Annual Report 2016

APR. 2015 - MAR. 2016

Mission Statement "Customers First"

Customers are defined as Overall Society in a broad sense. Spirit of "Customers first" is to win persistent trust from the customer.
To achieve this goal, we have to follow our own conscience and make the utmost efforts in every doing based on the belief that the behavior of individuals or the company will bring benefit and happiness to one's counterpart.

Philosophy and Vision

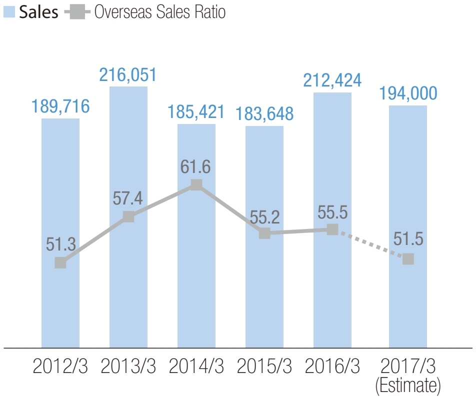
Corporate Philosophy : Manage

1. Establish a company which can continuously grow and contribute to the society:

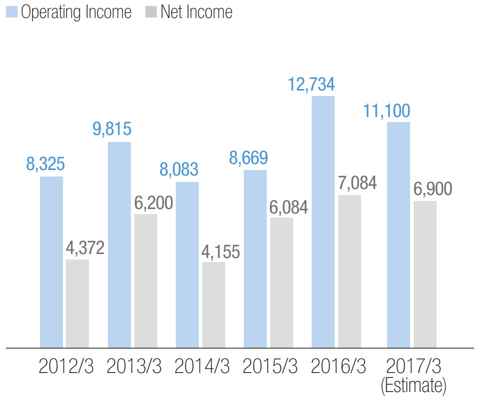
1) We strive to grow continuously by enhancing our added values; thereby, bringing prosperity to our customers and business partners as well as to our employees.
2) We strive to create rich environment and evolve the industrial society through our engineering expertise that meets the needs of the society, in order to achieve our ultimate objective to contribute to the society.

Financial Highlights

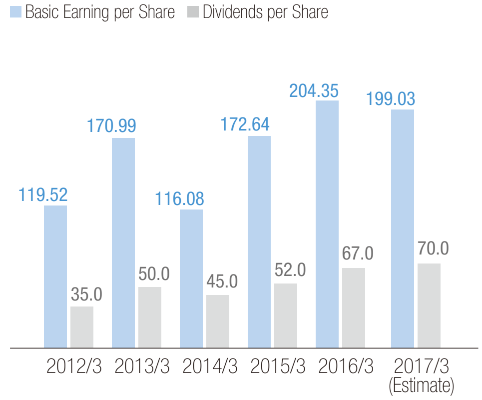
Sales & Overseas Sales Ratio (Millions of yen, %)



Operating Income & Net Income (Millions of yen)



Basic Earning per Share & Dividends per Share (¥)



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ment Objectives

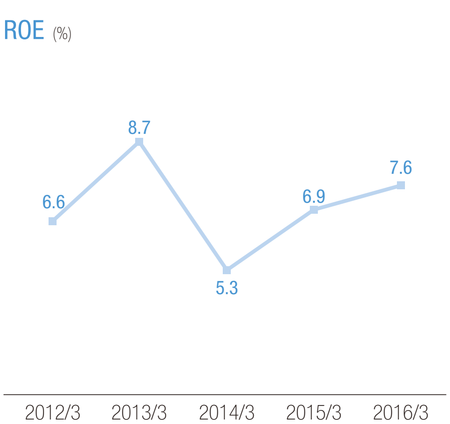
2. Establish an attractive company:

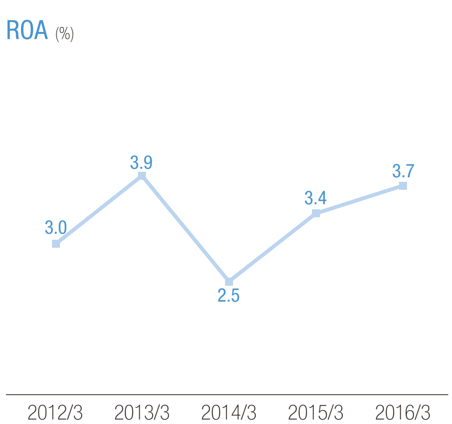
1) We aim to be a motivation-oriented company where the employees can demonstrate creativity and vitality through their work responsibilities.

2) We aim to be a company having the corporate culture in which all employees work in close cooperation to achieve the goals of the company, with the spirits of mutual trust, collaboration and rationality.

3) Through the expansion of our expertise in "Energy, Air, and Water", we aim to become a unique company in all aspects of corporate management, including engineering, marketing, and human resource development.

Ogasawara (japan)





CONTENTS

We aim to grow perpetually by promoting the Mid-Term Business Plan.

First of all, I'd like to describe the business environment surrounding us and our business results in the fiscal year ended March 31, 2016.

For the Green Technology System Division, active investment in construction was seen in Japan as in the fiscal year ended March 31, 2015, due to the execution of urban redevelopment projects and robust demand for offices by companies with improved business performance, thus creating favorable conditions for the building HVAC business sector.

For the industrial HVAC business sector, there was an increase in capital investment by manufacturing companies in Japan in part due to the effects of the weaker yen.

As for overseas markets, because China's economic growth slowed down, companies in other Asian countries engaged in the export of products to China refrained from making active capital investment.

For the Paint Finishing System Division, business conditions were favorable in the United States, where automobile sales were strong and investment in equipment and facilities increased. However, the Division was faced with the harsh business environment in Brazil and Russia, where economic decline resulted from falling resource prices, causing the postponement of new factory construction plans.

Under these circumstances, our consolidated business results recorded ¥221,700 million in orders received as compared to our initial forecast of ¥215,000 million, and registered ¥212,400 million in net sales as compared to our initial forecast of ¥205,000 million. Thus, the actual results exceeded our initial forecasts.

Our profitability improved due to the policy focused on obtaining profitable orders, proposal of VE at the sites, reduction of procurement costs, and others. As a result, operating income totaled ¥12,734 million as compared to our initial forecast of ¥9,700 million, and ordinary income amounted to ¥12,343 million as compared to our initial forecast of ¥10,600 million. Profit attributable to owners of parent registered ¥7,084 million as compared to our initial forecast of ¥5,700 million. All these results exceeded our initial forecasts and recorded the highest profit figures.

Next, I will describe our business forecasts for the fiscal year ending March 31, 2017.

The market conditions in Japan are expected to improve steadily. Overseas, capital investment is anticipated to expand in the Paint Finishing System Business in the United States and India. However, there is a possibility that growing concerns for economic uncertainties in Japan and other countries may discourage capital investment decisions.

Our target figures are premised on the currency exchange rates of ¥108 per US dollar, ¥122 per euro, and ¥3.06 per Thai Baht. These rates indicate the appreciation of the yen by 10% or more as compared to the average rates of ¥121 per US dollar, ¥134.65 per euro, and ¥3.54 per Thai Bhat prevailing in the fiscal year ended March 31, 2016.

Under such circumstances, the forecast figures for the fiscal year ending March 31, 2017 are lower than the figures registered in the previous fiscal year, reflecting the large impacts of the differences in the currency exchange rates.

For the fiscal year ending March 31, 2018 and thereafter, we will strive to expand business in steps by steadily promoting the new Mid-Term Business Plan.

Guided by our Mission Statement, "Customers First," the Taikisha Group will further develop and expand business on a global scale while continuing to contribute to the protection of the global environment by deploying its environmental technologies associated with "energy, air, and water."

In these efforts, we look forward to your understanding of our management policies and seek your continued support and guidance.

Satoru Kamiyama
President and Representative Director

Kamiyama

Q1 *What are the particular background factors and issues you paid heed to when formulating the new Mid-Term Business Plan?*

The first is response to the risk resulting from a possible decrease in investment by our customers due to the changing market environment.

In Japan, capital investment is expected to be on an upward trend. However, if economic prospects become uncertain due to the stronger yen, reduced demand in emerging markets, or other factors, the private sector may cut back their investment.

Overseas markets are also faced with a risk of declining investment by customers.

For the Green Technology System Business, the volume of products exported from Southeast Asia to China decreased due to the economic slowdown in China, and this could curtail capital investment in the region.

In the Paint Finishing System Business, on the other hand, we can expect an increase in investment in equipment and facilities in the United States and India. However, investment plans in Russia and Brazil may be postponed due to the economic downturn brought about by falling resource prices and other factors.

In view of these circumstances, our new Mid-Term Business Plan aims to expand sales and maintain stable profitability. To those ends, the Plan calls for the following initiatives:

- Preferential allocation of management resources to markets and business areas with growth potential
- Productivity improvement and cost optimization
- Expansion of business domains

We will execute these initiatives with concerted efforts in order to overcome the challenging business conditions.

The second is response to social demand for corporate governance.

We will continue to enhance the management supervisory function of the Board of Directors in line with the Corporate Governance Code.

At the same time, we will promote constructive discussions with all stakeholders including shareholders and strive to practice management with the focus on improving capital efficiency.

Guided by our Mission Statement, "Customers First," we will steadily carry out the Mid-Term Business Plan in order to maintain sustainable growth of our company and respond to your expectations.

Q2 *Please describe the basic policy of the new Mid-Term Business Plan and numerical targets.*

The newly announced Mid-Term Business Plan focuses on two basic policies.

The first is to respond to the changing social needs and market environment in a flexible and timely manner and achieve steady and sustainable development.

In accordance with this policy, we will establish the corporate governance system which is adapted to the further globalization of our business.

Furthermore, we will place our emphasis on growing markets and business field and allocate management resources strategically.

The second policy is to be highly trusted and evaluated by all stakeholders.

Specifically, we focus on the following four areas.

1) We will meet customers' expectations and ensure their confidence from our customers by providing optimal "technology", "service" and "cost".
2) We will contribute to conservation of the global environment and improvement of the environmental value of our customers with the environment related business.
3) We will cultivate the corporate culture, in which diverse employees play an active role and strengthen human resource development.
4) We will engage in dialogue with stakeholders and make an effort to improve the capital efficiency.

Based on the above basic policies, each division and headquarters plans and implements concrete initiatives.

Business results for the fiscal year ending March 31, 2016 and targets specified in the new Mid-Term Business Plan

(in billion yen)

	FY March 2016	FY March 2017 (Target)	FY March 2018 (Target)	FY March 2019(Target)
Orders received	221.7	200.2	208.5	213.0
Sales	212.4	194.0	202.5	208.1
Operating income	12.7	11.1	11.6	12.3
Ordinary income	12.3	11.8	12.3	13.0
Profit attributable to owners of parent	7.0	6.9	7.1	7.5

(Exchange rate: 1US$ = 108JPY, 1Euro = 122JPY, 1Baht = 3.06JPY)

Next, I will describe our business forecasts for the fiscal year ending March 31, 2017.

In the Japanese market, we anticipate steady growth of demand. As for overseas markets, capital investment by the Paint Finishing System Business is expected to increase in the United States and India. However, rising concerns for economic uncertainties both in Japan and abroad may discourage the private sector from making active capital investment.

Our target figures are premised on the currency exchange rates of ¥108 per US dollar, ¥122 per euro, and ¥3.06 per Thai Baht. These rates indicate the appreciation of the yen by 10% or more as compared to the average rates of ¥121 per US dollar, ¥134.65 per euro, and ¥3.54 per Thai Bhat prevailing in the fiscal year ended March 31, 2016.

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Q3

Overseas construction markets continue to lack strength, while the appreciating yen can create negative impacts on the Japanese market. How will you change the management policies in the future in order to respond to the changing conditions in the Japanese and overseas markets?

For the Green Technology System Division, technological advancement in electronic parts and increased demand for pharmaceutical products are anticipated to spur companies in those fields to invest in the industrial HVAC business sector, although there is a concern that the effects of the appreciating yen may affect the capital investment decisions of many companies and result in negative impacts on this business sector. For the building HVAC business sector, on the other hand, redevelopment projects in the Metropolitan area are expected to increase the investment for the construction of new office buildings. In the long term, we anticipate that demand for renovation of HVAC systems in existing buildings will rise in percentage.

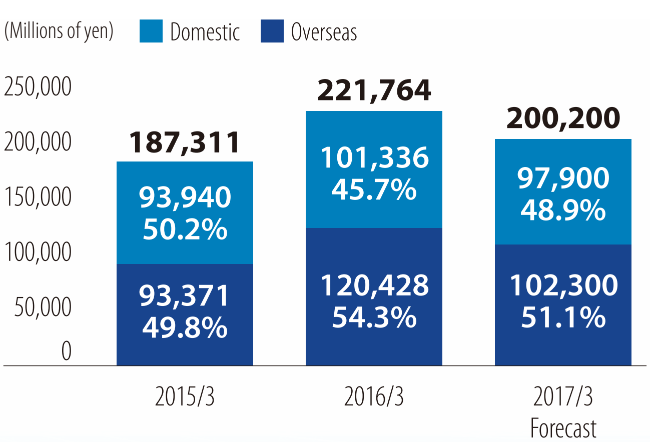
For the future, by keeping an eye on the fields and markets with potential for investment growth, we will respond promptly to demand increases and allocate management resources strategically, and also actively conduct proposal-intensive marketing activities for maintenance/renovation projects that are expected to increase in number. Overseas, we will strengthen our sales and construction organizational structures in an effort to respond to the needs of not only local Japanese companies but also non-Japanese companies.

For the Paint Finishing System Division, active investment is expected in the United States and India, where automobile sales are increasing steadily, to bring favorable effects for the automotive paint business sector, although investment plans may be postponed in Russia and Brazil due to the economic downturn brought about by falling resource prices and other factors.

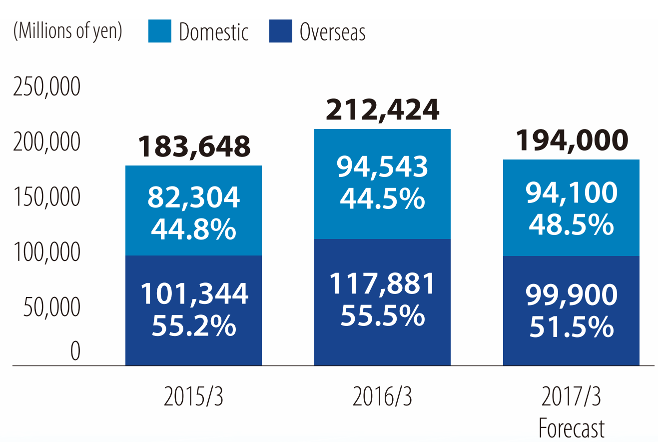
For the future, we will preferentially allocate management resources to markets with growth potential and create an organizational structure capable of responding more efficiently.

In addition, we will strengthen the collaboration with our overseas group companies for aggressively increasing orders from non-Japanese automakers and energetically expanding into peripheral business domains, such as painting systems for other than automobiles, such as for aircraft, and conveyor systems.

Consolidated Orders Received



Consolidated Sales



Q4 *What is your policy on shareholders returns?*

We consider the return of profits to our shareholders through dividends as one of our most important responsibilities.

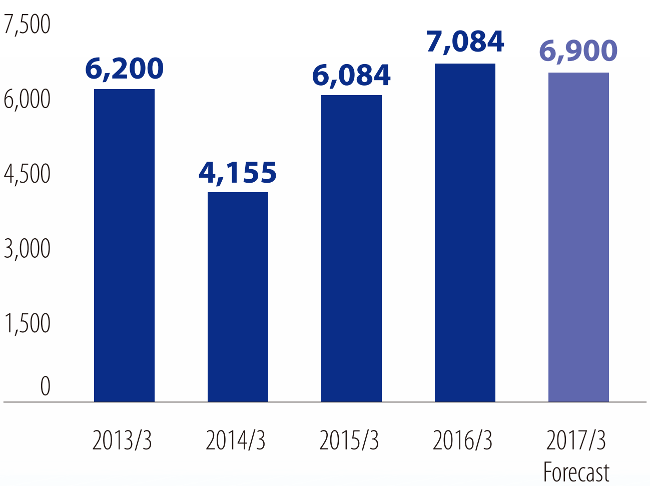
We have raised the consolidated dividend payout ratio from the previous 30% to 35% and maintain stable dividend payouts as we always have.

The total dividends for the fiscal year ending March 31, 2017 will be ¥70 per share.

We will acquire treasury stock flexibly as we deem fit for the purposes of improving our capital efficiency and realizing flexible financial policies.

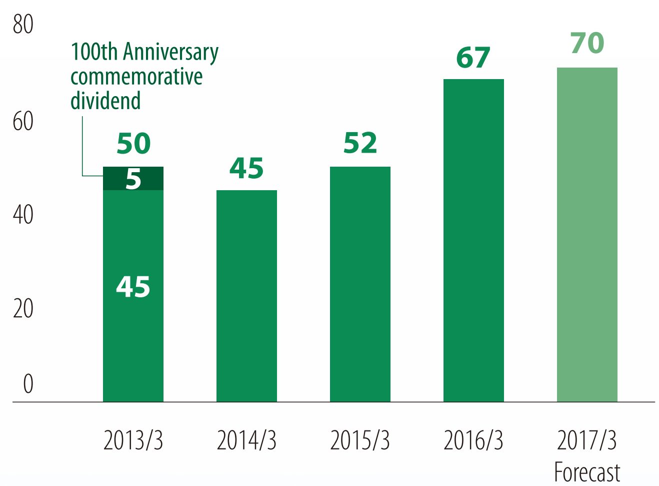
Profit attributable to owners of parent

(Millions of yen)



Dividends per Share

(Yen)



Dividends paid out in fiscal year ended March 31, 2016: ¥67 per share

Green Technology System Division

Business Overview

Green Technology System Business mainly consists of an Industrial HVAC business (for clean rooms and other manufacturing facilities) and a Building HVAC business (for office buildings) those designs and constructs HVAC systems both in Japan and overseas.

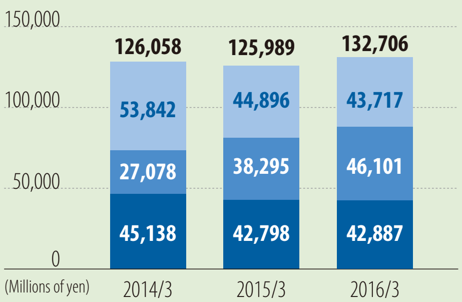
Topics

LED Seedling System Installed in a Plant Factory Using Only Artificial Lighting

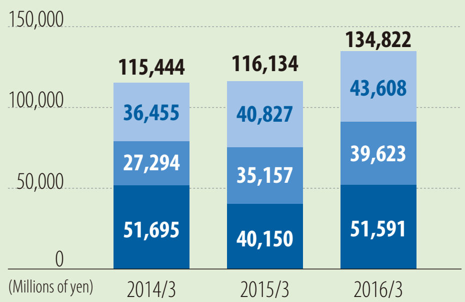
In August 2015, Taikisha received an order for "Taiki Green Farm," a hydroponic cultivation plant factory system using only artificial lighting, from NOUMANN INC. (head office: Mihama-cho, Fukui Prefecture, Japan). The system is being installed in NOUMANN's plant factory, by the full-scale renovation of an idle facility, and it can produce vegetables stably under a completely chemical-free, clean environment, by using a high-efficiency reflection-type lighting system.

The LED seedling system, which was initially developed and installed in GREENLAND factory of Kidaya Shoten (formally "Kidaya Corporation") by our company, is able to increase the planting density in the seedling line by about three times. It was a common belief that high-density planting would result in uneven growth rates, but the matching effect of high-density planting and LED lighting achieves uniform seedling growth and also increases the percentage of high-grade vegetables, thus significantly improving the efficiency in the usage of cultivation beds in the factory. Taikisha continues to utilize environmental technologies and actively work on plant factory projects inside and outside Japan with the aim of contributing to society.

