

Annual Report 2017

APR. 2016 - MAR. 2017

Philosophy and Vision

Technology for the environment is the technology for the future

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.

Corporate Philosophy : Management Objectives

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.

2. Establish an attractive company:

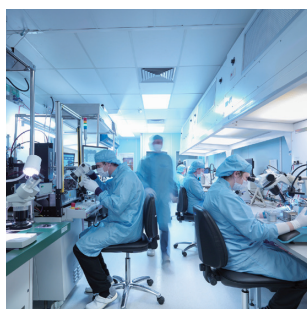
- 1) We aim to be a motivation-oriented company where the employees can demonstrate creativity and vitality through their work responsibilities.
- 2) We aim to be a company having the corporate culture in which all employees work in close cooperation to achieve the goals of the company, with the spirits 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.

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Cautionary statement regarding forward-looking statements : Data and forward-looking statements disclosed herein are based on current information available at the time of publication, and may change depending upon various factors. The data and judgments do not guarantee accomplishment of goals and projections, and may be changed at any time without notice. Consequently, we ask you to use this information at your discretion based upon your own judgment and information you may obtain through other sources. Taikisha Ltd. will not be responsible for any damages that result from the use of this information.

Under our new management structure, we will strive to further enhance stabilization of earnings and corporate value

I am Toshiaki Shiba, and I assumed the post of President in April 2017.

We would like to express our sincerest gratitude to our shareholders and investors for their continuous support.

In 1970, when the term stakeholder was not yet common, Taikisha Ltd. formulated its "Customers First" Mission Statement. The statement stipulates that 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. Our Employees abide by this mission statement throughout their activities. I tell employees daily that it is important to act according to our conscience and that they do not need to pursue profit against their own conscience.

We have set forth its Corporate Philosophy of "Establish a company which can continuously grow and contribute to the society" and "Establish an attractive company." To realize this, I call out to employees to look a decade ahead constantly and upholding initiatives that address the future.

The first initiative is the expansion of business areas. We aim to stabilize earnings by expanding into adjacent areas and new business fields while concurrently reinforcing technologies for the core businesses of building HVAC, industrial HVAC and paint finishing system for automobiles.

As a priority sector, the Green Technology System Division strives to increase the sales volume of the plant factory "Vege-factory" business, which employs only artificial lighting, by taking advantage of its air-conditioning technology. We will promote overseas expansion of the plant factory system worldwide by leveraging our global network that now covers 19 countries.

The Paint Finishing System Division intends to expand the provision of painting systems targeting such areas as aircraft, railway cars and ships, in which market scale expansion is expected in the future.

The second initiative is the expansion of overseas businesses. The domestic construction market in Japan is expected to shrink given the negative impact of factors such as the dwindling birthrate. To ensure the perpetual growth of the Group, it is necessary to expand our business globally. To that end, we aim to increase orders not only from Japan-based customers but also from Non-Japan customers. Furthermore, in view of the anticipated expansion of energy-saving demand especially in Southeast Asia, we will increase orders by leveraging the technological capabilities that we have nurtured in Japan.

The third initiative is to enhance productivity. In anticipation of upcoming and intensifying competition for orders, we will pursue further cost reduction. Specifically, we will take measures such as to "further improve the efficiency of businesses by actively using IT," "outsource routine operations" and "develop human resources and support carrier formation by introducing a new personnel system."

We will strive continuously to further enhance the stabilization of earnings and corporate value.

We appreciate the continued support and guidance of our shareholders and investors in the years to come.

Toshiaki Shiba

President and Representative Director



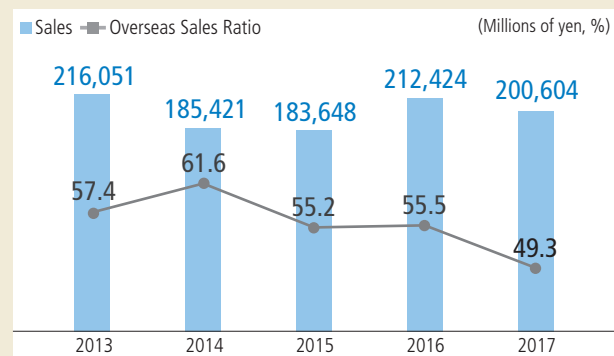


MANAGEMENT'S DISCUSSION AND ANALYSIS

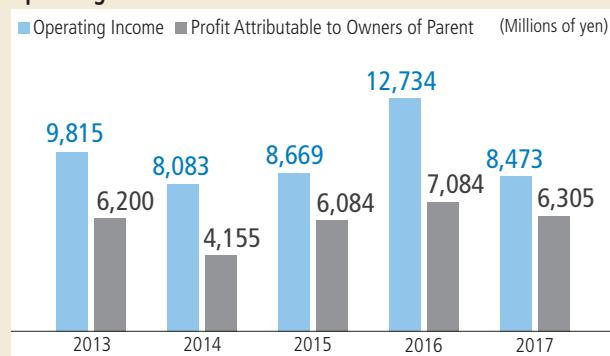
FIVE-YEAR SUMMARY : Taikisha Ltd. and its Consolidated Subsidiaries for the years ended March 31, 2013 to 2017

CONSOLIDATED	Millions of yen					Thousands of U.S. dollars
	2013	2014	2015	2016	2017	2017
Orders received:	¥195,920	¥189,026	¥187,311	¥221,764	¥218,323	\$1,945,845
Green Technology System Division						
Environmental facilities (building HVAC)	37,485	53,842	44,896	43,717	48,739	434,398
Industrial facilities (industrial HVAC)	87,251	72,216	81,093	88,988	81,690	728,080
Paint Finishing System Division	71,184	62,967	61,321	89,058	87,893	783,367
Sales:	¥216,051	¥185,421	¥183,648	¥212,424	¥200,604	\$1,787,923
Green Technology System Division						
Environmental facilities (building HVAC)	46,573	36,455	40,827	43,608	43,857	390,886
Industrial facilities (industrial HVAC)	90,641	78,989	75,307	91,214	80,704	719,291
Paint Finishing System Division	78,837	69,976	67,513	77,602	76,043	677,746
Profit attributable to owners of parent	6,200	4,155	6,084	7,084	6,305	56,196
Comprehensive income	11,006	10,852	14,320	1,063	8,174	72,859
Total assets	¥163,014	¥166,680	¥188,283	¥189,566	¥199,024	\$1,773,833
Total net assets	78,537	84,712	99,669	95,921	100,184	892,910
Equity ratio (%)	46.2	48.3	50.4	48.0	48.1	48.1
Return on equity (%)	8.7	5.3	6.9	7.6	6.8	6.8
	Yen					U.S. dollars
Profit attributable to owners of parent per share	¥170.99	¥116.08	¥172.64	¥204.35	¥183.16	\$1.63
Cash dividends per share	50.00	45.00	52.00	67.00	70.00	0.62
Net assets per share	2,087.16	2,282.56	2,690.76	2,633.60	2,799.30	24.95
NON-CONSOLIDATED						
Orders received:	¥88,223	¥104,576	¥100,479	¥111,793	¥112,222	\$1,000,197
Green Technology System Division						
Environmental facilities (building HVAC)	36,075	51,477	42,832	41,611	46,149	411,317
Industrial facilities (industrial HVAC)	31,815	27,478	38,482	46,416	46,676	416,013
Paint Finishing System Division	20,332	25,620	19,164	23,765	19,395	172,867
Sales:	¥107,049	¥86,200	¥93,297	¥107,269	¥105,378	\$939,198
Green Technology System Division						
Environmental facilities (building HVAC)	44,929	34,532	38,530	41,420	41,490	369,791
Industrial facilities (industrial HVAC)	32,777	28,041	35,386	39,968	44,447	396,146
Paint Finishing System Division	29,342	23,626	19,381	25,880	19,439	173,261

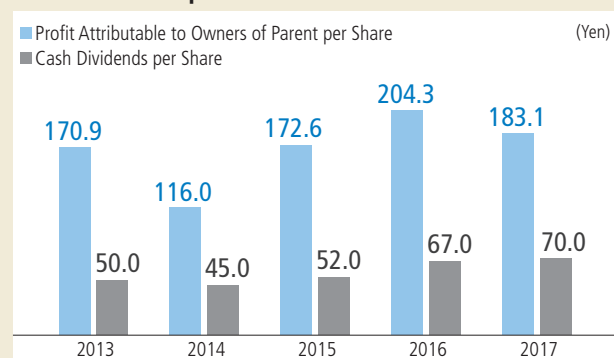
Sales & Overseas Sales Ratio



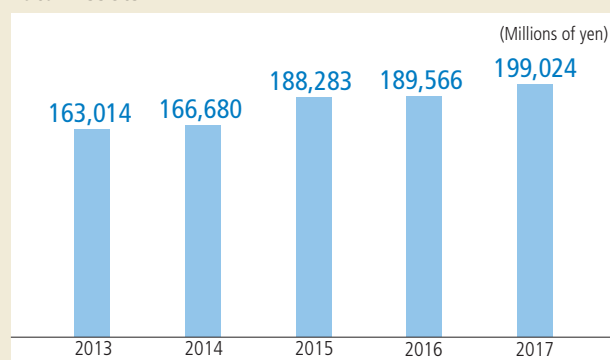
Operating Income & Profit Attributable to Owners of Parent



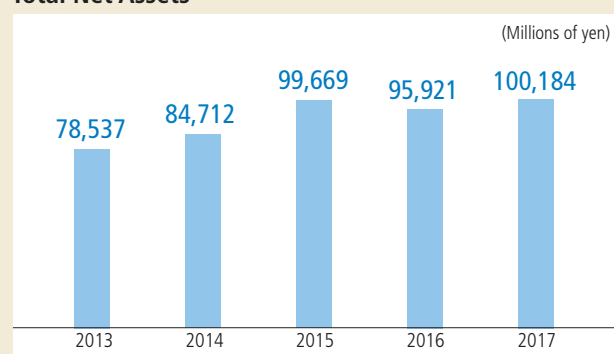
Profit Attributable to Owners of Parent per Share & Cash Dividends per Share



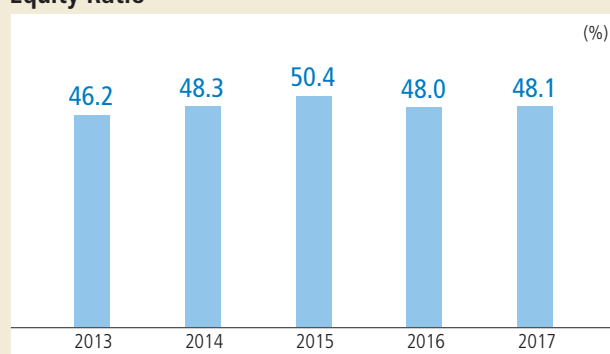
Total Assets



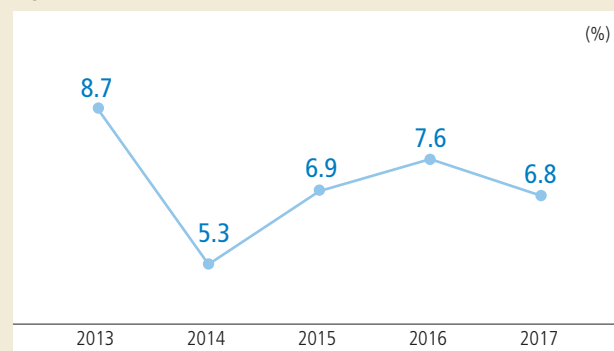
Total Net Assets



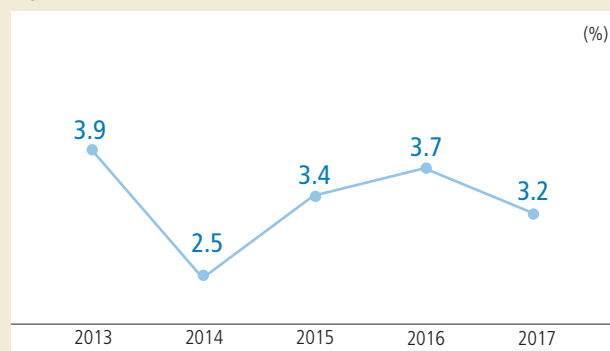
Equity Ratio



ROE



ROA



The Company was founded in 1913 under the name of joint-stock company "Kenzaisha," as an affiliated company of L Leybold Co., Ltd., a German machinery import company. At that time, major business operations were the importation and installation of heating equipment, elevators and building materials, etc.

Taikisha Ltd. celebrated its 100th anniversary on April 10, 2013.

With the Green Technology System Business (building HVAC and industrial HVAC) and the Paint Finishing System Business as core business pillars, the Taikisha Group is developing business on a global scale as an environmental engineering company with 36 affiliates in 19 countries.

We are carrying out stable management across three business sectors.

Green Technology System Business



(1) Building HVAC

We design and construct building HVAC systems for a variety of facilities including office buildings, schools, hospitals, hotels, museums and airport terminals to help people spend time comfortably.



(2) Industrial HVAC

We also design and construct industrial HVAC systems optimized for "monozukuri" including clean rooms for manufacturing facilities and research laboratories which require an extremely clean environment for manufacturing processes in fields such as semiconductors and pharmaceuticals. Furthermore, we focus on environmental conservation equipment such as pollution control systems.

Paint Finishing System Business



(3) Paint Finishing System

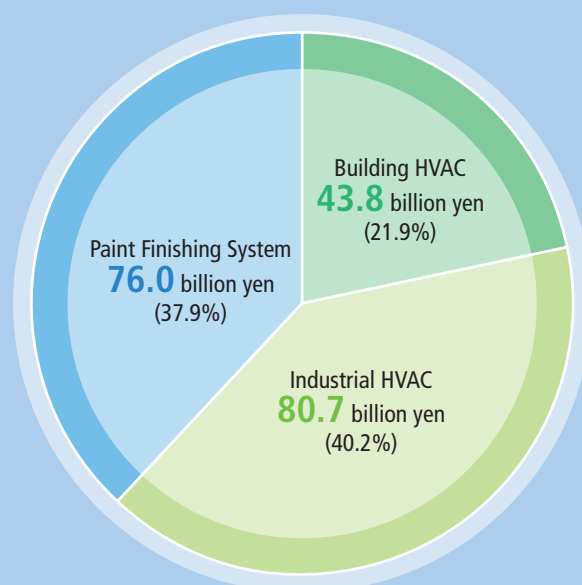
We design and construct large-scale paint plants for domestic and foreign automobile manufacturers in Japan, the United States, Europe, South Korea, China, India and other countries.

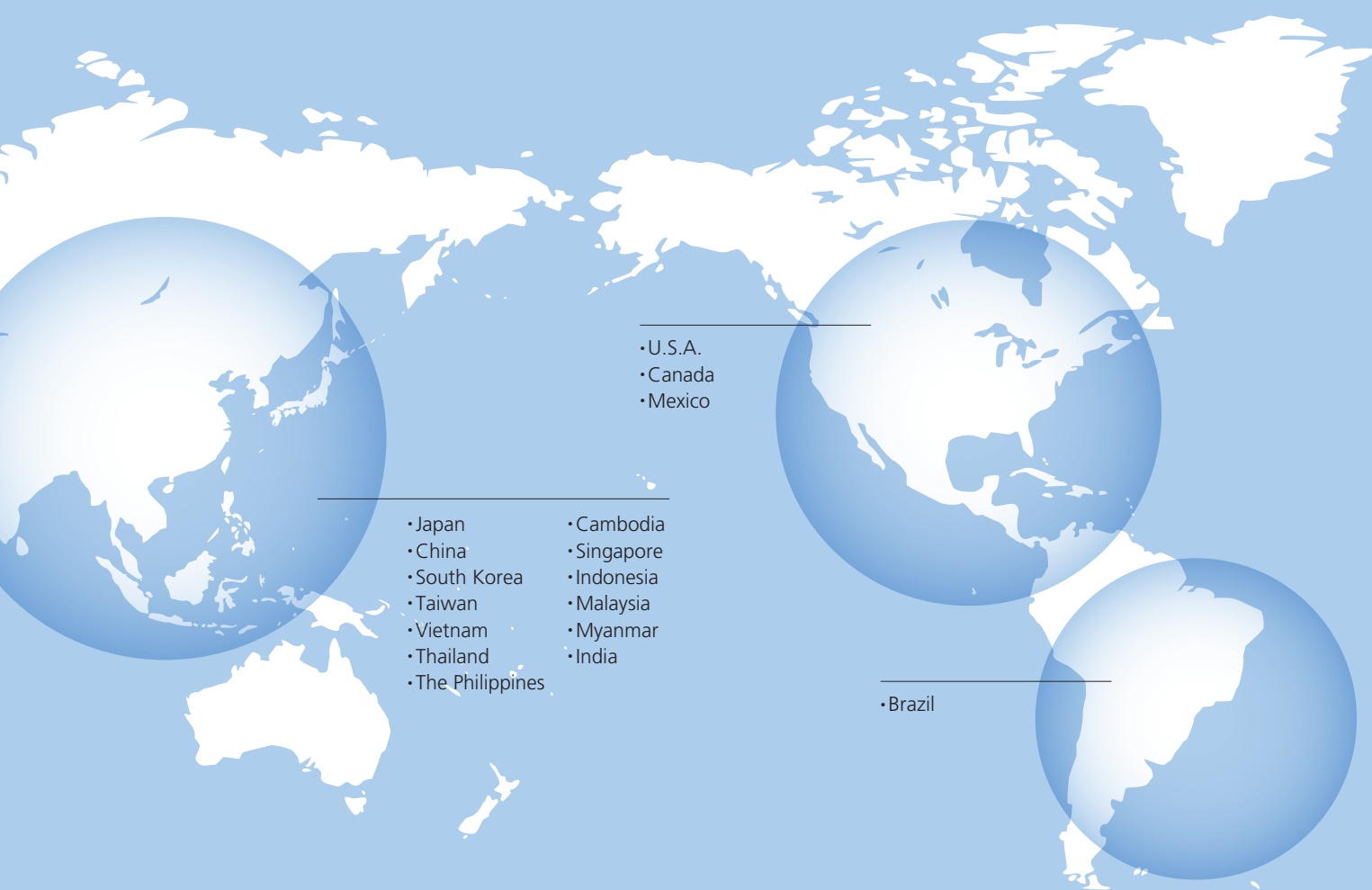
Our automobile paint plants, which balance energy saving with sophisticated pollution control functionality, have some of the largest sales globally.

