RESULTS OF OPERATIONS (OVERVIEW)

The results for the fiscal year ended March 31, 2022

Accounting estimates and underlying assumptions

The consolidated financial statements of the Taikisha Group are prepared in accordance with accounting standards generally accepted in Japan. In preparing the consolidated financial statements, some accounting estimates that affect the amounts of assets and liabilities at the date of the financial statements and revenues and expenses during the reporting period are made in accordance with the accounting standards.

Please refer to "NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, 2. Summary of significant accounting policies, (12) Significant accounting estimates" for important items of accounting estimates and underlying assumptions.

In addition, please refer to "NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, 2. Summary of significant accounting policies, (16) Additional information" for the effects of the spread of COVID-19.

Due to the uncertain nature of estimates, actual results may vary from these estimates.

Earnings Overview

In this fiscal year, despite certain restrictions on economic activities due to the global spread of COVID-19, the global economy maintained a recovery trend with widespread vaccine rollouts, especially in developed countries. On the other hand, the economy was affected by prolonged trade friction between the U.S. and China, rising resource prices, and shortages in the supply of semiconductors and other materials, and the situation remained unstable.

In the U.S., despite some concerns such as rising inflation and accelerated monetary tightening, the economy continued to recover due to large-scale economic measures and other factors. In Europe, restrictions on economic activities were eased in many countries and the economy began to recover. However, the current situation in Ukraine is becoming increasingly tense and energy prices are soaring, which are causing concern about a slowdown in the economy. In China, the pace of economic recovery slowed down due to COVID-19 and government regulations such as power restrictions, as well as soaring resource prices. In Southeast Asia, the pace of recovery was moderate, although the region emerged from the rapid resurgence of COVID-19. The Japanese economy continued to pick up even after the lifting of the emergency declaration due to COVID-19, although the outlook remains uncertain due to the outbreak of new mutant strains and soaring resource prices.

Among the market environments of the Taikisha Group, in the domestic market, investment by manufacturers of electronic components, pharmaceuticals, automobiles, and other products was strong, and demand for construction of office buildings in the Tokyo metropolitan area remained steady. On the other hand, uncertainty still persisted in overseas markets due to the impact of COVID-19, and manufacturers maintained their cautious stance toward capital investments.

Under such circumstances, the Taikisha Group has entered the final year of its Mid-Term Business Plan (for the fiscal year ended March 2020 through the fiscal year ended March 2022), which has three basic policies: 1. "Solidify the Company's position in the global market," 2. "Strengthen initiatives for the future," and 3. "Build an attractive company and establish a solid management base." During the period, in order to achieve medium- to long-term growth, the Taikisha Group has been promoting the following initiatives.

Firstly, with regard to "Solidify the Company's position in the global market," the Taikisha Group made the Research and Development Center into the Demonstration Center and expanded the Southeast Asia business through establishment of Taikisha Lao Co., Ltd.

Secondly, with regard to "Strengthen initiatives for the future," the Taikisha Group implemented measures to improve our competitiveness and expand business domains by enhancing response to the Indian market by investing in Nicomac Clean Rooms Far East LLP (currently Nicomac Taikisha Clean Rooms Private Limited), expanding the automation business through additional investment in Encore Automation LLC, and expanding the plant factory business domain and establishing our own mass production factory.

Finally, with regard to "Build an attractive company and establish a solid management base," the Taikisha Group made efforts to achieve various work styles by shifting to electronic expense reimbursement and introducing a telework system. In addition, as a company that considers employee health management from a managerial perspective and strategically addresses the issue, the Taikisha Group has been recognized as a Certified Health & Productivity Management Outstanding Organization for two consecutive years.

Given such circumstances, consolidated orders received increased 15.8% year-on-year to ¥232,120 million, due to increased orders both in Japan and overseas. This includes orders received overseas, which increased 0.4% year-on-year to ¥88,650 million.

Consolidated net sales of completed construction contracts increased 3.3% year-on-year to ¥209,261 million, due to an increase overseas, despite a decrease in Japan. This includes consolidated net sales of completed construction contracts overseas, which increased 9.4% year-on-year to ¥101,552 million.

In regard to profits, gross profit on completed construction contracts decreased ¥2,412 million year-on-year to ¥31,614 million, operating income decreased ¥2,261 million year-on-year to ¥9,428 million, ordinary income decreased ¥1,469 million year-on-year to ¥10,818 million, and profit attributable to owners of parent decreased ¥1,031 million year-on-year to ¥7,248 million.

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

Green Technology System

Consolidated orders received in the overall green technology system business increased compared to the previous year, due to increases in the industrial HVAC sector in Japan, though sales decreased overseas as in the previous year the Taikisha Group recorded sales from a large-scale construction contract in Thailand. The consolidated net sales of completed construction contacts in the overall green technology system business increased compared to the previous year, due to increases in countries such as the Philippines and India, though sales decreased in the industrial HVAC sector in Japan and in countries such as Vietnam.