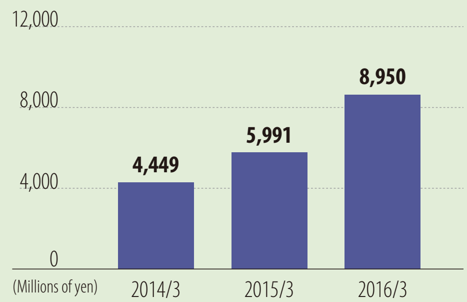
Orders Received by Segment

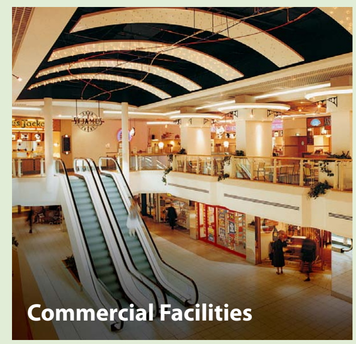


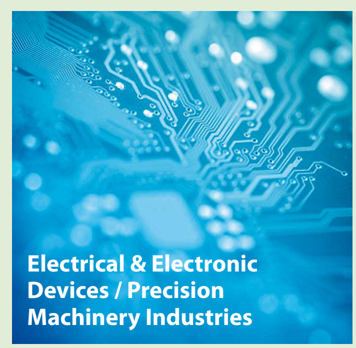
Sales by Segment



Ordinary Income by Segment







Topics

VOC Treatment System in China

As reported frequently by news media, China's air pollution problem, including PM2.5 (particulate matter of 2.5 microns or less), is worsening, necessitating urgent environmental measures. The Chinese Government is revising laws and taxation systems and strengthening the penalties for violators, all with the aim of completely preserving the environment. The private sector is also making investments toward environmental protection at accelerated rates. Although the Chinese economy is sputtering, the environmental business is considered a growth sector, and investments are expected to increase continuously in this field. Taikisha has been contributing to the reduction of environmental load in China by utilizing its emissions treatment technology accumulated over many years. In anticipation of an increase in demand for VOC treatment system in the

◀ Technology exchange meeting held in China

▼ Regenerative Thermal Oxidizer

future, Taikisha has established a local production system in China. Taikisha also hold technology exchange meetings with many regional environmental agencies and environmental protection industry associations to energetically promote our technology. These efforts have led to the increase of concrete business inquiries. Taikisha continues to help improve the environment in China and expand the business volume.

* VOC stands for Volatile Organic Compound, and it refers to one of the substances that cause photochemical smog.

Paint Finishing System Division

Business Overview

The Paint Finishing System Business mainly consists of an automobile paint plant design and construction business, whose major customers are domestic and overseas automobile manufacturers. The business of the Company has one of the largest sales in this field globally.

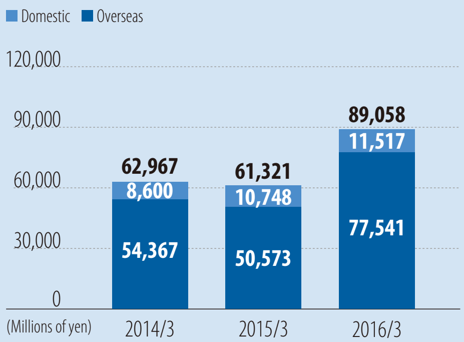
Topics

Taikisha Coating Strategic Council ("TCSC")

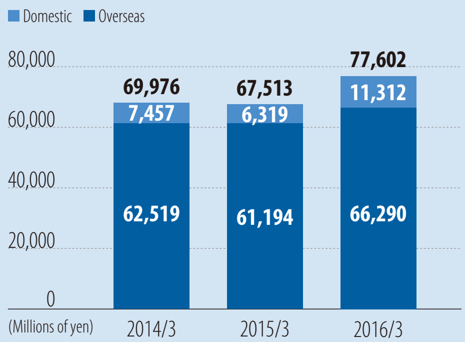
It has been five years since the Company and Geico S.p.A. established a business and capital Alliance.
Since then a new council called TCSC has been formed to set common strategies for Paint Finishing System Division in Globalization, R&D, M&A, Procurement and Manufacturing activities to reach the group's common goal.
The double digit compound average growth rate both in sales and profit of Geico group since its foundation in May 2011, enhances the Alliance between Taikisha and Geico into the future.
The Company will continue to draw on the synergies created by the Alliance, in order to achieve further expansion of business.

Board members of TCSC at Geico's headquarters in Milan

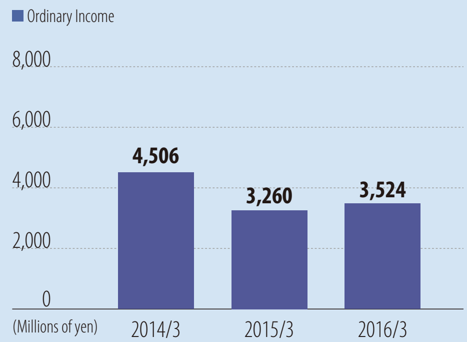
Orders Received by Segment

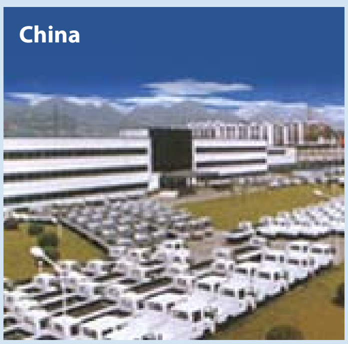


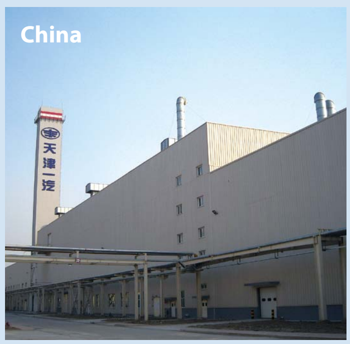
Sales by Segment

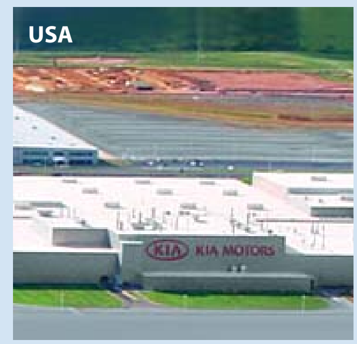


Ordinary Income by Segment









Topics

Sheet Metal & Laser Factory in Pune & Vadodara of Taikisha Engineering India Pvt. Ltd. ("Taikisha India")

Taikisha India started its fabrication operations from Pune since 2007. The State of Art facility is built on a land measuring approximately 57,937 square meters.

The facility was started to manufacture Taikisha's own product involving painting systems sheet metal components & sub assemblies as per international standards for many worked renowned auto giants.

Taikisha India took a major decision to diversify into other areas of sheet metal fabrications using the latest laser & assembly technologies beginning from October 2009 and has now become an OEM supplier to many renowned multinational companies operating from in and out of India.

Having EN 15085 Class 1 Welding certification accredited by TUV Rehinland, Taikisha India has made a huge impact on quality & deliverables and was also accredited with ISO

9001-2008, OSHAS and ISO 14001.

Further Taikisha India has established yet another new laser & sheet metal factory in Vadodara in October 2012 as part of business growth.

The Taikisha Group will make use of the two factories in providing solutions to customers and strive to obtain more orders.

CSR Initiatives

Linking of Mission Statement with Stakeholders

The spirit of "Customers First," our mission statement, is to win persistent trust from the overall society.
Based on this spirit, we respond quickly to changing social demands (in terms of the economy, the environment, and social value). We also contribute to all our stakeholders by establishing a management base that enables us to achieve sustainable corporate growth, as well as improving our corporate values and proactively addressing social issues.

Better customer satisfaction

We improve customer satisfaction and strive to improve our quality based on the quality policies set out by each division.

Relationship with our business partners

Taikisha broadly welcomes both domestic and overseas business partners with its motto "open and fair," and operates fair business transactions.
Also the Company occasionally provides information and engineering support to overseas companies if they are interested in exploring the Japanese market.

Involvement with employees

We strive to make our company an inspiring and attractive one.

Involvement with shareholders and investors

We disclose financial data and management information for our shareholders and investors as a company with a high level of integrity.

The Measure for Environment

Taikisha Group has decided to make the utmost effort to address critical global issues and global environmental conservation, has formulated its own environmental policy, and promotes a wide variety of environmental control activities.

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, Corporate Compliance Department in order to remind all employees to observe the relevant laws and ordinances.

Environmentally Friendly Technologies

Environmental Protection Technologies in Coating Process - Low-temperature, low-humidity flash-off process

For global environment protection, many automakers now use water-based paint in order to reduce the volatile organic compound (VOC) emission from the automotive coating process. Water-based paint is applied to the vehicle body in three separate coating steps: intermediate coating process, top-coat base coating process, and top-coat clear coating process. A flash-off (intermediate drying) process is conducted after each coating process to prevent transfer of paint between coating layers. The flash-off process must not only heat and cool the vehicle body in the limited length of the process zone, but also remove the evaporated moisture from the equipment using a large volume of air flow. This consumes a huge amount of energy. Taikisha has developed dehumidifying equipment jointly with a heat source equipment manufacturer in order to reduce the energy consumed by the flash-off process. Use of this equipment decreases the humidity in the flash-off process, thus enabling drying of the coated paint at lower heating temperatures than before. The installation of the equipment is expected to achieve a 20 to 40% reduction in energy consumption depending on conditions. Taikisha continues to develop and industrialize various environmental protection technologies at the aim of contributing to society through the betterment of the environment.

Corporate Governance

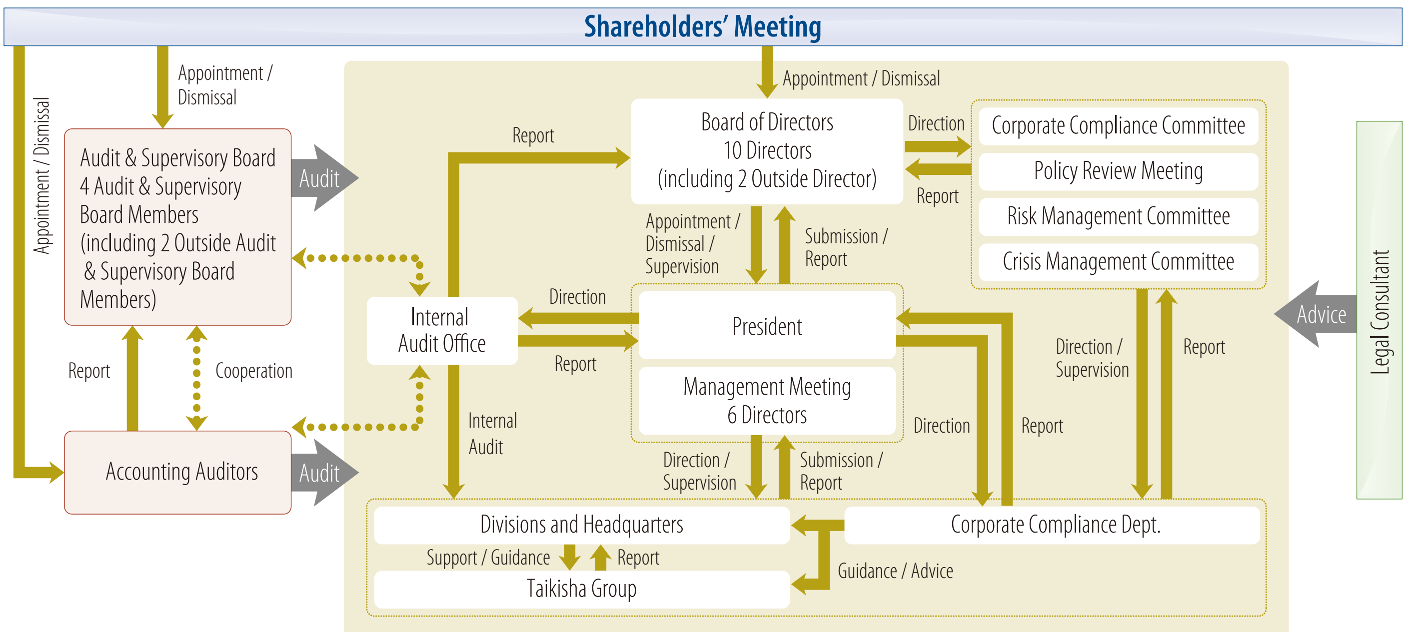
Basic policy

The Company has established a basic policy of corporate governance to gain the trust of all stakeholders and aim to become a corporate group that grows and develops in a healthy manner by thoroughly incorporating compliance awareness and realizing fair and highly transparent management, in order to achieve its corporate philosophy and management vision in accordance with the spirit of the Company's Mission Statement: "Customers First"*.

In conformity with the basic policy and based on the organizational structure of a company with an audit & supervisory board, the Company is continuously working to strengthen the Taikisha Group's governance and reform of management. It is doing this by taking measures such as reinforcing the supervisory function of the Board of Directors through the application of Non-Executive Directors (meaning Outside Directors and the Director & Chairman) and speeding up the decision making of the Board of Directors through the adoption of the corporate officer system, aiming to further enhance and reinforce corporate governance of Taikisha Group.

* "Customers" is defined as Overall Society in a broad sense. The spirit of "Customers First" is to win persistent trust from customers.

Conceptual Diagram of Corporate Governance



Low-temperature, low-humidity flash-off process

MANAGEMENT'S DISCUSSION AND ANALYSIS

FIVE-YEAR SUMMARY : Taikisha Ltd. and its Consolidated Subsidiaries for the years ended March 31, 2012 to 2016

	Millions of yen					Thousands of U.S. dollars
CONSOLIDATED	2012	2013	2014	2015	**2016**	**2016**
Orders received: .	¥195,268	¥195,920	¥189,026	¥187,311	**¥221,764**	**$1,967,917**
Green Technology System Division						
Environmental facilities(building HVAC)	33,268	37,485	53,842	44,896	**43,717**	**387,945**
Industrial facilities(industrial HVAC)	86,817	87,251	72,216	81,093	**88,988**	**789,676**
Paint Finishing System Division	75,182	71,184	62,967	61,321	**89,058**	**790,296**
Sales:	¥189,716	¥216,051	¥185,421	¥183,648	**¥212,424**	**$1,885,037**
Green Technology System Division						
Environmental facilities(building HVAC)	42,233	46,573	36,455	40,827	**43,608**	**386,979**
Industrial facilities(industrial HVAC)	84,943	90,641	78,989	75,307	**91,214**	**809,425**
Paint Finishing System Division	62,540	78,837	69,976	67,513	**77,602**	**688,633**
Profit attributable to owners of parent	4,372	6,200	4,155	6,084	**7,084**	**62,866**
Comprehensive income	4,255	11,006	10,852	14,320	**1,063**	**9,437**
Total assets	¥156,108	¥163,014	¥166,680	¥188,283	**¥189,566**	**$1,682,196**
Total net assets	69,602	78,537	84,712	99,669	**95,921**	**851,198**
Equity ratio (%)	42.9	46.2	48.3	50.4	**48.0**	**48.0**
Return on equity (%)	6.6	8.7	5.3	6.9	**7.6**	**7.6**

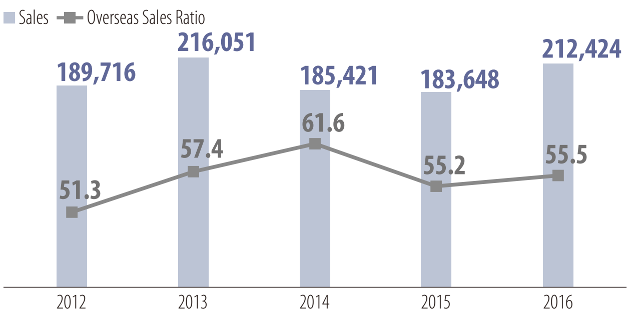
	Yen					U.S. dollars
Net income per share	¥119.52	¥170.99	¥116.08	¥172.64	**¥204.35**	**$1.81**
Cash dividends per share	35.00	50.00	45.00	52.00	**67.00**	**0.59**
Net assets per share	1,834.99	2,087.16	2,282.56	2,690.76	**2,633.60**	**23.37**

NON-CONSOLIDATED

Orders received:	¥102,248	¥88,223	¥104,576	¥100,479	**¥111,793**	**$992,042**
Green Technology System Division						
Environmental facilities(building HVAC)	31,736	36,075	51,477	42,832	**41,611**	**369,255**
Industrial facilities(industrial HVAC)	38,305	31,815	27,478	38,482	**46,416**	**411,893**
Paint Finishing System Division	32,206	20,332	25,620	19,164	**23,765**	**210,894**
Sales:	¥109,205	¥107,049	¥86,200	¥93,297	**¥107,269**	**$951,903**
Green Technology System Division						
Environmental facilities(building HVAC)	40,947	44,929	34,532	38,530	**41,420**	**367,562**
Industrial facilities(industrial HVAC)	45,091	32,777	28,041	35,386	**39,968**	**354,678**
Paint Finishing System Division	23,166	29,342	23,626	19,381	**25,880**	**229,663**

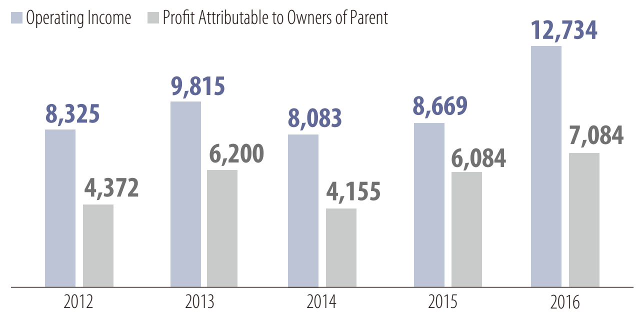
Sales & Overseas Sales Ratio

(Millions of yen, %)



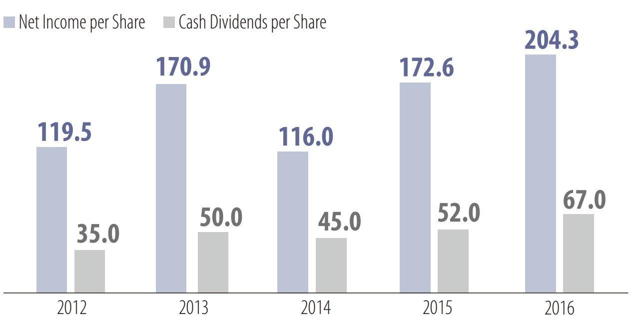
Operating Income & Profit Attributable to Owners of Parent

(Millions of yen)



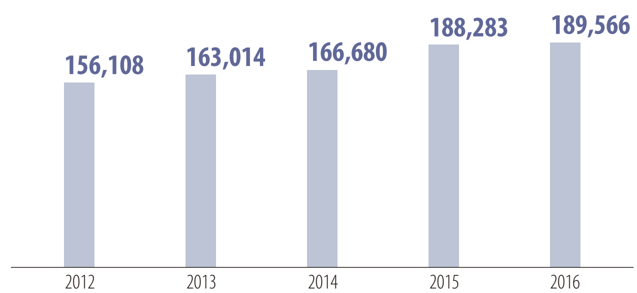
Net Income per Share & Cash Dividends per Share

(Yen)



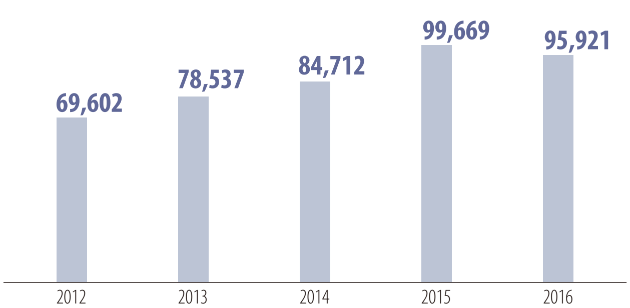
Total Assets

(Millions of yen)



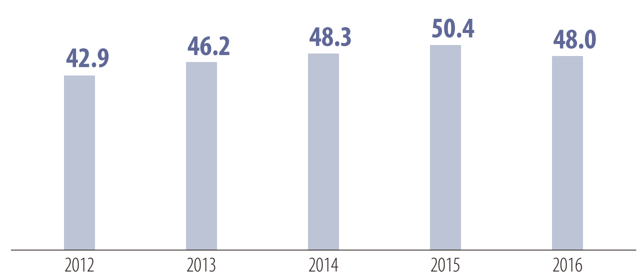
Total Net Assets

(Millions of yen)



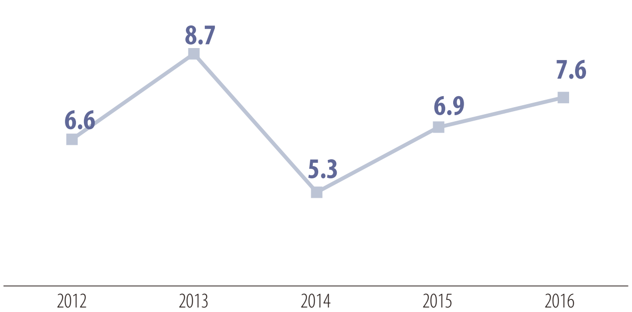
Equity Ratio

(%)



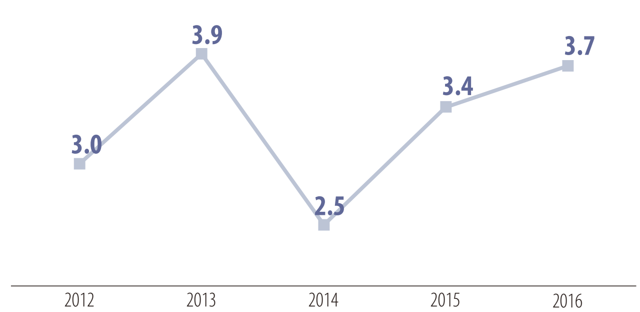
ROE

(%)



ROA

(%)



RESULTS OF OPERATIONS (OVERVIEW)

The results for the fiscal year ended March 31, 2016

Earnings Overview

The world economy for the fiscal year ended March 31, 2016 was as follows. U.S. economy basically expanded due to the strong consumer spending as seen in the record-high auto sales. Additionally, European economy showed the movement towards recovery due to the strong consumer spending as well. Meanwhile, economy of the emerging countries continued to show a stagnating trend mainly due to slowdown of the economic growth rate in China and downfall of resource prices. Japanese economy showed a gradual recovery supported by increase of capital investment due to improving corporate profitability and recovery of consumer spending due to the improvement of circumstances of employment and income.