Global Network

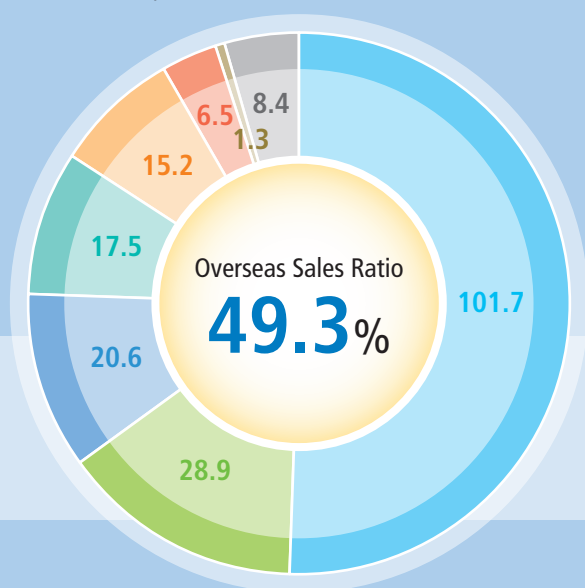


Composition of Sales (Total Sales) (for the fiscal year ended March 31, 2017)





● **Composition of Sales by Region**
 (for the fiscal year ended March 31, 2017)
 (Billions of yen)



Powerful Global Network

The Company features an extremely high overseas sales ratio within the Japanese construction industry (overseas sales ratio 49.3%, as of March 31, 2017). The Company's 36 affiliates in 19 countries overseas are significantly greater in number than that of other companies in the same industry. This powerful global network contributes greatly to the reception of orders regarding overseas projects.

- | | |
|-----------------------------------|------------------------------|
| ■ Japan | ■ China |
| ■ North America | ■ India |
| ■ Thailand | ■ Other East Asian countries |
| ■ Other Southeast Asian countries | ■ Other regions |



Please describe the business environment surrounding the Company and the business results for the year ended March 31, 2017.



Compared with the original expectation of 200,200 million yen, consolidated orders-received for the fiscal year ended March 31, 2017 amounted to 218,300 million yen.

I would like to explain by our business areas.

In the building HVAC business, orders were received for projects such as medical, commercial, accommodation and educational facilities including the redevelopment of office buildings in the metropolitan area.

For the industrial HVAC business in Japan, orders were secured through increased capital investment by drug manufacturers against the backdrop of the dissemination and improvement of generic drugs, in addition to investments by electric and electronic parts manufacturers.

In the industrial HVAC business overseas, we had a difficult time, reflecting sluggish investments by Japan-based customers and the intensified competition for projects of Non-Japan companies.

For the paint finishing system business, on the other hand, Geico S.p.A. received a large-scale order in North America, as well as an order from a Japan-based customer in U.K. and from a German customer in Russia, all of which considerably contributed to orders-received.

In the field of aircraft painting, Encore Automation LLC in the U.S. and the Company (on a non-consolidated basis) in Japan received orders for large-scale projects.

As a result, synergies due to an alliance with Geico S.p.A./ Encore Automation LLC led to significant achievements.

Ordinary income was 9,800 million yen against the original expectation of 11,800 million yen.

In the Green Technology System Division, while profit decreased overseas due to a decline of sales from causes such as a reduction in investments by Japan-based companies, profit increased in Japan due to reduced costs, decreased loss costs and enhanced productivity through the use of IT.

In the Paint Finishing System Division, causes such as unexpected defects in certain projects resulted in a cost increase, reducing profit.

Profit attributable to owners of parent was 6,300 million yen compared with the original expectation of 6,900 million yen.

Achievements in FY2016

(Hundred millions of yen)

	Results of FY2016	Original expectation	Difference
Orders-received	2,183	2,002	181
Net sales of completed construction contracts	2,006	1,940	66
Ordinary income	98	118	-19
(Ratio)	4.9%	6.1%	-1.2%
Profit attributable to owners of parent	63	69	-5
(Ratio)	3.1%	3.6%	-0.4%





Please describe the business environment and business forecasts for the fiscal year ending March 31, 2018.



Consolidated orders-received for the fiscal year ending March 31, 2018 are expected to be 204,600 million yen.

Favorable market conditions are expected to continue for the building HVAC business as the construction of adjacent facilities and redevelopment projects mainly in metropolitan centers in anticipation of the Tokyo Olympic and Paralympic Games, and plans for the renewal of existing buildings compliant with the new earthquake-resistant building standards and the construction of new hotels ahead of an expected increase in the number of foreign visitors.

For the industrial HVAC business in Japan, increased investments by electric and electronic parts manufacturers are expected to continue. Demand for high-performance parts for smartphones is expected to remain firm, and future demand expansion into IoT, AI

and autonomous driving system fields is also expected.

Furthermore, investments by machine tool and industrial robot manufacturers are expected, apart from electric and electronic parts manufacturers.

However, a reactionary decline is expected due to large-scale orders from generic drug manufacturers in the previous fiscal year.

The earnings forecast for the fiscal year ending March 31, 2018 for the industrial HVAC business overseas is expected to remain at a similar level with the previous fiscal year. In the context of market environment, investments by Non-Japan customers are expected to increase and those by Japan-based customers are expected to recover due to signs of a recovery in the global economy.

In the paint finishing system business, a reactionary decline is expected due to orders for large-scale projects in North America in the previous fiscal year.

Earnings Forecast for FY2017 (Orders received)

(Hundred millions of yen)

	FY2017 (Expectation) a	FY2016 (Results) b	Difference a-b	FY2017 (Mid-Term Business Plan) c	Difference a-c
Orders-received	2,046	2,183	-137	2,085	-39
(Domestic)	(1,054)	(1,082)	(-28)	(1,034)	(20)
(Overseas)	(992)	(1,100)	(-108)	(1,051)	(-59)
Green Technology	1,303	1,304	-1	1,341	-38
Building HVAC	527	487	39	515	12
Industrial HVAC	776	816	-40	826	-50
(Domestic)	(383)	(462)	(-79)	(395)	(-12)
(Overseas)	(393)	(354)	(38)	(431)	(-38)
Paint Finishing	743	878	-135	744	-1
(Domestic)	(144)	(132)	(11)	(124)	(20)
(Overseas)	(599)	(746)	(-147)	(620)	(-21)

Net sales of completed construction contracts for the fiscal year ending March 31, 2018 are expected to be 213,200 million yen.

In the Green Technology System Division, sales of the building HVAC business in Japan are expected to increase from the previous

fiscal year due to the completion of large-scale redevelopment projects.

In the Paint Finishing System Division, sales are expected to increase from the previous fiscal year too, due to the contribution to sales of two large-scale projects in North America.

Earnings Forecast for FY2017 (Sales)

(Hundred millions of yen)

	FY2017 (Expectation) a	FY2016 (Results) b	Difference a-b	FY2017 (Mid-Term Business Plan) c	Difference a-c
Net sales of completed construction contracts	2,132	2,006	125	2,025	107
(Domestic)	(1,041)	(1,017)	(23)	(950)	(91)
(Overseas)	(1,091)	(988)	(102)	(1,075)	(16)
Green Technology	1,295	1,245	49	1,291	4
Building HVAC	478	438	39	445	33
Industrial HVAC	817	807	9	846	-29
(Domestic)	(430)	(440)	(-10)	(415)	(15)
(Overseas)	(387)	(366)	(20)	(431)	(-44)
Paint Finishing	837	760	76	734	103
(Domestic)	(133)	(138)	(-5)	(90)	(43)
(Overseas)	(704)	(621)	(82)	(644)	(60)

Regarding profits, ordinary income of 12,300 million yen is expected for the fiscal year ending March 31, 2018.

Although the total amounts are unchanged from the Mid-Term Business Plan, the projections by division were reviewed in consideration of current circumstances.

For the Green Technology System Division, both ordinary income amount and the profit ratio are expected to exceed the

targets in the Mid-Term Business Plan.

For the Paint Finishing System Division, profit is expected to recover due to the improvement of unexpected factors that caused a decrease in profit in the previous fiscal year.

Profit attributable to owners of parent is expected to be 7,100 million yen as targeted in the Mid-Term Business Plan.

Earnings Forecast for FY2017 (Profit)

(Hundred millions of yen)

	FY2017 (Expectation) a	FY2016 (Results) b	Difference a-b	FY2017 (Mid-Term Business Plan) c	Difference a-c
Ordinary income	123	98	24	123	0
(Ratio)	5.8%	4.9%	0.9%	6.1%	-0.3%
Green Technology	100	99	0	90	10
(Ratio)	7.7%	8.0%	-0.3%	7.0%	0.8%
Paint Finishing	28	-1	29	38	-10
(Ratio)	3.3%	-0.2%	3.5%	5.2%	-1.8%
Profit attributable to owners of parent	71	63	7	71	0
(Ratio)	3.3%	3.1%	0.2%	3.5%	-0.2%



Please explain your initiatives to achieve the earnings forecast for the fiscal year ending March 31, 2018.



As for the Green Technology System Division, the first initiative is to enhance responses to Non-Japan customers overseas.

Based on our overseas business performance over half a century, in addition to enhancement of the response to the needs of Japan-based customers, we will develop a system, mainly consisting of local staff to respond especially to those of Non-Japan customers, to maintain and expand the number of customers.

With the increasing trend of package orders for mechanical work and electrical engineering work projects by Non-Japan customers, we aim to increase opportunities for receiving orders by strengthening our technological capabilities for electrical engineering works.

As disclosed on May 10, 2017, Taikisha implemented business and capital alliances with BTE Co., Ltd., a switchboard manufacturing company in Thailand as an initiative to enter the electrical engineering business.

The second initiative is the expansion of business areas.

We aim to increase the sales volume of the plant factory business.

Our past record includes three domestic projects and one overseas. We will actively promote overseas expansion by using the plant factory laboratory in Thailand for marketing activities.

We also aim to increase orders-received for interior finishing work projects overseas.

As for the Paint Finishing System Division, the first initiative is to strengthen the overseas governance system. We will strengthen cooperation between the Company and overseas affiliates. We will also promote the standardization of construction techniques and strengthen the quality management system.

Second, Group companies will cooperate in Japan and abroad to promote marketing activities for paint finishing system businesses for non-automobiles, such as aircraft, railway cars and ships.

In addition, customer services will be enhanced by expanding into adjacent areas including painting technologies for application with new materials and conveyor systems.

Third, we will promote proactive marketing activities to companies in the U.S. and Europe by strengthening the alliance with Geico S.p.A. and Encore Automation LLC.

The final initiative is to strengthen our management base.

In anticipation of intensifying competition for orders in the future, we will pursue further cost reduction through enhanced productivity. Specifically, we will take measures such as to "further improve the efficiency of businesses by actively using IT," "outsource routine operations" and "develop human resources and support carrier formation by introducing a new personnel system."



What is your policy on shareholders returns?



The basic policy is to implement steady dividends as we always have by targeting a consolidated dividend payout ratio of 35%.

The Company has decided to distribute cash dividends per share of 70 yen for the fiscal year ended March 31, 2017, as was projected in the original expectation, although net income was lower than initially expected.

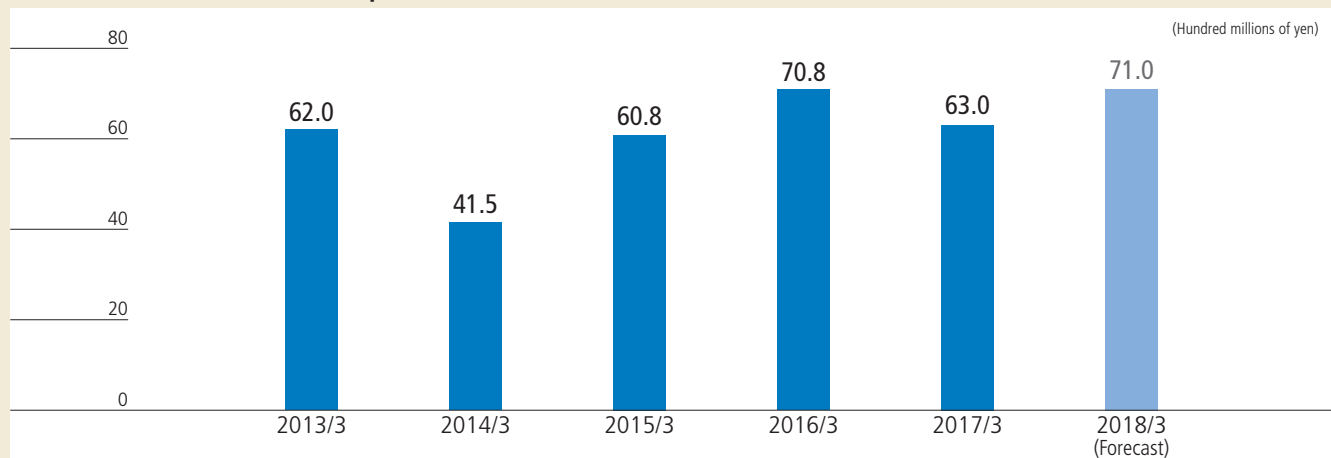
The annual dividend for the fiscal year ending March 31, 2018, is slated to be 73 yen per share.

In addition, I would like to explain about the purchase of treasury shares.

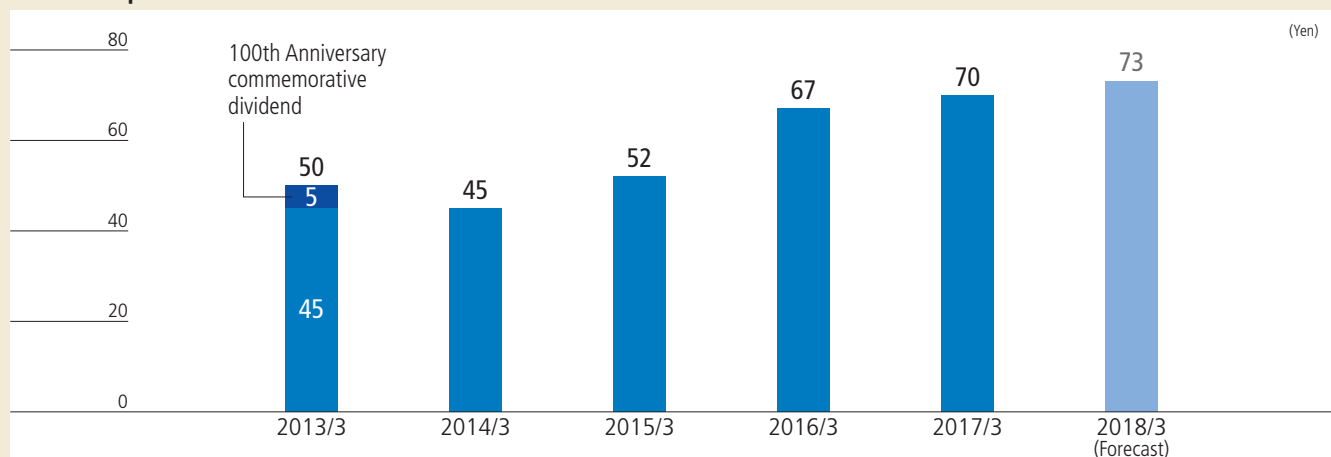
The Company purchased its treasury shares in an amount of approximately 1,000 million yen in the previous fiscal year.

Going forward, the Company will flexibly determine its plans on the purchase of treasury shares each year.

