

# Annual Report 2018

APR. 2017 - MAR. 2018



An aerial photograph of the Tokyo skyline under a bright blue sky with scattered white clouds. The Tokyo Tower, a red and white lattice tower, stands prominently on the left side of the frame. To its right and in the background, a dense cluster of modern skyscrapers and commercial buildings forms the city's financial district. The foreground shows a mix of lower-rise buildings and green spaces.

# *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.



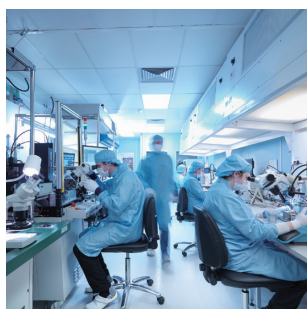
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**Cautionary statement regarding forward-looking statements :** Data and forward-looking statements disclosed herein are based on current information available at the time of publication, and may change depending upon various factors. The data and 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.

## Aiming to achieve the performance targets in the Mid-Term Business Plan, we will strive to address the necessary tasks steadily.

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

Since we have finished the fiscal year ended March 31, 2018, we will report on the overview. First, as for the business environment for the fiscal year ended March 31, 2018, in the green technology system business, capital investments by Japan-based customers remained sluggish in overseas markets such as Thailand. Meanwhile, Japanese market continued to show high construction demand mainly for the re-development of metropolitan centers in Tokyo. In addition, capital investments for smartphones and electronic components for automobiles by electronic parts manufacturers performed favorably.

In the paint finishing system business, proactive investments were made in North America and China and signs of investment expansion were seen in India although the business's overall competitive environment has become increasingly stringent.

Given such circumstances, the Taikisha Group's orders received for the fiscal year ended March 31, 2018 totaled 219,800 million yen and net sales of completed construction contracts totaled 231,800 million yen, both of which exceeded the expectation at the beginning of the fiscal year, largely due to the contribution of industrial HVAC business in Japan.

In terms of profits, ordinary income totaled 13,000 million yen and profit attributable to owners of parent was 7,200 million yen, both of which exceeded the expectation at the beginning of the fiscal year, mainly due to favorable orders received in the industrial HVAC business in Japan and a significant increase in net sales of completed construction contracts despite the impact of an unprofitable project that occurred in the painting business during the first half of the year.

Next, I would like to explain our tasks ahead to achieve the management targets.

In the green technology system business, we will strive to ensure stable orders; expand orders received from local and European and U.S. companies in overseas businesses; improve managerial and operating systems at overseas affiliates; and expand into new and/or peripheral domains toward medium- to long-term growth.

In the paint finishing system business, we intend to strengthen the overseas governance system; respond to increasingly sophisticated customer needs; expand a wide range of automated paint finishing systems targeting such areas as aircraft and railway cars in view of anticipated medium- to long-term business expansion; and promote business development to companies in the U.S. and Europe.

Furthermore, we will undertake such initiatives as a response to Work Style Reforms, strengthening human resources development and the expansion of management infrastructure bases to enhance our infrastructure improvement to support the above business activities.

We will therefore continuously exert every possible effort to achieve our management targets to gain the high trust and appreciation of all stakeholders. We appreciate the continued support and guidance of our shareholders and investors in the years to come.

**Toshiaki Shiba**

President and Representative Director







大気社  
TAIKI-SHA LTD.





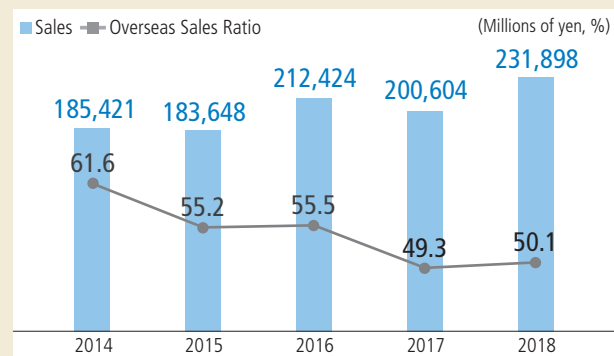
# MANAGEMENT'S DISCUSSION AND ANALYSIS

FIVE-YEAR SUMMARY : Taikisha Ltd. and its Consolidated Subsidiaries for the years ended March 31, 2014 to 2018

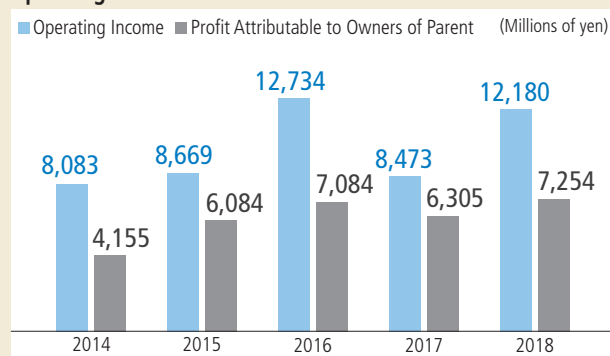
CONSOLIDATED	Millions of yen					Thousands of U.S. dollars
	2014	2015	2016	2017	2018	2018
Orders received:	¥189,026	¥187,311	¥221,764	¥218,323	¥219,844	\$2,068,735
Green Technology System Division						
Environmental facilities (building HVAC)	53,842	44,896	43,717	48,739	43,612	410,395
Industrial facilities (industrial HVAC)	72,216	81,093	88,988	81,690	103,898	977,682
Paint Finishing System Division	62,967	61,321	89,058	87,893	72,333	680,658
Sales:	¥185,421	¥183,648	¥212,424	¥200,604	¥231,898	\$2,182,163
Green Technology System Division						
Environmental facilities (building HVAC)	36,455	40,827	43,608	43,857	45,845	431,402
Industrial facilities (industrial HVAC)	78,989	75,307	91,214	80,704	94,093	885,417
Paint Finishing System Division	69,976	67,513	77,602	76,043	91,960	865,344
Profit attributable to owners of parent	4,155	6,084	7,084	6,305	7,254	68,264
Comprehensive income	10,852	14,320	1,063	8,174	14,098	132,669
Total assets	¥166,680	¥188,283	¥189,566	¥199,024	¥216,980	\$2,041,787
Total net assets	84,712	99,669	95,921	100,184	110,650	1,041,217
Equity ratio (%)	48.3	50.4	48.0	48.1	48.5	48.5
Return on equity (%)	5.3	6.9	7.6	6.8	7.2	7.2
	Yen					U.S. dollars
Profit attributable to owners of parent per share	¥116.08	¥172.64	¥204.35	¥183.16	¥212.40	\$2.00
Cash dividends per share	45.00	52.00	67.00	70.00	75.00	0.71
Net assets per share	2,282.56	2,690.76	2,633.60	2,799.30	3,087.51	29.05
NON-CONSOLIDATED						
Orders received:	¥104,576	¥100,479	¥111,793	¥112,222	¥125,703	\$1,182,872
Green Technology System Division						
Environmental facilities (building HVAC)	51,477	42,832	41,611	46,149	41,610	391,556
Industrial facilities (industrial HVAC)	27,478	38,482	46,416	46,676	63,306	595,716
Paint Finishing System Division	25,620	19,164	23,765	19,395	20,786	195,600
Sales:	¥86,200	¥93,297	¥107,269	¥105,378	¥123,584	\$1,162,934
Green Technology System Division						
Environmental facilities (building HVAC)	34,532	38,530	41,420	41,490	43,875	412,872
Industrial facilities (industrial HVAC)	28,041	35,386	39,968	44,447	56,901	535,442
Paint Finishing System Division	23,626	19,381	25,880	19,439	22,807	214,620



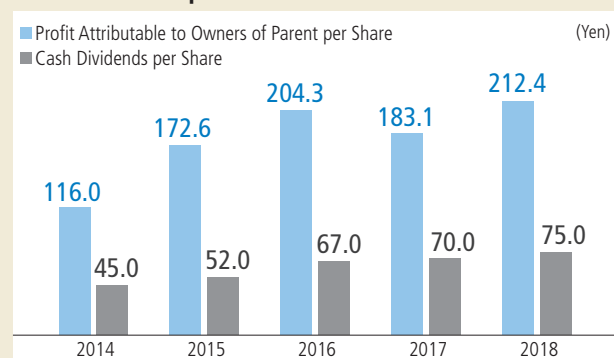
## Sales & Overseas Sales Ratio



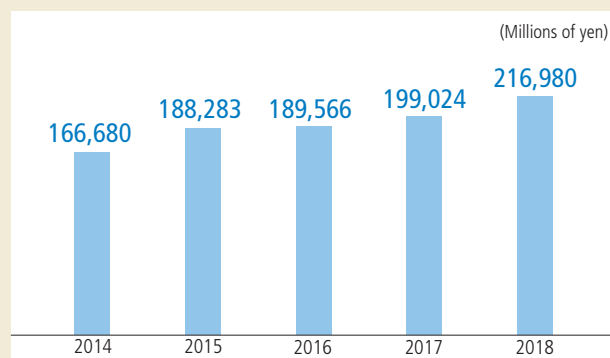
## Operating Income & Profit Attributable to Owners of Parent



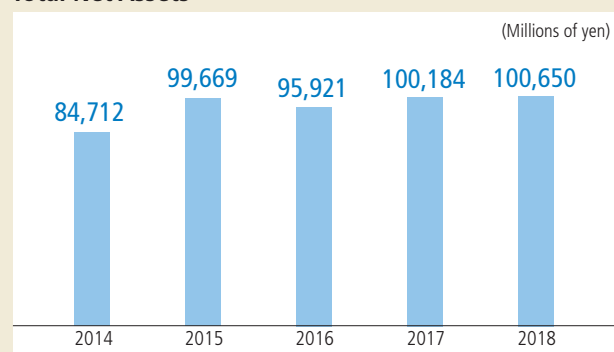
## Profit Attributable to Owners of Parent per Share & Cash Dividends per Share



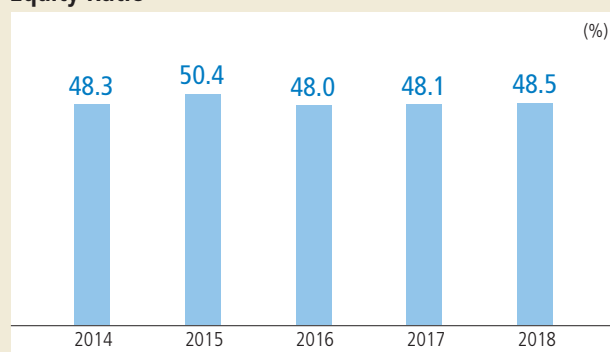
## Total Assets



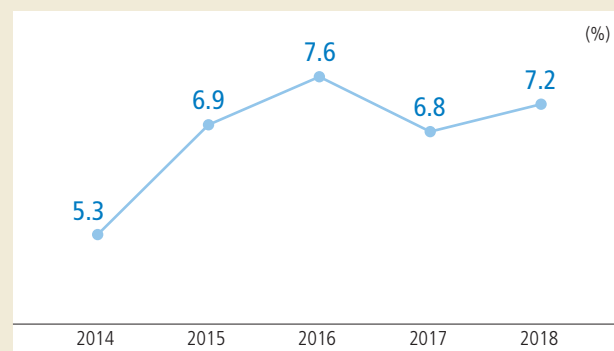
## Total Net Assets



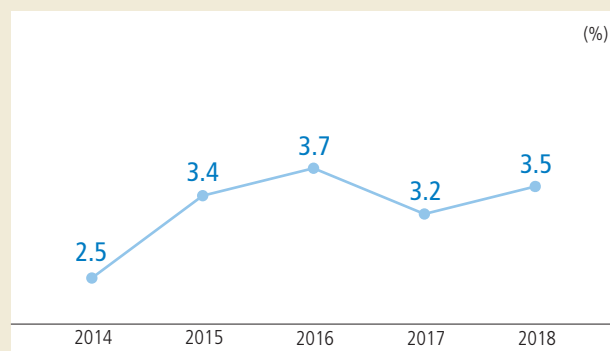
## Equity Ratio



## 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

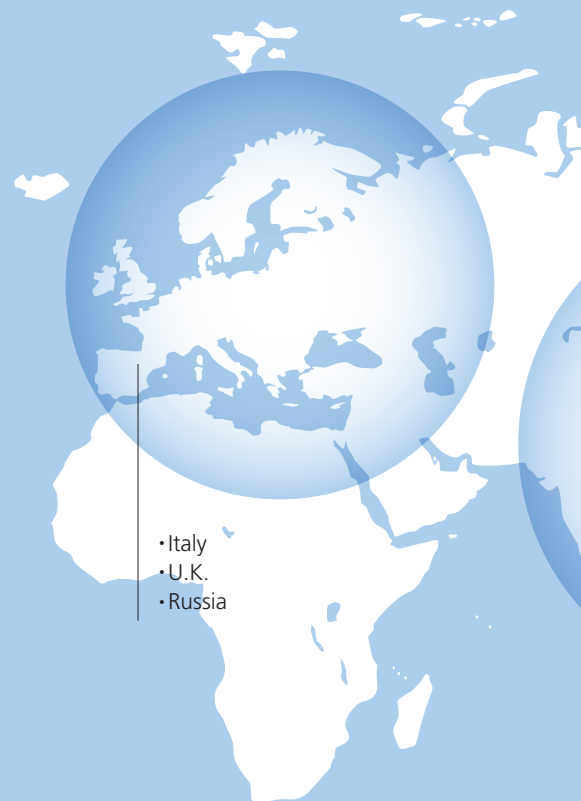


#### (3) Paint Finishing System

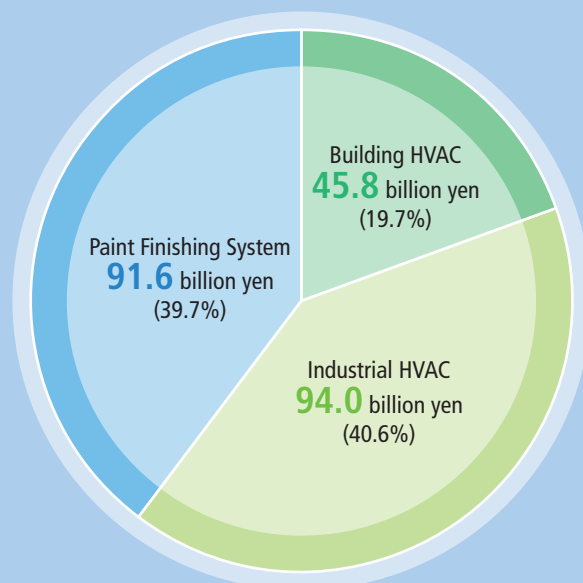
We design and construct large-scale paint plants for domestic and foreign automobile manufacturers in Japan, the United States, Europe, South Korea, China, India and other countries.