As a result, consolidated orders received increased 17.3% year-on-year to ¥158,917 million. The breakdown is orders received for building HVAC of ¥43,329 million which decreased 5.6% year-on-year and orders received for industrial HVAC of ¥115,588 million which increased 29.0% year-on-year. Consolidated net sales of completed construction contracts increased 0.3% year-on-year to ¥134,399 million. The breakdown is sales for building HVAC of ¥40,978 million which increased 0.1% year-on-year and sales for industrial HVAC of ¥93,420 million which increased 0.3% year-on-year. Segment profit (ordinary income) decreased ¥1,890 million year-on-year to ¥9,302 million.

Paint Finishing System

Consolidated orders received increased compared to the previous year, due to increases in Japan and Malaysia, though sales decreased in North America as in the previous year the Taikisha Group received orders from a large-scale construction contract. The consolidated net sales of completed construction contracts increased compared to the previous year, due to increases in regions such as India and Europe.

As a result, consolidated orders received increased 12.7% year-on-year to ¥73,202 million and consolidated net sales of completed construction contracts increased 9.3% year-on-year to ¥74,882 million. Segment profit (ordinary income) decreased ¥244 million year-on-year to ¥667 million.

Financial Condition

Assets

As of March 31, 2022, current assets increased 1.7% year-on-year to ¥168,190 million. This is mainly due to increase in notes receivable, accounts receivable from completed construction contracts and other of ¥3,543 million, securities of ¥1,000 million and costs on uncompleted construction contracts of ¥328 million despite decrease in cash and deposits of ¥2,974 million.

Non-current assets decreased 5.5% year-on-year to ¥59,969 million. This is mainly due to increase in machinery, vehicles, tools, furniture and fixtures of ¥2,036 million, buildings and structures of ¥353 million despite decrease in investment securities of ¥3,072 million and deferred tax assets of ¥505 million.

As a result, total assets decreased 0.3% year-on-year to ¥228,159 million.

Assets by reportable segment are as follows.

Green Technology System

As of March 31, 2022, current assets increased 0.4% year-on-year to ¥78,052 million. This is mainly due to increase in notes receivables, accounts receivable from completed construction contracts and other of ¥664 million.

Non-current assets decreased 4.5% year-on-year to ¥31,367 million. This is mainly due to decrease in investment securities of ¥2,343 million despite increase in machinery, vehicles, tools, furniture and fixtures of ¥511 million and buildings and structures of ¥377 million.

As a result, total assets decreased 1.1% year-on-year to ¥109,420 million.

Paint Finishing System

As of March 31, 2022, current assets increased 5.9% year-on-year to ¥54,673 million. This is mainly due to increase in notes receivable, accounts receivable from completed construction contracts and other of ¥2,719 million and so on.

Non-current assets decreased 1.8% year-on-year to ¥16,045 million. This is mainly due to decrease in Software of ¥451 million and deferred tax assets of ¥390 million despite increase in machinery, vehicles, tools, furniture and fixtures of ¥385 million.

As a result, total assets increased 4.0% year-on-year to ¥70,719 million.

Liabilities

As of March 31, 2022, current liabilities decreased 5.8% year-on-year to ¥81,886 million. This is mainly due to decrease in advances received on uncompleted construction contracts of ¥7,298 million and notes payable, accounts payable for construction contracts and other of ¥4,947 million despite increases in short-term loans payable of ¥8,946 million and provision for warranties for completed construction of ¥238 million.

Non-current liabilities decreased 0.9% year-on-year to ¥15,484 million. This is mainly due to decrease in deferred tax liabilities of ¥944 million despite increase in long-term loans payable of ¥835 million.

As a result, total liabilities decreased 5.0% year-on-year to ¥97,371 million.

Net assets

As of March 31, 2022, total net assets increased 3.5% year-on-year to ¥130,788 million. This is mainly due to increase in retained earnings of ¥4,191 million and foreign currency translation adjustment of ¥2,255 million despite decrease in valuation difference on available-for-sale securities of ¥2,329 million and accumulated remeasurements of defined benefit plans of ¥484 million.

Cash flows

Cash and cash equivalents (collectively, "Cash") as of March 31, 2021 and 2022 were ¥50,670 million and ¥48,791 million respectively. Compared to the previous year, it decreased ¥1,878 million.

Cash flows from operating activities

Cash provided by operating activities for the year ended March 31, 2021 was ¥973 million, and cash used in operating activities for the year ended March 31, 2022 was ¥8,544 million. Cash decreased mainly due to decrease in advances received on uncompleted construction contracts, decrease in notes and accounts payable-trade and other, although increased mainly due to recording of profit before income taxes.

Cash flows from investing activities

Cash used in investing activities for the year ended March 31, 2021 and 2022 totaled ¥6,913 million and ¥1,071 million respectively. Cash decreased mainly due to payments into time deposits and purchase of property, plant and equipment and intangible assets, although increased mainly due to increase in proceeds from withdrawal of time deposits and purchase of investment securities.

Cash flows from financing activities

Cash used in financing activities for the year ended March 31, 2021 was ¥1,435 million, and cash provided by financing activities for the year ended March 31, 2022 was ¥6,000 million. Cash increased mainly due to proceeds from short-term loans payable outweighed repayment of short-term loans payable, although decreased mainly due to cash dividends paid and cash dividends paid to non-controlling interests.

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, 2022.

