RESULTS OF OPERATIONS (OVERVIEW)

The results for the fiscal year ended March 31, 2020

Earnings Overview

The global economy deteriorated significantly for the fiscal year, affected by a drop in both domestic and foreign demands since the beginning of the year due to the impact of spread of coronavirus disease (COVID-19) in addition to trade friction between the United States and China. In the United States, domestic demand, mainly consumer spending was firm, but the economy decelerated due to sluggish foreign demand and other factors. In Europe, the slowdown in the economy continued due to a drop in foreign demand and the turmoil surrounding Brexit. Also in China, economic recovery continued to be weak as a whole, as corporate capital investments and consumer spending declined due to the impact of U.S.-China trade friction. The Japanese economy as a whole remained flat, as consumer spending gradually recovered due to improvements in employment and income conditions, but was offset by weak exports against the backdrop of sluggish recovery in the global economy.

As for the market environment of the Taikisha Group, while the domestic market showed a standstill mainly among electronic parts manufacturers under the influence of the U.S.-China trade friction, demand remained firm due to investment in the construction of office buildings in the Tokyo metropolitan area and capital investment for example by pharmaceutical manufacturers. Meanwhile, in overseas markets, despite a growing sense of economic slowdown, demand from electronic parts manufacturers in the Philippines and automobile manufacturers in North America remained robust.

In order to achieve medium- to long-term growth, the Group has been promoting initiatives for each of the strategies set forth in the Mid-Term Business Plan rolled out in the fiscal year.

Firstly, we have been promoting alliances with overseas group companies and increased our stake in Encore Automation LLC to 100% in order to accelerate research and development in our paint finishing business for non-automotive vehicles such as aircraft and rolling stock as part of our effort to expand the business domain based on our core business. In the future, we will continue to expand our business globally by working with Encore to further enhance our technology, including an automated system for paint finishing of aircraft.

Secondly, with the aim of further strengthening business development overseas, we worked to establish a new base in regions where we expect future investment, and established a new consolidated subsidiary in Laos.

As for the domestic business, in order to enhance our capability to respond to abundant construction demand and promote work style reforms, we undertook initiatives to improve productivity such as developing a system to automate construction drawings and integration operations, as well as securing human resources by establishing a telecommuting system.

Given such circumstances, orders received decreased 6.2% year-on-year to ¥226,909 million, due to decreased orders both in Japan and overseas. This includes orders received overseas, which decreased 8.7% year-on-year to ¥102,312 million.

Consolidated net sales of completed construction contracts decreased 0.0% year-on-year to ¥225,378 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 12.3% year-on-year to ¥93,029 million.

In regard to profits, gross profit on completed construction contracts increased ¥1,440 million year-on-year to ¥37,694 million, operating income increased ¥1,404 million year-on-year to ¥15,439 million, ordinary income increased ¥906 million year-on-year to ¥15,991 million, and profit attributable to owners of parent increased ¥290 million year-on-year to ¥9,132 million.

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

Green Technology System

Consolidated orders received increased as a whole compared to the previous year mainly due to an increase in the building HVAC sector in Japan, though the industrial HVAC sector experienced a reactionary drop from a large-scale construction contract that was received in the previous year, as well as an increase overseas in countries such as the Philippines and Thailand. The net sales of completed construction contacts increased as a whole compared to the previous year mainly due to a significant increase in the building HVAC sector in Japan as well as an increase the industrial HVAC sector, though sales overseas decreased in countries such as Thailand.

As a result, consolidated orders received increased 1.2% year-on-year to ¥160,522 million. The breakdown is orders received for building HVAC of ¥47,755 million which increased 2.2% year-on-year and orders received for industrial HVAC of ¥112,767 million which increased 0.8% year-on-year. Consolidated net sales of completed construction contracts increased 5.5% year-on-year to ¥157,378 million. The breakdown is sales for building HVAC of ¥54,963 million which increased 19.1% year-on-year and sales for industrial HVAC of ¥102,414 million which decreased 0.6% year-on-year. Segment profit (ordinary income) increased ¥325 million year-on-year to ¥13,893 million.

Paint Finishing System

Consolidated orders received decreased compared to the previous year mainly due to a reactionary drop from a large-scale construction contract in Europe that was received in the previous year, though orders received in North America increased. The net sales of completed construction contacts decreased compared to the previous year mainly due to a decrease overseas in countries such as North America and Russia, though sales in Japan increased.

As a result, consolidated orders received decreased 20.3% year-on-year to ¥66,387 million and consolidated net sales of completed construction contracts decreased 10.8% year-on-year to ¥68,006 million. Segment profit (ordinary income) increased ¥1,137 million year-on-year to ¥2,814 million, because of a rebound from the influence of projects in North America with deteriorated profitability in the second quarter suffered in the previous year.

Financial Condition

Assets

As of March 31, 2020, current assets decreased 0.0% year-on-year to ¥168,958 million. This is mainly due to decrease in notes receivable, accounts receivable from completed construction contracts and other of ¥7,979 million despite increase in cash and deposits of ¥5,519 million and securities of ¥2,500 million.

Non-current assets decreased 14.2% year-on-year to ¥46,430 million. This is mainly decrease in investment securities of ¥4,990 million, net defined benefit asset of ¥730 million, deferred tax assets of ¥1,192 million and goodwill of ¥576 million

As a result, total assets decreased 3.4% year-on-year to ¥215,389 million.

Assets by reportable segment are as follows.

Green Technology System

As of March 31, 2020, current assets decreased 4.5% year-on-year to ¥72,667 million. This is mainly due to decrease in accounts receivable from completed construction contracts and other of ¥6,079 million despite increase in cash and deposits of ¥2,461 million.

Non-current assets decreased 12.7% year-on-year to ¥21,785 million. This is mainly due to decrease in investment securities of ¥3,523 million.

As a result, total assets decreased 6.5% year-on-year to ¥94,453 million.

Paint Finishing System

As of March 31, 2020, current assets decreased 12.9% year-on-year to ¥50,650 million. This is mainly due to decrease in cash and deposits of ¥5,415 million and notes receivable, accounts receivable from completed construction contracts and other of ¥1,032 million.

Non-current assets decreased 21.8% year-on-year to ¥13,944 million. This is mainly due to decrease in investment securities of ¥1,520 million, deferred tax assets of ¥1,257 million and goodwill of ¥576 million.

As a result, total assets decreased 15.0% year-on-year to ¥64,595 million.

Liabilities

As of March 31, 2020, current liabilities decreased 4.9% year-on-year to ¥93,924 million. This is mainly due to decrease in short-term loans payable of ¥4,431 million and income taxes payable of ¥1,229 million despite increase in notes payable, accounts payable for construction contracts and other of ¥1,788 million.

Non-current liabilities decreased 19.0% year-on-year to ¥8,622 million. This is mainly due to decrease in deferred tax liabilities of ¥1,379 million and long-term loans payable of ¥1,124 million.

As a result, total liabilities decreased 6.3% year-on-year to ¥102,546 million.

Net assets

As of March 31, 2020, total net assets decreased 0.7% year-on-year to ¥112,843 million. This is mainly due to decrease in valuation difference on available-for-sale securities of ¥3,465 million, capital surplus of ¥2,186 million and accumulated remeasurements of defined benefit plans of ¥874 million despite increase in retained earnings of ¥5,858 million.

Cash flows

Cash and cash equivalents (collectively, "Cash") as of March 31, 2019 and 2020 were ¥49,861 million and ¥58,846 million respectively. Compared to the previous year, it increased ¥8,985 million.

Cash flows from operating activities

Cash provided by operating activities for the years ended March 31, 2019 and 2020 totaled ¥9,159 million and ¥21,386 million respectively. Cash increased mainly due to the recording of profit before income taxes and a decrease in notes and accounts receivable-trade which more than offset outflows such as income tax paid.

Cash flows from investing activities

Cash used in investing activities for the year ended March 31, 2019 and 2020 totaled ¥2,830 million and ¥877 million respectively. 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 provided by financing activities for the year ended March 31, 2019 totaled ¥2,396 million and Cash used in financing activities for the year ended March 31, 2020 totaled ¥11,475 million. Cash decreased mainly because net decrease in short-term loans payable, cash dividends paid and payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation.

Business and Other Risks

Major risk factors that may significantly affect the financial condition, business performance and cash flows of the Taikisha Group, as recognized by senior management, are noted below.

Forward-looking statements in this section are based on judgments made by the Taikisha Group as of March 31, 2020.

Risk of Changes in Private Capital Investment

Changes in the environment for orders received may significantly affect sales and profit in the Taikisha Group's businesses. In the Green Technology System Division, this may be caused by delays in redevelopment projects in Japan, decreases in capital investment in the manufacturing industry, a delayed recovery in investment after the Olympics, or a reduction in investment by Japanese companies overseas. In the Paint Finishing System Division, this may be caused by decreases in capital investment due to continued shrinkage of domestic manufacturing by Japanese automobile manufacturers or a downturn in automobile sales around the world, or changes to investment fields due to the spread of CASE (Connected, Autonomous/Automated, Shared, Electric). The Taikisha Group's business performance and other results may be affected by a decrease in the amount of orders received due to these factors.