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

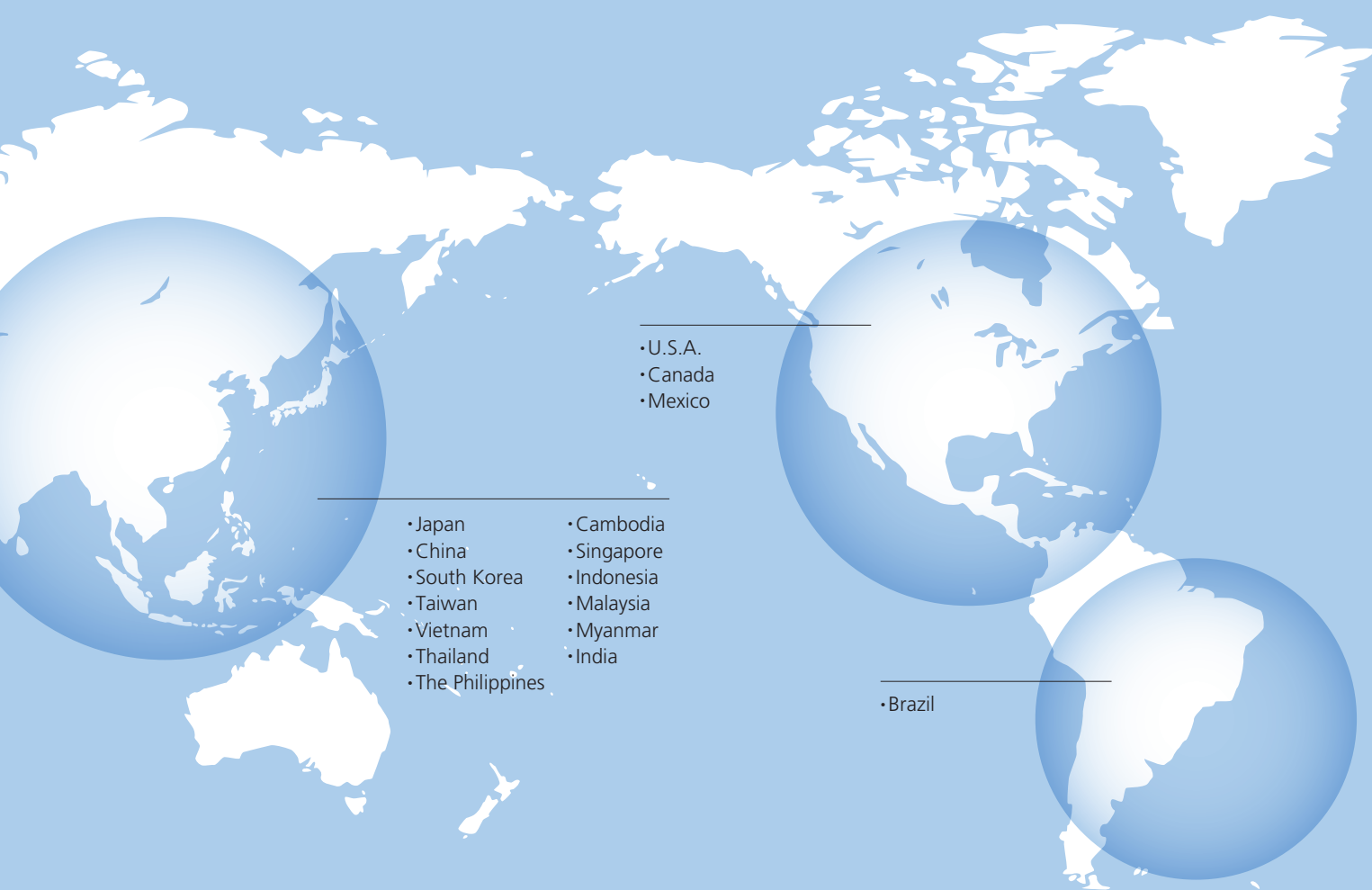
#### ● Global Network



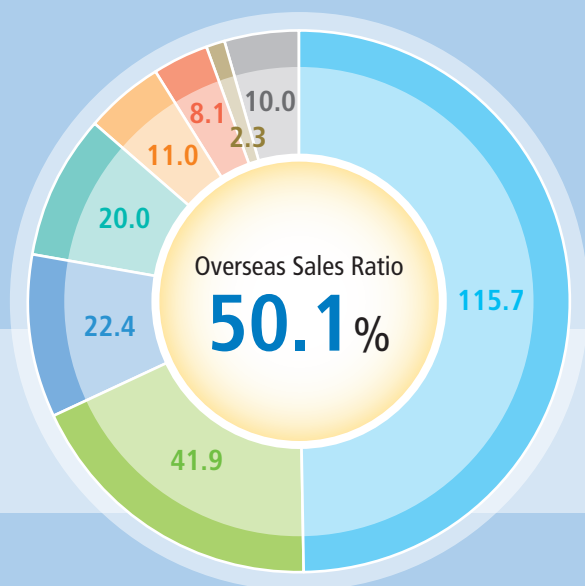
#### ● Composition of Sales (Total Sales) (for the fiscal year ended March 31, 2018)







● **Composition of Sales by Region**  
 (for the fiscal year ended March 31, 2018)  
 (Billions of yen)



## Powerful Global Network

The Company features an extremely high overseas sales ratio within the Japanese construction industry (overseas sales ratio 50.1%, as of March 31, 2018). 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                      |
| ■ Other Southeast Asian countries | ■ Other East Asian countries |
| ■ Thailand                        | ■ Other regions              |



## Please describe the business environment surrounding the Company and the business results for the year ended March 31, 2018.



As for the green technology system business, capital investments by Japan-based customers remained sluggish in overseas markets such as Thailand.

On the other hand, Japanese market continued to show high construction demand mainly for the re-development of metropolitan centers in Tokyo. In addition, capital investments for smartphones and electronic components for automobiles by electronic parts manufacturers performed favorably.

For the paint finishing system business, proactive investments were conducted in North America and China and positive signs of investment expansion were seen in India although the business's overall competitive environment has become increasingly stringent.

Given such circumstances, orders received for the fiscal year under review increased by 1,500 million yen year on year to 219,800 million yen.

For the green technology system business, orders received for the fiscal year under review increased year on year, mainly due to an increase in orders received in Japan in the industrial HVAC business despite a decrease in Japan in the building HVAC business.

For the paint finishing system business, orders received decreased year on year, reflecting a reactionary decline due to orders for large-scale projects in North America by Geico S.p.A. in the previous fiscal year.

Net sales of completed construction contracts increased by 31,200 million yen year on year to 231,800 million yen.

In the green technology system business, net sales of completed construction contracts increased year on year, reflecting the positive impact of favorable orders received in Japan

in the industrial HVAC business.

Net sales of completed construction contracts also increased in the paint finishing system business because the construction of large-scale projects for paint finishing systems for automobiles by Geico S.p.A. and Taikisha's affiliate progressed in North America.

Ordinary income increased 3,200 million yen year on year to 13,000 million yen.

In the green technology system business, favorable orders received in Japan in the industrial HVAC business and a considerable increase in net sales of completed construction contracts contributed to an increase in profit.

In the paint finishing system business, profit increased year on year although its business was affected by the deteriorated profitability of a project executed in North America during the period from the end of the previous fiscal year to the first half of the fiscal year ended March 2018.

Profit attributable to owners of parent was 7,200 million yen, a year on year increase of 900 million yen.

### Achievements in FY2017

(Hundred millions of yen)

	Original expectation	Results of FY2017	Difference
Orders-received	2,046	2,198	152
Net sales of completed construction contracts	2,132	2,318	186
Ordinary income	123	130	7
(Ratio)	5.8%	5.6%	-0.1%
Profit attributable to owners of parent	71	72	1
(Ratio)	3.3%	3.1%	-0.2%







## Please describe the business environment and business forecasts for the fiscal year ending March 31, 2019.



Consolidated orders received for the fiscal year ending March 31, 2019, are expected to be 215,000 million yen, down 4,800 million yen from the previous fiscal year.

Favorable market conditions are expected to continue for the building HVAC business mainly for re-development and other projects.

For the industrial HVAC business in Japan, a reactionary decline is expected due to orders for considerable capital investments in the previous fiscal year in the electronic parts field. However, capital investments in this business sector are expected to remain at high levels as future demand expansion into IoT, AI and autonomous driving system fields is also expected in the years ahead.

Capital investments by Japan-based customers in the industrial HVAC business overseas remain uncertain.

In the paint finishing system business, demand for equipment renewal in North America and abundant investments to increase production in China and India are expected to continue.

Net sales of completed construction contracts for the fiscal year

ending March 31, 2019, are expected to be 220,000 million yen, down 11,800 million yen from the previous fiscal year.

A reactionary decline in sales is expected to be a primary factor in the paint finishing system business due to the ongoing construction of two large-scale projects in North America in the previous fiscal year.

Regarding profits, ordinary income of 13,000 million yen is expected for the fiscal year ending March 31, 2019.

Although the total amounts are unchanged from the Mid-Term Business Plan, the projections by business were reviewed in consideration of current circumstances. Accordingly, both the ordinary income amount and the profit ratio are expected to exceed the targets in the Mid-Term Business Plan for the green technology system business, whereas the corresponding amounts for the paint finishing system business are projected from a conservative perspective to underperform the targets.

Furthermore, costs are expected to increase due to increased investments associated with the new personnel system and the new core system separately implemented in Taikisha Ltd. as initiatives

### Earnings Forecast for FY2018 (Orders received)

(Hundred millions of yen)

	FY2018 (Mid-Term Business Plan) a	FY2017 (Results) b	FY2018 (Expectation) c	Difference c-a	Difference c-b
<b>Orders-received</b>	2,130	2,198	2,150	20	-48
(Japan)	(1,053)	(1,182)	(1,185)	(132)	(2)
(Overseas)	(1,077)	(1,015)	(965)	(-112)	(-50)
<b>Green Technology</b>	1,379	1,475	1,400	21	-75
Building HVAC	534	436	530	-4	93
Industrial HVAC	845	1,038	870	25	-168
(Japan)	(386)	(633)	(505)	(119)	(-128)
(Overseas)	(459)	(405)	(365)	(-94)	(-40)
<b>Paint Finishing</b>	751	723	750	-1	26
(Japan)	(133)	(113)	(150)	(17)	(37)
(Overseas)	(618)	(610)	(600)	(-18)	(-10)

### Earnings Forecast for FY2018 (Sales)

(Hundred millions of yen)

	FY2018 (Mid-Term Business Plan) a	FY2017 (Results) b	FY2018 (Expectation) c	Difference c-a	Difference c-b
<b>Net sales of completed construction contracts</b>	2,081	2,318	2,200	119	-118
(Japan)	(1,038)	(1,157)	(1,131)	(93)	(-26)
(Overseas)	(1,043)	(1,161)	(1,069)	(26)	(-92)
<b>Green Technology</b>	1,319	1,399	1,400	81	0
Building HVAC	423	458	470	47	11
Industrial HVAC	896	940	930	34	-10
(Japan)	(447)	(569)	(546)	(99)	(-23)
(Overseas)	(449)	(371)	(384)	(-65)	(12)
<b>Paint Finishing</b>	762	919	800	38	-119
(Japan)	(168)	(129)	(115)	(-53)	(-14)
(Overseas)	(594)	(789)	(685)	(91)	(-104)

common to both business segments.

In the green technology system business, fixed costs are expected to increase due to the strengthening of our construction-response capabilities in Japanese businesses and a forecast increase in workforce as a response to Work Style Reforms.

In the paint finishing system business, profitability is expected to suffer from the stringent competitive environment in the Chinese

market and high costs in the North American market. On the other hand, profit is expected to increase from the previous fiscal year due to the recovery from a loss from a paint finishing system project for automobiles in North America in the previous fiscal year.

Profit attributable to owners of parent is expected to be 7,500 million yen, a year on year increase of 200 million yen.

### Earnings Forecast for FY2018 (Profit)

(Hundred millions of yen)

	FY2018 (Mid-Term Business Plan) a	FY2017 (Results) b	FY2018 (Expectation) c	Difference c-a	Difference c-b
Ordinary income	130	130	130	0	0
(Ratio)	6.2%	5.6%	5.9%	-0.3%	0.3%
Green Technology	90	118	107	17	-11
(Ratio)	6.8%	8.5%	7.6%	0.8%	-0.9%
Paint Finishing	44	11	27	-17	15
(Ratio)	5.8%	1.3%	3.4%	-2.4%	2.1%
Profit attributable to owners of parent	75	72	75	0	2
(Ratio)	3.6%	3.1%	3.4%	-0.2%	0.3%



## Please explain your initiatives to achieve the earnings forecasts for the fiscal year ending March 31, 2019.



I would like to explain the priorities for the fiscal year ending March 2019 to achieve our management goals.

As for the green technology system business, the first initiative is to maintain and expand the number of customers by further cost reduction and proposal-intensive marketing activities, both of which aim to secure stable orders received. In the overseas business, we will endeavor to expand orders received from local and European and U.S. companies by leveraging previous business performance. Moreover, we will promote improvements of managerial and operating systems at overseas affiliates in line with changes in the business environment.

The second initiative is the expansion into new and/or peripheral domains aimed at medium- to long-term growth by reinforcing our initiatives, including the plant factory business, as well as the environmental business such as ultra-high-performance environmental testing equipment and Volatile Organic Compound (VOC) gas removal equipment.

As for the paint finishing system business, the first initiative is to continuously strengthen the overseas governance system. In addition, considering that enhancing our technological capabilities is a key issue to address, we will strive to meet increasingly sophisticated customer needs primarily for our paint finishing systems for automobiles, our mainstay products. We will differentiate our technologies from competitors by appropriately meeting customers' requirements.

Second, looking forward to medium- to long-term business

expansion, we will pursue establishing the Taikisha brand through the expansive development of automated paint finishing systems for aircraft and railway car by taking advantage of our know-how nurtured in the automobile field. We are currently constructing the Integrated Development Center (tentative name) in Zama-shi, Kanagawa Prefecture, as a core research institute to promote these initiatives. Construction is planned to be completed during the fiscal year ending March 31, 2019.

We will promote proactive marketing activities to companies in the U.S. and Europe through greater synergies from a strengthened alliance with Geico S.p.A. (Italy) and Encore Automation LLC. (U.S.), both of which are overseas affiliates of Taikisha Ltd..

Moreover, we will focus on our response to Work Style Reforms to enhance the infrastructure improvement to support these business activities. The greatest task of Taikisha Ltd. is how to reduce the burden of onsite construction operations. So we are addressing relevant activities to achieve this goal one by one such as secure human resources, standardize onsite operations, strengthen support operations by rear-area support teams, enhance the use of IT and system support for field support, and utilize outsourcing.

For the fiscal year ending March 31, 2019, we have considerably revised our personnel system to strengthen human resources development. At the same time, we are committed to skill development training for employees to strengthen our management base. Effective from the current fiscal year, we have introduced a new core system aimed at expanding our management infrastructure.





## What is your policy on shareholders returns?



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

Taikisha Ltd. has decided to distribute cash dividends per share of 75 yen for the fiscal year ended March 31, 2018, in accordance with this policy. This year-end dividend is 2 yen higher than 73 yen that was originally announced at the beginning of the fiscal year.

The annual dividend for the fiscal year ending March 31, 2019, is slated to be 77 yen per share.

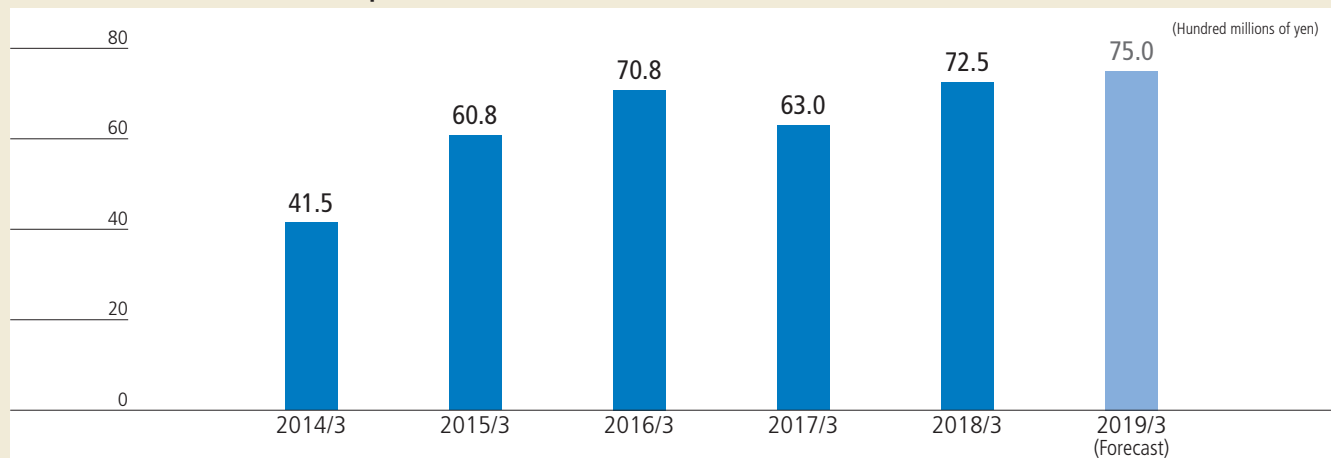
In addition, I would like to explain about the purchase and retirement of treasury shares.

The Company purchased its treasury shares in an amount of approximately 500 million yen in November and December 2017.

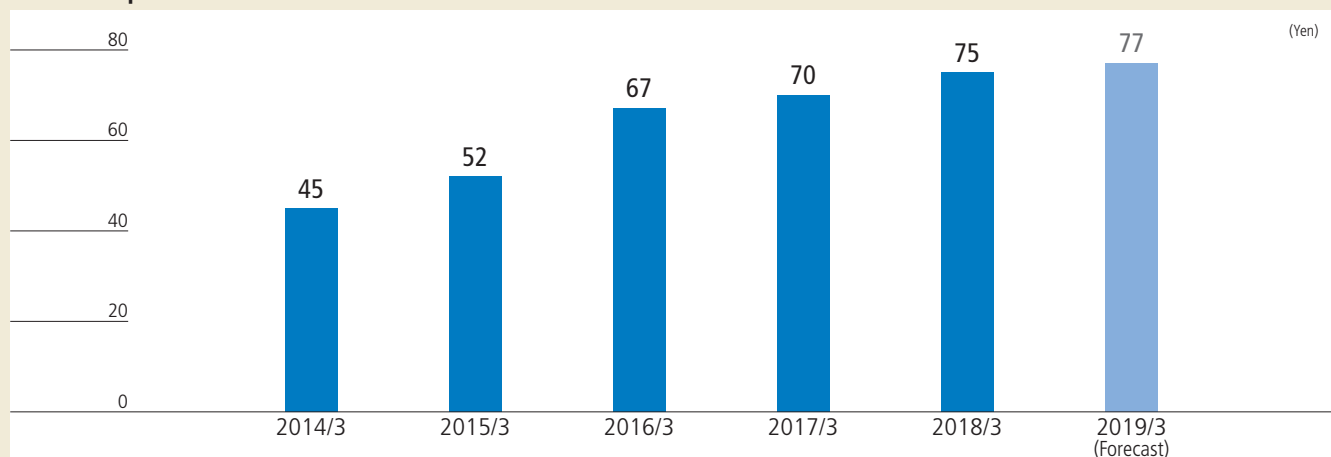
Meanwhile, the Company retired its 1,700 thousand treasury shares in February 2018.

