

Financial Report for the Third Quarter of the Fiscal Year ending March 31, 2023

February 10, 2023

The following statements are an English translation of the original Japanese document.

(All financial information has been prepared in accordance with accounting principles generally accepted in Japan.)

Name of company... Taikisha Ltd.

Stock Exchange..... Tokyo Stock Exchange

Code..... 1979

Representative..... Koji Kato, President and Representative Director

Contact..... Yasushi Nakajima, Director, Executive Corporate Officer, Administrative Management
Headquarters Chief Executive

TEL..... (03)5338 - 5051

URL..... <https://www.taikisha.co.jp/>

Scheduled date to submit Quarterly report : February 14, 2023

Scheduled date to commence dividend payments : —

Supplemental materials prepared for financial results : Yes

Briefing session of financial results : No

(Round down to one million yen)

1. Consolidated Operating Performance (April 1, 2022 through December 31, 2022)

(1) Consolidated operating results (Cumulative)

(% indicates increase ratio over previous year)

	Sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	million yen	%	million yen	%	million yen	%	million yen	%
Nine months ended								
December 31, 2022	141,979	(2.0)	7,301	30.9	8,559	28.8	5,083	14.9
December 31, 2021	144,859	6.8	5,578	(3.9)	6,644	7.3	4,424	(3.5)

(Note) Comprehensive income
 Nine months ended December 31, 2022 : 6,947 million yen (96.3 %)
 Nine months ended December 31, 2021 : 3,540 million yen (60.4) %

	Profit attributable to owners of parent per share	Profit attributable to owners of parent per share (Diluted)
Nine months ended	yen	yen
December 31, 2022	149.98	—
December 31, 2021	129.84	—

(2) Consolidated financial position

	Total assets	Net assets	Equity capital ratio
As of	million yen	million yen	%
December 31, 2022	224,828	130,156	55.2
March 31, 2022	228,159	130,788	54.7

(Note) Shareholders' Equity
 As of December 31, 2022 : 124,062 million yen
 As of March 31, 2022 : 124,695 million yen

2. Dividends

	Dividend per share				
	1Q	2Q	3Q	Year End	Total (annually)
Year ended	yen	yen	yen	yen	yen
March 31, 2022	—	30.00	—	70.00	100.00
March 31, 2023	—	50.00	—		
Year ending March 31, 2023 (Forecast)				71.00	121.00

(Note) Revisions to forecast of dividends : None

3. Consolidated Earnings Forecast for Fiscal Year Ending March 31, 2023 (April 1, 2022 through March 31, 2023)

(% indicates increase ratio over previous year)

	Sales		Operating income		Ordinary income		Profit attributable to owners of parent		Profit attributable to owners of parent per share	
	million yen	%	million yen	%	million yen	%	million yen	%	yen	
Full year	212,500	1.5	10,800	14.5	12,000	10.9	8,600	18.6	252.36	

(Note) Revisions to forecast of earnings : None

4. Others

- (1) Changes in significant subsidiaries during the period
(Changes in specified subsidiaries accompanying changes in scope of consolidation) : None
- (2) Adoption of particular accounting treatments for quarterly consolidated financial statements : None
- (3) Changes in accounting policies, changes in accounting estimates and restatements
- (i) Changes in accounting policies due to revisions of accounting standards etc. : Yes
 - (ii) Changes in accounting policies other than (i) : None
 - (iii) Changes in accounting estimates : None
 - (iv) Restatements : None
- (4) Number of shares issued (common shares)
- (i) Number of shares issued at end of period (including treasury shares)
 - As of December 31, 2022 35,082,009 shares
 - As of March 31, 2022 35,082,009 shares
 - (ii) Number of treasury shares at end of period
 - As of December 31, 2022 1,643,785 shares
 - As of March 31, 2022 998,559 shares
 - (iii) Average number of shares during the period
 - Nine months ended December 31, 2022 33,898,135 shares
 - Nine months ended December 31, 2021 34,077,489 shares

(Note) The Company has introduced the "Board Benefit Trust (BBT)" as its performance-linked and share-based compensation plan and its own shares remaining in the trust are included as treasury shares. The number of treasury shares owned by the trust as of December 31, 2022 and as of March 31, 2022 are 120,700 and 120,700, respectively. The average number of treasury shares owned by the trust for nine months ended December 31, 2022 and for nine months ended December 31, 2021 are 120,700 and 126,980, respectively.