Risk of Changes in Private Capital Investment

Changes in the environment for receiving new orders may significantly affect sales and profit in the Taikisha Group's businesses. In the Green Technology System Division, this may be caused by reduction in overseas investment by Japanese companies. In the Paint Finishing System Division, continued shrinkage of domestic manufacturing by Japanese automobile manufacturers, and reduction in new capital investment due to worldwide shortage of semiconductors may be the factors. 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 addition, if the Taikisha Group fails to keep up with the change of production facility of automobile manufacturers aiming at attaining carbon neutrality, the Taikisha Group may lose customers so that the business performance and other results may also be affected.

In response, Green Technology System Division will work overseas to strengthen its sales structure targeting local companies, and promote initiatives to increase orders from Japanese manufacturers in collaboration with sales team in Japan. Paint Finishing System Division will accelerate the development of the Company's technology that changes the production facility of customers aiming at attaining carbon neutrality, and will leverage automation technology to enlarge the field from the conventional 4-wheel and 2-wheel vehicle markets into other industries, 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 a 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 COVID-19 that first became apparent in early 2020.

Crisis countermeasures of the highest level have been implemented in response to COVID-19, a crisis task force has been established headed by the President and Representative Director, and composed of Chief General Managers and Chief Executives, and measures are carried out to respond to the crisis for the entire Taikisha Group, such as recommendation of work at home, staggered working hours, introduction of commute by cars which lowers risk while commuting, reconsideration of company events and business activities in order to prevent infections, and appropriate correspondence for infected people.

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 bad debt because of bankruptcy of customers, the occurrence of problems that could not be predicted, or for which risk countermeasures that could not be implemented and so on.

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, strengthens credit control before receiving orders to reduce the risk of receivables to become uncollectible, and avoids such kinds of risks as much as possible. It will also continue to 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 carbon neutrality, energy saving, enhanced environmental measures and automation, its technological differentiation from competitors cannot be generated.

This may result in the loss of opportunities to receive orders, as well as deterioration in customer trust and corporate reputation, and its business performance and other results may be affected.

In response, the Taikisha Group endeavors to solve social issues through the development and demonstration of technologies aimed at reducing environmental impact to deal with decarbonization business in order to realize carbon neutrality, as well as automation technologies which is the strength of the Company. To this end, the Taikisha Group will engage in themes that anticipate social needs, by leveraging digital technologies, strengthening initiatives across the Group, and promoting development of innovative technologies by collaborating with academic institutions and start-up companies.

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 lack of ability to build the operational structures required to achieve medium- to long-term plans, with the concern of 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 digital 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.

In addition, in order to sustain and promote employees' healthy mind and body, the Company announced "Health management declaration" in 2020, and clarified health management promotion system with President and Representative Director to become the supervisor of health control.

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-ups of its compliance education program such as e-learning, as well as conducting survey of compliance attitude which leads to inspect the effectiveness of compliance activities and reflect to improvement process, in order to maintain and enhance employee awareness of legal and regulatory compliance.

Risk of Serious Accidents and Quality Defects

In the event of serious accidents during construction, or serious contract nonconformity due to such as quality defects, the Taikisha Group's social credit would be damaged, and its business results may be affected. The Taikisha Group takes contract conformity responsibility 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 improving safety awareness and level by utilizing IT technology such as digital signage, and instructing partner companies to create detailed work procedure diagrams at work procedure study meetings. Plus, Taikisha Group strives to strengthen the management system and takes all possible measures for safety and health management at construction sites. In addition, Taikisha Group is working to prevent quality defects by reviewing the construction management system and promoting the introduction of IT in construction management, and to enforce the system of assuring the technical quality on a company-wide basis.

Risk of Changes in Material Prices and Unit Labor Costs

Sharp rises in material prices due to the shortage of semiconductors and the rise of fuel prices and so on, and sharp rises in unit labor costs due to declining birthrate and aging population as well as lack of successors, 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 getting 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. Should the incident occur, it may lead to 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 after grasping vulnerability using an IT security diagnosis, by enhancing internal rules, and by conducting thorough employee education.

Subsidiaries and associates

Taikisha Group consists of Taikisha Ltd., 42 subsidiaries, and 3 associates. Taikisha Ltd., 4 subsidiaries and 1 associate are domiciled in Japan, and 38 subsidiaries and 2 associates are domiciled overseas.