Going forward, the Company will flexibly determine its plans on the purchase and retirement 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

### Manufacturing Capacity Enhancement Works for TOWA PHARMACEUTICAL's Yamagata Plant Completed

In January 2018, the construction of a second Administration Building and a second Solid Formulation Building was completed at the Yamagata Plant of TOWA PHARMACEUTICAL CO., LTD.. The construction of these buildings was intended to raise TOWA PHARMACEUTICAL's manufacturing capacity in accordance with the Japanese government's policy of increasing the use ratio of generic drugs to more than 80% by September 2020. As a result, the Yamagata Plant's overall manufacturing capacity was improved by 1.4 times compared with the previous capacity. Taikisha Ltd. undertook the HVAC and sanitary systems of this extension project.





## 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, demand expansion for electronic parts for uses in the IoT, AI and autonomous driving system fields is anticipated to spur companies in those fields to invest. Overseas, where the respective economies are showing a recovery trend, an increase in investment by non-Japanese customers and a recovery of investments by Japan-based customers can be anticipated.

For the building HVAC business sector, investments to develop new office buildings for the re-development within the Tokyo metropolitan area are expected. In the long term, ratio of market for renewal of existing buildings is expected to be higher.

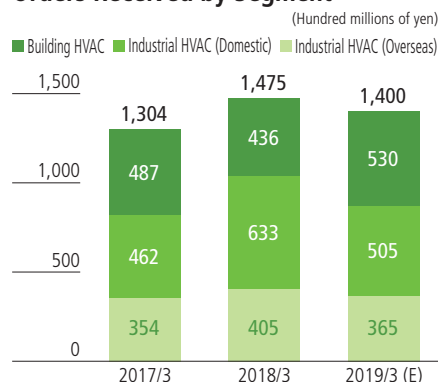
For the future, by keeping an eye on the fields and markets with potential for investment growth, the Division will respond promptly to the growth and preferentially allocate management resources to such fields and markets, and also actively conduct proposal-intensive marketing activities for maintenance/renovation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



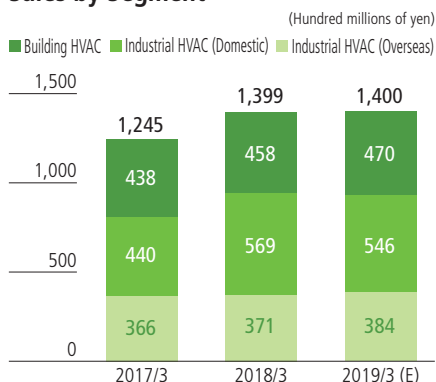
Director, Executive Corporate Officer, Chief General Manager, Green Technology System Division

**Hiroshi Mukai**

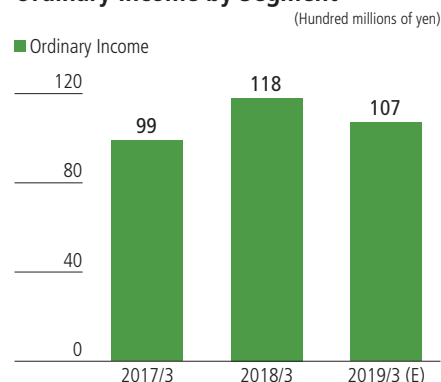
### Orders Received by Segment



### Sales by Segment



### Ordinary Income by Segment



## TOPICS 2

### Plant Factory Demonstration and Development Centers Established in Japan and Overseas

With the “Vege-factory”, a hydroponic plant factory using only artificial lighting, Taikisha has become the first in the world to achieve stable mass production of crisphead lettuce and provided one-stop integrated support services to customers, from production to processing. The need for assurance of safe and high-quality vegetables has grown and the number of inquiries from various companies has increased in recent years. Under such circumstances, Taikisha has established the following facilities in Japan and overseas to meet customer needs and raise people’s awareness of the plant factory.

#### Plant Factory Demonstration and Development Center (Itabashi-ku, Tokyo)

The purposes of the new facility are to have Taikisha’s customers observe the cultivation conditions for mass production in “Vege-factory” and to conduct various demonstration experiments by responding flexibly to the needs of customers. These include experiments for quality improvement undertaken in different cultivation environments, mass production technology and new product development.



#### Showroom (Ayutthaya, Thailand)

The demonstration and development center in Ayutthaya cultivates product samples of lettuce at a merchandise level and has a showroom function. The center promotes the branding of the Vege-factory’s products to ASEAN countries as the PR center in the region.







# Paint Finishing System Division

## Business Overview

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

## TOPICS 1

### Challenges for Railway Cars - Automation of the paint film polishing process

A railway car body consists of five-layered paint films as shown in the figure. The polishing of paint films, which is necessary for the putty application, as well as the middle and finish coating processes, continues to be executed primarily manually.

Paint film composition of a railway car:

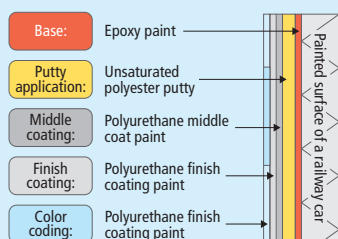
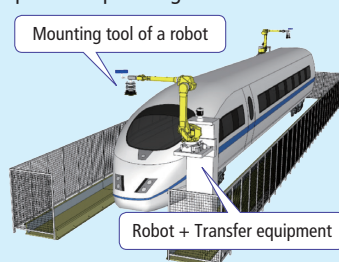


Image sketch of automation for paint film polishing:



Focusing on the aforementioned paint film polishing process, which requires considerable time and labor, Taikisha has developed an innovative system. The system allows a robot to measure unevenness on the paint films after the putty application process using a 3D scanner, and to peel off only protrusions automatically. In addition, Taikisha developed another system, to which Encore Automation's automatic polishing technology for aircraft is applied, for the middle and finish coating processes. Automation of the above paint film polishing process has enabled Taikisha to realize not only improved paint film quality but also enhanced operating efficiency and energy conservation.

In the future, Taikisha intends to export and deploy an automated polishing system dedicated to the Chinese market where an increase of capital investments is expected in the railway car market.

## 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 finishing plants, whose major customers are Japanese 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 U. S. where Taikisha anticipates increased demand for equipment renewal.

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

In addition, the Division will strengthen the collaboration with overseas Taikisha Group Companies for aggressively increasing order acquisition from non-Japanese automobile manufacturers and energetically expanding into new business domain other than automobile manufacturing, such as painting process of aircraft, railway cars and ocean vessels.

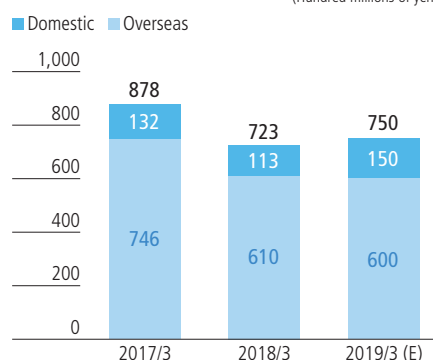


Director, Executive Corporate Officer, Chief General Manager, Paint Finishing System Division

**Ryoichi Uenodan**

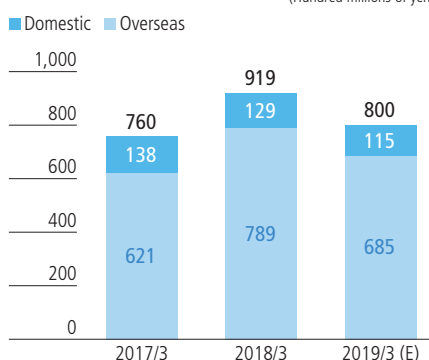
### Orders Received by Segment

(Hundred millions of yen)



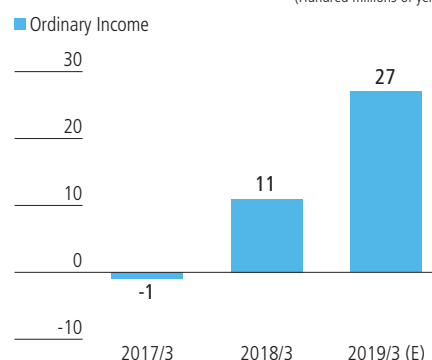
### Sales by Segment

(Hundred millions of yen)



### Ordinary Income by Segment

(Hundred millions of yen)



## TOPICS 2

### Geico Innovative Projects

2017 has been an important year for Geico in terms of technological innovation.

The Energy Independence Day\* – launched in 2005 – has been achieved, 3 years ahead of schedule, meeting the goal of reducing energy consumptions and the rest of the energetic needs of the plant to be supplied by renewable energies.

Furthermore its project Smart Paint Shop related to a 4.0 plant, which won the Surcar Innovation Award in 2017\*\*, focused on some important pillars such as Production Flexibility – AGV systems, IOT systems – especially Quality Control and on J-Suite, the digital twin of a paintshop.

\*Geico set June 16, 2020 as its Energy Independence Day and has been promoting development activities in pursuit of realizing an automobile paint finishing plant that will no longer produce CO<sub>2</sub> emissions and be capable of producing, supplying, using sufficient energy itself by that year.

<More info : AllGeicoTaikishaNews in Geico's web site>

<http://geicotaikisha.com/media/#corporate>

2017/11/8 INNOVATION DAY 2017: TECHNOLOGY MEETS HUMANITY

\*\*Biennial international congress for the presentation and publicity of automobile paint finishing technology and the human exchange of engineers. With a tradition of more than half a century, the congress is considered one of the leading conferences in the industry because many related parties in the automobile painting industry gather from all over the world.

<More info : AllGeicoTaikishaNews in Geico's web site>

<http://geicotaikisha.com/media/#corporate>

2017/7/7 SMART PAINTSHOP WINS THE INNOVATION AWARD AT SURCAR CANNES 2017





## Basic Policy

Taikisha Ltd. 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 the spirit of 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 (Outside Directors and, and the Chairman of the Board; hereinafter, the same shall apply) 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.

\*"Customers" is defined as overall society in a broad sense. The spirit of "Customers First" is to win persistent trust from the "Customers".

## Corporate Governance System

Taikisha Ltd. has the organizational structure of a company with audit & supervisory board members. Aiming to establish solid corporate governance, the Company has continuously addressed the reform of management, including enhancing 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. Consequently, the Company's corporate governance system is judged to be functioning effectively through the positive effects of the aforementioned initiatives and is implemented in the current form.

## Functions of the Board of Directors and the Audit & Supervisory Board

The Board of Directors, comprised of 10 Directors including 2 Outside Directors, is held once each month with additional meetings as and when required. The Board of Directors makes decisions on the matters set forth in the management policy of Taikisha Group, laws and ordinances, and the Articles of Incorporation, as well as on important management matters, and monitors and supervises the execution of duties by each Director and each Corporate Officer. In addition, Taikisha Ltd. appoints Outside Directors in order to activate deliberations and ensure the transparency of decision making at the Board of Directors, and to strengthen the supervisory function over the Directors and Corporate Officers.

The Audit & Supervisory Board is comprised of 4 Audit & Supervisory Board Members, including 2 Outside Audit &

Supervisory Board Members. In order to sufficiently understand important decision-making processes and execution of duties in Taikisha Group companies, Audit & Supervisory Board Members of Taikisha Ltd. review internal approval documents and other materials, attend major meetings including the Board of Directors Meeting and the Management Meeting and collect information on current circumstances regarding the examination and decision-making processes of important matters and provide advices and recommendations, where necessary, for business improvement and other issues. Moreover, Audit & Supervisory Board Members conduct audits regarding the development and operational status of the internal control system, based on audit results, reports from the internal control department and surveys relative to the respective departments.

## Functions that Support Corporate Governance

As functions to support its corporate governance, Taikisha Ltd. has set up and is managing 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 reviews these systems continuously to make improvements where necessary.



### Corporate Governance Report

<https://www.taikisha-group.com/corporate/pdf/CorporateGovernance.pdf>

## Evaluation of the Effectiveness of the Board of Directors

### Evaluation method

Taikisha Ltd. conducts an analysis and evaluation of the effectiveness of the Board of Directors and discloses an overview of its results at least once a year in order to improve the effectiveness of the 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, 2018, all Directors and Audit & Supervisory Board Members, led by the Chairman of the Board, participated in surveys on "Roles to be fulfilled by the Board of Directors" and "Matters to be considered by the Board of Directors in order to fulfill its roles" via a questionnaire distributed to the entire Board. The Board of Directors subsequently deliberated its effectiveness based on

the analysis results of the said survey, an objective analysis by an outside advisor and third-party interviews with the Chairman of the Board and the Representative Directors.

### Results of the evaluation

As a result of the above, it was determined that the Board of Directors of Taikisha Ltd. 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 “Customers First” mission statement and contribute to sustained 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, while the status of the execution of important duties is regularly reported to the Board of Directors.

### Initiatives to address the issues raised

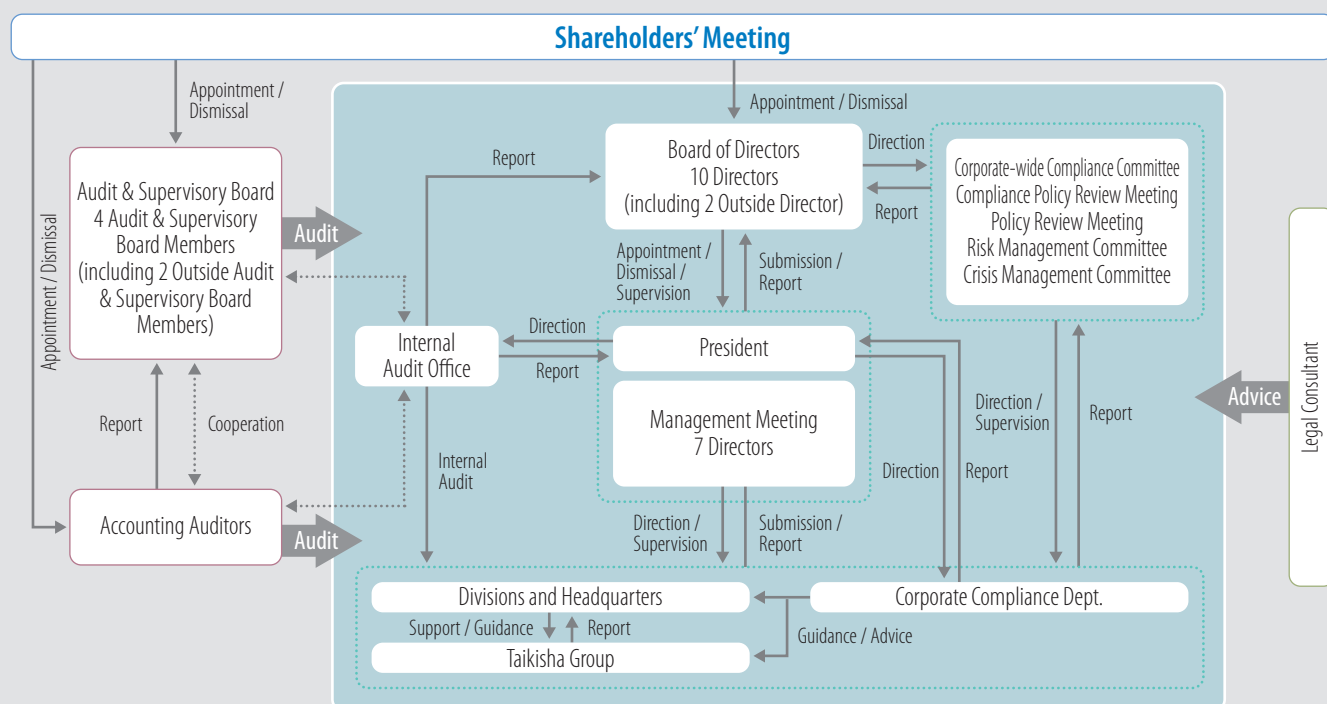
Taikisha Ltd. is steadily improving the matters that were recognized as issues to be addressed through the analysis and evaluation of the effectiveness of the Board of Directors during the previous fiscal year. The Board of Directors continuously reviewed the roles of

the respective meeting structures from the viewpoint of clarifying the sharing of roles between supervision and execution, and further improved the operating method of the Risk Management Committee and compliance-related and other meetings during the fiscal year under review. In addition, the Company activated discussions on management infrastructure bases that will contribute to the improvement of corporate value in the future and implemented a new core system and a new personnel system. Moreover, the Company held an opinion exchange meeting consisting of only the Outside Directors and the Outside Audit & Supervisory Board Members, and the meeting provided unbiased and objective feedback to the management of the Company.