- ※ Notice of status of implementation for quarterly review procedures
This financial report is not subject to quarterly review procedures by certified public accountants or auditing firms.
- ※ Explanation about the proper use of consolidated forecasts and other notes
Data and forward-looking statements disclosed herein are based on current information as of today, and may change depending upon various factors. The data and assumptions do not mean guaranteeing accomplishment of goals and projections, and may be changed at any time without notice. Consequently, the Company ask you to use this information at your discretion based upon your own judgment and information you may obtain through other sources. The company will not be liable for any damages that result from the use of this information.

1 Consolidated Financial Statements

(1) Consolidated Balance Sheets

	Millions of yen	
	As of March 31, 2022	As of December 31, 2022
Assets		
Current assets		
Cash and deposits	49,085	43,037
Notes receivable, accounts receivable from completed construction contracts and other	104,956	106,852
Securities	3,000	400
Costs on uncompleted construction contracts	1,775	1,797
Raw materials and supplies	1,007	972
Other	9,084	21,405
Allowance for doubtful accounts	(718)	(608)
Total current assets	168,190	173,857
Non-current assets		
Property, plant and equipment	11,243	8,716
Intangible assets		
Goodwill	3,966	3,783
Customer-related assets	1,334	1,208
Other	2,081	1,235
Total intangible assets	7,381	6,228
Investments and other assets		
Investment securities	29,605	25,035
Deferred tax assets	520	514
Net defined benefit asset	8,909	8,782
Other	2,710	2,067
Allowance for doubtful accounts	(401)	(374)
Total investments and other assets	41,344	36,025
Total non-current assets	59,969	50,971
Total assets	228,159	224,828
Liabilities		
Current liabilities		
Notes payable, accounts payable for construction contracts and other	47,102	46,085
Short-term loans payable	15,535	3,001
Income taxes payable	1,672	275
Advances received on uncompleted construction contracts	6,901	18,858
Provision for bonuses	—	1,698
Provision for warranties for completed construction	714	701
Provision for loss on construction contracts	392	259
Provision for directors' bonuses	43	24
Other	9,524	13,601
Total current liabilities	81,886	84,506
Non-current liabilities		
Long-term loans payable	5,605	38
Deferred tax liabilities	7,877	7,864
Provision for directors' retirement benefits	44	53
Provision for share-based remuneration for directors	145	169
Net defined benefit liability	1,462	1,608
Other	349	430
Total non-current liabilities	15,484	10,165
Total liabilities	97,371	94,672

	Millions of yen	
	As of March 31, 2022	As of December 31, 2022
Net assets		
Shareholders' equity		
Capital stock	6,455	6,455
Capital surplus	5,058	3,657
Retained earnings	99,893	101,733
Treasury shares	(2,544)	(4,735)
Total shareholders' equity	108,862	107,111
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	11,908	9,395
Deferred gains or losses on hedges	(25)	(27)
Foreign currency translation adjustment	2,017	6,044
Accumulated remeasurements of defined benefit plans	1,932	1,538
Total accumulated other comprehensive income	15,833	16,951
Non-controlling interests	6,092	6,093
Total net assets	130,788	130,156
Total liabilities and net assets	228,159	224,828

(2) Consolidated Income Statements and Consolidated Statements of Comprehensive Income
Consolidated Income Statements