In response, Green Technology System Division will work to further strengthen cost-competitiveness in Japan, by expanding its customer base and promoting cost reduction initiatives, while overseas it will work to strengthen its sales structure targeting local as well as European and US companies, and promote initiatives to increase orders from Japanese manufacturers in collaboration with sales team in Japan. Paint Finishing System Division will leverage automation technology to expand from the 4-wheel and 2-wheel vehicle markets into the aircraft and railway markets, aiming to expand its automation business.

Risk Associated with Large-Scale Disasters

The Taikisha Group's business performance and other results may be affected by losses sustained due to natural disasters, such as earthquakes, tsunamis, wind or water damage, or a global spread of infections and other diseases in regions where the Taikisha Group does business. Furthermore, in the case of large-scale, widespread natural disasters, the Taikisha Group's business performance and other results may be affected not only by the direct damage to property and people, but also by the long-term impact on customers' business activities and the larger economic climate.

In order to prepare for the possible occurrence of unforeseen disasters, accidents or events in Japan or overseas, the Taikisha Group has established a basic policy for crisis management and constructed a crisis management system. Should a crisis occur, it will be classified into one of three levels depending on its impact on personal safety and business continuity. Crisis countermeasures will be implemented based on these levels.

Risk Associated with the Spread of COVID-19

There is an increasing risk that the Taikisha Group's business performance and other results may be affected by the impact of damages to employees, as well as delays in the procurement of construction materials and stoppages to construction works due to the spread of the novel coronavirus disease (COVID-19) that first became apparent in early 2020. It is extremely difficult to calculate a rational estimate of the monetary amount of this effect as of March 31, 2020.

Crisis countermeasures of the highest level have been implemented in response to COVID-19, and a crisis task force has been established, headed by the President and composed of Chief General Managers and Chief Executives, to respond to the crisis for the entire Taikisha Group.

Risk Associated with Overseas Business and the Management and Control of Overseas Subsidiaries and Associates

Unforeseen changes in laws and regulations, political instability and other factors in the overseas regions where the Taikisha Group operates could affect its business results. The Taikisha Group may sustain losses due to fluctuations in exchange rates pertaining to the payments and collections for foreign currency construction contracts. In addition, exchange rates could affect the Taikisha Group's business performance and other results because the financial statements of overseas subsidiaries and associates are translated into Japanese yen in preparing the consolidated financial statements. Furthermore, the Taikisha Group's business performance and other results may be affected by a deterioration in the results of overseas subsidiaries and associates, such as the failure to achieve business plan targets, due to the occurrence of problems that could not be predicted, or for which risk countermeasures could not be implemented.

In response, the Taikisha Group collects information on political, economic and statutory changes in the overseas regions in which it operates, and strives to control country risks and overseas legal and regulatory risks. The Taikisha Group implements forward exchange contracts and other instruments to hedge currency risks arising from payments and collections for foreign currency construction contracts, in order to avoid risk as much as possible. It will also enhance the governance structure of its overseas subsidiaries and associates.

Risk Associated with Technological Development

Should the Taikisha Group experience delays in the development of systems to meet increasing customer needs, such as energy saving, enhanced environmental measures and automation, its technological competitiveness will be reduced. Then, its business performance and other results may be affected by the resulting loss of opportunities to receive orders, as well as deterioration in customer trust and corporate reputation.

In response, the Taikisha Group endeavors to solve social issues through the development and demonstration of technologies aimed at reducing environmental impact, as well as automation technologies. To this end, the Taikisha Group will engage in themes that anticipate social needs, by leveraging information and communication technologies and strengthening initiatives across the Group.

Risk Associated with Human Resources

Construction and equipment installation work, the Taikisha Group's business field, is heavily reliant on human resources. In Japan, the Taikisha Group's business results may be affected by inability to build the operational structures required to achieve medium- to long-term plans, with the shortage in skilled and experienced engineers due to the aging population and delays in personnel development. Overseas, long-term business development may also be affected if the core human resources necessary to guide the localization of the Taikisha Group's businesses cannot be secured, due to factors such as delays in the development of local staff and employee turnover.

In response, the Taikisha Group will work to enhance employees' technical skills and develop human resources, by improving their basic technical capabilities through training, as well as on-site practical instruction. At the same time, it will endeavor to secure human resources, leveraging information technology to increase productivity, promote work style reforms, and create attractive workplaces.

Overseas, the Taikisha Group will strive to secure and develop core human resources, and promote localization, through the introduction of a global personnel system.

Legal and Regulatory Compliance Risk

The Taikisha Group's business fields are subject to a range of legal restrictions, including the Construction Business Act, the Antimonopoly Act, and the Labor Standards Act. The Taikisha Group's business performance and other results may be affected by restrictions placed upon its business activities, if any of these laws and regulations are violated by the actions of its officers or employees.

In response, the Taikisha Group will endeavor to create a corporate culture and mechanisms to prevent rule violations. It will engage in continuing implementation and follow-up of its compliance education program, in order to maintain and increase employee awareness of legal and regulatory compliance.

Risk of Serious Accidents and Quality Defects

In the event of serious accidents during construction, or serious defects such as quality deficiencies, the Taikisha Group's social credit would be damaged, and its business results may be affected. The Taikisha Group makes warranty contracts with customers guaranteeing construction against defects for fixed period of time after completion of construction. The 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, affecting the Taikisha Group's business performance and other results.

In response, the Taikisha Group is working to strengthen its safety management systems, and fully implements measures to manage health and safety at construction sites. In addition, the Taikisha Group endeavors to mitigate risk by covering its operations using various forms of damage insurance and other measures to protect against losses from accidents and quality defects.

Risk of Changes in Material Prices and Unit Labor Costs

Sharp rises in material prices and unit labor costs could affect the Taikisha Group's business performance and other results if the Taikisha Group is unable to reflect them to contract prices.

In response, the Taikisha Group endeavors to control the risk of changes in material prices and unit labor costs through measures such as identifying reasonable costs for each region when it receives orders, and hedging the risk of price fluctuations in contracts.

Risk Associated with the Leakage of Confidential Information

Cyber-attacks are becoming increasingly sophisticated, diverse, and devious each year. If confidential information, such as personal information or customer information, is leaked through these cyber-attacks, the intentional, dishonest actions of an employee, or other means, the Taikisha Group's business performance and other results may be affected by the results of this leak, such as loss of credit and liability for compensation payments.

In response, the Taikisha Group is working to prevent the leakage of confidential information by strengthening IT security, enhancing internal rules, and conducting thorough employee education.

Subsidiaries and associates

Taikisha Group consists of Taikisha Ltd., 39 subsidiaries, and 4 associates. Taikisha Ltd. and 3 subsidiaries are domiciled in Japan, and 36 subsidiaries and 4 associates are domiciled overseas.

CONSOLIDATED BALANCE SHEETS

Taikisha Ltd. and its Consolidated Subsidiaries
As of March 31, 2019 and 2020

	Millions of yen		Thousands of U.S. dollars
Assets	2019	2020	2020
Current assets:			
Cash and deposits (Notes 3, 7 and 9)	¥52,107	¥57,626	$529,509
Notes receivable, accounts receivable from completed construction contracts and other (Notes 3 and 9)	104,705	96,726	888,784
Securities (Notes 7, 9 and 10)	1,000	3,500	32,160
Costs on uncompleted construction contracts (Note 3)	2,807	3,097	28,462
Raw materials and supplies	396	358	3,291
Other	8,379	7,979	73,321
Allowance for doubtful accounts (Note 9)	(428)	(329)	(3,026)
Total current assets	168,968	168,958	1,552,501
Non-current assets:			
Property, plant and equipment			
Buildings and structures	8,179	8,632	79,321
Machinery, vehicles, tools, furniture and fixtures (Notes 3 and 8)	11,077	11,002	101,099
Land	2,058	2,038	18,733
Other	551	703	6,467
Accumulated depreciation	(11,534)	(11,884)	(109,199)
Total property, plant and equipment	10,333	10,493	96,421
Intangible assets			
Goodwill (Note 18)	1,332	755	6,946
Other	3,318	2,824	25,950
Total intangible assets	4,650	3,580	32,896
Investments and other assets			
Investment securities (Notes 3, 9 and 10)	29,378	24,388	224,098
Deferred tax assets (Note 13)	1,847	655	6,021
Net defined benefit asset (Note 12)	5,912	5,181	47,607
Other	2,043	2,187	20,101
Allowance for doubtful accounts	(53)	(55)	(508)
Total investments and other assets	39,128	32,357	297,319
Total non-current assets	54,111	46,430	426,636
Total assets	¥223,080	¥215,389	$1,979,137