The Company considers that it will be necessary to review the roles of the Board of Directors regarding the formulation and supervision of the medium- to long-term plans to further reinforce the supervisory function of the Board of Directors. Furthermore, the Company will ensure sufficient time for discussions on actions in response to the Work Style Reforms, human resource development, the reinforcement of governance at overseas affiliates, and reviews of the Group-wide risk management system.

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 the Conduct Guideline and the Taikisha Ltd. Code of Conduct as the principles of conduct of all officers and employees. In addition, to enforce the Code of Conduct, Taikisha has set out the Compliance Activity Standards. The principles of conduct and the Compliance Manual are distributed to all officers and employees to ensure that compliance is fully disseminated and well-known in entire Taikisha Group.

Taikisha’s system for promoting compliance is operated by the Corporate-wide Compliance Committee, the Corporate Compliance Dept., Compliance Officers and the Whistle-blowing System.

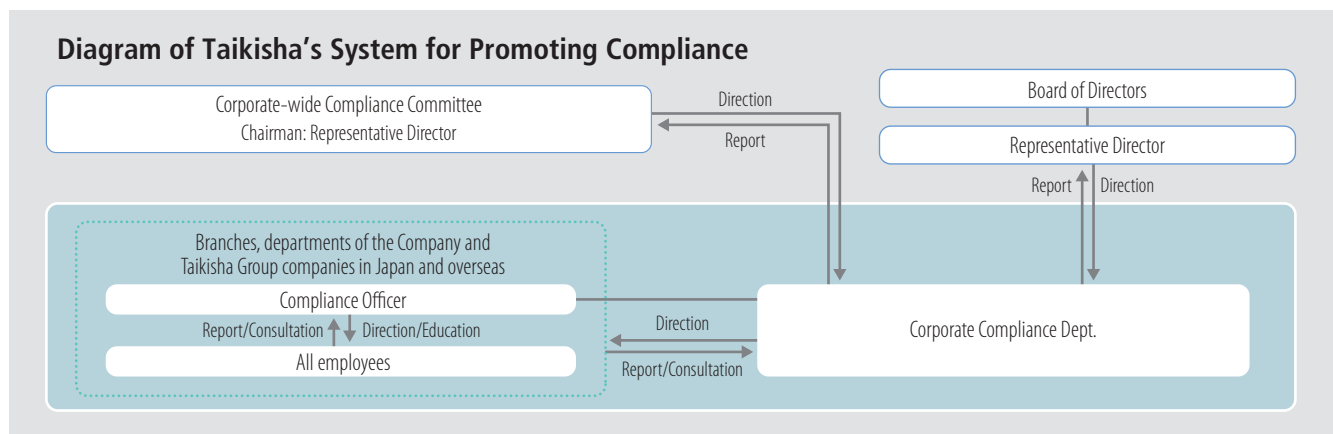
The Corporate-wide Compliance Committee, chaired by the Representative Director, meets once a month, in principle, to review and respond to compliance issues in Taikisha’s overall business, as well as to verify the status of compliance with laws and ordinances and the Articles of Incorporation. In addition, the Committee verifies recurrence prevention measures regarding cases of compliance violation that have actually occurred. Two of every 12 Committee

meetings shall be Compliance Policy Review Meetings at which all officers are required to attend. The annual compliance policy, annual plans, violation countermeasures and other subjects are reviewed and validated, in addition to the aforementioned verifications, and a summary of the discussions are reported to the Board of Directors. Should any signs of a significant incident be identified, Taikisha shall swiftly convene the Corporate Compliance Committee Meeting, which all officers are required to attend, to cope with the potential problems.

The Corporate Compliance Dept. conducts compliance-related educational and enlightenment activities on an ongoing basis, in accordance with the Japanese and overseas compliance programs approved by the Corporate-wide Compliance Committee, while maintaining independence as a department directly under the Representative Director. The Department reports on the status of such activities to the Committee.

Taikisha assigns a Compliance Officer in each business offices of Taikisha Group in Japan and overseas, thus establishing the directing/reporting routes to the Department to strengthen the compliance system.

**Diagram of Taikisha’s System for Promoting Compliance**



## Environmentally Friendly Technologies

# A New-Type Circular Ensuring Excellent Maintainability and Energy Efficiency Developed

A circular is a paint recovery device to recover the mist-state, sprayed paint dispersed and left inside an automobile paint booth without being applied onto the vehicle body. The paint mist is guided to the circular located under the floor by riding an even, downward air flow blown from the ceiling (perpendicular air current in one direction), as shown in Figure 1. Subsequently, the mist is caught by hitting the paint mist against atomized water.

The “S-1 Type Wet-type Circular”, which was developed recently, has adopted a simple configuration that ensures excellent maintainability as seen in Figure 2. The new-type circular enables reductions of 22% in energy loss (pressure loss) and 13% in circulating water volume when air current goes through the circular,

while maintaining high dust removal efficiency. As a result, power consumption of the circular is reduced by 14%. In the future, Taikisha will endeavor to develop higher-performance products through continuous improvements.

## Monitoring of Compliance Risk

The Corporate Compliance Dept. regularly visits each company of Taikisha Group in Japan and overseas to monitor their compliance risk management system.

The Department evaluates the management system of each company of Taikisha Group to a four-grade structure (S, A, B and C) and provides PDCA-based guidance for the recognition of issues and improvement.

As for monitoring in Japan, Taikisha identifies and verifies a broad range of compliance issues such as the status of compliance with laws and ordinances, including the Antimonopoly Act, and internal rules as well as the management system; the status of dissemination of the Whistle-blowing System; and issues related to the labor environment.

As for monitoring overseas, Taikisha identifies and verifies risks specific to each business office based on the conditions of each country; the status of compliance with laws and ordinances including the Competition Act and the Anti-Bribery Act; and the status of dissemination of the Whistle-blowing System.

Taikisha aims to establish an autonomous compliance system that prevents severe legal violations both in its domestic and overseas companies, while helping them to unerringly detect minor infringement cases and cope with such cases on their own.

### ● Risk Rating of Legal and Compliance for Taikisha's Monitoring

Grade	Four Grades of Evaluation
S	No violations of Laws recognized (Any recognized weakness is minor)
A	Minor violations of laws recognized, but detected and controlled properly by ourselves.
B	Non-minor violations of Laws recognized.
C	Material violations of Laws recognized that could threaten the sustainability of business.

## Whistle-blowing System

Taikisha has established a whistle-blowing hotline so that any legal violation, violation of internal rules, misconduct or unethical conduct can be reported directly to the Corporate Compliance Dept.

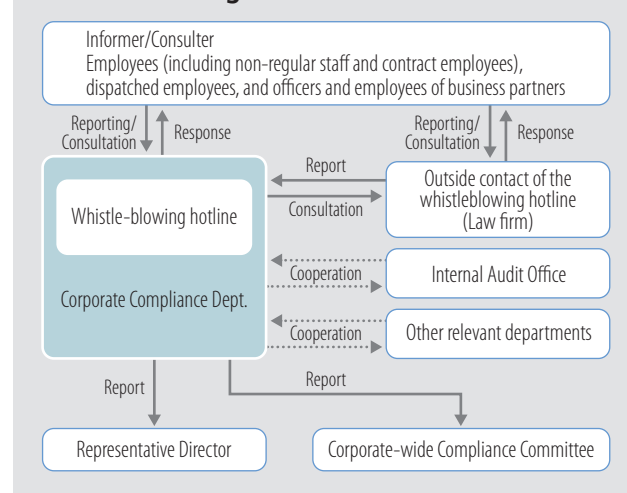
or an outside law firm. The whistle-blowing hotline can be used not only by employees of Taikisha Group but also by dispatched employees as well as officers and employees of business partners.

The domestic hotline became operational in FY2006 (from April 2006 to March 2007). In FY2015, Taikisha started developing the hotline at its overseas affiliates as well. As of March 31, 2018, the hotline is in operation at 23 overseas affiliates.

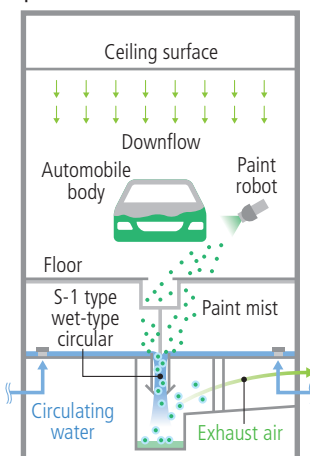
In operating the Whistle-blowing System, the information reported to the hotline is strictly managed in accordance with the Whistleblowing Rules and Taikisha fully protects informers with measures such as raising awareness on the protection of whistleblowers through enlightenment activities for employees.

In FY2017, Taikisha received eight whistleblowing reports domestically and took appropriate actions upon prompt investigation of each of these cases.

### Whistleblowing Flow Chart



### Flow of wet-type scrubber paint booth



### Comparison of air flow between conventional type and new type of wet-type circulars

	W-type wet-type circular (conventional type)	S-1 type wet-type circular (new type)
Configuration of circular		
Features	Circular focused on reducing noise.	With the new-type circular, all the process air flows straight leading to reduced energy loss and this ensures greater dust removal efficiency.

## RESULTS OF OPERATIONS (OVERVIEW)

### The results for the fiscal year ended March 31, 2018

#### Earnings Overview

The world economy for the fiscal year ended March 31, 2018 was as follows.

U.S. economy continued to expand gradually mainly due to increase of consumer spending as well as improvement of corporate results and employment condition. European economy continued gradual recovery supported by increase of consumer spending and exports. Chinese economy remained solid partly as a result of economic policy enforced by the government, and economy of other Asian countries maintained steady as well. Japanese economy continued gradual recovery under the conditions of improvement of corporate results as well as positive recovery trend of consumer spending as a result of improvement of circumstances of employment and income.

The business situation of Taikisha Group was as follows.

In Green Technology System, capital investment by Japanese customers in overseas markets such as Thailand still remained sluggish. On the other hand, construction demand in Japanese market remained high continuing from the previous year mainly due to redevelopment in central Tokyo. In addition, investment by manufacturers of smartphones and electronic components used for automobile electronics remained high.

In Paint Finishing System, there was active investment in North America and China, and investment in India expanded as well, though it has been increasingly competitive environment.

In this situation, Taikisha Group has been promoting the following initiatives aiming for growth in medium-to-long term.

First, in order to strengthen construction response capability as well as to reduce overtime work, Taikisha Group conducted intersegment personnel shift, expanded the number of employment, and reduced the work load of construction site by utilizing IT proactively.

In addition, Taikisha Group has been actively promoting in business expansion which is centered on core businesses.

In Green Technology System, Taikisha Group has been developing plant factory business which is called "Vege-factory", and constructed domestic demonstration development center in Itabashi Ward, Tokyo, as well as overseas demonstration center in Ayutthaya, Thailand, aiming to improve the ability to respond to customer needs and to expand overseas businesses.

Moreover, for the purpose of strengthening the approach to overseas electrical construction, Taikisha Group made capital participation in a Thai company named BTE Co., Ltd. whose principal business is designing and manufacturing of switchboards and control boards used for monitoring system.

In Paint Finishing System, group companies are cooperating worldwide to promote sales activities in paint finishing businesses not only for automobiles but also for other vehicles such as aircrafts and railway cars. In order to accelerate research and development of these new businesses, Taikisha Group is currently proceeding the establishment of integrated development center in Zama City, Kanagawa.

As a result, orders received in Japan increased though that of overseas decreased, and consolidated orders received increased 0.7% year-on-year to ¥219,844 million, including overseas orders received of ¥101,577 million which decreased 7.7% year-on-year.

Consolidated sales increased both in Japan as well as overseas, and consolidated sales increased 15.6% year-on-year to ¥231,898 million, including overseas sales of ¥116,170 million which increased 17.6% year-on-year.

In regards to profits, gross profit on completed construction contracts increased ¥4,622 million year-on-year to ¥32,779 million, operating income increased ¥3,707 million year-on-year to ¥12,180 million, ordinary income increased ¥3,240 million year-on-year to ¥13,082

million, and profit attributable to owners of parent increased ¥949 million year-on-year to ¥7,254 million. Every profit related item was higher compared to the previous year due to the favorable performance of Green Technology System.

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

#### Green Technology System

Consolidated orders received increased compared to the previous year mainly due to the increase of industrial HVAC in Japan and China, though orders received of building HVAC in Japan decreased. Consolidated sales increased compared to the previous year mainly due to the increase of industrial HVAC and building HVAC in Japan.

As a result, consolidated orders received increased 13.1% year-on-year to ¥147,511 million. The breakdown is orders received for building HVAC of ¥43,612 million which decreased 10.5% year-on-year and orders received for industrial HVAC of ¥103,898 million which increased 27.2% year-on-year. Consolidated sales increased 12.3% year-on-year to ¥139,948 million. The breakdown is sales for building HVAC of ¥45,845 million which increased 4.5% year-on-year and sales for industrial HVAC of ¥94,103 million which increased 16.6% year-on-year. Segment profit (ordinary income) increased ¥1,904 million year-on-year to ¥11,885 million.

#### Paint Finishing System

Consolidated orders received decreased compared to the previous year mainly due to a reactionary drop from large capital investments of automobile manufacturers in the United States in the previous year, though orders received in China and Southeast Asia increased. Consolidated sales increased mainly due to the increase in North America, though sales in China decreased.

As a result, consolidated orders received decreased 17.7% year-on-year to ¥72,333 million and consolidated sales increased 21.0% year-on-year to ¥92,029 million. Segment profit (ordinary income) was ¥1,160 million while segment loss (ordinary loss) for the previous year was ¥115 million.

### Financial Condition

#### Assets

As of March 31, 2018, current assets increased 5.4% year-on-year to ¥161,174 million. This is mainly due to increase in cash and deposits of ¥4,884 million and notes receivable, accounts receivable from completed construction contracts and other of ¥964 million.

Non-current assets increased 21.0% year-on-year to ¥55,806 million. This is mainly due to increase in investment securities of ¥5,095 million and net defined benefit asset of ¥1,327 million.

As a result, total assets increased 9.0% year-on-year to ¥216,980 million.

Assets by reportable segments are as follows.

#### Green Technology System

As of March 31, 2018, current assets increased 18.6% year-on-year to ¥79,810 million. This is mainly due to increase in cash and deposits of ¥1,603 million and notes receivable, accounts receivable from completed construction contracts and other of ¥10,300 million.

Non-current assets increased 14.4% year-on-year to ¥24,155 million. This is mainly due to increase in investment securities of ¥2,765 million.

As a result, total assets increased 17.6% year-on-year to ¥103,966 million.

#### Paint Finishing System

As of March 31, 2018, current assets decreased 14.2% year-on-year to ¥51,515 million. This is mainly due to decrease in notes receivable, accounts receivable from completed construction contracts and other of ¥9,340 million.

Non-current assets increased 30.8% year-on-year to ¥19,374 million. This is mainly due to increase in investment securities of ¥2,272 million and deferred tax assets of ¥571 million.

As a result, total assets decreased 5.3% year-on-year to ¥70,890 million.

#### **Liabilities**

As of March 31, 2018, current liabilities increased 5.8% year-on-year to ¥93,744 million. This is mainly due to increase in notes payable, accounts payable for construction contracts and other of ¥5,303 million, short-term loans payable of ¥2,715 million, and income taxes payable of ¥2,397 million, despite decrease in advances received on uncompleted construction contracts of ¥3,673 million.

Non-current liabilities increased 23.0% year-on-year to ¥12,586 million. This is mainly due to increase in deferred tax liabilities of ¥1,743 million and long-term loans payable of ¥620 million.

As a result, total liabilities increased 7.6% year-on-year to ¥106,330 million.

#### **Net assets**

As of March 31, 2018, total net assets increased 10.4% year-on-year to ¥110,650 million. This is mainly due to increase in valuation difference on available-for-sale securities of ¥3,273 million and accumulated remeasurements of defined benefit plans of ¥896 million, despite decrease in treasury shares of ¥3,653 million.

#### **Cash flows**

Cash and cash equivalents (collectively, "Cash") as of March 31, 2017 and 2018 were ¥31,672 million and ¥42,292 million respectively. Compared to the previous year, it increased ¥10,620 million.

##### **Cash flows from operating activities**

Cash provided by operating activities for the years ended March 31, 2017 and 2018 were ¥6,679 million and ¥9,337 million respectively. Cash increased mainly due to recording profit before income taxes and increase in notes and accounts payable-trade, etc., despite Cash decreased mainly due to decrease in advances received on uncompleted construction contracts and decrease in accrued consumption taxes, etc.