CONSOLIDATED BALANCE SHEETS

Taikisha Ltd. and its Consolidated Subsidiaries
As of March 31, 2021 and 2022

	Millions of yen		Thousands of U.S. dollars
Assets	2021	2022	2022
Current assets:			
Cash and deposits (Notes 3, 7 and 9)	¥52,059	¥49,085	$400,993
Notes receivable, accounts receivable from completed construction contracts and other (Notes 3 and 9)	101,413	104,956	857,417
Securities (Notes 7, 9 and 10)	2,000	3,000	24,508
Costs on uncompleted construction contracts (Note 3)	1,816	1,775	14,503
Raw materials and supplies	679	1,007	8,231
Other	8,068	9,084	74,210
Allowance for doubtful accounts (Note 9)	(649)	(718)	(5,872)
Total current assets	165,387	168,190	1,373,990
Non-current assets:			
Property, plant and equipment			
Buildings and structures	8,035	8,389	68,533
Machinery, vehicles, tools, furniture and fixtures (Notes 3 and 8)	11,720	13,756	112,379
Land	1,772	1,737	14,191
Other	553	639	5,228
Accumulated depreciation.	(11,931)	(13,279)	(108,481)
Total property, plant and equipment	10,150	11,243	91,850
Intangible assets			
Goodwill (Note 14 and 18)	4,084	3,966	32,403
Customer-related assets (Note 14)	1,389	1,334	10,898
Other	2,976	2,081	17,002
Total intangible assets	8,450	7,381	60,303
Investments and other assets			
Investment securities (Notes 3, 9 and 10)	32,677	29,605	241,853
Deferred tax assets (Note 13)	1,026	520	4,249
Net defined benefit asset (Note 12)	9,111	8,909	72,785
Other	2,100	2,710	22,145
Allowance for doubtful accounts	(48)	(401)	(3,277)
Total investments and other assets	44,866	41,344	337,755
Total non-current assets	63,468	59,969	489,908
Total assets	¥228,855	¥228,159	$1,863,898

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

Liabilities and Net assets	Millions of yen 2021	Millions of yen 2022	Thousands of U.S. dollars 2022
Current liabilities:			
Notes payable, accounts payable for construction contracts and other (Notes 3 and 9)	¥52,050	¥47,102	$384,794
Short-term loans payable (Notes 9 and 21)	6,588	15,535	126,917
Income taxes payable (Note 9)	1,607	1,672	13,663
Advances received on uncompleted construction contracts	14,200	6,901	56,381
Provision for warranties for completed construction	475	714	5,833
Provision for loss on construction contracts (Note 3)	403	392	3,204
Provision for directors' bonuses	63	43	358
Other (Note 21)	11,528	9,524	77,805
Total current liabilities	86,919	81,886	668,955
Non-current liabilities:			
Long-term loans payable (Notes 9 and 21)	4,769	5,605	45,793
Deferred tax liabilities (Note 13)	8,821	7,877	64,351
Provision for directors' retirement benefits	40	44	367
Provision for share-based remuneration for directors	171	145	1,186
Net defined benefit liability (Note 12)	1,507	1,462	11,945
Other (Note 21)	315	349	2,858
Total non-current liabilities	15,625	15,484	126,500
Total liabilities	¥102,544	¥97,371	$795,455
Net assets:			
Shareholders' equity			
Capital stock			
Authorized: 100,000,000 shares			
Issued: 35,082,009 shares as of March 31, 2021 35,082,009 shares as of March 31, 2022	¥6,455	¥6,455	$52,734
Capital surplus	5,058	5,058	41,324
Retained earnings	95,701	99,893	816,056
Treasury shares, at cost — 1,013,823 shares as of March 31,2021	(2,594)	–	–
998,559 shares as of March 31,2022	–	(2,544)	(20,785)
Total shareholders' equity	104,620	108,862	889,329
Accumulated other comprehensive income			
Valuation difference on available-for-sale securities	14,237	11,908	97,282
Deferred gains or losses on hedges (Note 11)	(3)	(25)	(205)
Foreign currency translation adjustment	(237)	2,017	16,484
Accumulated remeasurements of defined benefit plans	2,416	1,932	15,784
Total accumulated other comprehensive income	16,412	15,833	129,345
Non-controlling interests	5,277	6,092	49,769
Total net assets	126,311	130,788	1,068,443
Total liabilities and net assets	¥228,855	¥228,159	$1,863,898

Per share data :	Yen		U.S. dollars
Net assets	¥3,552.69	¥3,658.54	$29.89

Basis of calculation	Millions of yen		Thousands of U.S. dollars
Total net assets	¥126,311	¥130,788	$1,068,443
Amounts to be deducted from net assets (Non-controlling interests)	(5,277)	(6,092)	(49,769)
Net assets applicable to common shares	121,033	124,695	1,018,673
Number of common shares as of the year-end (thousands of shares)	34,068	34,083	34,083