In this situation, consolidated orders received increased 18.4% year-on-year to ¥221,764 million, including overseas orders received of ¥120,428 million which increased 29.0% year-on-year. This is mainly due to orders received of large-scale projects of paint finishing system in the United States and China, as well as increase of capital investment of industrial HVAC in Japan.

Consolidated sales increased 15.7% year-on-year to ¥212,424 million, including overseas sales of ¥117,881 million which increased 16.3% year-on-year. This is mainly due to increase in sales in Japan and Thailand.

In regards to profits, since gross profit ratio increased 0.5% year-on-year because of increase of consolidated sales of ¥28,776 million year-on-year as well as focusing more on profitability in sales activities and cost reduction, gross profit on completed construction contracts increased ¥5,352 million year-on-year to ¥32,570 million, operating income increased ¥4,065 million year-on-year to ¥12,734 million, ordinary income increased ¥2,764 million year-on-year to ¥12,343 million, and profit attributable to owners of parent increased ¥1,000 million year-on-year to ¥7,084 million.

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

Green Technology System

Consolidated orders received increased in industrial HVAC. Consolidated sales increased due to increase of volume of construction contracts compared to the previous year both in building HVAC and industrial HVAC.

As a result, consolidated orders received increased 5.3% year-on-year to ¥132,706 million. The breakdown is orders received for building HVAC of ¥43,717 million which decreased 2.6% year-on-year and orders received for industrial HVAC of ¥88,988 million which increased 9.7% year-on-year. Consolidated sales increased 16.1% year-on-year to ¥134,824 million. The breakdown is sales for building HVAC of ¥43,608 million which increased 6.8% year-on-year and sales for industrial HVAC of ¥91,216 million which increased 21.1% year-on-year. Ordinary income increased ¥2,959 million year-on-year to ¥8,950 million.

Paint Finishing System

Consolidated orders received increased mainly due to orders received of large-scale projects in the United States and China. Consolidated sales increased because volume of construction contracts increased compared to last year especially in Japan, the United States, and India.

As a result, consolidated orders received increased 45.2% year-on-year to ¥89,058 million(record-high) and consolidated sales increased 15.0% year-on-year to ¥77,735 million. Ordinary income increased ¥264 million year-on-year to ¥3,524 million.

Financial Condition

Assets

As of March 31, 2016, current assets increased 5.4% year-on-year to ¥148,690 million. This is mainly due to increase in notes receivable, accounts receivable from completed construction contracts and other of ¥14,111 million, despite decrease in securities of ¥4,487 million and costs on uncompleted construction contracts of ¥1,202 million.

Non-current assets decreased 13.5% year-on-year to ¥40,876 million. This is mainly due to decrease in investment securities of ¥3,916 million and net defined benefit asset of ¥1,607 million.

As a result, total assets increased 0.7% year-on-year to ¥189,566 million.

Liabilities

As of March 31, 2016, current liabilities increased 7.0% year-on-year to ¥83,493 million. This is mainly due to increase in advances received on uncompleted construction contracts of ¥4,467 million and notes payable, accounts payable for construction contracts and other of ¥3,521 million, despite decrease in short-term loans payable of ¥4,631 million.

Non-current liabilities decreased 3.8% year-on-year to ¥10,152 million. This is mainly due to decrease in deferred tax liabilities of ¥1,884 million, despite increase in long-term loans payable of ¥847 million.

As a result, total liabilities increased 5.7% year-on-year to ¥93,645 million.

Indicators of consolidated financial position are as follows:

(Years ended March 31)

	2012	2013	2014	2015	**2016**
Equity ratio (%)	42.9	46.2	48.3	50.4	**48.0**
Equity ratio on market value basis (%)	39.7	47.1	47.3	56.0	**49.5**
Debt to cash flow ratio (%)	287.7	49.2	85.6	750.4	**92.1**
Interest coverage ratio (Times)	7.9	57.5	30.8	6.3	**38.5**

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 shares) at the balance sheet date.
3. For operating cash flow, Taikisha Group uses net cash provided by 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.

Net assets

As of March 31, 2016, total net assets decreased 3.8% year-on-year to ¥95,921 million. This is mainly due to decrease in valuation difference on available-for-sale securities of ¥2,668 million, foreign currency translation adjustment of ¥2,213 million, and accumulated remeasurements of defined benefit plans of ¥1,822 million, despite increase in retained earnings of ¥5,092 million and treasury shares of ¥2,208 million.

Cash flow

Cash and cash equivalents as of March 31, 2015 and 2016 were ¥40,505 million and ¥38,369 million respectively. Compared to the previous year, it decreased ¥2,135 million.

Cash flows from operating activities

Cash provided by operating activities as of March 31, 2015 and 2016 were ¥1,401 million and ¥7,301 million respectively. Cash increased mainly due to recording income before income taxes and non-controlling interests, increase in notes and accounts payable-trade, and increase in advances received on uncompleted construction contracts, etc, despite cash decreased mainly due to increase in notes and accounts receivable - trade, etc.

Cash flows from investing activities

Cash used in investing activities as of March 31, 2015 and 2016 were ¥3,900 million and ¥328 million respectively. Cash decreased mainly due to the excess of payments into time deposits over proceeds from withdrawal of time deposits and the excess of purchase of property, plant and equipment and intangible assets over proceeds from sales of property, plant and equipment and intangible assets, etc, though cash increased mainly due to the excess of proceeds from redemption of securities over purchase of securities, etc.

Cash flows from financing activities

Cash provided by financing activities as of March 31, 2015 was ¥1,264 million, and cash used in financing activities as of March 31, 2016 was ¥7,409 million respectively. Cash decreased mainly due to net decrease in short-term loans payable, net increase in treasury shares, and payments of dividends, etc.

Business Risks

Risk factors that investors should consider before making any decision concerning Taikisha Group are noted below. Forward-looking statements in this section are based on judgments made as of March 31, 2016.

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 risks as much as possible in the payments and collections for the foreign currency construction contracts. However, changes of exchange rate still could affect Taikisha Group's business results.

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

Construction Defect Liabilities

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

Accounts Receivable Collection Risk

Taikisha Group 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 in 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

Sharp rises in material prices could affect Taikisha Group's business results if Taikisha Group is unable to reflect them to contract prices.

Asset Possession Risk

Taikisha Group owns real estates, securities and other assets. Changes in market value of these assets could affect Taikisha Group's business results.

Risk Regarding Retirement Benefit Plan

Downside of pension assets' market value, changes of rate of return or 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 maintains the crisis management system. However, if massive and widespread disaster happens, it could damage not only Taikisha Group's property and personnel, but also clients' operating activities and consequently economic condition. These situations, 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 directors or employees of Taikisha Group could lead to bad results such as restriction on Taikisha Group's business activities, which could affect Taikisha Group's business results.

Subsidiaries and associates

Taikisha Group consists of Taikisha Ltd., 37 subsidiaries, and 3 associates. Taikisha Ltd. and 3 subsidiaries are domiciled in Japan, and 34 subsidiaries and 3 associates are domiciled overseas.

CONSOLIDATED BALANCE SHEETS

Taikisha Ltd. and its Consolidated Subsidiaries : As of March 31, 2015 and 2016

	Millions of yen		Thousands of U.S. dollars
Assets	2015	**2016**	**2016**
Current assets:			
Cash and deposits (Notes 3, 7 and 9)	¥43,819	**¥44,001**	**$390,463**
Notes receivable, accounts receivable from completed construction contracts and other (Note 9)	78,607	**92,718**	**822,775**
Securities (Notes 7, 9 and 10)	4,500	**13**	**118**
Costs on uncompleted construction contracts (Note 3)	3,109	**1,907**	**16,928**
Raw materials and supplies	332	**283**	**2,514**
Deferred tax assets (Note 13)	1,625	**1,993**	**17,694**
Other	9,573	**8,205**	**72,818**
Allowance for doubtful accounts (Note 9)	(546)	**(433)**	**(3,844)**
Total current assets	141,022	**148,690**	**1,319,466**
Non-current assets:			
Property, plant and equipment			
Buildings and structures	7,352	**7,361**	**65,327**
Machinery, vehicles, tools, furniture and fixtures (Note 3)	7,838	**7,893**	**70,049**
Land	2,109	**2,075**	**18,421**
Other	551	**482**	**4,280**
Accumulated depreciation	(9,808)	**(10,063)**	**(89,303)**
Total property, plant and equipment	8,043	**7,750**	**68,774**
Intangible assets			
Goodwill (Note 18)	3,481	**3,024**	**26,836**
Other	1,165	**1,512**	**13,423**
Total intangible assets	4,647	**4,536**	**40,259**
Investments and other assets			
Investment securities (Notes 3, 9 and 10)	26,385	**22,469**	**199,394**
Deferred tax assets (Note 13)	464	**508**	**4,508**
Net defined benefit asset (Note 12)	4,810	**3,203**	**28,426**
Other	3,047	**2,440**	**21,659**
Allowance for doubtful accounts	(136)	**(32)**	**(290)**
Total investments and other assets	34,571	**28,589**	**253,697**
Total non-current asset	47,261	**40,876**	**362,730**
Total assets	¥188,283	**¥189,566**	**$1,682,196**

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

Liabilities and Net assets	Millions of yen 2015	Millions of yen 2016	Thousands of U.S. dollars 2016
Current liabilities:			
Notes payable, accounts payable for construction contracts and other (Note 9)	¥45,693	**¥49,214**	**$436,721**
Short-term loans payable (Notes 9 and 21)	9,892	**5,261**	**46,688**
Income taxes payable (Note 9)	1,416	**2,045**	**18,149**
Deferred tax liabilities (Note 13)	1	**53**	**477**
Advances received on uncompleted construction contracts	11,438	**15,905**	**141,143**
Provision for warranties for completed construction	710	**1,346**	**11,945**
Provision for loss on construction contracts (Note 3)	298	**190**	**1,688**
Provision for directors' bonuses	88	**129**	**1,149**
Provision for loss on Anti-Monopoly Act	207	**–**	**–**
Reserve for loss on dissolution of employees' pension fund (Note 12)	–	**247**	**2,193**
Other (Notes 9 and 21)	8,312	**9,100**	**80,757**
Total current liabilities	78,060	**83,493**	**740,910**
Non-current liabilities:			
Long-term loans payable (Notes 9 and 21)	536	**1,383**	**12,274**
Deferred tax liabilities (Note 13)	7,755	**5,871**	**52,105**
Provision for directors' retirement benefits	89	**106**	**948**
Reserve for loss on dissolution of employees' pension fund (Note 12)	251	**–**	**–**
Net defined benefit liability (Note 12)	1,551	**1,646**	**14,613**
Other (Notes 9 and 21)	369	**1,143**	**10,148**
Total non-current liabilities	10,553	**10,152**	**90,088**
Total liabilities	¥88,614	**¥93,645**	**830,998**
Net assets:			
Shareholders' equity			
Capital stock			
Authorized: 100,000,000 shares			
Issued: 36,782,009 shares as of March 31, 2015 and 2016	¥6,455	**¥6,455**	**$57,283**
Capital surplus	7,344	**7,344**	**65,174**
Retained earnings	68,851	**73,943**	**656,170**
Treasury shares, at cost — 1,538,406 shares as of March 31,2015	(2,919)	**–**	**–**
2,219,061 shares as of March 31,2016	–	**(5,127)**	**(45,502)**
Total shareholders' equity	79,731	**82,615**	**733,125**
Accumulated other comprehensive income			
Valuation difference on available-for-sale securities	10,577	**7,908**	**70,183**
Deferred gains or losses on hedges (Note 11)	(5)	**7**	**70**
Foreign currency translation adjustment	3,742	**1,528**	**13,565**
Accumulated remeasurements of defined benefit plans	786	**(1,036)**	**(9,197)**
Total accumulated other comprehensive income	15,100	**8,409**	**74,621**
Non-controlling interests	4,837	**4,896**	**43,452**
Total net assets	99,669	**95,921**	**851,198**
Total liabilities and net assets	¥188,283	**¥189,566**	**$1,682,196**

Per share data :	Yen 2015	Yen 2016	U.S. dollars 2016
Net assets	¥2,690.76	**¥2,633.60**	**$23.37**

Basis of calculation	Millions of yen 2015	Millions of yen 2016	Thousands of U.S. dollars 2016
Total net assets	¥99,669	**¥95,921**	**$851,198**
Amounts to be deducted from net assets (Non-controlling interests)	(4,837)	**(4,896)**	**(43,453)**
Net assets applicable to common shares	94,832	**91,024**	**807,745**
Number of common shares as of the year-end (thousands)	35,243	**34,562**	**34,562**

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

CONSOLIDATED STATEMENTS OF INCOME AND CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Taikisha Ltd. and its Consolidated Subsidiaries : For the years ended March 31, 2015 and 2016

	Millions of yen		Thousands of U.S. dollars
	2015	**2016**	**2016**
Consolidated Statements of Income			
Net sales of completed construction contracts	¥183,648	**¥212,424**	**$1,885,037**
Cost of sales of completed construction contracts (Note 4)	156,430	**179,854**	**1,596,007**
Gross profit on completed construction contracts	27,218	**32,570**	**289,030**
Selling, general and administrative expenses			
Directors' compensations	785	**812**	**7,214**
Employees' salaries and allowances	7,247	**8,150**	**72,325**
Provision for directors' bonuses	88	**129**	**1,149**
Retirement benefit expenses (Note 12)	491	**384**	**3,410**
Provision for directors' retirement benefits	16	**17**	**154**
Correspondence and transportation expenses	1,267	**1,277**	**11,335**
Provision of allowance for doubtful accounts	289	**(71)**	**(633)**
Rents	1,416	**1,436**	**12,748**
Depreciation	1,002	**1,105**	**9,808**
Amortization of goodwill	175	**192**	**1,709**
Other	5,770	**6,401**	**56,807**
Total selling, general and administrative expenses (Note 4)	18,549	**19,836**	**176,026**
Operating income	8,669	**12,734**	**113,004**
Non-operating income			
Interest income	460	**648**	**5,757**
Dividend income	392	**446**	**3,961**
Dividend income of insurance	142	**138**	**1,232**
Real estate rent	137	**104**	**925**
Reversal of allowance for doubtful accounts	28	**–**	**–**
Share of profit of entities accounted for using equity method	52	**18**	**167**
Other	319	**248**	**2,208**
Total non-operating income	1,533	**1,605**	**14,250**
Non-operating expenses			
Interest expenses	222	**189**	**1,683**
Sales discounts	26	**45**	**401**
Rent expenses on real estates	39	**20**	**181**
Foreign exchange losses	238	**1,656**	**14,703**
Provision of allowance for doubtful accounts	–	**2**	**19**
Other	94	**82**	**734**
Total non-operating expenses	622	**1,996**	**17,721**
Ordinary income	9,579	**12,343**	**109,533**
Extraordinary income			
Gain on disposal of non-current assets (Note 4)	1,162	**11**	**104**
Gain on sales of investment securities	0	**60**	**537**
Gain on liquidation of subsidiaries and associates	–	**27**	**243**
Reversal of provision for loss on Anti-Monopoly Act	–	**87**	**774**
Reversal of reserve for loss on dissolution of employees' pension fund (Note 12)	400	**4**	**38**
Surrender value of insurance	0	**0**	**0**
Total extraordinary income	1,563	**191**	**1,696**
Extraordinary losses			
Loss on disposal of non-current assets (Note 4)	842	**17**	**153**
Impairment loss (Note 17)	96	**0**	**0**
Loss on sales of investment securities	0	**0**	**2**
Loss on valuation of investment securities	0	**0**	**6**
Provision for loss on Anti-Monopoly Act	38	**–**	**–**
Loss on insurance cancellation	0	**–**	**–**
Total extraordinary losses	978	**18**	**161**
Income before income taxes	10,164	**12,516**	**111,068**
Income taxes-current	2,796	**4,149**	**36,824**
Income taxes-deferred	580	**127**	**1,130**
Total income taxes	3,376	**4,276**	**37,954**
Profit	6,787	**8,239**	**73,114**
Profit attributable to non-controlling interests	703	**1,154**	**10,248**
Profit attributable to owners of parent	¥6,084	**¥7,084**	**$62,866**

	Millions of yen		Thousands of U.S. dollars
	2015	**2016**	**2016**
Consolidated Statements of Comprehensive Income			
Profit	¥6,787	**¥8,239**	**$73,114**
Other comprehensive income (Note 5)			
Valuation difference on available-for-sale securities	3,811	**(2,668)**	**(23,679)**
Deferred gains or losses on hedges	0	**13**	**120**
Foreign currency translation adjustment	2,597	**(2,646)**	**(23,484)**
Remeasurements of defined benefit plans	1,043	**(1,834)**	**(16,283)**
Share of other comprehensive income of entities accounted for using equity method	79	**(39)**	**(351)**
Total other comprehensive income	7,532	**(7,175)**	**(63,677)**
Comprehensive income	14,320	**1,063**	**9,437**
Comprehensive income attributable to			
Comprehensive income attributable to owners of the parent	13,528	**393**	**3,489**
Comprehensive income attributable to non-controlling interests	¥791	**¥670**	**$5,948**
	Yen		U.S. dollars
Per share data :			
Net income	¥172.64	**¥204.35**	**$1.81**
Cash dividends	¥52.00	**¥67.00**	**$0.59**

Basis of calculation	Millions of yen		Thousands of U.S. dollars
Profit attributable to owners of parent	¥6,084	**¥7,084**	**$62,866**
Profit attributable to owners of parent for common shares	6,084	**7,084**	**62,866**
Average number of common shares (thousands)	35,244	**34,667**	**34,667**

