



Annual Report 2019

APR. 2018 - MAR. 2019

Philosophy and Vision

Technology for the environment is the technology for the future

Mission Statement “Customers First”

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

Corporate Philosophy : Management Objectives

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

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

2. Establish an attractive company:

- 1) We aim to be a motivation-oriented company where the employees can demonstrate creativity and vitality through their work responsibilities.
- 2) We aim to be a company having the corporate culture in which all employees work in close cooperation to achieve the goals of the company, with the spirits of mutual trust, collaboration and rationality.
- 3) Through the expansion of our expertise in “Energy, Air, and Water”, we aim to become a unique company in all aspects of corporate management, including engineering, marketing, and human resource development.

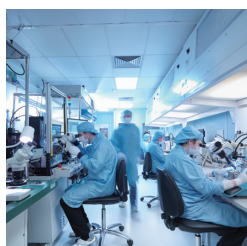
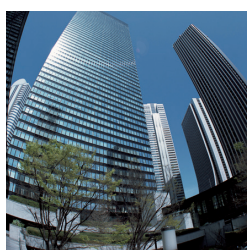
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Cautionary statement regarding forward-looking statements : Data and forward-looking statements disclosed herein are based on current information available at the time of publication, and may change depending upon various factors. The data and judgments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

Under the slogan, “Aim to become a global corporate group that creates an optimal environment through unique engineering.” we will actively work on the new medium-term business plan.

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

I am Koji Kato. I assumed office as President of Taikisha, Ltd. this April.

Since we have finished the fiscal year ended March 31, 2019, we will report on the overview.

Looking at the market environment surrounding the Taikisha Group in the fiscal year ended March 31, 2019, in the domestic market, investments by manufacturers, mainly in the electronic parts industry, were robust and the demand for office building construction remained high in the Tokyo metropolitan area.

In the overseas market, on the other hand, uncertainties arising from factors such as the US-China trade friction continued to weigh on the market.

Under such circumstances, Taikisha achieved our targets for orders-received and net sales of completed construction contracts, as well as all profit items.

Moreover, with the exception of net sales of completed construction contracts, we achieved record levels in orders-received and all profit items.

Of this, ordinary income was affected by the profit deterioration of the Geico's large-scale project in the U.S in the first half of FY2018, but finally exceeded original forecasts by recovery of the second half of paint finishing business, and favorable industrial HVAC business in Japan.

Also, gains on sales investment securities were recorded as extraordinary gains, but extraordinary gains and losses were negatively affected due to the amount of cancellation of goodwill in Geico as extraordinary losses. However, profit attributable to owners of parent was exceeded the original expectation.

Now let me explain the New Mid-Term Business Plan.

We formulated Mid-Term Business Plan for the three-year from March 2020 to March 2022.

In the New Mid-Term Business Plan, we have set out a long-term vision to “Aim to become a global corporate group that creates an optimal environment through unique engineering.”

With an eye to achieving this vision, each employee of the Taikisha Group will pursue the achievement of the New Mid-Term Business Plan from the perspective of “technology,” “environment,” and “human resources.”

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.

Koji Kato

President and Representative Director

K. Kato



Surrounding Environment and Management Issues

Outlook for the market environment	<ul style="list-style-type: none"> ● Market for HVAC systems for office buildings (in Japan): 	Expectations for the market to remain steady in the long-term, due to the continuing need to rebuild/renew buildings constructed under the old earthquake-proof standards and to redevelop, despite the moderate decline in demand for office buildings
	<ul style="list-style-type: none"> ● Market for industrial HVAC systems (in Japan): 	Expectations for continued further investments by electronic-parts manufacturers, the driving force of the manufacturing industry, in line with the advance of 5G (5th Generation Mobile Telecommunications System), as well as the use of electronics in automobiles, despite the decline in Japan's industrial production
	<ul style="list-style-type: none"> ● Overseas HVAC systems market: 	New potential investments in anticipation of a re-examination of the supply chain in the manufacturing industry due to the US-China trade friction
	<ul style="list-style-type: none"> ● Paint finishing systems market: 	Expectations of changes in the investment trends of manufacturers in the major market of passenger vehicles due to the spread of electric vehicles, the advances in self-driving technology and the use of AI in automobiles
Society and Customer needs	<ul style="list-style-type: none"> ● Growth in demand for new solutions with sophistication of client needs toward energy-saving, cost-saving, environment-responsiveness, automation, the utilization of IoT/AI, etc. ● Growth of the renovation/renewal market due to the increasing sophistication and diversification of corporate demand toward offices ● Increase in demand to reduce environmental impact rising out of an awareness of the SDGs ● Increasing interest by society and investors in ESG 	
Globalization	<ul style="list-style-type: none"> ● Increasingly harsh business environment of clients on the global market due to the rise of manufacturers of emerging countries ● Increasingly fluid and uncertain investment targets and destinations of Japanese corporate clients ● Intensified competition with local enterprises in the emerging countries 	
Securing human resources	<ul style="list-style-type: none"> ● Crucial task of securing human resources to support the future, as the working population shrinks ● Necessity of improving the work-life balance of employees to aim to create an attractive company ● Emerging issues of enhancing productivity by leveraging technological innovations ● Necessity of human resource strategies to secure outstanding national staff overseas 	

Taikisha Philosophy Scheme

Mission Statement "Customers First"

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To achieve this goal, we have to follow our 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

- | | | |
|---|---|--|
| 1 | Establish a company which can continuously grow and contribute to the society | <ol style="list-style-type: none"> 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 | <ol style="list-style-type: none"> 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. |

Basic Policy and Direction of the Mid-Term Business Plan / Strategy

Basic Policy	Direction	Strategy
Solidify the Company's position in the global market Increase competitiveness and profitability and aim to solidify the Company's position in Japan and overseas facility construction industry.	Reinforce the business base Enhance competitiveness Improve profitability	<ul style="list-style-type: none"> • Build a well-balanced business portfolio: Respond to changes in the environment and economic fluctuations • Enhance added value: Energy-saving-, cost-saving- and environment-responsive technology and automation technology, etc. • Upgrade and utilize laboratories: Reinforce technological development capabilities and strengthen proposal capabilities through the visualization of technology • Make priority allocations of management resources into the growth markets. • Enhance productivity: Improve and propagate onsite construction methods and business processes and utilize IT, etc.
Strengthen initiatives for the future Look ahead to future changes in the market environment and promote the development of systems and structures that will turn those changes into business opportunities.	Expand business domains Environment response	<ul style="list-style-type: none"> • Deepen the existing major business domains • Expand new businesses: The plant factory business and the paint finishing system business for large vehicles other than automobiles • Reinforce capabilities to solve clients' environmental issues: Reduction of greenhouse gas emissions and environmentally hazardous substances by leveraging the technological expertise cultivated in the HVAC business
Build an attractive company and establish a solid management base Reinforce human resource strategies that will make the Company more attractive and the corporate governance structure which will raise the society's trust in the Company.	Human resource strategies Governance	<ul style="list-style-type: none"> • Secure human resources: Measures to make the Company more attractive including the enhancement of systems to enable flexible work styles, improvement of benefits and reduction of working hours • Firmly establish the Career Plan Scheme: Raise the capabilities and enhance the motivation of employees • Reinforce corporate governance: Reinforcement of the management oversight functions of the Board of Directors and capital cost-conscious management • Reinforce the internal control system both in Japan and overseas

Long-term Vision

**"Aim to become a global corporate group that creates an optimal environment
Through unique engineering"**

Technology

Aim to become an engineering group that meets the diverse needs of clients through energy-, air- and water-based technology.

Environment

Solve the clients' environmental issues with innovative solution technology and contribute to passing on the rich global environment to future generations.

Human Resources

Respect the individual's creativity and diversity, and value the corporate culture which allows employees to experience one's growth and the joy of working.

- Secure stable suppliers and business partners
- Maintain a sound financial base

- Utilize IoT/AI: Promote the development of new solutions
- Enhance the company's presence through stepped-up PR

- Reinforce the project management structure

- Expand business areas into new countries
- Promote alliance with overseas Group companies: Reinforce capabilities to respond to the needs of overseas clients

- Respond to social needs such as SDGs- and ESG-related needs through business operations: Pursue these areas as new business opportunities

- Reinforce human capital and organizational capabilities through the utilization of diverse human resources
- Secure employees in line with the situation of each overseas group company

- Improve the global risk management system: Legal risks, information security, compliance, etc.

Quantitative Management Targets

Quantitative targets for the FY 2021

Orders-received	2,650	hundred million yen
Net sales of completed construction contracts	2,600	hundred million yen
Ordinary income	160	hundred million yen
Profit attributable to owners of parent	100	hundred million yen
Return on equity (ROE)	8	% or higher
Investment Plan	200	hundred million yen

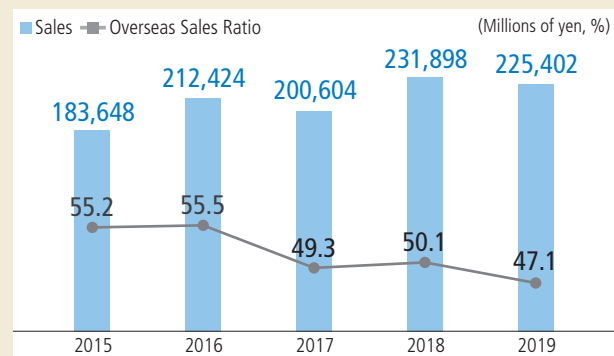
We will aim for return on equity (ROE) exceeding capital costs and strive to increase corporate value.

MANAGEMENT'S DISCUSSION AND ANALYSIS

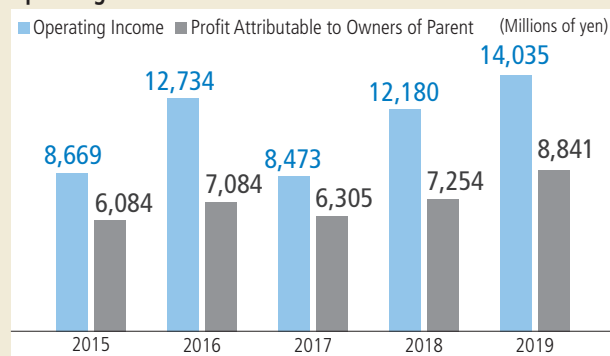
FIVE-YEAR SUMMARY : Taikisha Ltd. and its Consolidated Subsidiaries for the years ended March 31, 2015 to 2019

CONSOLIDATED	Millions of yen					Thousands of U.S. dollars
	2015	2016	2017	2018	2019	2019
Orders received:	¥187,311	¥221,764	¥218,323	¥219,844	¥241,889	\$2,178,989
Green Technology System Division						
Environmental facilities (building HVAC)	44,896	43,717	48,739	43,612	46,731	420,970
Industrial facilities (industrial HVAC)	81,093	88,988	81,690	103,898	111,856	1,007,628
Paint Finishing System Division	61,321	89,058	87,893	72,333	83,300	750,391
Sales:	¥183,648	¥212,424	¥200,604	¥231,898	¥225,402	\$2,030,472
Green Technology System Division						
Environmental facilities (building HVAC)	40,827	43,608	43,857	45,845	46,158	415,804
Industrial facilities (industrial HVAC)	75,307	91,214	80,704	94,093	103,005	927,898
Paint Finishing System Division	67,513	77,602	76,043	91,960	76,238	686,770
Profit attributable to owners of parent	6,084	7,084	6,305	7,254	8,841	79,649
Comprehensive income	14,320	1,063	8,174	14,098	6,724	60,573
Total assets	¥187,066	¥187,910	¥197,753	¥215,392	¥223,080	\$2,009,551
Total net assets	99,669	95,921	100,184	110,650	113,649	1,023,781
Equity ratio (%)	50.7	48.4	48.4	48.8	48.8	48.8
Return on equity (%)	6.9	7.6	6.8	7.2	8.3	8.3
	Yen					U.S. dollars
Profit attributable to owners of parent per share	¥172.64	¥204.35	¥183.16	¥212.40	¥259.53	\$2.34
Cash dividends per share	52.00	67.00	70.00	75.00	91.00	0.82
Net assets per share	2,690.76	2,633.60	2,799.30	3,087.51	3,193.18	28.76
NON-CONSOLIDATED						
Orders received:	¥100,479	¥111,793	¥112,222	¥125,703	¥134,799	\$1,214,305
Green Technology System Division						
Environmental facilities (building HVAC)	42,832	41,611	46,149	41,610	43,365	390,647
Industrial facilities (industrial HVAC)	38,482	46,416	46,676	63,306	69,510	626,162
Paint Finishing System Division	19,164	23,765	19,395	20,786	21,924	197,496
Sales:	¥93,297	¥107,269	¥105,378	¥123,584	¥125,181	\$1,127,664
Green Technology System Division						
Environmental facilities (building HVAC)	38,530	41,420	41,490	43,875	42,964	387,034
Industrial facilities (industrial HVAC)	35,386	39,968	44,447	56,901	61,418	553,274
Paint Finishing System Division	19,381	25,880	19,439	22,807	20,798	187,356

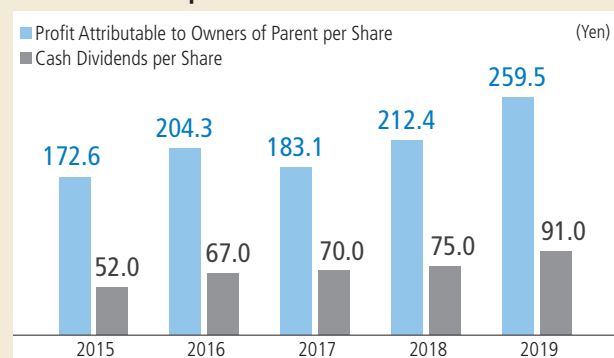
Sales & Overseas Sales Ratio



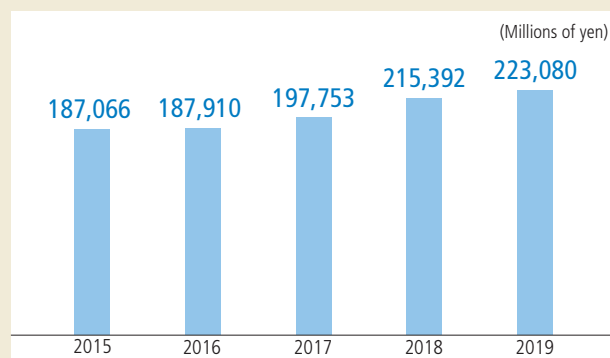
Operating Income & Profit Attributable to Owners of Parent



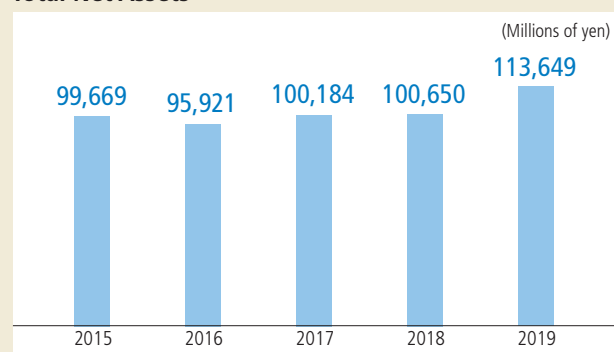
Profit Attributable to Owners of Parent per Share & Cash Dividends per Share



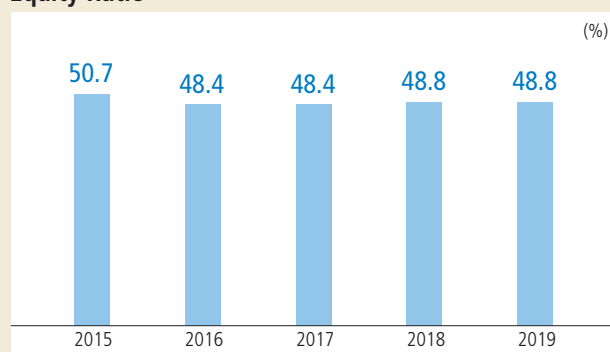
Total Assets



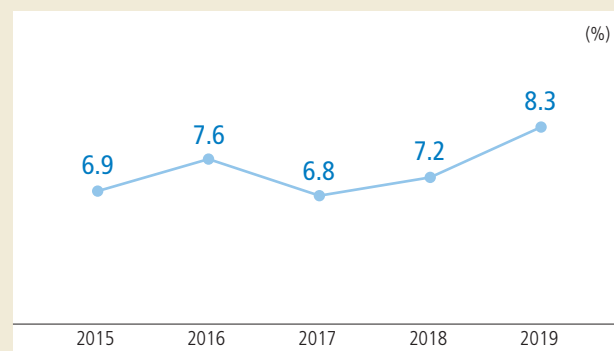
Total Net Assets



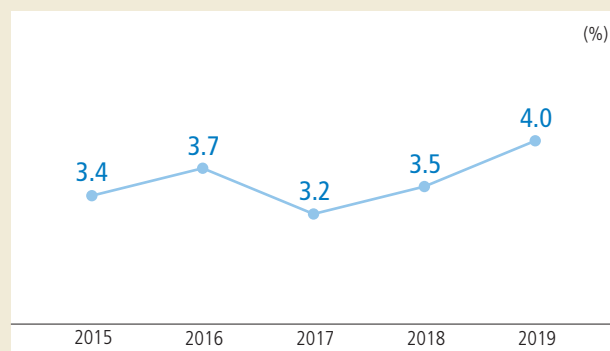
Equity Ratio



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 35 affiliates in 18 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

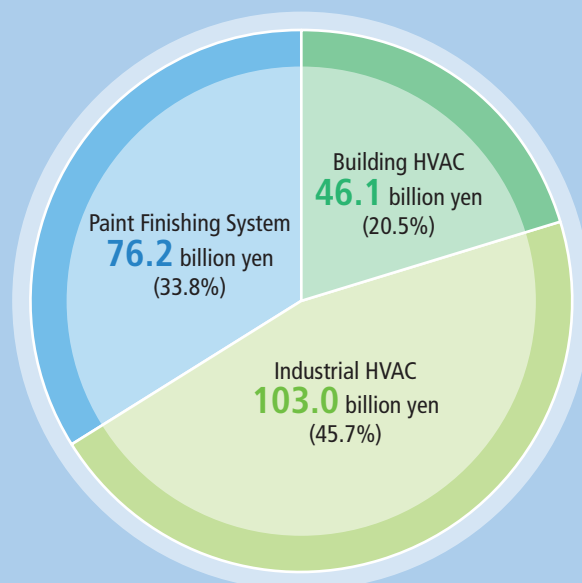
We design and construct large-scale paint plants for domestic and foreign automobile manufacturers in Japan, the United States, Europe, South Korea, China, India and other countries.