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

Liabilities and Net assets	Millions of yen 2019	Millions of yen 2020	Thousands of U.S. dollars 2020
Current liabilities:			
Notes payable, accounts payable for construction contracts and other (Notes 3 and 9)	¥55,835	¥57,623	$529,484
Short-term loans payable (Notes 9 and 21)	10,892	6,460	59,364
Income taxes payable (Note 9)	2,711	1,481	13,617
Advances received on uncompleted construction contracts	14,778	14,342	131,792
Provision for warranties for completed construction	787	836	7,689
Provision for loss on construction contracts (Note 3)	407	289	2,658
Provision for directors' bonuses	154	116	1,074
Other (Note 21)	13,225	12,772	117,358
Total current liabilities	98,791	93,924	863,036
Non-current liabilities:			
Long-term loans payable (Notes 9 and 21)	3,076	1,952	27,717
Deferred tax liabilities (Note 13)	5,876	4,497	52,939
Provision for directors' retirement benefits	62	51	
Provision for share-based remuneration for directors	–	109	567
Net defined benefit liability (Note 12)	1,370	1,706	12,350
Other (Note 21)	250	305	2,260
Total non-current liabilities	10,638	8,622	95,833
Total liabilities	¥109,430	¥102,546	$985,770
Net assets:			
Shareholders' equity			
Capital stock			
Authorized: 100,000,000 shares			
Issued: 35,082,009 shares as of March 31, 2019 35,082,009 shares as of March 31, 2020	¥6,455	¥6,455	$59,314
Capital surplus	7,244	5,058	46,481
Retained earnings	84,984	90,842	834,723
Treasury shares, at cost — 1,013,293 shares as of March 31,2019	–	–	–
1,013,573 shares as of March 31,2020	(2,476)	(2,593)	(23,835)
Total shareholders' equity	96,208	99,762	916,683
Accumulated other comprehensive income			
Valuation difference on available-for-sale securities	11,842	8,376	76,972
Deferred gains or losses on hedges (Note 11)	(0)	(0)	(1)
Foreign currency translation adjustment	164	372	3,423
Accumulated remeasurements of defined benefit plans	572	(302)	(2,775)
Total accumulated other comprehensive income	12,578	8,447	77,619
Non-controlling interests	4,862	4,633	42,573
Total net assets	113,649	112,843	1,036,875
Total liabilities and net assets	¥223,080	¥215,389	$1,979,137

Per share data :	Yen 2019	Yen 2020	U.S. dollars 2020
Net assets	¥3,193.18	¥3,176.25	$29.19

Basis of calculation	Millions of yen 2019	Millions of yen 2020	Thousands of U.S. dollars 2020
Total net assets	¥113,649	¥112,843	$1,036,875
Amounts to be deducted from net assets (Non-controlling interests)	(4,862)	(4,633)	(42,573)
Net assets applicable to common shares	108,787	108,209	994,302
Number of common shares as of the year-end (thousands of shares)	34,068	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, 2019 and 2020

	Millions of yen		Thousands of U.S. dollars
	2019	2020	2020
Consolidated Statements of Income			
Net sales of completed construction contracts	¥225,402	¥225,378	$2,070,919
Cost of sales of completed construction contracts (Note 4)	189,148	187,683	1,724,558
Gross profit on completed construction contracts	36,254	37,694	346,361
Selling, general and administrative expenses:			
Directors' compensations	895	894	8,222
Employees' salaries and allowances	8,827	8,911	81,886
Provision for directors' bonuses	154	116	1,074
Retirement benefit expenses (Note 12)	533	534	4,910
Provision for directors' retirement benefits	13	15	139
Provision for share-based remuneration for directors	–	109	1,006
Correspondence and transportation expenses	1,252	1,227	11,277
Provision of allowance for doubtful accounts	239	(62)	(574)
Rents	1,504	1,539	14,142
Depreciation	1,825	1,947	17,891
Amortization of goodwill	220	92	851
Other	6,752	6,928	63,665
Total selling, general and administrative expenses (Note 4)	22,218	22,254	204,489
Operating income	14,035	15,439	141,872
Non-operating income:			
Interest income	334	358	3,295
Dividend income	606	635	5,838
Dividend income of insurance	189	124	1,148
Real estate rent	103	109	1,009
Foreign exchange gains	75	–	–
Reversal of allowance for doubtful accounts	1	–	–
Other	245	221	2,035
Total non-operating income	1,556	1,450	13,325
Non-operating expenses:			
Interest expenses	275	174	1,604
Sales discounts	85	160	1,472
Rent expenses on real estates	33	23	216
Foreign exchange losses	–	385	3,542
Provision of allowance for doubtful accounts	–	4	45
Share of loss of entities accounted for using equity method	36	74	687
Other	74	75	693
Total non-operating expenses	506	898	8,259
Ordinary income	15,085	15,991	146,938
Extraordinary income:			
Gain on disposal of non-current assets (Note 4)	12	58	538
Gain on sales of investment securities (Note 10)	855	447	4,114
Total extraordinary income	868	506	4,652
Extraordinary losses:			
Loss on disposal of non-current assets (Note 4)	195	83	765
Impairment loss (Note 17)	166	97	900
Loss on sales of investment securities (Note 10)	10	0	1
Loss on valuation of investment securities (Note 10)	–	0	0
Amortization of goodwill (Note 4)	1,245	455	4,190
Total extraordinary losses	1,618	637	5,856
Profit before income taxes	14,335	15,860	145,734
Income taxes-current	5,406	4,636	42,607
Income taxes-deferred	(664)	1,560	14,336
Total income taxes	4,742	6,197	56,943
Profit	9,593	9,663	88,791
Profit attributable to non-controlling interests	751	530	4,874
Profit attributable to owners of parent	¥8,841	¥9,132	$83,917

	Millions of yen		Thousands of U.S. dollars
	2019	2020	2020
Consolidated Statements of Comprehensive Income			
Profit	¥9,593	¥9,663	$88,791
Other comprehensive income:			
Valuation difference on available-for-sale securities	(1,400)	(3,465)	(31,843)
Deferred gains or losses on hedges	(2)	0	6
Foreign currency translation adjustment	(1,127)	147	1,357
Remeasurements of defined benefit plans	(293)	(891)	(8,194)
Share of other comprehensive income of entities accounted for using equity method	(44)	(16)	(151)
Total other comprehensive income (Note 5)	(2,868)	(4,225)	(38,825)
Comprehensive income	¥6,724	¥5,437	$49,966
Comprehensive income attributable to :			
Owners of parent	¥6,168	¥5,001	$45,953
Non-controlling interests	555	436	4,013

	Yen		U.S. dollars
Per share data:			
Profit attributable to owners of parent	¥259.53	¥268.07	$2.46
Cash dividends	¥91.00	¥100.00	$0.92

	Millions of yen		Thousands of U.S. dollars
Basis of calculation			
Profit attributable to owners of parent	¥8,841	¥9,132	$83,917
Profit attributable to owners of parent for common shares	8,841	9,132	83,917
Average number of common shares (thousands of shares)	34,068	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, 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)
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, 2020 — 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	¥7,244	¥84,984	¥(2,476)	¥96,208	¥11,842	¥(0)	¥164	¥572	¥12,578	¥4,862	¥113,649
Changes of items during the period												
Dividends of surplus (Note 6)			(3,274)		(3,274)							(3,274)
Profit attributable to owners of parent			9,132		9,132							9,132
Purchase of treasury shares (Note 6)				(450)	(450)							(450)
Retirement of treasury shares (Note 6)		116		333	449							449
Purchase of shares of consolidated subsidiaries		(2,303)			(2,303)							(2,303)
Net changes of items other than shareholders' equity						(3,465)	0	208	(874)	(4,131)	(229)	(4,360)
Total changes of items during the period	–	(2,186)	5,858	(117)	3,553	(3,465)	0	208	(874)	(4,131)	(229)	(806)
Balance at the end of current period	¥6,455	¥5,058	¥90,842	¥(2,593)	¥99,762	¥8,376	¥(0)	¥372	¥(302)	¥8,447	¥4,633	¥112,843

For the year ended March 31, 2020 — 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	$59,314	$66,571	$780,896	$(22,754)	$884,027	$108,815	$(6)	$1,509	$5,264	$115,582	$44,679	$1,044,288
Changes of items during the period												
Dividends of surplus (Note 6)			(30,090)		(30,090)							(30,090)
Profit attributable to owners of parent			83,917		83,917							83,917
Purchase of treasury shares (Note 6)				(4,144)	(4,144)							(4,144)
Retirement of treasury shares (Note 6)		1,072		3,063	4,135							4,135
Purchase of shares of consolidated subsidiaries		(21,162)			(21,162)							(21,162)
Net changes of items other than shareholders' equity						(31,843)	5	1,914	(8,039)	(37,963)	(2,106)	(40,069)
Total changes of items during the period	–	(20,090)	53,827	(1,081)	32,656	(31,843)	5	1,914	(8,039)	(37,963)	(2,106)	(7,413)
Balance at the end of current period	$59,314	$46,481	$834,723	$(23,835)	$916,683	$76,972	$(1)	$3,423	$(2,775)	$77,619	$42,573	$1,036,875