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, 2015

Millions of yen

	Shareholders' equity					Accumulated other comprehensive income						
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Non-controlling interests	Total net assets
Balance at the beginning of current period	¥6,455	¥7,344	¥61,908	¥(2,915)	¥72,792	¥6,765	¥(6)	¥1,158	¥(261)	¥7,656	¥4,263	¥84,712
Cumulative effects of changes in accounting policies			2,444		2,444						3	2,447
Restated balance	6,455	7,344	64,352	(2,915)	75,236	6,765	(6)	1,158	(261)	7,656	4,267	87,159
Changes of items during the period												
Dividends of surplus			(1,586)		(1,586)							(1,586)
Profit attributable to owners of parent			6,084		6,084							6,084
Purchase of treasury shares				(3)	(3)							(3)
Disposal of treasury shares		0		0	0							0
Net changes of items other than shareholders' equity						3,811	0	2,583	1,047	7,444	570	8,014
Total changes of items during the period	–	0	4,498	(3)	4,495	3,811	0	2,583	1,047	7,444	570	12,509
Balance at the end of current period	¥6,455	¥7,344	¥68,851	¥(2,919)	¥79,731	¥10,577	¥(5)	¥3,742	¥786	¥15,100	¥4,837	¥99,669

For the year ended March 31, 2016

Millions of yen

	Shareholders' equity					Accumulated other comprehensive income						
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Non-controlling interests	Total net assets
Balance at the beginning of current period	¥6,455	¥7,344	¥68,851	¥(2,919)	¥79,731	¥10,577	¥(5)	¥3,742	¥786	¥15,100	¥4,837	¥99,669
Cumulative effects of changes in accounting policies					–							–
Restated balance	6,455	7,344	68,851	(2,919)	79,731	10,577	(5)	3,742	786	15,100	4,837	99,669
Changes of items during the period												
Dividends of surplus			(1,991)		(1,991)							(1,991)
Profit attributable to owners of parent			7,084		7,084							7,084
Purchase of treasury shares				(2,208)	(2,208)							(2,208)
Disposal of treasury shares					–							–
Net changes of items other than shareholders' equity						(2,668)	13	(2,213)	(1,822)	(6,691)	58	(6,632)
Total changes of items during the period	–	–	5,092	(2,208)	2,883	(2,668)	13	(2,213)	(1,822)	(6,691)	58	(3,748)
Balance at the end of current period	¥6,455	¥7,344	¥73,943	¥(5,127)	¥82,615	¥7,908	¥7	¥1,528	¥(1,036)	¥8,409	¥4,896	¥95,921

For the year ended March 31, 2016

Thousands of U.S. dollars

	Shareholders' equity					Accumulated other comprehensive income						
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Non-controlling interests	Total net assets
Balance at the beginning of current period	$57,283	$65,174	$610,980	$(25,904)	$707,533	$93,862	$(50)	$33,207	$6,978	$133,997	$42,929	$884,459
Cumulative effects of changes in accounting policies					–							–
Restated balance	57,283	65,174	610,980	(25,904)	707,533	93,862	(50)	33,207	6,978	133,997	42,929	884,459
Changes of items during the period												
Dividends of surplus			(17,676)		(17,676)							(17,676)
Profit attributable to owners of parent			62,866		62,866							62,866
Purchase of treasury shares				(19,598)	(19,598)							(19,598)
Disposal of treasury shares					–							–
Net changes of items other than shareholders' equity						(23,679)	120	(19,642)	(16,175)	(59,376)	523	(58,853)
Total changes of items during the period	–	–	45,190	(19,598)	25,592	(23,679)	120	(19,642)	(16,175)	(59,376)	523	(33,261)
Balance at the end of current period	$57,283	$65,174	$656,170	$(45,502)	$733,125	$70,183	$70	$13,565	$(9,197)	$74,621	$43,452	$851,198

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

Taikisha Ltd. and its Consolidated Subsidiaries : For the years ended March 31, 2015 and 2016

	Millions of yen		Thousands of U.S. dollars
	2015	**2016**	**2016**
Cash flows from operating activities:			
Income before income taxes	¥10,164	**¥12,516**	**$111,068**
Depreciation and amortization	1,257	**1,348**	**11,970**
Amortization of goodwill	175	**192**	**1,709**
Increase (decrease) in allowance for doubtful accounts	301	**(187)**	**(1,664)**
Increase (decrease) in provision for warranties for completed construction	(107)	**683**	**6,064**
Increase (decrease) in provision for loss on construction contracts	(740)	**(99)**	**(886)**
Increase (decrease) in provision for loss on Anti-Monopoly Act	(384)	**(207)**	**(1,845)**
Increase (decrease) in provision of reserve for loss on dissolution of employees' pension fund	(400)	**(4)**	**(38)**
Increase (decrease) in provision for directors' retirement benefits	(9)	**17**	**154**
Increase (decrease) in net defined benefit liability	(661)	**(889)**	**(7,892)**
Interest and dividend income	(853)	**(1,095)**	**(9,718)**
Interest expenses	222	**189**	**1,683**
Share of (profit) loss of entities accounted for using equity method	(43)	**3**	**30**
Loss (gain) on disposal of non-current assets	(319)	**5**	**49**
Loss (gain) on sales of investment securities	0	**(60)**	**(535)**
Loss (gain) on valuation of investment securities	0	**0**	**6**
Decrease (increase) in notes and accounts receivable-trade	(1,825)	**(16,604)**	**(147,344)**
Decrease (increase) in inventories	1,049	**1,067**	**9,472**
Decrease (increase) in advances paid	(3)	**0**	**2**
Decrease (increase) in non-operating notes receivable	0	**(4)**	**(37)**
Decrease (increase) in accounts receivable-other	(37)	**(189)**	**(1,683)**
Increase (decrease) in notes and accounts payable-trade	(786)	**5,271**	**46,781**
Increase (decrease) in advances received on uncompleted construction contracts	(2,321)	**5,480**	**48,629**
Increase (decrease) in non-operating notes payable	19	**(19)**	**(171)**
Increase (decrease) in accrued consumption taxes	666	**403**	**3,576**
Increase (decrease) in deposits received	(90)	**31**	**283**
Increase (decrease) in accrued expenses	(56)	**(35)**	**(312)**
Other, net	(2,138)	**2,003**	**17,776**
Subtotal	3,078	**9,818**	**87,127**
Interest and dividend income received	853	**1,095**	**9,718**
Interest expenses paid	(222)	**(189)**	**(1,682)**
Income taxes paid	(2,308)	**(3,422)**	**(30,367)**
Net cash provided by (used in) operating activities	1,401	**7,301**	**64,796**
Cash flows from investing activities:			
Payments into time deposits	(11,308)	**(11,068)**	**(98,221)**
Proceeds from withdrawal of time deposits	9,589	**10,336**	**91,723**
Purchase of securities	(4,000)	**(4,000)**	**(35,496)**
Proceeds from redemption of securities	3,000	**6,500**	**57,680**
Purchase of property, plant and equipment and intangible assets	(1,247)	**(1,941)**	**(17,228)**
Proceeds from sales of property, plant and equipment and intangible assets	1,427	**33**	**301**
Purchase of investment securities	(1,497)	**(500)**	**(4,441)**
Proceeds from sales of investment securities	9	**203**	**1,802**
Proceeds from redemption of investment securities	1,010	**–**	**–**
Purchase of shares of subsidiaries resulting in change in scope of consolidation (Note 7)	(744)	**–**	**–**
Payments of long-term loans receivable	(74)	**(64)**	**(571)**
Collection of long-term loans receivable	105	**64**	**577**
Purchase of insurance funds	(2)	**(3)**	**(27)**
Proceeds from maturity of insurance funds	61	**1**	**11**
Purchase of long-term prepaid expenses	(38)	**(45)**	**(407)**
Other, net	(188)	**155**	**1,382**
Net cash provided by (used in) investing activities	(3,900)	**(328)**	**(2,915)**
Cash flows from financing activities:			
Net increase (decrease) in short-term loans payable	2,007	**(4,245)**	**(37,977)**
Proceeds from long-term loans payable	1,876	**4,743**	**42,094**
Repayments of long-term loans payable	(474)	**(3,465)**	**(30,749)**
Repayments of lease obligations	(29)	**(34)**	**(304)**
Net decrease (increase) in treasury shares	(3)	**(2,208)**	**(19,598)**
Cash dividends paid	(1,586)	**(1,990)**	**(17,664)**
Cash dividends paid to non-controlling interests	(524)	**(200)**	**(1,776)**
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	–	**(8)**	**(74)**
Net cash provided by (used in) financing activities	1,264	**(7,409)**	**(65,748)**
Effect of exchange rate change on cash and cash equivalents	1,878	**(1,700)**	**(15,087)**
Net increase (decrease) in cash and cash equivalents	644	**(2,135)**	**(18,954)**
Cash and cash equivalents at beginning of period	39,861	**40,505**	**359,444**
Cash and cash equivalents at end of period (Note 7)	¥40,505	**¥38,369**	**$340,490**

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, 2015 and 2016

1. Basis of presenting consolidated financial statements

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

The accounts of the consolidated financial statements presented herein are expressed in Japanese yen by rounding down to the nearest million. The U.S. dollar amounts shown in the accompanying consolidated financial statements and notes thereto are translated from the original Japanese yen into U.S. dollars on the basis of ¥112.69 to US$1, the rate of exchange prevailing at March 31, 2016, and are then rounded to the nearest thousand. These U.S. dollar amounts are not intended to imply that the Japanese yen amounts are or can be converted, realized or settled in U.S. dollars at this or any other rate.

2. Summary of significant accounting policies

(1) Scope of consolidation

From this fiscal year, Token Myanmar Co., Ltd., which was newly established, is included in the scope of consolidation.

In this fiscal year, "Taikisha (R)"LLC is excluded from the scope of consolidation as a result of the completion of its liquidation procedures.

The consolidated financial statements include the accounts of Taikisha Ltd. and all significant subsidiaries listed below as of March 31, 2016:

Domestic subsidiaries

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

Overseas subsidiaries

TKS Industrial Company
Encore Automation LLC (subsidiary of TKS Industrial Company)
Taikisha Canada Inc. (subsidiary of TKS Industrial Company)
Taikisha de Mexico, S.A. de C.V. (subsidiary of TKS Industrial Company)
Taikisha Mexicana Service S.A. de C.V. (subsidiary of Taikisha de Mexico, S.A. de C.V.)
Taikisha do Brazil Ltda.
Taikisha (Singapore) Pte. Ltd.
Taikisha (Thailand) Co., Ltd.
Taikisha Trading (Thailand) Co., Ltd. (subsidiary of Taikisha (Thailand) Co., Ltd.)
Thaiken Maintenance & Service Co., Ltd. (subsidiary of Taikisha (Thailand) Co., Ltd.)
Token Interior & Design Co., Ltd. (subsidiary of Taikisha (Thailand) Co., Ltd.)
TKA Co., Ltd. (subsidiary of Taikisha (Thailand) Co., Ltd.)
Token Myanmar Co., Ltd. (subsidiary of Taikisha (Thailand) Co., Ltd.)
Taikisha Engineering (M) Sdn. Bhd.
P.T. Taikisha Indonesia Engineering
P.T. Taikisha Manufacturing Indonesia
Taikisha Philippines Inc.
Taikisha Vietnam Engineering Inc.
Taikisha (Cambodia) Co., Ltd.
Taikisha Myanmar Co., Ltd.
Wuzhou Taikisha Engineering Co., Ltd.
Beijing Wuzhou Taikisha Equipment Co., Ltd. (subsidiary of Wuzhou Taikisha Engineering Co., Ltd.)
Tianjin Taikisha Paint Finishing System Ltd.
Taikisha Hong Kong Limited
Taikisha (Taiwan) Ltd.
Taikisha Korea Ltd.
Taikisha Engineering India Private Ltd.
Geico S.p.A.
Geico Taikisha Europe Ltd. (subsidiary of Geico S.p.A.)
J-CO Mexico, S. de R.L. de C.V. (subsidiary of Geico Taikisha Europe Ltd.)
Geico Brazil Ltda. (subsidiary of Geico Taikisha Europe Ltd.)
Geico Paint Shop India Private Limited (subsidiary of Geico Taikisha Europe Ltd.)
Geico Painting System (Suzhou) Co., Ltd. (subsidiary of Geico Taikisha Europe Ltd.)
"Geico Russia" LLC (subsidiary of Geico S.p.A.)

(2) Application of the equity method

Names of associates subject to the equity method

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

Names of associates not subject to the equity method

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

Makiansia Engineering (M) Sdn. Bhd.

(3) Fiscal year for consolidated subsidiaries

All domestic consolidated subsidiaries as well as Taikisha Engineering India Private Ltd., Taikisha Myanmar Co., Ltd., Token Myanmar Co., Ltd., and Geico Paint Shop India Private Limited have a fiscal year ending on March 31, which is the same as the fiscal year of the Company. The other overseas consolidated subsidiaries have a fiscal year ending on December 31.

In preparing the consolidated financial statements, the Company uses the financial statements of these companies with a fiscal year ending December 31, as of their fiscal year ending. However, the Company uses provisional financial results of Token Myanmar Co., Ltd. as of December 31, which is the fiscal year ending of its direct parent company Taikisha (Thailand) Co., Ltd., also uses provisional financial results of Geico Paint Shop India Private Limited as of December 31, which is the fiscal year ending of its direct parent company Geico Taikisha Europe Ltd.

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

(4) Valuation of significant assets

Held-to-maturity debt securities

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

Shares of associates

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

Other securities

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

Other securities without fair value are stated at cost using the moving average method.

Derivatives

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

Inventories

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

(5) Depreciation method for principal depreciable assets

Property, plant and equipment (excluding leased assets)

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

Intangible assets (excluding leased assets)

Intangible assets are amortized by the straight-line method. Computer software for internal use is amortized by the straight-line method over the estimated useful life of 5 years.

Leased assets

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

(6) Standards of accounting for principal allowance and provisions

Allowance for doubtful accounts

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

Provision for warranties for completed construction

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

Provision for loss on construction contracts

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

Provision for directors' bonuses

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

Provision for loss on Anti-Monopoly Act

In order to prepare for surcharge or penalty related to the Anti-Monopoly Act, the provision is provided based on estimated amount which will probably be incurred and which can be reasonably estimated for each issue.

Reserve for loss on dissolution of employees' pension fund

In order to prepare for future losses related to the dissolution of employees' pension fund, the provision is provided based on estimated amount which will probably be incurred and which can be reasonably estimated.

(Additional information)

Nishinihonreitokutyou Employees' Pension Fund (integrated establishment agency-type), which the Company and domestic consolidated subsidiaries are affiliated with, has come to a decision on special dissolution that was discussed at the representative assembly that took place on September 18, 2013.

In this fiscal year, the Companies recognized "Reversal of reserve for loss on dissolution of employees' pension fund" of ¥4 million (US$ 38 thousand) as extraordinary income in the consolidated statement of income and "Reserve for loss on dissolution of employees' pension fund" of ¥247 million (US$ 2,193 thousand) as current liabilities in consolidated balance sheet.

Provision for directors' retirement benefits

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

(7) Retirement and pension plans

(Method of attributing the projected benefit obligations to periods of service)

Benefit formula basis

(Actuarial differences)

Actuarial differences are amortized using the straight-line method over a certain period of time (10 years) within the average remaining service period of employees from the following fiscal year of accrual.

(Prior service costs)

Prior service costs are amortized using the straight-line method over a certain period of time (10 years) within the average remaining service period of employees from the fiscal year of accrual.

(8) Sales and cost recognition

Sales of completed construction contracts and cost of sales of completed construction contracts

The percentage-of-completion method is applied for construction work for which the completion of a certain percentage of the entire work is reliably recognizable by the balance sheet date (percentage of completion is estimated by the cost-to-cost method). The completed-contract method is applied for other construction contracts.

(9) Hedge accounting

Method of hedge accounting

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

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

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

Hedging instruments and hedged items

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

Hedged items : Foreign trade accounts receivable and payable, forecasted foreign currency transactions and interest for loan payable

Hedging policy

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

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

Assessment of hedge effectiveness

With regard to forward exchange contacts, hedge effectiveness is not assessed because substantial terms and conditions of the hedging instruments and the hedged transactions are the same.

With regard to interest rate swaps and interest rate caps, the evaluation of hedge effectiveness is omitted because they meet certain criteria under the specific method.

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

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

(11) Amortization method and period for goodwill

Goodwill is amortized by the straight-line method over a period of 20 years.

(12) Accounting for consumption taxes

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

(13) Additional information

Changes in accounting policies

Application of Accounting Standards regarding Business Combinations.

The Companies adopted "Accounting Standard for Business Combinations" (Accounting Standards Board of Japan "ASBJ" Statement No.21, September 13, 2013), "Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No.22, September 13, 2013), and "Accounting Standard for Business Divestitures" (ASBJ Statement No.7, September 13, 2013) from this fiscal year. In line with this, accounting method for change in the Company's equity interests in subsidiaries was changed to a new method under which, when the Company still hold control over the subsidiaries even after the change in equity interests, gains or losses resulting from the change in equity interests are recorded in capital surplus; and the acquisition costs are expensed in the fiscal year when the costs are incurred. In addition, for business combination implemented on or after the beginning of this fiscal year, the Companies switched to a new method under which adjustments to provisional values of allocated acquisition costs are reflected in the consolidated financial statements for the period which encompasses the effective date of business combination. Furthermore, some changes were made to presentation of net income, and accounting title of minority interests was changed to non-controlling interests. The consolidated financial statements for the previous fiscal year were reclassified to reflect these presentation changes.

These accounting standards were adopted at the beginning of this fiscal year and are applied to the transactions took place on and after the adoption date with transitional treatments stipulated in paragraph 58-2 (4) of the ASBJ Statement No.21, paragraph 44-5 (4) of the ASBJ Statement No.22, and paragraph 57-4 (4) of the ASBJ Statement No.7.

In the consolidated statement of cash flows for this fiscal year, cash flows related to acquisition or sale of subsidiaries' shares not resulting in change in scope of consolidation were classified into "Cash flows from financing activities," and cash flows related to costs arising from acquisition of subsidiaries' shares resulting in change in scope of consolidation or costs arising from acquisition or sale of subsidiaries' shares not resulting in change in scope of consolidation were classified into "Cash flows from operating activities."

This change has minimal effect on the Companies' consolidated financial statements and per share information.

Unapplied accounting standards

"Implementation Guidance on Recoverability of Deferred Tax Assets" (ASBJ Guidance No.26 of March 28, 2016)

(1) Overview

The Implementation Guidance basically continues to apply the framework used in The Japanese Institute of Certified Public Accountants "JICPA" Guidance No.66 where recoverability of deferred tax assets is assessed based on entities' categories, but certain accounting treatments were changed. The Implementation Guidance includes the following:

(i) accounting treatments for entities which are not included in any category,
(ii) criteria as to the classification of entities in the category 2 and 3,
(iii) accounting treatments of unscheduled deductible temporary differences for entities in the category 2,
(iv) accounting treatments for deductible temporary differences for entities in the category 3, which are scheduled to be deductible after 5 years, and
(v) accounting treatments for entities in the category 4 in the current fiscal year, which are expected to be included in the category 2 or 3 in the following year.

(2) Scheduled date of adoption

The Implementation Guidance is effective from the beginning of the fiscal year beginning on April 1, 2016.

(3) Impact of adopting revised accounting standards and guidance

The Company is currently evaluating the effect of adopting these revised standards on its consolidated financial statements.

Additional information

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

The Company has introduced "ESOP (Employee Stock Ownership Plan)" (hereinafter the "Plan") when the Company marked the 100th anniversary of its founding. The Plan is an incentive program granting the stocks of the Company to its employees to motivate them toward improving the company's stock prices and financial results by sharing economic effects with shareholders.

(Overview of transaction)

The Plan is a program based on Stock Granting Regulations of the Company that the Company grants points to each employee every year then the accumulated points change into stocks of the Company after certain period of time. Such stocks are purchased by a trust bank from the Company through third-party allotment by using money which has been settled in trust in advance, and managed separately from books of the Company.