##### **Cash flows from investing activities**

Cash used in investing activities for the year ended March 31, 2017 was ¥6,505 million, and Cash provided by investing activities for the year ended March 31, 2018 was ¥1,390 million. Cash increased mainly due to the excess of proceeds from withdrawal of time deposits over payments into time deposits, though Cash decreased mainly due to 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.

##### **Cash flows from financing activities**

Cash used in financing activities for the years ended March 31, 2017 and 2018 were ¥5,286 million and ¥885 million respectively. Cash decreased mainly due to payments of dividends and net increase in treasury shares, though increased mainly due to net increase in short-term loans payable and the excess of proceeds from long-term loans payable over repayments of 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, 2018.

##### **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 determines whether or not to deal with new customers by conducting credit check, and reviews credit status regularly for existing customers. 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**

There is a possibility that Taikisha Group has to deal with price competition with other companies in the industry, because the construction business is in highly competitive situation. As a result, it could deteriorate profitability and affect Taikisha Group's business results.

##### **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., 39 subsidiaries, and 4 associates. Taikisha Ltd. and 3 subsidiaries are domiciled in Japan, and 36 subsidiaries and 4 associates are domiciled overseas.



## CONSOLIDATED BALANCE SHEETS

Taikisha Ltd. and its Consolidated Subsidiaries

As of March 31, 2017 and 2018

	Millions of yen		Thousands of U.S. dollars
	2017	2018	2018
<b>Assets</b>			
<b>Current assets:</b>			
Cash and deposits (Notes 3, 7 and 9)	¥42,263	¥47,147	\$443,658
Notes receivable, accounts receivable from completed construction contracts and other (Notes 3 and 9)	100,983	101,947	959,328
Securities (Notes 7, 9 and 10)	10	—	—
Costs on uncompleted construction contracts (Note 3)	1,951	2,120	19,956
Raw materials and supplies	265	348	3,276
Deferred tax assets (Note 13)	1,702	2,159	20,317
Other	6,191	7,990	75,191
Allowance for doubtful accounts (Note 9)	(461)	(539)	(5,079)
Total current assets	152,907	161,174	1,516,647
<b>Non-current assets:</b>			
Property, plant and equipment			
Buildings and structures	7,448	7,634	71,843
Machinery, vehicles, tools, furniture and fixtures (Notes 3 and 8)	8,373	9,161	86,207
Land	2,073	2,101	19,773
Other	322	2,034	19,141
Accumulated depreciation	(10,584)	(11,517)	(108,375)
Total property, plant and equipment	7,633	9,414	88,589
Intangible assets			
Goodwill (Note 18)	2,668	2,762	25,991
Other	2,434	3,364	31,658
Total intangible assets	5,103	6,126	57,649
Investments and other assets			
Investment securities (Notes 3, 9 and 10)	25,629	30,724	289,118
Deferred tax assets (Note 13)	872	1,463	13,775
Net defined benefit asset (Note 12)	4,984	6,311	59,391
Other	1,906	1,780	16,757
Allowance for doubtful accounts	(13)	(14)	(139)
Total investments and other assets	33,380	40,265	378,902
Total non-current assets	46,116	55,806	525,140
<b>Total assets</b>	<b>¥199,024</b>	<b>¥216,980</b>	<b>\$2,041,787</b>

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

	Millions of yen		Thousands of U.S. dollars
	2017	2018	2018
<b>Liabilities and Net assets</b>			
<b>Current liabilities:</b>			
Notes payable, accounts payable for construction contracts and other (Notes 3 and 9)	¥55,287	¥60,590	\$570,159
Short-term loans payable (Notes 9 and 21)	4,015	6,730	63,336
Income taxes payable (Note 9)	1,462	3,859	36,315
Deferred tax liabilities (Note 13)	17	2	20
Advances received on uncompleted construction contracts	15,543	11,870	111,697
Provision for warranties for completed construction	973	690	6,495
Provision for loss on construction contracts (Note 3)	790	469	4,414
Provision for directors' bonuses	101	122	1,154
Other (Note 21)	10,416	9,409	88,544
Total current liabilities	88,608	93,744	882,134
<b>Non-current liabilities:</b>			
Long-term loans payable (Notes 9 and 21)	986	1,606	15,115
Deferred tax liabilities (Note 13)	7,285	9,028	84,962
Provision for directors' retirement benefits	50	64	609
Net defined benefit liability (Note 12)	1,492	1,563	14,715
Other (Note 21)	416	322	3,035
Total non-current liabilities	10,231	12,586	118,436
Total liabilities	¥98,839	¥106,330	\$1,000,570
<b>Net assets:</b>			
<b>Shareholders' equity</b>			
Capital stock			
Authorized: 100,000,000 shares			
Issued: 36,782,009 shares as of March 31, 2017			
35,082,009 shares as of March 31, 2018	¥6,455	¥6,455	\$60,743
Capital surplus	7,305	7,258	68,301
Retained earnings	77,945	78,698	740,550
Treasury shares, at cost — 2,575,841 shares as of March 31, 2017	(6,128)	—	—
1,012,999 shares as of March 31, 2018	—	(2,475)	(23,293)
Total shareholders' equity	85,577	89,936	846,301
<b>Accumulated other comprehensive income</b>			
Valuation difference on available-for-sale securities	9,969	13,242	124,612
Deferred gains or losses on hedges (Note 11)	(111)	3	34
Foreign currency translation adjustment	349	1,141	10,740
Accumulated remeasurements of defined benefit plans	(31)	864	8,136
Total accumulated other comprehensive income	10,175	15,252	143,522
<b>Non-controlling interests</b>	4,431	5,461	51,394
Total net assets	100,184	110,650	1,041,217
<b>Total liabilities and net assets</b>	¥199,024	¥216,980	\$2,041,787
<b>Per share data :</b>			
	Yen		U.S. dollars
Net assets	¥2,799.30	¥3,087.51	\$29.05
<b>Basis of calculation</b>	Millions of yen		Thousands of U.S. dollars
Total net assets	¥100,184	¥110,650	\$1,041,217
Amounts to be deducted from net assets (Non-controlling interests)	(4,431)	(5,461)	(51,394)
Net assets applicable to common shares	95,753	105,188	989,823
Number of common shares as of the year-end (thousands of shares)	34,206	34,069	34,069

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, 2017 and 2018

	Millions of yen		Thousands of U.S. dollars
	2017	2018	2018
<b>Consolidated Statements of Income</b>			
<b>Net sales of completed construction contracts</b>	¥200,604	¥231,898	\$2,182,163
<b>Cost of sales of completed construction contracts (Note 4)</b>	172,447	199,118	1,873,707
<b>Gross profit on completed construction contracts</b>	28,157	32,779	308,456
<b>Selling, general and administrative expenses:</b>			
Directors' compensations	806	853	8,029
Employees' salaries and allowances	7,824	7,966	74,964
Provision for directors' bonuses	101	122	1,154
Retirement benefit expenses (Note 12)	607	699	6,578
Provision for directors' retirement benefits	15	14	136
Correspondence and transportation expenses	1,159	1,230	11,584
Provision of allowance for doubtful accounts	162	112	1,056
Rents	1,388	1,479	13,926
Depreciation	1,070	1,186	11,163
Amortization of goodwill	174	365	3,443
Other	6,370	6,568	61,809
<b>Total selling, general and administrative expenses (Note 4)</b>	19,683	20,599	193,842
<b>Operating income</b>	8,473	12,180	114,614
<b>Non-operating income:</b>			
Interest income	552	389	3,665
Dividend income	466	516	4,860
Dividend income of insurance	133	176	1,664
Real estate rent	102	103	974
Foreign exchange gains	199	—	—
Reversal of allowance for doubtful accounts	2	—	—
Share of profit of entities accounted for using equity method	31	—	—
Other	261	405	3,817
<b>Total non-operating income</b>	1,750	1,591	14,980
<b>Non-operating expenses:</b>			
Interest expenses	175	221	2,084
Sales discounts	62	75	708
Rent expenses on real estates	20	20	192
Foreign exchange losses	—	247	2,324
Provision of allowance for doubtful accounts	—	0	1
Share of loss of entities accounted for using equity method	—	11	109
Other	123	113	1,070
<b>Total non-operating expenses</b>	381	689	6,488
<b>Ordinary income</b>	9,842	13,082	123,106
<b>Extraordinary income:</b>			
Gain on disposal of non-current assets (Note 4)	20	59	559
Gain on sales of investment securities	25	—	—
Reversal of reserve for loss on dissolution of employees' pension fund	9	—	—
Surrender value of insurance	3	—	—
<b>Total extraordinary income</b>	59	59	559
<b>Extraordinary losses:</b>			
Loss on disposal of non-current assets (Note 4)	18	65	614
Impairment loss (Note 17)	2	26	245
Loss on sales of investment securities (Note 10)	141	—	—
Loss on valuation of investment securities (Note 10)	19	—	—
Loss on insurance cancellation	16	—	—
<b>Total extraordinary losses</b>	199	91	859
<b>Profit before income taxes</b>	9,702	13,050	122,806
Income taxes-current	3,078	5,298	49,856
Income taxes-deferred	(45)	(1,104)	(10,392)
<b>Total income taxes</b>	3,032	4,193	39,464
<b>Profit</b>	6,669	8,856	83,342
<b>Profit attributable to non-controlling interests</b>	364	1,602	15,078
<b>Profit attributable to owners of parent</b>	¥6,305	¥7,254	\$68,264



	Millions of yen		Thousands of U.S. dollars
	2017	2018	2018
<b>Consolidated Statements of Comprehensive Income</b>			
<b>Profit</b>	¥6,669	¥8,856	\$83,342
<b>Other comprehensive income:</b>			
Valuation difference on available-for-sale securities	2,060	3,273	30,802
Deferred gains or losses on hedges	(225)	219	2,066
Foreign currency translation adjustment	(1,289)	840	7,905
Remeasurements of defined benefit plans	1,021	888	8,358
Share of other comprehensive income of entities accounted for using equity method	(62)	20	196
Total other comprehensive income (Note 5)	1,504	5,241	49,327
<b>Comprehensive income</b>	¥8,174	¥14,098	\$132,669
Comprehensive income attributable to :			
Owners of parent	¥8,071	¥12,326	\$115,993
Non-controlling interests	102	1,772	16,676
	Yen	U.S. dollars	
<b>Per share data :</b>			
Profit attributable to owners of parent	¥183.16	¥212.40	\$2.00
Cash dividends	¥70.00	¥75.00	\$0.71

	Millions of yen		Thousands of U.S. dollars
Basis of calculation			
Profit attributable to owners of parent	¥6,305	¥7,254	\$68,264
Profit attributable to owners of parent for common shares	6,305	7,254	68,264
Average number of common shares (thousands of shares)	34,425	34,154	34,154

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, 2017

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	¥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 (Note 6)				(1,000)	(1,000)							(1,000)
Retirement of treasury shares (Note 6)					—							—
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, 2018

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	¥7,305	¥77,945	¥(6,128)	¥85,577	¥9,969	¥(111)	¥349	¥(31)	¥10,175	¥4,431	¥100,184
Cumulative effects of changes in accounting policies			—		—						—	—
Restated balance	6,455	7,305	77,945	(6,128)	85,577	9,969	(111)	349	(31)	10,175	4,431	100,184
Changes of items during the period												
Dividends of surplus (Note 6)			(2,394)		(2,394)							(2,394)
Profit attributable to owners of parent			7,254		7,254							7,254
Purchase of treasury shares (Note 6)				(501)	(501)							(501)
Retirement of treasury shares (Note 6)		(47)	(4,106)	4,154	—							—
Purchase of shares of consolidated subsidiaries		3			3							3
Sales of shares of consolidated subsidiaries		(3)			(3)							(3)
Net changes of items other than shareholders' equity						3,273	114	792	896	5,076	1,030	6,106
Total changes of items during the period	—	(47)	752	3,653	4,358	3,273	114	792	896	5,076	1,030	10,465
Balance at the end of current period	¥6,455	¥7,258	¥78,698	¥(2,475)	¥89,936	¥13,242	¥3	¥1,141	¥864	¥15,252	¥5,461	¥110,650

For the year ended March 31, 2018

Thousands of U.S. dollars

	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	\$60,743	\$68,745	\$733,464	\$(57,668)	\$805,284	\$93,810	\$(1,048)	\$3,287	\$(296)	\$95,753	\$41,699	\$942,736	
Cumulative effects of changes in accounting policies			—		—						—	—	
Restated balance	60,743	68,745	733,464	(57,668)	805,284	93,810	(1,048)	3,287	(296)	95,753	41,699	942,736	
Changes of items during the period													
Dividends of surplus (Note 6)			(22,532)		(22,532)							(22,532)	
Profit attributable to owners of parent			68,264		68,264							68,264	
Purchase of treasury shares (Note 6)				(4,715)	(4,715)							(4,715)	
Retirement of treasury shares (Note 6)		(444)	(38,646)	39,090	—							—	
Purchase of shares of consolidated subsidiaries		35			35							35	
Sales of shares of consolidated subsidiaries		(35)			(35)							(35)	
Net changes of items other than shareholders' equity						30,802	1,082	7,453	8,432	47,769	9,695	57,464	
Total changes of items during the period	—	(444)	7,086	34,375	41,017	30,802	1,082	7,453	8,432	47,769	9,695	98,481	
Balance at the end of current period	\$60,743	\$68,301	\$740,550	\$(23,293)	\$846,301	\$124,612	\$34	\$10,740	\$8,136	\$143,522	\$51,394	\$1,041,217	

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, 2017 and 2018

	Millions of yen		Thousands of U.S. dollars
	2017	2018	2018
<b>Cash flows from operating activities:</b>			
Profit before income taxes	¥9,702	¥13,050	\$122,806
Depreciation and amortization	1,290	1,398	13,162
Amortization of goodwill	174	365	3,443
Increase (decrease) in allowance for doubtful accounts	36	36	344
Increase (decrease) in provision for warranties for completed construction	(311)	(287)	(2,707)
Increase (decrease) in provision for loss on construction contracts	581	(306)	(2,884)
Increase (decrease) in provision of reserve for loss on dissolution of employees' pension fund	(247)	—	—
Increase (decrease) in provision for directors' retirement benefits	(56)	14	136
Increase (decrease) in net defined benefit liability	(450)	(36)	(340)
Interest and dividend income	(1,018)	(906)	(8,525)
Interest expenses	175	221	2,084
Share of (profit) loss of entities accounted for using equity method	(26)	24	228
Loss (gain) on disposal of non-current assets	(1)	5	55
Loss (gain) on sales of investment securities	116	—	—
Loss (gain) on valuation of investment securities	19	—	—
Decrease (increase) in notes and accounts receivable-trade	(9,727)	394	3,709
Decrease (increase) in inventories	(120)	(82)	(773)
Decrease (increase) in advances paid	134	10	102
Decrease (increase) in non-operating notes receivable	4	0	0
Decrease (increase) in accounts receivable-other	11	74	705
Increase (decrease) in notes and accounts payable-trade	7,240	4,367	41,100
Increase (decrease) in advances received on uncompleted construction contracts	414	(4,059)	(38,202)
Increase (decrease) in accrued consumption taxes	1,203	(2,367)	(22,277)
Increase (decrease) in deposits received	66	17	165
Increase (decrease) in accrued expenses	(186)	545	5,137
Other, net	1,855	(650)	(6,121)
Subtotal	10,881	11,832	111,347
Interest and dividend income received	1,026	906	8,525
Interest expenses paid	(176)	(221)	(2,085)
Income taxes paid	(5,051)	(3,179)	(29,917)
Net cash provided by (used in) operating activities	6,679	9,337	87,870
<b>Cash flows from investing activities:</b>			
Payments into time deposits	(13,616)	(5,544)	(52,175)
Proceeds from withdrawal of time deposits	8,864	11,324	106,562
Purchase of property, plant and equipment and intangible assets	(1,807)	(3,832)	(36,062)
Proceeds from sales of property, plant and equipment and intangible assets	53	43	411
Purchase of investment securities	(531)	(498)	(4,694)
Proceeds from sales of investment securities	234	50	471
Proceeds from redemption of investment securities	—	2	27
Purchase of shares of subsidiaries resulting in change in scope of consolidation (Note 7)	—	(260)	(2,452)
Payments of long-term loans receivable	(54)	(40)	(385)
Collection of long-term loans receivable	40	64	605
Purchase of insurance funds	(0)	(0)	(4)
Proceeds from maturity of insurance funds	327	1	12
Purchase of long-term prepaid expenses	(34)	(12)	(121)
Other, net	17	95	894
Net cash provided by (used in) investing activities	(6,505)	1,390	13,089
<b>Cash flows from financing activities:</b>			
Net increase (decrease) in short-term loans payable	(4)	2,275	21,415
Proceeds from long-term loans payable	473	1,599	15,053
Repayments of long-term loans payable	(1,779)	(881)	(8,291)
Repayments of lease obligations	(50)	(37)	(351)
Net decrease (increase) in treasury shares	(1,000)	(501)	(4,715)
Cash dividends paid	(2,317)	(2,393)	(22,527)
Cash dividends paid to non-controlling interests	(448)	(955)	(8,991)
Proceeds from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	0	7	74
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	(158)	—	—
Net cash provided by (used in) financing activities	(5,286)	(885)	(8,333)
Effect of exchange rate change on cash and cash equivalents	(1,584)	776	7,310
Net increase (decrease) in cash and cash equivalents	(6,697)	10,620	99,936
Cash and cash equivalents at beginning of period	38,369	31,672	298,040
Cash and cash equivalents at end of period (Note 7)	¥31,672	¥42,292	\$397,976

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, 2017 and 2018

## 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 ¥106.27 to US\$1, the rate of exchange prevailing at March 31, 2018, 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, BTE Co., Ltd. is included in the scope of consolidation because Taikisha (Thailand) Co., Ltd. and Taikisha Trading (Thailand) Co., Ltd., which are consolidated subsidiaries of the Company, acquired a total of fifty percent of its shares in this fiscal year.