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, 2019 and 2020

	Millions of yen		Thousands of U.S. dollars
	2019	2020	2020
Cash flows from operating activities:			
Profit before income taxes	¥14,335	¥15,860	$145,734
Depreciation and amortization	2,030	2,167	19,920
Amortization of goodwill	1,466	548	5,040
Increase (decrease) in allowance for doubtful accounts	(48)	(100)	(928)
Increase (decrease) in provision for warranties for completed construction	124	50	466
Increase (decrease) in provision for loss on construction contracts	(55)	(112)	(1,033)
Increase (decrease) in provision for directors' retirement benefits	(1)	(11)	(107)
Increase (decrease) in provision for share-based remuneration for directors	–	109	1,006
Increase (decrease) in net defined benefit liability	(205)	(242)	(2,229)
Interest and dividend income	(941)	(993)	(9,133)
Interest expenses	275	174	1,604
Share of (profit) loss of entities accounted for using equity method	44	74	687
Loss (gain) on disposal of non-current assets	182	24	227
Loss (gain) on sales of investment securities	(845)	(447)	(4,113)
Loss on valuation of investment securities	–	0	0
Decrease (increase) in notes and accounts receivable-trade	(4,101)	7,852	72,157
Decrease (increase) in inventories	(849)	(311)	(2,863)
Decrease (increase) in accounts receivable-other	(235)	205	1,890
Increase (decrease) in notes and accounts payable-trade	(3,614)	2,054	18,874
Increase (decrease) in advances received on uncompleted construction contracts	3,480	(193)	(1,776)
Increase (decrease) in accrued consumption taxes	255	748	6,877
Increase (decrease) in deposits received	229	452	4,160
Increase (decrease) in accrued expenses	87	(104)	(958)
Other, net	3,682	(1,251)	(11,496)
Subtotal	15,292	26,555	244,006
Interest and dividend income received	941	993	9,133
Interest expenses paid	(279)	(170)	(1,568)
Income taxes paid	(6,795)	(5,992)	(55,060)
Net cash provided by (used in) operating activities	9,159	21,386	196,511
Cash flows from investing activities:			
Payments into time deposits	(4,718)	(3,199)	(29,396)
Proceeds from withdrawal of time deposits	6,092	4,067	37,378
Purchase of property, plant and equipment and intangible assets	(4,140)	(2,086)	(19,170)
Proceeds from sales of property, plant and equipment and intangible assets	31	44	407
Purchase of investment securities	(1,000)	(5)	(49)
Proceeds from sales of investment securities	1,089	499	4,592
Proceeds from redemption of investment securities	0	0	3
Contingent consideration payments for shares of subsidiaries	(132)	(131)	(1,206)
Payments of long-term loans receivable	(59)	(61)	(562)
Collection of long-term loans receivable	36	50	464
Purchase of insurance funds	(0)	(0)	(4)
Purchase of long-term prepaid expenses	(23)	(19)	(177)
Other, net	(4)	(37)	(344)
Net cash provided by (used in) investing activities	(2,830)	(877)	(8,064)
Cash flows from financing activities:			
Net increase (decrease) in short-term loans payable	3,727	(4,959)	(45,571)
Proceeds from long-term loans payable	3,626	1,378	12,667
Repayments of long-term loans payable	(1,361)	(1,569)	(14,421)
Repayments of lease obligations	(39)	(62)	(576)
Repayments to non-controlling shareholders	–	(133)	(1,231)
Net decrease (increase) in treasury shares	(0)	(0)	(9)
Cash dividends paid	(2,554)	(3,273)	(30,083)
Cash dividends paid to non-controlling interests	(815)	(536)	(4,933)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	(185)	(2,316)	(21,284)
Net cash provided by (used in) financing activities	2,396	(11,475)	(105,441)
Effect of exchange rate change on cash and cash equivalents	(1,157)	(48)	(445)
Net increase (decrease) in cash and cash equivalents	7,568	8,985	82,561
Cash and cash equivalents at beginning of period	42,292	49,861	458,157
Cash and cash equivalents at end of period (Note 7)	¥49,861	¥58,846	$540,718

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, 2019 and 2020

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 ¥108.83 to US$1, the rate of exchange prevailing at March 31, 2020, 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, 2020, Taikisha Lao Co., Ltd. has become a consolidated subsidiary of the Company because it had been newly established.

The consolidated financial statements include the accounts of the Company and all significant subsidiaries listed below as of March 31, 2020:

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.
Taikisha Lao 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. and Geico Paint Shop India Private Limited is March 31, which is the same as that of the Company. From the consolidated fiscal year ended March 31, 2020, due to the change in the fiscal year in Myanmar, the balance sheet date of Taikisha Myanmar Co., Ltd. and Token Myanmar Co., Ltd have been changed from March 31 to September 30. 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 Taikisha Myanmar Co., Ltd., the Company uses provisional financial results as of March 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.

Provision for share-based remuneration for directors

In order to prepare for share-based remuneration to the Company's Board Members (excluding Outside Board Members) upon their retirements, the estimated amount of provision for share-based obligation as of the fiscal year end is provided based on the Share Benefit Regulations for Directors.

(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.

(Simplified method for small companies)

Certain overseas consolidated subsidiaries apply the simplified method to calculate net defined benefit liability and retirement benefit expenses, where retirement benefit obligations are assumed to be equal to the benefits payable of the fiscal year.

(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 fiscal year end (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 Accounting Policy Disclosures, Accounting Changes and Error Corrections" (Accounting Standards Board of Japan Statement No. 24, March 31, 2020)

(Overview)

The purpose of the standard is to show an overview of the accounting principles and procedures adopted when the relevant accounting standards are not stipulated clearly.

(Application date)

The accounting standard is expected to be applied from the end of the fiscal year starting on or after April 1, 2020.

"Accounting Standard for Disclosure of Accounting Estimates" (Accounting Standards Board of Japan Statement No. 31, March 31, 2020)

(Overview)

The purpose of the standard is to disclose useful information for users of financial statements regarding contents of accounting estimates that is recorded in the current financial statements based on the estimates and that have a risk of having a significant impact on the financial statements for the next year.

(Application date)

The accounting standard is expected to be applied from the end of the fiscal year starting on or after April 1, 2020.

"Accounting Standard for Revenue Recognition" (Accounting Standards Board of Japan Statement No. 29, March 31, 2020)
"Implementation Guidance on Accounting Standard for Revenue Recognition" (Accounting Standards Board of Japan Guidance No. 30, March 31, 2020)

(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.

"Accounting Standard for Fair Value Measurement" (Accounting Standards Board of Japan Statement No. 30, July 4, 2019)
"Implementation Guidance on Accounting Standard for Fair Value Measurement" (Accounting Standards Board of Japan Guidance No. 31, July 4, 2019)
"Accounting Standard for Measurement of Inventories" (Accounting Standards Board of Japan Statement No. 9, July 4, 2019)
"Accounting Standard for Financial Instruments" (Accounting Standards Board of Japan Statement No. 10, July 4, 2019)
"Implementation Guidance on Disclosures about Fair Value of Financial Instruments" (Accounting Standards Board of Japan Guidance No. 19, March 31, 2020)

(Overview)

In order to improve comparability with international accounting standards, "Accounting Standard for Fair Value Measurement" and "Implementation Guidance on Accounting Standard for Fair Value Measurement" (hereinafter referred to as "Accounting Standard for Fair Value Measurement etc.") have been developed and guidance regarding how to calculate fair value is stipulated. "Accounting Standard for Fair Value Measurement etc." is applied on the following fair value.

Financial Instruments in "Accounting Standard for Financial Instruments"

Inventories held for trading purposes in "Accounting Standard for Measurement of Inventories"

In addition, "Implementation Guidance on Disclosures about Fair Value of Financial Instruments" has been revised and note items such as breakdown by fair value level of financial instruments have been stipulated.

(Application date)

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

(14) 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" (Practical Issues Task Force 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 ¥272 million for the previous fiscal year, and ¥256 million (US$2,353 thousand) for the fiscal year. 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 end of fiscal year-end was 146 thousand for the previous fiscal year and 137 thousand for the fiscal year. The average number of shares held during the year was 148 thousand for the previous fiscal year and 139 thousand for the fiscal year. The number of shares held at the end of fiscal year 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.