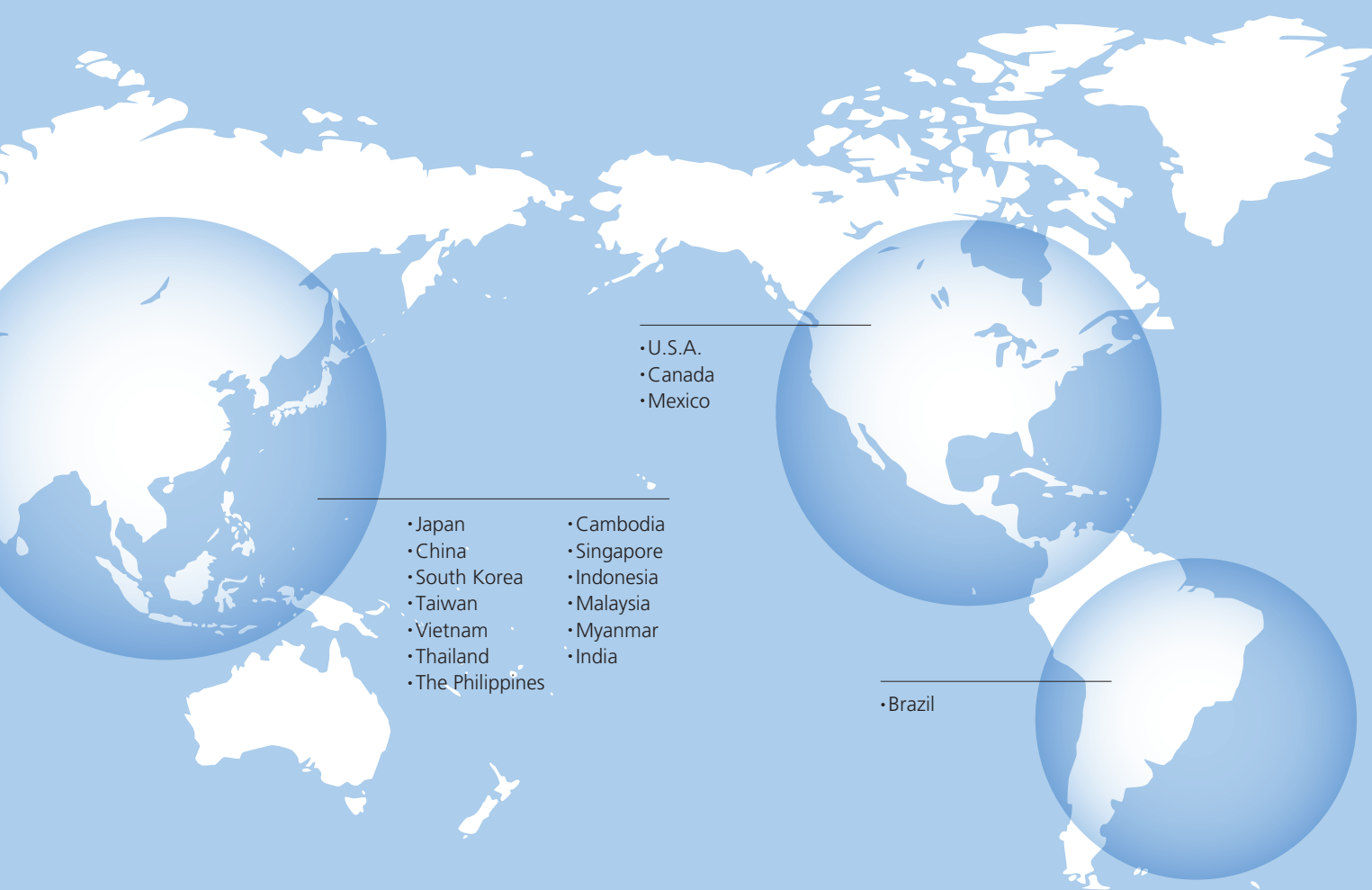
Our automobile paint plants, which balance energy saving with sophisticated pollution control functionality, have some of the largest sales globally.

● Global Network

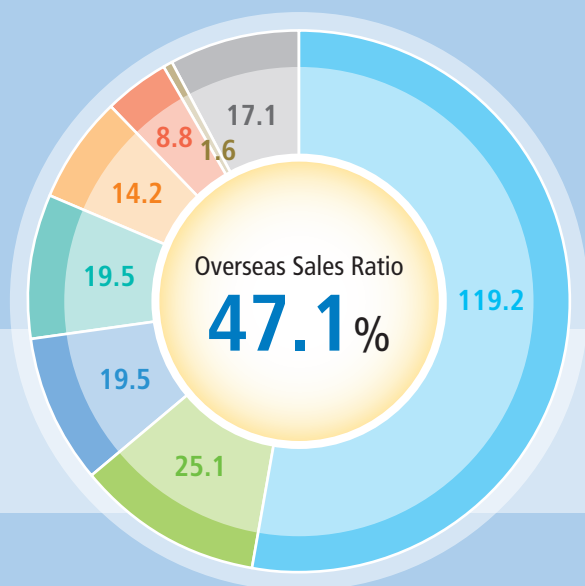


● Composition of Sales (Total Sales) (for the fiscal year ended March 31, 2019)





● **Composition of Sales by Region**
 (for the fiscal year ended March 31, 2019)
 (Billions of yen)



Powerful Global Network

The Company features an extremely high overseas sales ratio within the Japanese construction industry (overseas sales ratio 47.1%, as of March 31, 2019). The Company's 35 affiliates in 18 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 |
| ■ Thailand | ■ India |
| ■ Other Southeast Asian countries | ■ Other East Asian countries |
| ■ North America | ■ Other regions |



Please describe the business environment surrounding the Company and the business results for the year ended March 31, 2019.



Looking at the market environment surrounding the Taikisha Group in the fiscal year ended March 31, 2019, in the domestic market, investments by manufacturers, mainly in the electronic

parts industry, were robust and the demand for office building construction remained high in the Tokyo metropolitan area.

In the overseas market, on the other hand, uncertainties arising from factors such as the US-China trade friction continued to weigh on the market.

Given such circumstances, consolidated orders-received increased 22.0 billion yen year on year to 241.8 billion yen.

Of this, the Green Technology System Division's orders-received increased 11.0 billion yen to 158.5 billion yen due to strong orders-received in the industrial HVAC business in Japan.

Also, Paint Finishing Division's order-received increased 10.9 billion yen to 83.3 billion yen due to the two large-scale project in Europe.

Consolidated net sales of completed construction contracts declined 6.4 billion yen year on year to 225.4 billion yen.

Of this the net sales of the Green Technology System Division increased by 9.2 billion yen to 149.1 billion yen because sales increased due to the increase in the construction carried forward at the beginning of the fiscal year and the impact of favorable orders-received in industrial HVAC business both in Japan and overseas.

On the other hands, the net sales of Paint Finishing System Division decreased by 15.7 billion yen to 76.2 billion yen, because there was a reactionary fall due to two large-scale automobile Paint Finishing System projects in the U.S contributed significantly to

sales in the previous fiscal year.

Consolidated ordinary income increased 2.0 billion yen year on year to 15.0 billion yen.

Of this, ordinary income of Green Technology System Division increased 1.6 billion yen to 13.5 billion yen because of the increase in completed construction by capturing abundant demand in Japan, as well as profitability-oriented order activities and cost reductions.

Regarding Paint Finishing System Division, affected in the project of North American affiliate in the previous fiscal year and in the project of Geico group in the U.S. in the first half of the current fiscal year.

But it was recovered from the second half of the fiscal year onward due to factors such as the occurrence of an unused portion of costs appropriated for the project and the winning of orders for high margin projects.

As a result, ordinary income for FY2018 increased 0.5 billion yen to 1.6 billion yen.

Achievements in FY2018

(Hundred millions of yen)

	Results of FY2017	Results of FY2018	Difference
Orders-received	2,198	2,418	220
Net sales of completed construction contracts	2,318	2,254	-64
Ordinary income	130	150	20
(Ratio)	5.6%	6.7%	1.1%
Profit attributable to owners of parent	72	88	15
(Ratio)	3.1%	3.9%	0.8%





Please describe the business environment and business forecasts for the fiscal year ending March 31, 2020.



First of all, consolidated orders-received are forecast to be 239.8 billion yen.

As for the outlook for the market environment, we expect that the Japanese market will remain firm although there is a possibility that the demand for office buildings will decline at a moderate pace for the time being.

In addition, it is expected that electronic and electrical product manufacturers, which are one of the growth drivers of the manufacturing industry, continue investing according to 5G and the electrification of automobiles.

On the other hand, in the industrial HVAC business overseas, although there is uncertainty about the prospect of recovery in investment for equipment by Japanese manufacturer, it is expected that demand remains firm.

Also, regarding Paint Finishing System Division, in FY2019, a reactionary fall is expected due to orders-receiving the large-scale project in Europe in FY2018. However investment for equipment renewal in U.S., Europe and Japan, also investment increased

production in China, India etc. are expected to continue.

Consolidated net sales of completed construction contracts are expected to increase 13.5 billion yen from the fiscal year ended March 31, 2019 to 239.0 billion yen.

The primary contributing factor is expected to be the sharp sales growth of building HVAC.

Consolidated ordinary income is expected to be 15.3 billion yen.

In the Green Technology System Business, profitability is expected to decline from the fiscal year ended March 31, 2019, despite an increase in sales of completed construction contracts, due to factors such as increasing labor and material costs and decreasing in the proportion of relatively profitable renewal projects.

In the Paint Finishing System Business, profitability is expected to increase due to recovery from losses caused by automobile painting project of Geico group in the U.S. in the first half of the previous fiscal year.

Please note that margins were higher than normal in the second half of the fiscal year ended March 31, 2019 due to factors

Earnings Forecast for FY2019 (Orders received)

(Hundred millions of yen)

	FY2018 (Results) A			FY2019 (Expectation) B			Difference B-A		
	H1	H2	Total	H1	H2	Total	H1	H2	Total
Orders-received	1,185	1,233	2,418	1,112	1,286	2,398	-73	52	-20
(Japan)	(756)	(542)	(1,298)	(577)	(728)	(1,305)	(-179)	(186)	(6)
(Overseas)	(428)	(691)	(1,120)	(535)	(558)	(1,093)	(106)	(-133)	(-27)
Green Technology	884	701	1,585	700	910	1,610	-184	208	24
Building HVAC	252	214	467	190	271	461	-62	56	-6
Industrial HVAC	632	486	1,118	510	639	1,149	-122	152	30
(Japan)	(443)	(250)	(694)	(320)	(379)	(699)	(-123)	(128)	(4)
(Overseas)	(188)	(235)	(423)	(190)	(260)	(450)	(1)	(24)	(26)
Paint Finishing	300	532	833	412	376	788	111	-156	-45
(Japan)	(60)	(76)	(136)	(67)	(78)	(145)	(6)	(1)	(8)
(Overseas)	(240)	(456)	(696)	(345)	(298)	(643)	(104)	(-158)	(-53)

Earnings Forecast for FY2019 (Sales)

(Hundred millions of yen)

	FY2018 (Results) A			FY2019 (Expectation) B			Difference B-A		
	H1	H2	Total	H1	H2	Total	H1	H2	Total
Net sales of completed construction contracts	988	1,265	2,254	1,106	1,284	2,390	117	18	135
(Japan)	(550)	(641)	(1,192)	(652)	(653)	(1,305)	(101)	(11)	(112)
(Overseas)	(437)	(623)	(1,061)	(454)	(631)	(1,085)	(16)	(7)	(23)
Green Technology	691	800	1,491	780	825	1,605	88	24	113
Building HVAC	190	270	461	251	287	538	60	16	76
Industrial HVAC	500	529	1,030	529	538	1,067	28	8	36
(Japan)	(313)	(300)	(613)	(339)	(293)	(632)	(25)	(-7)	(18)
(Overseas)	(187)	(228)	(416)	(190)	(245)	(435)	(2)	(16)	(18)
Paint Finishing	297	464	762	326	459	785	28	-5	22
(Japan)	(46)	(70)	(117)	(62)	(73)	(135)	(15)	(2)	(17)
(Overseas)	(250)	(394)	(645)	(264)	(386)	(650)	(13)	(-8)	(4)

such as the occurrence of an unused portion of costs appropriated for the project and the winning of high margin projects.

Profitable attributable to owners of parent increase by 0.8 billion yen to 9.7 billion yen.

In FY2018, there was a negative impact of extraordinary gains and losses, however, the factor is fall off and profits are expected to increase in FY2019.

Earnings Forecast for FY2019 (Profit)

(Hundred millions of yen)

	FY2018 (Results) A			FY2019 (Expectation) B			Difference B-A		
	H1	H2	Total	H1	H2	Total	H1	H2	Total
Ordinary income	38	112	150	64	89	153	25	-23	2
(Ratio)	3.9%	8.9%	6.7%	5.8%	6.9%	6.4%	1.9%	-1.9%	-0.3%
Green Technology	65	70	135	63	74	137	-2	3	1
(Ratio)	9.4%	8.8%	9.1%	8.1%	9.0%	8.5%	-1.3%	0.2%	-0.6%
Paint Finishing	-28	45	16	3	18	21	31	-27	4
(Ratio)	-9.5%	9.7%	2.2%	0.9%	3.9%	2.7%	10.5%	-5.8%	0.5%
Profit attributable to owners of parent	9	79	88	42	55	97	32	-24	8
(Ratio)	0.9%	6.3%	3.9%	3.8%	4.3%	4.1%	2.9%	-2.0%	0.1%



Please explain your initiatives to achieve the earnings forecasts for the fiscal year ending March 31, 2020.



Taikisha will steadily implement following each measure in accordance with the Basic Policy of the Mid-Term Business Plan.

Direction	Priority issues
Reinforce the business base	Develop new customers
Enhance competitiveness	Reinforce technological development capabilities for customer needs and strengthen proposal capabilities through the visualization of technology by upgrading and utilizing laboratories
Improve profitability	Promotion of automation of design/calculation work by utilizing IT
Expand business domains	<ul style="list-style-type: none"> Expand the plant factory business Expand business areas into new countries and establish a foothold in the future Expand the paint finishing system business for railway car and aircraft other than automobiles by strengthen collaboration with group company and utilizing laboratories
Environment response	Work on environment businesses such as exhaust treatment system
Human resource strategies	<ul style="list-style-type: none"> Secure human resources by measures to making the company more attractive including the enhancement of systems to enable flexible work styles, improvement of benefits and reduction of working hours Raise the capabilities and enhance the motivation of employees and achieve improvement of productivity by firmly establishing the career plan scheme Secure employees in line with the situation of each overseas group company and Enhance human resource and organizational ability by utilizing diverse human resource
Governance	<ul style="list-style-type: none"> Reinforce corporate governance by reinforcement of the management oversight functions of the Board of Directors and capital cost-conscious management Reinforce the internal control system both in Japan and overseas Improve the global risk management system about legal risks, information security, compliance, etc.



What is your policy on shareholders returns?



Our basic policy is to aim for a consolidated dividend payout ratio of 35% and to ensure stable dividends as we have done in the past.

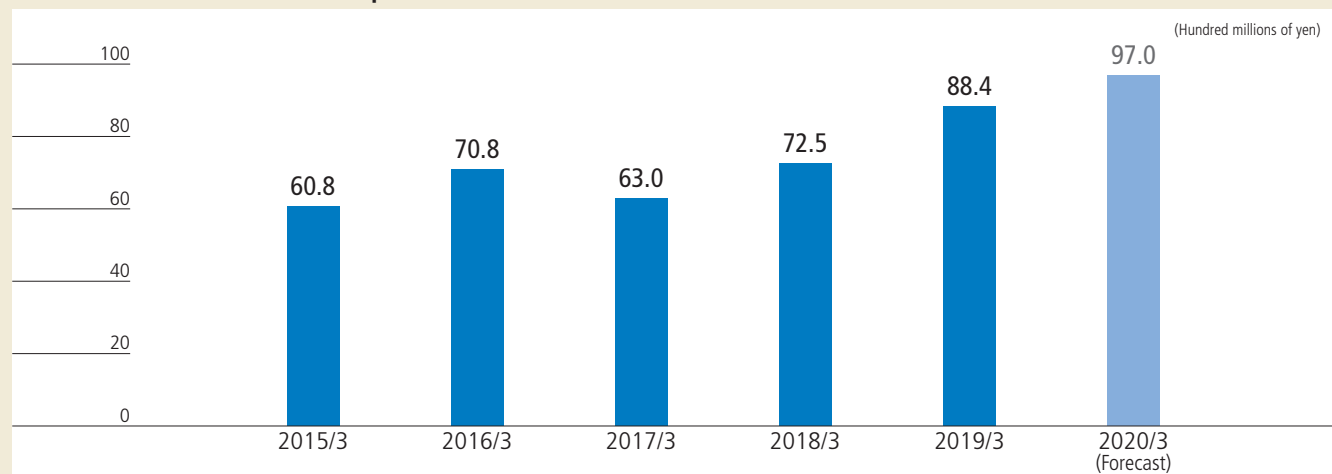
Based on this policy, Taikisha paid an annual dividend of 91 yen per share for the fiscal year ended March 31, 2019, which is an increase of 14 yen per share from the planned dividend of 77 yen per share we announced at the beginning of the current fiscal year.

Taikisha plans to pay an annual dividend of 100 yen per share for the fiscal year ending March 31, 2020.