The consolidated financial statements include the accounts of the Company and all significant subsidiaries listed below as of March 31, 2018:

#### 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.
Taikisha Mexicana Service S.A. de C.V. (subsidiary of Taikisha de Mexico, S.A. de C.V.)	(subsidiary of Wuzhou Taikisha Engineering Co., Ltd.)
Taikisha do Brasil Ltda.	Tianjin Taikisha Paint Finishing System Ltd.
Taikisha (Singapore) Pte. Ltd.	Taikisha Hong Kong Limited
Taikisha (Thailand) Co., Ltd.	Taikisha (Taiwan) Ltd.
Taikisha Trading (Thailand) Co., Ltd. (subsidiary of Taikisha (Thailand) Co., Ltd.)	Taikisha Korea Ltd.
Thaiken Maintenance & Service Co., Ltd. (subsidiary of Taikisha (Thailand) Co., Ltd.)	Taikisha Engineering India Private Ltd.
Token Interior & Design Co., Ltd. (subsidiary of Taikisha (Thailand) Co., Ltd.)	Geico S.p.A.
TKA Co., Ltd. (subsidiary of Taikisha (Thailand) Co., Ltd.)	J-CO America Corporation (subsidiary of Geico S.p.A.)
BTE 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

From this fiscal year, J-PM Systems GmbH is included in the scope of application of the equity method because its materiality increased.

Shanghai Dongbo-Taiki Conveyor System Manufacturing Co., Ltd.

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

J-PM Systems GmbH

#### Name of associates not subject to the equity method

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

Makiansia Engineering (M) Sdn. Bhd.

### (3) Fiscal year for consolidated subsidiaries

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

In preparing the consolidated financial statements, for consolidated subsidiaries whose balance sheet date is December 31, the Company uses each subsidiary's financial statements as of December 31. For Token Myanmar Co., Ltd. and Geico Paint Shop India Private Limited, the Company uses provisional financial results as of December 31, which is the balance sheet date of their parent companies, Taikisha (Thailand) Co., Ltd. and Geico Taikisha Europe Ltd., respectively.

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

### (4) Valuation of significant assets

#### Held-to-maturity debt securities

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

#### **Shares of associates**

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

#### **Available-for-sale securities**

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

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

#### **Derivatives**

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

#### **Inventories**

Costs on uncompleted construction contracts are stated at cost using specific identification method. Raw materials and supplies are stated at cost determined by the moving average method. The cost method (the amounts stated in the balance sheets are calculated by writing down the book 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 in accordance with the Corporate Tax Law.

#### **Intangible assets (excluding leased assets)**

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

#### **Leased assets**

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

### **(6) Standards of accounting for principal allowance and provisions**

#### **Allowance for doubtful accounts**

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

#### **Provision for warranties for completed construction**

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

#### **Provision for loss on construction contracts**

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

#### **Provision for directors' bonuses**

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

#### **Provision for 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 the 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. However, an immaterial goodwill is recognized as expenses in the fiscal year of accrual.

#### **(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**

##### **Unapplied accounting standards**

“Accounting Standard for Revenue Recognition” (Accounting Standards Board of Japan Statement No. 29, March 30, 2018)

“Implementation Guidance on Accounting Standard for Revenue Recognition” (Accounting Standards Board of Japan Guidance No. 30, March 30, 2018)

(Overview)

The Accounting Standards Board of Japan (ASBJ) has developed comprehensive accounting standards for revenue recognition and published these accounting standards based on IFRS 15 “Revenue from Contracts with Customers” published in May 2014.

From a standpoint of comparability between financial statements which is one of the benefits of ensuring consistency with IFRS 15, the basic policy of the ASBJ in developing accounting standards for revenue recognition is incorporating the basic principles of IFRS 15 as a starting point. Also, these standards regular to add alternative accounting treatments not to lose comparability if there is a matter which is necessary to consider the business practice which have been conducted in Japan.

(Application date)

The accounting standard and the guidance are expected to be applied from the beginning of the fiscal year starting on or after April 1, 2021.

(Impact of the application of the accounting standards)

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

##### **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”) since 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 ¥299 million for the previous year, and ¥287 million (US\$ 2,702 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 161 thousand for previous fiscal year and 154 thousand for this fiscal year. The average number of shares in fiscal year is 162 thousand for previous fiscal year and 155 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, 2017 and 2018	Millions of yen		Thousands of U.S. dollars
	2017	2018	2018
Investment securities	¥728	¥728	\$6,854

#### (2) Pledged assets

Assets pledged as collateral for security deposits at subsidiaries and associates

As of March 31, 2017 and 2018	Millions of yen		Thousands of U.S. dollars
	2017	2018	2018
Cash and deposits	¥36	¥57	\$540

Assets pledged as collateral for loans payable of invested company

As of March 31, 2017 and 2018	Millions of yen		Thousands of U.S. dollars
	2017	2018	2018
Investment securities	¥2	¥2	\$19

Assets pledged as collateral for loans payable of subsidiaries and associates

As of March 31, 2017	Millions of yen			
	Book value	Liabilities covered by pledged assets		
Pledged assets				
Cash and deposits	¥332	¥227		
Machinery, vehicles, tools, furniture and fixtures	¥28	¥12		

As of March 31, 2018	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	¥299	¥213	\$2,815	\$2,011
Machinery, vehicles, tools, furniture and fixtures	¥12	¥8	\$121	\$79

Assets pledged as collateral for overdraft facilities of subsidiaries and associates

As of March 31, 2017 and 2018	Millions of yen		Thousands of U.S. dollars
	2017	2018	2018
Cash and deposits	¥—	¥17	\$163

#### (3) Guarantee obligations

As of March 31, 2017 and 2018	Millions of yen		Thousands of U.S. dollars
	2017	2018	2018
Guarantee of Employees' loans	¥3	¥2	\$23
Tianjin Dongchun-Taiki Metal Finishing & Conveyor System Manufacturing Co., Ltd.	312	276	2,598
Total	¥315	¥278	\$2,621

#### (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, 2017 and 2018	Millions of yen		Thousands of U.S. dollars
	2017	2018	2018
Total amount of lending commitment	¥5,000	¥5,000	\$47,050
Borrowing execution balance	—	—	—
Net	¥5,000	¥5,000	\$47,050

#### (5) Endorsed notes

As of March 31, 2017 and 2018	Millions of yen		Thousands of U.S. dollars
	2017	2018	2018
Endorsed notes	¥40	¥38	\$359

**(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, 2017 and 2018	Millions of yen		Thousands of U.S. dollars
	2017	2018	2018
Provision for loss on construction contracts	¥1	¥0	\$4

**(7) Outstanding notes receivable and notes payable which maturity dates are same date as balance sheet date**

Notes receivable and notes payable are settled as of the date of bank clearing. However, as the balance sheet date of this fiscal year was a bank holiday, the following notes are included in the balance as of this fiscal year end.

For the years ended March 31, 2017 and 2018	Millions of yen		Thousands of U.S. dollars
	2017	2018	2018
Notes receivable-trade	¥—	¥168	\$1,584
Endorsed notes	—	1	19
Electronically recorded monetary claims-operating	—	1	15
Notes payable-trade	—	624	5,876
Electronically recorded obligations-operating	—	2,428	22,852

**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, 2017 and 2018	Millions of yen		Thousands of U.S. dollars
	2017	2018	2018
General and administrative expenses	¥946	¥1,024	\$9,641

**(2) Gain on disposal of non-current assets**

For the years ended March 31, 2017 and 2018	Millions of yen		Thousands of U.S. dollars
	2017	2018	2018
Buildings and structures	¥14	¥45	\$432
Machinery, vehicles, tools, furniture and fixtures	5	4	45
Long-term deposits	—	7	66
Other	—	1	16
Total	¥20	¥59	\$559

**(3) Loss on disposal of non-current assets**

For the years ended March 31, 2017 and 2018	Millions of yen		Thousands of U.S. dollars
	2017	2018	2018
Buildings and structures	¥0	¥32	\$306
Machinery, vehicles, tools, furniture and fixtures	10	17	161
Long-term deposits	0	6	57
Other	7	9	90
Total	¥18	¥65	\$614

**(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, 2017 and 2018	Millions of yen		Thousands of U.S. dollars
	2017	2018	2018
Provision for loss on construction contracts	¥756	¥347	\$3,274

## 5. Notes of consolidated statements of comprehensive income

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

For the years ended March 31, 2017 and 2018	Millions of yen		Thousands of U.S. dollars
	2017	2018	2018
Valuation difference on available-for-sale securities			
Net gains (losses) arising during the period	¥2,890	¥4,639	\$43,654
Reclassification adjustments	140	—	—
Before tax effects	3,031	4,639	43,654
Tax effects	(971)	(1,365)	(12,852)
Valuation difference on available-for-sale securities	2,060	3,273	30,802
Deferred gains or losses on hedges			
Net gains (losses) arising during the period	(260)	400	3,770
Reclassification adjustments	(40)	(103)	(975)
Before tax effects	(300)	297	2,795
Tax effects	75	(77)	(729)
Deferred gains or losses on hedges	(225)	219	2,066
Foreign currency translation adjustment			
Net gains (losses) arising during the period	(1,289)	840	7,905
Foreign currency translation adjustment	(1,289)	840	7,905
Remeasurements of defined benefit plans			
Net gains (losses) arising during the period	1,280	934	8,793
Reclassification adjustments	169	339	3,194
Before tax effects	1,450	1,273	11,987
Tax effects	(429)	(385)	(3,629)
Remeasurements of defined benefit plans	1,021	888	8,358
Share of other comprehensive income of entities accounted for using equity method			
Net gains (losses) arising during the period	(62)	20	196
Other comprehensive income	¥1,504	¥5,241	\$49,327

## 6. Notes of consolidated statements of changes in net assets

### (1) The number of issued shares

For the year ended March 31, 2017	Beginning Balance	Increase	Decrease	Ending Balance
Common shares	36,782,009	—	—	36,782,009
For the year ended March 31, 2018	Beginning Balance	Increase	Decrease	Ending Balance
Common shares	36,782,009	—	1,700,000	35,082,009

The number of issued shares decreased by 1,700,000 shares because of the retirement of the shares.

### (2) The number of treasury 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.				
For the year ended March 31, 2018	Beginning Balance	Increase	Decrease	Ending Balance
Common shares	2,575,841	137,158	1,700,000	1,012,999

The number of treasury shares increased by 136,800 shares because of purchase of shares approved by the resolution of board of directors and increased by 358 shares because of purchase of shares less than one unit (\*).

The number of treasury shares decreased by 1,700,000 shares because of the retirement of the shares.

(\*) 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, 2017

Resolution approved by	Type of shares	Amount Millions of yen	Amount per share Yen	Shareholders' cut-off date	Effective date
Annual general meeting of shareholders (June 29, 2016)	Common shares	¥1,451	¥42.00	March 31, 2016	June 30, 2016
Board of directors (November 11, 2016)	Common shares	¥864	¥25.00	September 30, 2016	November 30, 2016

For the year ended March 31, 2018

Resolution approved by	Type of shares	Amount		Amount per share		Shareholders' cut-off date	Effective date
		Millions of yen	Thousands of U.S. dollars	Yen	U.S. dollars		
Annual general meeting of shareholders (June 29, 2017)	Common shares	¥1,539	\$14,485	¥45.00	\$0.42	March 31, 2017	June 30, 2017
Board of directors (November 13, 2017)	Common shares	¥855	\$8,047	¥25.00	\$0.24	September 30, 2017	November 30, 2017

**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, 2017

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, 2017)	Common shares	Retained earnings	¥1,539	¥45.00	March 31, 2017	June 30, 2017

For the year ended March 31, 2018

Resolution approved by	Type of shares	Paid from	Amount		Amount per share		Shareholders' cut-off date	Effective date
			Millions of yen	Thousands of U.S. dollars	Yen	U.S. dollars		
Annual general meeting of shareholders (June 28, 2018)	Common shares	Retained earnings	¥1,703	\$16,029	¥50.00	\$0.47	March 31, 2018	June 29, 2018

**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, 2017 and 2018

	Millions of yen		Thousands of U.S. dollars
	2017	2018	2018
Cash and deposits	¥42,263	¥47,147	\$443,658
Securities	10	—	—
Sub total	42,274	47,147	443,658
Time deposits over three months	(10,591)	(4,854)	(45,682)
Securities over three months	(10)	—	—
Cash and cash equivalents	¥31,672	¥42,292	\$397,976

**(2) Detail of assets and liabilities of the company which is included in the scope of consolidation because of acquisition of shares**

The detail of assets, liabilities and purchase of shares of a subsidiary resulting in inclusion in consolidation is as follows:

For the years ended March 31, 2018  
BTE Co., Ltd. (as of January 1, 2017)

	Millions of yen	Thousands of U.S. dollars
Current assets	¥339	\$3,199
Non-current assets	153	1,446
Goodwill	158	1,491
Current liabilities	(258)	(2,428)
Non-current liabilities	(16)	(153)
Non-controlling interests	(109)	(1,032)
Acquisition cost of shares	268	2,523
Cash and cash equivalents	(7)	(71)
Net : Purchase of shares	¥260	\$2,452

## 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, 2017

	Millions of yen		
	Acquisition cost	Accumulated depreciation	Net book value
Machinery	¥139	¥129	¥9

As of March 31, 2018

There is nothing applicable.

The amounts of future lease payments

As of March 31, 2017 and 2018

	Millions of yen		Thousands of U.S. dollars
	2017	2018	2018
Due within one year	¥9	¥—	\$—
Due over one year	—	—	—
Total	¥9	¥—	\$—

(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, 2017 and 2018

	Millions of yen		Thousands of U.S. dollars
	2017	2018	2018
Total lease payments	¥13	¥9	\$87
Depreciation	¥13	¥9	\$87

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 which 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, 2017 and 2018

	Millions of yen		Thousands of U.S. dollars
	2017	2018	2018
Due within one year	¥151	¥202	\$1,903
Due over one year	521	810	7,625
Total	¥673	¥1,012	\$9,528

## 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.

Almost all trade payables such as notes payable, accounts payable for construction contracts and other are 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 each fiscal year, and they 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. For long-term loans payable, the risk of fluctuation in interest rate are hedged by using fixed interest rate in principle.

Derivative transactions are forward exchange contract as well as non-deliverable forward (NDF) which are for reducing foreign currencies fluctuation risk in normal operating cycle and interest rate swap which is for reducing interest rate risk on borrowings. 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 in such a way that each company prepares monthly financing plans.

### 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, 2017

	Millions of yen		
	Book value	Fair value	Difference
Cash and deposits	¥42,263	¥42,263	¥—
Notes receivable, accounts receivable from completed construction contracts and other	100,983		
Allowance for doubtful accounts (*1)	(402)		
	100,581	100,578	(2)
Securities and Investment securities (*2)	24,319	24,319	—
Total Assets	167,164	167,161	(2)
Notes payable, accounts payable for construction contracts and other	55,287	55,286	(0)
Short-term loans payable	4,015	4,015	—
Income taxes payable	1,462	1,462	—
Long-term loans payable	986	937	(48)
Total Liabilities	61,751	61,701	(49)
Derivatives	¥(398)	¥(398)	¥—

(\*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 whose fair values are extremely difficult to be determined are not included.