Introduction of the Board Benefit Trust (BBT)

The Company has introduced the "Board Benefit Trust (BBT)" as its performance-linked and share-based compensation plan (hereinafter referred to as the "Plan") for the Company's Board Members (excluding Outside Board Members) (hereinafter referred to as the "Board Members"), starting from the second quarter, pursuant to the resolution of the 74th Ordinary General Shareholders' Meeting held on June 27, 2019.

The purpose of the Plan is to promote the motivation of Board Members in contributing to the improvement of business performance and corporate value over the medium to long term by making the linkage between their compensation and the Company's business performance and shareholder value even clearer and having Board Members share not only the benefits from higher stock prices, but also the risk of a drop in stock prices, with shareholders.

The gross method has been used for the accounting treatment under the Plan in accordance with "Practical Solution on Transactions of Delivering the Company's Own Stock to Employees, etc., through Trusts" (Practical Issues Task Force No. 30 of March 26, 2015).

(1) Overview of transactions

The Plan is a scheme whereby money contributed by the Company is used as financial resources to acquire the Company's shares through a trust (the trust established under the Plan shall be hereinafter referred to as the "Trust"), and the Company's shares and money in the amount of monetary equivalence of the Company's shares measured at fair value (hereinafter referred to as "the Company's Shares, etc.") are provided to Board Members through the Trust in accordance with the "Share Benefit Regulations for Directors" stipulated by the Company.

The time when the Company's Shares, etc. are provided to Board Members shall be, in principle, the date of the retirement from the Company.

(2) The Company's own shares remaining in the Trust

The Company recognizes its own shares remaining in the Trust as treasury shares under the category of net assets, using the carrying amount in the Trust (excluding the amount of ancillary expenses). The carrying amount of such treasury shares as of the end of the consolidated fiscal year is ¥449 million (US$4,135 thousand), and the number of such shares is 136,400.

Accounting estimates associated with the spread of COVID-19

The future outlook for the world economy and market environment of our group are extremely uncertain because it is difficult to estimate when the COVID-19 is expected to be convergent and how much it impacts on domestic and foreign economy.

Under these circumstances, assuming that the impact on decrease in order-received due to weak capital investments especially in North America and Europe is expected to be affected until at least 2020 year end, accounting estimate for the recoverability of deferred tax assets and the valuation of fixed assets including goodwill etc. are performed based on the assumption.

3. Notes of consolidated balance sheets

(1) The information of associates

As of March 31, 2019 and 2020	Millions of yen		Thousands of U.S. dollars
	2019	2020	2020
Investment securities	¥637	¥545	$5,008

(2) Pledged assets

Assets pledged as collateral for loans payable of subsidiaries and associates

As of March 31, 2019	Millions of yen	
Pledged assets	Book value	Liabilities covered by pledged assets
Cash and deposits	¥195	¥299
Machinery, vehicles, tools, furniture and fixtures	¥7	¥12

As of March 31, 2020	Millions of yen		Thousands of U.S. dollars	
Pledged assets	Book value	Liabilities covered by pledged assets	Book value	Liabilities covered by pledged assets
Cash and deposits	¥185	¥283	$1,704	$2,602
Machinery, vehicles, tools, furniture and fixtures	¥9	¥15	$89	$142

Assets pledged as collateral for security deposits at subsidiaries and associates

As of March 31, 2019 and 2020	Millions of yen		Thousands of U.S. dollars
	2019	2020	2020
Cash and deposits	¥56	¥57	$531

Assets pledged as collateral for loans payable of invested company

As of March 31, 2019 and 2020	Millions of yen		Thousands of U.S. dollars
	2019	2020	2020
Investment securities	¥2	¥–	$–

Assets pledged as collateral for overdraft facilities of subsidiaries and associates

As of March 31, 2019 and 2020	Millions of yen		Thousands of U.S. dollars
	2019	2020	2020
Cash and deposits	¥17	¥18	$167

(3) Guarantee obligations

As of March 31, 2019 and 2020	Millions of yen		Thousands of U.S. dollars
	2019	2020	2020
Guarantee of Employees' loans	¥1	¥–	$–
Tianjin Dongchun-Taiki Metal Finishing & Conveyor System Manufacturing Co., Ltd.	259	265	2,435
Total	¥261	¥265	$2,435

(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, 2019 and 2020	Millions of yen		Thousands of U.S. dollars
	2019	2020	2020
Total amount of lending commitment	¥5,000	¥5,000	$45,943
Borrowing execution balance	–	–	–
Net	¥5,000	¥5,000	$45,943

(5) Endorsed notes

As of March 31, 2019 and 2020	Millions of yen		Thousands of U.S. dollars
	2019	2020	2020
Endorsed notes	¥78	¥22	$210

(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, 2019 and 2020	Millions of yen		Thousands of U.S. dollars
	2019	2020	2020
Provision for loss on construction contracts	¥5	¥4	$38

(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 previous fiscal year was a bank holiday, the following notes are included in the balance as of previous fiscal year end.

For the years ended March 31, 2019 and 2020	Millions of yen		Thousands of U.S. dollars
	2019	2020	2020
Notes receivable-trade	¥60	¥–	$–
Endorsed notes	7	–	–
Electronically recorded monetary claims-operating	3	–	–
Notes payable-trade	1,110	–	–
Electronically recorded obligations-operating	¥2,610	–	–

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, 2019 and 2020	Millions of yen		Thousands of U.S. dollars
	2019	2020	2020
General and administrative expenses	¥1,084	¥1,105	$10,154

(2) Gain on disposal of non-current assets

For the years ended March 31, 2019 and 2020	Millions of yen		Thousands of U.S. dollars
	2019	2020	2020
Buildings and structures	¥–	¥0	$8
Machinery, vehicles, tools, furniture and fixtures	12	54	501
Land	–	3	29
Total	¥12	¥58	$538

(3) Loss on disposal of non-current assets

For the years ended March 31, 2019 and 2020	Millions of yen		Thousands of U.S. dollars
	2019	2020	2020
Buildings and structures	¥32	¥54	$497
Machinery, vehicles, tools, furniture and fixtures	2	12	117
Land	24	–	–
Software	135	16	148
Long-term deposits	0	0	3
Other	0	–	–
Total	¥195	¥83	$765

(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, 2019 and 2020	Millions of yen		Thousands of U.S. dollars
	2019	2020	2020
Provision for loss on construction contracts	¥249	¥228	$2,102

(5) Amortization of goodwill

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).

For the year ended March 31, 2020

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, 2019 and 2020	Millions of yen		Thousands of U.S. dollars
	2019	2020	2020
Valuation difference on available-for-sale securities			
Net gains (losses) arising during the period	¥(1,165)	¥(4,402)	$(40,451)
Reclassification adjustments	(845)	(447)	(4,114)
Before tax effects	(2,011)	(4,850)	(44,565)
Tax effects	611	1,384	12,722
Valuation difference on available-for-sale securities	(1,400)	(3,465)	(31,843)
Deferred gains or losses on hedges			
Net gains (losses) arising during the period	(4)	0	8
Reclassification adjustments	–	–	–
Before tax effects	(4)	0	8
Tax effects	1	(0)	(2)
Deferred gains or losses on hedges	(2)	0	6
Foreign currency translation adjustment			
Net gains (losses) arising during the period	(1,127)	147	1,357
Foreign currency translation adjustment	(1,127)	147	1,357
Remeasurements of defined benefit plans			
Net gains (losses) arising during the period	(463)	(1,105)	(10,157)
Reclassification adjustments	6	(151)	(1,393)
Before tax effects	(456)	(1,256)	(11,550)
Tax effects	162	365	3,356
Remeasurements of defined benefit plans	(293)	(891)	(8,194)
Share of other comprehensive income of entities accounted for using equity method			
Net gains (losses) arising during the period	(44)	(16)	(151)
Other comprehensive income	¥(2,868)	¥(4,225)	$(38,825)

6. Notes of consolidated statements of changes in net assets

(1) The number of issued shares

For the year ended March 31, 2019	Beginning Balance	Increase	Decrease	Ending Balance
Common shares	35,082,009	–	1,700,000	35,082,009

For the year ended March 31, 2020	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, 2019	Beginning Balance	Increase	Decrease	Ending Balance
Common shares	1,012,999	294	–	1,013,293

(Note) 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.