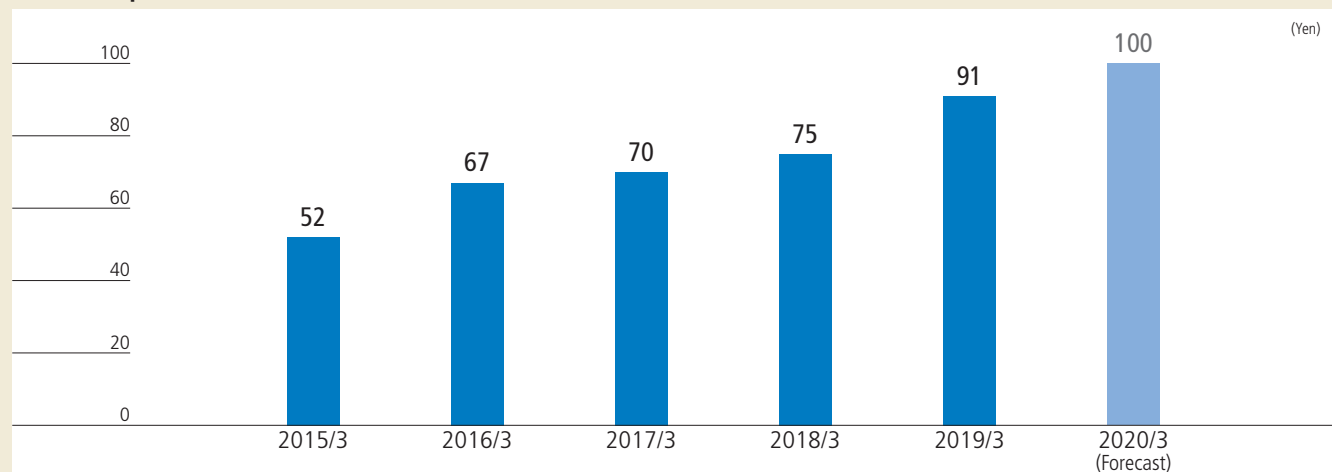
In addition, I would like to explain about the purchase and retirement of treasury shares.

Our basic policy is to purchase and retire treasury stock flexibly in order to improve capital efficiency and promptly implement financial policies.

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

New Production Line for ORONAMIN C DRINK Starts Operations at P.T. Amerta Indah Otsuka

In line with the June 2018 launch in Indonesia of ORONAMIN C DRINK, a carbonated nutritional drink containing vitamin C and other vitamins, P.T. Amerta Indah Otsuka, an Indonesian affiliate of Otsuka Pharmaceutical Co., Ltd., installed a new production line. The line was installed at the Sukabumi Factory and conforms to requirements for halal food products.

Taikisha's technologies and local responsiveness spanning more than a decade are evaluated highly, and Taikisha succeeded in obtaining the contract with Otsuka Pharmaceutical for the installation of facilities including HVAC, electricity, sanitation and other utilities.



Aiming to Further Increase of Orders Received through priority 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, it is expected that electronic and electrical product manufacturers continue investing according to 5G and the electrification of automobiles. Overseas, the Division expects new potential investments in anticipation of a re-examination of the supply chain in the manufacturing industry from factors such as the US-China trade friction.

For the building HVAC business sector, the Division expects that the Japanese market will remain firm in the long term, due to the continuing need to rebuild/renew buildings constructed under the old earthquake-proof standards and to redevelop, despite the moderate decline in demand for office buildings.

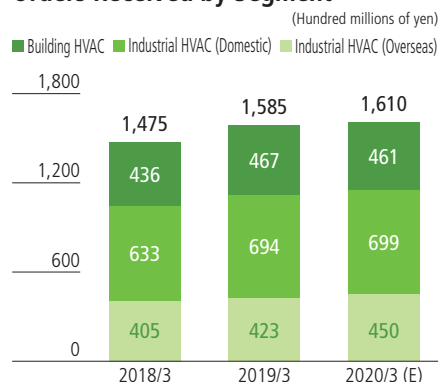
For the future, the Division will work to enhance added value by strengthening energy-saving, cost-saving and environment-responsive technology and automation technology, etc. The Division will also upgrade and utilize laboratories to reinforce technological development capabilities and strengthen proposal capabilities through the visualization of technology. Also, aiming to expand business domains, the Division will continue to promote the expansion of new businesses (such as the plant factory business), as well as aggressively expand business areas into new countries in response to changes in the investment destinations of corporate clients.



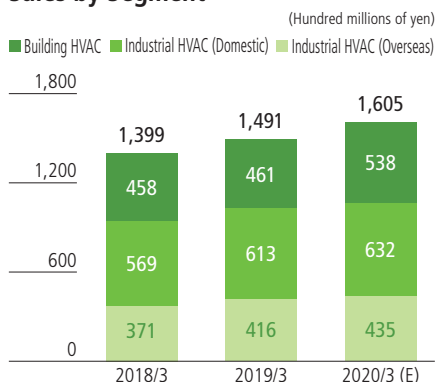
Director, Executive Corporate Officer, Chief General Manager, Green Technology System Division

Yasushi Nakajima

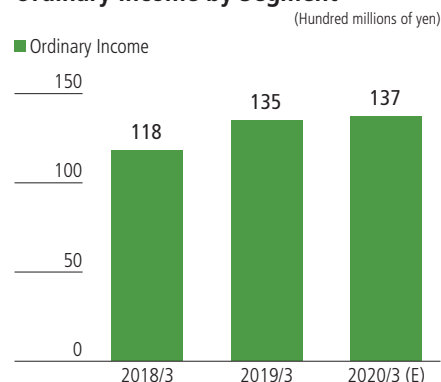
Orders Received by Segment



Sales by Segment



Ordinary Income by Segment



TOPICS 2

Initiatives to Achieve Further Enhancement of Productivity

In the Japanese operations of the green technology system business for the fiscal year ended March 31, 2019, given the growing investments in the electronic parts industry and office buildings in the Tokyo metropolitan area, abundant demand was captured by ensuring construction capabilities, mainly through enhancement of productivity, flexible allocation of human resources between divisions and increased mid-career hires.

Demand for construction in Japan is expected to remain steady going forward, whereas further enhancement of productivity remains a challenge in view of the growing problem of labor shortage.

Taikisha has thus far been working to improve and propagate onsite construction methods and business processes, as well as

to improve construction management efficiency by utilizing tablet terminals at the work site.

Presently, Taikisha is developing a drawing system equipped with automatic plotting and diagnostic functions, to further enhance productivity. The aim is to shorten work hours using the automatic plotting function, and also to prevent loss costs associated with reworking of construction by using the automatic diagnosis function to perform a diagnosis on the drawings based on drawing standards and construction rules, thereby ensuring the quality of the drawings. System development is also underway to automate quantity survey operations.

Taikisha will continue with its drive to enhance productivity by promoting these efforts to utilize IT and other measures.



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



Integration/Expansion of Research and Development Sites of Paint Finishing System Division – Establishment of the Technical Center in Zama-shi, Kanagawa –

Taikisha opened the Technical Center (Location: Komatsubara, Zama-shi, Kanagawa), the new research and development sites of the Paint Finishing System business, on February 2019. With the new Technical Center, established by partially innovating and expanding the former Zama Technical Center and integrating it with the former Hirakata Development Center (Location: Ikaga midori-machi, Hirakata-shi, Osaka), Taikisha will pursue further reinforcement of its comprehensive development capabilities and quality assurance system.

With the new Technical Center, Taikisha will develop innovative, environmentally friendly, energy-saving, and quality-improving technologies, and will reinforce its comprehensive

Aiming to Further Increase of Orders Received through priority 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, the Division expects that the demand will remain firm, as investment for equipment renewal in U.S., Europe and Japan, also investment increased production in China, India etc. are expected to continue. Also, the Division expects changes in the investment trends of manufacturers in the major market of automobiles in the long-term due to the spread of electric vehicles, the advances in self-driving technology and the use of AI.

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, and upgrading and utilizing laboratories for aggressively increasing orders from automobile manufacturers and energetically expanding into peripheral business domains, such as paint finishing systems for other than automobiles, such as for aircraft, railway cars.

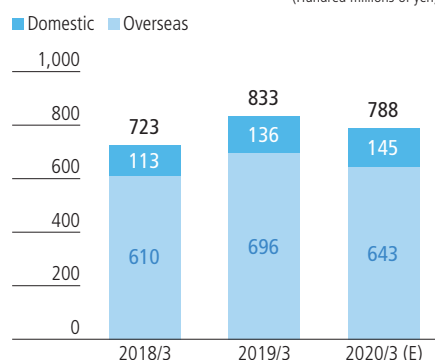


Director, Executive Corporate Officer, Chief General Manager, Paint Finishing System Division

Kazuhide Hayakawa

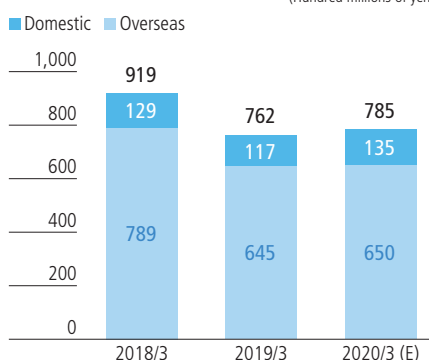
Orders Received by Segment

(Hundred millions of yen)



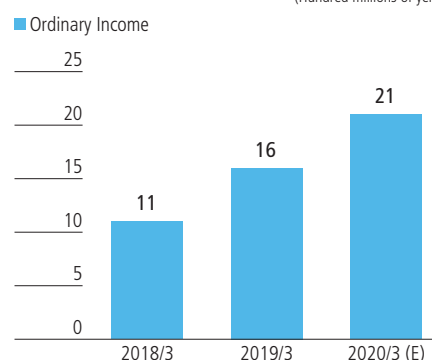
Sales by Segment

(Hundred millions of yen)



Ordinary Income by Segment

(Hundred millions of yen)



new technology development and quality assurance system to consistently meet customer needs.

Taikisha will also enhance its capability to provide services to its customers both inside and outside of Japan, by expanding into business surrounding the automotive paint shop, through promoting robotized painting systems for other customers than the automobile industry, such as the aircraft manufacturing and maintenance business, developing technology adapted to new materials, and expanding the conveyor system business. In particular, the development of automatic painting systems for aircraft has been accelerated as a future important and promising field through cooperation with Encore Automation LLC (Michigan, USA; in business and capital alliance from 2014) which has its own original painting system technology for aircraft. The plan to establish the Technical Center includes the installation of test equipment for automatic aircraft painting systems with an eye on the mid to long term business expansion of Taikisha.

Integrated verification area for the MRO automation system

The integrated verification area of the Paint Finishing System Division includes a system to verify the automation of aircraft body maintenance services. The maintenance operation that currently requires the most burdensome manual labor is the polishing process for the undersurface of aircraft bodies. The Division aims to reduce the workload, improve the working environment and save process time by automating this troublesome polishing process.



*MRO: Abbreviation for aircraft Maintenance, Repair and Overhaul services, which are essential for aircraft bodies and their equipment.

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 the Company's Mission Statement: "Customers First"*.

In conformity with the basic policy and based on the organizational structure of a Company with an Audit & Supervisory Board, the Company is continuously working to strengthen the Taikisha Group's governance and reform of management. It is doing this by taking measures such as reinforcing the supervisory function of the Board of Directors through the application of Non-executive Directors (meaning Outside Directors and the Director, Chairman, the same shall apply hereinafter) 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. Aiming to establish solid corporate governance, the Company has continuously addressed the reform of management, including reinforcing the supervisory function of the Board of Directors by appointing Non-Executive Directors and speeding up the decision making by the Board of Directors through the introduction of the Corporate Officer system. Consequently, the Company recognizes that the corporate governance has been effectively working through all such efforts, and thereby will keep the current status.

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

The Board of Directors is comprised of 10 Directors including 2 Outside Directors, the Chairman of the Board is Non-executive Director, Chairman, is held once each month with additional meetings as and when required. The Board of Directors makes decisions regarding the Taikisha Group's management policy, items stipulated in laws and regulation and the Articles of Incorporation, and important management matters, as well as monitors and supervises the execution of duties by each Director and Corporate Officer.

Outside Directors are appointed in order to revitalize deliberation and ensure the transparency of decision-making processes in the Board of Directors, and to reinforce the supervisory function of the Board of Directors over Directors and Corporate Officers. The Audit & Supervisory Board is comprised of 4 Audit & Supervisory Board Members, including 2 Outside Audit & Supervisory Board Members.

Audit & Supervisory Board Members review important documents, including internal approval documents, and attend major meetings, including the Board of Directors and the

Management Meeting, in order to understand important decision-making processes and the execution of duties in the Company and its subsidiaries, as well as to collect information about the current decision making processes for important matters from each department and provide advice and recommendations for operational improvement and other issues as and when required.

Furthermore, audits by the Audit & Supervisory Board Members related to the status of development and operation of the internal control system have been conducted based on these audit results, reports from the internal control department and investigation into each department.

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.co.jp/corporate/pdf/CorporateGovernance.pdf>

Nomination Advisory Committee/ Compensation Advisory Committee

Taikisha Ltd. has established the Nomination Advisory Committee and the Compensation Advisory Committee as advisory bodies for the Board of Directors, with the aim of enhancing the independence and objectivity of functions and the accountability of the Board of Directors regarding nomination and compensation of senior management and Directors. Each Committee is chaired by an Independent Outside Director and comprises 3 Non-Executive Directors, including 2 Independent Outside Directors, and 2 Representative Directors.

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 the results thereof at least once a year in order to increase the effectiveness of the Board of Directors and enhance information provision to external stakeholders.

In Fiscal Year 2018, the Company, led by the Chairman of the Board, conducted an analysis and evaluation of the effectiveness of the Board of Directors as a whole in which each of Directors and Audit & Supervisory Board Members was asked to complete a self-

evaluation questionnaire on “roles to be played by the Board of Directors” and “matters that should be considered by the Board of Directors in order to fulfill such roles.” In addition, based on an objective analysis by an external advisor, the Company discussed sharing opinions on recognized issues and policies to address such issues, at the Board of Directors meeting.

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 assumes the roles of making decisions on important management matters and effectively performing the supervisory function on the overall management of the Company in order to put Company’s Mission Statement “Customers First” into practice and contribute to achieving sustainable growth and medium- to long-term improvement of corporate value.

In order for the Board of Directors to fulfill such roles, it has been provided with sufficient amounts of reference materials and time necessary for deliberations on agendas for the Board of Directors meetings, while receiving reports on the status of business execution on a regular basis.

Initiatives to address the issues raised

With regard to matters identified as issues by the analysis and evaluation of the effectiveness conducted in the previous fiscal year, Taikisha Ltd. has been improving those matters in order of precedence.

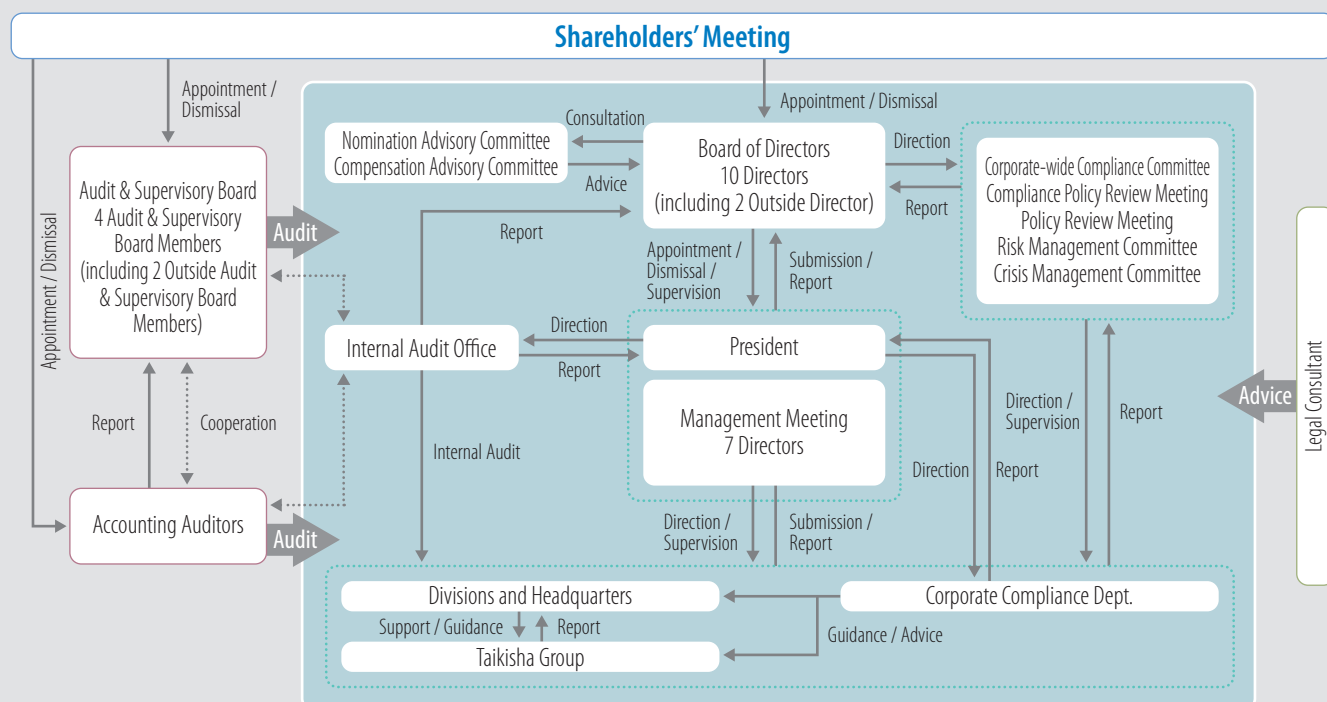
The Company reexamined the level of involvement of the Board

of Directors in the formulation and supervision of medium-and long-term plans, and decided to have the Board of Directors participate in and supervise the formulation of the new Mid-Term Business Plan at an earlier stage than previously, starting from the current fiscal year. In addition, the Company held a meeting attended only by Outside Directors and Outside Audit & Supervisory Board Members to exchange opinions on this matter, and fed the results back to management. Furthermore, the Company took more time at the Board of Directors meeting to discuss management issues, such as work style reforms, human resource development, strengthening of the Taikisha Group and overseas affiliates’ risk management system, and enhancing disclosure of non-financial information. The Company also introduced a stock-based compensation plan for management remuneration to serve as a sound incentive for achieving sustainable growth.

In order to reinforce the supervisory function of the Board of Directors, the Company will discuss the situation regarding development and operation of Taikisha Group’s risk management system of the business executive side, as it examines how to effectively supervise the progress of its medium- and long-term plans. The Company will also continue its efforts to improve the effectiveness and transparency of the Nomination Advisory Committee and the Compensation Advisory Committee, which were established in the previous fiscal year.