The Company has applied "Practical Solution on Transactions of Delivering the Company's Own Stock to Employees etc. through Trusts" (Practical Issues Task Force No.30, March 26, 2015), but the conventional accounting treatment has been applied.

(The information of the Company's own stocks that are held by trusts)

The book value of the Company's own stocks in trusts is ¥ 324 million for the previous year, and ¥ 311 million (US$ 2,766 thousand) for this fiscal year. The Company's own stocks that are held by trusts are not recognized as treasury shares in shareholders' equity.

The number of shares at the end of fiscal year is 174 thousand for previous fiscal year and 167 thousand for this fiscal year. The average number of shares in fiscal year is 175 thousand for previous fiscal year and 168 thousand for this fiscal year. Neither the number of shares at the end of fiscal year nor the average number of shares in fiscalyear is included in deducted treasury shares for evaluating per-share information.

3. Notes of consolidated balance sheets

(1) The information of associates

As of March 31, 2015 and 2016

	Millions of yen		Thousands of U.S. dollars
	2015	2016	2016
Investment securities	¥773	¥730	$6,479

(2) Pledged assets

Assets pledged as collateral for security deposits at subsidiaries and associates

As of March 31, 2015 and 2016

	Millions of yen		Thousands of U.S. dollars
	2015	2016	2016
Cash and deposits	¥32	¥36	$323

Assets pledged as collateral for loans payable of invested company

As of March 31, 2015 and 2016

	Millions of yen		Thousands of U.S. dollars
	2015	2016	2016
Investment securities	¥2	¥2	$18

Assets pledged as collateral for loans payable of subsidiaries and associates

As of March 31, 2015

	Millions of yen	
Pledged assets	Book value	Liabilities covered by pledged assets
Cash and deposits	¥312	¥214
Machinery, vehicles, tools, furniture and fixtures	¥30	¥18

As of March 31, 2016

	Millions of yen		Thousands of U.S. dollars	
Pledged assets	Book value	Liabilities covered by pledged assets	Book value	Liabilities covered by pledged assets
Cash and deposits	¥307	¥231	$2,733	$2,056
Machinery, vehicles, tools, furniture and fixtures	¥28	¥15	$254	$140

(3) Guarantee obligations

As of March 31, 2015 and 2016

	Millions of yen		Thousands of U.S. dollars
	2015	2016	2016
Guarantee of Employees' loans	¥12	¥4	$36
Tianjin Dongchun-Taiki Metal Finishing & Conveyor System Manufacturing Co., Ltd.	–	342	3,037
Total	¥12	¥346	$3,073

(4) Commitment lines

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

As of March 31, 2015 and 2016

	Millions of yen		Thousands of U.S. dollars
	2015	2016	2016
Total amount of lending commitment	¥5,000	¥5,000	$44,370
Borrowing execution balance	–	–	–
Net	¥5,000	¥5,000	$44,370

(5) Endorsed notes

As of March 31, 2015 and 2016

	Millions of yen		Thousands of U.S. dollars
	2015	2016	2016
Endorsed notes	¥32	¥35	$314

(6) Provision for loss on construction contracts

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

As of March 31, 2015 and 2016

	Millions of yen		Thousands of U.S. dollars
	2015	2016	2016
Provision for loss on construction contracts	¥35	–	–

4. Notes of consolidated statements of income

(1) Research and development expenses

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

For the years ended March 31, 2015 and 2016

	Millions of yen		Thousands of U.S. dollars
	2015	2016	2016
General and administrative expenses	¥822	¥889	$7,892

(2) Gain on disposal of non-current assets

For the years ended March 31, 2015 and 2016

	Millions of yen		Thousands of U.S. dollars
	2015	2016	2016
Buildings and structures	¥25	¥–	$–
Machinery, vehicles, tools, furniture and fixtures	7	10	96
Land	1,114	–	–
Long-term deposits	14	0	8
Total	¥1,162	¥11	$104

(3) Loss on disposal of non-current assets

For the years ended March 31, 2015 and 2016

	Millions of yen		Thousands of U.S. dollars
	2015	2016	2016
Buildings and structures	¥212	¥3	$35
Machinery, vehicles, tools, furniture and fixtures	4	10	92
Land	619	–	–
Other	5	2	26
Total	¥842	¥17	$153

(4) Provision for loss on construction contracts

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

For the years ended March 31, 2015 and 2016

	Millions of yen		Thousands of U.S. dollars
	2015	2016	2016
Provision for loss on construction contracts	¥142	¥86	$769

5. Notes of consolidated statements of comprehensive income

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

For the years ended March 31, 2015 and 2016

	Millions of yen		Thousands of U.S. dollars
	2015	2016	2016
Valuation difference on available-for-sale securities			
Net gains (losses) arising during the period	¥5,135	¥(4,179)	$(37,087)
Reclassification adjustments	–	(33)	(293)
Before tax effects	5,135	(4,212)	(37,380)
Tax effects	(1,324)	1,543	13,701
Valuation difference on available-for-sale securities	3,811	(2,668)	(23,679)
Deferred gains or losses on hedges			
Net gains (losses) arising during the period	(118)	(97)	(863)
Reclassification adjustments	120	118	1,048
Before tax effects	1	20	185
Tax effects	(0)	(7)	(65)
Deferred gains or losses on hedges	0	13	120
Foreign currency translation adjustment			
Net gains (losses) arising during the period	2,597	(2,619)	(23,241)
Reclassification adjustments	–	(27)	(243)
Foreign currency translation adjustment	2,597	(2,646)	(23,484)
Remeasurements of defined benefit plans			
Net gains (losses) arising during the period	1,743	(2,260)	(20,058)
Reclassification adjustments	(230)	(436)	(3,869)
Before tax effects	1,512	(2,696)	(23,927)
Tax effects	(469)	861	7,644
Remeasurements of defined benefit plans	1,043	(1,834)	(16,283)
Share of other comprehensive income of associates accounted for using equity method			
Net gains (losses) arising during the period	79	(39)	(351)
Other comprehensive income	¥7,532	¥(7,175)	$(63,677)

6. Notes of consolidated statements of changes in net assets

(1) The number of issued shares

For the year ended March 31, 2015

	Beginning Balance	Increase	Decrease	Ending Balance
Common shares	36,782,009	–	–	36,782,009

For the year ended March 31, 2016

	Beginning Balance	Increase	Decrease	Ending Balance
Common shares	36,782,009	–	–	36,782,009

(2) The number of treasury shares

For the year ended March 31, 2015

	Beginning Balance	Increase	Decrease	Ending Balance
Common shares	1,537,054	1,386	34	1,538,406

The number of treasury shares increased by 1,386 shares because of purchase of shares less than one unit (*) and decreased by 34 shares because of the transfer of shares less than one unit (*) in response to purchase requests.

(*) The unit share is a specified number of shares which are treated as one purchasing lot and entitled to one voting right. One unit share consists of 100 shares.

For the year ended March 31, 2016

	Beginning Balance	Increase	Decrease	Ending Balance
Common shares	1,538,406	680,655	–	2,219,061

The number of treasury shares increased by 680,000 shares because of purchase of shares approved by the resolution of board of directors and increased by 655 shares because of purchase of shares less than one unit (*).

(*) The unit share is a specified number of shares which are treated as one purchasing lot and entitled to one voting right. One unit share consists of 100 shares.

(3) Dividends

Dividends paid

For the year ended March 31, 2015

Resolution approved by	Type of shares	Amount	Amount per share	Shareholders' cut-off date	Effective date
		Millions of yen	Yen		
Annual general meeting of shareholders (June 27, 2014)	Common shares	¥881	¥25.00	March 31, 2014	June 30, 2014
Board of directors (November 10, 2014)	Common shares	¥704	¥20.00	September 30, 2014	November 28, 2014

For the year ended March 31, 2016

Resolution approved by	Type of shares	Amount		Amount per share		Shareholders' cut-off date	Effective date
		Millions of yen	Thousands of U.S. dollars	Yen	U.S. dollars		
Annual general meeting of shareholders (June 26, 2015)	Common shares	**¥1,127**	**$10,008**	**¥32.00**	**$0.28**	March 31, 2015	June 29, 2015
Board of directors (November 10, 2015)	Common shares	**¥864**	**$7,668**	**¥25.00**	**$0.22**	September 30, 2015	November 27, 2015

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

For the year ended March 31, 2015

Resolution approved by	Type of shares	Paid from	Amount	Amount per share	Shareholders' cut-off date	Effective date
			Millions of yen	Yen		
Annual general meeting of shareholders (June 26, 2015)	Common shares	Retained earnings	¥1,127	¥32.00	March 31, 2015	June 29, 2015

For the year ended March 31, 2016

Resolution approved by	Type of shares	Paid from	Amount		Amount per share		Shareholders' cut-off date	Effective date
			Millions of yen	Thousands of U.S. dollars	Yen	U.S. dollars		
Annual general meeting of shareholders (June 29, 2016)	Common shares	Retained earnings	**¥1,451**	**$12,882**	**¥42.00**	**$0.37**	March 31, 2016	June 30, 2016

7. Notes of consolidated statements of cash flows

(1) Cash and cash equivalents

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

For the years ended March 31, 2015 and 2016

	Millions of yen		Thousands of U.S. dollars
	2015	**2016**	**2016**
Cash and deposits	¥43,819	**¥44,001**	**$390,463**
Securities	4,500	**13**	**118**
Sub total	48,319	**44,014**	**390,581**
Time deposits over three months	(5,314)	**(5,631)**	**(49,973)**
Securities over three months	(2,500)	**(13)**	**(118)**
Cash and cash equivalents	¥40,505	**¥38,369**	**$340,490**

(2) Detail of assets and liabilities of the company which is included in the scope of consolidation because of acquisition of its membership interest

For the year ended March 31, 2015

The detail of assets, liabilities and purchase of membership interest of a subsidiary resulting in inclusion in consolidation is as follows.

Encore Automation LLC (as of June 30, 2014)	Millions of yen
Current assets	¥626
Non-current assets	14
Goodwill	720
Current liabilities	(254)
Non-current liabilities	(120)
Non-controlling interests	(130)
Acquisition cost of membership interest	856
Accounts payable related to purchase of membership interest	(60)
Cash and cash equivalents	(50)
Net : Purchase of membership interest	¥744

8. Lease transaction

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

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.

From 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.

As lessee

The acquisition costs, accumulated depreciation and net book value of the leased assets are as follows.

As of March 31, 2015

	Millions of yen		
	Acquisition cost	Accumulated depreciation	Net book value
Machinery	¥139	¥102	¥37

As of March 31, 2016

	Millions of yen			Thousands of U.S. dollars
	Acquisition cost	Accumulated depreciation	Net book value	Net book value
Machinery	¥139	¥115	¥23	$206

The amounts of future lease payments
As of March 31, 2015 and 2016

	Millions of yen		Thousands of U.S. dollars
	2015	2016	2016
Due within one year	¥13	¥13	$124
Due over one year	23	9	82
Total	¥37	¥23	$206

Note 1. The interest portion is included above future lease payment amounts because the proportion of future lease payments to the ending balance of non-current assets is low.

Total lease payments and depreciation
For the years ended March 31, 2015 and 2016

	Millions of yen		Thousands of U.S. dollars
	2015	2016	2016
Total lease payments	¥13	¥13	$124
Depreciation	¥13	¥13	$124

Depreciation method

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

(1) Finance lease transaction

As lessee

The detail of leased assets

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

Depreciation method

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

Impairment loss

There is no impairment loss allocated to the leased assets.

(2) Operating lease transaction

As lessee

The amounts of outstanding future lease payments under non-cancelable operating leases are as follows:
As of March 31, 2015 and 2016

	Millions of yen		Thousands of U.S. dollars
	2015	2016	2016
Due within one year	¥158	¥149	$1,325
Due over one year	150	458	4,070
Total	¥308	¥607	$5,395

9. Financial instruments

(1) Overview

Policy on 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.

Description of financial instruments, related risks and risk management system

Trade receivables such as notes receivable, accounts receivable from completed construction contracts and other are exposed to the customer credit risk. For avoiding this risk, the Companies have an internal system which checks customer credit standing on a timely basis and 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. The Companies check market price and financial position of these companies periodically.

Trade payables such as notes payable, accounts payable for construction contracts and other are almost all due within one year. Though these payables including foreign currency for importing equipment and materials are exposed to the market risk of fluctuation in foreign currency exchange rates, these amounts are always less than accounts receivable from completed construction contracts in the same foreign currencies.

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

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

Derivative transactions are forward exchange contract and non-deliverable forward (NDF) for reducing foreign currencies fluctuation risk in normal operating cycle, and interest rate swap for reducing interest rate fluctuation risk. The Companies have an internal guideline of foreign exchange management authorized by administrative management chief executive and carry out of forward exchange contracts and non-deliverable forward (NDF) in accordance with the guideline. The guideline prescribes management policy, division name in charge of risk management, purpose of transactions, kinds of transactions and reporting system. With regard to interest rate swap, the Companies admit to make a contract only if this meets the requirements for specific treatment. In case of carrying out derivative 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 control the risk by preparing financing plans by each subsidiary.

Supplementary explanation of fair values of financial instruments

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

(2) Fair value of financial instruments

The following table shows the book values and fair values of financial instruments and any differences. Certain financial instruments for which it is extremely difficult to determine the fair value are not included (see Note 2 below).

As of March 31, 2015

	Millions of yen		
	Book value	Fair value	Difference
Cash and deposits	¥43,819	¥43,819	¥–
Notes receivable, accounts receivable from completed construction contracts and other	78,607		
Allowance for doubtful accounts (*1)	(450)		
	78,157	78,002	(154)
Securities and Investment securities (*2)	29,437	29,437	–
Total Assets	151,414	151,260	(154)
Notes payable, accounts payable for construction contracts and other	45,693	45,691	(2)
Short-term loans payable	9,892	9,892	–
Income taxes payable	1,416	1,416	–
Long-term loans payable	536	495	(40)
Total Liabilities	57,538	57,495	(42)
Derivatives	¥(17)	¥(17)	¥–

(*1) Allowance for doubtful accounts estimated by each credit risk of notes receivable, accounts receivable from completed construction contracts and other is deducted.
(*2) Investment securities which are extremely difficult to determine the fair values are not included.

As of March 31, 2016

	Millions of yen			Thousands of U.S. dollars		
	Book value	Fair value	Difference	Book value	Fair value	Difference
Cash and deposits	¥44,001	¥44,001	¥–	$390,463	$390,463	$–
Notes receivable, accounts receivable from completed construction contracts and other	92,718			822,775		
Allowance for doubtful accounts (*1)	(314)			(2,793)		
	92,403	92,401	(2)	819,982	819,959	(23)
Securities and Investment securities (*2)	21,100	21,100	–	187,242	187,242	–
Total Assets	157,505	157,502	(2)	1,397,687	1,397,664	(23)
Notes payable, accounts payable for construction contracts and other	49,214	49,207	(6)	436,721	436,659	(62)
Short-term loans payable	5,261	5,261	–	46,688	46,688	–
Income taxes payable	2,045	2,045	–	18,149	18,149	–
Long-term loans payable	1,383	1,306	(77)	12,274	11,590	(684)
Total Liabilities	57,903	57,819	(84)	513,832	513,086	(746)
Derivatives	¥68	¥68	¥–	$604	$604	$–

(*1) Allowance for doubtful accounts estimated by each credit risk of notes receivable, accounts receivable from completed construction contracts and other is deducted.
(*2) Securities and investment securities which are extremely difficult to determine the fair values are not included.

(Note 1) Method to determine the fair values of financial instruments and other information related to securities and derivatives

Assets

Cash and deposits

Since deposits are settled in a short period of time, the book value approximates the fair value. Therefore the book value is used the same as fair value.

Notes receivable, accounts receivable from completed construction contracts and other

The fair value of these items is determined based on the present value of book value, calculated by applying a discount rate determined taking into account the term of collection and the credit risk.

Securities and investment securities

The fair value of stocks is determined based on quoted market price and the fair value of debt securities is determined based on the present value of book value, calculated by applying the national bond rate etc. determined taking into account the term of collection.

Liabilities

Notes payable, accounts payable for construction contracts and other and short-term loans payable

The fair value of these items is determined based on the present value of book value, calculated by applying a discount rate determined taking into account the term of collection and the credit risk.

Income taxes payable

Since income taxes payable is settled in a short period of time, the book value approximates the fair value. Therefore the book value is used the same as fair value.

Long-term loans payable

With regard to floating rate loans, the book value approximates the fair value because the market interest rate is reflected in the interest rate within a short period of time and credit risk does not fluctuate a lot after borrowing. Therefore the book value is used as the fair value. With regard to fixed rate loans, the fair value is determined based on the present value of the total principal and interest discounted by an interest rate to be applied if similar new loans are entered into.

Derivative transactions

See 11 "Derivative Transactions"

(Note 2) Book value of financial instruments for which it is extremely difficult to determine the fair value

As of March 31, 2015 and 2016

	Millions of yen		Thousands of U.S. dollars
	2015	2016	2016
Other securities			
Non-listed stocks	¥1,416	¥1,360	$12,076
Investment trusts	9	8	75
Non-listed foreign bonds	¥21	¥13	$118

It is extremely difficult to determine the fair value for these securities, because they have no quoted market prices available and high cost is expected to require to calculate future cash flow. Therefore, they are not included in "Securities and investment securities" above.

In this fiscal year, loss of valuation of ¥0 million (US$ 6 thousand) was calculated for non-listed stocks.

(Note 3) Redemption schedule for monetary receivables and securities with maturities

As of March 31, 2015

	Millions of yen			
	Within one year	Over one year within five years	Over five years within ten years	Over ten years
Cash and deposits	¥43,819	¥–	¥–	¥–
Notes receivable, accounts receivable from completed construction contracts and other	73,325	4,886	395	–
Securities and Investment securities				
Held-to-maturity debt securities (Foreign bonds etc.)	500	–	–	–
Other securities with maturity date				
(Money in trust)	4,000	–	–	–
(Non-listed foreign bonds)	–	21	–	–
Total	¥121,645	¥4,907	¥395	¥–

As of March 31, 2016

	Millions of yen			
	Within one year	Over one year within five years	Over five years within ten years	Over ten years
Cash and deposits	¥44,001	¥–	¥–	¥–
Notes receivable, accounts receivable from completed construction contracts and other	88,000	4,006	711	–
Securities and Investment securities				
Other securities with maturity date				
(Non-listed foreign bonds)	13	–	–	–
Total	¥132,015	¥4,006	¥711	¥–

As of March 31, 2016

	Thousands of U.S. dollars			
	Within one year	Over one year within five years	Over five years within ten years	Over ten years
Cash and deposits	$390,463	$–	$–	$–
Notes receivable, accounts receivable from completed construction contracts and other	780,910	35,554	6,311	–
Securities and Investment securities				
Other securities with maturity date				
(Non-listed foreign bonds)	118	–	–	–
Total	$1,171,491	$35,554	$6,311	$–

(Note 4) Redemption schedule for long-term loans payable, lease obligations and other interest-bearing debts

As of March 31, 2015

	Millions of yen					
	Within one year	Over one year within two years	Over two years within three years	Over three years within four years	Over four years within five years	Over five years
Short-term loans payable	¥8,113	¥–	¥–	¥–	¥–	¥–
Long-term loans payable	1,778	259	135	51	37	51
Lease obligations	30	24	15	11	3	–
Total	¥9,922	¥284	¥151	¥62	¥40	¥51

As of March 31, 2016

	Millions of yen					
	Within one year	Over one year within two years	Over two years within three years	Over three years within four years	Over four years within five years	Over five years
Short-term loans payable	¥3,310	¥–	¥–	¥–	¥–	¥–
Long-term loans payable	1,950	643	433	165	84	55
Lease obligations	31	22	15	7	4	–
Total	¥5,292	¥665	¥449	¥172	¥89	¥55

As of March 31, 2016

	Thousands of U.S. dollars					
	Within one year	Over one year within two years	Over two years within three years	Over three years within four years	Over four years within five years	Over five years
Short-term loans payable	$29,378	$–	$–	$–	$–	$–
Long-term loans payable	17,310	5,713	3,845	1,470	753	493
Lease obligations	281	196	141	65	40	–
Total	$46,969	$5,909	$3,986	$1,535	$793	$493

10. Securities

(1) Held-to-maturity debt securities

As of March 31, 2015

	Millions of yen		
	Book value	Fair value	Difference
Securities whose fair value exceeds their book value	¥–	¥–	¥–
Securities whose fair value does not exceed their book value	500	500	–
Total	¥500	¥500	¥–

As of March 31, 2016
There is nothing applicable.