Profit attributable to owners of parent



Dividends per Share



Green Technology System Division

Business Overview

Green Technology System Division conducts Industrial HVAC business (for clean rooms and other manufacturing facilities) and building HVAC business (for office buildings etc.) that designs and constructs HVAC systems both in Japan and overseas.

TOPICS 1

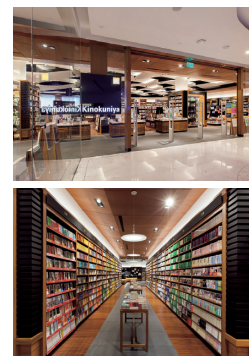
Token Interior & Design Co., Ltd.

FOCUS

Taikisha (Thailand) Co., Ltd., which was established in 1971, is the oldest of Taikisha's overseas group company.

In 1986, Taikisha (Thailand) Co., Ltd. established Token Interior & Design Co., Ltd., a joint venture to engage in interior goods and materials, as a measure to expand its business domain. This company has gained strong support not only among Japanese customers but also among many local customers, given its strengths such as a thorough quality management system and the provision of Japanese-quality furniture, store equipment and fittings. Recently, Token Interior & Design established a group company in Myanmar to extensively promote business operations in adjacent countries with Thailand as a hub of activity.

In 1990, Token Interior & Design undertook the interior work for the first store opening in Thailand of Kinokuniya Company Ltd. Highly acclaimed for its excellent workmanship on this project, Token Interior & Design succeeded in receiving orders for the entire interior work including furniture, equipment and lighting of two stores subsequently planned in Bangkok. A large store for which work was completed recently is located inside the EmQuartier, Bangkok's newest shopping center, reproducing the highly original designs of a Singapore architect with the lavish use of teak. Token Interior & Design will continue to fully support such store development projects in collaboration with the Taikisha Group.



Aiming to Further Increase of Orders Received through Preferential Allocation of Management Resources and Active Proposal Marketing Activities to Customers

The Division designs and constructs HVAC systems for the industrial HVAC business sector (for clean rooms and other manufacturing facilities) and the building HVAC business sector (for office buildings etc.) both in Japan and overseas.

For the industrial HVAC business sector, rising demand for electric and electronic parts in line with the functional enhancement of smartphones and other factors are anticipated to spur companies in those fields to invest, although there is a concern that the effects of the unclear 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, investments to develop new buildings for the re-development of the metropolitan area are expected. In the long term, ratio of market for renewal of existing buildings is expected to be higher.

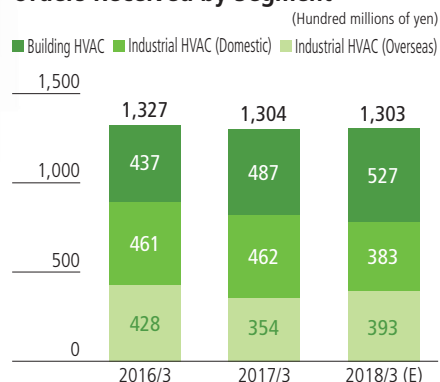
For the future, by keeping an eye on the fields and markets with potential for investment growth, we will respond promptly to the growth and preferentially allocate management resources to such fields and markets, and also actively conduct proposal-intensive marketing activities for maintenance/renovation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



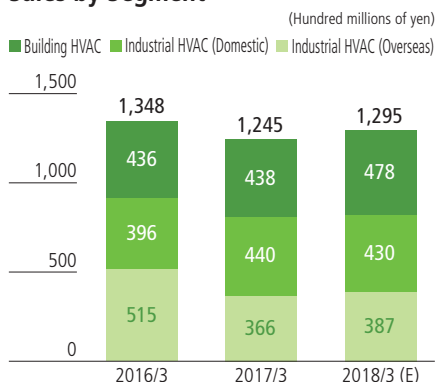
Director, Executive Corporate Officer, Chief General Manager, Green Technology System Division

Hiroshi Mukai

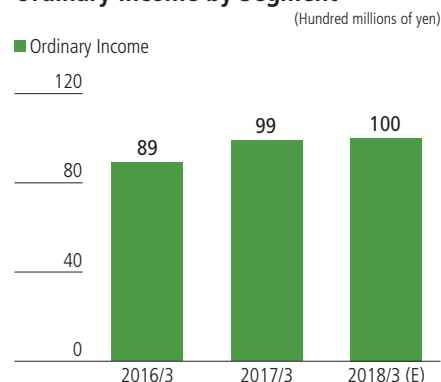
Orders Received by Segment



Sales by Segment



Ordinary Income by Segment



TOPICS 2

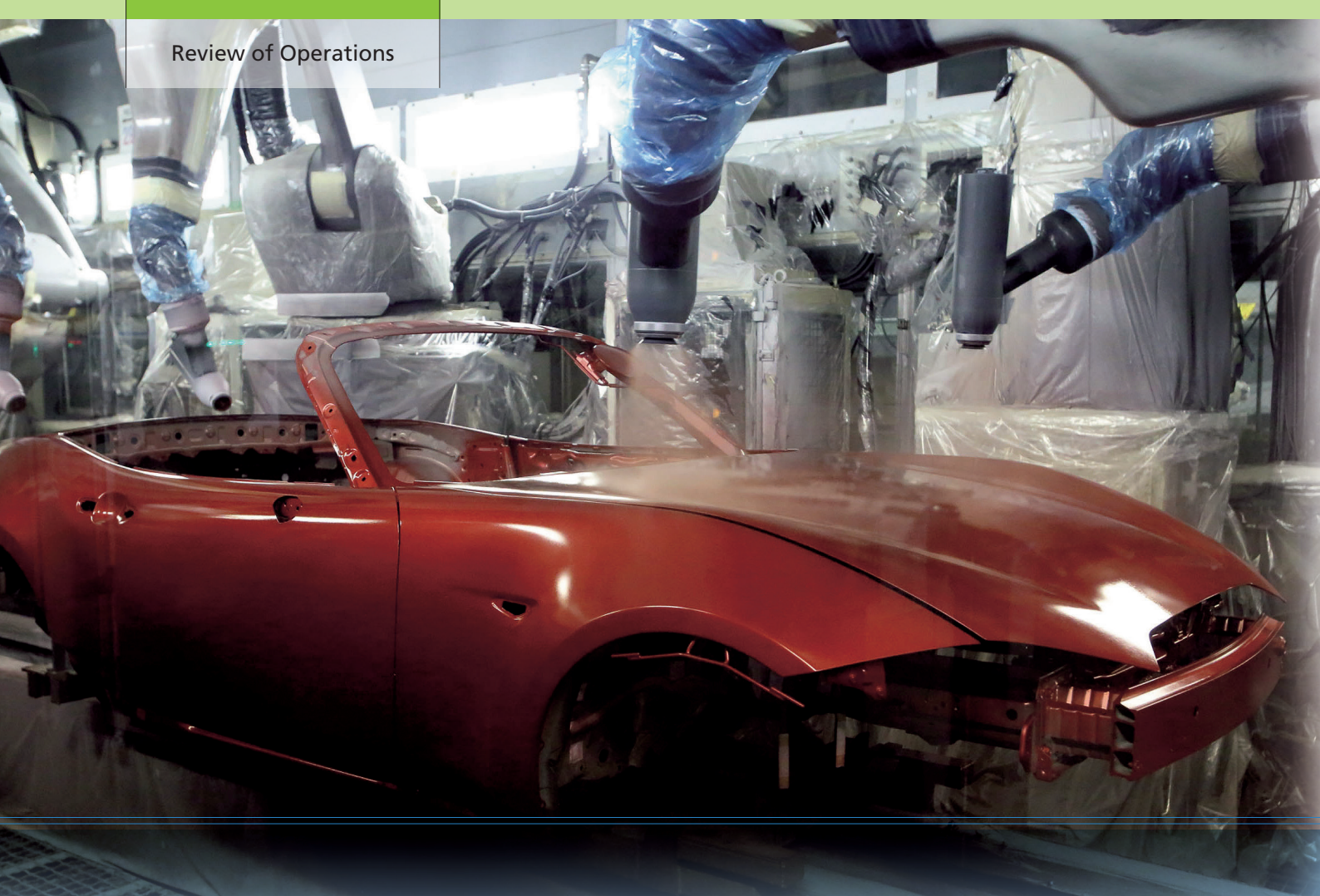
Capital Participation in BTE Co., Ltd., a Thai Switchboard Manufacturing Company

Taikisha (Thailand) Co., Ltd. ("TKC"), a Thai subsidiary of Taikisha Ltd recently conducted a capital participation in BTE Co., Ltd. ("BTE"), a switchboard manufacturing company in Thailand.

In the Mid-Term Business Plan, Taikisha set forth the policy of "Creating marketing and construction organization which enables to satisfy widely the needs of both Japan-based customers and Non-Japan customers" to improve the overseas businesses of the Green Technology System Division. As Non-Japan customers often place package orders for mechanical work and electrical engineering work projects, this capital participation in BTE was made for the purpose of strengthening its technological capabilities for electrical engineering works.

Since the establishment of TKC in Thailand in 1971, Taikisha has accumulated well-established local activities for around half a century. Taking the opportunity of this capital participation, Taikisha will promote the further localization of overseas businesses.





Paint Finishing System Division

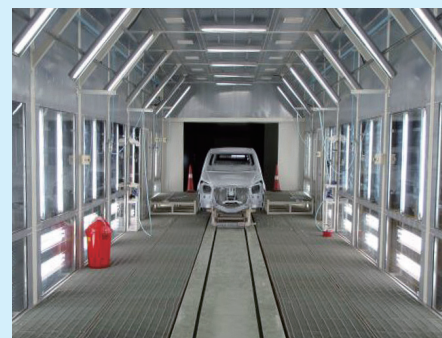
Business Overview

Paint Finishing System Division designs and constructs automobile paint plants, whose major customers are domestic and overseas automobile manufacturers. Taikisha has one of the largest sales in this field globally.

TOPICS 1

Isuzu Motors' First Indian Manufacturing Plant Completed

In April 2016, the construction of Isuzu Motor's first Indian manufacturing plant was completed. Taikisha received a package order for our paint finishing system, including conveyor systems, to be installed in this plant. The new plant will produce "ISUZU D-MAX" pickup trucks of 2,500-cc displacement in line with the expanding demand for pickup trucks in the light commercial vehicle market in India.



Aiming to Further Increase of Orders Received through Preferential Allocation of Management Resources and Collaboration with Group Companies Overseas

The Division designs and constructs automobile paint plants, whose major customers are domestic and overseas automobile manufacturers. Taikisha has one of the largest sales in this field globally.

In the field of paint finishing systems for automobiles, investment is expected to increase in China and India where automobile sales are favorable, as well as in the United States where we anticipate increased demand for equipment renewal.

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 automobile manufacturers and energetically expanding into peripheral business domains, such as paint finishing systems for other than automobiles, such as for aircraft, railway cars and ships, and conveyor systems.

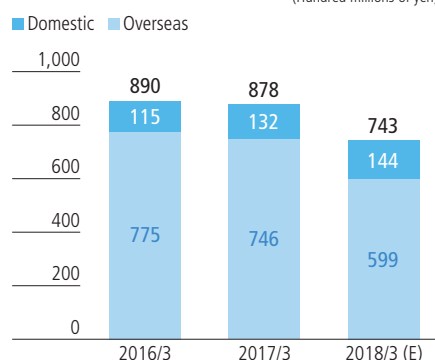


Executive Corporate Officer, Chief General Manager,
Paint Finishing System Division

Ryoichi Uenodan

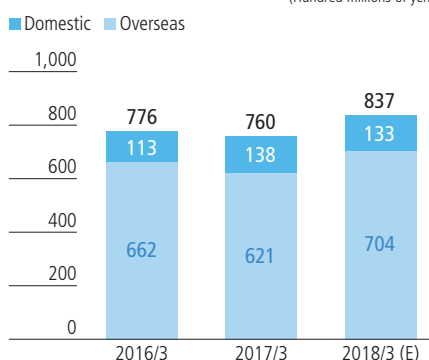
Orders Received by Segment

(Hundred millions of yen)



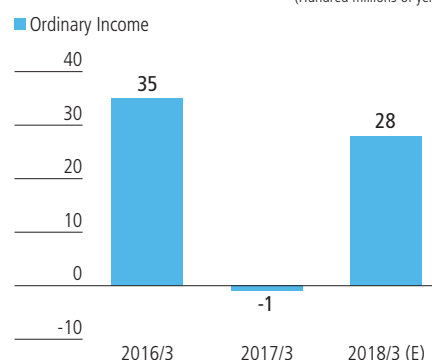
Sales by Segment

(Hundred millions of yen)



Ordinary Income by Segment

(Hundred millions of yen)



TOPICS 2

Innovative Painting Booths Realized with Bold Thinking –J-Hive–

At automotive paint plants, the reduction of energy consumption and the downsizing of equipment are two major themes that require constant efforts for improvement. With regard to these themes, Geico S.p.A., which has an alliance with the Company, developed an innovative product called "J-Hive."

J-Hive is a type of equipment in which modular octagonal shaped painting booth units can be flexibly combined and position to fit the layout requirements. In combination with proprietary conveyor systems and robotic painting systems, the equipment enables substantial energy conservation and space saving. The J-Hive concept was introduced externally for the first time at the "SURCAR Shanghai 2015 International Congress" held in 2015 and received the Innovation Award at the Congress. SURCAR is

an international conference on automotive body finishing that has been one of the most authoritative conferences in the paint finishing technology industry for more than 50 years.

The Taikisha Group will continue to promote the development of innovative products to meet a variety of requests from customers.



Basic Policy

The Company has established a basic policy of corporate governance to gain the trust of all stakeholders and aims 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 its 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 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 the Taikisha Group.

Corporate Governance System

The Board of Directors, comprised of ten Directors including two Outside Directors, makes decisions on important management matters, and monitors and supervises the execution of duties by each Director and each Corporate Officer. The Board of Directors meeting, presided over by the Chairman, is generally held once a month with additional meetings as and when required.

The Company has adopted the corporate officer system in order to clarify the responsibilities and authorities in corporate management and function of execution of duties, as well as to revitalize the Board of Directors and speed up its decision-making processes by reducing the number of Directors. Corporate Officers are appointed by resolution of the Board of Directors (tenure: one year) and execute their duties based on the management policy decided by the Board of Directors. The total number of Corporate Officers is twenty-four, of which seven serve concurrently as Directors.

The Company has established the Management Meeting chaired by the President to increase the effectiveness and efficiency of Taikisha Group's management. The Management Meeting, consisting of five Directors and a Managing Corporate Officer, generally meets once each month with additional meetings as and when required. The Management Meeting makes adequate deliberations and prompt decisions regarding the execution of the Taikisha Group's specific duties delegated by the Board of Directors. Audit & Supervisory Board Members attend the Management Meeting whenever necessary and present their opinions from an objective and neutral standpoint.

The Company has four Audit & Supervisory Board Members, including two Outside Audit & Supervisory Board Members, and they audit important decision-making processes and execution of duties in the Company and the Taikisha Group companies. Audit

& Supervisory Board Members attend major meetings, including the Board of Directors meeting and the Management Meeting, and collect information from the Internal Audit Office and other relevant departments in order to provide advice and recommendations for operational improvement and other issues. In addition, Audit & Supervisory Board Members, in cooperation with the Internal Audit Office, conduct on-site audits of business offices and affiliates in Japan and overseas that are considered important for consolidated management. Audit & Supervisory Board Members also receive reports from the Internal Audit Office and Accounting Auditors regarding their audit plans, the status of implementation of audits, audit results, and other issues on a periodic basis, and request further examination and explanation on these issues as and when required.

Functions that Support Corporate Governance

The Company, based on the recognition that violation of laws and ordinances is its biggest management risk, has formulated a basic policy for the establishment of the internal control system based on the Companies Act in order to ensure and enforce compliance with laws and ordinances. In addition, for the purpose of establishing a lawful and efficient corporate structure, the Company has set up the following systems: 1) compliance system; 2) information management system; 3) risk management system; 4) system to ensure the efficiency and transparency of management decisions; 5) group management system; 6) system regarding audit by Audit & Supervisory Board Members (system to support Audit & Supervisory Board Members, system regarding reporting to Audit & Supervisory Board Members, and system to ensure the effectiveness of audit and other systems). The Company will review these systems continuously to make improvements where necessary.

Evaluation of the Effectiveness of the Board of Directors

Evaluation method

The Company conducts an analysis and evaluation of the effectiveness of the Board of Directors at least once a year and discloses an overview of its results in order to improve the effectiveness of its Board of Directors and enhance its information provision to external stakeholders. Regarding the analysis and evaluation of the effectiveness of the Board of Directors for the fiscal year ended March 31, 2017, all Directors and Audit & Supervisory Board Members, led by the Chairman of the Board, participated in a survey on "Roles to be fulfilled by the Board of Directors" and "Matters to be considered by the Board of Directors in order to fulfill roles" via a questionnaire distributed to the entire Board. The Board of Directors subsequently deliberated on the analysis results of the said evaluation.