In order to further enhance and strengthen corporate governance, the Company will address the management issues identified through this year’s effectiveness analysis and evaluation in order of priority, and continuously examine measures to improve the effectiveness of the Board of Directors.

Conceptual Diagram of Corporate Governance



Compliance System

Toward the realization of Corporate Philosophy by conducting transparent and sound business activities, Taikisha has set out the Taikisha Ltd. Code of Conduct that all officers and employees adhere to. In addition, Taikisha has established a compliance promotion system in the Compliance Activity Standards. The Compliance Manual that describes concrete practice standard 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 Compliance Committee, the Corporate Compliance Dept., Compliance Officers and the Whistle-blowing System.

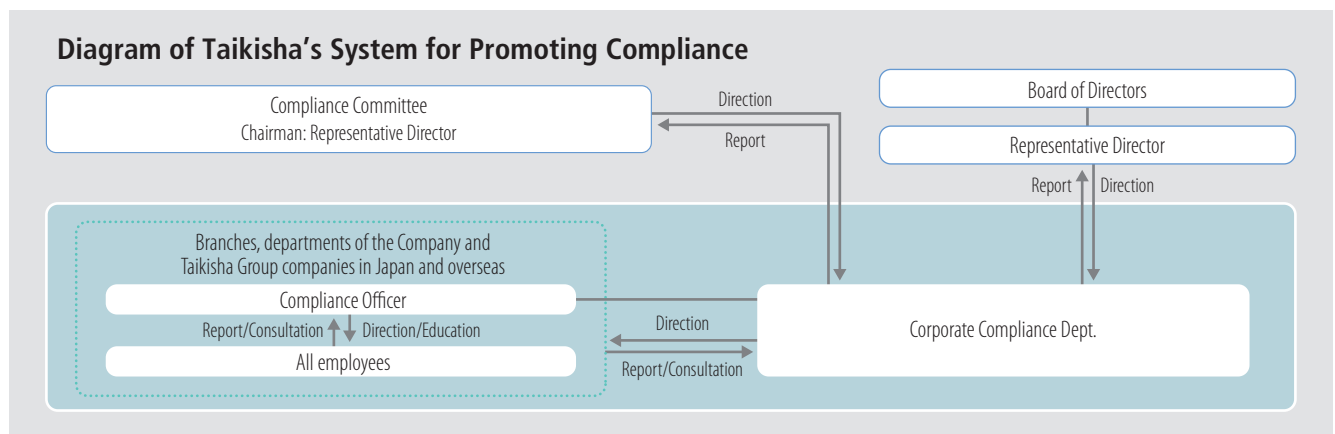
The Compliance Committee, chaired by the Representative Director, meets once a month, in principle, to review and respond to compliance issues in Taikisha's overall business, as well as to verify the status of compliance with laws and ordinances and the Articles of Incorporation. In addition, the Committee verifies recurrence prevention measures regarding cases of compliance violation that have actually occurred. Two of every 12 Committee meetings shall be the 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 Company-wide Compliance Committee, 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 policy/plan (compliance programs) approved by the Compliance Policy Review Meetings, while maintaining independence as a department directly under the Representative Director. The Department reports on the status of such activities to the Compliance 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



Technology utilizing IoT and AI

Taikisha Develops i-Navistar, an IoT and AI-based root cause analysis system

– Allows root cause analyses of suspended operations of automotive paint lines and quality defects –

■ Background and Purpose of Development

To maintain stable operations of automotive paint lines, it is essential to identify the status of the overall operation of a paint line that links each paint process, as well as to quickly detect signs of system failures and quality defects by analyzing and identifying the causes of disruptions to operations using advanced analysis techniques, in order to increase operation and yield rates. However, production lines are equipped with a wide variety of equipment, and painting conditions vary widely according to vehicle type. Accordingly, it is not easy to make a comprehensive judgment by integrating huge volumes of data recorded separately in each paint process. The causes of defects were previously examined at production sites based on the expertise of skilled workers by conducting the process of data analysis and verification repeatedly over a long period.

With rapid changes underway in the surrounding market environment, it is difficult to rapidly adapt to changes using conventional methods. To address productivity and quality improvement issues on automotive paint lines, Taikisha has developed i-Navistar, a system designed to analyze the root causes of operating failures and quality defects using IoT and AI technologies based on sensing data. Taikisha believes that introducing the system will allow customers to optimize various production conditions and further stabilize production quality efficiently and in a short period by taking account of the conditions of an entire production line, which will lead to dramatic improvements in productivity and resolve the issue of a shortage of skilled workers at production sites.

Monitoring of Compliance Risk

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

The Department evaluates 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 mission statement and the Whistle-blowing System etc.; 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 framework and the operational 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, and weaknesses in legal compliance are minor.
A	Minor violations of laws recognized, but detected and controlled properly by ourselves.
B	Non-minor violations of Laws recognized, so it is necessary to improve the legal compliance system.
C	Material violations of Laws recognized that could threaten the sustainability of business.

Whistle-blowing System

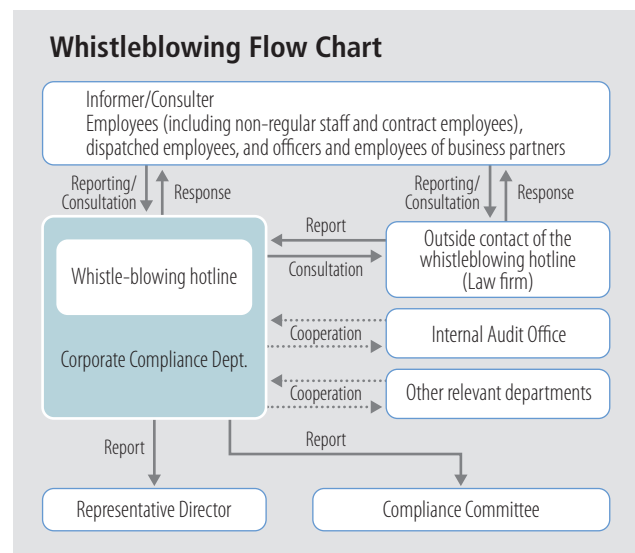
Taikisha has prepared the Whistle-blowing System so that any legal violation, violation of internal rules, misconduct or unethical conduct

can be reported directly, and has established the whistle-blowing hotline to the Corporate Compliance Dept. or an outside law firm. The Whistle-blowing System 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 hotline of Taikisha has been established since FY2006. In FY2015, Taikisha started developing the hotline at its overseas affiliates as well. As of March 31, 2019, 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 FY2018, Taikisha received 6 whistleblowing reports domestically and took appropriate actions upon prompt investigation of each of these cases.

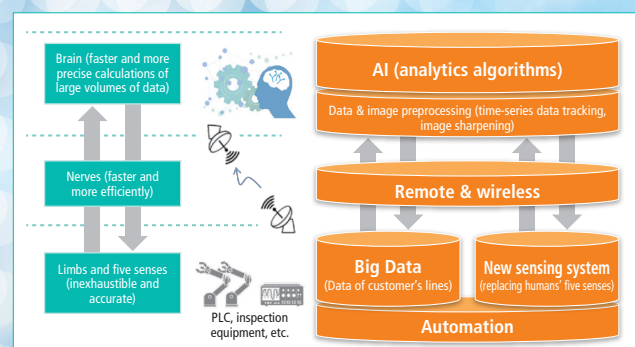


■ Features and overview of i-Navistar

i-Navistar tracks various types of time series data, such as facility/equipment operations information and process environment conditions, for each product according to vehicle type production information on automotive paint lines, and identifies the operating status of an entire production line on a real-time basis. In addition, the system analyzes the causes of defects using inspection and quality data on various products produced.

Since its full-scale entry into the paint finishing system business in the 1950s, over the years, Taikisha has undertaken the design and implementation of large paint finishing systems for automobile manufacturers in Japan, as well as around the world, and delivered high-quality paint operations to customers. Taikisha has great strengths in its extensive knowledge and accumulated expertise of automotive paint processes as a whole, gained by providing numerous air conditioning systems for paint finishing plants, robots used for paint finishing, auto body transport systems, and paint supply systems required in automotive plants,

as well as total plant engineering projects ranging from construction to designing an entire paint finishing plant. Taikisha takes pride in the fact that i-Navistar is a unique system only Taikisha could develop by applying its strengths.



RESULTS OF OPERATIONS (OVERVIEW)

The results for the fiscal year ended March 31, 2019

Earnings Overview

With regard to the world economy during the fiscal year ended March 31, 2019, in the United States, moderate expansion momentum continued against a backdrop of firm consumer spending and capital investment. However, the pace of growth in Europe trended downward, due partly to slower growth in exports despite solid consumer spending. Meanwhile, recovery momentum weakened overall in Asia, with a slowdown in China due to reduced exports and consumer spending from trade friction with the United States. Moderate recovery momentum was seen in Japan. Although exports were held back by economic deceleration overseas, the economy was supported by a moderate increase in consumer spending amid an improved employment and income environment, combined with robust capital investment.

With regard to the business situation of Taikisha Group, in the Japanese market, investment by electronics parts and other manufacturers was solid, and demand for construction of office buildings in the Tokyo metropolitan area also remained at a high level. However, economic uncertainty persisted in overseas markets, due in part to trade friction between the United States and China.

Given such circumstances, the Taikisha Group pursued the following initiatives to generate medium to long-term growth.

Turning first to domestic businesses, the Taikisha Group captured the abundant demand accompanying the growing investments in the electronic parts industry and in office construction in the Tokyo metropolitan area, by ensuring construction capabilities through enhancement of productivity, flexible allocation of human resources between divisions and expansion of mid-career hires. To step up productivity, it took measures to streamline on-site operations and spur procedural simplification through greater use of IT, and through the establishment of a Project Site Support Office, also reduced on-site workloads and fostered the sharing of expertise of experienced engineers.

In measures to expand business areas centering on core businesses, it established the Technical Center in Zama, Kanagawa Prefecture, to accelerate research and development in the paint finishing systems business in areas other than automobiles, such as aircraft and railway rolling stock.

In overseas businesses, orders from European automobile manufacturers were expanded through coordination with Group companies.

As a result of the above, in the consolidated fiscal year under review, orders received increased 10.0% year-on-year to ¥241,889 million, due to increased orders both in Japan and overseas. This includes orders received overseas, which increased 10.3% year-on-year to ¥112,013 million.

Consolidated net sales of completed construction contracts decreased 2.8% year-on-year to ¥225,402 million, with a decrease in overseas contracts more than offsetting the increase in Japan. This includes consolidated net sales of completed construction contracts overseas, which decreased 8.6% year-on-year to ¥106,136 million.

With regard to profits, gross profit on completed construction contracts increased ¥3,475 million year-on-year to ¥36,254 million, operating income increased ¥1,855 million year-on-year to ¥14,035 million, ordinary income increased ¥2,003 million year-on-year to ¥15,085 million, and profit attributable to owners of parent increased ¥1,587 million year-on-year to ¥8,841 million. Every profit related item was higher compared to the previous year due to the favorable performance of Green Technology System.

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

Green Technology System

Consolidated orders received increased compared to the previous year as a result of aggressively capturing the robust construction demand in the Tokyo metropolitan area in building HVAC operations as well as capital investments by electronics parts manufacturers in industrial HVAC operations, in Japan. Consolidated net sales of completed construction contracts increased compared to the previous year mainly due to the increase of industrial HVAC in Japan and growth in Thailand and other regions.

As a result, consolidated orders received increased 7.5% year-on-year to ¥158,588 million. The breakdown is orders received for building HVAC of ¥46,731 million which increased 7.2% year-on-year and orders received for industrial HVAC of ¥111,856 million which increased 7.7% year-on-year. Consolidated net sales of completed construction contracts increased 6.6% year-on-year to ¥149,164 million. The breakdown is sales for building HVAC of ¥46,158 million which increased 0.7% year-on-year and sales for industrial HVAC of ¥103,005 million which increased 9.5% year-on-year. Segment profit (ordinary income) increased ¥1,682 million year-on-year to ¥13,567 million.

Paint Finishing System

Consolidated orders received increased compared to the previous year mainly due to orders received for large projects in Europe, though orders received in North America declined. Consolidated net sales of completed construction contracts were decreased year-on-year as a reactionary drop from the significant contribution in the previous fiscal year of two large projects in North America, despite an increase in Europe and China and elsewhere.

As a result, consolidated orders received increased 15.2% year-on-year to ¥83,300 million and consolidated net sales of completed construction contracts decreased 17.2% year-on-year to ¥76,245 million. Segment profit (ordinary income) increased ¥516 million year-on-year to ¥1,676 million.

Financial Condition

Assets

As of March 31, 2019, current assets increased 6.3% year-on-year to ¥168,968 million. This is mainly due to increase in cash and deposits of ¥4,960 million, notes receivable, accounts receivable from completed construction contracts and other of ¥2,758 million, and securities of ¥1,000 million.

Non-current assets decreased 4.0% year-on-year to ¥54,111 million. This is mainly decrease in goodwill of ¥1,430 million, construction in progress in other under property, plant and equipment of ¥1,377 million and investment securities of ¥1,346 million, despite increase in machinery, vehicles, tools, furniture and fixtures of ¥1,916 million.

As a result, total assets increased 3.6% year-on-year to ¥223,080 million.

Assets by reportable segment are as follows.

Green Technology System

As of March 31, 2019, current assets decreased 4.6% year-on-year to ¥76,074 million. This is mainly due to decrease in notes receivable, accounts receivable from completed construction contracts and other of ¥1,929 million and cash and deposits of ¥1,742 million.

Non-current assets increased 3.0% year-on-year to ¥24,962 million. This is mainly due to increase in investment securities of ¥631 million.

As a result, total assets decreased 2.8% year-on-year to ¥101,036 million.

Paint Finishing System

As of March 31, 2019, current assets increased 13.7% year-on-year to ¥58,179 million. This is mainly due to increase in notes receivable, accounts receivable from completed construction contracts and other of ¥5,568 million.

Non-current assets decreased 9.3% year-on-year to ¥17,830 million. This is mainly due to decrease in investment securities of ¥1,921 million.

As a result, total assets increased 7.3% year-on-year to ¥76,009 million.

Liabilities

As of March 31, 2019, current liabilities increased 5.4% year-on-year to ¥98,791 million. This is mainly due to increase in short-term loans payable of ¥4,162 million and advances received on uncompleted construction contracts of ¥2,908 million, despite decrease in notes payable, accounts payable for construction contracts and other of ¥4,755 million.

Non-current liabilities decreased 3.3% year-on-year to ¥10,638 million. This is mainly due to increase in long-term loans payable of ¥1,470 million, despite a decrease in deferred tax liabilities of ¥1,566 million.

As a result, total liabilities increased 4.5% year-on-year to ¥109,430 million.

Net assets

As of March 31, 2019, total net assets increased 2.7% year-on-year to ¥113,649 million. This is mainly due to increase in retained earnings of ¥6,286 million, despite decrease in valuation difference on available-for-sale securities of ¥1,400 million and foreign currency translation adjustment of ¥977 million.

Cash flows

Cash and cash equivalents (collectively, "Cash") as of March 31, 2018 and 2019 were ¥42,292 million and ¥49,861 million respectively. Compared to the previous year, it increased ¥7,568 million.

Cash flows from operating activities

Cash provided by operating activities for the years ended March 31, 2018 and 2019 totaled ¥9,337 million and ¥9,159 million respectively. Cash increased mainly due to the recording of profit before income taxes and an increase in advances received on uncompleted construction contracts, which more than offset outflows such as income taxes paid and an increase in notes and accounts receivable-trade.

Cash flows from investing activities

Cash provided by investing activities for the year ended March 31, 2018 was ¥1,390 million, and Cash used in investing activities for the year ended March 31, 2019 was ¥2,830 million. Cash decreased mainly because purchase of property, plant and equipment and intangible assets outweighed proceeds from sales of property, plant and equipment and intangible assets, although proceeds from withdrawal of time deposits exceeded payments into time deposits.

Cash flows from financing activities

Cash used in financing activities for the year ended March 31, 2018 totaled ¥885 million, and Cash provided by financing activities for the year ended March 31, 2019 was ¥2,396 million. Cash increased mainly because net increase in short-term loans payable and proceeds from long-term loans payable exceeded repayments of long-term loans payable, despite a reduction due in part to cash dividends paid.

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, 2019.

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 they continue for a long time, could affect Taikisha Group's business results.

Legal Risk

Taikisha Group is working in concert to ensure assiduous management of legal and regulatory compliance. However, any violation of laws or regulations by directors or employees of Taikisha Group could lead to bad results such as restriction on Taikisha Group's business activities, which could affect Taikisha Group's business results.