	Millions of yen	
	Nine months ended December 31, 2021 Apr. 1, 2021 - Dec. 31, 2021	Nine months ended December 31, 2022 Apr. 1, 2022 - Dec. 31, 2022
Net sales of completed construction contracts	144,859	141,979
Cost of sales of completed construction contracts	123,607	119,769
Gross profit on completed construction contracts	21,251	22,209
Selling, general and administrative expenses	15,673	14,908
Operating income	5,578	7,301
Non-operating income		
Interest income	170	166
Dividend income	558	594
Dividend income of insurance	157	178
Real estate rent	96	87
Foreign exchange gains	139	166
Reversal of allowance for doubtful accounts	0	0
Other	229	322
Total non-operating income	1,352	1,516
Non-operating expenses		
Interest expenses	175	109
Rent expenses on real estates	11	11
Share of loss of entities accounted for using equity method	30	101
Other	68	33
Total non-operating expenses	286	257
Ordinary income	6,644	8,559
Extraordinary income		
Gain on disposal of non-current assets	13	13
Gain on sale of investment securities	1,139	1,766
Gain on sale of shares of subsidiaries and associates	—	881
Total extraordinary income	1,152	2,662
Extraordinary losses		
Loss on disposal of non-current assets	44	47
Impairment loss	0	0
Loss on sale of shares of subsidiaries and associates	—	3
Business restructuring expenses	—	2,461
Total extraordinary losses	44	2,512
Profit before income taxes	7,752	8,709
Income taxes-current	1,146	1,980
Income taxes-deferred	1,871	1,014
Total income taxes	3,017	2,995
Profit	4,734	5,713
Profit attributable to non-controlling interests	309	629
Profit attributable to owners of parent	4,424	5,083

Consolidated Statements of Comprehensive Income

	Millions of yen	
	Nine months ended December 31, 2021	Nine months ended December 31, 2022
	Apr. 1, 2021 - Dec. 31, 2021	Apr. 1, 2022 - Dec. 31, 2022
Profit	4,734	5,713
Other comprehensive income		
Valuation difference on available-for-sale securities	(2,050)	(2,512)
Deferred gains or losses on hedges	(9)	(2)
Foreign currency translation adjustment	919	4,072
Remeasurements of defined benefit plans	(98)	(389)
Share of other comprehensive income of entities accounted for using equity method	44	66
Total other comprehensive income	(1,194)	1,233
Comprehensive income	3,540	6,947
Comprehensive income attributable to :		
Owners of parent	3,097	5,928
Non-controlling interests	442	1,019

(Change in scope of consolidation or in scope of application of the equity method)

(Significant change in scope of consolidation)

On April 19, 2022, the Company entered into a contract to transfer a portion of its shares in Geico S.p.A. ("Geico") and the transfer has been completed on April 20, 2022.

With this share transfer, from the consolidated cumulative first quarter, Geico and its consolidated subsidiaries, J-CO America Corporation, J-CO Mexico, S. de R.L. de C.V., Geico Brasil Ltda., Geico Paint Shop India Private Limited, Geico Painting System (Suzhou) Co., Ltd, "Geico Russia" LLC, Geico Taikisha GmbH, Geico Taikisha Controls d.o.o. and Process Solution Partner Rus LLC have been excluded from the scope of consolidation.

Taikisha group transferred all of its shares of BTE Co., Ltd. ("BTE"), and BTE has been excluded from the scope of consolidation from the consolidated cumulative third quarter.

(Change in accounting policy)

The "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, June 17, 2021, hereinafter referred to as the "Implementation Guidance on Accounting Standard for Fair Value Measurement ") has been applied from the beginning of the current consolidated fiscal year.

In accordance with the transitional treatment prescribed in Paragraph 27-2 of the "Implementation Guidance on Accounting Standard for Fair Value Measurement", the Company has decided to apply the new accounting policies set forth by the "Implementation Guidance on Accounting Standard for Fair Value Measurement" from the beginning of the current consolidated fiscal year to the future.

This change has no impact on the Company's consolidated financial statements.