As of March 31, 2018

	Millions of yen			Thousands of U.S. dollars		
	Book value	Fair value	Difference	Book value	Fair value	Difference
Cash and deposits	¥47,147	¥47,147	¥—	\$443,658	\$443,658	\$—
Notes receivable, accounts receivable from completed construction contracts and other	101,947			959,328		
Allowance for doubtful accounts (*1)	(501)			(4,723)		
	101,445	101,418	(27)	954,605	954,347	(258)
Investment securities (*2)	29,457	29,457	—	277,192	277,192	—
Total Assets	178,050	178,023	(27)	1,675,455	1,675,197	(258)
Notes payable, accounts payable for construction contracts and other	60,590	60,586	(4)	570,159	570,120	(39)
Short-term loans payable	6,730	6,730	—	63,336	63,336	—
Income taxes payable	3,859	3,859	—	36,315	36,315	—
Long-term loans payable	1,606	1,562	(43)	15,115	14,708	(407)
Total Liabilities	72,786	72,739	(47)	684,925	684,479	(446)
Derivatives	¥5	¥5	¥—	\$56	\$56	\$—

(\*1) Allowance for doubtful accounts estimated by each credit risk of notes receivable, accounts receivable from completed construction contracts and other is deducted.

(\*2) Investment securities whose fair values are extremely difficult to be determined 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 as the 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, calculated by applying a discount rate determined by 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, calculated by applying the national bond rate etc. determined by 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, calculated by applying a discount rate determined by 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 as the 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 the credit risk did 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 were 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, 2017 and 2018

	Millions of yen		Thousands of U.S. dollars
	2017	2018	2018
Available-for-sale securities			
Non-listed stocks	¥1,310	¥1,260	\$11,861
Non-listed foreign bonds	¥10	¥6	\$65

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.

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

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, 2018

	Millions of yen			
	Within one year	Over one year within five years	Over five years within ten years	Over ten years
Cash and deposits	¥47,147	¥—	¥—	¥—
Notes receivable, accounts receivable from completed construction contracts and other	92,824	9,123	—	—
Investment securities				
Available-for-sale securities with maturity date (Non-listed foreign bonds)	—	6	—	—
Total	¥139,971	¥9,130	¥—	¥—

As of March 31, 2018

	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	\$443,658	\$—	\$—	\$—
Notes receivable, accounts receivable from completed construction contracts and other	873,475	85,853	—	—
Investment securities				
Available-for-sale securities with maturity date (Non-listed foreign bonds)	—	65	—	—
Total	\$1,317,133	\$85,918	\$—	\$—

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

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, 2018

	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	¥5,719	¥—	¥—	¥—	¥—	¥—
Long-term loans payable	1,011	657	449	368	131	—
Lease obligations	39	28	24	18	13	17
Total	¥6,769	¥685	¥473	¥387	¥145	¥17

As of March 31, 2018

	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	\$53,819	\$—	\$—	\$—	\$—	\$—
Long-term loans payable	9,517	6,188	4,225	3,467	1,235	—
Lease obligations	369	265	229	177	130	163
Total	\$63,705	\$6,453	\$4,454	\$3,644	\$1,365	\$163

## 10. Securities

### (1) Held-to-maturity debt securities

As of March 31, 2017

There is nothing applicable.

As of March 31, 2018

There is nothing applicable.

### (2) Available-for-sale securities

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, 2018

	Millions of yen		
	Book value	Acquisition cost	Difference
Securities whose book value exceeds their acquisition cost			
Stocks	¥29,441	¥10,507	¥18,934
Securities whose book value does not exceed their acquisition cost			
Stocks	15	20	(4)
Total	¥29,457	¥10,527	¥18,929

As of March 31, 2018

	Thousands of U.S. dollars		
	Book value	Acquisition cost	Difference
Securities whose book value exceeds their acquisition cost			
Stocks	\$277,044	\$98,873	\$178,171
Securities whose book value does not exceed their acquisition cost			
Stocks	148	194	(46)
Total	\$277,192	\$99,067	\$178,125

### (3) Available-for-sale securities sold

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, 2018

	Millions of yen		
	Sales amount	Total gain on sales	Total loss on sales
Stocks	¥50	¥—	¥—
Total	¥50	¥—	¥—

For the year ended March 31, 2018

	Thousands of U.S. dollars		
	Sales amount	Total gain on sales	Total loss on sales
Stocks	\$471	\$—	\$—
Total	\$471	\$—	\$—

**(4) Securities with impairment loss**

For the year ended March 31, 2017 and 2018

The acquisition costs of tables above are the amounts after deducting impairment losses. The Companies recorded impairment loss of ¥19 million 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 more than 50% of 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 more than 30% of the acquisition cost but less than 50% of the acquisition cost, the Companies recognize necessary amount of impairment loss after considering 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, 2017

Category	Transaction type	Millions of yen			
		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		¥1,469	¥—	¥(112)	¥(112)

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

As of March 31, 2018

Category	Transaction type	Millions of yen			
		Contract amount	Over one year	Fair value	Unrealized gain (loss)
Except for market transaction	Forward exchange contracts:				
	Buy				
	Yen	¥64	¥—	¥(0)	¥(0)
	U.S. dollars	28	—	(0)	(0)
Total		¥92	¥—	¥(1)	¥(1)

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

As of March 31, 2018

Category	Transaction type	Thousands of U.S. dollars			
		Contract amount	Over one year	Fair value	Unrealized gain (loss)
Except for market transaction	Forward exchange contracts:				
	Buy				
	Yen	\$607	\$—	\$(8)	\$(8)
	U.S. dollars	264	—	(5)	(5)
Total		\$871	\$—	\$(13)	\$(13)



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

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			¥7,938	¥533	¥(286)

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

As of March 31, 2018

As of March 31, 2018			Millions of yen		
Hedging method	Transaction type	Main hedged items	Contract amount	Over one year	Fair value
Method in principle	Forward exchange contracts				
	Buy				
	U.S. dollars	Accounts payable for construction contracts (forecast)	¥0	¥—	¥(0)
	Baht	Accounts payable for construction contracts (forecast)	2	—	(0)
	Sell				
	U.S. dollars	Accounts receivable from completed construction contracts (forecast)	286	28	9
	Baht	Accounts receivable from completed construction contracts (forecast)	1	—	(0)
	Chinese Yuan	Accounts receivable from completed construction contracts (forecast)	114	—	(1)
Total			¥405	¥28	¥7

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

As of March 31, 2018

As of March 31, 2018			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				
	U.S. dollars	Accounts payable for construction contracts (forecast)	\$4	\$—	\$(0)
	Baht	Accounts payable for construction contracts (forecast)	20	—	(0)
	Sell				
	U.S. dollars	Accounts receivable from completed construction contracts (forecast)	2,699	272	88
	Baht	Accounts receivable from completed construction contracts (forecast)	12	—	(1)
	Chinese Yuan	Accounts receivable from completed construction contracts (forecast)	1,082	—	(18)
Total			\$3,817	\$272	\$69

**Interest-related transactions**

As of March 31, 2017

There is nothing applicable.

As of March 31, 2018

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	¥641	¥507	(Note)

(Note) 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, 2018

Hedging method	Transaction type	Main hedged items	Thousands of U.S. dollars		
			Contract amount	Over one year	Fair value
Special treatment	Interest rate swap Payment fixed receiving variable	Long-term loans payable	\$6,035	\$4,775	(Note)

(Note) 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.

**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, 2017 and 2018

	Millions of yen		Thousands of U.S. dollars
	2017	2018	2018
Projected benefit obligations at the beginning of current period	¥18,688	¥18,119	\$170,502
Service costs	1,198	1,180	11,105
Interest costs	47	62	590
Actuarial differences accrued in the current period	(678)	(548)	(5,161)
Benefits paid	(1,105)	(1,150)	(10,828)
Foreign currency translation	(31)	30	284
Increase from the change of scope of consolidation	—	6	62
Projected benefit obligations at the end of current period	¥18,119	¥17,699	\$166,554

**Reconciliation of beginning and ending balances for pension assets**

For the years ended March 31, 2017 and 2018

	Millions of yen		Thousands of U.S. dollars
	2017	2018	2018
Pension assets at the beginning of current period	¥20,585	¥21,859	\$205,701
Expected return on pension assets	452	477	4,497
Actuarial differences accrued in the current period	589	393	3,701
Contributions from employers	1,247	1,006	9,468
Benefits paid	(1,011)	(1,040)	(9,790)
Foreign currency translation	(3)	(2)	(20)
Pension assets at the end of current period	¥21,859	¥22,694	\$213,557

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, 2017 and 2018	Millions of yen		Thousands of U.S. dollars
	2017	2018	2018
Funded projected benefit obligations	¥17,052	¥16,568	\$155,912
Pension assets	(21,859)	(22,694)	(213,557)
Sub total	(4,807)	(6,125)	(57,645)
Unfunded projected benefit obligations	1,067	1,130	10,643
Net amount of liabilities and assets in the consolidated balance sheets	(3,740)	(4,994)	(47,002)
Net defined benefit liability	1,244	1,316	12,389
Net defined benefit asset	4,984	6,311	59,391
Net amount of liabilities and assets in the consolidated balance sheets	¥(3,740)	¥(4,994)	\$(47,002)

Retirement benefit expenses

For the years ended March 31, 2017 and 2018	Millions of yen		Thousands of U.S. dollars
	2017	2018	2018
Service costs	¥1,198	¥1,180	\$11,105
Interest costs	47	62	590
Expected return on pension assets	(452)	(477)	(4,497)
Amortization of actuarial differences	399	330	3,109
Amortization of prior service costs	(229)	—	—
Retirement benefit expenses of defined benefit plans	¥963	¥1,095	\$10,307

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, 2017 and 2018	Millions of yen		Thousands of U.S. dollars
	2017	2018	2018
Prior service costs	¥(229)	¥—	\$—
Actuarial differences	1,679	1,273	11,987
Total	¥1,450	¥1,273	\$11,987

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, 2017 and 2018	Millions of yen		Thousands of U.S. dollars
	2017	2018	2018
Unrecognized actuarial differences	¥(45)	¥1,228	\$11,562
Total	¥(45)	¥1,228	\$11,562

Pension assets

Composition ratio of pension assets is as follows.

As of March 31, 2017 and 2018	2017	2018
Debt securities	20%	20%
Stocks	41	40
Cash and deposits	3	3
General account of life insurance	33	33
Other	3	4
Total	100%	100%

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

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

#### Assumptions and policies used to calculate projected benefit obligations

As of March 31, 2017 and 2018

	2017	2018
Discount rates (weighted average)	0.4%	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, 2017 and 2018

	Millions of yen		Thousands of U.S. dollars
	2017	2018	2018
Net defined benefit liability at the beginning of current period	¥339	¥248	\$2,337
Retirement benefit expenses	11	21	200
Benefits paid	(3)	(22)	(216)
Contributions to the plan	(9)	(10)	(100)
Foreign currency translation	(15)	15	149
Other	(73)	(4)	(44)
Net defined benefit liability at the end of current period	¥248	¥247	\$2,326

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

As of March 31, 2017 and 2018

	Millions of yen		Thousands of U.S. dollars
	2017	2018	2018
Funded projected benefit obligations	¥63	¥81	\$770
Pension assets	(54)	(64)	(608)
Sub total	9	17	162
Unfunded projected benefit obligations	238	230	2,164
Net amount of liabilities and assets in the consolidated balance sheets	248	247	2,326
Net defined benefit liability	248	247	2,326
Net amount of liabilities and assets in the consolidated balance sheets	¥248	¥247	\$2,326

#### Retirement benefit expenses

Retirement benefit expenses calculated by the simplified method are ¥11 million for the previous fiscal year and ¥ 21 million (US\$200 thousand) for this fiscal year.

### (4) Defined contribution plan

Required contribution amount for defined contribution plan is ¥288 million for the previous fiscal year and ¥248 million (US\$2,343 thousand) for this fiscal year.



### 13. Deferred tax accounting

#### (1) Significant components of deferred tax assets and liabilities

As of March 31, 2017 and 2018	Millions of yen		Thousands of U.S. dollars
	2017	2018	2018
Deferred tax assets			
Allowance for doubtful accounts	¥11	¥25	\$235
Provision for warranties for completed construction	212	170	1,608
Provision for loss on construction contracts	107	132	1,251
Net defined benefit liability	256	268	2,528
Employees' pension trust, investment securities	276	287	2,704
Provision for directors' retirement benefits	29	26	251
Accrued enterprise tax etc.	105	194	1,831
Accrued bonuses	991	1,293	12,176
Loss on valuation of investment securities	123	123	1,163
Loss on valuation of golf club membership	61	57	538
Foreign tax credit carried forward	12	11	110
Deficit carried forward	928	1,873	17,627
Other	663	747	7,037
Sub total	3,782	5,213	49,059
Valuation allowance	(722)	(1,090)	(10,258)
Total deferred tax assets	3,059	4,123	38,801
Deferred tax liabilities			
Net defined benefit assets	(1,517)	(1,931)	(18,175)
Valuation difference on available-for-sale securities	(4,321)	(5,688)	(53,529)
Retained earnings of consolidated overseas subsidiaries	(1,676)	(1,671)	(15,733)
Other	(271)	(239)	(2,254)
Total deferred tax liabilities	(7,787)	(9,531)	(89,691)
Net deferred tax assets (or liabilities)	¥(4,727)	¥(5,408)	\$(50,890)

(Note) Net deferred tax assets (or liabilities) for the years ended March 31, 2017 and 2018 are recorded on the following account titles in the consolidated balance sheets.

As of March 31, 2017 and 2018	Millions of yen		Thousands of U.S. dollars
	2017	2018	2018
Current assets — Deferred tax assets	¥1,702	¥2,159	\$20,317
Non-current assets — Deferred tax assets	872	1,463	13,775
Current liabilities — Deferred tax liabilities	(17)	(2)	(20)
Non-current liabilities — Deferred tax liabilities	¥(7,285)	¥(9,028)	\$(84,962)

#### (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.

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

In accordance with enactment of "The Tax Cuts and Jobs Act of 2017" in December 2017 in the U.S., federal corporate income tax rate in the U.S. was reduced from 35% to 21% from the fiscal year commencing on January 1, 2018.

As a result of the reduction of the tax rate, deferred tax assets (the amount after deducting deferred tax liabilities) has been decreased by ¥581 million (US\$5,470 thousand), foreign currency translation adjustment has been decreased by ¥6 million (US\$59 thousand) and income taxes-deferred has been increased by ¥574 million (US\$5,411 thousand).

#### 14. Asset retirement obligations

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

#### 15. Segment information

##### (1) Overview of reportable segments

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

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

"Green Technology System Division" mainly designs, manages and constructs building HVAC for office buildings, and industrial HVAC for manufacturing facilities and laboratories. This division also produces and sells related 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 the same as the one disclosed "2. Summary of significant accounting policies".

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

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

For the year ended March 31, 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 include non-allocatable common profits of minus ¥22 million and other adjustment of minus ¥0 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 ¥35,719 million are elimination of receivable and payable etc., of minus ¥2,457 million and non-allocatable common assets which are not allocated to any segments of ¥38,176 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 ¥1,353 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 (loss) is adjusted to the ordinary income of the consolidated statement of income.

For the year ended March 31, 2018

	Millions of yen				
	Green Technology System Division	Paint Finishing System Division	Total	Adjustments	Amount recorded in the consolidated financial statements
Sales					
Sales to customers	¥139,938	¥91,960	¥231,898	¥—	¥231,898
Intersegment	10	69	79	(79)	—
Total	139,948	92,029	231,977	(79)	231,898
Segment profit	11,885	1,160	13,045	36	13,082
Segment assets	103,966	70,890	174,856	42,124	216,980
Other items					
Depreciation and amortization	411	989	1,400	(2)	1,398
Amortization of goodwill	161	204	365	—	365
Interest income	128	267	395	(6)	389
Interest expenses	18	192	211	10	221
Share of profit of entities accounted for using equity method	—	(11)	(11)	—	(11)
Investments in associates accounted for using equity method	—	725	725	—	725
Increase in tangible and intangible assets	¥233	¥2,585	¥2,818	¥1,094	¥3,913

Note 1. The amounts of Adjustments are as follows.

Adjustments of Segment profit of ¥36 million (US\$347 thousand) include non-allocatable common profits of ¥35 million (US\$331 thousand) and other adjustment of ¥1 million (US\$16 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 ¥42,124 million (US\$396,389 thousand) are elimination of receivable and payable etc., of minus ¥2,559 million (minus US\$24,089 thousand) and non-allocatable common assets which are not allocated to any segments of ¥44,684 million (US\$420,478 thousand). Non-allocatable common assets are mainly cash and deposits, tangible fixed assets, intangible fixed assets, and net defined benefit asset, etc., which are not attributed to any reportable segments.

Adjustments of Increase in tangible and intangible assets of ¥1,094 million (US\$10,298 thousand) are buildings and structures, machinery, equipment and vehicles, tools, furniture and fixtures and software, etc., which are not attributed to any reportable segments.