Results of evaluation

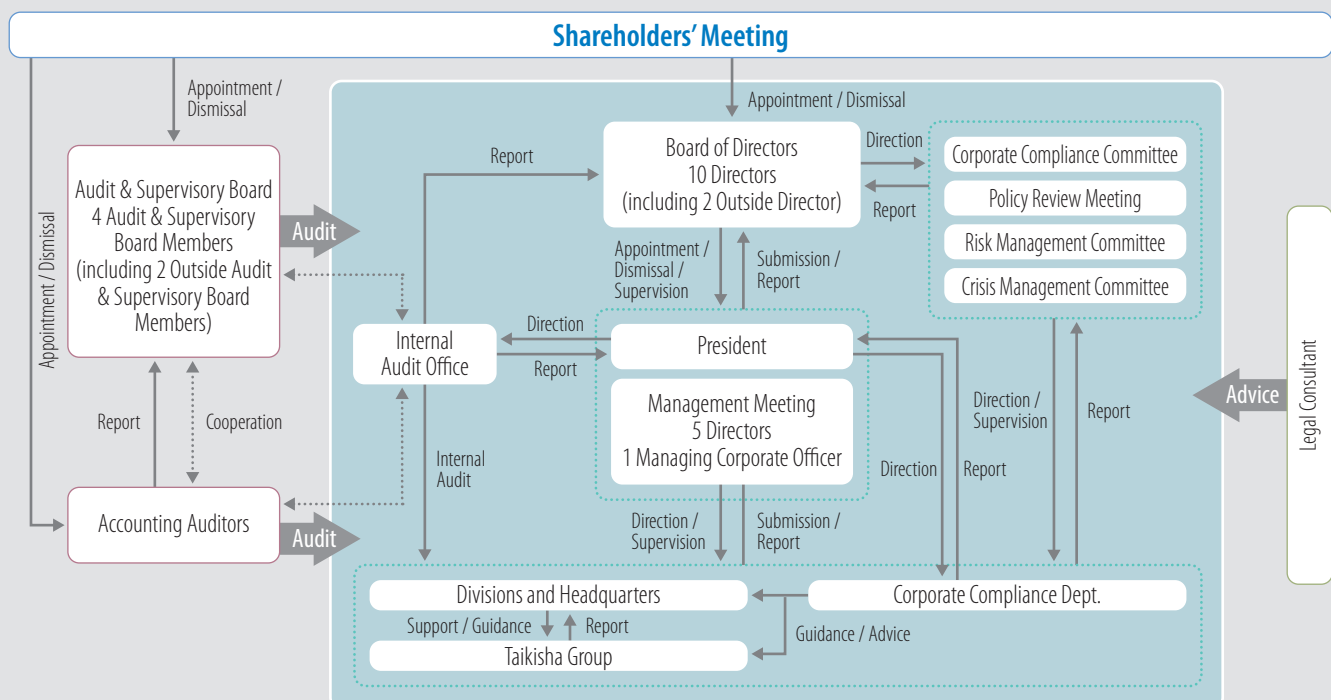
As a result, it was determined that Board of Directors is sufficiently effective. The Board of Directors of the Company has the role of making decisions on important management matters and effectively demonstrating its supervisory function over general management to put into practice the “Customer first” mission statement and contribute to continuing growth and the medium- to long-term improvement of corporate value. To fulfill these roles, the provision of materials and the time for discussions have been sufficiently ensured to stimulate deliberations at the Board of Directors meetings. Meanwhile, the status of the execution of important duties is regularly reported to the Board of Directors.

The Company is steadily improving the matters that were recognized as issues to be addressed through the analysis and evaluation of the effectiveness of the Board of Directors during the previous fiscal year. The Board of Directors reviewed the roles of the respective meeting structures, modified the operating method of the Risk Management Committee and other committees, and deepened discussions on basic policies regarding management infrastructure bases such as core systems. Furthermore, the Company has developed the environment for further promoting constructive dialogues with each stakeholder.

Initiatives to address the issues raised

The Company will continue to review the method of operating its various meetings while considering their respective roles in reinforcing the supervisory function of the Board of Directors. Moreover, the Company will devise ways to clarify points that need supervision with regard to matters to be reported to the Board of Directors. The Company will also ensure sufficient time for discussions on work style reforms and human resource development, on the reinforcement of the Group-wide risk management system, and on the establishment and operation of the core system, the personnel system and the accounting infrastructure which will support the medium- to long-term corporate growth of the Taikisha Group. To further enhance and reinforce corporate governance, the Company will prioritize the responses to the issues raised and examine measures to improve the effectiveness of the Board of Directors on an ongoing basis.

Conceptual Diagram of Corporate Governance



Compliance System

To conduct transparent and sound business activities under the “Customers First” mission statement, Taikisha has set out its ethical code, to which all officers and employees must comply, in Taikisha Code of Conduct. In addition, to enforce the Code of Conduct, Taikisha has set out the Compliance Activity Standards and distributed the Compliance Manual, in which specific compliance items are laid down, to all employees. These are carried out so as to ensure that the codes are fully disseminated and are well-known in the entire Taikisha Group.

Taikisha’s system for promoting compliance is operated by the Corporate Compliance Committee, the Corporate Compliance Dept., Compliance Officers and the whistleblowing hotline.

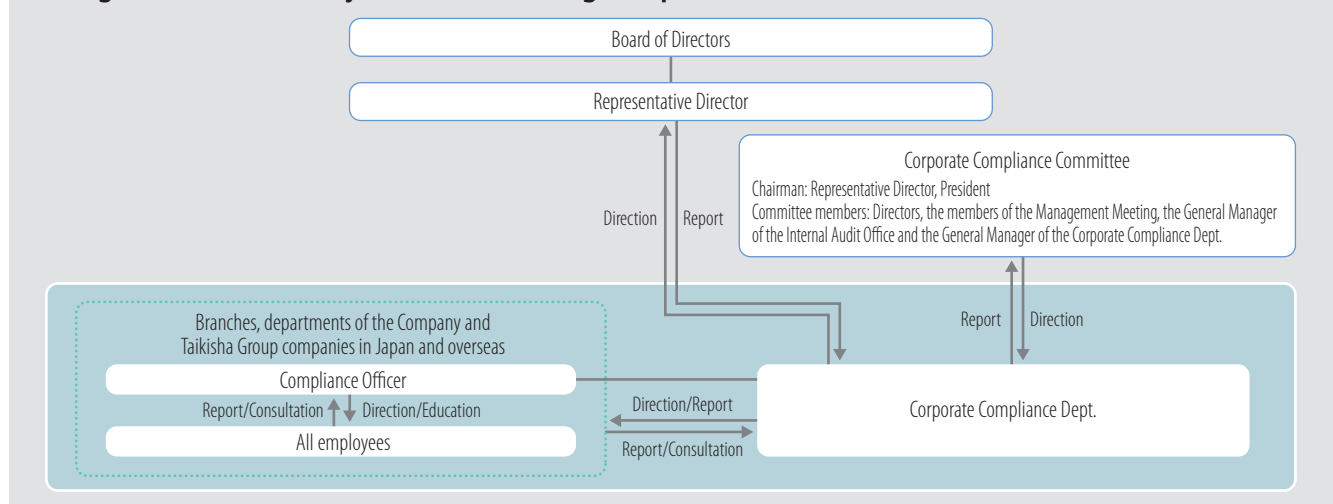
The Corporate Compliance Committee, chaired by the Representative Director, President, comprises the Directors, the members of the Management Meeting, the General Manager of

the Internal Audit Office and the General Manager of the Corporate Compliance Dept. The committee meets once a month, in principle, to report and respond to compliance issues in Taikisha’s overall business from a management perspective.

The Corporate Compliance Dept. formulates plans based on the Compliance Policy set out by the Corporate Compliance Committee, while maintaining independence as a department directly under the Representative Director, and promotes activities for enhancing compliance awareness among all officers and employees. The Department reports on the status of such activities to the Committee.

In addition, Taikisha assigns a Compliance Officer in each branches of the Company and affiliates in Japan and overseas, thus clearly separating the commanding/reporting line from the Department to strengthen the compliance system.

Diagram of Taikisha’s System for Promoting Compliance



Environmentally Friendly Technologies

New Painting System Developed in Response to Environmentally-Conscious Customers’ Needs

In recent years, responding to the environment through reducing energy consumption, improving fuel consumption and other efforts has become the most important task for the automobile industry. In particular, composite materials containing resin have been adopted for exterior parts/components such as bumpers, improving fuel consumption by reducing the overall body weight.

For the paint finishing process of such parts/components made of composite materials, it is necessary to use two liquid-type paints to harden paint films via a chemical reaction by mixing the main agent (paint) and the hardening agent at certain rates.

Taikisha’s newly developed painting system adopts servo motors (*1) to drive syringe pumps (*2), which are used to mix paints. This system achieves excellent cost performance by

improving the precision of mixture rates and reducing the losses from discarded paints.

This new painting system will be implemented for several automobile bumper painting line construction projects overseas, and a further increase in orders received is expected. We will also extend our activities into the aircraft and railway vehicle fields which also use a two-liquid-type painting method, as we look ahead to the future automation of painting operations which are carried out manually at present. The Company will continue to promote the development of products that respond to market needs in a timely manner.

*1 Servo motor: A motor that allows the operator to precisely control rotational speed, stop position and other operational factors of said motor.

*2 Syringe pump: Syringe-injection type pump

Monitoring of Compliance Risk

The Corporate Compliance Dept. regularly visits branches of the Company and affiliates in Japan and overseas to monitor the status of compliance with laws, ordinances and internal rules.

The Department evaluates the monitoring results according to its four-stage appraisal scheme of each branch/affiliate to understand and manage the status of compliance and issues quantitatively, as well as pointing out issues and giving guidance for improvement.

As for monitoring in Japan, Taikisha identifies a broad range of compliance issues of each branch/affiliate, such as the status of compliance with laws and ordinances, including the Antimonopoly Act, and internal rules; the status of dissemination of the whistleblowing system; and issues related to the labor environment.

As for monitoring overseas, Taikisha identifies the compliance issues of its overseas affiliates, such as the status of compliance with laws and ordinances including the Anti-Bribery Act and the Competition Act (the Antimonopoly Act in Japan) and the status of dissemination of the whistleblowing system, as well as risks specific to each business office based on the conditions of each country. In overseas affiliates, Taikisha has established a double-check system whereby a Compliance Officer manages the status of compliance of each affiliate while the Department checks the status of activities of the Officers to ensure thorough risk management.

Taikisha aims to establish a compliance system that prevents severe legal violations both in its domestic and overseas branches/affiliates, while helping them to detect minor infringement cases and implement remedial measures on their own.

Whistleblowing System

Taikisha has established a whistleblowing hotline through which any legal violation, misconduct or unethical conduct can be reported directly to the Corporate Compliance Dept. or an outside

law firm. The hotline can be used not only by employees of the Taikisha Group but also by dispatched employees and the relevant parties of business partners.

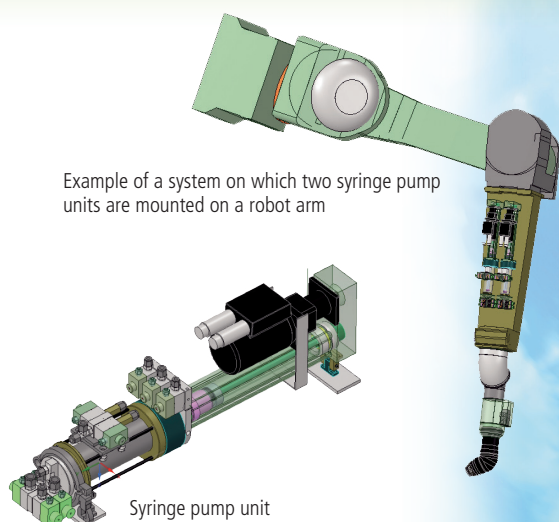
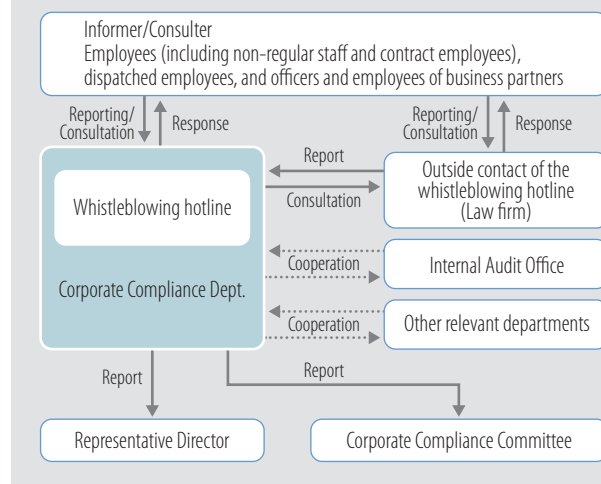
The domestic hotline became operational in the fiscal year ended March, 2007.

In the fiscal year ended March, 2016, Taikisha started developing the hotline at its overseas affiliates, as well. As of March 31, 2017, the hotline is in operation at 19 overseas affiliates.

In operating the whistleblowing system, the information actually reported to the hotline is strictly managed and Taikisha fully protects informers with measures such as raising awareness on the protection of whistleblowers for employees.

In the fiscal year ended March, 2017, Taikisha received 11 whistleblowing reports domestically and took appropriate actions upon prompt investigation on all of these cases.

Whistleblowing Flow Chart



RESULTS OF OPERATIONS (OVERVIEW)

The results for the fiscal year ended March 31, 2017

Earnings Overview

The world economy for the fiscal year ended March 31, 2017 was as follows. U.S. economy gradually expanded mainly due to the improvement in circumstances of employment and income as well as increase of consumer spending. European economy as well continued gradual recovery due to the strong consumer spending. Asian economy was steady as a whole, and Chinese economy showed a recovery from decelerating trend of growth rate. Japanese economy continued gradual recovery with increase in exports, industrial production, and consumer spending.

In this situation, consolidated orders received decreased 1.6% year-on-year to ¥218,323 million, including overseas orders received of ¥110,050 million which decreased 8.6% year-on-year. This is mainly due to decrease in orders received in China and Indonesia, though increase in North America and Japan.

Consolidated sales decreased 5.6% year-on-year to ¥200,604 million, including overseas sales of ¥98,820 million which decreased 16.2% year-on-year. This is mainly due to decrease in sales in Thailand and Brazil, though increase in North America and Japan.

In regards to profits, sales decreased ¥11,820 million year-on-year and profitability of the project in Paint Finishing System Division in the United States largely deteriorated. As a result, gross profit on completed construction contracts decreased ¥4,413 million year-on-year to ¥28,157 million, operating income decreased ¥4,261 million year-on-year to ¥8,473 million, ordinary income decreased ¥2,501 million year-on-year to ¥9,842 million, and profit attributable to owners of parent decreased ¥779 million year-on-year to ¥6,305 million.

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

Green Technology System

Consolidated orders received decreased compared to the previous fiscal year mainly due to the decrease in Thailand and Indonesia, though orders received of building HVAC in Japan increased. Consolidated sales decreased mainly due to the decrease of volume of construction contracts in Thailand, though sales of industrial HVAC in Japan increased.

As a result, consolidated orders received decreased 1.7% year-on-year to ¥130,430 million. The breakdown is ¥48,739 million of building HVAC which increased 11.5% year-on-year and ¥81,690 million of industrial HVAC which decreased 8.2% year-on-year. Consolidated sales decreased 7.6% year-on-year to ¥124,565 million. The breakdown is ¥43,857 million of building HVAC which increased 0.6% year-on-year and ¥80,708 million of industrial HVAC which decreased 11.5% year-on-year. Ordinary income increased ¥1,031 million year-on-year to ¥9,981 million.

Paint Finishing System

Consolidated orders received decreased compared to the previous fiscal year mainly because there was an order received of large-scale project in China in previous fiscal year, though orders received in North America and Russia increased. Consolidated sales decreased mainly due to the decrease in Brazil and China, though sales in North America and Japan increased.

As a result, consolidated orders received decreased 1.3% year-on-year to ¥87,893 million and consolidated sales decreased 2.1% year-on-year to ¥76,085 million. Ordinary loss was ¥115 million while ordinary profit for the previous fiscal year was ¥3,524 million.

Financial Condition

Assets

As of March 31, 2017, current assets increased 2.8% year-on-year to ¥152,907 million. This is mainly due to increase in notes receivable, accounts receivable from completed construction contracts and other of ¥8,265 million, despite decrease in cash and deposits of ¥1,738 million.

Non-current assets increased 12.8% year-on-year to ¥46,116 million. This is mainly due to increase in investment securities of ¥3,160 million and net defined benefit asset of ¥1,781 million, despite decrease in goodwill of ¥356 million.

As a result, total assets increased 5.0% year-on-year to ¥199,024 million.

Liabilities

As of March 31, 2017, current liabilities increased 6.1% year-on-year to ¥88,608 million. This is mainly due to increase in notes payable, accounts payable for construction contracts and other of ¥6,073 million, despite decrease in short-term loans payable of ¥1,246 million.