(Additional information)

(Accounting estimates associated with the spread of COVID-19)

There is no significant change in the assumption stated in "(Additional information) Accounting estimates associated with the spread of COVID-19" in the securities report for the previous consolidated fiscal year.

(Acquisition of treasury shares)

The Company announced that its Board of Directors held on August 10, 2022 had resolved regarding acquisition of treasury shares pursuant to the provisions of Article 156 of the Companies Act, as applied by replacing the terms pursuant to the provisions of Paragraph 3, Article 165 of the same Act, and the status is as follows.

1. Reason for acquisition

To enhance shareholder returns and to increase capital efficiency as well as to enable the Company to implement a flexible capital strategy in response to changes in the business environment.

2. Details of acquisition

(1) Type of shares to be acquired	Common shares of the Company
(2) Total number of shares that can be acquired	Up to 1,200,000 shares (3.51% of total number of issued shares of the Company (excluding treasury shares))
(3) Total price of shares to be acquired	Up to 3,000 million yen
(4) Period of acquisition	From August 12, 2022 to March 31, 2023
(5) Method of acquisition	Purchase on the Tokyo Stock Exchange through a trust bank

3. Status of acquisition

By the method described above, the Company has acquired 645,000 common shares of the Company at 2,190 million yen as of December 31, 2022.

(Segment information)

Nine months ended December 31, 2021 (April 1, 2021 - December 31, 2021)

1. Sales and profits or losses by reportable segments

Millions of yen

	Reportable segments			Eliminations/ Corporate	Amount recorded in the consolidated financial statements
	Green Technology System Division	Paint Finishing System Division	Total		
Sales					
Sales to customers	90,836	54,022	144,859	—	144,859
Intersegment	6	—	6	(6)	—
Total	90,842	54,022	144,865	(6)	144,859
Segment profit (loss)	5,839	(31)	5,807	836	6,644

(Note) 1. The amount of Eliminations/ Corporate is as follows:

Eliminations/ Corporate of Segment profit (loss) of 836 million yen includes non-allocatable common profits (net amount of common profit and loss) of 836 million yen and other adjustments of minus 0 million yen.

Non-allocatable common profit and loss are mainly general and administrative expenses and dividend income etc. those are not attributed to any reportable segments.

2. Segment profit (loss) is adjusted in the ordinary income of the consolidated income statement.

2. Impairment loss on non-current assets or goodwill etc. by reportable segment

Not applicable.

Nine months ended December 31, 2022 (April 1, 2022 - December 31, 2022)

1. Sales and profits or losses by reportable segments

Millions of yen

	Reportable segments			Eliminations/ Corporate	Amount recorded in the consolidated financial statements
	Green Technology System Division	Paint Finishing System Division	Total		
Sales					
Sales to customers	114,129	27,849	141,979	—	141,979
Intersegment	11	1	13	(13)	—
Total	114,141	27,851	141,992	(13)	141,979
Segment profit (loss)	9,182	(1,253)	7,929	630	8,559

(Note) 1. The amount of Eliminations/ Corporate is as follows:

Eliminations/ Corporate of Segment profit (loss) of 630 million yen includes non-allocatable common profits (net amount of common profit and loss) of 631 million yen and other adjustments of minus 0 million yen.

Non-allocatable common profit and loss are mainly general and administrative expenses and dividend income etc. those are not attributed to any reportable segments.

2. Segment profit (loss) is adjusted in the ordinary income of the consolidated income statement.

2. Information about assets for each reportable segment

In the consolidated cumulative first quarter, the Company transferred a portion of the shares of Geico S.p.A. ("Geico"), which was a consolidated subsidiary until the previous fiscal year.

With this share transfer, Geico and its consolidated subsidiaries, J-CO America Corporation, J-CO Mexico, S. de R.L. de C.V., Geico Brasil Ltda. Geico Paint Shop India Private Limited, Geico Painting System (Suzhou) Co., Ltd, "Geico Russia" LLC, Geico Taikisha GmbH, Geico Taikisha Controls d.o.o. and Process Solution Partner Rus LLC were excluded from the scope of consolidation.