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

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

For the year ended March 31, 2018

	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	\$1,316,819	\$865,344	\$2,182,163	\$—	\$2,182,163
Intersegment	94	652	746	(746)	—
Total	1,316,913	865,996	2,182,909	(746)	2,182,163
Segment profit	111,841	10,918	122,759	347	123,106
Segment assets	978,320	667,078	1,645,398	396,389	2,041,787
Other items					
Depreciation and amortization	3,869	9,313	13,182	(20)	13,162
Amortization of goodwill	1,518	1,925	3,443	—	3,443
Interest income	1,206	2,516	3,722	(57)	3,665
Interest expenses	177	1,812	1,989	95	2,084
Share of profit of entities accounted for using equity method	—	(109)	(109)	—	(109)
Investments in associates accounted for using equity method	—	6,827	6,827	—	6,827
Increase in tangible and intangible assets	\$2,200	\$24,325	\$26,525	\$10,298	\$36,823

## 16. Related information in regard to segment information

### (1) Information by product and service

For the year ended March 31, 2017

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

For the year ended March 31, 2018

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

### (2) Sales by regions

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, 2018

Japan	North America	Southeast Asia		East Asia		India	Other	Total
		Thailand	Other Southeast Asia	China	Other East Asia			
¥115,728	¥41,982	¥20,056	¥22,478	¥11,089	¥2,354	¥8,110	¥10,097	¥231,898

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

For the year ended March 31, 2018

Japan	North America	Southeast Asia		East Asia		India	Other	Total
		Thailand	Other Southeast Asia	China	Other East Asia			
\$1,089,003	\$395,059	\$188,728	\$211,523	\$104,349	\$22,158	\$76,322	\$95,021	\$2,182,163

### (3) Tangible fixed assets by regions

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, 2018

Japan	Thailand	Indonesia	China	India	Italy	Other	Total
¥3,389	¥511	¥247	¥815	¥1,821	¥2,388	¥241	¥9,414

For the year ended March 31, 2018

Japan	Thailand	Indonesia	China	India	Italy	Other	Total
\$31,892	\$4,811	\$2,326	\$7,669	\$17,142	\$22,473	\$2,276	\$88,589

### (4) Sales information by main customers

For the year ended March 31, 2017

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

For the year ended March 31, 2018

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



## 17. Impairment loss by reportable segments

### Impairment loss of the non-current assets by reportable segments

For the year ended March 31, 2017

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

(Note) 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, 2018

	Millions of yen				
	Green Technology System Division	Paint Finishing System Division	Total	Eliminations/Corporate (Note)	Total
Impairment loss	¥—	¥—	¥—	¥26	¥26

(Note) 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, 2018

	Thousands of U.S. dollars				
	Green Technology System Division	Paint Finishing System Division	Total	Eliminations/Corporate	Total
Impairment loss	\$—	\$—	\$—	\$245	\$245

## 18. Amortization and balance of goodwill

### (1) Amortization and balance of goodwill by reportable segments

For the year ended March 31, 2017

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

(Note) Amortization of goodwill is omitted because it is already disclosed in the "15. Segment information".

For the year ended March 31, 2018

	Millions of yen				
	Green Technology System Division	Paint Finishing System Division	Total	Eliminations/Corporate	Total
Balance of goodwill	¥—	¥2,762	¥2,762	¥—	¥2,762

(Note) Amortization of goodwill is omitted because it is already disclosed in the "15. Segment information".

For the year ended March 31, 2018

	Thousands of U.S. dollars				
	Green Technology System Division	Paint Finishing System Division	Total	Eliminations/Corporate	Total
Balance of goodwill	\$—	\$25,991	\$25,991	\$—	\$25,991

### (2) Gain on negative goodwill by reportable segments

For the year ended March 31, 2017

There is nothing applicable.

For the year ended March 31, 2018

There is nothing applicable.

### 19. Related party transaction

For the year ended March 31, 2017  
There is nothing applicable.

For the year ended March 31, 2018  
There is nothing applicable.

### 20. Detail of bonds

There is nothing applicable.

### 21. Detail of loans

As of March 31, 2018

	Millions of yen		Thousands of U.S. dollars	Average interest rate (%)	Maturity
	Beginning balance	Ending balance	Ending balance		
Short-term loans payable	¥3,222	¥5,719	\$53,819	1.965	—
Current portion of long-term loans payable	793	1,011	9,517	1.740	—
Current portion of lease obligations	32	39	369	—	—
Long-term loans payable (excluding current portion)	986	1,606	15,115	2.352	August 2020 to October 2022
Lease obligations (excluding current portion)	77	102	964	—	December 2019 to February 2025
Total	¥5,111	¥8,478	\$79,784	—	—

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, 2018 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	¥657	¥449	¥368	¥131
Lease obligations	¥28	¥24	¥18	¥13

	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	\$6,188	\$4,225	\$3,467	\$1,235
Lease obligations	\$265	\$229	\$177	\$130

### 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, 2018, 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, 2018, 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 28, 2018

# Corporate Directory

(As of March 31, 2018)



- Green Technology System Division and Paint Finishing System Division
- Green Technology System Division
- Paint Finishing System Division



Location of office	FOUNDATION	Location of office	FOUNDATION	Location of office	FOUNDATION
<b>1 Taikisha Ltd.</b> 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		<b>9 Token Myanmar Co., Ltd.</b> 2015 Room No.(10J), Kabaraye Condominium, Kabaraye Pagoda Road, Mayangone Township, Yangon, Myanmar TEL: 95-92-6424-2824		<b>17 Geico S.p.A.</b> 1963 Via Pelizza da Volpedo, 109/111, 20092 Cinisello Balsamo, Milan, Italy Tel: 39-2-660221 Fax: 39-2-66022-310	
<b>2 San Esu Industry Co., Ltd.</b> 1976 3-24, Ikaga Midori-machi, Hirakata-shi, Osaka, 573- 0067, Japan Tel: 81-72-845-0128 Fax: 81-72-845-1660		<b>10 Taikisha Engineering (M) Sdn. Bhd.</b> 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		<b>18 J-CO America Corporation</b> 2016 888 West Big Beaver Road, Suite 1295, Troy, MI 48084 Tel: 1-248-422-6208 Fax: 1-248-422-6974	
<b>3 Taikisha (Thailand) Co., Ltd.</b> 1971 6th Floor, Thaniya Bldg., 62 Silom Road, Bangkok 10500, Thailand Tel: 66-2-236-8055 Fax: 66-2-236-3502		<b>11 P.T. Taikisha Indonesia Engineering</b> 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		<b>19 Geico Taikisha Europe Ltd.</b> 1989 Central Boulevard, Blythe Valley Business Park Shirley, West Midlands, B90 8AG, United Kingdom Tel: 44-121-700-1140 Fax: 44-1564-711-001	
<b>4 Taikisha Trading (Thailand) Co., Ltd.</b> 1983 6th Floor, Thaniya Bldg., 62 Silom Road, Bangkok 10500, Thailand Tel: 66-2-236-8055 Fax: 66-2-236-3502		<b>12 Taikisha Philippines Inc.</b> 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		<b>20 J-CO Mexico,S. de R.L de C.V.</b> 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	
<b>5 Thaiken Maintenance &amp; Service Co., Ltd.</b> 1990 445 Moo 17, Thepharak Rd., T. Bangsaonthong, Amphur Bangsaonthong, Samutprakarn 10540, Thailand Tel: 66-2-705-8744 Fax: 66-2-705-8748		<b>13 Taikisha Vietnam Engineering Inc.</b> 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		<b>21 Geico Brasil Ltda.</b> 1995 Rua Francisco Rocha n. 2113, Bairro Bigorriho, Cep 80710, 540, Curitiba, Paraná, Brasile Tel: 55-41-3019-2727 Fax: 55-41-3336-7534	
<b>6 Token Interior &amp; Design Co., Ltd.</b> 1986 9th Floor., Thaniya Bldg., 62 Silom Road., Bangkok 10500, Thailand Tel: 66-2-236-9103 Fax: 66-2-236-0119		<b>14 Wuzhou Taikisha Engineering Co., Ltd.</b> 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		<b>22 Geico Paint Shop India Private Ltd.</b> 2006 A-4, 5th Floor The 5th Avenue, Dhole Patil Road, 411001, Pune, Maharashtra, India Tel: 91-997-039-3892	
<b>7 TKA Co., Ltd.</b> 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		<b>15 Beijing Wuzhou Taikisha Equipment Co., Ltd.</b> 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		<b>23 Geico Painting System (Suzhou) Co., Ltd.</b> 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	
<b>8 BTE Co., Ltd</b> 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		<b>16 Taikisha Engineering India Private Ltd.</b> 1995 Plot No. 26, Udyog Vihar, Phase-IV, Gurgaon-122015, India Tel: 91-124-234-8246 Fax: 91-124-234-8247		<b>24 Geico Russia LLC</b> 2011 12, Krasnopresnenskaya emb., Entrance 6, office 317, 123610 Moscow - Russia Tel: 7-495-249-0780	
<b>25 Nippon Noise Control Ltd.</b> 1986 Sumitomo-Nakanosakaue Bldg. 1-38-1, Chuo, Nakano- ku, Tokyo, 164-0011, Japan Tel: 81-3-5937-6532 Fax: 81-3-5937-6533		<b>27 Taikisha (Singapore) Pte. Ltd.</b> 2004 2 International Business Park #11-01/02 Jurong East Singapore 609930 Tel: 65-6223-9928 Fax: 65-6223-9328		<b>29 Taikisha (Cambodia) Co., Ltd.</b> 2011 #37&39, Trapaingkol Village, Sangkat Kantouk, Khan Posenchey, Phnom Penh, Cambodia Tel: 855-23-729-317 Fax: 855-23-729-318	
<b>26 Tokyo Taikisha Service Ltd.</b> 2000 Sumitomo-Nakanosakaue Bldg. 1-38-1, Chuo, Nakano- ku, Tokyo, 164-0011, Japan Tel: 81-3-5331-8370 Fax: 81-3-5331-8380		<b>28 Taikisha (Taiwan) Ltd.</b> 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		<b>30 Taikisha Myanmar Co., Ltd.</b> 2013 Room No.(10J), Kabaraye Condominium, Kabaraye Pagoda Road, Mayangone Township, Yangon, Myanmar Tel: 951-653-653	
<b>31 TKS Industrial Company</b> 1981 901 Tower Drive, Suite 300, Troy, Michigan 48098- 2817, U.S.A. Tel: 1-248-786-5000 Fax: 1-248-786-5001		<b>36 Taikisha do Brasil Ltda.</b> 1996 Rua Barão de Teffé, nº 160, 6º Andar Cj 609- Anhangabau-Jundiaí CEP: 13208-760-Sao Paulo Tel: 55-11-4038-8880 Fax: 55-11-4038-8880		<b>41 Tianjin Dongchun-Taiki Metal Finishing &amp; Conveyor System Manufacturing Co., Ltd.</b> 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	
<b>32 Encore Automation LLC</b> 2014 50 Corporate Drive, Auburn Hills, Michigan 48326, U.S.A. Tel: 1-248-253-0200 Fax: 1-248-418-2308		<b>37 P.T. Taikisha Manufacturing Indonesia</b> 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		<b>42 Makiansia Engineering (M) Sdn. Bhd.</b> 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	
<b>33 Taikisha Canada Inc.</b> 1985 (C/O) 901 Tower Drive, Suite 300, Troy, Michigan 48098-2817, U.S.A. Tel: 1-248-786-5000 Fax: 1-248-786-5001		<b>38 Tianjin Taikisha Paint Finishing System Ltd.</b> 2010 No7, Road 7, Economic Development Zone of Jinghai, Tianjin, 301600, China Tel: 86-22-6829-9518 Fax: 86-22-6829-9510		<b>43 J-PM Systems GmbH</b> 2015 Schulstraße 9 71083 Herrenberg Baden-Württemberg Germany Tel: 49-7032-7869928 Fax: 49-7032-7869930	
<b>34 Taikisha de Mexico, S.A. de C.V.</b> 1990 Homero 407 Piso 7. Col Polanco V Sección CP 11560. Del. Miguel Hidalgo Ciudad de México, México. Tel: 52-55-5250-7128 Fax: 52-55-5250-6178		<b>39 Taikisha Korea Ltd.</b> 1992 #1208, 30, Digital-ro 32-gil, Guro-gu, Seoul, 152-777, Korea Tel: 82-27-830-270 Fax: 82-27-830-274			
<b>35 Taikisha Mexicana Services, S.A. de C.V.</b> 2011 Homero 407 Piso 7. Col Polanco V Sección CP 11560. Del. Miguel Hidalgo Ciudad de México, México. Tel: 52-55-5516-2834		<b>40 Shanghai Dongbo-Taiki Conveyor System Manufacturing Co., Ltd.</b> 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
April 2018	Representative Director, Executive Vice President Corporate Officer (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

### 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
April 2018	Director, Managing Corporate Officer, Vice General Manager, Paint Finishing System Division (current position)

Director,  
Managing Corporate Officer

## Yasushi Nakajima



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April 1982	Joined the Company
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)

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Director,  
Managing Corporate Officer

## Masanori Nakagawa



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April 2009	General Manager, Strategic Investment Department, Headquarters Business Administration Division of Mizuho Corporate Bank, Ltd. (currently Mizuho Bank, Ltd.)
October 2012	Joined the Company
April 2013	General Manager, Corporate Planning Office, Corporate Planning Headquarters
April 2014	Vice Executive, Administrative Management Headquarters
April 2017	Managing Corporate Officer, Chief Executive, Administrative Management Headquarters and in charge of CSR (current position)

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Outside Director

## Shuichi Murakami



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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)

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Outside Director

## Hirokazu Hikosaka



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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)

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## Audit & Supervisory Board Members

Full-time Audit & Supervisory Board Member

**Tetsuya Ogawa**

Full-time Audit & Supervisory Board Member

**Toshiya Furukatsu**

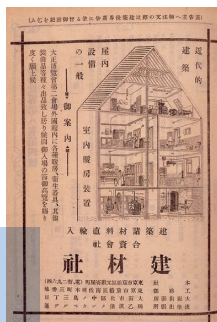
Outside Audit & Supervisory Board Member

**Junichi Noro**

Outside Audit & Supervisory Board Member

**Kiyotaka Fuke**

## History



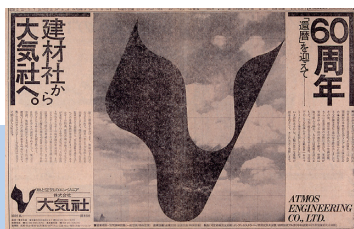
1913

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: ¥231,898 million  
(Consolidated: year ended March 2018)

Number of Employees: 4,834 (Consolidated: as of March 2018)

### 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, 2018)

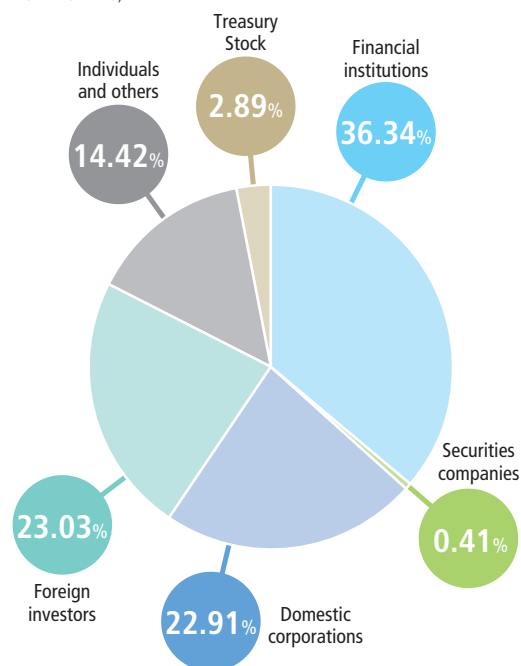
Authorized number of shares 100,000,000

Number of issued shares 34,069,010  
(excluding 1,012,999 treasury shares)

Number of shareholders 3,016

### COMPOSITION OF SHAREHOLDERS

(BY SHARE HOLDING RATIO)



### Major Shareholders of the Company as of March 31, 2018

Shareholder's Name	Number of shares held (in thousands)	Ratio of shareholding (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	2,730	8.02
Japan Trustee Services Bank, Ltd. (Trust Account 9)	2,103	6.17
Kenzaisha Ltd.	1,730	5.08
Japan Trustee Services Bank, Ltd. (Trust Account)	1,298	3.81
Taikisha Business Partners Shareholding Association	1,023	3.00
Dai ni Kenzaisha Ltd.	1,000	2.94
Ichigo Trust Pte. Ltd.	992	2.91
THE BANK OF NEW YORK MELLON (INTERNATIONAL) LIMITED 131800	942	2.77
Sumitomo Realty & Development Co., Ltd.	899	2.64
Taikisha Employees Shareholding Association	873	2.56

(Notes) 1. The Company holds 1,012,999 treasury shares but is excluded from the list of major shareholders above. The above treasury shares do not include 154,400 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.