Non-current liabilities increased 0.8% year-on-year to ¥10,231 million. This is mainly due to increase in deferred tax liabilities of ¥1,414 million, despite decrease in long-term loans payable of ¥397 million.

As a result, total liabilities increased 5.5% year-on-year to ¥98,839 million.

Net assets

As of March 31, 2017, total net assets increased 4.4% year-on-year to ¥100,184 million. This is mainly due to increase in retained earnings of ¥4,002 million and valuation difference on available-for-sale securities of ¥2,060 million despite increase in treasury shares of ¥1,000 million and decrease in foreign currency translation adjustment of ¥1,179 million.

Cash flows

Cash and cash equivalents as of March 31, 2016 and 2017 were ¥38,369 million and ¥31,672 million respectively. Compared to the previous fiscal year, it decreased ¥6,697 million.

Cash flows from operating activities

Cash provided by operating activities for the years ended March 31, 2016 and 2017 were ¥7,301 million and ¥6,679 million respectively. Cash increased mainly due to recording profit before income taxes and increase in notes and accounts payable-trade, etc, despite increase in notes and accounts receivable - trade, etc.

Cash flows from investing activities

Cash used in investing activities for the years ended March 31, 2016 and 2017 were ¥328 million and ¥6,505 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, despite the excess of proceeds from maturity of insurance funds over purchase of insurance funds, etc.

Cash flows from financing activities

Cash used in financing activities for the years ended March 31, 2016 and 2017 were ¥7,409 million and ¥5,286 million respectively. Cash decreased mainly due to payments of dividends, net increase in treasury shares and the excess of repayments of long-term loans payable over proceeds from long-term loans payable, etc.

Business and Other 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, 2017.

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., 38 subsidiaries, and 4 associates. Taikisha Ltd. and 3 subsidiaries are domiciled in Japan, and 35 subsidiaries and 4 associates are domiciled overseas.

CONSOLIDATED BALANCE SHEETS

Taikisha Ltd. and its Consolidated Subsidiaries

As of March 31, 2016 and 2017

	Millions of yen		Thousands of U.S. dollars
	2016	2017	2017
Assets			
Current assets:			
Cash and deposits (Notes 3, 7 and 9)	¥44,001	¥42,263	\$376,684
Notes receivable, accounts receivable from completed construction contracts and other (Note 9)	92,718	100,983	900,029
Securities (Notes 7, 9 and 10)	13	10	92
Costs on uncompleted construction contracts (Note 3)	1,907	1,951	17,391
Raw materials and supplies	283	265	2,365
Deferred tax assets (Note 13)	1,993	1,702	15,174
Other	8,205	6,191	55,187
Allowance for doubtful accounts (Note 9)	(433)	(461)	(4,112)
Total current assets	148,690	152,907	1,362,810
Non-current assets:			
Property, plant and equipment			
Buildings and structures	7,361	7,448	66,385
Machinery, vehicles, tools, furniture and fixtures (Notes 3 and 8)	7,893	8,373	74,626
Land	2,075	2,073	18,484
Other	482	322	2,874
Accumulated depreciation	(10,063)	(10,584)	(94,335)
Total property, plant and equipment	7,750	7,633	68,034
Intangible assets			
Goodwill (Note 18)	3,024	2,668	23,784
Other	1,512	2,434	21,700
Total intangible assets	4,536	5,103	45,484
Investments and other assets			
Investment securities (Notes 3, 9 and 10)	22,469	25,629	228,429
Deferred tax assets (Note 13)	508	872	7,779
Net defined benefit asset (Note 12)	3,203	4,984	44,427
Other	2,440	1,906	16,993
Allowance for doubtful accounts	(32)	(13)	(123)
Total investments and other assets	28,589	33,380	297,505
Total non-current assets	40,876	46,116	411,023
Total assets	¥189,566	¥199,024	\$1,773,833

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

	Millions of yen		Thousands of U.S. dollars
	2016	2017	2017
Liabilities and Net assets			
Current liabilities:			
Notes payable, accounts payable for construction contracts and other (Note 9)	¥49,214	¥55,287	\$492,755
Short-term loans payable (Notes 9 and 21)	5,261	4,015	35,787
Income taxes payable (Note 9)	2,045	1,462	13,031
Deferred tax liabilities (Note 13)	53	17	155
Advances received on uncompleted construction contracts	15,905	15,543	138,537
Provision for warranties for completed construction	1,346	973	8,674
Provision for loss on construction contracts (Note 3)	190	790	7,044
Provision for directors' bonuses	129	101	907
Reserve for loss on dissolution of employees' pension fund (Note 12)	247	—	—
Other (Notes 9 and 21)	9,100	10,416	92,843
Total current liabilities	83,493	88,608	789,733
Non-current liabilities:			
Long-term loans payable (Notes 9 and 21)	1,383	986	8,794
Deferred tax liabilities (Note 13)	5,871	7,285	64,930
Provision for directors' retirement benefits	106	50	448
Net defined benefit liability (Note 12)	1,646	1,492	13,302
Other (Notes 9 and 21)	1,143	416	3,716
Total non-current liabilities	10,152	10,231	91,190
Total liabilities	¥93,645	¥98,839	\$880,923
Net assets:			
Shareholders' equity			
Capital stock			
Authorized: 100,000,000 shares			
Issued: 36,782,009 shares as of March 31, 2016 and 2017	¥6,455	¥6,455	\$57,533
Capital surplus	7,344	7,305	65,111
Retained earnings	73,943	77,945	694,699
Treasury shares, at cost — 2,219,061 shares as of March 31, 2016	(5,127)	—	—
2,575,841 shares as of March 31, 2017	—	(6,128)	(54,620)
Total shareholders' equity	82,615	85,577	762,723
Accumulated other comprehensive income			
Valuation difference on available-for-sale securities	7,908	9,969	88,852
Deferred gains or losses on hedges (Note 11)	7	(111)	(993)
Foreign currency translation adjustment	1,528	349	3,113
Accumulated remeasurements of defined benefit plans	(1,036)	(31)	(280)
Total accumulated other comprehensive income	8,409	10,175	90,692
Non-controlling interests	4,896	4,431	39,495
Total net assets	95,921	100,184	892,910
Total liabilities and net assets	¥189,566	¥199,024	\$1,773,833

	Yen		U.S. dollars
Per share data :			
Net assets	¥2,633.60	¥2,799.30	\$24.95

	Millions of yen		Thousands of U.S. dollars
Basis of calculation			
Total net assets	¥95,921	¥100,184	\$892,910
Amounts to be deducted from net assets (Non-controlling interests)	(4,896)	(4,431)	(39,495)
Net assets applicable to common shares	91,024	95,753	853,415
Number of common shares as of the year-end (thousands of shares)	34,562	34,206	34,206

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, 2016 and 2017

	Millions of yen		Thousands of U.S. dollars
	2016	2017	2017
Consolidated Statements of Income			
Net sales of completed construction contracts	¥212,424	¥200,604	\$1,787,923
Cost of sales of completed construction contracts (Note 4)	179,854	172,447	1,536,968
Gross profit on completed construction contracts	32,570	28,157	250,955
Selling, general and administrative expenses			
Directors' compensations	812	806	7,192
Employees' salaries and allowances	8,150	7,824	69,739
Provision for directors' bonuses	129	101	907
Retirement benefit expenses (Note 12)	384	607	5,418
Provision for directors' retirement benefits	17	15	138
Correspondence and transportation expenses	1,277	1,159	10,339
Provision of allowance for doubtful accounts	(71)	162	1,449
Rents	1,436	1,388	12,377
Depreciation	1,105	1,070	9,543
Amortization of goodwill	192	174	1,552
Other	6,401	6,370	56,781
Total selling, general and administrative expenses (Note 4)	19,836	19,683	175,435
Operating income	12,734	8,473	75,520
Non-operating income			
Interest income	648	552	4,921
Dividend income	446	466	4,160
Dividend income of insurance	138	133	1,192
Real estate rent	104	102	912
Foreign exchange gains	—	199	1,781
Reversal of allowance for doubtful accounts	—	2	21
Share of profit of entities accounted for using equity method	18	31	284
Other	248	261	2,328
Total non-operating income	1,605	1,750	15,599
Non-operating expenses			
Interest expenses	189	175	1,567
Sales discounts	45	62	553
Rent expenses on real estates	20	20	182
Foreign exchange losses	1,656	—	—
Provision of allowance for doubtful accounts	2	—	—
Other	82	123	1,098
Total non-operating expenses	1,996	381	3,400
Ordinary income	12,343	9,842	87,719
Extraordinary income			
Gain on disposal of non-current assets (Note 4)	11	20	184
Gain on sales of investment securities (Note 10)	60	25	226
Gain on liquidation of subsidiaries and associates	27	—	—
Reversal of provision for loss on Anti-Monopoly Act	87	—	—
Reversal of reserve for loss on dissolution of employees' pension fund (Note 12)	4	9	89
Surrender value of insurance	0	3	34
Total extraordinary income	191	59	533
Extraordinary losses			
Loss on disposal of non-current assets (Note 4)	17	18	169
Impairment loss (Note 17)	0	2	25
Loss on sales of investment securities (Note 10)	0	141	1,261
Loss on valuation of investment securities (Note 10)	0	19	174
Loss on insurance cancellation	—	16	146
Total extraordinary losses	18	199	1,775
Profit before income taxes	12,516	9,702	86,477
Income taxes-current	4,149	3,078	27,438
Income taxes-deferred	127	(45)	(407)
Total income taxes	4,276	3,032	27,031
Profit	8,239	6,669	59,446
Profit attributable to non-controlling interests	1,154	364	3,250
Profit attributable to owners of parent	¥7,084	¥6,305	\$56,196

	Millions of yen		Thousands of U.S. dollars
	2016	2017	2017
Consolidated Statements of Comprehensive Income			
Profit	¥8,239	¥6,669	\$59,446
Other comprehensive income			
Valuation difference on available-for-sale securities	(2,668)	2,060	18,363
Deferred gains or losses on hedges	13	(225)	(2,009)
Foreign currency translation adjustment	(2,646)	(1,289)	(11,490)
Remeasurements of defined benefit plans	(1,834)	1,021	9,103
Share of other comprehensive income of entities accounted for using equity method	(39)	(62)	(554)
Total other comprehensive income (Note 5)	(7,175)	1,504	13,413
Comprehensive income	¥1,063	¥8,174	\$72,859
Comprehensive income attributable to :			
Owners of parent	¥393	¥8,071	\$71,942
Non-controlling interests	670	102	917
	Yen		U.S. dollars
Per share data :			
Profit attributable to owners of parent	¥204.35	¥183.16	\$1.63
Cash dividends	¥67.00	¥70.00	\$0.62

	Millions of yen		Thousands of U.S. dollars
Basis of calculation			
Profit attributable to owners of parent	¥7,084	¥6,305	\$56,196
Profit attributable to owners of parent for common shares	7,084	6,305	56,196
Average number of common shares (thousands of shares)	34,667	34,425	34,425

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, 2016

Millions of yen

	Shareholders' equity					Accumulated other comprehensive income						Non-controlling interests	Total net assets
	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			
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 (Note 6)			(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)	
Purchase of shares of consolidated subsidiaries					—							—	
Sales of shares of consolidated subsidiaries					—							—	
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, 2017

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	¥73,943	¥(5,127)	¥82,615	¥7,908	¥7	¥1,528	¥(1,036)	¥8,409	¥4,896	¥95,921
Cumulative effects of changes in accounting policies			11		11						0	12
Restated balance	6,455	7,344	73,955	(5,127)	82,627	7,908	7	1,528	(1,036)	8,409	4,897	95,934
Changes of items during the period												
Dividends of surplus (Note 6)			(2,315)		(2,315)							(2,315)
Profit attributable to owners of parent			6,305		6,305							6,305
Purchase of treasury shares				(1,000)	(1,000)							(1,000)
Purchase of shares of consolidated subsidiaries		(39)			(39)							(39)
Sales of shares of consolidated subsidiaries		(0)			(0)							(0)
Net changes of items other than shareholders' equity						2,060	(119)	(1,179)	1,005	1,766	(466)	1,300
Total changes of items during the period	—	(39)	3,989	(1,000)	2,949	2,060	(119)	(1,179)	1,005	1,766	(466)	4,250
Balance at the end of current period	¥6,455	¥7,305	¥77,945	¥(6,128)	¥85,577	¥9,969	¥(111)	¥349	¥(31)	¥10,175	¥4,431	¥100,184

For the year ended March 31, 2017

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	\$57,533	\$65,459	\$659,036	\$(45,701)	\$736,327	\$70,489	\$70	\$13,624	\$(9,237)	\$74,946	\$43,642	\$854,915
Cumulative effects of changes in accounting policies			106		106						8	114
Restated balance	57,533	65,459	659,142	(45,701)	736,433	70,489	70	13,624	(9,237)	74,946	43,650	855,029
Changes of items during the period												
Dividends of surplus (Note 6)			(20,639)		(20,639)							(20,639)
Profit attributable to owners of parent			56,196		56,196							56,196
Purchase of treasury shares				(8,919)	(8,919)							(8,919)
Purchase of shares of consolidated subsidiaries		(348)			(348)							(348)
Sales of shares of consolidated subsidiaries		(0)			(0)							(0)
Net changes of items other than shareholders' equity						18,363	(1,063)	(10,511)	8,957	15,746	(4,155)	11,591
Total changes of items during the period	—	(348)	35,557	(8,919)	26,290	18,363	(1,063)	(10,511)	8,957	15,746	(4,155)	37,881
Balance at the end of current period	\$57,533	\$65,111	\$694,699	\$(54,620)	\$762,723	\$88,852	\$(993)	\$3,113	\$(280)	\$90,692	\$39,495	\$892,910

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, 2016 and 2017

	Millions of yen		Thousands of U.S. dollars
	2016	2017	2017
Cash flows from operating activities:			
Profit before income taxes	¥12,516	¥9,702	\$86,477
Depreciation and amortization	1,348	1,290	11,503
Amortization of goodwill	192	174	1,552
Increase (decrease) in allowance for doubtful accounts	(187)	36	322
Increase (decrease) in provision for warranties for completed construction	683	(311)	(2,781)
Increase (decrease) in provision for loss on construction contracts	(99)	581	5,185
Increase (decrease) in provision for loss on Anti-Monopoly Act	(207)	—	—
Increase (decrease) in provision of reserve for loss on dissolution of employees' pension fund	(4)	(247)	(2,203)
Increase (decrease) in provision for directors' retirement benefits	17	(56)	(504)
Increase (decrease) in net defined benefit liability	(889)	(450)	(4,014)
Interest and dividend income	(1,095)	(1,018)	(9,080)
Interest expenses	189	175	1,567
Share of (profit) loss of entities accounted for using equity method	3	(26)	(232)
Loss (gain) on disposal of non-current assets	5	(1)	(15)
Loss (gain) on sales of investment securities	(60)	116	1,035
Loss (gain) on valuation of investment securities	0	19	174
Decrease (increase) in notes and accounts receivable-trade	(16,604)	(9,727)	(86,695)
Decrease (increase) in inventories	1,067	(120)	(1,074)
Decrease (increase) in advances paid	0	134	1,201
Decrease (increase) in non-operating notes receivable	(4)	4	39
Decrease (increase) in accounts receivable-other	(189)	11	102
Increase (decrease) in notes and accounts payable-trade	5,271	7,240	64,534
Increase (decrease) in advances received on uncompleted construction contracts	5,480	414	3,696
Increase (decrease) in non-operating notes payable	(19)	—	—
Increase (decrease) in accrued consumption taxes	403	1,203	10,724
Increase (decrease) in deposits received	31	66	591
Increase (decrease) in accrued expenses	(35)	(186)	(1,659)
Other, net	2,003	1,855	16,536
Subtotal	9,818	10,881	96,981
Interest and dividend income received	1,095	1,026	9,152
Interest expenses paid	(189)	(176)	(1,575)
Income taxes paid	(3,422)	(5,051)	(45,023)
Net cash provided by (used in) operating activities	7,301	6,679	59,535
Cash flows from investing activities:			
Payments into time deposits	(11,068)	(13,616)	(121,356)
Proceeds from withdrawal of time deposits	10,336	8,864	79,004
Purchase of securities	(4,000)	—	—
Proceeds from redemption of securities	6,500	—	—
Purchase of property, plant and equipment and intangible assets	(1,941)	(1,807)	(16,106)
Proceeds from sales of property, plant and equipment and intangible assets	33	53	476
Purchase of investment securities	(500)	(531)	(4,736)
Proceeds from sales of investment securities	203	234	2,093
Payments of long-term loans receivable	(64)	(54)	(485)
Collection of long-term loans receivable	64	40	361
Purchase of insurance funds	(3)	(0)	(4)
Proceeds from maturity of insurance funds	1	327	2,921
Purchase of long-term prepaid expenses	(45)	(34)	(308)
Other, net	155	17	154
Net cash provided by (used in) investing activities	(328)	(6,505)	(57,986)
Cash flows from financing activities:			
Net increase (decrease) in short-term loans payable	(4,245)	(4)	(38)
Proceeds from long-term loans payable	4,743	473	4,216
Repayments of long-term loans payable	(3,465)	(1,779)	(15,857)
Repayments of lease obligations	(34)	(50)	(454)
Net decrease (increase) in treasury shares	(2,208)	(1,000)	(8,919)
Cash dividends paid	(1,990)	(2,317)	(20,653)
Cash dividends paid to non-controlling interests	(200)	(448)	(3,994)
Proceeds from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	—	0	1
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	(8)	(158)	(1,416)
Net cash provided by (used in) financing activities	(7,409)	(5,286)	(47,114)
Effect of exchange rate change on cash and cash equivalents	(1,700)	(1,584)	(14,124)
Net increase (decrease) in cash and cash equivalents	(2,135)	(6,697)	(59,689)
Cash and cash equivalents at beginning of period	40,505	38,369	341,977
Cash and cash equivalents at end of period (Note 7)	¥38,369	¥31,672	\$282,288

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, 2016 and 2017

1. Basis of presenting consolidated financial statements

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

The accounts of the consolidated financial statements presented herein are expressed in Japanese yen by rounding down to the nearest million. The U.S. dollar amounts shown in the accompanying consolidated financial statements and notes thereto are translated from the original Japanese yen into U.S. dollars on the basis of ¥112.20 to US\$1, the rate of exchange prevailing at March 31, 2017, 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, J-CO America Corporation, which was newly established, is included in the scope of consolidation.