Mainly due to this reason, segment assets in the Paint Finishing System Division decreased by 21,663 million yen in the consolidated cumulative third quarter compared with the previous consolidated fiscal year.

3. Impairment loss on non-current assets or goodwill etc. by reportable segment

Not applicable.

(Significant subsequent events)

(Retirement of treasury shares)

The Company has resolved to retire treasury shares pursuant to Article 178 of the Companies Act at the meeting of the Board of Directors held on February 10, 2023 as stated below.

1. Type of shares to be retired	Common shares of the Company
2. Total number of shares to be retired	1,500,000 shares (4.28% of issued shares before the retirement)
3. Scheduled date of the retirement	February 28, 2023
4. Total numbers of issued shares after the retirement	33,582,009 shares

(Supplementary information)

1. Statement for orders-received during this period, net sales of completed construction contracts during this period, and construction carried forward by division (consolidated)

Millions of yen

	Nine months ended December 31, 2021 (Apr. 1, 2021 - Dec. 31, 2021)		Nine months ended December 31, 2022 (Apr. 1, 2022 - Dec. 31, 2022)		Increase (decrease)	
	Amounts	%	Amounts	%	Amounts	%
	Orders-received					
Green Technology System Division						
Building HVAC	32,288	22.2	31,053	13.7	(1,235)	(3.8)
Industrial HVAC	72,340	49.7	137,018	60.7	64,678	89.4
Total	104,629	71.9	168,071	74.4	63,442	60.6
[Overseas]	[20,254]	[13.9]	[52,837]	[23.4]	[32,582]	[160.9]
Paint Finishing System Division	40,882	28.1	57,746	25.6	16,863	41.2
[Overseas]	[31,627]	[21.7]	[38,568]	[17.1]	[6,940]	[21.9]
Total	145,511	100.0	225,817	100.0	80,306	55.2
[Overseas]	[51,882]	[35.6]	[91,406]	[40.5]	[39,523]	[76.2]
Net sales of completed construction contracts						
Green Technology System Division						
Building HVAC	30,188	20.8	30,306	21.4	118	0.4
Industrial HVAC	60,647	41.9	83,822	59.0	23,174	38.2
Total	90,836	62.7	114,129	80.4	23,292	25.6
[Overseas]	[27,012]	[18.6]	[32,840]	[23.1]	[5,828]	[21.6]
Paint Finishing System Division	54,022	37.3	27,849	19.6	(26,172)	(48.4)
[Overseas]	[43,758]	[30.2]	[19,994]	[14.1]	[(23,763)]	[(54.3)]
Total	144,859	100.0	141,979	100.0	(2,879)	(2.0)
[Overseas]	[70,770]	[48.8]	[52,835]	[37.2]	[(17,935)]	[(25.3)]
Construction carried forward						
Green Technology System Division						
Building HVAC	52,526	29.9	53,524	20.0	997	1.9
Industrial HVAC	79,821	45.4	146,825	54.9	67,003	83.9
Total	132,348	75.3	200,349	74.9	68,000	51.4
[Overseas]	[31,120]	[17.7]	[56,910]	[21.3]	[25,789]	[82.9]
Paint Finishing System Division	43,341	24.7	67,241	25.1	23,899	55.1
[Overseas]	[35,391]	[20.1]	[40,014]	[14.9]	[4,622]	[13.1]
Total	175,689	100.0	267,590	100.0	91,900	52.3
[Overseas]	[66,512]	[37.8]	[96,924]	[36.2]	[30,412]	[45.7]

(Note) 1. The amounts of orders received, net sales of completed construction contracts, and carried forward are the transacted amount with external customers.

2. In the previous consolidated cumulative third quarter, there is 6 million yen difference between net sales of completed construction contracts of 90,836 million yen and total sales of 90,842 million yen in the segment information by the Green Technology System Division. Above difference is due to intersegment sales.