Subsidiaries and associates

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

CONSOLIDATED BALANCE SHEETS

Taikisha Ltd. and its Consolidated Subsidiaries

As of March 31, 2018 and 2019

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Assets			
Current assets:			
Cash and deposits (Notes 3, 7 and 9)	¥47,147	¥52,107	\$469,393
Notes receivable, accounts receivable from completed construction contracts and other (Notes 3 and 9)	101,947	104,705	943,211
Securities (Notes 7, 9 and 10)	—	1,000	9,008
Costs on uncompleted construction contracts (Note 3)	2,120	2,807	25,292
Raw materials and supplies	348	396	3,569
Other	7,990	8,379	75,488
Allowance for doubtful accounts (Note 9)	(539)	(428)	(3,858)
Total current assets	159,015	168,968	1,522,103
Non-current assets:			
Property, plant and equipment			
Buildings and structures	7,634	8,179	73,680
Machinery, vehicles, tools, furniture and fixtures (Notes 3 and 8)	9,161	11,077	99,793
Land	2,101	2,058	18,548
Other	2,034	551	4,968
Accumulated depreciation	(11,517)	(11,534)	(103,907)
Total property, plant and equipment	9,414	10,333	93,082
Intangible assets			
Goodwill (Note 18)	2,762	1,332	12,002
Other	3,364	3,318	29,890
Total intangible assets	6,126	4,650	41,892
Investments and other assets			
Investment securities (Notes 3, 9 and 10)	30,724	29,378	264,648
Deferred tax assets (Note 13)	2,034	1,847	16,641
Net defined benefit asset (Note 12)	6,311	5,912	53,256
Other	1,780	2,043	18,411
Allowance for doubtful accounts	(14)	(53)	(482)
Total investments and other assets	40,836	39,128	352,474
Total non-current assets	56,377	54,111	487,448
Total assets	¥215,392	¥223,080	\$2,009,551

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

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Liabilities and Net assets			
Current liabilities:			
Notes payable, accounts payable for construction contracts and other (Notes 3 and 9)	¥60,590	¥55,835	\$502,976
Short-term loans payable (Notes 9 and 21)	6,730	10,892	98,117
Income taxes payable (Note 9)	3,859	2,711	24,429
Advances received on uncompleted construction contracts	11,870	14,778	133,126
Provision for warranties for completed construction	690	787	7,093
Provision for loss on construction contracts (Note 3)	469	407	3,667
Provision for directors' bonuses	122	154	1,388
Other (Note 21)	9,409	13,225	119,141
Total current liabilities	93,742	98,791	889,937
Non-current liabilities:			
Long-term loans payable (Notes 9 and 21)	1,606	3,076	27,717
Deferred tax liabilities (Note 13)	7,442	5,876	52,939
Provision for directors' retirement benefits	64	62	567
Net defined benefit liability (Note 12)	1,563	1,370	12,350
Other (Note 21)	322	250	2,260
Total non-current liabilities	11,000	10,638	95,833
Total liabilities	¥104,742	¥109,430	\$985,770
Net assets:			
Shareholders' equity			
Capital stock			
Authorized: 100,000,000 shares			
Issued: 35,082,009 shares as of March 31, 2018			
35,082,009 shares as of March 31, 2019	¥6,455	¥6,455	\$58,149
Capital surplus	7,258	7,244	65,264
Retained earnings	78,698	84,984	765,561
Treasury shares, at cost — 1,012,999 shares as of March 31, 2018	(2,475)	—	—
1,013,293 shares as of March 31, 2019	—	(2,476)	(22,307)
Total shareholders' equity	89,936	96,208	866,667
Accumulated other comprehensive income			
Valuation difference on available-for-sale securities	13,242	11,842	106,678
Deferred gains or losses on hedges (Note 11)	3	(0)	(6)
Foreign currency translation adjustment	1,141	164	1,480
Accumulated remeasurements of defined benefit plans	864	572	5,161
Total accumulated other comprehensive income	15,252	12,578	113,313
Non-controlling interests	5,461	4,862	43,801
Total net assets	110,650	113,649	1,023,781
Total liabilities and net assets	¥215,392	¥223,080	\$2,009,551

	Yen		U.S. dollars
Per share data :			
Net assets	¥3,087.51	¥3,193.18	\$28.76

	Millions of yen		Thousands of U.S. dollars
Basis of calculation			
Total net assets	¥110,650	¥113,649	\$1,023,781
Amounts to be deducted from net assets (Non-controlling interests)	(5,461)	(4,862)	(43,801)
Net assets applicable to common shares	105,188	108,787	979,980
Number of common shares as of the year-end (thousands of shares)	34,069	34,068	34,068

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, 2018 and 2019

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Consolidated Statements of Income			
Net sales of completed construction contracts	¥231,898	¥225,402	\$2,030,472
Cost of sales of completed construction contracts (Note 4)	199,118	189,148	1,703,886
Gross profit on completed construction contracts	32,779	36,254	326,586
Selling, general and administrative expenses:			
Directors' compensations	853	895	8,068
Employees' salaries and allowances	7,966	8,827	79,518
Provision for directors' bonuses	122	154	1,388
Retirement benefit expenses (Note 12)	699	533	4,806
Provision for directors' retirement benefits	14	13	121
Correspondence and transportation expenses	1,230	1,252	11,285
Provision of allowance for doubtful accounts	112	239	2,160
Rents	1,479	1,504	13,549
Depreciation	1,186	1,825	16,440
Amortization of goodwill	365	220	1,988
Other	6,568	6,752	60,830
Total selling, general and administrative expenses (Note 4)	20,599	22,218	200,153
Operating income	12,180	14,035	126,433
Non-operating income:			
Interest income	389	334	3,017
Dividend income	516	606	5,467
Dividend income of insurance	176	189	1,703
Real estate rent	103	103	934
Foreign exchange gains	—	75	677
Reversal of allowance for doubtful accounts	—	1	16
Other	405	245	2,209
Total non-operating income	1,591	1,556	14,023
Non-operating expenses:			
Interest expenses	221	275	2,479
Sales discounts	75	85	774
Rent expenses on real estates	20	33	305
Foreign exchange losses	247	—	—
Provision of allowance for doubtful accounts	0	—	—
Share of loss of entities accounted for using equity method	11	36	332
Other	113	74	675
Total non-operating expenses	689	506	4,565
Ordinary income	13,082	15,085	135,891
Extraordinary income:			
Gain on disposal of non-current assets (Note 4)	59	12	112
Gain on sales of investment securities (Note 10)	—	855	7,708
Total extraordinary income	59	868	7,820
Extraordinary losses:			
Loss on disposal of non-current assets (Note 4)	65	195	1,758
Impairment loss (Note 17)	26	166	1,504
Loss on sales of investment securities (Note 10)	—	10	92
Amortization of goodwill (Note 4)	—	1,245	11,222
Total extraordinary losses	91	1,618	14,576
Profit before income taxes	13,050	14,335	129,135
Income taxes-current	5,298	5,406	48,701
Income taxes-deferred	(1,104)	(664)	(5,983)
Total income taxes	4,193	4,742	42,718
Profit	8,856	9,593	86,417
Profit attributable to non-controlling interests	1,602	751	6,768
Profit attributable to owners of parent	¥7,254	¥8,841	\$79,649

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Consolidated Statements of Comprehensive Income			
Profit	¥8,856	¥9,593	\$86,417
Other comprehensive income:			
Valuation difference on available-for-sale securities	3,273	(1,400)	(12,613)
Deferred gains or losses on hedges	219	(2)	(25)
Foreign currency translation adjustment	840	(1,127)	(10,157)
Remeasurements of defined benefit plans	888	(293)	(2,646)
Share of other comprehensive income of entities accounted for using equity method	20	(44)	(403)
Total other comprehensive income (Note 5)	5,241	(2,868)	(25,844)
Comprehensive income	¥14,098	¥6,724	\$60,573
Comprehensive income attributable to :			
Owners of parent	¥12,326	¥6,168	\$55,569
Non-controlling interests	1,772	555	5,004
	Yen		U.S. dollars
Per share data:			
Profit attributable to owners of parent	¥212.40	¥259.53	\$2.34
Cash dividends	¥75.00	¥91.00	\$0.82

	Millions of yen		Thousands of U.S. dollars
Basis of calculation			
Profit attributable to owners of parent	¥7,254	¥8,841	\$79,649
Profit attributable to owners of parent for common shares	7,254	8,841	79,649
Average number of common shares (thousands of shares)	34,154	34,068	34,068

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, 2018

	Millions of yen											
	Shareholders' equity					Accumulated other comprehensive income						
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Non-controlling interests	Total net assets
Balance at the beginning of current period	¥6,455	¥7,305	¥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, 2019

	Millions of yen											
	Shareholders' equity					Accumulated other comprehensive income						
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Non-controlling interests	Total net assets
Balance at the beginning of current period	¥6,455	¥7,258	¥78,698	¥(2,475)	¥89,936	¥13,242	¥3	¥1,141	¥864	¥15,252	¥5,461	¥110,650
Changes of items during the period												
Dividends of surplus (Note 6)			(2,555)		(2,555)							(2,555)
Profit attributable to owners of parent			8,841		8,841							8,841
Purchase of treasury shares (Note 6)				(0)	(0)							(0)
Retirement of treasury shares (Note 6)					—							—
Purchase of shares of consolidated subsidiaries		(13)			(13)							(13)
Sales of shares of consolidated subsidiaries					—							—
Net changes of items other than shareholders' equity						(1,400)	(4)	(977)	(291)	(2,673)	(599)	(3,272)
Total changes of items during the period	—	(13)	6,286	(0)	6,272	(1,400)	(4)	(977)	(291)	(2,673)	(599)	2,999
Balance at the end of current period	¥6,455	¥7,244	¥84,984	¥(2,476)	¥96,208	¥11,842	¥(0)	¥164	¥572	¥12,578	¥4,862	¥113,649

For the year ended March 31, 2019

	Thousands of U.S. dollars											
	Shareholders' equity					Accumulated other comprehensive income						
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Non-controlling interests	Total net assets
Balance at the beginning of current period	\$58,149	\$65,385	\$708,929	\$(22,299)	\$810,164	\$119,291	\$32	\$10,282	\$7,789	\$137,394	\$49,200	\$996,758
Changes of items during the period												
Dividends of surplus (Note 6)			(23,017)		(23,017)							(23,017)
Profit attributable to owners of parent			79,649		79,649							79,649
Purchase of treasury shares (Note 6)				(8)	(8)							(8)
Retirement of treasury shares (Note 6)					—							—
Purchase of shares of consolidated subsidiaries		(121)			(121)							(121)
Sales of shares of consolidated subsidiaries					—							—
Net changes of items other than shareholders' equity						(12,613)	(38)	(8,802)	(2,628)	(24,081)	(5,399)	(29,480)
Total changes of items during the period	—	(121)	56,632	(8)	56,503	(12,613)	(38)	(8,802)	(2,628)	(24,081)	(5,399)	27,023
Balance at the end of current period	\$58,149	\$65,264	\$765,561	\$(22,307)	\$866,667	\$106,678	\$(6)	\$1,480	\$5,161	\$113,313	\$43,801	\$1,023,781

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, 2018 and 2019

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Cash flows from operating activities:			
Profit before income taxes	¥13,050	¥14,335	\$129,135
Depreciation and amortization	1,398	2,030	18,287
Amortization of goodwill	365	1,466	13,210
Increase (decrease) in allowance for doubtful accounts	36	(48)	(435)
Increase (decrease) in provision for warranties for completed construction	(287)	124	1,122
Increase (decrease) in provision for loss on construction contracts	(306)	(55)	(504)
Increase (decrease) in provision for directors' retirement benefits	14	(1)	(16)
Increase (decrease) in net defined benefit liability	(36)	(205)	(1,851)
Interest and dividend income	(906)	(941)	(8,483)
Interest expenses	221	275	2,479
Share of (profit) loss of entities accounted for using equity method	24	44	399
Loss (gain) on disposal of non-current assets	5	182	1,647
Loss (gain) on sales of investment securities	—	(845)	(7,617)
Decrease (increase) in notes and accounts receivable-trade	394	(4,101)	(36,947)
Decrease (increase) in inventories	(82)	(849)	(7,656)
Decrease (increase) in accounts receivable-other	74	(235)	(2,122)
Increase (decrease) in notes and accounts payable-trade	4,367	(3,614)	(32,564)
Increase (decrease) in advances received on uncompleted construction contracts	(4,059)	3,480	31,354
Increase (decrease) in accrued consumption taxes	(2,367)	255	2,302
Increase (decrease) in deposits received	17	229	2,063
Increase (decrease) in accrued expenses	545	87	784
Other, net	(639)	3,682	33,174
Subtotal	11,832	15,292	137,761
Interest and dividend income received	906	941	8,483
Interest expenses paid	(221)	(279)	(2,515)
Income taxes paid	(3,179)	(6,795)	(61,218)
Net cash provided by (used in) operating activities	9,337	9,159	82,511
Cash flows from investing activities:			
Payments into time deposits	(5,544)	(4,718)	(42,506)
Proceeds from withdrawal of time deposits	11,324	6,092	54,881
Purchase of property, plant and equipment and intangible assets	(3,832)	(4,140)	(37,298)
Proceeds from sales of property, plant and equipment and intangible assets	43	31	285
Purchase of investment securities	(498)	(1,000)	(9,015)
Proceeds from sales of investment securities	50	1,089	9,811
Proceeds from redemption of investment securities	2	0	5
Purchase of shares of subsidiaries resulting in change in scope of consolidation (Note 7)	(260)	—	—
Contingent consideration payments for shares of subsidiaries	—	(132)	(1,195)
Payments of long-term loans receivable	(40)	(59)	(534)
Collection of long-term loans receivable	64	36	325
Purchase of insurance funds	(0)	(0)	(4)
Proceeds from maturity of insurance funds	1	—	—
Purchase of long-term prepaid expenses	(12)	(23)	(209)
Other, net	95	(4)	(42)
Net cash provided by (used in) investing activities	1,390	(2,830)	(25,496)
Cash flows from financing activities:			
Net increase (decrease) in short-term loans payable	2,275	3,727	33,576
Proceeds from long-term loans payable	1,599	3,626	32,667
Repayments of long-term loans payable	(881)	(1,361)	(12,266)
Repayments of lease obligations	(37)	(39)	(352)
Net decrease (increase) in treasury shares	(501)	(0)	(8)
Cash dividends paid	(2,393)	(2,554)	(23,009)
Cash dividends paid to non-controlling interests	(955)	(815)	(7,348)
Proceeds from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	7	—	—
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	—	(185)	(1,668)
Net cash provided by (used in) financing activities	(885)	2,396	21,592
Effect of exchange rate change on cash and cash equivalents	776	(1,157)	(10,430)
Net increase (decrease) in cash and cash equivalents	10,620	7,568	68,177
Cash and cash equivalents at beginning of period	31,672	42,292	380,983
Cash and cash equivalents at end of period (Note 7)	¥42,292	¥49,861	\$449,160

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, 2018 and 2019

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 ¥111.01 to US\$1, the rate of exchange prevailing at March 31, 2019, and are then rounded to the nearest thousand. These U.S. dollar amounts are not intended to imply that the Japanese yen amounts are or can be converted, realized or settled in U.S. dollars at this or any other rate.

2. Summary of significant accounting policies

(1) Scope of consolidation

During the consolidated fiscal year ended March 31, 2019, Geico S.p.A., a consolidated subsidiary of Taikisha Ltd., merged Geico Taikisha Europe Ltd., a consolidated subsidiary of Geico S.p.A. As a result of the merger, Geico Taikisha Europe Ltd. was dissolved and excluded from the scope of consolidation.

The consolidated financial statements include the accounts of the Company and all significant subsidiaries listed below as of March 31, 2019:

Domestic subsidiaries

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

Overseas subsidiaries

TKS Industrial Company
Encore Automation LLC (subsidiary of TKS Industrial Company)
Taikisha Canada Inc. (subsidiary of TKS Industrial Company)
Taikisha de Mexico, S.A. de C.V. (subsidiary of TKS Industrial Company)
Taikisha Mexicana Service S.A. de C.V. (subsidiary of Taikisha de Mexico, S.A. de C.V.)
Taikisha do Brasil Ltda.
Taikisha (Singapore) Pte. Ltd.
Taikisha (Thailand) Co., Ltd.
Taikisha Trading (Thailand) Co., Ltd. (subsidiary of Taikisha (Thailand) Co., Ltd.)
Thaiken Maintenance & Service Co., Ltd. (subsidiary of Taikisha (Thailand) Co., Ltd.)
Token Interior & Design Co., Ltd. (subsidiary of Taikisha (Thailand) Co., Ltd.)
TKA Co., Ltd. (subsidiary of Taikisha (Thailand) Co., Ltd.)
BTE Co., Ltd. (subsidiary of Taikisha (Thailand) Co., Ltd.)
Token Myanmar Co., Ltd. (subsidiary of Taikisha (Thailand) Co., Ltd.)
Taikisha Engineering (M) Sdn. Bhd.
P.T. Taikisha Indonesia Engineering
P.T. Taikisha Manufacturing Indonesia
Taikisha Philippines Inc.

Taikisha Vietnam Engineering Inc.
Taikisha (Cambodia) Co., Ltd.
Taikisha Myanmar Co., Ltd.
Wuzhou Taikisha Engineering Co., Ltd.
Beijing Wuzhou Taikisha Equipment Co., Ltd.
(subsidiary of Wuzhou Taikisha Engineering Co., Ltd.)
Tianjin Taikisha Paint Finishing System Ltd.
Taikisha Hong Kong Limited
Taikisha (Taiwan) Ltd.
Taikisha Korea Ltd.
Taikisha Engineering India Private Ltd.
Geico S.p.A.
J-CO America Corporation (subsidiary of Geico S.p.A.)
J-CO Mexico, S. de R.L. de C.V. (subsidiary of Geico S.p.A.)
Geico Brasil Ltda. (subsidiary of Geico S.p.A.)
Geico Paint Shop India Private Limited (subsidiary of Geico S.p.A.)
Geico Painting System (Suzhou) Co., Ltd. (subsidiary of Geico S.p.A.)
"Geico Russia" LLC (subsidiary of Geico S.p.A.)

(2) Application of the equity method

Name of associates subject to the equity method

Shanghai Dongbo-Taiki Conveyor System Manufacturing Co., Ltd.
Tianjin Dongchun-Taiki Metal Finishing & Conveyor System Manufacturing Co., Ltd.
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 even if it is excluded from the scope of application of the equity method, it has minor impact on net income (proportionate to equity holdings), retained earnings (proportionate to equity holdings), etc., in the consolidated financial statements.

Makiansia Engineering (M) Sdn. Bhd.

(3) Fiscal year for consolidated subsidiaries

The balance sheet date of all domestic consolidated subsidiaries as well as Taikisha Engineering India Private Ltd., 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 S.p.A., 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 value based on the decline in profitability) is used as a valuation standard.

(5) Depreciation method for principal depreciable assets

Property, plant and equipment (excluding leased assets)

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

Intangible assets (excluding leased assets)

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

Leased assets

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

(6) Standards of accounting for principal allowance and provisions

Allowance for doubtful accounts

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

Provision for warranties for completed construction

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

Provision for loss on construction contracts

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

Provision for directors' bonuses

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

Provision for directors' retirement benefits

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

(7) Retirement and pension plans

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

In calculating the retirement benefit obligations, the benefit formula basis is used to allocate the projected retirement benefits to the years of service up to the end of the fiscal year.

(Actuarial differences)

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

(Prior service costs)

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

(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 forwards (NDF), interest rate swaps and interest rate caps

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

Hedging policy

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

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

Assessment of hedge effectiveness

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

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

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

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

(11) Amortization method and period for goodwill

Goodwill is amortized by the straight-line method over 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 consumption tax and local consumption tax are recorded at amounts exclusive of consumption taxes.