The consolidated financial statements include the accounts of the Company and all significant subsidiaries listed below as of March 31, 2017:

Domestic subsidiaries

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

Overseas subsidiaries

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

(2) Application of the equity method

Name 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.

Name of associates not subject to the equity method

The associates not subject to the equity method are excluded from application of the equity method because if they are excluded from the scope of application of the equity method, they have minor impact on profit attributable to owners of parent (proportionate to equity holdings), retained earnings (proportionate to equity holdings), etc., on the consolidated financial statement.

Makiansia Engineering (M) Sdn. Bhd.

J-PM Systems GmbH

(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.

Available-for-sale securities

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

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

Derivatives

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

Inventories

Costs on uncompleted construction contracts are stated at cost using specific identification method. Raw materials and supplies are stated at cost determined by the moving average method. The cost method (the amounts stated in the balance sheets are calculated by writing down the book 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 buildings, excluding facilities attached to buildings, acquired on or after April 1, 1998, and is applied to facilities attached to buildings and structures, acquired on or after April 1, 2016. Certain overseas consolidated subsidiaries apply the straight-line method. The useful lives and residual values of depreciable assets are estimated 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.

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 were 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 reversed "Reserve for loss on dissolution of employees' pension fund" of ¥247 million (US\$2,203 thousand), because the amount equivalent to the policy reserves for special dissolution was determined in September 2016, and it was paid in November 2016. The pension fund completed its liquidation procedures in February 2017.

The difference between determined ¥237 million (US\$2,114 thousand) and the balance of the reserve was recognized as "Reversal of reserve for loss on dissolution of employees' pension fund" of ¥9 million (US\$89 thousand), extraordinary income in the consolidated statement of income.

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 contracts, 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 Revised Implementation Guidance on Recoverability of Deferred Tax Assets.

The Companies adopted "Implementation Guidance on Recoverability of Deferred Tax Assets" (Accounting Standards Board of Japan (ASBJ) Statement No. 26, March 28, 2016) from this fiscal year, and partially revised their accounting method for determining the recoverability of deferred tax assets.

With respect to the application of the Implementation Guidance on Recoverability, the Companies adopted the transitional accounting treatments provided in Paragraph 49 (4) of the Implementation Guidance on Recoverability. Accordingly the Companies calculated the difference between the amount of deferred tax assets determined by applying Paragraph 49 (3), Items 1-3 of the Implementation Guidance on Recoverability as of the beginning of this fiscal year, and the amount of deferred tax assets as of the end of previous fiscal year, and added to retained earnings and non-controlling interests at the beginning of this fiscal year.

As a result, deferred tax assets (investments and other assets) increased by ¥12 million (US\$114 thousand), retained earnings increased by ¥11 million (US\$106 thousand), and non-controlling interests increased ¥0 million (US\$8 thousand) at the beginning of this fiscal year.

As a result of reflection of the effects on the beginning balance of net assets in this fiscal year, the beginning balance of retained earnings increased by ¥11 million (US\$106 thousand) and non-controlling interests increased by ¥0 million (US\$8 thousand) in the consolidated statement of changes in net assets.

Application of Practical Solution on a change in depreciation method due to Tax Reform 2016

Due to the revision of the Corporate Tax Law, the Companies adopted "Practical Solution on a change in depreciation method due to Tax Reform 2016" (Practical Issues Task Force No.32, June 17, 2016) in this fiscal year, and changed their depreciation method for facilities attached to buildings and structures, acquired on or after April 1, 2016, from the declining balance method to the straight-line method.

This change has minimal effect on operating income, ordinary income, and profit before income taxes of this fiscal year.

Unapplied accounting standards

There is nothing applicable.

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 a 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 ¥311 million for the previous year, and ¥299 million (US\$ 2,672 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 167 thousand for previous fiscal year and 161 thousand for this fiscal year. The average number of shares in fiscal year is 168 thousand for previous fiscal year and 162 thousand for this fiscal year. Neither the number of shares at the end of fiscal year nor the average number of shares in fiscal year 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, 2016 and 2017	Millions of yen		Thousands of U.S. dollars
	2016	2017	2017
Investment securities	¥730	¥728	\$6,492

(2) Pledged assets

Assets pledged as collateral for security deposits at subsidiaries and associates

As of March 31, 2016 and 2017	Millions of yen		Thousands of U.S. dollars
	2016	2017	2017
Cash and deposits	¥36	¥36	\$324

Assets pledged as collateral for loans payable of invested company

As of March 31, 2016 and 2017	Millions of yen		Thousands of U.S. dollars
	2016	2017	2017
Investment securities	¥2	¥2	\$18

Assets pledged as collateral for loans payable of subsidiaries and associates

As of March 31, 2016	Millions of yen			
	Book value	Liabilities covered by pledged assets		
Pledged assets				
Cash and deposits	¥307	¥231		
Machinery, vehicles, tools, furniture and fixtures	¥28	¥15		

As of March 31, 2017	Millions of yen		Thousands of U.S. dollars	
	Book value	Liabilities covered by pledged assets	Book value	Liabilities covered by pledged assets
Pledged assets				
Cash and deposits	¥332	¥227	\$2,968	\$2,030
Machinery, vehicles, tools, furniture and fixtures	¥28	¥12	\$257	\$114

(3) Guarantee obligations

As of March 31, 2016 and 2017	Millions of yen		Thousands of U.S. dollars
	2016	2017	2017
Guarantee of Employees' loans	¥4	¥3	\$29
Tianjin Dongchun-Taiki Metal Finishing & Conveyor System Manufacturing Co., Ltd.	342	312	2,784
Total	¥346	¥315	\$2,813

(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, 2016 and 2017	Millions of yen		Thousands of U.S. dollars
	2016	2017	2017
Total amount of lending commitment	¥5,000	¥5,000	\$44,563
Borrowing execution balance	—	—	—
Net	¥5,000	¥5,000	\$44,563

(5) Endorsed notes

As of March 31, 2016 and 2017

	Millions of yen		Thousands of U.S. dollars
	2016	2017	2017
Endorsed notes	¥35	¥40	\$363

(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, 2016 and 2017

	Millions of yen		Thousands of U.S. dollars
	2016	2017	2017
Provision for loss on construction contracts	¥—	¥1	\$15

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, 2016 and 2017

	Millions of yen		Thousands of U.S. dollars
	2016	2017	2017
General and administrative expenses	¥889	¥946	\$8,439

(2) Gain on disposal of non-current assets

For the years ended March 31, 2016 and 2017

	Millions of yen		Thousands of U.S. dollars
	2016	2017	2017
Buildings and structures	¥—	¥14	\$133
Machinery, vehicles, tools, furniture and fixtures	10	5	51
Long-term deposits	0	—	—
Total	¥11	¥20	\$184

(3) Loss on disposal of non-current assets

For the years ended March 31, 2016 and 2017

	Millions of yen		Thousands of U.S. dollars
	2016	2017	2017
Buildings and structures	¥3	¥0	\$2
Machinery, vehicles, tools, furniture and fixtures	10	10	93
Long-term deposits	—	0	5
Other	2	7	69
Total	¥17	¥18	\$169

(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, 2016 and 2017

	Millions of yen		Thousands of U.S. dollars
	2016	2017	2017
Provision for loss on construction contracts	¥86	¥756	\$6,745

5. Notes of consolidated statements of comprehensive income

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

For the years ended March 31, 2016 and 2017	Millions of yen		Thousands of U.S. dollars
	2016	2017	2017
Valuation difference on available-for-sale securities			
Net gains (losses) arising during the period	¥(4,179)	¥2,890	\$25,766
Reclassification adjustments	(33)	140	1,257
Before tax effects	(4,212)	3,031	27,023
Tax effects	1,543	(971)	(8,660)
Valuation difference on available-for-sale securities	(2,668)	2,060	18,363
Deferred gains or losses on hedges			
Net gains (losses) arising during the period	(97)	(260)	(2,321)
Reclassification adjustments	118	(40)	(361)
Before tax effects	20	(300)	(2,682)
Tax effects	(7)	75	673
Deferred gains or losses on hedges	13	(225)	(2,009)
Foreign currency translation adjustment			
Net gains (losses) arising during the period	(2,619)	(1,289)	(11,490)
Reclassification adjustments	(27)	—	—
Foreign currency translation adjustment	(2,646)	(1,289)	(11,490)
Remeasurements of defined benefit plans			
Net gains (losses) arising during the period	(2,260)	1,280	11,417
Reclassification adjustments	(436)	169	1,510
Before tax effects	(2,696)	1,450	12,927
Tax effects	861	(429)	(3,824)
Remeasurements of defined benefit plans	(1,834)	1,021	9,103
Share of other comprehensive income of associates accounted for using equity method			
Net gains (losses) arising during the period	(39)	(62)	(554)
Other comprehensive income	¥(7,175)	¥1,504	\$13,413

6. Notes of consolidated statements of changes in net assets

(1) The number of issued shares

For the year ended March 31, 2016	Beginning Balance	Increase	Decrease	Ending Balance
Common shares	36,782,009	—	—	36,782,009
For the year ended March 31, 2017	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, 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.				
For the year ended March 31, 2017	Beginning Balance	Increase	Decrease	Ending Balance
Common shares	2,219,061	356,780	—	2,575,841

The number of treasury shares increased by 356,500 shares because of purchase of shares approved by the resolution of board of directors and increased by 280 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, 2016

Resolution approved by	Type of shares	Amount Millions of yen	Amount per share Yen	Shareholders' cut-off date	Effective date
Annual general meeting of shareholders (June 26, 2015)	Common shares	¥1,127	¥32.00	March 31, 2015	June 29, 2015
Board of directors (November 10, 2015)	Common shares	¥864	¥25.00	September 30, 2015	November 27, 2015

For the year ended March 31, 2017

Resolution approved by	Type of shares	Amount Millions of yen	Thousands of U.S. dollars	Amount per share Yen	U.S. dollars	Shareholders' cut-off date	Effective date
Annual general meeting of shareholders (June 29, 2016)	Common shares	¥1,451	\$12,938	¥42.00	\$0.37	March 31, 2016	June 30, 2016
Board of directors (November 11, 2016)	Common shares	¥864	\$7,701	¥25.00	\$0.22	September 30, 2016	November 30, 2016

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, 2016

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

For the year ended March 31, 2017

Resolution approved by	Type of shares	Paid from	Amount Millions of yen	Thousands of U.S. dollars	Amount per share Yen	U.S. dollars	Shareholders' cut-off date	Effective date
Annual general meeting of shareholders (June 29, 2017)	Common shares	Retained earnings	¥1,539	\$13,719	¥45.00	\$0.40	March 31, 2017	June 30, 2017

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, 2016 and 2017

	Millions of yen		Thousands of U.S. dollars
	2016	2017	2017
Cash and deposits	¥44,001	¥42,263	\$376,684
Securities	13	10	92
Sub total	44,014	42,274	376,776
Time deposits over three months	(5,631)	(10,591)	(94,396)
Securities over three months	(13)	(10)	(92)
Cash and cash equivalents	¥38,369	¥31,672	\$282,288

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, 2016

	Millions of yen		
	Acquisition cost	Accumulated depreciation	Net book value
Machinery	¥139	¥115	¥23

As of March 31, 2017

	Millions of yen			Thousands of U.S. dollars
	Acquisition cost	Accumulated depreciation	Net book value	Net book value
Machinery	¥139	¥129	¥9	\$83

The amounts of future lease payments
As of March 31, 2016 and 2017

	Millions of yen		Thousands of U.S. dollars
	2016	2017	2017
Due within one year	¥13	¥9	\$83
Due over one year	9	—	—
Total	¥23	¥9	\$83

(Note) 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, 2016 and 2017

	Millions of yen		Thousands of U.S. dollars
	2016	2017	2017
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, 2016 and 2017

	Millions of yen		Thousands of U.S. dollars
	2016	2017	2017
Due within one year	¥149	¥151	\$1,351
Due over one year	458	521	4,651
Total	¥607	¥673	\$6,002

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. 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. 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, 2016

	Millions of yen		
	Book value	Fair value	Difference
Cash and deposits	¥44,001	¥44,001	¥—
Notes receivable, accounts receivable from completed construction contracts and other	92,718		
Allowance for doubtful accounts (*1)	(314)		
	92,403	92,401	(2)
Securities and Investment securities (*2)	21,100	21,100	—
Total Assets	157,505	157,502	(2)
Notes payable, accounts payable for construction contracts and other	49,214	49,207	(6)
Short-term loans payable	5,261	5,261	—
Income taxes payable	2,045	2,045	—
Long-term loans payable	1,383	1,306	(77)
Total Liabilities	57,903	57,819	(84)
Derivatives	¥68	¥68	¥—

(*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.

As of March 31, 2017

	Millions of yen			Thousands of U.S. dollars		
	Book value	Fair value	Difference	Book value	Fair value	Difference
Cash and deposits	¥42,263	¥42,263	¥—	\$376,684	\$376,684	\$—
Notes receivable, accounts receivable from completed construction contracts and other	100,983			900,029		
Allowance for doubtful accounts (*1)	(402)			(3,583)		
	100,581	100,578	(2)	896,446	896,423	(23)
Securities and Investment securities (*2)	24,319	24,319	—	216,749	216,749	—
Total Assets	167,164	167,161	(2)	1,489,879	1,489,856	(23)
Notes payable, accounts payable for construction contracts and other	55,287	55,286	(0)	492,755	492,747	(8)
Short-term loans payable	4,015	4,015	—	35,787	35,787	—
Income taxes payable	1,462	1,462	—	13,031	13,031	—
Long-term loans payable	986	937	(48)	8,794	8,359	(435)
Total Liabilities	61,751	61,701	(49)	550,367	549,924	(443)
Derivatives	¥(398)	¥(398)	¥—	\$(3,555)	\$(3,555)	\$—

(*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, 2016 and 2017	Millions of yen		Thousands of U.S. dollars
	2016	2017	2017
Available-for-sale securities			
Non-listed stocks	¥1,360	¥1,310	\$11,680
Investment trusts	8	—	—
Non-listed foreign bonds	¥13	¥10	\$92

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 previous year, loss of valuation of ¥0 million was calculated for non-listed stocks.

In this fiscal year, loss of valuation of ¥0 million (US\$1 thousand) was calculated for non-listed stocks.

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

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				
Available-for-sale securities with maturity date (Non-listed foreign bonds)	13	—	—	—
Total	¥132,015	¥4,006	¥711	¥—

As of March 31, 2017	Millions of yen			
	Within one year	Over one year within five years	Over five years within ten years	Over ten years
Cash and deposits	¥42,263	¥—	¥—	¥—
Notes receivable, accounts receivable from completed construction contracts and other	95,409	5,280	292	—
Securities and Investment securities				
Available-for-sale securities with maturity date (Non-listed foreign bonds)	10	—	—	—
Total	¥137,683	¥5,280	¥292	¥—

As of March 31, 2017	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	\$376,684	\$—	\$—	\$—
Notes receivable, accounts receivable from completed construction contracts and other	850,353	47,066	2,610	—
Securities and Investment securities				
Available-for-sale securities with maturity date (Non-listed foreign bonds)	92	—	—	—
Total	\$1,227,129	\$47,066	\$2,610	\$—

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

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, 2017

	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	¥3,222	¥—	¥—	¥—	¥—	¥—
Long-term loans payable	793	562	221	106	64	30
Lease obligations	32	26	18	14	9	7
Total	¥4,048	¥589	¥240	¥121	¥74	¥38

As of March 31, 2017

	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	\$28,719	\$—	\$—	\$—	\$—	\$—
Long-term loans payable	7,068	5,014	1,978	952	577	273
Lease obligations	293	238	166	133	85	66
Total	\$36,080	\$5,252	\$2,144	\$1,085	\$662	\$339

10. Securities

(1) Held-to-maturity debt securities

As of March 31, 2016

There is nothing applicable.