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, 2021 and 2022

	Millions of yen		Thousands of U.S. dollars
	2021	2022	2022
Consolidated Statements of Income			
Net sales of completed construction contracts	¥202,548	¥209,261	$1,709,513
Cost of sales of completed construction contracts (Note 4)	168,521	177,646	1,451,243
Gross profit on completed construction contracts	34,027	31,614	258,270
Selling, general and administrative expenses:			
Directors' compensations	870	931	7,612
Employees' salaries and allowances	8,538	8,159	66,656
Provision for directors' bonuses	63	43	358
Retirement benefit expenses (Note 12)	560	390	3,191
Provision for directors' retirement benefits	12	11	96
Provision for share-based remuneration for directors	61	40	327
Correspondence and transportation expenses	823	902	7,371
Provision of allowance for doubtful accounts	201	468	3,826
Rents	1,603	1,642	13,416
Depreciation	2,084	2,146	17,535
Amortization of goodwill (Note 4)	638	414	3,387
Other	6,878	7,034	57,470
Total selling, general and administrative expenses (Note 4)	22,336	22,186	181,245
Operating income	11,690	9,428	77,026
Non-operating income:			
Interest income	291	259	2,116
Dividend income	593	657	5,370
Dividend income of insurance	145	159	1,301
Real estate rent	100	126	1,032
Foreign exchange gains	–	317	2,593
Other	483	322	2,632
Total non-operating income	1,613	1,841	15,044
Non-operating expenses:			
Interest expenses	173	303	2,480
Sales discounts	101	–	–
Rent expenses on real estates	27	16	132
Foreign exchange losses	330	–	–
Provision of allowance for doubtful accounts	213	0	1
Share of loss of entities accounted for using equity method	65	32	262
Other	104	99	814
Total non-operating expenses	1,016	451	3,689
Ordinary income	12,287	10,818	88,381
Extraordinary income:			
Gain on disposal of non-current assets (Note 4)	618	50	411
Gain on sales of investment securities (Note 10)	–	1,177	9,623
Gain on step acquisitions	61	–	–
Total extraordinary income	680	1,228	10,034
Extraordinary losses:			
Loss on disposal of non-current assets (Note 4)	425	45	372
Impairment loss (Note 17)	359	0	0
Loss on valuation of investment securities (Note 10)	0	–	–
Total extraordinary losses	784	45	372
Profit before income taxes	12,184	12,001	98,043
Income taxes-current	3,755	3,179	25,971
Income taxes-deferred	(243)	753	6,157
Total income taxes	3,512	3,932	32,128
Profit	8,671	8,068	65,914
Profit attributable to non-controlling interests	392	820	6,700
Profit attributable to owners of parent	¥8,279	¥7,248	$59,214

	Millions of yen		Thousands of U.S. dollars
	2021	2022	2022
Consolidated Statements of Comprehensive Income			
Profit	¥8,671	¥8,068	$65,914
Other comprehensive income:			
Valuation difference on available-for-sale securities	5,860	(2,329)	(19,028)
Deferred gains or losses on hedges	(3)	(22)	(181)
Foreign currency translation adjustment	(546)	2,547	20,813
Remeasurements of defined benefit plans	2,758	(455)	(3,724)
Share of other comprehensive income of entities accounted for using equity method	6	69	565
Total other comprehensive income (Note 5)	8,076	(190)	(1,554)
Comprehensive income	¥16,748	¥7,878	$64,360
Comprehensive income attributable to :			
Owners of parent	¥16,245	¥6,669	$54,487
Non-controlling interests	503	1,208	9,873

	Yen		U.S. dollars
Per share data:			
Profit attributable to owners of parent	¥243.03	¥212.69	$1.74
Cash dividends	¥90.00	¥100.00	$0.82

	Millions of yen		Thousands of U.S. dollars
Basis of calculation			
Profit attributable to owners of parent	¥8,279	¥7,248	$59,214
Profit attributable to owners of parent for common shares	8,279	7,248	59,214
Average number of common shares (thousands of shares)	34,068	34,078	34,078

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

Financial Sections

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

Taisisha Ltd. and its Consolidated Subsidiaries

For the year ended March 31, 2021

	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	¥5,058	¥90,842	¥(2,593)	¥99,762	¥8,376	¥(0)	¥372	¥(302)	¥8,447	¥4,633	¥112,843
Cumulative effects of changes in accounting policies					–							–
Restated balance	6,455	5,058	90,842	(2,593)	99,762	8,376	(0)	372	(302)	8,447	4,633	112,843
Changes of items during the period												
Dividends of surplus (Note 6)			(3,420)		(3,420)							(3,420)
Profit attributable to owners of parent			8,279		8,279							8,279
Purchase of treasury shares (Note 6)				(0)	(0)							(0)
Disposal of treasury shares (Note 6)					–							–
Purchase of shares of consolidated subsidiaries					–							–
Net changes of items other than shareholders' equity						5,860	(3)	(610)	2,718	7,965	644	8,609
Total changes of items during the period	–	–	4,859	(0)	4,858	5,860	(3)	(610)	2,718	7,965	644	13,468
Balance at the end of current period	¥6,455	¥5,058	¥95,701	¥(2,594)	¥104,620	¥14,237	¥(3)	¥(237)	¥2,416	¥16,412	¥5,277	¥126,311

For the year ended March 31, 2022

	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	¥5,058	¥95,701	¥(2,594)	¥104,620	¥14,237	¥(3)	¥(237)	¥2,416	¥16,412	¥5,277	¥126,311
Cumulative effects of changes in accounting policies			21		21			(1)		(1)	(15)	4
Restated balance	6,455	5,058	95,723	(2,594)	104,642	14,237	(3)	(239)	2,416	16,411	5,261	126,315
Changes of items during the period												
Dividends of surplus (Note 6)			(3,078)		(3,078)							(3,078)
Profit attributable to owners of parent			7,248		7,248							7,248
Purchase of treasury shares (Note 6)				(1)	(1)							(1)
Disposal of treasury shares (Note 6)				51	51							51
Purchase of shares of consolidated subsidiaries		(0)			(0)				(0)	(0)		(0)
Net changes of items other than shareholders' equity						(2,329)	(21)	2,256	(484)	(578)	830	251
Total changes of items during the period	–	(0)	4,169	50	4,220	(2,329)	(21)	2,256	(484)	(578)	830	4,472
Balance at the end of current period	¥6,455	¥5,058	¥99,893	¥(2,544)	¥108,862	¥11,908	¥(25)	¥2,017	¥1,932	¥15,833	¥6,092	¥130,788