For the year ended March 31, 2020	Beginning Balance	Increase	Decrease	Ending Balance
Common shares	1,013,293	136,680	136,400	1,013,573

(Note1) The number of treasury shares increased by 280 shares because of purchase of shares less than one unit (*) and increased by 136,400 because of an acquisition by the Asset Management Service Trust Bank, Ltd. (Trust E account) for the purpose of Board Benefit Trust (BBT). The number of treasury shares decreased by 136,400 because of a disposal to the Asset Management Service Trust Bank, Ltd. (Trust E account).
(Note2) The number of treasury shares as of the fiscal year end includes 136,400 shares owned by the Asset Management Service Trust Bank, Ltd. (Trust E account) as trust assets of the Board Benefit Trust (BBT).
(*) 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, 2019

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 28, 2018)	Common shares	¥1,703	¥50.00	March 31, 2018	June 29, 2018
Board of directors (November 12, 2018)	Common shares	¥851	¥25.00	September 30, 2018	November 30, 2018

For the year ended March 31, 2020

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 27, 2019)	Common shares	¥2,248	$20,661	¥66.00	$0.61	March 31, 2019	June 28, 2019
Board of directors (November 11, 2019)	Common shares	¥1,026	$9,429	¥30.00	$0.28	September 30, 2019	November 29, 2019

(Note) Dividends on November 29, 2019 includes dividends of ¥4 million (US$38 thousand) for treasury shares owned by the Asset Management Service Trust Bank, Ltd. (Trust E account) as trust assets for Board Benefit Trust (BBT).

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, 2019

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 27, 2019)	Common shares	Retained earnings	¥2,248	¥66.00	March 31, 2019	June 28, 2019

For the year ended March 31, 2020

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 26, 2020)	Common shares	Retained earnings	¥2,394	$22,001	¥70.00	$0.64	March 31, 2020	June 29, 2020

(Note) Dividends total includes dividends of ¥9 million (US$88 thousand) for treasury shares owned by the Asset Management Service Trust Bank, Ltd. (Trust E account) as trust assets for Board Benefit Trust (BBT).

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, 2019 and 2020	Millions of yen		Thousands of U.S. dollars
	2018	2019	2019
Cash and deposits	¥52,107	¥57,626	$529,509
Securities	1,000	3,500	32,160
Sub total	53,107	61,126	561,669
Time deposits over three months	(3,246)	(2,280)	(20,951)
Cash and cash equivalents	¥49,861	¥58,846	$540,718

(2) Details of major non-cash transactions

Not applicable.

8. Lease transaction

(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, 2019 and 2020	Millions of yen		Thousands of U.S. dollars
	2019	2020	2020
Due within one year	¥299	**¥292**	**$2,689**
Due over one year	752	**712**	**6,544**
Total	¥1,051	**¥1,004**	**$9,233**

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, 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, 2019	Millions of yen		
	Book value	Fair value	Difference
Cash and deposits	¥52,107	¥52,107	¥–
Notes receivable, accounts receivable from completed construction contracts and other	104,705		
Allowance for doubtful accounts (*1)	(372)		
	104,333	104,318	(15)
Securities and Investment securities (*2)	29,306	29,306	–
Total Assets	185,747	185,732	(15)
Notes payable, accounts payable for construction contracts and other	55,835	55,830	(4)
Short-term loans payable	10,892	10,892	–
Income taxes payable	2,711	2,711	–
Long-term loans payable	3,076	3,074	(1)
Total Liabilities	72,516	72,509	(6)
Derivatives	¥(10)	¥(10)	¥–

(*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.

As of March 31, 2020	Millions of yen			Thousands of U.S. dollars		
	Book value	Fair value	Difference	Book value	Fair value	Difference
Cash and deposits	¥57,626	¥57,626	¥–	$529,509	$529,509	$–
Notes receivable, accounts receivable from completed construction contracts and other	96,726			888,784		
Allowance for doubtful accounts (*1)	(301)			(2,772)		
	96,424	96,399	(24)	886,012	885,783	(229)
Securities and Investment securities (*2)	26,907	26,907	–	247,244	247,244	–
Total Assets	180,958	180,933	(24)	1,662,765	1,662,536	(229)
Notes payable, accounts payable for construction contracts and other	57,623	57,598	(24)	529,484	529,255	(229)
Short-term loans payable	6,460	6,460	–	59,364	59,364	–
Income taxes payable	1,481	1,481	–	13,617	13,617	–
Long-term loans payable	1,952	1,951	(0)	17,943	17,934	(9)
Total Liabilities	67,519	67,493	(25)	620,408	620,170	(238)
Derivatives	¥9	¥9	¥–	$87	$87	$–

(*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.

See 10. “Securities” for note on securities by purpose of holding.

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, 2019 and 2020	Millions of yen		Thousands of U.S. dollars
	2019	2020	2020
Available-for-sale securities			
Non-listed stocks	¥1,065	¥975	$8,965
Non-listed foreign bonds	¥6	¥5	$49

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, 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, 2020

	Millions of yen			
	Within one year	Over one year within five years	Over five years within ten years	Over ten years
Cash and deposits	¥57,626	¥–	¥–	¥–
Notes receivable, accounts receivable from completed construction contracts and other	86,081	10,639	5	–
Securities and Investment securities				
Available-for-sale securities with maturity date (Money trusts, etc.)	3,500	–	–	–
Available-for-sale securities with maturity date (Non-listed foreign bonds)	–	5	–	–
Total	¥147,207	¥10,644	¥5	¥–

As of March 31, 2020

	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	$529,509	$–	$–	$–
Notes receivable, accounts receivable from completed construction contracts and other	790,972	97,759	53	–
Securities and Investment securities				
Available-for-sale securities with maturity date (Money trusts, etc.)	32,160	–	–	–
Available-for-sale securities with maturity date (Non-listed foreign bonds)	–	49	–	–
Total	$1,352,641	$97,808	$53	$–

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

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, 2020

	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	¥4,075	¥–	¥–	¥–	¥–	¥–
Long-term loans payable	2,384	1,523	402	25	0	–
Lease obligations	50	37	27	21	14	10
Total	¥6,511	¥1,561	¥429	¥46	¥14	¥10

As of March 31, 2020

	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	$37,453	$–	$–	$–	$–	$–
Long-term loans payable	21,911	14,003	3,700	237	3	–
Lease obligations	465	347	249	193	132	94
Total	$59,829	$14,350	$3,949	$430	$135	$94

10. Securities

(1) Held-to-maturity debt securities

As of March 31, 2019
Not applicable.

As of March 31, 2020
Not applicable.

(2) Available-for-sale securities

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, 2020

	Millions of yen		
	Book value	Acquisition cost	Difference
Securities whose book value exceeds their acquisition cost			
Stocks	¥21,030	¥8,560	¥12,469
Securities whose book value does not exceed their acquisition cost			
Money trusts	1,000	1,000	–
Stocks	2,377	2,778	(401)
Bonds			
Other	2,500	2,500	–
Total	¥26,907	¥14,839	¥12,067

As of March 31, 2020

	Thousands of U.S. dollars		
	Book value	Acquisition cost	Difference
Securities whose book value exceeds their acquisition cost			
Stocks	$193,241	$78,660	$114,581
Securities whose book value does not exceed their acquisition cost			
Money trusts	9,189	9,189	–
Stocks	21,842	25,535	(3,693)
Bonds			
Other	22,972	22,972	–
Total	$247,244	$136,356	$110,888

(3) Available-for-sale securities sold

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, 2020

	Millions of yen		
	Sales amount	Total gain on sales	Total loss on sales
Stocks	¥499	¥447	¥0
Total	¥499	¥447	¥0

For the year ended March 31, 2020

	Thousands of U.S. dollars		
	Sales amount	Total gain on sales	Total loss on sales
Stocks	$4,592	$4,114	$1
Total	$4,592	$4,114	$1

(4) Securities with impairment loss

For the years ended March 31, 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.

For the years ended March 31, 2020

The "acquisition cost" in the tables above is the book value after deducting impairment losses. Impairment loss of ¥0 million is recognized on Available-for-sales of securities with fair value in the fiscal year. 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, 2019

		Millions of yen			
Category	Transaction type	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, 2020

		Millions of yen			
Category	Transaction type	Contract amount	Over one year	Fair value	Unrealized gain (loss)
Non-market transactions	Forward exchange contracts:				
	Buy				
	Yen	¥139	¥–	¥(3)	¥(3)
	U.S. dollars	26	–	(0)	(0)
	Euros	27	–	(0)	(0)
	Sell				
	Yen	64	–	1	1
	U.S. dollars	323	–	12	11
	Total	¥582	¥–	¥9	¥9

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

As of March 31, 2020

		Thousands of U.S. dollars			
Category	Transaction type	Contract amount	Over one year	Fair value	Unrealized gain (loss)
Non-market transactions	Forward exchange contracts:				
	Buy				
	Yen	$1,283	$–	$(33)	$(32)
	U.S. dollars	243	–	(2)	(2)
	Euros	253	–	(0)	(0)
	Sell				
	Yen	597	–	12	12
	U.S. dollars	2,976	–	110	107
	Total	$5,352	$–	$87	$85

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

As of March 31, 2019

Hedging method	Transaction type	Main hedged items	Millions of yen Contract amount	Millions of yen Over one year	Millions of yen 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, 2020