As of March 31, 2017

There is nothing applicable.

(2) Available-for-sale securities

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, 2017

	Millions of yen		
	Book value	Acquisition cost	Difference
Securities whose book value exceeds their acquisition cost			
Stocks	¥24,286	¥9,996	¥14,290
Securities whose book value does not exceed their acquisition cost			
Stocks	32	32	—
Total	¥24,319	¥10,028	¥14,290

As of March 31, 2017

	Thousands of U.S. dollars		
	Book value	Acquisition cost	Difference
Securities whose book value exceeds their acquisition cost			
Stocks	\$216,462	\$89,098	\$127,364
Securities whose book value does not exceed their acquisition cost			
Stocks	287	287	—
Total	\$216,749	\$89,385	\$127,364

(3) Available-for-sale securities sold

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, 2017

	Millions of yen		
	Sales amount	Total gain on sales	Total loss on sales
Stocks	¥218	¥19	¥141
Investment trust	13	5	—
Non-listed foreign bonds	3	—	—
Total	¥234	¥25	¥141

For the year ended March 31, 2017

	Thousands of U.S. dollars		
	Sales amount	Total gain on sales	Total loss on sales
Stocks	\$1,944	\$177	\$1,261
Investment trust	122	49	—
Non-listed foreign bonds	27	—	—
Total	\$2,093	\$226	\$1,261

(4) Securities with impairment loss

For the year ended March 31, 2016 and 2017

The acquisition costs of tables above are the amounts that are already deducted impairment losses. The Companies recorded impairment loss of ¥19 million (US\$173 thousand) for available-for-sale securities for which market quotation are available for the years ended March 31, 2017. 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, 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) Estimated fair value is provided by financial institutions.

As of March 31, 2017		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	¥76	¥—	¥(4)	¥(4)
	U.S. dollars	17	—	0	0
	Singapore dollars	7	—	(0)	(0)
	Sell				
	U.S. dollars	502	—	(18)	(18)
	Euros	27	—	0	0
	Chinese Yuan	838	—	(90)	(90)
Total				¥(112)	¥(112)

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

As of March 31, 2017		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	\$680	\$—	\$(37)	\$(37)
	U.S. dollars	153	—	3	3
	Singapore dollars	70	—	(2)	(2)
	Sell				
	U.S. dollars	4,479	—	(166)	(166)
	Euros	241	—	4	4
	Chinese Yuan	7,473	—	(802)	(802)
Total				\$(1,000)	\$(1,000)

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

As of March 31, 2016

As of March 31, 2016			Millions of yen		
Hedging method	Transaction type	Main hedged items	Contract amount	Over one year	Fair value
Method in principle	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	—	(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) Estimated fair value is provided by financial institutions.

As of March 31, 2017

As of March 31, 2017			Millions of yen		
Hedging method	Transaction type	Main hedged items	Contract amount	Over one year	Fair value
Method in principle	Forward exchange contracts				
	Buy				
	Yen	Accounts payable for construction contracts (forecast)	¥156	¥17	¥(6)
	Baht	Accounts payable for construction contracts (forecast)	136	—	3
	Sell				
	U.S. dollars	Accounts receivable from completed construction contracts (forecast)	7,449	516	(294)
	British pounds	Accounts receivable from completed construction contracts (forecast)	152	—	9
	Euros	Accounts receivable from completed construction contracts (forecast)	35	—	0
	Chinese Yuan	Accounts receivable from completed construction contracts (forecast)	8	—	0
Total				¥(286)	

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

As of March 31, 2017

As of March 31, 2017			Thousands of U.S. dollars		
Hedging method	Transaction type	Main hedged items	Contract amount	Over one year	Fair value
Method in principle	Forward exchange contracts				
	Buy				
	Yen	Accounts payable for construction contracts (forecast)	\$1,393	\$157	\$(56)
	Baht	Accounts payable for construction contracts (forecast)	1,215	—	27
	Sell				
	U.S. dollars	Accounts receivable from completed construction contracts (forecast)	66,398	4,601	(2,620)
	British pounds	Accounts receivable from completed construction contracts (forecast)	1,358	—	88
	Euros	Accounts receivable from completed construction contracts (forecast)	316	—	6
	Chinese Yuan	Accounts receivable from completed construction contracts (forecast)	76	—	0
Total					\$(2,555)

Interest-related transactions

As of March 31, 2016

Hedging method	Transaction type	Main hedged items	Millions of yen		
			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, 2017

There is nothing applicable.

12. Retirement and pension plans**(1) Overview**

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

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

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

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

(2) Defined benefit plan (except simplified method)

Reconciliation of beginning and ending balances for projected benefit obligations

For the years ended March 31, 2016 and 2017

	Millions of yen		Thousands of U.S. dollars
	2016	2017	2017
Projected benefit obligations at the beginning of current period	¥17,765	¥18,688	\$166,568
Service costs	1,124	1,198	10,684
Interest costs	128	47	425
Actuarial differences accrued in the current period	982	(678)	(6,047)
Benefits paid	(1,223)	(1,105)	(9,856)
Prior service costs accrued in the current period	1	—	—
Foreign currency translation	(90)	(31)	(283)
Projected benefit obligations at the end of current period	¥18,688	¥18,119	\$161,491

Reconciliation of beginning and ending balances for pension assets

For the years ended March 31, 2016 and 2017

	Millions of yen		Thousands of U.S. dollars
	2016	2017	2017
Pension assets at the beginning of current period	¥21,389	¥20,585	\$183,468
Expected return on pension assets	463	452	4,036
Actuarial differences accrued in the current period	(1,316)	589	5,256
Contributions from employers	1,230	1,247	11,117
Benefits paid	(1,179)	(1,011)	(9,017)
Foreign currency translation	(1)	(3)	(31)
Pension assets at the end of current period	¥20,585	¥21,859	\$194,829

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, 2016 and 2017

	Millions of yen		Thousands of U.S. dollars
	2016	2017	2017
Funded projected benefit obligations	¥17,619	¥17,052	\$151,980
Pension assets	(20,585)	(21,859)	(194,829)
Sub total	(2,965)	(4,807)	(42,849)
Unfunded projected benefit obligations	1,069	1,067	9,511
Net amount of liabilities and assets in the consolidated balance sheets	(1,896)	(3,740)	(33,338)
Net defined benefit liability	1,307	1,244	11,089
Net defined benefit asset	3,203	4,984	44,427
Net amount of liabilities and assets in the consolidated balance sheets	¥(1,896)	¥(3,740)	\$(33,338)

Retirement benefit expenses

For the years ended March 31, 2016 and 2017

	Millions of yen		Thousands of U.S. dollars
	2016	2017	2017
Service costs	¥1,124	¥1,198	\$10,684
Interest costs	128	47	425
Expected return on pension assets	(463)	(452)	(4,036)
Amortization of actuarial differences	(172)	399	3,557
Amortization of prior service costs	(227)	(229)	(2,043)
Retirement benefit expenses of defined benefit plans	¥389	¥963	\$8,587

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, 2016 and 2017

	Millions of yen		Thousands of U.S. dollars
	2016	2017	2017
Prior service costs	¥(225)	¥(229)	\$(2,043)
Actuarial differences	(2,470)	1,679	14,970
Total	¥(2,696)	¥1,450	\$12,927

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, 2016 and 2017

	Millions of yen		Thousands of U.S. dollars
	2016	2017	2017
Unrecognized prior service costs	¥229	¥—	\$—
Unrecognized actuarial differences	(1,724)	(45)	(402)
Total	¥(1,495)	¥(45)	\$(402)

Pension assets

Composition ratio of pension assets is as follows.

As of March 31, 2016 and 2017

	2016	2017
Debt securities	19%	20%
Stocks	39	41
Cash and deposits	3	3
General account of life insurance	35	33
Other	4	3
Total	100%	100%

(Note) For the previous fiscal year, 12% of total pension assets are attributed to the employee retirement benefit trust for benefit pension plan. For this fiscal year, 13% of total pension assets are attributed to the employee retirement benefit trust for benefit pension plan.

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

Assumptions and policies used to calculate projected benefit obligations

As of March 31, 2016 and 2017

	2016	2017
Discount rates (weighted average)	0.3%	0.4%
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, 2016 and 2017

	Millions of yen		Thousands of U.S. dollars
	2016	2017	2017
Net defined benefit liability at the beginning of current period	¥364	¥339	\$3,027
Retirement benefit expenses	29	11	102
Benefits paid	(19)	(3)	(35)
Contributions to the plan	(10)	(9)	(86)
Foreign currency translation	(26)	(15)	(137)
Other	2	(73)	(657)
Net defined benefit liability at the end of current period	¥339	¥248	\$2,214

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

As of March 31, 2016 and 2017

	Millions of yen		Thousands of U.S. dollars
	2016	2017	2017
Funded projected benefit obligations	¥88	¥63	\$569
Pension assets	(74)	(54)	(484)
Sub total	14	9	85
Unfunded projected benefit obligations	325	238	2,129
Net amount of liabilities and assets in the consolidated balance sheets	339	248	2,214
Net defined benefit liability	339	248	2,214
Net amount of liabilities and assets in the consolidated balance sheets	¥339	¥248	\$2,214

Retirement benefit expenses

Retirement benefit expenses calculated by the simplified method are ¥29 million for the previous fiscal year and ¥ 11 million (US\$102 thousand) for this fiscal year.

(4) Defined contribution plan

Required contribution amount for defined contribution plan is ¥290 million for the previous fiscal year and ¥288 million (US\$2,571 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 nothing applicable for the previous fiscal year and this fiscal year.

Total accumulated funds

	Millions of yen		Thousands of U.S. dollars
	For the previous fiscal year As of March 31, 2016	For this fiscal year As of March 31, 2017	For this fiscal year As of March 31, 2017
Pension assets	¥41,197	¥—	\$—
Total amount of actuarial liability based on the financial calculations and minimum policy reserve (Note)	42,336	—	—
Net Amount	¥(1,139)	¥—	\$—

(Note) "Nishinireitokutyō Employees' Pension Fund" (integrated establishment agency-type) (hereinafter the "Fund"), which the Company and domestic consolidated subsidiaries were 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 amount equivalent to the policy reserves for special dissolution was determined in September 2016, and it was paid in November 2016. The pension fund completed its liquidation procedures in February 2017.

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

For the years ended March 31, 2016 and 2017

	2016	2017
Contribution ratio	21.32%	—%

Additional information

In the previous fiscal year, the Companies recognized "Reversal of reserve for loss on dissolution of employees' pension fund" of ¥4 million as extraordinary income in the consolidated statement of income and "Reserve for loss on dissolution of employees' pension fund" of ¥247 million as current liabilities in the consolidated balance sheet.

In this fiscal year, the Companies reversed "Reserve for loss on dissolution of employees' pension fund" of ¥247 million (US\$2,203 thousand) because the amount equivalent to the policy reserves for special dissolution was determined in September 2016, and it was paid in November 2016. The pension fund completed its liquidation procedures in February 2017.

The difference between determined ¥237 million (US\$2,114 thousand) and the balance of the reserve was recognized as "Reversal of reserve for loss on dissolution of employees' pension fund" of ¥9 million (US\$89 thousand), extraordinary income in the consolidated statement of income.

The principle factor relating to the net amount in total accumulated funds is a capital fund deficit of ¥1,139 million for the previous fiscal year.

For the previous 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, 2016 and 2017

	Millions of yen		Thousands of U.S. dollars
	2016	2017	2017
Deferred tax assets			
Allowance for doubtful accounts	¥9	¥11	\$105
Provision for warranties for completed construction	350	212	1,898
Provision for loss on construction contracts	34	107	961
Reserve for loss on dissolution of employees' pension fund	77	—	—
Net defined benefit liability	277	256	2,284
Employees' pension trust, investment securities	266	276	2,466
Provision for directors' retirement benefits	37	29	262
Accrued enterprise tax etc.	154	105	941
Accrued bonuses	1,299	991	8,841
Loss on valuation of investment securities	123	123	1,102
Loss on valuation of golf club membership	61	61	546
Valuation difference on available-for-sale securities	73	—	—
Foreign tax credit carried forward	—	12	113
Deficit carried forward	414	928	8,277
Other	593	663	5,914
Sub total	3,773	3,782	33,710
Valuation allowance	(707)	(722)	(6,439)
Total deferred tax assets	3,066	3,059	27,271
Deferred tax liabilities			
Net defined benefit assets	(981)	(1,517)	(13,524)
Valuation difference on available-for-sale securities	(3,423)	(4,321)	(38,513)
Retained earnings of consolidated overseas subsidiaries	(1,753)	(1,676)	(14,945)
Other	(331)	(271)	(2,421)
Total deferred tax liabilities	(6,489)	(7,787)	(69,403)
Net deferred tax assets (or liabilities)	¥(3,423)	¥(4,727)	\$(42,132)

(Note) Net deferred tax assets (or liabilities) for the years ended March 31, 2016 and 2017 are recorded on the following account titles in the consolidated balance sheets.

As of March 31, 2016 and 2017

	Millions of yen		Thousands of U.S. dollars
	2016	2017	2017
Current assets — Deferred tax assets	¥1,993	¥1,702	\$15,174
Non-current assets — Deferred tax assets	508	872	7,779
Current liabilities — Deferred tax liabilities	(53)	(17)	(155)
Non-current liabilities — Deferred tax liabilities	¥(5,871)	¥(7,285)	\$(64,930)

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

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 previous fiscal year and this fiscal year.

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.

As disclosed in "Changes in accounting policies", due to the revision of the Corporate Tax Law, the Companies changed their depreciation method for facilities attached to buildings and structures, acquired on or after April 1, 2016, from the declining balance method to the straight-line method.

This change has minimal effect on segment profit (loss) of this fiscal year.

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

For the year ended March 31, 2016

	Millions of yen				
	Green Technology System Division	Paint Finishing System Division	Total	Adjustments	Amount recorded in the consolidated financial statements
Sales					
Sales to customers	¥134,822	¥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 include non-allocatable common profits of minus ¥136 million and other adjustment of ¥4 million. 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 are elimination of receivable and payable etc. of minus ¥2,739 million and non-allocatable common assets which are not allocated to any segments of ¥39,403 million. 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 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, 2017

	Millions of yen				
	Green Technology System Division	Paint Finishing System Division	Total	Adjustments	Amount recorded in the consolidated financial statements
Sales					
Sales to customers	¥124,561	¥76,043	¥200,604	¥—	¥200,604
Intersegment	3	42	45	(45)	—
Total	124,565	76,085	200,650	(45)	200,604
Segment profit (loss)	9,981	(115)	9,865	(23)	9,842
Segment assets	88,426	74,878	163,304	35,719	199,024
Other items					
Depreciation and amortization	422	872	1,295	(4)	1,290
Amortization of goodwill	—	174	174	—	174
Interest income	150	406	556	(4)	552
Interest expenses	12	147	160	15	175
Share of profit of entities accounted for using equity method	—	31	31	—	31
Investments in associates accounted for using equity method	—	691	691	—	691
Increase in tangible and intangible assets	¥149	¥809	¥959	¥1,353	¥2,312

Note 1. The amounts of Adjustments are as follows.

Adjustments of Segment profit (loss) of minus ¥23 million (minus US\$209 thousand) include non-allocatable common profits of minus ¥22 million (minus US\$201 thousand) and other adjustment of minus ¥0 million (minus US\$8 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 ¥35,719 million (US\$318,353 thousand) are elimination of receivable and payable etc. of minus ¥2,457 million (minus US\$21,903 thousand) and non-allocatable common assets which are not allocated to any segments of ¥38,176 million (US\$340,256 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 ¥1,353 million (US\$12,062 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 (loss) is adjusted to the ordinary income of the consolidated statement of income.