For the year ended March 31, 2022

	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	$52,734	$41,324	$781,815	$(21,197)	$854,676	$116,310	$(26)	$(1,944)	$19,742	$134,082	$43,112	$1,031,870
Cumulative effects of changes in accounting policies			175		175			(10)		(10)	(129)	36
Restated balance	52,734	41,324	781,990	(21,197)	854,851	116,310	(26)	(1,954)	19,742	134,072	42,983	1,031,906
Changes of items during the period												
Dividends of surplus (Note 6)			(25,148)		(25,148)							(25,148)
Profit attributable to owners of parent			59,214		59,214							59,214
Purchase of treasury shares (Note 6)				(11)	(11)							(11)
Disposal of treasury shares (Note 6)				423	423							423
Purchase of shares of consolidated subsidiaries		0			0				(0)	(0)		0
Net changes of items other than shareholders' equity						(19,028)	(179)	18,438	(3,958)	(4,727)	6,786	2,059
Total changes of items during the period	–	0	34,066	412	34,478	(19,028)	(179)	18,438	(3,958)	(4,727)	6,786	36,537
Balance at the end of current period	$52,734	$41,324	$816,056	$(20,785)	$889,329	$97,282	$(205)	$16,484	$15,784	$129,345	$49,769	$1,068,443

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, 2021 and 2022

	Millions of yen		Thousands of U.S. dollars
	2021	2022	2022
Cash flows from operating activities:			
Profit before income taxes	¥12,184	¥12,001	$98,043
Depreciation and amortization	2,362	2,496	20,394
Amortization of goodwill	638	414	3,387
Increase (decrease) in allowance for doubtful accounts	304	385	3,151
Increase (decrease) in provision for warranties for completed construction	(400)	210	1,720
Increase (decrease) in provision for loss on construction contracts	114	(16)	(137)
Increase (decrease) in provision for directors' retirement benefits	(10)	4	33
Increase (decrease) in provision for share-based remuneration for directors	61	(25)	(211)
Increase (decrease) in net defined benefit liability	(97)	(572)	(4,676)
Interest and dividend income	(884)	(916)	(7,487)
Interest expenses	173	303	2,480
Gain on step acquisitions	(61)	–	–
Share of (profit) loss of entities accounted for using equity method	65	32	262
Loss (gain) on disposal of non-current assets	(193)	(4)	(39)
Loss (gain) on sales of investment securities	–	(1,177)	(9,623)
Loss on valuation of investment securities	0	–	–
Decrease (increase) in notes and accounts receivable-trade	(4,096)	(846)	(6,913)
Decrease (increase) in inventories	1,050	(655)	(5,351)
Decrease (increase) in accounts receivable-other	(16)	(238)	(1,950)
Increase (decrease) in notes and accounts payable-trade	(6,558)	(6,473)	(52,881)
Increase (decrease) in advances received on uncompleted construction contracts	(209)	(8,014)	(65,476)
Increase (decrease) in accrued consumption taxes	423	(423)	(3,459)
Increase (decrease) in deposits received	(550)	(69)	(570)
Increase (decrease) in accrued expenses	(29)	(196)	(1,604)
Other, net	(622)	(2,398)	(19,590)
Subtotal	3,645	(6,181)	(50,497)
Interest and dividend income received	884	916	7,487
Interest expenses paid	(173)	(303)	(2,478)
Income taxes paid	(3,382)	(2,976)	(24,315)
Net cash provided by (used in) operating activities	973	(8,544)	(69,803)
Cash flows from investing activities:			
Payments into time deposits	(4,071)	(4,327)	(35,353)
Proceeds from withdrawal of time deposits	3,023	4,433	36,220
Purchase of property, plant and equipment and intangible assets	(2,270)	(2,314)	(18,907)
Proceeds from sales of property, plant and equipment and intangible assets	824	151	1,234
Purchase of investment securities	(14)	(501)	(4,094)
Proceeds from sales of investment securities	–	1,455	11,893
Proceeds from redemption of investment securities	0	0	4
Purchase of investment in capital of subsidiaries resulting in change in scope of consolidation (Note 7)	(4,290)	–	–
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation (Note 7)	311	–	–
Payments of long-term loans receivable	(54)	(35)	(291)
Collection of long-term loans receivable	49	56	464
Purchase of insurance funds	(0)	(0)	(3)
Proceeds from maturity of insurance funds	1	–	–
Purchase of long-term prepaid expenses	(20)	(9)	(78)
Other, net	(400)	18	155
Net cash provided by (used in) investing activities	(6,913)	(1,071)	(8,756)
Cash flows from financing activities:			
Net increase (decrease) in short-term loans payable	565	8,389	68,538
Proceeds from long-term loans payable	4,601	3,438	28,089
Repayments of long-term loans payable	(2,814)	(2,460)	(20,097)
Repayments of lease obligations	(100)	(95)	(777)
Net decrease (increase) in treasury shares	(0)	50	411
Cash dividends paid	(3,418)	(3,078)	(25,151)
Cash dividends paid to non-controlling interests	(267)	(239)	(1,955)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	–	(4)	(40)
Net cash provided by (used in) financing activities	(1,435)	6,000	49,018
Effect of exchange rate change on cash and cash equivalents	(799)	1,737	14,192
Net increase (decrease) in cash and cash equivalents	(8,175)	(1,878)	(15,349)
Cash and cash equivalents at beginning of period	58,846	50,670	413,940
Cash and cash equivalents at end of period (Note 7)	¥50,670	¥48,791	$398,591