(13) 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 regulate 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.

(14) Changes in presentation method

Changes accompanying the application of “Partial Amendments to Accounting Standard for Tax Effect Accounting”

With the application from the beginning of the consolidated fiscal year under review of “Partial Amendments to Accounting Standard for Tax Effect Accounting” (Accounting Standards Board of Japan Statement No. 28, February 16, 2018), deferred tax assets are presented under investments and other assets, whereas deferred tax liabilities are presented under non-current liabilities.

As a result, “deferred tax assets” under “current assets” decreased ¥2,159 million while “deferred tax assets” under “investments and other assets” increased ¥571 million, in the consolidated balance sheet for the previous consolidated fiscal year. Likewise, “deferred tax liabilities” under “current liabilities” decreased ¥2 million and “deferred tax liabilities” under “non-current liabilities” decreased ¥1,585 million.

Deferred tax assets and deferred tax liabilities of the same tax-paying entity are stated as offset figures, such that total assets decreased ¥1,588 million compared with before the change.

Furthermore, in the notes on tax effect accounting, we have added the information specified in the Remarks (Note 8) (excluding the total amount of valuation allowance) and (Note 9) of the “Accounting Standard for Tax Effect Accounting, etc.” as provided in Paragraphs 3 to 5 of the “Partial Amendments to Accounting Standard for Tax Effect Accounting”. However, in accordance with Paragraph 7 of the “Partial Amendments to Accounting Standard for Tax Effect Accounting”, details relating to the previous consolidated fiscal year are omitted in accordance with the transitional provisions.

Notes of consolidated statement of cash flows

“Decrease (increase) in advances paid” and “decrease (increase) in non-operating notes receivable” under “cash flows from operating activities”, which in the previous consolidated fiscal year were separately stated, are included, starting from the consolidated fiscal year under review, under “other, net” because they have become immaterial. To reflect this change in presentation method, reclassifications have been made in the consolidated financial statements for the previous fiscal year.

As a result, “decrease (increase) in advances paid” of ¥10 million and “decrease (increase) in non-operating notes receivable” of ¥0 million stated under “cash flows from operating activities” in the consolidated statement of cash flows of the previous fiscal year are now reclassified as “other, net” of ¥10 million.

(15) Additional information

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

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

(Overview of transaction)

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

Although “Practical Solution on Transactions of Delivering the Company’s Own Stock to Employees, etc., through Trusts” (ASBJ PITF No. 30, March 26, 2015) has been applied, the previously applied method is continued for accounting.

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

The book value of the Company’s own shares held by the trust was ¥287 million for the previous fiscal year, and ¥272 million (US\$2,458 thousand) for the fiscal year under review. The Company’s own shares held by the trust are not reported as treasury shares under shareholders’ equity.

The number of shares held at the fiscal year-end was 154 thousand for the previous fiscal year and 146 thousand for the fiscal year under review. The average number of shares held during the year was 155 thousand for the previous fiscal year and 148 thousand for the fiscal year under review. The number of shares held at the fiscal year-end and the average number of shares held during the year are not included in the number of treasury shares to be deducted in calculating per-share information.

3. Notes of consolidated balance sheets

(1) The information of associates

As of March 31, 2018 and 2019	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Investment securities	¥728	¥637	\$5,741

(2) Pledged assets

Assets pledged as collateral for loans payable of subsidiaries and associates

As of March 31, 2018	Millions of yen	
	Book value	Liabilities covered by pledged assets
Pledged assets		
Cash and deposits	¥299	¥213
Machinery, vehicles, tools, furniture and fixtures	¥12	¥8

As of March 31, 2019	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	¥195	¥299	\$1,765	\$2,694
Machinery, vehicles, tools, furniture and fixtures	¥7	¥12	\$70	\$116

Assets pledged as collateral for security deposits at subsidiaries and associates

As of March 31, 2018 and 2019	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Cash and deposits	¥57	¥56	\$508

Assets pledged as collateral for loans payable of invested company

As of March 31, 2018 and 2019	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Investment securities	¥2	¥2	\$18

Assets pledged as collateral for overdraft facilities of subsidiaries and associates

As of March 31, 2018 and 2019	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Cash and deposits	¥17	¥17	\$154

(3) Guarantee obligations

As of March 31, 2018 and 2019	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Guarantee of Employees' loans	¥2	¥1	\$15
Tianjin Dongchun-Taiki Metal Finishing & Conveyor System Manufacturing Co., Ltd.	276	259	2,336
Total	¥278	¥261	\$2,351

(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, 2018 and 2019	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Total amount of lending commitment	¥5,000	¥5,000	\$45,041
Borrowing execution balance	—	—	—
Net	¥5,000	¥5,000	\$45,041

(5) Endorsed notes

As of March 31, 2018 and 2019	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Endorsed notes	¥38	¥78	\$710

(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, 2018 and 2019	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Provision for loss on construction contracts	¥0	¥5	\$48

(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, 2018 and 2019	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Notes receivable-trade	¥168	¥60	\$543
Endorsed notes	1	7	68
Electronically recorded monetary claims-operating	1	3	28
Notes payable-trade	624	1,110	10,004
Electronically recorded obligations-operating	2,428	2,610	23,515

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, 2018 and 2019	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
General and administrative expenses	¥1,024	¥1,084	\$9,767

(2) Gain on disposal of non-current assets

For the years ended March 31, 2018 and 2019	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Buildings and structures	¥45	¥—	\$—
Machinery, vehicles, tools, furniture and fixtures	4	12	112
Long-term deposits	7	—	—
Other	1	—	—
Total	¥59	¥12	\$112

(3) Loss on disposal of non-current assets

For the years ended March 31, 2018 and 2019	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Buildings and structures	¥32	¥32	\$295
Machinery, vehicles, tools, furniture and fixtures	17	2	19
Land	—	24	220
Software	6	135	1,223
Long-term deposits	6	0	1
Other	2	0	0
Total	¥65	¥195	\$1,758

(Note) In the previous consolidated fiscal year, "software" was included in "other". However, in light of its increased materiality, this item is now stated separately from the consolidated fiscal year under review.

(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, 2018 and 2019	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Provision for loss on construction contracts	¥347	¥249	\$2,252

(5) Amortization of goodwill

For the year ended March 31, 2018
Not applicable.

For the year ended March 31, 2019
One-time amortization of goodwill is recorded based on the provisions of Paragraph 32 of "Practical Guidelines on Capital Consolidation Procedures in Consolidated Financial Statements" (Accounting Systems Committee Report No. 7, Final Amendment of November 28, 2014, The Japanese Institute of Certified Public Accountants).

5. Notes of consolidated statements of comprehensive income

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

For the years ended March 31, 2018 and 2019	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Valuation difference on available-for-sale securities			
Net gains (losses) arising during the period	¥4,639	¥(1,165)	\$(10,502)
Reclassification adjustments	—	(845)	(7,617)
Before tax effects	4,639	(2,011)	(18,119)
Tax effects	(1,365)	611	5,506
Valuation difference on available-for-sale securities	3,273	(1,400)	(12,613)
Deferred gains or losses on hedges			
Net gains (losses) arising during the period	400	(4)	(40)
Reclassification adjustments	(103)	—	—
Before tax effects	297	(4)	(40)
Tax effects	(77)	1	15
Deferred gains or losses on hedges	219	(2)	(25)
Foreign currency translation adjustment			
Net gains (losses) arising during the period	840	(1,127)	(10,157)
Foreign currency translation adjustment	840	(1,127)	(10,157)
Remeasurements of defined benefit plans			
Net gains (losses) arising during the period	934	(463)	(4,171)
Reclassification adjustments	339	6	59
Before tax effects	1,273	(456)	(4,112)
Tax effects	(385)	162	1,466
Remeasurements of defined benefit plans	888	(293)	(2,646)
Share of other comprehensive income of entities accounted for using equity method			
Net gains (losses) arising during the period	20	(44)	(403)
Other comprehensive income	¥5,241	¥(2,868)	\$(25,844)

6. Notes of consolidated statements of changes in net assets

(1) The number of issued shares

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.				
For the year ended March 31, 2019	Beginning Balance	Increase	Decrease	Ending Balance
Common shares	35,082,009	—	—	35,082,009

(2) The number of treasury 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.				
For the year ended March 31, 2019	Beginning Balance	Increase	Decrease	Ending Balance
Common shares	1,012,999	294	—	1,013,293

The number of treasury shares increased by 294 shares because of purchase of shares less than one unit (*).

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

(3) Dividends**Dividends paid**

For the year ended March 31, 2018

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, 2017)	Common shares	¥1,539	¥45.00	March 31, 2017	June 30, 2017
Board of directors (November 13, 2017)	Common shares	¥855	¥25.00	September 30, 2017	November 30, 2017

For the year ended March 31, 2019

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 28, 2018)	Common shares	¥1,703	\$15,345	¥50.00	\$0.45	March 31, 2018	June 29, 2018
Board of directors (November 12, 2018)	Common shares	¥851	\$7,672	¥25.00	\$0.23	September 30, 2018	November 30, 2018

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, 2018

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 28, 2018)	Common shares	Retained earnings	¥1,703	¥50.00	March 31, 2018	June 29, 2018

For the year ended March 31, 2019

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 27, 2019)	Common shares	Retained earnings	¥2,248	\$20,255	¥66.00	\$0.59	March 31, 2019	June 28, 2019

7. Notes of consolidated statements of cash flows**(1) Cash and cash equivalents**

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

For the years ended March 31, 2018 and 2019

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Cash and deposits	¥47,147	¥52,107	\$469,393
Securities	—	1,000	9,008
Sub total	47,147	53,107	478,401
Time deposits over three months	(4,854)	(3,246)	(29,241)
Cash and cash equivalents	¥42,292	¥49,861	\$449,160

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

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

For the year ended March 31, 2018

BTE Co., Ltd. (as of January 1, 2017)	Millions of yen
Current assets	¥339
Non-current assets	153
Goodwill	158
Current liabilities	(258)
Non-current liabilities	(16)
Non-controlling interests	(109)
Acquisition cost of shares	268
Cash and cash equivalents	(7)
Net : Purchase of shares	¥260

For the year ended March 31, 2019

Not applicable.

(3) Details of major non-cash transactions

Not applicable.

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, 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

As of March 31, 2018
Not applicable.

As of March 31, 2019
Not applicable.

The amounts of future lease payments
Not applicable.

Total lease payments and depreciation
For the years ended March 31, 2018 and 2019

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Total lease payments	¥9	¥—	\$—
Depreciation	¥9	—	—

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

Details of leased assets

The leased assets are mainly office equipment and vehicles in Japan and production equipment 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, 2018 and 2019	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Due within one year	¥202	¥299	\$2,700
Due over one year	810	752	6,776
Total	¥1,012	¥1,051	\$9,476

9. Financial instruments

(1) Status of financial instruments

Policies on financial instruments

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

Description of financial instruments, related risks and risk management system

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

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

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

Income taxes payable are imposed on the taxable income of the Companies for the fiscal year under review, and they all mature within one year. Both short-term and long-term loans payable are fund-raising means associated with business transactions. Short-term loans payable with variable interest rates are exposed to the risk of interest-rate fluctuations. However, long-term loans payable, which are procured at fixed interest rates, in principle, are hedged against interest-rate fluctuation risk.

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

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

Supplementary explanation of fair values of financial instruments

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

(2) Fair value of financial instruments

The following table shows the book values and fair values of financial instruments and any differences. 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, 2018

	Millions of yen		
	Book value	Fair value	Difference
Cash and deposits	¥47,147	¥47,147	¥—
Notes receivable, accounts receivable from completed construction contracts and other	101,947		
Allowance for doubtful accounts (*1)	(501)		
	101,445	101,418	(27)
Investment securities (*2)	29,457	29,457	—
Total Assets	178,050	178,023	(27)
Notes payable, accounts payable for construction contracts and other	60,590	60,586	(4)
Short-term loans payable	6,730	6,730	—
Income taxes payable	3,859	3,859	—
Long-term loans payable	1,606	1,562	(43)
Total Liabilities	72,786	72,739	(47)
Derivatives	¥5	¥5	¥—

(*1) “Allowance for doubtful accounts” separately included in “notes receivable, accounts receivable from completed construction contracts and other” is deducted.

(*2) “Investment securities” for which it is deemed extremely difficult to determine the fair value are not included in the table above.

As of March 31, 2019

	Millions of yen			Thousands of U.S. dollars		
	Book value	Fair value	Difference	Book value	Fair value	Difference
Cash and deposits	¥52,107	¥52,107	¥—	\$469,393	\$469,393	\$—
Notes receivable, accounts receivable from completed construction contracts and other	104,705			943,211		
Allowance for doubtful accounts (*1)	(372)			(3,352)		
	104,333	104,318	(15)	939,859	939,724	(135)
Securities and Investment securities (*2)	29,306	29,306	—	264,000	264,000	—
Total Assets	185,747	185,732	(15)	1,673,252	1,673,117	(135)
Notes payable, accounts payable for construction contracts and other	55,835	55,830	(4)	502,976	502,936	(40)
Short-term loans payable	10,892	10,892	—	98,117	98,117	—
Income taxes payable	2,711	2,711	—	24,429	24,429	—
Long-term loans payable	3,076	3,074	(1)	27,717	27,700	(17)
Total Liabilities	72,516	72,509	(6)	653,239	653,182	(57)
Derivatives	¥(10)	¥(10)	¥—	\$(96)	\$(96)	\$—

(*1) “Allowance for doubtful accounts” separately included in “notes receivable, accounts receivable from completed construction contracts and other” is deducted.

(*2) “Securities and investment securities” for which it is deemed extremely difficult to determine the fair value are not included in the table above.

(Note 1) Method to determine the fair value of financial instruments and securities and derivative transactions

Assets

Cash and deposits

Since deposits are settled within 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 assets is determined based on the present value calculated by applying discount rates, which take into account the remaining period prior to maturity and the credit risk, for receivables individually segmented by certain duration.

Securities and investment securities

As for the calculation of the fair value of these assets, stocks are based on the prices traded at the stock exchange, whereas bonds are based on the present value calculated by applying discount rates, which take into account the remaining period prior to maturity, the yield of government bonds and other.

Liabilities

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

The fair value of these liabilities is determined based on the present value calculated by applying discount rates, which take into account the remaining period prior to maturity or repayment and the credit risk, for payables individually segmented by certain duration.

Income taxes payable

As these liabilities are settled within 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 significantly 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 to similar new loans.

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, 2018 and 2019	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Available-for-sale securities			
Non-listed stocks	¥1,260	¥1,065	\$9,600
Non-listed foreign bonds	¥6	¥6	\$56

Securities classified under this category have no market prices and estimating future cash flows would likely necessitate enormous costs. Accordingly, it is deemed extremely difficult to measure the fair value, and they are not included in "Securities and investment securities" above.

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

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, 2019

	Millions of yen			
	Within one year	Over one year within five years	Over five years within ten years	Over ten years
Cash and deposits	¥52,107	¥—	¥—	¥—
Notes receivable, accounts receivable from completed construction contracts and other	89,846	14,859	—	—
Securities and Investment securities				
Available-for-sale securities with maturity date (Money trusts, etc.)	1,000	—	—	—
Available-for-sale securities with maturity date (Non-listed foreign bonds)	—	6	—	—
Total	¥142,953	¥14,866	¥—	¥—

As of March 31, 2019

	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	\$469,393	\$—	\$—	\$—
Notes receivable, accounts receivable from completed construction contracts and other	809,351	133,860	—	—
Securities and Investment securities				
Available-for-sale securities with maturity date (Money trusts, etc.)	9,008	—	—	—
Available-for-sale securities with maturity date (Non-listed foreign bonds)	—	57	—	—
Total	\$1,287,752	\$133,917	\$—	\$—

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

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, 2019

	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	¥9,274	¥—	¥—	¥—	¥—	¥—
Long-term loans payable	1,617	1,754	954	341	26	—
Lease obligations	28	24	18	13	11	5
Total	¥10,920	¥1,779	¥973	¥355	¥37	¥5

As of March 31, 2019

	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	\$83,545	\$—	\$—	\$—	\$—	\$—
Long-term loans payable	14,572	15,807	8,598	3,076	235	—
Lease obligations	254	219	169	124	104	52
Total	\$98,371	\$16,026	\$8,767	\$3,200	\$339	\$52

10. Securities

(1) Held-to-maturity debt securities

As of March 31, 2018
Not applicable.

As of March 31, 2019
Not applicable.

(2) Available-for-sale securities

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, 2019

	Millions of yen		
	Book value	Acquisition cost	Difference
Securities whose book value exceeds their acquisition cost			
Stocks	¥28,197	¥11,271	¥16,926
Securities whose book value does not exceed their acquisition cost			
Stocks	109	117	(8)
Bonds			
Other	1,000	1,000	—
Total	¥29,306	¥12,388	¥16,917

As of March 31, 2019

	Thousands of U.S. dollars		
	Book value	Acquisition cost	Difference
Securities whose book value exceeds their acquisition cost			
Stocks	\$254,009	\$101,533	\$152,476
Securities whose book value does not exceed their acquisition cost			
Stocks	983	1,059	(76)
Bonds			
Other	9,008	9,008	—
Total	\$264,000	\$111,600	\$152,400

(3) Available-for-sale securities sold

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, 2019

	Millions of yen		
	Sales amount	Total gain on sales	Total loss on sales
Stocks	¥1,089	¥855	¥10
Total	¥1,089	¥855	¥10

For the year ended March 31, 2019

	Thousands of U.S. dollars		
	Sales amount	Total gain on sales	Total loss on sales
Stocks	\$9,811	\$7,708	\$92
Total	\$9,811	\$7,708	\$92

(4) Securities with impairment loss

For the years ended March 31, 2018 and 2019

The “acquisition cost” in the tables above is the book value after deducting impairment losses. The Companies recognize an impairment loss when the fair value of stocks falls 50% or more compared with the acquisition cost and there is no evidence to indicate that the fair value will recover to the book value within one year. When the fair value falls by 30% or more but less than 50% compared with the acquisition cost, the Companies recognize a necessary amount of impairment loss after considering the market prices in the past year and the possibility of recovery.