(2) Other securities

As of March 31, 2015

	Millions of yen		
	Book value	Acquisition cost	Difference
Securities whose book value exceeds their acquisition cost			
Stocks	¥24,008	¥8,417	¥15,590
Securities whose book value does not exceed their acquisition cost			
Money in trust	2,500	2,500	–
Stocks	928	1,048	(120)
Bonds	1,500	1,500	–
Subtotal	4,928	5,048	(120)
Total	¥28,937	¥13,466	¥15,470

As of March 31, 2016

	Millions of yen		
	Book value	Acquisition cost	Difference
Securities whose book value exceeds their acquisition cost			
Stocks	¥20,039	¥8,540	¥11,498
Securities whose book value does not exceed their acquisition cost			
Stocks	1,061	1,301	(240)
Total	¥21,100	¥9,841	¥11,258

As of March 31, 2016

	Thousands of U.S. dollars		
	Book value	Acquisition cost	Difference
Securities whose book value exceeds their acquisition cost			
Stocks	$177,825	$75,786	$102,039
Securities whose book value does not exceed their acquisition cost			
Stocks	9,417	11,551	(2,134)
Total	$187,242	$87,337	$99,905

(3) Other securities sold

For the year ended March 31, 2015

	Millions of yen		
	Sales amount	Total gain on sales	Total loss on sales
Stocks	¥0	¥0	¥0
Non-listed foreign bonds	8	–	–
Total	¥9	¥0	¥0

For the year ended March 31, 2016

	Millions of yen		
	Sales amount	Total gain on sales	Total loss on sales
Stocks	¥196	¥60	¥0
Non-listed foreign bonds	6	–	–
Total	¥203	¥60	¥0

For the year ended March 31, 2016

	Thousands of U.S. dollars		
	Sales amount	Total gain on sales	Total loss on sales
Stocks	$1,746	$537	$2
Non-listed foreign bonds	56	–	–
Total	$1,802	$537	$2

(4) Securities with impairment loss

For the year ended March 31, 2015 and 2016

The acquisition costs of tables above are the amounts that are already deducted impairment losses. 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. When those market value fall 30% or more than acquisition cost, the Companies recognize an impairment loss according to market price in the past one year and the possibility of recovery.

11. Derivative transactions

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

Currency-related transactions

As of March 31, 2015

		Millions of yen			
Category	Transaction type	Contract amount	Over one year	Fair value	Unrealized gain (loss)
Except for market transaction	Forward exchange contracts:				
	Buy				
	Yen	¥50	¥–	¥(4)	¥(4)
	U.S. dollars	154	–	(1)	(1)
	Singapore dollars	2	–	(0)	(0)
	British pounds	6	–	0	0
	Euros	23	–	(0)	(0)
	Sell				
	U.S. dollars	84	–	(4)	(4)
	Euros	11	–	1	1
	Total			¥(9)	¥(9)

Note 1. Estimated fair value is provided by financial institutions.

As of March 31, 2016

		Millions of yen			
Category	Transaction type	Contract amount	Over one year	Fair value	Unrealized gain (loss)
Except for market transaction	Forward exchange contracts:				
	Buy				
	Yen	¥137	¥–	¥0	¥0
	U.S. dollars	176	–	0	0
	Sell				
	Yen	26	–	(0)	(0)
	U.S. dollars	425	–	(4)	(4)
	Chinese Yuan	803	–	59	59
	Total			¥55	¥55

Note 1. Estimated fair value is provided by financial institutions.

As of March 31, 2016

		Thousands of U.S. dollars			
Category	Transaction type	Contract amount	Over one year	Fair value	Unrealized gain (loss)
Except for market transaction	Forward exchange contracts:				
	Buy				
	Yen	$1,216	$–	$8	$8
	U.S. dollars	1,566	–	6	6
	Sell				
	Yen	231	–	(7)	(7)
	U.S. dollars	3,775	–	(42)	(42)
	Chinese Yuan	7,127	–	529	529
	Total			$494	$494

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

Currency-related transactions

As of March 31, 2015

Hedging method	Transaction type	Main hedged items	Millions of yen		
			Contract amount	Over one year	Fair value
Deferral method	Forward exchange contracts				
	Buy				
	U.S. dollars	Accounts payable for construction contracts (forecast)	¥4	¥–	¥0
	Euros	Accounts payable for construction contracts (forecast)	87	–	1
	Chinese Yuan	Accounts payable for construction contracts (forecast)	10	–	1
	Korean Won	Accounts payable for construction contracts (forecast)	1,071	129	(5)
	Sell				
	U.S. dollars	Accounts receivable from completed construction contracts (forecast)	1,263	151	(2)
	Chinese Yuan	Accounts receivable from completed construction contracts (forecast)	170	–	(4)
	Total				¥(8)

Note 1. Estimated fair value is provided by financial institutions.

As of March 31, 2016

Hedging method	Transaction type	Main hedged items	Millions of yen		
			Contract amount	Over one year	Fair value
Deferral method	Forward exchange contracts				
	Buy				
	Yen	Accounts payable for construction contracts (forecast)	¥533	¥9	¥10
	U.S. dollars	Accounts payable for construction contracts (forecast)	308	–	(24)
	Baht	Accounts payable for construction contracts (forecast)	50	–	(1)
	Euros	Accounts payable for construction contracts (forecast)	37	–	1
	Chinese Yuan	Accounts payable for construction contracts (forecast)	2	–	(0)
	Korean Won	Accounts payable for construction contracts (forecast)	626	129	(51)
	Sell				
	U.S. dollars	Accounts receivable from completed construction contracts (forecast)	1,076	313	78
	Chinese Yuan	Accounts receivable from completed construction contracts (forecast)	572	–	0
	Total				¥12

Note 1. Estimated fair value is provided by financial institutions.

As of March 31, 2016

Hedging method	Transaction type	Main hedged items	Thousands of U.S. dollars		
			Contract amount	Over one year	Fair value
Deferral method	Forward exchange contracts				
	Buy				
	Yen	Accounts payable for construction contracts (forecast)	$4,737	$81	$90
	U.S. dollars	Accounts payable for construction contracts (forecast)	2,733	–	(216)
	Baht	Accounts payable for construction contracts (forecast)	449	–	(17)
	Euros	Accounts payable for construction contracts (forecast)	329	–	14
	Chinese Yuan	Accounts payable for construction contracts (forecast)	24	–	(1)
	Korean Won	Accounts payable for construction contracts (forecast)	5,557	–	(458)
	Sell				
	U.S. dollars	Accounts receivable from completed construction contracts (forecast)	9,549	2,781	695
	Chinese Yuan	Accounts receivable from completed construction contracts (forecast)	5,082	–	4
	Total				$111

Interest-related transactions

As of March 31, 2015

			Millions of yen		
Hedging method	Transaction type	Main hedged items	Contract amount	Over one year	Fair value
Special treatment	Interest rate swap Payment fixed receiving variable	Long-term loans payable	¥102	¥43	(Note 1)

Note 1. Because special treatment of interest rate swaps is made together with hedged long-term loans payable, their market values of interest rate swaps have been included in those of the relevant long-term loans payable.

As of March 31, 2016

			Millions of yen		
Hedging method	Transaction type	Main hedged items	Contract amount	Over one year	Fair value
Special treatment	Interest rate swap Payment fixed receiving variable	Long-term loans payable	¥39	¥–	(Note 1)

Note 1. Because special treatment of interest rate swaps is made together with hedged long-term loans payable, their market values of interest rate swaps have been included in those of the relevant long-term loans payable.

As of March 31, 2016

			Thousands of U.S. dollars		
Hedging method	Transaction type	Main hedged items	Contract amount	Over one year	Fair value
Special treatment	Interest rate swap Payment fixed receiving variable	Long-term loans payable	$351	$–	

12. Retirement and pension plans

(1) Overview

The Company and its domestic consolidated subsidiaries apply defined benefit plans and defined contribution plans. The Company and its domestic consolidated subsidiaries have adopted defined contribution plans from this fiscal year.

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

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

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

(2) Defined benefit plan (except simplified method)

Reconciliation of beginning and ending balances for projected benefit obligations

For the years ended March 31, 2015 and 2016

	Millions of yen		Thousands of U.S. dollars
	2015	2016	2016
Projected benefit obligations at the beginning of current period	¥20,819	¥17,765	$157,653
Cumulative effects of changes in accounting policies	(3,804)	–	–
Restated balance	17,014	17,765	157,653
Service costs	1,090	1,124	9,981
Interest costs	174	128	1,142
Actuarial differences accrued in the current period	414	982	8,718
Benefits paid	(1,047)	(1,223)	(10,860)
Prior service costs accrued in the current period	–	1	12
Foreign currency translation	119	(90)	(803)
Projected benefit obligations at the end of current period	¥17,765	¥18,688	$165,843

Reconciliation of beginning and ending balances for pension assets

For the years ended March 31, 2015 and 2016

	Millions of yen		Thousands of U.S. dollars
	2015	2016	2016
Pension assets at the beginning of current period	¥18,521	¥21,389	$189,808
Expected return on pension assets	412	463	4,112
Actuarial differences accrued in the current period	2,193	(1,316)	(11,686)
Contributions from employers	1,250	1,230	10,916
Benefits paid	(988)	(1,179)	(10,470)
Foreign currency translation	0	(1)	(10)
Pension assets at the end of current period	¥21,389	¥20,585	$182,670

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

As of March 31, 2015 and 2016

	Millions of yen		Thousands of U.S. dollars
	2015	2016	2016
Funded projected benefit obligations	¥16,772	¥17,619	$156,352
Pension assets	(21,389)	(20,585)	(182,670)
Sub total	(4,616)	(2,965)	(26,318)
Unfunded projected benefit obligations	992	1,069	9,491
Net amount of liabilities and assets in the consolidated balance sheets	(3,623)	(1,896)	(16,827)
Net defined benefit liability	1,186	1,307	11,599
Net defined benefit asset	4,810	3,203	28,426
Net amount of liabilities and assets in the consolidated balance sheets	¥(3,623)	¥(1,896)	$(16,827)

Retirement benefit expenses

For the years ended March 31, 2015 and 2016

	Millions of yen		Thousands of U.S. dollars
	2015	2016	2016
Service costs	¥1,090	¥1,124	$9,981
Interest costs	174	128	1,142
Expected return on pension assets	(412)	(463)	(4,112)
Amortization of actuarial differences	(6)	(172)	(1,530)
Amortization of prior service costs	(228)	(227)	(2,023)
Retirement benefit expenses of defined benefit plans	¥617	¥389	$3,458

Remeasurements of defined benefit plans

Detail of remeasurements of defined benefit plans before tax effect adjustments is as follows.

For the years ended March 31, 2015 and 2016

	Millions of yen		Thousands of U.S. dollars
	2015	2016	2016
Prior service costs	¥(228)	¥(225)	$(2,005)
Actuarial differences	1,741	(2,470)	(21,922)
Total	¥1,512	¥(2,696)	$(23,927)

Accumulated remeasurements of defined benefit plans

Detail of accumulated remeasurements of defined benefit plans before tax effect adjustments is as follows.

As of March 31, 2015 and 2016

	Millions of yen		Thousands of U.S. dollars
	2015	2016	2016
Unrecognized prior service costs	¥455	¥229	$2,034
Unrecognized actuarial differences	745	(1,724)	(15,305)
Total	¥1,200	¥(1,495)	$(13,271)

Pension assets

Composition ratio of pension assets is as follows.

As of March 31, 2015 and 2016

	2015	2016
Debt securities	18%	19%
Stocks	38	39
Cash and deposits	0	3
General account of life insurance	33	35
Other	11	4
Total	100%	100%

Note 1. For the previous fiscal year, 14% of total pension assets are attributed to the employee retirement benefit trust for benefit pension plan. For this fiscal year, 12% of total pension assets are attributed to the employee retirement benefit trust for benefit pension plan.

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

Assumptions and policies used to calculate projected benefit obligations

For the years ended March 31, 2015 and 2016

	2015	2016
Discount rates (weighted average)	0.7%	**0.3%**
Expected long-term return rates on pension assets (weighted average)	2.5%	**2.5%**

(3) Defined benefit plan calculated by simplified method

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

For the years ended March 31, 2015 and 2016

	Millions of yen		Thousands of U.S. dollars
	2015	2016	2016
Net defined benefit liability at the beginning of current period	¥327	**¥364**	**$3,236**
Retirement benefit expenses	32	**29**	**259**
Benefits paid	(4)	**(19)**	**(172)**
Contributions to the plan	(5)	**(10)**	**(91)**
Foreign currency translation	12	**(26)**	**(239)**
Other	1	**2**	**21**
Net defined benefit liability at the end of current period	¥364	**¥339**	**$3,014**

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

As of March 31, 2015 and 2016

	Millions of yen		Thousands of U.S. dollars
	2015	2016	2016
Funded projected benefit obligations	¥87	**¥88**	**$786**
Pension assets	(66)	**(74)**	**(658)**
Sub total	20	**14**	**129**
Unfunded projected benefit obligations	343	**325**	**2,885**
Net amount of liabilities and assets in the consolidated balance sheets	364	**339**	**3,014**
Net defined benefit liability	364	**339**	**3,014**
Net amount of liabilities and assets in the consolidated balance sheets	¥364	**¥339**	**$3,014**

Retirement benefit expenses

Retirement benefit expenses calculated by the simplified method is ¥ 32 million for the previous fiscal year and ¥ 29 million (US$ 259 thousand) for this fiscal year.

(4) Defined contribution plan

Required contribution amount for defined contribution plan is ¥ 61 million for the previous fiscal year and ¥ 290 million (US$ 2,579 thousand) for this fiscal year.

(5) Multi-employer pension plan

Required contribution amount for employees' pension fund of multi-employer pension plan which is recognized as retirement benefit expenses is ¥ 363 million for the previous fiscal year and nothing applicable for this fiscal year.

Total accumulated funds

	Millions of yen		Thousands of U.S. dollars
	For the previous fiscal year As of October 31, 2014	**For this fiscal year As of March 31, 2016**	**For this fiscal year As of March 31, 2016**
Pension assets	¥40,880	**¥41,197**	**$365,578**
Total amount of actuarial liability based on the financial calculations and minimum actuarial reserve (Note 1)	42,059	**42,336**	**375,685**
Net Amount	¥(1,179)	**¥(1,139)**	**$(10,107)**

Note 1. "Nishinihonreitokutyou Employees' Pension Fund" (integrated establishment agency-type) (hereinafter the "Fund"), which the Company and domestic consolidated subsidiaries are affiliated with, has come to a decision on special dissolution that was discussed at the representative assembly that took place on September 18, 2013. The information above is based on information available as of the release of this report.

Contribution ratio of the Companies in the multi-employer plan assets

For the years ended March 31, 2015 and 2016

	2015	2016
Contribution ratio	21.32%	**21.32%**

Additional information

In the previous fiscal year, the Companies recognized "Reversal of reserve for loss on dissolution of employees' pension fund" of ¥400 million as extraordinary income in the consolidated statement of income and "Reserve for loss on dissolution of employees' pension fund" of ¥251 million as non-current liabilities in the consolidated balance sheet.

In this fiscal year, the Companies recognized "Reversal of reserve for loss on dissolution of employees' pension fund" of ¥4 million (US$ 38 thousand) as extraordinary income in the consolidated statement of income and "Reserve for loss on dissolution of employees' pension fund" of ¥247 million (US$ 2,193 thousand) as current liabilities in the consolidated balance sheet.

With regard to standardized schedule proposed by the Fund in February 2016, the liquidation of the Fund is expected in the fiscal year 2016. Therefore, the Companies reclassified "Reserve for loss on dissolution of employees' pension fund" from non-current liabilities to current liabilities from this fiscal year.

The principle factor relating to the net amount in total accumulated funds is a capital fund deficit of ¥1,179 million for the previous fiscal year and ¥1,139 million (US$ 10,107 thousand) for this fiscal year. As a result of the approval for dissolution of the Fund on January 27, 2015, the retirement benefit obligation is limited only for the substitutional portion of the fund managed on behalf of the government, and there are no unamortized prior service costs for the portion.

For the previous fiscal year and this fiscal year, contribution ratio of the Companies in the multi-employer plan assets is calculated by the proportional division of the Companies' standard salary out of the standard salary in the Fund as of September 30, 2013. This calculation method is in accordance with the amendment of the regulation based on the resolution of dissolution of the Fund which was approved on January 5, 2015.

13. Deferred tax accounting

(1) Significant components of deferred tax assets and liabilities

As of March 31, 2015 and 2016

	Millions of yen		Thousands of U.S. dollars
	2015	2016	2016
Deferred tax assets			
Allowance for doubtful accounts	¥123	**¥9**	**$88**
Provision for warranties for completed construction	166	**350**	**3,111**
Provision for loss on construction contracts	40	**34**	**305**
Provision for loss on Anti-Monopoly Act	67	**–**	**–**
Reserve for loss on dissolution of employees' pension fund	83	**77**	**685**
Net defined benefit liability	246	**277**	**2,464**
Employees' pension trust, investment securities	271	**266**	**2,365**
Provision for directors' retirement benefits	31	**37**	**329**
Accrued enterprise tax etc.	107	**154**	**1,373**
Accrued bonuses	903	**1,299**	**11,534**
Loss on valuation of investment securities	130	**123**	**1,092**
Loss on valuation of golf club membership	64	**61**	**544**
Valuation difference on available-for-sale securities	38	**73**	**653**
Deficit carried forward	586	**414**	**3,680**
Other	714	**593**	**5,264**
Sub total	3,576	**3,773**	**33,487**
Valuation allowance	(828)	**(707)**	**(6,279)**
Total deferred tax assets	2,748	**3,066**	**27,208**
Deferred tax liabilities			
Net defined benefit assets	(1,554)	**(981)**	**(8,711)**
Valuation difference on available-for-sale securities	(4,932)	**(3,423)**	**(30,377)**
Retained earnings of consolidated overseas subsidiaries	(1,702)	**(1,753)**	**(15,562)**
Other	(225)	**(331)**	**(2,938)**
Total deferred tax liabilities	(8,415)	**(6,489)**	**(57,588)**
Net deferred tax assets (or liabilities)	¥(5,666)	**¥(3,423)**	**$(30,380)**

Note 1. Net deferred tax assets (or liabilities) for the years ended March 31, 2015 and 2016 are recorded on the following account titles in the consolidated balance sheets.

As of March 31, 2015 and 2016

	Millions of yen		Thousands of U.S. dollars
	2015	2016	2016
Current assets — Deferred tax assets	¥1,625	**¥1,993**	**$17,694**
Non-current assets — Deferred tax assets	464	**508**	**4,508**
Current liabilities — Deferred tax liabilities	(1)	**(53)**	**(477)**
Non-current liabilities — Deferred tax liabilities	¥(7,755)	**¥(5,871)**	**$(52,105)**

Change in presentation methods

"Provision for warranties for completed construction" which was indicated in "Other" of deferred tax assets is stated independently from this fiscal year, as its importance has increased. To reflect this change in the presentation method, the reclassification is made in notes of consolidated financial statements.

As a result, ¥166 million indicated in "Other" of deferred tax assets for the previous fiscal year is reclassified into ¥166 million in "Provision for warranties for completed construction."

