P.T. Taikisha Manufacturing Indonesia established

2006 Established the company-wide Compliance Committee and the Compliance Division

2007 Reorganized businesses into two division structure comprising the Green Technology System Division and the Paint Finishing Division

2009 Taniyama Co. Ltd. has become a subsidiary through additional acquisition of shares.
Established radiation related business alliance with Tokyo Nuclear Services Co., Ltd.
"Taikisha (R)" LLC established in Kaluga, Russia

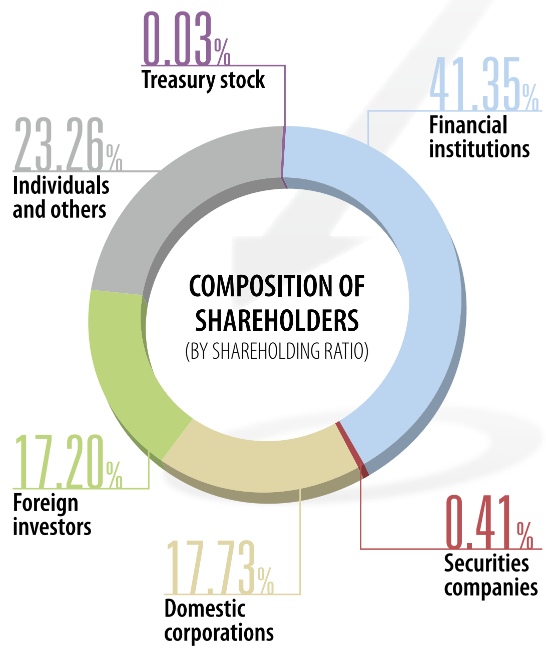
2010 Tianjin Taikisha Paint Finishing System Ltd. established in Tianjin, China.

2011 Formed a capital and business alliance with Geico S.p.A..
Taikisha (Cambodia) Co., Ltd. established in Phnom Penh, Cambodia

Investor Information

(As of March 31, 2011)

Authorized number of shares	100,000,000
Issued number of shares	36,782,009
Number of shareholders	3,644



Major Shareholders (top10 companies and individuals)

Shareholder's Name	Ratio of shareholding	
	Number of share held (in thousands)	Ratio of shareholder voting rights (%)
Japan Trustee Services Bank, Ltd. (trust account)	3,298	9.0
The Master Trust Bank of Japan, Ltd. (trust account)	2,926	8.0
Northern Trust Company (AVFC) Sub-account American Client	2,383	6.5
Kenzaisha Ltd.	2,000	5.4
Keiji Uenishi	1,401	3.8
Nippon Life Insurance Company	1,202	3.3
Ruriko Uenishi	1,089	3.0
Taikisha Business Partners Shareholders' Association	1,040	2.8
Dai ni Kenzaisha Ltd.	1,000	2.7
Northern Trust Company AVFC Re U.S. Tax Exempted Pension Funds	883	2.4

Note: In the number of shares held above, amounts are rounded down to the nearest 1,000 shares.

TAIKI-SHA

http://www.taikisha-group.com/

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