There is no difference between net sales of completed construction contracts and total sales in the segment information by the Paint Finishing System Division.

3. In the consolidated cumulative third quarter, there is 11 million yen difference between net sales of completed construction contracts of 114,129 million yen and total sales of 114,141 million yen in the segment information by the Green Technology System Division.

There is 1 million yen difference between net sales of completed construction contracts of 27,849 million yen and total sales of 27,851 million yen in the segment information by the Paint Finishing System Division.

Above differences are due to intersegment sales.

2. Statement for orders-received during this period, net sales of completed construction contracts during this period, and construction carried forward by division (Non-consolidated)

Millions of yen

	Nine months ended December 31, 2021 (Apr. 1, 2021 - Dec. 31, 2021)		Nine months ended December 31, 2022 (Apr. 1, 2022 - Dec. 31, 2022)		Increase (decrease)	
	Amounts	%	Amounts	%	Amounts	%
Orders-received						
Green Technology System Division						
Building HVAC	30,153	31.6	27,251	20.2	(2,902)	(9.6)
Industrial HVAC	52,077	54.5	84,303	62.6	32,225	61.9
Total	82,231	86.1	111,554	82.8	29,323	35.7
[Overseas]	[102]	[0.1]	[275]	[0.2]	[172]	[167.6]
Paint Finishing System Division	13,293	13.9	23,233	17.2	9,940	74.8
[Overseas]	[5,475]	[5.7]	[4,978]	[3.7]	[(497)]	[(9.1)]
Total	95,524	100.0	134,788	100.0	39,263	41.1
[Overseas]	[5,578]	[5.8]	[5,253]	[3.9]	[(325)]	[(5.8)]
Net sales of completed construction contracts						
Green Technology System Division						
Building HVAC	28,276	38.3	28,090	31.9	(186)	(0.7)
Industrial HVAC	33,807	45.7	50,914	57.8	17,106	50.6
Total	62,084	84.0	79,004	89.7	16,919	27.3
[Overseas]	[269]	[0.4]	[96]	[0.1]	[(173)]	[(64.4)]
Paint Finishing System Division	11,839	16.0	9,127	10.3	(2,712)	(22.9)
[Overseas]	[3,118]	[4.2]	[2,316]	[2.6]	[(802)]	[(25.7)]
Total	73,924	100.0	88,131	100.0	14,207	19.2
[Overseas]	[3,388]	[4.6]	[2,412]	[2.7]	[(976)]	[(28.8)]
Construction carried forward						
Green Technology System Division						
Building HVAC	51,481	45.6	51,230	29.2	(251)	(0.5)
Industrial HVAC	48,672	43.1	90,068	51.2	41,396	85.1
Total	100,153	88.7	141,298	80.4	41,144	41.1
[Overseas]	[5]	[0.0]	[181]	[0.1]	[176]	[-]
Paint Finishing System Division	12,704	11.3	34,458	19.6	21,754	171.2
[Overseas]	[5,530]	[4.9]	[7,687]	[4.4]	[2,156]	[39.0]
Total	112,858	100.0	175,757	100.0	62,899	55.7
[Overseas]	[5,535]	[4.9]	[7,868]	[4.5]	[2,333]	[42.1]

3. Sales by regions

Nine months ended December 31, 2021 (April 1, 2021 - December 31, 2021)

Millions of yen

Japan	North America	Southeast Asia		East Asia		India	Other	Total
		Thailand	Other Southeast Asia	China	Other East Asia			
74,088	14,412	12,571	12,495	7,682	1,260	7,880	14,467	144,859

Nine months ended December 31, 2022 (April 1, 2022 - December 31, 2022)

Millions of yen

Japan	North America	Southeast Asia		East Asia		India	Other	Total
		Thailand	Other Southeast Asia	China	Other East Asia			
89,144	4,662	13,199	16,380	7,037	1,560	9,470	525	141,979