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, 2021 and 2022

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 ¥122.41 to US$1, the rate of exchange prevailing at March 31, 2022, 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, 2022, Taikisha de Mexico, S.A. de C.V., and Taikisha Mexicana Service, S.A. de C.V., a consolidated subsidiary of Taikisha de Mexico, S.A. de C.V., conducted an absorption-type merger, in which Taikisha de Mexico, S.A. de C.V. was the surviving company and Taikisha Mexicana Service, S.A. de C.V. was the dissolving company. Due to its dissolution, Taikisha Mexicana Service, S.A. de C.V. has been excluded from the scope of consolidation.

During the consolidated fiscal year ended March 31, 2022, Geico Taikisha GmbH, and Process Solution Partner GmbH, a consolidated subsidiary of Geico Taikisha GmbH, conducted an absorption-type merger, in which Geico Taikisha GmbH was the surviving company and Process Solution Partner GmbH was the dissolving company. Due to its dissolution, Process Solution Partner GmbH has been excluded from the scope of consolidation.

The consolidated financial statements include the accounts of the Company and all significant subsidiaries listed below as of March 31, 2022:

Domestic subsidiaries

San Esu Industry Co., Ltd.
Nippon Noise Control Ltd.
Tokyo Taikisha Service Ltd.
Vege-factory Co., 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 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.
Tianjin Taikisha Paint Finishing System Ltd.
Taikisha Hong Kong Limited
Taikisha (Taiwan) Ltd.
Taikisha Korea Ltd.
Taikisha Engineering India Private Ltd.
Nicomac Taikisha Clean Rooms Private Limited
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.)
Geico Taikisha GmbH
Process Solution Partner Rus LLC
Geico Taikisha Controls d.o.o.

(2) Application of the equity method

Name of associates subject to the equity method

Tianjin Dongchun-Taiki Metal Finishing & Conveyor System Manufacturing Co., Ltd., and Shanghai Dongbo-Taiki Conveyor System Manufacturing Co., Ltd., an application of equity method of the Company, conducted an absorption-type merger, in which Tianjin Dongchun-Taiki Metal Finishing & Conveyor System Manufacturing Co., Ltd. was the surviving company and Shanghai Dongbo-Taiki Conveyor System Manufacturing Co., Ltd. was the dissolving company. Due to its dissolution, Shanghai Dongbo-Taiki Conveyor System Manufacturing Co., Ltd. has been excluded from the scope of equity method.

FreDelish Co., Ltd.

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

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., Nicomac Taikisha Clean Rooms Private Limited and Geico Paint Shop India Private Limited is March 31, which is the same as that of the Company. The balance sheet date of Taikisha Myanmar Co., Ltd. and Token Myanmar Co., Ltd is 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. Customer-related assets are amortized by the straight-line method over the effective period of 10 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 executive directors upon their retirements, the estimated amount of provision for share-based obligation as of the fiscal year end is provided based on the regulation of share-based remuneration 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) Revenue and cost recognition

The details of the main performance obligations in the major businesses related to revenue from contracts with the Taikisha Group’s customers and the timing at which the Company typically satisfies these performance obligations (when it typically recognizes revenue) are as follows.

Construction contracts, and so on

In the Green Technology System business and the Paint Finishing System business, performance obligations for construction contracts, etc. mainly involving design, supervision, and installation are deemed to be satisfied over time, and revenue is recognized based on progress toward complete satisfaction of a performance obligation.

The progress of satisfaction of performance obligations in revenue recognition over time is measured by the ratio of incurred costs to estimated total costs (input methods). For those construction contracts that incurred costs are expected to be recoverable though the progress of satisfaction of performance obligations cannot be reasonably measured, revenue is recognized by cost recovery method.

Sales of equipment and materials

In the Green Technology System business and the Paint Finishing system business, performance obligations for sales of equipment and materials are deemed to be satisfied at a point in time, and revenue is recognized when products are delivered.

(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 statements of cash flows are composed of cash in hand, bank deposits able to be withdrawn on demand and short-term investments with an original maturity of three months or less and which 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 the effective period within 20 years. However, an immaterial goodwill is recognized as expenses in the fiscal year of accrual.

(12) Significant accounting estimates

Estimates of percentage of completion in construction contracts, etc. in which revenue is recognized over time

(1) Amounts recorded in the consolidated financial statements

	Millions of yen		Thousands of U.S. dollars
	2021	2022	2022
Net sales of completed construction contracts	¥172,277	**¥187,745**	**$1,533,745**

(2) Contents of the significant accounting estimates

In the Taikisha Group, of the construction contracts as of the consolidated fiscal year-end, if the percentage of completion can be reasonably estimated for specific construction contracts, etc. in which revenue is recognized over time, revenue is recorded according to the said percentage of completion.