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

As of March 31, 2015 and 2016

	2015	2016
Effective statutory tax rate	35.64%	–%
(Adjustments)		
Permanent differences: entertainment expenses, donations etc.	0.46	–
Permanent differences: dividend income etc.	(0.72)	–
Equalization of inhabitants taxes	0.80	–
Fluctuation of valuation allowance	(4.77)	–
Elimination of intercompany dividends	0.75	–
Lower income tax rates applicable to income in certain foreign countries	(3.56)	–
Tax on dividends from overseas subsidiaries and associates	1.11	–
Modification of deferred tax assets cause from change of tax-rate	0.30	–
Retained earnings of consolidated overseas subsidiaries	3.12	–
Other	0.09	–
Actual effective tax rate	33.22%	–%

Note 1. The note is omitted because the difference between effective statutory tax rate and actual effective tax rate after adoption of tax effect accounting is less than 5% of effective statutory tax rate for this fical year.

(3) Change in the amount of deferred tax assets and liabilities due to the revision of tax rate

As the "Partial Revision of the Income Tax Act, etc." and the "Partial Revision of the Local Tax Act, etc." were enacted in the Diet on March 29, 2016, the effective statutory tax rates that are applied in this fiscal year to calculate deferred tax assets and deferred tax liabilities are revised (Only for those that the temporary difference will be realized on and after April 1, 2016). Specifically, effective statutory tax rates are revised from the existing 32.30% to 30.86% for those collection or payment periods are by March 31, 2018, and to 30.62% for those collection or payment periods are on and after April 1, 2018.

Due to this revision of the effective statutory tax rates, deferred tax liabilities decreased by ¥163 million (US$ 1,451 thousand), accumulated remeasurements of defined benefit plans decreased by ¥19 million (US$ 176 thousand), valuation difference on available-for-sale securities increased by ¥183 million (US$ 1,631 thousand), and income taxes-deferred increased by ¥0 million (US$ 4 thousand).

14. Asset retirement obligations

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

15. Segment information

(1) Overview of reportable segments

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

The Companies set their divisions according to kinds of construction equipment and each division plans the comprehensive domestic and foreign strategies and do business based on the strategies. The Companies have two reportable segments "Green Technology System Division" and "Paint Finishing System Division".

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

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

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

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

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

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

For the year ended March 31, 2015

	Millions of yen				
	Green Technology System Division	Paint Finishing System Division	Total	Adjustments	Consolidated
Sales					
Sales to customers	¥116,134	¥67,513	¥183,648	¥–	¥183,648
Intersegment	15	100	116	(116)	–
Total	116,150	67,614	183,764	(116)	183,648
Segment profit	5,991	3,260	9,252	327	9,579
Segment assets	80,697	57,449	138,147	50,136	188,283
Other items					
Depreciation and amortization	429	814	1,244	13	1,257
Amortization of goodwill	–	175	175	–	175
Interest income	232	217	449	10	460
Interest expenses	46	163	210	12	222
Share of profit of entities accounted for using equity method	–	52	52	–	52
Investments in associates accounted for using equity method	–	770	770	–	770
Increase in tangible and intangible assets	¥295	¥837	¥1,132	¥318	¥1,450

Note 1. The amounts of Adjustments are as follows.
Adjustments of Segment profit of ¥327 million include non-allocatable common profits of ¥331 million and other adjustment of minus ¥3 million. Non-allocatable common profits are mainly dividend income etc. which are not attributed to any reportable segments.
Adjustments of Segment assets of ¥50,136 million are elimination of receivable and payable etc. of minus ¥2,581 million and non-allocatable common assets which are not allocated to any segments of ¥52,718 million. Non-allocatable common assets are mainly cash and deposits, securities, tangible fixed assets, investment securities, and net defined benefit asset, etc. which are not attributed to any reportable segments.
Adjustments of Increase in tangible and intangible assets of ¥318 million are buildings and structures, machinery, equipment and vehicles, tools, furniture and fixtures and software, etc. which are not attributed to any reportable segments.
The allocation method of assets for reportable segments is different from that of related income and expenses.

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

For the year ended March 31, 2016

	Millions of yen				
	Green Technology System Division	Paint Finishing System Division	Total	Adjustments	Consolidated
Sales					
Sales to customers	¥134,822	¥77,602	¥212,424	¥–	¥212,424
Intersegment	2	133	135	(135)	–
Total	134,824	77,735	212,560	(135)	212,424
Segment profit	8,950	3,524	12,475	(132)	12,343
Segment assets	87,472	65,430	152,902	36,663	189,566
Other items					
Depreciation and amortization	448	899	1,348	0	1,348
Amortization of goodwill	–	192	192	–	192
Interest income	181	466	647	1	648
Interest expenses	30	149	179	9	189
Share of profit of entities accounted for using equity method	–	18	18	–	18
Investments in associates accounted for using equity method	–	727	727	–	727
Increase in tangible and intangible assets	¥151	¥1,024	¥1,176	¥745	¥1,921

Note 1. The amounts of Adjustments are as follows.
Adjustments of Segment profit of minus ¥132 million (minus US$ 1,175 thousand) include non-allocatable common profits of minus ¥136 million (minus US$ 1,213 thousand) and other adjustment of ¥4 million (US$ 38 thousand). Non-allocatable common profits are mainly general and administrative expenses, dividend income, etc. which are not attributed to any reportable segments.
Adjustments of Segment assets of ¥36,663 million (US$ 325,351 thousand) are elimination of receivable and payable etc. of minus ¥2,739 million (minus US$ 24,311 thousand) and non-allocatable common assets which are not allocated to any segments of ¥39,403 million (US$ 349,662 thousand). Non-allocatable common assets are mainly cash and deposits, tangible fixed assets, investment securities, and net defined benefit asset, etc. which are not attributed to any reportable segments.
Adjustments of Increase in tangible and intangible assets of ¥745 million (US$ 6,612 thousand) are buildings and structures, machinery, equipment and vehicles, tools, furniture and fixtures and software, etc. which are not attributed to any reportable segments.
The allocation method of assets for reportable segments is different from that of related income and expenses.

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

For the year ended March 31, 2016

	Green Technology System Division	Paint Finishing System Division	Total	Adjustments	Consolidated
	Thousands of U.S. dollars				
Sales					
Sales to customers	$1,196,404	$688,633	$1,885,037	$–	$1,885,037
Intersegment	19	1,181	1,200	(1,200)	–
Total	1,196,423	689,814	1,886,237	(1,200)	1,885,037
Segment profit	79,430	31,278	110,708	(1,175)	109,533
Segment assets	776,224	580,621	1,356,845	325,351	1,682,196
Other items					
Depreciation and amortization	3,984	7,978	11,962	8	11,970
Amortization of goodwill	–	1,709	1,709	–	1,709
Interest income	1,610	4,136	5,746	11	5,757
Interest expenses	269	1,327	1,596	87	1,683
Share of profit of entities accounted for using equity method	–	167	167	–	167
Investments in associates accounted for using equity method	–	6,454	6,454	–	6,454
Increase in tangible and intangible assets	$1,347	$9,089	$10,436	$6,612	$17,048

16. Related information in regard to segment information

(1) Information by product and service

For the year ended March 31, 2015

This item is omitted because similar information is disclosed in "15. Segment information"

For the year ended March 31, 2016

This item is omitted because similar information is disclosed in "15. Segment information"

(2) Sales by regions

For the year ended March 31, 2015

Millions of yen								
Japan	North America	Southeast Asia		East Asia		India	Other	Total
		Thailand	Other Southeast Asia	China	Other East Asia			
¥82,303	¥7,669	¥22,896	¥23,719	¥15,805	¥1,365	¥3,123	¥26,765	¥183,648

Note 1. Sales are classified to the countries or regions based on their customers' location.

For the year ended March 31, 2016

Millions of yen								
Japan	North America	Southeast Asia		East Asia		India	Other	Total
		Thailand	Other Southeast Asia	China	Other East Asia			
¥94,543	¥11,542	¥34,197	¥21,691	¥23,060	¥1,437	¥8,563	¥17,389	¥212,424

Note 1. Sales are classified to the countries or regions based on their customers' location.

For the year ended March 31, 2016

Thousands of U.S. dollars								
Japan	North America	Southeast Asia		East Asia		India	Other	Total
		Thailand	Other Southeast Asia	China	Other East Asia			
$838,966	$102,424	$303,462	$192,491	$204,638	$12,758	$75,990	$154,308	$1,885,037

(3) Tangible fixed assets by regions

As of March 31, 2015

Millions of yen							
Japan	Thailand	Indonesia	China	India	Italy	Other	Total
¥2,978	¥493	¥375	¥1,213	¥1,833	¥872	¥277	¥8,043

As of March 31, 2016

Millions of yen							
Japan	Thailand	Indonesia	China	India	Italy	Other	Total
¥2,939	¥405	¥300	¥1,061	¥1,965	¥850	¥226	¥7,750

As of March 31, 2016

Thousands of U.S. dollars							
Japan	Thailand	Indonesia	China	India	Italy	Other	Total
$26,089	$3,598	$2,663	$9,420	$17,444	$7,550	$2,010	$68,774

(4) Sales Information by main customers

For the year ended March 31, 2015

This item is omitted because sales to no external customer represented 10% or more of sales of the consolidated statement of income.

For the year ended March 31, 2016

This item is omitted because sales to no external customer represented 10% or more of sales of the consolidated statement of income.

17. Impairment loss by reportable segments

Impairment loss of the non-current assets by reportable segments

For the year ended March 31, 2015

	Millions of yen				
	Green Technology System Division	Paint Finishing System Division	Total	Eliminations/ Corporate (*1)	Consolidated
Impairment loss	¥0	¥85	¥86	¥9	¥96

(*1) Eliminations/Corporate is due to the impairment on assets that will be removed because of office relocation.

For the year ended March 31, 2016

	Millions of yen				
	Green Technology System Division	Paint Finishing System Division	Total	Eliminations/ Corporate (*1)	Consolidated
Impairment loss	¥–	¥–	¥–	¥0	¥0

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

For the year ended March 31, 2016

	Thousands of U.S. dollars				
	Green Technology System Division	Paint Finishing System Division	Total	Eliminations/ Corporate	Consolidated
Impairment loss	$–	$–	$–	$0	$0

18. Amortization and balance of goodwill

(1) Amortization and balance of goodwill by reportable segments

For the year ended March 31, 2015

	Millions of yen				
	Green Technology System Division	Paint Finishing System Division	Total	Eliminations/ Corporate	Consolidated
Balance of goodwill	¥–	¥3,481	¥3,481	¥–	¥3,481

Note 1. Amortization of goodwill is omitted because it is already disclosed in the "Segment information".

For the year ended March 31, 2016

	Millions of yen				
	Green Technology System Division	Paint Finishing System Division	Total	Eliminations/ Corporate	Consolidated
Balance of goodwill	¥–	¥3,024	¥3,024	¥–	¥3,024

Note 1. Amortization of goodwill is omitted because it is already disclosed in the "Segment information".

For the year ended March 31, 2016

	Thousands of U.S. dollars				
	Green Technology System Division	Paint Finishing System Division	Total	Eliminations/ Corporate	Consolidated
Balance of goodwill	$–	$26,836	$26,836	$–	$26,836

(2) Gain on negative goodwill by reportable segments

For the year ended March 31, 2015

There is nothing applicable.

For the year ended March 31, 2016

There is nothing applicable.

19. Related party transaction

For the year ended March 31, 2015

There is nothing applicable.

For the year ended March 31, 2016

Category	Name of related party	Ratio of voting rights holding (held)	Relationship	Detail of Transaction	Amount of Transaction	Accounts	Balance at the end of the year
Director's close relative	Ruriko Uenishi	(Held) Direct: 3.09%	Mother of Eitaro Uenishi, director and chairman of the Company	Purchase of treasury shares	**¥2,206 million (US$19,581 thousand) for 680 thousand shares**	–	–

Note 1. The transaction was executed through the Tokyo Stock Exchange Trading Network System for Off-Auction Own Share Repurchase Trading (ToSTNeT-3), and price of transaction was decided by closing price of the day before the trade date in Tokyo Stock Exchange.

Note 2. The above ratio of voting rights holding (held) is the figure before selling shares. As a result of selling 680,000 shares on May 18, 2015, the ratio held decreased to 1.19%.

20. Detail of bonds

There is nothing applicable.

21. Detail of loans

As of March 31, 2016

	Millions of yen		Thousands of U.S. dollars		
	Beginning balance	Ending balance	Ending balance	Average interest rate (%)	Maturity
Short-term loans payable	¥8,113	¥3,310	$29,378	2.590	
Current portion of long-term loans payable	1,778	1,950	17,310	2.128	
Current portion of lease obligations	30	31	281	–	
Long-term loans payable (excluding current portion)	536	1,383	12,274	4.020	October 2018 to October 2022
Lease obligations (excluding current portion)	54	49	442	–	March 2018 to November 2021
Total	¥10,513	¥6,725	$59,685		

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

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

Note 3. The annual repayment schedules of long-term loans payable and lease obligations (excluding current portion) subsequent to March 31, 2016 are as follows.

	Millions of yen			
	Over one year within two years	Over two years within three years	Over three years within four years	Over four years within five years
Long-term loans payable	¥643	¥433	¥165	¥84
Lease obligations	¥22	¥15	¥7	¥4

	Thousands of U.S. dollars			
	Over one year within two years	Over two years within three years	Over three years within four years	Over four years within five years
Long-term loans payable	$5,713	$3,845	$1,470	$753
Lease obligations	$196	$141	$65	$40

22. Detail of asset retirement obligations

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

23. Subsequent event

There is nothing applicable.

Report of Independent Auditors

Independent auditor's report

To the Board of Directors of Taikisha Ltd.,

We have audited the accompanying consolidated financial statements of Taikisha Ltd. and consolidated subsidiaries, which comprise the consolidated balance sheet as at March 31, 2016, and the consolidated statements of income, comprehensive income, changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, all expressed in Japanese Yen.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in conformity with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in conformity 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 from material misstatement.

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

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

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 consolidated subsidiaries as at March 31, 2016, and their consolidated financial performance and cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

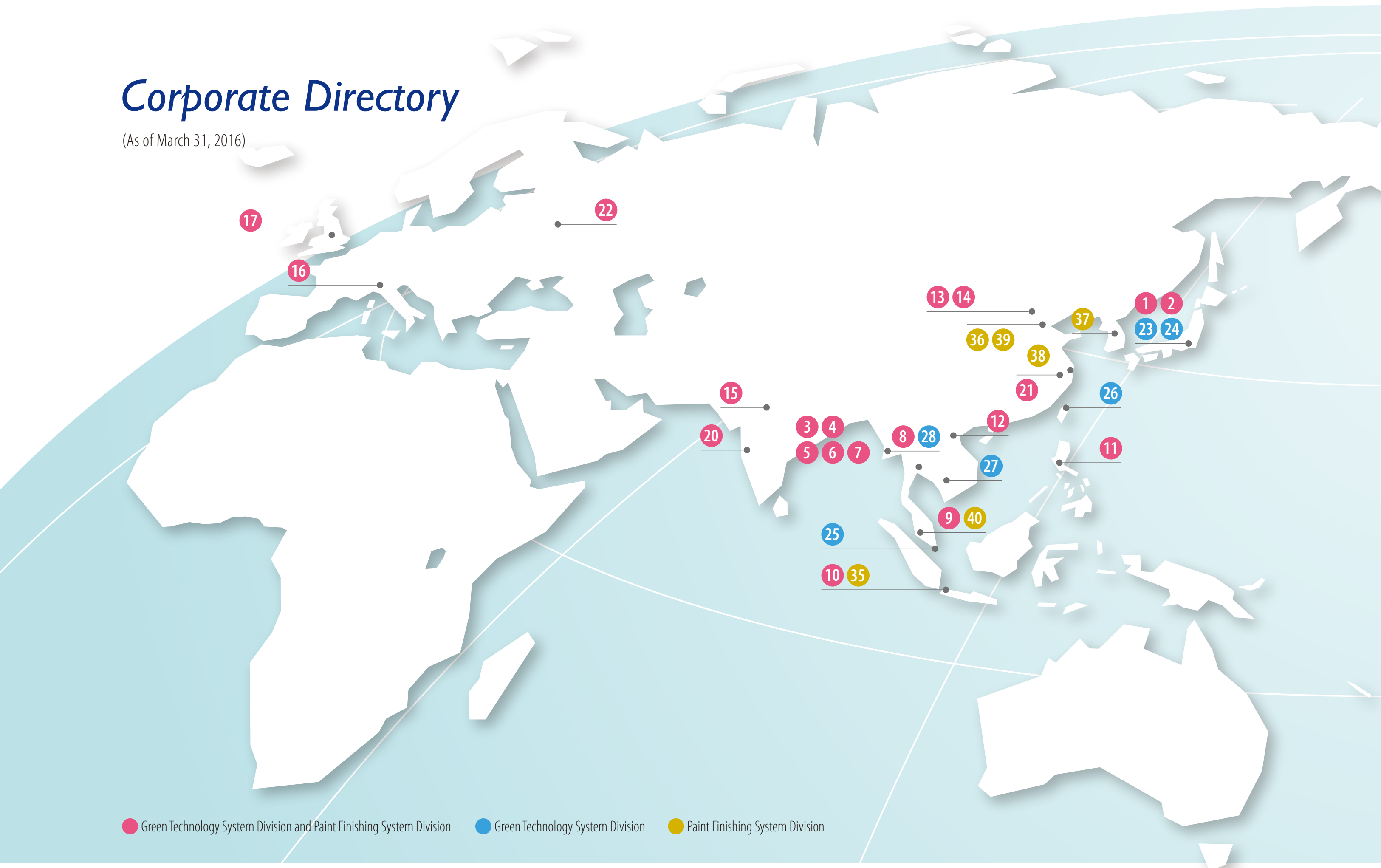
Convenience Translation

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

A & A Partners
Tokyo, Japan
June 29, 2016

Corporate Directory

(As of March 31, 2016)



Location of office	FOUNDATION

1 Taikisha Ltd. — 1913
Sumitomo Fudosan Shinjuku Grand Tower, 8-17-1, Nishi-Shinjuku, Shinjuku-ku, Tokyo, 160-6129, Japan
Tel: 81-3-3365-5320 Fax: 81-3-5338-5195

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 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

4 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

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

6 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

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

8 Token Myanmar Co., Ltd. — 2015
No.395 (Right), 6th Floor, Wireless (3) St,Kabaraya (9) Ward, Mayangone Tsp, Yangon, Myanmar
TEL: 95-92-6424-2824

Location of office	FOUNDATION

9 Taikisha Engineering (M) Sdn. Bhd. — 1989
Suite W301 & W306, 3rd Floor West Wing, Wisma Consplant 1, No.2, Jalan SS 16/4, Subang Jaya, Selangor 47500, Malaysia
Tel: 60-3-5623-7200 Fax: 60-3-5623-7201

10 P.T. Taikisha Indonesia Engineering — 1990
Menara Bidakara I, 13th Floor Jl. Jend. Gatot Subroto Kav. 71-73, Jakarta 12870 ,Indonesia
Tel: 62-21-8379-3325 Fax: 62-21-8379-3310

11 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

12 Taikisha Vietnam Engineering Inc. — 1998
12th Floor, Detech Tower, No. 8 Ton That Thuyet , My Dinh 2 Ward, Nam Tu Liem District, Hanoi, Vietnam
Tel: 84-4-3562-2750 Fax: 84-4-3562-2751

13 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

14 Beijing Wuzhou Taikisha Equipment Co., Ltd. — 2002
#1116, Beijing Fortune Bldg., #5 Dong San Huan Bei Lu, Chaoyang District, Beijing 100004, China
Tel: 86-10-6590-8253 Fax: 86-10-6590-8250

15 Taikisha Engineering India Private Ltd. — 1995
Plot No. 26, Udyog Vihar, Phase-IV, Gurgaon-122015. India
Tel: 91-124-234-8246 Fax: 91-124-234-8247

Location of office	FOUNDATION

16 Geico S.p.A. — 1963
Via Pelizza da Volpedo, 109/111, 20092 Cinisello Balsamo, Milan, Italy
Tel: 39-2-660221 Fax: 39-2-66022.310

17 Geico Taikisha Europe Ltd. — 1989
Central Boulevard, Blythe Valley Business Park Shirley, West Midlands, B90 8AG, United Kingdom
Tel: 44-121-700-1140 Fax: 44-1564-711-001