Hedging method	Transaction type	Main hedged items	Millions of yen Contract amount	Millions of yen Over one year	Millions of yen Fair value
Method in principle	Forward exchange contracts Sell				
	U.S. dollars	Accounts receivable from completed construction contracts (forecast)	¥127	¥24	¥(0)
	Euros	Accounts receivable from completed construction contracts (forecast)	231	–	2
	Chinese Yuan	Accounts receivable from completed construction contracts (forecast)	162	–	(1)
		Total	¥520	¥24	¥(0)

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

As of March 31, 2020

Hedging method	Transaction type	Main hedged items	Thousands of U.S. dollars Contract amount	Thousands of U.S. dollars Over one year	Thousands of U.S. dollars Fair value
Method in principle	Forward exchange contracts Sell				
	U.S. dollars	Accounts receivable from completed construction contracts (forecast)	$1,169	$225	$(8)
	Euros	Accounts receivable from completed construction contracts (forecast)	2,126	–	22
	Chinese Yuan	Accounts receivable from completed construction contracts (forecast)	1,491	–	(14)
		Total	$4,786	$225	$(0)

Interest-related transactions

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, 2020

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	¥338	¥215	(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, 2020

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	$3,111	$1,984	

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, 2019 and 2020	Millions of yen 2019	2020	Thousands of U.S. dollars 2020
Projected benefit obligations at the beginning of current period	¥17,699	¥18,071	$166,055
Service costs	1,195	1,252	11,511
Interest costs	57	48	446
Actuarial differences accrued in the current period	386	(176)	(1,625)
Benefits paid	(1,201)	(1,298)	(11,930)
Past service costs accrued in the current period	–	172	1,586
Foreign currency translation	(42)	63	583
Other	(23)	–	–
Projected benefit obligations at the end of current period	¥18,071	¥18,133	$166,626

Reconciliation of beginning and ending balances for pension assets

For the years ended March 31, 2019 and 2020	Millions of yen 2019	2020	Thousands of U.S. dollars 2020
Pension assets at the beginning of current period	¥22,694	¥22,841	$209,886
Expected return on pension assets	501	502	4,622
Actuarial differences accrued in the current period	(66)	(1,155)	(10,616)
Contributions from employers	829	832	7,644
Benefits paid	(1,112)	(1,193)	(10,964)
Foreign currency translation	(4)	1	17
Pension assets at the end of current period	¥22,841	¥21,830	$200,589

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, 2019 and 2020	Millions of yen		Thousands of U.S. dollars
	2019	2020	2020
Funded projected benefit obligations	¥17,102	¥16,817	$154,529
Pension assets	(22,841)	(21,830)	(200,589)
Sub total	(5,739)	(5,012)	(46,060)
Unfunded projected benefit obligations	969	1,316	12,097
Net amount of liabilities and assets in the consolidated balance sheets	(4,770)	(3,696)	(33,963)
Net defined benefit liability	1,141	1,484	13,644
Net defined benefit asset	5,912	5,181	47,607
Net amount of liabilities and assets in the consolidated balance sheets	¥(4,770)	¥(3,696)	$(33,963)

Retirement benefit expenses

For the years ended March 31, 2019 and 2020	Millions of yen		Thousands of U.S. dollars
	2019	2020	2020
Service costs	¥1,195	¥1,252	$11,511
Interest costs	57	48	446
Expected return on pension assets	(501)	(502)	(4,622)
Amortization of actuarial differences	(10)	(145)	(1,339)
Amortization of past service costs	–	41	379
Other	(23)	–	–
Retirement benefit expenses of defined benefit plans	¥718	¥693	$6,375

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, 2019 and 2020	Millions of yen		Thousands of U.S. dollars
	2019	2020	2020
Past service costs	¥–	¥(135)	$(1,245)
Actuarial differences	(456)	(1,121)	(10,305)
Total	¥(456)	¥(1,256)	$(11,550)

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, 2019 and 2020	Millions of yen		Thousands of U.S. dollars
	2019	2020	2020
Unrecognized past service costs	¥–	¥(135)	$(1,245)
Unrecognized actuarial differences	772	(349)	(3,209)
Total	¥772	¥(484)	$(4,454)

Pension assets

Composition ratio of pension assets is as follows.

As of March 31, 2019 and 2020	2019	2020
Debt securities	28%	32%
Stocks	34	28
Cash and deposits	3	4
General account of life insurance	30	31
Other	5	5
Total	100%	100%

(Note) For the previous fiscal year, 13% of total pension assets are attributed to the employee retirement benefit trust for benefit pension plan. For this fiscal year, 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, 2019 and 2020	2019	2020
Discount rates (weighted average)	0.3%	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, 2019 and 2020	Millions of yen		Thousands of U.S. dollars
	2019	2020	2020
Net defined benefit liability at the beginning of current period	¥247	¥229	$2,105
Retirement benefit expenses	15	19	177
Benefits paid	(10)	(12)	(119)
Contributions to the plan	(11)	(9)	(90)
Foreign currency translation	(14)	(6)	(60)
Other	3	2	22
Net defined benefit liability at the end of current period	¥229	¥221	$2,035

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

As of March 31, 2019 and 2020	Millions of yen		Thousands of U.S. dollars
	2019	2020	2020
Funded projected benefit obligations	¥77	¥81	$746
Pension assets	(61)	(68)	(626)
Sub total	15	13	120
Unfunded projected benefit obligations	213	208	1,915
Net amount of liabilities and assets in the consolidated balance sheets	229	221	2,035
Net defined benefit liability	229	221	2,035
Net amount of liabilities and assets in the consolidated balance sheets	¥229	¥221	$2,035

Retirement benefit expenses

Retirement benefit expenses calculated by the simplified method are ¥15 million for the previous fiscal year and ¥19 million (US$177 thousand) for this fiscal year.

(4) Defined contribution plans

Required contribution amount for defined contribution plans is ¥315 million for the previous fiscal year and ¥318 million (US$2,924 thousand) for this fiscal year.

13. Tax effect accounting

(1) Significant components of deferred tax assets and liabilities

As of March 31, 2019 and 2020	Millions of yen		Thousands of U.S. dollars
	2019	2020	2020
Deferred tax assets			
Allowance for doubtful accounts	¥80	¥53	$494
Provision for warranties for completed construction	186	196	1,810
Provision for loss on construction contracts	103	75	691
Net defined benefit liability	216	337	3,105
Employees' pension trust, investment securities	298	310	2,853
Provision for directors' retirement benefits	26	22	202
Accrued enterprise tax etc.	183	122	1,126
Accrued bonuses	2,114	2,214	20,352
Loss on valuation of investment securities	121	121	1,117
Loss on valuation of golf club membership	56	56	518
Valuation difference on available-for-sale securities	2	123	1,131
Foreign tax credit carried forward	185	173	1,595
Tax loss carried forward (Note2)	1,710	1,564	14,377
Other	721	887	8,159
Sub total	6,007	6,261	57,530
Valuation allowance for tax loss carried forward (Note2)	(605)	(1,461)	(13,432)
Valuation allowance for total of deductible temporary differences, etc.	(523)	(785)	(7,220)
Sub total (Note1)	(1,129)	(2,247)	(20,652)
Total deferred tax assets	4,877	4,013	36,878
Deferred tax liabilities			
Net defined benefit assets	(1,806)	(1,661)	(15,271)
Valuation difference on available-for-sale securities	(5,078)	(3,814)	(35,048)
Retained earnings of consolidated overseas subsidiaries	(1,701)	(2,040)	(18,749)
Other	(320)	(338)	(3,112)
Total deferred tax liabilities	(8,906)	(7,855)	(72,180)
Net deferred tax assets (or liabilities)	¥(4,029)	¥(3,841)	$(35,302)

Change in presentation methods

"Valuation difference on available-for-sale securities" which was indicated in "Other" of deferred tax assets is stated independently from this fiscal year, as its importance has increased. To reflect this change in the presentation method, the reclassification is made in notes of consolidated financial statements.

As a result, ¥2 million indicated in "Other" of deferred tax assets for the previous fiscal year is reclassified into "Valuation difference on available-for-sale securities."

Note 1. Valuation allowance increased by ¥1,117 million. This increase is mainly due to increase in valuation allowances for tax loss carryforwards of ¥482 million and ¥367 million in TKS Industrial Company and J-CO America Corporation those are consolidated subsidiaries of the Company, respectively.
Note 2. Total of tax loss carried forward and its deferred tax assets, by carryforward expiration date.

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	Total
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

(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 tax loss carried forward (the result of multiplication by the effective statutory tax rate for each tax-paying entity), ¥1,104 million in deferred tax assets have been recorded. This total of ¥1,104 million 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 and ¥363 million, 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.