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

As of March 31, 2018

Category	Transaction type	Millions of yen			
		Contract amount	Over one year	Fair value	Unrealized gain (loss)
Non-market transactions	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, 2019

Category	Transaction type	Millions of yen			
		Contract amount	Over one year	Fair value	Unrealized gain (loss)
Non-market transactions	Forward exchange contracts:				
	Buy				
	Yen	¥184	¥—	¥(3)	¥(3)
	U.S. dollars	42	—	(1)	(1)
	Euros	30	—	(2)	(2)
	Sell				
	U.S. dollars	815	—	(3)	(3)
	Total	¥1,074	¥—	¥(9)	¥(9)

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

As of March 31, 2019

Category	Transaction type	Thousands of U.S. dollars			
		Contract amount	Over one year	Fair value	Unrealized gain (loss)
Non-market transactions	Forward exchange contracts:				
	Buy				
	Yen	\$1,665	\$—	\$(31)	\$(31)
	U.S. dollars	385	—	(9)	(9)
	Euros	277	—	(21)	(21)
	Sell				
	U.S. dollars	7,350	—	(28)	(28)
	Total	\$9,677	\$—	\$(89)	\$(89)

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

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

As of March 31, 2019

As of March 31, 2019			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)	¥7	¥—	¥(0)
	Baht	Accounts payable for construction contracts (forecast)	68	—	0
	Won	Accounts payable for construction contracts (forecast)	46	—	(1)
	Sell				
	U.S. dollars	Accounts receivable from completed construction contracts (forecast)	78	—	0
	Chinese Yuan	Accounts receivable from completed construction contracts (forecast)	143	—	(0)
Total			¥344	¥—	¥(0)

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

As of March 31, 2019

As of March 31, 2019			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)	\$72	\$—	\$1
	Baht	Accounts payable for construction contracts (forecast)	620	—	4
	Won	Accounts payable for construction contracts (forecast)	416	—	(13)
	Sell				
	U.S. dollars	Accounts receivable from completed construction contracts (forecast)	708	—	5
	Chinese Yuan	Accounts receivable from completed construction contracts (forecast)	1,290	—	(4)
Total			\$3,106	\$—	\$(7)

Interest-related transactions

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				
	Pay fixed/Receive floating	Long-term loans payable	¥641	¥507	(Note)

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

As of March 31, 2019

Hedging method	Transaction type	Main hedged items	Millions of yen		
			Contract amount	Over one year	Fair value
Special treatment	Interest rate swap				
	Pay fixed/Receive floating	Long-term loans payable	¥477	¥350	(Note)

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

As of March 31, 2019

Hedging method	Transaction type	Main hedged items	Thousands of U.S. dollars		
			Contract amount	Over one year	Fair value
Special treatment	Interest rate swap				
	Pay fixed/Receive floating	Long-term loans payable	\$4,298	\$3,159	

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

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

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

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

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

(2) Defined benefit plan (except simplified method)**Reconciliation of beginning and ending balances for projected benefit obligations**

For the years ended March 31, 2018 and 2019

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Projected benefit obligations at the beginning of current period	¥18,119	¥17,699	\$159,443
Service costs	1,180	1,195	10,770
Interest costs	62	57	521
Actuarial differences accrued in the current period	(548)	386	3,481
Benefits paid	(1,150)	(1,201)	(10,826)
Foreign currency translation	30	(42)	(384)
Other	6	(23)	(211)
Projected benefit obligations at the end of current period	¥17,699	¥18,071	\$162,794

Reconciliation of beginning and ending balances for pension assets

For the years ended March 31, 2018 and 2019

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Pension assets at the beginning of current period	¥21,859	¥22,694	\$204,438
Expected return on pension assets	477	501	4,520
Actuarial differences accrued in the current period	393	(66)	(601)
Contributions from employers	1,006	829	7,471
Benefits paid	(1,040)	(1,112)	(10,023)
Foreign currency translation	(2)	(4)	(41)
Pension assets at the end of current period	¥22,694	¥22,841	\$205,764

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, 2018 and 2019	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Funded projected benefit obligations	¥16,568	¥17,102	\$154,059
Pension assets	(22,694)	(22,841)	(205,764)
Sub total	(6,125)	(5,739)	(51,705)
Unfunded projected benefit obligations	1,130	969	8,735
Net amount of liabilities and assets in the consolidated balance sheets	(4,994)	(4,770)	(42,970)
Net defined benefit liability	1,316	1,141	10,286
Net defined benefit asset	6,311	5,912	53,256
Net amount of liabilities and assets in the consolidated balance sheets	¥(4,994)	¥(4,770)	\$(42,970)

Retirement benefit expenses

For the years ended March 31, 2018 and 2019	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Service costs	¥1,180	¥1,195	\$10,770
Interest costs	62	57	521
Expected return on pension assets	(477)	(501)	(4,520)
Amortization of actuarial differences	330	(10)	(91)
Other	—	(23)	(211)
Retirement benefit expenses of defined benefit plans	¥1,095	¥718	\$6,469

Remeasurements of defined benefit plans

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

For the years ended March 31, 2018 and 2019	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Actuarial differences	¥1,273	¥(456)	\$(4,112)
Total	¥1,273	¥(456)	\$(4,112)

Accumulated remeasurements of defined benefit plans

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

As of March 31, 2018 and 2019	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Unrecognized actuarial differences	¥1,228	¥772	\$6,957
Total	¥1,228	¥772	\$6,957

Pension assets

Composition ratio of pension assets is as follows

As of March 31, 2018 and 2019	2018	2019
Debt securities	20%	28%
Stocks	40	34
Cash and deposits	3	3
General account of life insurance	33	30
Other	4	5
Total	100%	100%

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

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

Assumptions and policies used to calculate projected benefit obligations

As of March 31, 2018 and 2019

	2018	2019
Discount rates (weighted average)	0.4%	0.3%
Expected long-term return rates on pension assets (weighted average)	2.5%	2.5%

(3) Defined benefit plan calculated by simplified method

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

For the years ended March 31, 2018 and 2019

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Net defined benefit liability at the beginning of current period	¥248	¥247	\$2,227
Retirement benefit expenses	21	15	140
Benefits paid	(22)	(10)	(97)
Contributions to the plan	(10)	(11)	(106)
Foreign currency translation	15	(14)	(128)
Other	(4)	3	28
Net defined benefit liability at the end of current period	¥247	¥229	\$2,064

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

As of March 31, 2018 and 2019

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Funded projected benefit obligations	¥81	¥77	\$699
Pension assets	(64)	(61)	(558)
Sub total	17	15	141
Unfunded projected benefit obligations	230	213	1,923
Net amount of liabilities and assets in the consolidated balance sheets	247	229	2,064
Net defined benefit liability	247	229	2,064
Net amount of liabilities and assets in the consolidated balance sheets	¥247	¥229	\$2,064

Retirement benefit expenses

Retirement benefit expenses calculated by the simplified method are ¥21 million for the previous fiscal year and ¥ 15 million (US\$140 thousand) for this fiscal year.

(4) Defined contribution plans

Required contribution amount for defined contribution plans is ¥248 million for the previous fiscal year and ¥315 million (US\$2,844 thousand) for this fiscal year.

13. Tax effect accounting

(1) Significant components of deferred tax assets and liabilities

As of March 31, 2018 and 2019

	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Deferred tax assets			
Allowance for doubtful accounts	¥25	¥80	\$725
Provision for warranties for completed construction	170	186	1,681
Provision for loss on construction contracts	132	103	929
Net defined benefit liability	268	216	1,949
Employees' pension trust, investment securities	287	298	2,692
Provision for directors' retirement benefits	26	26	235
Accrued enterprise tax etc.	194	183	1,653
Accrued bonuses	1,293	2,114	19,051
Loss on valuation of investment securities	123	121	1,095
Loss on valuation of golf club membership	57	56	509
Foreign tax credit carried forward	11	185	1,667
Tax loss carried forward (Note)	1,873	1,710	15,407
Other	747	723	6,521
Sub total	5,213	6,007	54,114
Valuation allowance for tax loss carried forward (Note)	—	(605)	(5,458)
Valuation allowance for total of deductible temporary differences, etc.	—	(523)	(4,718)
Sub total	(1,090)	(1,129)	(10,176)
Total deferred tax assets	4,123	4,877	43,938
Deferred tax liabilities			
Net defined benefit assets	(1,931)	(1,806)	(16,274)
Valuation difference on available-for-sale securities	(5,688)	(5,078)	(45,747)
Retained earnings of consolidated overseas subsidiaries	(1,671)	(1,701)	(15,325)
Other	(239)	(320)	(2,890)
Total deferred tax liabilities	(9,531)	(8,906)	(80,236)
Net deferred tax assets (or liabilities)	¥(5,408)	¥(4,029)	\$(36,298)

(Note) Total of tax loss carried forward and its deferred tax assets, by carryforward expiration date.

	Millions of yen						Total
	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	
Tax loss carried forward (a)	¥25	¥0	¥14	¥6	¥12	¥1,650	¥1,710
Valuation allowance	(25)	(0)	(14)	(4)	(12)	(547)	(605)
Deferred tax assets	¥—	¥—	¥—	¥1	¥0	¥1,102	(b) ¥1,104

	Thousands of U.S. dollars						Total
	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	
Tax loss carried forward	\$230	\$2	\$134	\$56	\$117	\$14,868	\$15,407
Valuation allowance	(230)	(2)	(134)	(44)	(113)	(4,935)	(5,458)
Deferred tax assets	\$—	\$—	\$—	\$12	\$4	\$9,933	\$9,949

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

(b) With regard to the ¥1,710 million (US\$15,407 thousand) tax loss carried forward (the result of multiplication by the effective statutory tax rate for each tax-paying entity), ¥1,104 million (US\$9,949 thousand) in deferred tax assets have been recorded. This total of ¥1,104 million (US\$9,949 thousand) in deferred tax assets relates mainly to tax loss carried forward at consolidated subsidiaries TKS Industrial Company and J-CO America Corporation amounting to ¥662 million (US\$5,966 thousand) and ¥363 million (US\$3,274 thousand), respectively. At TKS Industrial Company, the tax loss carried forward arose from the recording of a loss before income taxes for the period ended December 31, 2017, and at J-CO America Corporation from the recording of a loss before income taxes for the period ended December 31, 2018. Deferred tax assets relating to the tax loss carried forward are deemed recoverable based on likely future taxable income.

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

As of March 31, 2018 and 2019

	2018	2019
Effective statutory tax rate	—%	30.62%
(Adjustments)		
Expenses not deductible permanently	—	2.30
Income not taxable permanently	—	(1.28)
Inhabitant tax on per capita basis, etc.	—	0.56
Increase (Decrease) in valuation allowance	—	0.60
Difference in effective statutory tax rate between the Company and consolidated subsidiaries	—	(1.45)
Special tax deductions	—	(1.67)
Retained earnings of consolidated overseas subsidiaries	—	0.20
Amortization of goodwill	—	2.86
Other	—	0.34
Actual tax rate after the application of tax effect accounting	—%	33.08%

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

14. Asset retirement obligations

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

15. Segment information**(1) Overview of reportable segment**

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

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

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

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

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

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

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

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

For the year ended March 31, 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	103,959	70,817	174,776	40,615	215,392
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 (loss) of entities accounted for using equity method	—	(11)	(11)	—	(11)
Investments in associates accounted for using equity method	—	725	725	—	725
Increase in property, plant and equipment 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 include non-allocatable common profits of ¥35 million and other adjustment of ¥1 million. Non-allocatable common profits are mainly general and administrative expenses, dividend income, etc., which are not attributed to any reportable segment.

Adjustments of Segment assets of ¥40,615 million are elimination of receivable and payable etc., of minus ¥2,561 million and non-allocatable common assets which are not allocated to any reportable segments of ¥43,177 million. Non-allocatable common assets are mainly cash and deposits, property, plant and equipment, intangible assets and net defined benefit asset, etc., which are not attributed to any reportable segment.

Adjustments of increase in property, plant and equipment, intangible assets of ¥1,094 million are buildings and structures, machinery, equipment and vehicles, tools, furniture and fixtures and software, etc., which are not attributed to any reportable segment.

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

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

For the year ended March 31, 2019

	Millions of yen				
	Green Technology System Division	Paint Finishing System Division	Total	Adjustments	Amount recorded in the consolidated financial statements
Sales					
Sales to customers	¥149,164	¥76,238	¥225,402	¥—	¥225,402
Intersegment	—	7	7	(7)	—
Total	149,164	76,245	225,409	(7)	225,402
Segment profit	13,567	1,676	15,244	(159)	15,085
Segment assets	101,036	76,009	177,046	46,033	223,080
Other items					
Depreciation and amortization	781	1,299	2,080	(50)	2,030
Amortization of goodwill	—	1,466	1,466	—	1,466
Interest income	151	190	341	(6)	334
Interest expenses	8	246	254	20	275
Share of profit (loss) of entities accounted for using equity method	—	(36)	(36)	—	(36)
Investments in associates accounted for using equity method	—	634	634	—	634
Increase in property, plant and equipment, intangible assets	¥186	¥2,897	¥3,083	¥473	¥3,557

Note 1. The amounts of Adjustments are as follows.

Adjustments of Segment profit of minus ¥159 million (minus US\$1,437 thousand) include non-allocatable common profits of minus ¥158 million (minus US\$1,424 thousand) and other adjustment of minus ¥1 million (minus US\$13 thousand). Non-allocatable common profits are mainly general and administrative expenses, dividend income, etc., which are not attributed to any reportable segment.

Adjustments of Segment assets of ¥46,033 million (US\$414,681 thousand) are elimination of receivable and payable etc., of minus ¥2,783 million (minus US\$25,072 thousand) and non-allocatable common assets which are not allocated to any reportable segments of ¥48,816 million (US\$439,753 thousand). Non-allocatable common assets are mainly cash and deposits, property, plant and equipment, intangible assets, and net defined benefit asset, etc., which are not attributed to any reportable segment.

Adjustments of Increase in property, plant and equipment, intangible assets of ¥473 million (US\$4,263 thousand) are buildings and structures, machinery, equipment and vehicles, tools, furniture and fixtures and software, etc., which are not attributed to any reportable segment.

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

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

For the year ended March 31, 2019

	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	\$1,343,702	\$686,770	\$2,030,472	\$—	\$2,030,472
Intersegment	—	63	63	(63)	—
Total	1,343,702	686,833	2,030,535	(63)	2,030,472
Segment profit	122,222	15,106	137,328	(1,437)	135,891
Segment assets	910,160	684,710	1,594,870	414,681	2,009,551
Other items					
Depreciation and amortization	7,036	11,703	18,739	(452)	18,287
Amortization of goodwill	—	13,210	13,210	—	13,210
Interest income	1,361	1,718	3,079	(62)	3,017
Interest expenses	73	2,219	2,292	187	2,479
Share of profit (loss) of entities accounted for using equity method	—	(332)	(332)	—	(332)
Investments in associates accounted for using equity method	—	5,716	5,716	—	5,716
Increase in property, plant and equipment, intangible assets	\$1,679	\$26,102	\$27,781	\$4,263	\$32,044

16. Related information in regard to segment information

(1) Information by product and service

For the year ended March 31, 2018

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

For the year ended March 31, 2019

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

(2) Sales by region

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

For the year ended March 31, 2019

Japan	North America	Southeast Asia		East Asia		India	Other	Total
		Thailand	Other Southeast Asia	China	Other East Asia			
¥119,266	¥19,543	¥25,126	¥19,559	¥14,230	¥1,669	¥8,881	¥17,125	¥225,402

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

For the year ended March 31, 2019

Japan	North America	Southeast Asia		East Asia		India	Other	Total
		Thailand	Other Southeast Asia	China	Other East Asia			
\$1,074,376	\$176,050	\$226,349	\$176,193	\$128,190	\$15,036	\$80,005	\$154,273	\$2,030,472

(3) Property, plant and equipment by region

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, 2019

Millions of yen						
Japan	Thailand	Indonesia	China	India	Italy	Other
¥4,523	¥447	¥204	¥676	¥1,775	¥2,467	¥237
						¥10,333

For the year ended March 31, 2019

Thousands of U.S. dollars						
Japan	Thailand	Indonesia	China	India	Italy	Other
\$40,748	\$4,033	\$1,839	\$6,094	\$15,996	\$22,228	\$2,144
						\$93,082

(4) Sales information by main customer

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.

For the year ended March 31, 2019

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 segment

Impairment loss of the non-current assets by reportable segment

For the year ended March 31, 2018

Millions of yen				
	Green Technology System Division	Paint Finishing System Division	Total	Eliminations/Corporate (Note)
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, 2019

Millions of yen				
	Green Technology System Division	Paint Finishing System Division	Total	Eliminations/Corporate (Note)
Impairment loss	¥20	¥—	¥20	¥146
				¥166

(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, 2019

Thousands of U.S. dollars				
	Green Technology System Division	Paint Finishing System Division	Total	Eliminations/Corporate
Impairment loss	\$188	\$—	\$188	\$1,316
				\$1,504

18. Amortization and balance of goodwill

(1) Amortization and balance of goodwill by reportable segment

For the year ended March 31, 2018

Millions of yen				
	Green Technology System Division	Paint Finishing System Division	Total	Eliminations/Corporate
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, 2019

Millions of yen				
	Green Technology System Division	Paint Finishing System Division	Total	Eliminations/Corporate
Balance of goodwill	¥—	¥1,332	¥1,332	¥—
				¥1,332

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

For the year ended March 31, 2019

Thousands of U.S. dollars				
	Green Technology System Division	Paint Finishing System Division	Total	Eliminations/Corporate
Balance of goodwill	\$—	\$12,002	\$12,002	\$—
				\$12,002

(2) Gain on negative goodwill by reportable segment

For the year ended March 31, 2018

Not applicable.

For the year ended March 31, 2019

Not applicable.

19. Related party transactions

For the year ended March 31, 2018

Not applicable.

For the year ended March 31, 2019

Not applicable.

20. Details of bonds

No applicable.