For the year ended March 31, 2017

	Thousands of U.S. dollars				
	Green Technology System Division	Paint Finishing System Division	Total	Adjustments	Amount recorded in the consolidated financial statements
Sales					
Sales to customers	\$1,110,177	\$677,746	\$1,787,923	\$—	\$1,787,923
Intersegment	32	375	407	(407)	—
Total	1,110,209	678,121	1,788,330	(407)	1,787,923
Segment profit (loss)	88,960	(1,032)	87,928	(209)	87,719
Segment assets	788,118	667,362	1,455,480	318,353	1,773,833
Other items					
Depreciation and amortization	3,764	7,780	11,544	(41)	11,503
Amortization of goodwill	—	1,552	1,552	—	1,552
Interest income	1,338	3,621	4,959	(38)	4,921
Interest expenses	114	1,316	1,430	137	1,567
Share of profit of entities accounted for using equity method	—	284	284	—	284
Investments in associates accounted for using equity method	—	6,161	6,161	—	6,161
Increase in tangible and intangible assets	\$1,336	\$7,213	\$8,549	\$12,062	\$20,611

16. Related information in regard to segment information

(1) Information by product and service

For the year ended March 31, 2016

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

For the year ended March 31, 2017

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

(2) Sales by regions

For the year ended March 31, 2016

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, 2017

Japan	North America	Southeast Asia		East Asia		India	Other	Total
		Thailand	Other Southeast Asia	China	Other East Asia			
¥101,784	¥28,946	¥20,659	¥17,521	¥15,260	¥1,387	¥6,582	¥8,462	¥200,604

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

For the year ended March 31, 2017

Japan	North America	Southeast Asia		East Asia		India	Other	Total
		Thailand	Other Southeast Asia	China	Other East Asia			
\$907,167	\$257,988	\$184,133	\$156,165	\$136,010	\$12,369	\$58,665	\$75,426	\$1,787,923

(3) Tangible fixed assets by regions

For the year ended March 31, 2016

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

For the year ended March 31, 2017

Japan	Thailand	Indonesia	China	India	Italy	Other	Total
¥2,997	¥367	¥273	¥873	¥2,020	¥853	¥246	¥7,633

For the year ended March 31, 2017

Japan	Thailand	Indonesia	China	India	Italy	Other	Total
\$26,719	\$3,273	\$2,437	\$7,789	\$18,011	\$7,606	\$2,199	\$68,034

(4) Sales Information by main customers

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.

For the year ended March 31, 2017

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, 2016

	Millions of yen				
	Green Technology System Division	Paint Finishing System Division	Subtotal	Eliminations/Corporate (Note 1)	Total
Impairment loss	¥—	¥—	¥—	¥0	¥0

Note 1. Eliminations/Corporate is due to the impairment on idle asset.

For the year ended March 31, 2017

	Millions of yen				
	Green Technology System Division	Paint Finishing System Division	Subtotal	Eliminations/Corporate (Note 1)	Total
Impairment loss	¥0	¥—	¥0	¥2	¥2

Note 1. Eliminations/Corporate is due to the impairment on assets that will be disposed of and on the idle asset.

For the year ended March 31, 2017

	Thousands of U.S. dollars				
	Green Technology System Division	Paint Finishing System Division	Subtotal	Eliminations/Corporate	Total
Impairment loss	\$0	\$—	\$0	\$25	\$25

18. Amortization and balance of goodwill

(1) Amortization and balance of goodwill by reportable segments

For the year ended March 31, 2016

	Millions of yen				
	Green Technology System Division	Paint Finishing System Division	Subtotal	Eliminations/Corporate	Total
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, 2017

	Millions of yen				
	Green Technology System Division	Paint Finishing System Division	Subtotal	Eliminations/Corporate	Total
Balance of goodwill	¥—	¥2,668	¥2,668	¥—	¥2,668

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

For the year ended March 31, 2017

	Thousands of U.S. dollars				
	Green Technology System Division	Paint Finishing System Division	Subtotal	Eliminations/Corporate	Total
Balance of goodwill	\$—	\$23,784	\$23,784	\$—	\$23,784

(2) Gain on negative goodwill by reportable segments

For the year ended March 31, 2016

There is nothing applicable.

For the year ended March 31, 2017

There is nothing applicable.

19. Related party transaction

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 (millions of Yen)	Accounts	Balance at the end of the year
Director's close relative	Ruriko Uenishi	(Held) Direct: 3.09% (Note 2)	Mother of Eitaro Uenishi, director and chairman of the Company	Purchase of treasury shares (Note 1)	¥2,206 (680 thousands of 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%.

For the year ended March 31, 2017

There is nothing applicable.

20. Detail of bonds

There is nothing applicable.

21. Detail of loans

As of March 31, 2017

	Millions of yen		Thousands of U.S. dollars	Average interest rate (%)	Maturity
	Beginning balance	Ending balance	Ending balance		
Short-term loans payable	¥3,310	¥3,222	\$28,719	4.410	—
Current portion of long-term loans payable	1,950	793	7,068	2.877	—
Current portion of lease obligations	31	32	293	—	—
Long-term loans payable (excluding current portion)	1,383	986	8,794	4.765	January 2020 to October 2022
Lease obligations (excluding current portion)	49	77	688	—	June 2018 to February 2024
Total	¥6,725	¥5,111	\$45,562	—	—

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, 2017 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	¥562	¥221	¥106	¥64
Lease obligations	¥26	¥18	¥14	¥9

	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	\$5,014	\$1,978	\$952	\$577
Lease obligations	\$238	\$166	\$133	\$85

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, 2017, 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, 2017, 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, 2017

Corporate Directory

(As of March 31, 2017)



Location of office	FOUNDATION	Location of office	FOUNDATION	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		9 Token Myanmar Co., Ltd. 2015 Room No.10A, 10th floor, Ga Mone Complex, Kabaraye Pagoda Road, Mayangone Township, Yangon, Myanmar TEL: 95-92-6424-2824		17 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	
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		10 Taikisha Engineering (M) Sdn. Bhd. 1989 Suite 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		18 J-CO America Corporation 2016 888 West Big Beaver Road, Suite 1295, Troy, MI 48084 Tel: 1-248-422-6208 Fax: 1-248-422-6974	
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		11 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		19 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	
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		12 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		20 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	
5 Thaiken Maintenance & Service Co., Ltd. 1990 445 Moo 17, Thepharak Rd., T. Bangsaonthong, Amphur Bangsaonthong, Samutprakarn 10540, Thailand Tel: 66-2-705-8744 Fax: 66-2-705-8748		13 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		21 Geico Brasil Ltda. 1995 Rua Francisco Rocha n. 2113, Bairro Bigorriho, Cep 80710, 540, Curitiba, Paraná, Brasile Tel: 55-41-3019-2727 Fax: 55-41-3336-7534	
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		14 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		22 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	
7 TKA Co., Ltd. 1991 445 Moo 17, Bangna-Trad Rd., Km. 23, Tambol Bangsaonthong, Amphur Bangsaonthong, Samutprakarn 10540, Thailand Tel: 66-2-705-8363 Fax: 66-2-705-8993		15 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		23 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	
8 BTE Co., Ltd 1996 21/2 Moo 12, Lum lukka Sub-District, Lumlukka District, Pathumthani. Province Thailand Tel: 66-2-191-0244-47 Fax: 66-2-191-0243		16 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		24 Geico Russia LLC 2011 12, Krasnopresnenskaya emb., Entrance 6, office 317, 123610 Moscow - Russia Tel: 7-495-249-0780	
25 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		27 Taikisha (Singapore) Pte. Ltd. 2004 2 International Business Park #11-01/02 Jurong East Singapore 609930 Tel: 65-6223-9928 Fax: 65-6223-9328		29 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	
26 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		28 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		30 Taikisha Myanmar Co., Ltd. 2013 Room No.(10J), Kabaraye Condominium, Kabaraye Pagoda Road, Mayangone Township, Yangon, Myanmar Tel: 951-653-653	
31 TKS Industrial Company 1981 901 Tower Drive, Suite 300, Troy, Michigan 48098- 2817, U.S.A. Tel: 1-248-786-5000 Fax: 1-248-786-5001		36 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		41 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	
32 Encore Automation LLC 2014 50 Corporate Drive, Auburn Hills, Michigan 48326, U.S.A. Tel: 1-248-253-0200 Fax: 1-248-418-2308		37 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		42 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	
33 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		38 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		43 J-PM Systems GmbH 2015 Schulstraße 9 71083 Herrenberg Baden-Württemberg Germany Tel: 49-7032-7869928 Fax: 49-7032-7869930	
34 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		39 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			
35 Taikisha Mexicana Services, S.A. de C.V. 2011 Homero 407 Piso 7. Col Polanco V Sección CP 11560. Del. Miguel Hidalgo Ciudad de México, México. Tel: 52-55-5516-2834		40 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			

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

Toshiaki Shiba



April 1968	Joined the Company
April 2008	Corporate Officer, General Manager, Global Business Management Supporting Office, Green Technology System Division, and Vice Senior General Manager, Engineering Supervisory Dept., Green Technology System Division, and General Manager, Construction Purchasing Office, Green Technology System Division
April 2009	Senior Corporate Officer, Senior General Manager, Engineering Supervisory 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
April 2017	Representative Director, President Corporate Officer (current position)

Representative Director,
Executive Vice President 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
April 2017	Representative Director, Executive Vice President Corporate Officer, in charge of Administrative Management Headquarters (current position)

Director,
Executive 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
April 2017	Director, Executive Corporate Officer, Chief General Manager, Green Technology System Division (current position)

Director,
Executive Corporate Officer

Ryoichi Uenodan



February 1981	Joined the Company
April 2008	Corporate Officer, General Manager, Automation System Head Office, Paint Finishing System Division
April 2010	Senior Corporate Officer, General Manager, Office 3 and Automation System Head Office, Paint Finishing System Division
April 2011	Senior Corporate Officer, Vice Senior General Manager, Engineering Supervisory Dept., and General Manager, Office 3 and Automation System Head Office, Paint Finishing System Division
April 2012	Senior Corporate Officer, Vice Senior General Manager, Engineering Supervisory Dept., and General Manager, Office 3, Paint Finishing System Division
April 2013	Senior Corporate Officer, Vice General Manager and General Manager, Automation System Head Office, Paint Finishing System Division
April 2015	Managing Corporate Officer, Vice General Manager and General Manager, Automation System Head Office, Paint Finishing System Division
April 2017	Executive Corporate Officer, Chief General Manager, Paint Finishing System Division
June 2017	Director, Executive Corporate Officer, Chief General Manager, Paint Finishing 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)

Director,
Managing Corporate Officer

Kazuhide Hayakawa



April 1979 Joined the Company
April 2012 Corporate Officer, Senior General Manager, Engineering Supervisory Dept., Green Technology System Division
October 2013 Corporate Officer, Senior General Manager, Sales and Marketing Dept., Green Technology System Division
April 2014 Senior Corporate Officer, Senior General Manager, Sales and Marketing Dept., Green Technology System Division
April 2016 Senior Corporate Officer, Vice General Manager in charge of sales and Senior General Manager, Sales and Marketing Dept., Green Technology System Division
April 2017 Managing Corporate Officer, Chief Executive, Corporate Planning Headquarters
June 2017 Director, Managing Corporate Officer, Chief Executive, Corporate Planning Headquarters (current position)

Director,
Managing Corporate Officer

Yasushi Nakajima



April 1982 Joined the Company
April 2013 Director, Wuzhou Taikisha Engineering Co., Ltd. (current position)
April 2014 Corporate Officer, Senior General Manager, Engineering Supervisory Dept., Green Technology System Division
April 2015 Senior Corporate Officer, Senior General Manager, Engineering Supervisory Dept., Green Technology System Division and Senior General Manager, Global Business Management Dept.
April 2016 Senior Corporate Officer, Vice General Manager in charge of technology and Senior General Manager, Engineering Supervisory Dept., Green Technology System Division and Senior General Manager, Global Business Management Dept.
April 2017 Managing Corporate Officer, Vice General Manager, Green Technology System Division
June 2017 Director, Managing Corporate Officer, Vice General Manager, Green Technology System Division (current position)

Outside Director

Shuichi Murakami



April 2005 Managing Corporate Officer, General Manager, Shikoku Business, Sampo Japan Insurance Inc. (current Sampo Japan Nipponkoa Insurance Inc.)
April 2008 Advisor, Corporate Planning Department. Sampo Japan Insurance Inc.
June 2008 Resigned from Sampo 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

Hirokazu Hikosaka



April 1983 Joined Asahi Shinkin Bank (Resigned in March 1985)
April 1992 Admitted as attorney and joined Nakajima Law Office (current Nakajima Hikosaka Kubouchi Law Office) (current position)
April 1999 Commissioner, Kanto Federation of Bar Associations
April 2005 Executive Commissioner, Japan Federation of Bar Associations
June 2006 Outside Director, Adways Inc.
June 2010 Audit & Supervisory Board Member, Adways Inc. (current position)
April 2014 Vice President, Tokyo Bar Association
June 2015 Audit & Supervisory Board Member of the Company
June 2017 Director of the Company (current position)

Audit & Supervisory Board Members

Full-time Audit & Supervisory Board Member

Tetsuya Ogawa

Full-time Audit & Supervisory Board Member

Toshiya Furukatsu

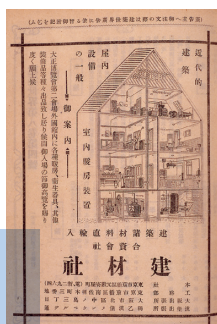
Outside Audit & Supervisory Board Member

Junichi Noro

Outside Audit & Supervisory Board Member

Kiyotaka Fuke

History



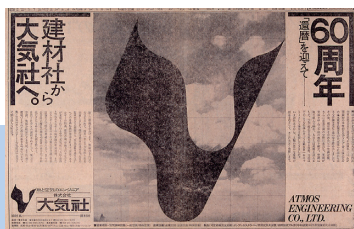
1913

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



1971

Established first overseas subsidiary in Bangkok



1973

Changed the name to "Taikisha Ltd."



2011

Formed global alliance with Geico S.p.A



2013

The 100th anniversary of the foundation

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
2017	Formed a capital and business alliance with BTE Co., Ltd.

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: ¥200,604 million
(Consolidated: year ended March 2017)

Number of Employees: 4,702 (Consolidated: as of March 2017)

ISO Certification Obtained

Country	Corporate Name	ISO 9001	ISO 14001
Japan	Taikisha Ltd.	●	●
China	Wuzhou Taikisha Engineering Co., Ltd.	●	●
Taiwan	Taikisha (Taiwan) Ltd.	●	
Thailand	Taikisha (Thailand) Co., Ltd.	●	●
Vietnam	Taikisha Vietnam Engineering Inc.	●	●
Philippines	Taikisha Philippines Inc.	●	
Singapore	Taikisha (Singapore) Pte. Ltd.	●	●
Malaysia	Taikisha Engineering (M) Sdn. Bhd.	●	
Indonesia	P.T. Taikisha Indonesia Engineering	●	
India	Taikisha Engineering India Pvt. Ltd.	●	●
United States of America	TKS Industrial Company	●	●
Italy	Geico S.p.A.	●	●

Investor Information

(As of March 31, 2017)

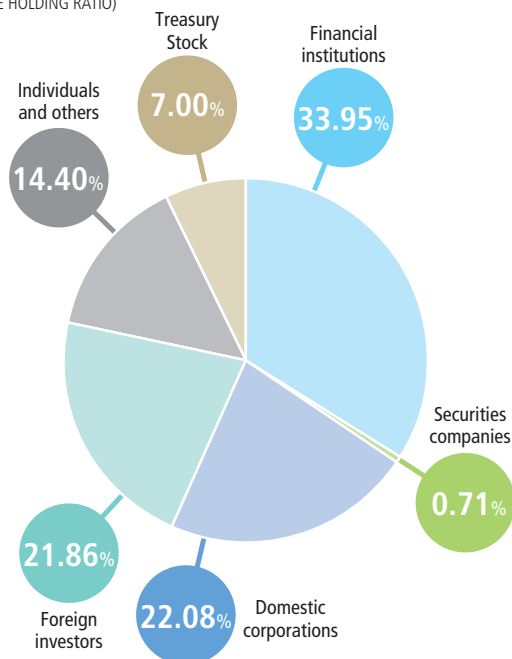
Authorized number of shares 100,000,000

Number of issued shares 36,782,009

Number of shareholders 3,235

COMPOSITION OF SHAREHOLDERS

(BY SHARE HOLDING RATIO)



Major Shareholders of the Company as of March 31, 2017

Shareholder's Name	Number of shares held (in thousands)	Ratio of shareholding (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	2,859	8.4
Ichigo Trust Pte. Ltd.	2,262	6.6
Kenzaisha Ltd.	1,730	5.1
Japan Trustee Services Bank Ltd. (Trust Account 9)	1,569	4.6
Japan Trustee Services Bank Ltd. (Trust Account)	1,415	4.1
THE BANK OF NEW YORK MELLON (INTERNATIONAL) LIMITED 131800	1,077	3.2
Taikisha Business Partners Shareholding Association	1,034	3.0
Dai ni Kenzaisha Ltd.	1,000	2.9
Taikisha Employees Shareholding Association	872	2.6
Nippon Life Insurance Company	866	2.5

(Notes) 1. The Company holds 2,575,841 treasury shares but excludes these shares from the list of major shareholders above. The above treasury shares do not include 161,200 shares of the Company's shares held by Trust & Custody Services Bank, Ltd. (Trust E Account), because of the introduction of the ESOP (Employee Stock Ownership Plan).

2. The "Percentage of shares held to the total number of issued shares" is calculated by subtracting treasury shares from all issued shares.