As of March 31, 2020	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	Total
Tax loss carried forward (a)	¥0	¥14	¥0	¥1	¥3	¥1,544	¥1,564
Valuation allowance	(0)	(14)	(0)	(1)	(1)	(1,444)	(1,461)
Deferred tax assets	¥–	¥–	¥–	¥0	¥2	¥99	(b) ¥102

(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 ¥1,564 million (US$14,377 thousand) tax loss carried forward (the result of multiplication by the effective statutory tax rate for each tax-paying entity), ¥102 million (US$945 thousand) in deferred tax assets have been recorded. This total of ¥102 million (US$945 thousand) in deferred tax assets relates mainly to tax loss carried forward at consolidated subsidiaries TKS Industrial Company amounting to ¥99 million (US$918 thousand). 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. Deferred tax assets relating to the tax loss carried forward are deemed recoverable based on likely future taxable income.

	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	Total
Tax loss carried forward	$2	$134	$1	$13	$36	$14,191	$14,377
Valuation allowance	(2)	(134)	(1)	(9)	(13)	(13,273)	(13,432)
Deferred tax assets	$–	$–	$–	$4	$23	$918	$945

(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, 2019 and 2020

	2019	2020
Effective statutory tax rate	30.62%	30.62%
Adjustment		
Expenses not deductible permanently	2.30	1.57
Income not taxable permanently	(1.28)	(0.88)
Inhabitant tax on per capita basis, etc.	0.56	0.50
Increase (Decrease) in valuation allowance	0.60	7.13
Difference in effective statutory tax rate between the Company and consolidated subsidiaries	(1.45)	(2.57)
Special tax deductions	(1.67)	(0.87)
Retained earnings of consolidated overseas subsidiaries	0.20	2.14
Amortization of goodwill	2.86	0.83
Other	0.34	0.60
Actual tax rate after the application of tax effect accounting	33.08%	39.07%

(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 segments 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, 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 and 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 include non-allocatable common profits of minus ¥158 million and other adjustment of minus ¥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 ¥46,033 million are elimination of receivable and payable etc., of minus ¥2,783 million and non-allocatable common assets which are not allocated to any reportable segments of ¥48,816 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 ¥473 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, 2020

	Millions of yen				
	Green Technology System Division	Paint Finishing System Division	Total	Adjustments	Amount recorded in the consolidated financial statements
Sales					
Sales to customers	¥157,374	¥68,003	¥225,378	¥–	¥225,378
Intersegment	3	3	6	(6)	–
Total	157,378	68,006	225,384	(6)	225,378
Segment profit	13,893	2,814	16,708	(716)	15,991
Segment assets	94,453	64,595	159,048	56,341	215,389
Other items					
Depreciation and amortization	739	1,447	2,187	(19)	2,167
Amortization of goodwill	–	548	548	–	548
Interest income	175	187	363	(5)	358
Interest expenses	1	155	157	17	174
Share of profit (loss) of entities accounted for using equity method	–	(74)	(74)	–	(74)
Investments in associates accounted for using equity method	–	545	545	–	545
Increase in property, plant and equipment, intangible assets	¥510	¥1,038	¥1,548	¥701	¥2,250

Note 1. The amounts of Adjustments are as follows.
Adjustments of Segment profit of minus ¥716 million (minus US$6,588 thousand) include non-allocatable common profits of minus ¥720 million (minus US$6,618 thousand) and other adjustment of ¥3 million (US$30 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 ¥56,341 million (US$517,700 thousand) are elimination of receivable and payable etc., of minus ¥2,742 million (minus US$25,196 thousand) and non-allocatable common assets which are not allocated to any reportable segments of ¥59,083 million (US$542,896 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 ¥701 million (US$6,445 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, 2020

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	$1,446,061	$624,858	$2,070,919	$–	$2,070,919
Intersegment	31	31	62	(62)	–
Total	1,446,092	624,889	2,070,981	(62)	2,070,919
Segment profit	127,661	25,865	153,526	(6,588)	146,938
Segment assets	867,896	593,541	1,461,437	517,700	1,979,137
Other items					
Depreciation and amortization	6,797	13,304	20,101	(181)	19,920
Amortization of goodwill	–	5,040	5,040	–	5,040
Interest income	1,616	1,725	3,341	(46)	3,295
Interest expenses	17	1,427	1,444	160	1,604
Share of profit (loss) of entities accounted for using equity method	–	(687)	(687)	–	(687)
Investments in associates accounted for using equity method	–	5,008	5,008	–	5,008
Increase in property, plant and equipment, intangible assets	$4,690	$9,540	$14,230	$6,445	$20,675

16. Related information in regard to segment information

(1) Information by product and service

For the year ended March 31, 2019

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

For the year ended March 31, 2020

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

(2) Sales by region

For the year ended March 31, 2019

Millions of yen

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, 2020

Millions of yen

Japan	North America	Southeast Asia		East Asia		India	Other	Total
		Thailand	Other Southeast Asia	China	Other East Asia			
¥132,348	¥14,707	¥19,619	¥21,727	¥12,252	¥1,759	¥8,698	¥14,263	¥225,378

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

For the year ended March 31, 2020

Thousands of U.S. dollars

Japan	North America	Southeast Asia		East Asia		India	Other	Total
		Thailand	Other Southeast Asia	China	Other East Asia			
$1,216,105	$135,144	$180,278	$199,648	$112,587	$16,165	$79,931	$131,061	$2,070,919

(3) Property, plant and equipment by region

For the year ended March 31, 2019

Millions of yen

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

For the year ended March 31, 2020

Millions of yen							
Japan	Thailand	Indonesia	China	India	Italy	Other	Total
¥5,047	¥484	¥216	¥577	¥1,560	¥2,114	¥491	¥10,493

For the year ended March 31, 2020

Thousands of U.S. dollars							
Japan	Thailand	Indonesia	China	India	Italy	Other	Total
$46,384	$4,456	$1,993	$5,306	$14,342	$19,425	$4,515	$96,421

(4) Sales information by main customer

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.

For the year ended March 31, 2020

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, 2019	Millions of yen				
	Green Technology System Division	Paint Finishing System Division	Total	Eliminations/ Corporate (Note)	Total
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, 2020	Millions of yen				
	Green Technology System Division	Paint Finishing System Division	Total	Eliminations/ Corporate (Note)	Total
Impairment loss	¥0	¥97	¥97	¥0	¥97

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

For the year ended March 31, 2020	Thousands of U.S. dollars				
	Green Technology System Division	Paint Finishing System Division	Total	Eliminations/ Corporate	Total
Impairment loss	$4	$896	$900	$0	$900

18. Amortization and balance of goodwill

(1) Amortization and balance of goodwill by reportable segment

For the year ended March 31, 2019	Millions of yen				
	Green Technology System Division	Paint Finishing System Division	Total	Eliminations/ Corporate	Total
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, 2020	Millions of yen				
	Green Technology System Division	Paint Finishing System Division	Total	Eliminations/ Corporate	Total
Balance of goodwill	¥–	¥755	¥755	¥–	¥755

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

For the year ended March 31, 2020	Thousands of U.S. dollars				
	Green Technology System Division	Paint Finishing System Division	Total	Eliminations/ Corporate	Total
Balance of goodwill	$–	$6,946	$6,946	$–	$6,946

(2) Gain on negative goodwill by reportable segment

For the year ended March 31, 2019
Not applicable.

For the year ended March 31, 2020
Not applicable.

19. Related party transactions

For the year ended March 31, 2019
Not applicable.

For the year ended March 31, 2020
Not applicable.

20. Details of bonds

No applicable.

21. Details of loans

As of March 31, 2020

	Millions of yen		Thousands of U.S. dollars		
	Beginning balance	Ending balance	Ending balance	Average interest rate (%)	Maturity
Short-term loans payable	¥9,274	¥4,075	$37,453	2.652	–
Current portion of long-term loans payable	1,617	2,384	21,911	0.975	–
Current portion of lease obligations	28	50	465	–	–
Long-term loans payable (excluding current portion)	3,076	1,952	17,943	1.025	December 2022 to July 2024
Lease obligations (excluding current portion)	74	110	1,015	–	February 2022 to July 2026
Total	¥14,071	¥8,574	$78,787	–	–

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, 2020 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	¥1,523	¥402	¥25	¥0
Lease obligations	¥37	¥27	¥21	¥14

	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	$14,003	$3,700	$237	$3
Lease obligations	$347	$249	$193	$132

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

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Taikisha Ltd.,

Opinion

We have audited the consolidated financial statements of Taikisha Ltd. and its subsidiaries (the Group), which comprise the consolidated balance sheet as at March 31, 2020, 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.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2020, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Audit & Supervisory Board for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance 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.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, including whether the use of the disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Audit & Supervisory Board is responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in Japan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the audit & supervisory board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the audit & supervisory board with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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.

The engagement partners on the audit resulting in this independent auditor's report are Hiroaki Kagami, Kenji Oka and Daisuke Miyanohara.

A&A Partners

June 26, 2020