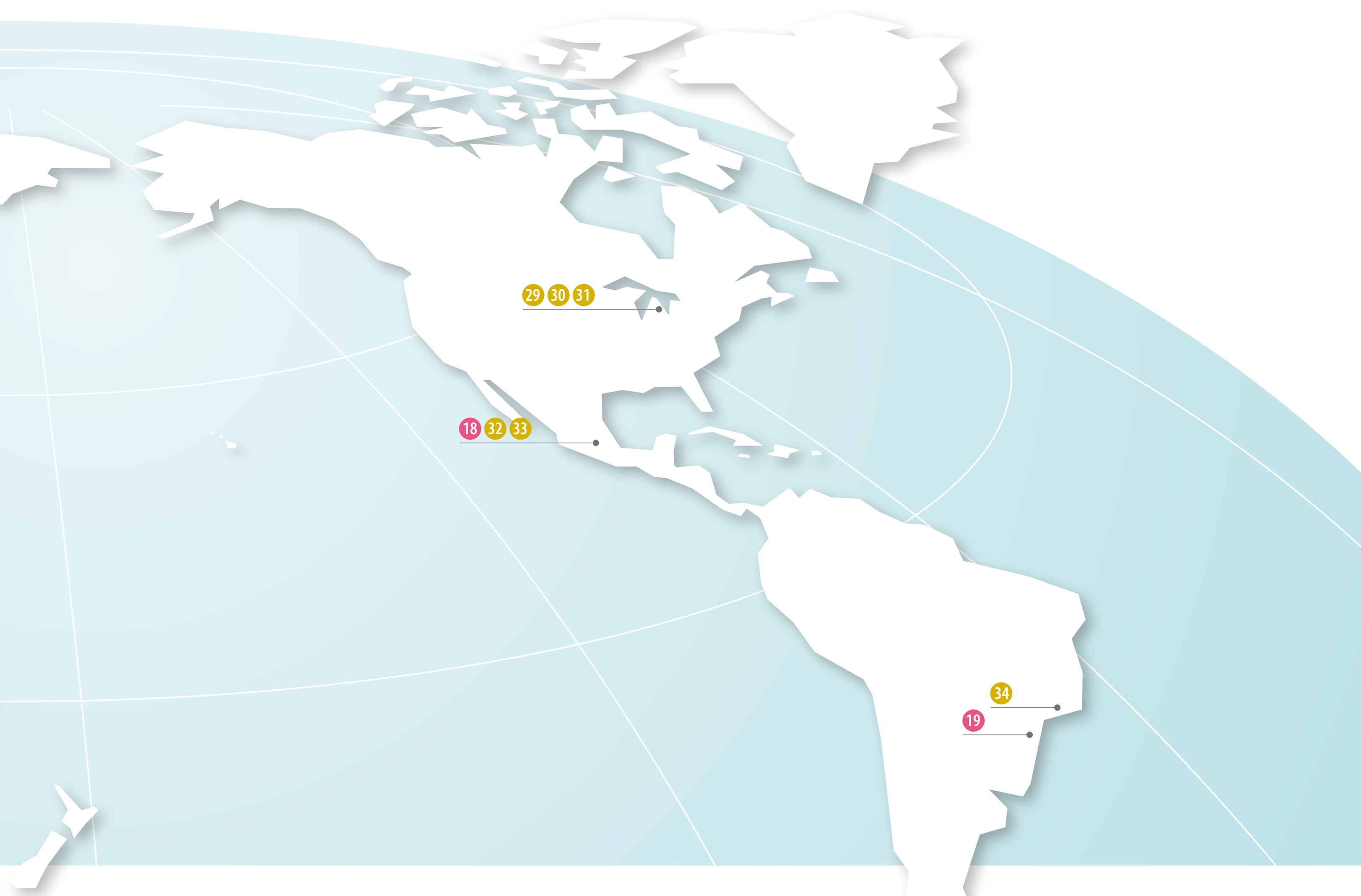
18 J-CO Mexico,S. de R.L de C.V. — 2014
Bosque de Ciruelos, 180 Bosques de Las Lomas, Miguel Hidalgo 11700 Ciudad de México, D.F., Mexico
Tel: 52-55-2282-1030 Fax: 52-55-2282-1001

19 Geico Brasil Ltda. — 1995
Rua Francisco Rocha n. 2113, Bairo Bigorrilho, Cep 80710, 540, Curitiba, Paranà, Brasile
Tel: 55-41-3019-2727 Fax: 55-41-3336-7534

20 Geico Paint Shop India Private Ltd. — 2006
A-4, 5th Floor The 5th Avenue, Dhole Patil Road, 411001, Pune, Maharashtra, India
Tel: 91-997-039-3892

21 Geico Painting System (Suzhou) Co., Ltd. — 2011
Room 1702, Harmony Mansion, No.8 wan sheng street, building 1, Suzhou Industrial Park, 215000 China
Tel: 86-512-8555-0256 Fax:86-512-8555-0701

22 Geico Russia LLC — 2011
12, Krasnopresnenskaya emb., Entrance 6, office 303, 123610 Moscow - Russia
Tel:7-495-249-0780



Location of office	FOUNDATION
23 Nippon Noise Control Ltd.	1986
Sumitomo-Nakanosakaue Bldg. 1-38-1, Chuo, Nakano-ku, Tokyo, 164-0011, Japan Tel: 81-3-5937-6532 Fax: 81-3-5937-6533	
24 Tokyo Taikisha Service Ltd.	2000
Sumitomo-Nakanosakaue Bldg. 1-38-1, Chuo, Nakano-ku, Tokyo, 164-0011, Japan Tel: 81-3-5331-8370 Fax: 81-3-5331-8380	
25 Taikisha (Singapore) Pte. Ltd.	2004
2 International Business Park #11-01/02 Jurong East Singapore 609930 Tel: 65-6223-9928 Fax: 65-6223-9328	
26 Taikisha (Taiwan) Ltd.	1989
[Tai Yuen Hi-Tech Industrial Park] 3F, No.6, Taiyuen 1st Street, Zhubei City, Hsinchu, Taiwan, ROC Tel: 886-3-560-1661 Fax: 886-3-560-1671	
27 Taikisha (Cambodia) Co., Ltd.	2011
#37&39, Trapaingkol Village, Sangkat Kantouk, Khan Posenchey, Phnom Penh, Cambodia Tel: 855-23-729-317 Fax: 855-23-729-318	
28 Taikisha Myanmar Co., Ltd.	2013
Room No.(10J), Kabaraye Condominium, Kabaraye Pagoda Road, Mayangone Township,Yangon, Myanmar Tel: 951-653-653	

Location of office	FOUNDATION
29 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	
30 Encore Automation LLC	2014
50 Corporate Drive, Auburn Hills, Michigan 48326, U.S.A. Tel: 1-248-253-0200 Fax: 1-248-418-2308	
31 Taikisha Canada Inc.	1985
(C/O) 901 Tower Drive, Suite 150, Troy, Michigan 48098-2817, U.S.A. Tel: 1-248-786-5000 Fax: 1-248-786-5001	
32 Taikisha de Mexico, S. A. de C.V.	1990
Homero No.407 Piso 7 Col. Polanco V Seccion, C.P. 11560 Mexico, D. F., Mexico Tel: 52-555-250-7128 Fax: 52-55-5250-6178	
33 Taikisha Mexicana Services, S.A. de C.V.	2011
AV. Revolucion 88 2DO. Piso, Col. Tacubaya 11870 Mexico, D.F. Mexico Tel: 52-55-5516-2834	
34 Taikisha do Brasil Ltda.	1996
Rua Barao de Teffe, No.160-6o Andar-sala 610, Jardim Ana Maria, Jundiai, Estado de Sao Paulo CEP:13208-760 Tel: 55-11-4038-8880 Fax: 55-11-4038-8880	
35 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	

Location of office	FOUNDATION
36 Tianjin Taikisha Paint Finishing System Ltd.	2010
No7, Road 7, Economic Development Zone of Jinghai, Tianjin, 301600, China Tel: 86-22-6829-9518 Fax: 86-22-6829-9510	
37 Taikisha Korea Ltd.	1992
#1208, 30, Digital-ro 32-gil, Guro-gu, Seoul, 152-777, Korea Tel: 82-27-830-270 Fax: 82-27-830-274	
38 Shanghai Dongbo-Taiki Conveyor System Manufacturing Co., Ltd.	2002
Room 906,Building 1,SCG Business Plaza, No.51 Wuzhong Road, Shanghai, 201103, China Tel: 86-21-6443-0780 Fax: 86-21-6443-9478	
39 Tianjin Dongchun-Taiki Metal Finishing & Conveyor System Manufacturing Co., Ltd.	2004
NO.9, NO.7 Road, North area of Economic Development Zone of Jinghai, Tianjin, 301617, China Tel: 86-22-6864-5848 Fax: 86-22-6864-5849	
40 Makiansia Engineering (M) Sdn. Bhd.	1981
No. 141, Jalan SS 17/1A, Subang Jaya, 47500 Petaling Jaya, Selangor Darul Ehsan, Malaysia Tel: 60-3-5635-2394 Fax: 60-3-5634-7004	

Directors and Audit & Supervisory Board Members

Directors

Director, Chairman

Eitaro Uenishi

April 1974	Joined the Company
June 2003	Director
April 2005	General Manager, Osaka Branch Office, Green Technology System Division
April 2007	Director, Senior Corporate Officer, General Manager, Tokyo Branch Office 1, Green Technology System Division
April 2008	Director, Senior Corporate Officer, Assistant to President, in charge of Corporate Planning
April 2009	Director, Managing Corporate Officer, Assistant to President, in charge of Company-wide Sales Promotion
April 2010	Representative Director, President Corporate Officer
April 2013	Representative Director, Chairman Corporate Officer
April 2016	Director, Chairman (current position)

Representative Director,
President Corporate Officer

Satoru Kamiyama

April 1970	Joined the Company
June 2003	Director
April 2005	Chief General Manager, Paint Finishing System Division
June 2005	Managing Director
April 2006	Chief General Manager, Paint Finishing System Division, and Senior General Manager, Sales and Marketing Dept., Paint Finishing System Division
April 2007	Director, Managing Corporate Officer, Chief General Manager, Paint Finishing System Division
April 2009	Director, Executive Corporate Officer, Chief General Manager, Paint Finishing System Division
April 2010	Representative Director, Executive Vice President Corporate Officer
April 2013	Representative Director, President Corporate Officer (current position)

Representative Director,
Executive Vice President Corporate Officer

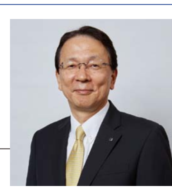
Toshiaki Shiba

April 1968	Joined the Company
April 2008	Corporate Officer, General Manager, Global Business Management Supporting Office, Green Technology System Division, and Vice General Manager, Engineering Dept., Green Technology System Division, and General Manager, Construction Purchasing Office, Green Technology System Division
April 2009	Senior Corporate Officer, Senior General Manager, Engineering Dept., Green Technology System Division
April 2012	Managing Corporate Officer, Chief General Manager, Green Technology System Division June 2012 Director, Managing Corporate Officer, Chief General Manager, Green Technology System Division
April 2013	Director, Executive Corporate Officer, Chief General Manager, Green Technology System Division
April 2015	Director, Executive Vice President Corporate Officer, Chief General Manager, Green Technology System Division
April 2016	Representative Director, Executive Vice President Corporate Officer (current position)

Director,
Executive Vice President Corporate Officer

Kiyoshi Hashimoto

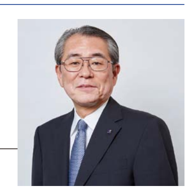
April 1972	Joined the Company
June 2005	Director
April 2007	Director, Senior Corporate Officer, Vice General Manager, Paint Finishing System Division, and Senior General Manager, Engineering Dept., Paint Finishing System Division
April 2009	Director, Managing Corporate Officer, Vice General Manager, Paint Finishing System Division, and Senior General Manager, Engineering Dept., Paint Finishing System Division
April 2010	Director, Managing Corporate Officer, Chief General Manager, Paint Finishing System Division
April 2012	Director, Executive Corporate Officer, Chief General Manager, Paint Finishing System Division
April 2014	Director, Executive Corporate Officer, Chief Executive, Corporate Planning Headquarters
April 2015	Director, Executive Vice President Corporate Officer, Chief Executive, Corporate Planning Headquarters (current position)



Director,
Executive Corporate Officer

Koji Kato

April 1978	Joined the Company
June 2005	Director
April 2007	Assistant to Chief General Manager, Green Technology System Division
April 2009	Corporate Officer; General Manager, Engineering Planning Dept., Green Technology System Division
April 2010	Managing Corporate Officer, Chief General Manager, Green Technology System Division, and General Manager, Engineering Planning Dept., Green Technology System Division
June 2010	Director, Managing Corporate Officer, Chief General Manager, Green Technology System Division, and General Manager, Engineering Planning Dept., Green Technology System Division
April 2012	Director, Managing Corporate Officer, Chief Executive, Corporate Planning Headquarters and in charge of Environment, and General Manager, Corporate Planning Office
April 2013	Director, Managing Corporate Officer, Chief Executive, Corporate Planning Headquarters and in charge of CSR
April 2014	Director, Managing Corporate Officer, Chief Executive, Administrative Management Headquarters and in charge of CSR
April 2016	Director, Executive Corporate Officer, Chief Executive, Administrative Management Headquarters and in charge of CSR (current position)



Director,
Executive Corporate Officer

Tetsuya Ogawa

April 1972	Joined the Company
April 2007	Corporate Officer, Senior General Manager, Process Quality Dept., Paint Finishing System Division
April 2010	Senior Corporate Officer, Vice General Manager, Paint Finishing System Division, and Senior General Manager, Engineering Dept., Paint Finishing System Division
June 2011	Director, Senior Corporate Officer, Vice General Manager, Paint Finishing System Division, and Senior General Manager, Engineering Dept., Paint Finishing System Division
April 2012	Director, Managing Corporate Officer, Vice General Manager, Paint Finishing System Division, and Senior General Manager, Engineering Dept., Paint Finishing System Division
April 2013	Director, Managing Corporate Officer, Vice General Manager, Paint Finishing System Division
April 2014	Director, Managing Corporate Officer, Chief General Manager, Paint Finishing System Division
April 2016	Director, Executive Corporate Officer, Chief General Manager, Paint Finishing System Division (current position)

Director,
Managing Corporate Officer,

Hiroshi Mukai

April 1974	Joined the Company
April 2012	Corporate Officer, General Manager, Osaka Branch Office, Green Technology System Division
April 2014	Senior Corporate Officer, General Manager, Osaka Branch Office, Green Technology System Division
April 2015	Managing Corporate Officer, Vice General Manager, Green Technology System Division
June 2015	Director, Managing Corporate Officer, Vice General Manager, Green Technology System Division
April 2016	Director, Managing Corporate Officer, Chief General Manager, Green Technology System Division (current position)

Director,
Managing Corporate Officer

Yukinori Hamanaka

April 1981	Joined the Company
April 2010	Corporate Officer, General Manager, Office 1, Paint Finishing System Division
April 2013	Senior Corporate Officer, Senior General Manager, Engineering Dept., Paint Finishing System Division
April 2015	Senior Corporate Officer, Vice General Manager, Paint Finishing System Division, and Senior General Manager, Sales and Engineering Dept., Paint Finishing System Division
June 2015	Director, Senior Corporate Officer, Vice General Manager, Paint Finishing System Division, and Senior General Manager, Sales and Engineering Dept., Paint Finishing System Division
April 2016	Director, Managing Corporate Officer, Vice General Manager, Paint Finishing System Division (current position)

Outside Director

Shuichi Murakami

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

Outside Director

Kazumasa Suezawa

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

Audit & Supervisory Board Members

Full-time Audit & Supervisory Board Member

Masaaki Saito

Full-time Audit & Supervisory Board Member

Toshiya Furukatsu

Outside Audit & Supervisory Board Member

Junichi Noro

Outside Audit & Supervisory Board Member

Hirokazu Hikosaka

History

1913	Kenzaisha (former name of Taikisha Ltd.) founded
1949	Joint stock company, Kenzaisha dissolved and Kenzaisha Co., Ltd. established
1971	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
1989	Taikisha (Taiwan) Ltd. established in Taipei Taikisha Engineering (M) Sdn. Bhd. established in Kuala Lumpur, Malaysia Taikisha UK Ltd. established in Birmingham, UK (former name of Geico 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
2000	Tokyo Taikisha Service Ltd. established (formerly Atmos Service Ltd. established in 1987)
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	"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
2013	The 100th anniversary of the foundation Taikisha Myanmar Co., Ltd. established in Yangon, Myanmar
2014	Formed a capital and business alliance with Encore Automation LLC

1913

Founded under the name of joint-stock company "Kenzaisha"

1971

Established first overseas subsidiary in Bangkok

1973

Changed the name to "Taikisha Ltd."

Formed global alliance with Geico S.p.A

2011

The 100th anniversary of the foundation

2013

Corporate Data

Corporate Name:	Taikisha Ltd.
Head Office:	Sumitomo Fudosan Shinjuku Grand Tower, 8-17-1, Nishi-Shinjuku Shinjuku-ku, Tokyo 160-6129, Japan Tel: 81-(0)3-3365-5320 Fax: 81-(0)3-5338-5195
Established:	April 10, 1913
Sales:	¥212,424 million (Consolidated: year ended March 2016)
Number of Employees:	4,892 (Consolidated: as of March 2016)

ISO Certification Obtained

ISO 9001

» Taikisha Ltd.
» TKS Industrial Company
» Taikisha (Singapore) Pte. Ltd.
» Taikisha (Thailand) Co., Ltd.
» Thaiken Maintenance & Service Co., Ltd.
» TKA Co., Ltd.
» Taikisha Engineering (M) Sdn. Bhd.
» P.T. Taikisha Indonesia Engineering
» P.T. Taikisha Manufacturing Indonesia
» Taikisha Philippines Inc.
» Wuzhou Taikisha Engineering Co., Ltd.
» Tianjin Taikisha Paint Finishing System Ltd.
» Tianjin Dongchun-Taiki Metal Finishing & Conveyor System Manufacturing Co., Ltd.
» Taikisha (Taiwan) Ltd.
» Taikisha Engineering India Private Ltd.
» Geico S.p.A.

ISO 14001

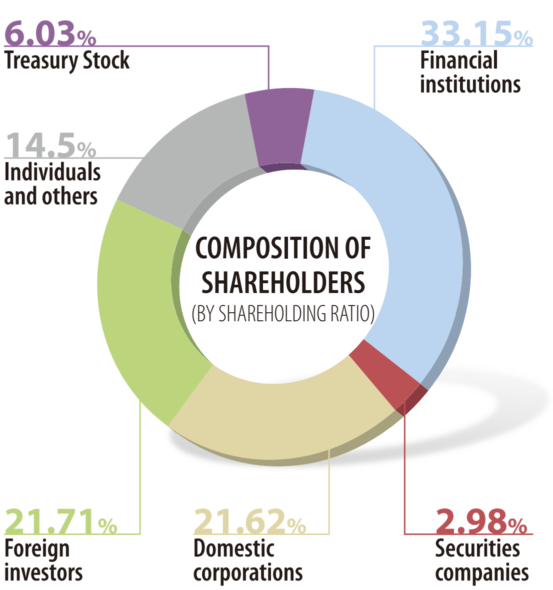
» Taikisha Ltd.
» TKS Industrial Company
» Taikisha (Singapore) Pte. Ltd.
» Taikisha (Thailand) Co., Ltd.
» Wuzhou Taikisha Engineering Co., Ltd.
» Tianjin Taikisha Paint Finishing System Ltd.
» Tianjin Dongchun-Taiki Metal Finishing & Conveyor System Manufacturing Co., Ltd.
» Taikisha Engineering India Private Ltd.

ABS Quality Evaluations, Inc. ★ Management System Certification ★

Investor Information

(As of March 31, 2016)

Authorized number of shares	100,000,000
Number of issued shares	36,782,009
Number of shareholders	3,404



Major Shareholders of the Company as of March 31, 2016

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

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

TAIKI-SHA

taikisha-group.com

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