21. Details of loans

As of March 31, 2019

	Millions of yen		Thousands of U.S. dollars	Average interest rate (%)	Maturity
	Beginning balance	Ending balance	Ending balance		
Short-term loans payable	¥5,719	¥9,274	\$83,545	2.174	—
Current portion of long-term loans payable	1,011	1,617	14,572	1.415	—
Current portion of lease obligations	39	28	254	—	—
Long-term loans payable (excluding current portion)	1,606	3,076	27,717	1.345	October 2021 to June 2023
Lease obligations (excluding current portion)	102	74	668	—	May 2021 to February 2025
Total	¥8,478	¥14,071	\$126,756	—	—

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, 2019 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	¥1,754	¥954	¥341	¥26
Lease obligations	¥24	¥18	¥13	¥11

	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	\$15,807	\$8,598	\$3,076	\$235
Lease obligations	\$219	\$169	\$124	\$104

22. Details of asset retirement obligations

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

23. Significant subsequent events

Not 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, 2019, 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, 2019, 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 27, 2019

Corporate Directory



- 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
1 Taikisha Ltd. 1913 Sumitomo Fudosan Shinjuku Grand Tower, 8-17-1, Nishi-Shinjuku, Shinjuku-ku, Tokyo, 160-6129, Japan Tel: 81-3-3365-5320 Fax: 81-3-5338-5195		9 Token Myanmar Co., Ltd. 2015 Room No.10A, 10th floor, Ga Mone Complex, Kabaraye Pagoda Road, Mayangone Township, Yangon, Myanmar TEL: 95-01-653653		16 Taikisha Engineering India Private Ltd. 1995 Plot No.26, Udyog Vihar, Phase-4, Gurugram, Haryana. Pin-122015. India Tel: 91-124-234-8246 Fax: 91-124-234-8247	
2 San Esu Industry Co., Ltd. 1976 3-24, Ikaga Midori-machi, Hirakata-shi, Osaka, 573- 0067, Japan Tel: 81-72-845-0128 Fax: 81-72-845-1660		10 Taikisha Engineering (M) Sdn. Bhd. 1989 Suite W306, 3rd Floor West Wing, Wisma Consplant 1, No.2, Jalan SS 16/4, Subang Jaya, Selangor 47500, Malaysia Tel: 60-3-5623-7200 Fax: 60-3-5623-7201		17 Geico S.p.A. 1963 Via Pelizza da Volpedo, 109/111, 20092 Cinisello Balsamo, Milan, Italy Tel: 39-2-660221 Fax: 39-2-66022.321	
3 Taikisha (Thailand) Co., Ltd. 1971 6th Floor, Thaniya Bldg., 62 Silom Road, Bangkok 10500, Thailand Tel: 66-2-236-8055 Fax: 66-2-236-3502		11 P.T. Taikisha Indonesia Engineering 1990 Menara Bidakara I, 13th Floor Jl. Jend. Gatot Subroto Kav. 71-73, Jakarta 12870, Indonesia Tel: 62-21-8379-3325 Fax: 62-21-8379-3310		18 J-CO America Corporation 2016 888 West Big Beaver Road, Suite 1295, Troy, MI 48084 Tel: 1-248-422-6208 Fax: 1-248-422-6974	
4 Taikisha Trading (Thailand) Co., Ltd. 1983 6th Floor, Thaniya Bldg., 62 Silom Road, Bangkok 10500, Thailand Tel: 66-2-236-8055 Fax: 66-2-236-3502		12 Taikisha Philippines Inc. 1995 5th Floor, Golden Rock Bldg., No.168 Salcedo St., Legaspi Village, Makati City, 1229, Philippines Tel: 63-2-818-1707 Fax: 63-2-816-1516		19 J-CO Mexico,S. de R.L de C.V. 2014 Bosque de Ciruelos, 180 Bosques de Las Lomas, Miguel Hidalgo 11700 Ciudad de México, D.F., Mexico Tel: 52-55-2282-1030 Fax: 52-55-2282-1001	
5 Thaiken Maintenance & Service Co., Ltd. 1990 445 Moo 17, Thepharak Rd., T. Bangsaonthong, Amphur Bangsaonthong, Samutprakarn 10540, Thailand Tel: 66-2-705-8744 Fax: 66-2-705-8748		13 Taikisha Vietnam Engineering Inc. 1998 12th Floor, Detech Tower, No. 8 Ton That Thuyet, My Dinh 2 Ward, Nam Tu Liem District, Hanoi, Vietnam Tel: 84-24-3562-2750 Fax: 84-24-3562-2751		20 Geico Brasil Ltda. 1995 Rua Francisco Rocha n. 2113, Bairro Bigorriho, Cep 80710, 540, Curitiba, Paraná, Brasile Tel: 55-41-3019-2727 Fax: 55-41-3336-7534	
6 Token Interior & Design Co., Ltd. 1986 9th Floor., Thaniya Bldg., 62 Silom Road., Bangkok 10500, Thailand Tel: 66-2-236-9103 Fax: 66-2-236-0119		14 Wuzhou Taikisha Engineering Co., Ltd. 1994 #1110, Beijing Fortune Bldg., #5 Dong San Huan Bei Lu, Chaoyang District, Beijing 100004, China Tel: 86-10-6590-8251 Fax: 86-10-6590-8257		21 Geico Paint Shop India Private Ltd. 2006 A-4, 5th Floor The 5th Avenue, Dhole Patil Road, 411001, Pune, Maharashtra, India Tel: 91-997-039-3892	
7 TKA Co., Ltd. 1991 445 Moo 17, Bangna-Trad Rd., Km. 23, Tambol Bangsaonthong, Amphur Bangsaonthong, Samutprakarn 10540, Thailand Tel: 66-2-705-8363 Fax: 66-2-705-8993		15 Beijing Wuzhou Taikisha Equipment Co., Ltd. 2002 #1116, Beijing Fortune Bldg., #5 Dong San Huan Bei Lu, Chaoyang District, Beijing 100004, China Tel: 86-10-6590-8253 Fax: 86-10-6590-8250		22 Geico Painting System (Suzhou) Co., Ltd. 2011 Room 1702, Harmony Mansion, No.8 wan sheng street, building 1, Suzhou Industrial Park, 215000 China Tel: 86-512-8555-0256 Fax: 86-512-8555-0701	
8 BTE Co., Ltd 1996 21/2 Moo 12, Lum lukka Sub-District, Lumlukka District, Pathumthani. Province Thailand Tel: 66-2-191-0244-47 Fax: 66-2-191-0243				23 Geico Russia LLC 2011 12, Krasnopresnenskaya emb., Entrance 6, office 325, 123610 Moscow - Russia Tel: 7-495-249-0780	
24 Nippon Noise Control Ltd. 1986 Sumitomo-Nakanosakaue Bldg. 1-38-1, Chuo, Nakano- ku, Tokyo, 164-0011, Japan Tel: 81-3-5937-6532 Fax: 81-3-5937-6533		26 Taikisha (Singapore) Pte. Ltd. 2004 2 International Business Park #11-01 Jurong East Singapore 609930 Tel: 65-6223-9928 Fax: 65-6223-9328		28 Taikisha (Cambodia) Co., Ltd. 2011 #37&39, Trapaingkol Village, Sangkat Kantouk, Khan Posenchey, Phnom Penh, Cambodia Tel: 855-23-729-317 Fax: 855-23-729-318	
25 Tokyo Taikisha Service Ltd. 2000 Sumitomo-Nakanosakaue Bldg. 1-38-1, Chuo, Nakano- ku, Tokyo, 164-0011, Japan Tel: 81-3-5331-8370 Fax: 81-3-5331-8380		27 Taikisha (Taiwan) Ltd. 1989 [Tai Yuen Hi-Tech Industrial Park] 3F, No.6, Taiyuen 1st Street, Zhubei City, Hsinchu, Taiwan, ROC Tel: 886-3-560-1661 Fax: 886-3-560-1671		29 Taikisha Myanmar Co., Ltd. 2013 Room No.10A, 10th floor, Ga Mone Complex, Kabaraye Pagoda Road, Mayangone Township, Yangon, Myanmar Tel: 95-01-653653	
30 TKS Industrial Company 1981 901 Tower Drive, Suite 300, Troy, Michigan 48098- 2817, U.S.A. Tel: 1-248-786-5000 Fax: 1-248-786-5001		35 Taikisha do Brasil Ltda. 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		40 Tianjin Dongchun-Taiki Metal Finishing & Conveyor System Manufacturing Co., Ltd. 2004 NO.9, NO.7 Road, North area of Economic Development Zone of Jinghai, Tianjin, 301617, China Tel: 86-22-6864-5848 Fax: 86-22-6864-5849	
31 Encore Automation LLC 2014 50 Corporate Drive, Auburn Hills, Michigan 48326, U.S.A. Tel: 1-248-253-0200 Fax: 1-248-418-2308		36 P.T. Taikisha Manufacturing Indonesia 2004 Jl. Permata V Lot EE-5, Kawasan Industri KIIC, Karawang 41361, West-Java, Indonesia Tel: 62-21-8911-4831 Fax: 62-21-8911-4833		41 J-PM Systems GmbH 2015 Hewlett-Packard-Strasse 1/1 D-71083 Herrenberg GERMANY Tel: 49-7032-7869928 Fax: 49-7032-7869930	
32 Taikisha Canada Inc. 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		37 Tianjin Taikisha Paint Finishing System Ltd. 2010 No7, Road 7, Economic Development Zone of Jinghai, Tianjin, 301600, China Tel: 86-22-6829-9518 Fax: 86-22-6829-9510		42 Makiansia Engineering (M) Sdn. Bhd. 1981 No. 141, Jalan SS 17/1A, Subang Jaya, 47500 Petaling Jaya, Selangor Darul Ehsan, Malaysia Tel: 60-3-5635-2394 Fax: 60-3-5634-7004	
33 Taikisha de Mexico, S.A. de C.V. 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		38 Taikisha Korea Ltd. 1992 6F, SH Suhypu-Bank B/D, 315, Siheung-daero, Geumcheon- gu, Seoul, 08608, Korea Tel: 82-2-783-0270 Fax: 82-2-783-0274			
34 Taikisha Mexicana Services, S.A. de C.V. 2011 Homero 407 Piso 7. Col Polanco V Sección CP 11560. Del. Miguel Hidalgo Ciudad de México, México. Tel: 52-55-5516-2834		39 Shanghai Dongbo-Taiki Conveyor System Manufacturing Co., Ltd. 2002 Room 906,Building 1,SCG Business Plaza, No.51 Wuzhong Road, Shanghai, 201103, China Tel: 86-21-6443-0780 Fax: 86-21-6443-9478			

Directors and Audit & Supervisory Board Members

Directors

Director,
Chairman

Eitaro Uenishi



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

Representative Director,
President Corporate Officer

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
April 2019	Representative Director, President Corporate Officer (current position)

Representative Director,
Executive Vice President 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
April 2019	Representative Director, Executive Vice President Corporate Officer (current position)

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

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
April 2019	Director, Executive Corporate Officer, Chief General Manager, Paint Finishing System Division (current position)

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

Yasushi Nakajima



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
April 2019	Director, Executive Corporate Officer, Chief General Manager, Green Technology System Division (current position)

Director,
Managing Corporate Officer,
Chief Executive,
Administrative Management Headquarters and
in charge of CSR

Masanori Nakagawa



April 2009	General Manager, Strategic Investment Department, Headquarters Business Administration Division of Mizuho Corporate Bank, Ltd. (current 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
June 2018	Director, Managing Corporate Officer, Chief Executive, Administrative Management Headquarters and in charge of CSR (current position)

Director,
Managing Corporate Officer,
Vice General Manager,
Green Technology System Division, and General Manager,
Tokyo Branch Office



Nobutaka Inagawa

April 1972	Joined the Company
April 2008	Corporate Officer, General Manager, Tohoku Branch Office, Green Technology System Division
April 2009	Corporate Officer, Vice Senior General Manager, Engineering Supervisory Dept., Green Technology System Division
April 2010	Corporate Officer, General Manager, Chubu Branch Office, Green Technology System Division
April 2011	Corporate Officer, General Manager, Chubu Branch Office and General Manager, Engineering Dept., Green Technology System Division
April 2012	Senior Corporate Officer, General Manager, Tokyo Branch Office, Green Technology System Division
April 2017	Managing Corporate Officer, General Manager, Tokyo Branch Office, Green Technology System Division
April 2019	Managing Corporate Officer, Vice General Manager, Green Technology System Division, and General Manager, Tokyo Branch Office
June 2019	Director, Managing Corporate Officer, Vice General Manager, Green Technology System Division, and General Manager, Tokyo Branch Office (current position)

Director,
Managing Corporate Officer,
Vice General Manager,
Paint Finishing System Division, and Senior General
Manager, Engineering Supervisory Dept.



Junichi Murakawa

April 1976	Joined the Company
April 2013	Corporate Officer; General Manager, Process West Japan Head Office and General Manager, Nagoya Office, Paint Finishing System Division
April 2014	Corporate Officer, General Manager, Process West Japan Head Office, General Manager, Nagoya Office and General Manager, Osaka Office, Paint Finishing System Division
April 2015	Corporate Officer, General Manager, West Japan Head Office, General Manager, Nagoya Office, General Manager, Osaka Office, and Senior General Manager, Engineering Supervisory Dept., Paint Finishing System Division
April 2018	Senior Corporate Officer, Assistant to Chief General Manager, Paint Finishing System Division
April 2019	Managing Corporate Officer, Vice General Manager, Paint Finishing System Division, and Senior General Manager, Engineering Supervisory Dept.
June 2019	Director, Managing Corporate Officer, Vice General Manager, Paint Finishing System Division, and Senior General Manager, Engineering Supervisory Dept. (current position)

Outside Director



Hirokazu Hikosaka

April 1983	Joined Asahi Shinkin Bank (Resigned in March 1985)
April 1992	Admitted as attorney and joined Nakajima Law Office (current Nakajima Hikosaka Kubouchi Law Office) (current position)
April 1999	Commissioner, Kanto Federation of Bar Associations
April 2005	Executive Commissioner, Japan Federation of Bar Associations
June 2006	Outside Director, Adways Inc.
June 2010	Audit & Supervisory Board Member, Adways Inc. (current position)
April 2014	Vice President, Tokyo Bar Association
June 2015	Audit & Supervisory Board Member of the Company
June 2017	Director of the Company (current position)
April 2019	Vice President, Kanto Federation of Bar Associations (current position)

Outside Director



Kiyotaka Fuke

April 2014	Deputy President, Executive Officer, Meiji Yasuda Life Insurance Company
July 2014	Director, Deputy President, Executive Officer, Meiji Yasuda Life Insurance Company
April 2016	Director, Meiji Yasuda Life Insurance Company (retired in July 2016)
June 2016	Outside Audit & Supervisory Board Member, Mizuho Trust & Banking Co., Ltd.
July 2016	Advisor, Meiji Yasuda Life Insurance Company
June 2017	Member of the Board of Directors (Outside Director and Audit & Supervisory Committee Member), Mizuho Trust & Banking Co., Ltd. (current position)
June 2019	Audit & Supervisory Board Member of the Company
June 2019	Director of the Company (current position)

Audit & Supervisory Board Members

Full-time Audit & Supervisory Board Member

Tetsuya Ogawa

Full-time Audit & Supervisory Board Member

Toshiya Furukatsu

Outside Audit & Supervisory Board Member

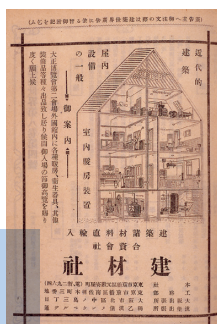
Junichi Noro

Outside Audit & Supervisory Board Member

Toshiyuki Hanazawa

History

1913



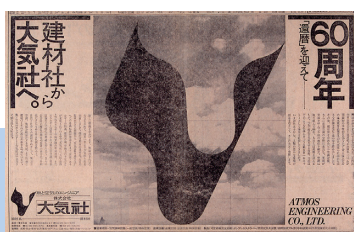
Founded under the name of joint-stock company "Kenzaisha"

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.
2019	Established the Technical Center

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: ¥225,402 million
(Consolidated: year ended March 2019)

Number of Employees: 4,829 (Consolidated: as of March 2019)

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, 2019)

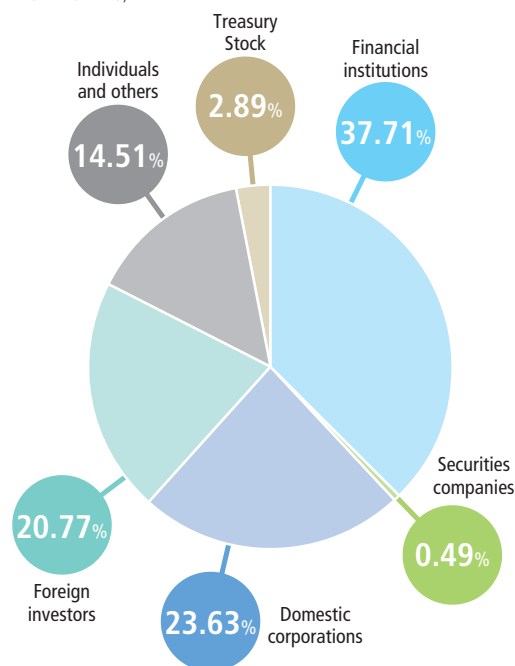
Authorized number of shares 100,000,000

Number of issued shares 34,068,716
(excluding 1,013,293 treasury shares)

Number of shareholders 2,965

COMPOSITION OF SHAREHOLDERS

(BY SHARE HOLDING RATIO)



Major Shareholders of the Company as of March 31, 2019

Shareholder's Name	Number of shares held (in thousands)	Ratio of shareholding (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	3,423	10.05
Japan Trustee Services Bank, Ltd. (Trust Account 9)	2,285	6.71
Kenzaisha Ltd.	1,730	5.08
Japan Trustee Services Bank, Ltd. (Trust Account)	1,250	3.67
Taikisha Business Partners Shareholding Association	1,008	2.96
Dai ni Kenzaisha Ltd.	1,000	2.94
Sumitomo Realty & Development Co., Ltd.	981	2.88
Taikisha Employees Shareholding Association	900	2.64
THE BANK OF NEW YORK MELLON (INTERNATIONAL) LIMITED 131800	894	2.62
Nippon Life Insurance Company	866	2.54

(Notes) 1. The Company holds 1,013,293 treasury shares but is excluded from the list of major shareholders above. The above treasury shares do not include 146,700 shares of the Company held by Trust & Custody Services Bank, Ltd. (Trust E Account), because of the introduction of the ESOP (Employee Stock Ownership Plan).

2. The "Ratio of shareholding" is calculated by subtracting treasury shares from all issued shares.