The percentage of completion is measured by the ratio of cost incurred as of the fiscal year-end to estimated total costs based on the working budget for the construction contract (input methods).

Regarding the total estimated cost for the construction contract until its completion, as changes may occur in line with the progress, etc. of the construction contract, the Taikisha Group continuously reviews the said estimates and assumptions.

The total estimated cost is calculated based on various types of information, including the details of the construction contract, etc., the specifications, and the actual cost incurred in similar contracts in the past, for each contract. In particular, regarding projects undertaken by the Taikisha Group, specifications of the contract and details of the work are determined based on the customer's requests, and the details of each contract differ greatly from other contracts. If hindrances to the project's progress that were not foreseen at the initial stage of the contract occur, additional assessments and estimates may be required regarding the altered conditions and the extent of each component in the emergency response.

In addition, the total estimated cost may increase due to factors such as soaring prices of equipment and materials as a result of changes in global circumstances.

As the assumptions come with a high level of uncertainty depending on changes in each individual project's conditions, if there is fluctuation on the total estimated cost and as a result the actual figure differs greatly from the estimate, there may be a material impact on the amount of future income on the consolidated financial statements.

Valuation of goodwill and intangible assets

(1) Amounts recorded in the consolidated financial statements

	Millions of yen		Thousands of U.S. dollars
	2021	2022	2022
Goodwill	¥4,084	**¥3,966**	**$32,403**
Customer-related assets	¥1,389	**¥1,334**	**$10,898**

(2) Contents of the significant accounting estimates

The Taikisha Group judges the necessity of the recognition and measurement of an impairment regarding goodwill and customer-related assets as of the consolidated fiscal year-end by verifying whether there is indication of the impairment or not.

For performing the recognition and measurement of impairment, assumptions will be set regarding future cash flows and discount rate based on the business plan.

These assumptions are determined at the discretion of management based on the best estimates. However, as they may be affected by the results of fluctuations of uncertain economic conditions in the future and so on, if they are necessary to be reviewed, there may be a material impact on the consolidated financial statements.

(13) Change in accounting policy

Application of Accounting Standard for Revenue Recognition, etc.

The "Accounting Standard for Revenue Recognition" (Accounting Standards Board of Japan Statement No. 29, March 31, 2020, hereinafter referred to as "Revenue Recognition Accounting Standard"), etc. have been applied from the beginning of the fiscal year. In accordance with the Revenue Recognition Accounting Standard etc., revenue is recognized at the amount expected to be received in exchange for the promised goods or services when the control of the goods or services is transferred to the customer. Regarding construction contracts and so on, as a result of examining the identification of performance obligations and the timing of its satisfaction, revenue recognition method has been changed to recognize revenue over time after the application of the Revenue Recognition Accounting Standard etc., though previously the percentage-of-completion method had been applied for construction contracts for which the completion of a certain percentage of the entire work is reliably recognizable and the completed-contract method had been applied for the other construction contracts.

Regarding maintenance contracts and so on, as a result of examining the identification of performance obligations and the timing of its satisfaction, revenue recognition method has been changed to recognize revenue over time, though previously revenue had been recognized when service was completely rendered.

The progress of satisfaction of performance obligations in revenue recognition over time is measured by the ratio of incurred costs to estimated total costs (input methods). For those construction contracts that incurred costs are expected to be recoverable though the progress of satisfaction of performance obligations cannot be reasonably measured, revenue is recognized by cost recovery method.

In addition, the sales discount recorded as non-operating expenses in the previous fiscal year is deducted from the net sales of completed construction contracts from this fiscal year.

The application of the Revenue Recognition Accounting Standard etc. is pursuant to the transitional treatment stipulated in the proviso of Paragraph 84 of the Revenue Recognition Accounting Standard. The cumulative effect when applying the Revenue Recognition Accounting Standard etc. retrospectively from before the beginning of the fiscal year is added to or subtracted from the retained earnings at the beginning of the fiscal year, and thus the Revenue Recognition Accounting Standard etc. have been applied from the beginning balance.

As a result, net sales of completed construction contracts increased by ¥208 million (US$1,702 thousand), cost of sales of completed construction contracts increased by ¥200 million (US$1,636 thousand), gross profit on completed construction contracts and operating income increased by ¥8 million (US$66 thousand), ordinary income and profit before income taxes increased by ¥21 million (US$177 thousand) respectively. Also, beginning balance of retained earnings increased by ¥21 million (US$177 thousand), net assets per share increased by 0.77 yen and net income per share increased by 0.63 yen respectively.

In accordance with the transitional treatment stipulated in the Paragraph 89-3 of Revenue Recognition Accounting Standard, notes of "Revenue recognition" in the previous consolidated fiscal year are not stated.

Application of Accounting Standard for Fair Value Measurement, etc.

The "Accounting Standard for Fair Value Measurement" (Accounting Standards Board of Japan Statement No. 30, July 4, 2019, hereinafter referred to as "Fair Value Measurement Accounting Standard") etc., have been applied from the beginning of the fiscal year. In accordance with the transitional treatment stipulated in the Paragraph 19 of Fair Value Measurement Accounting Standard and stipulated in the Paragraph 44-2 of "Accounting Standard for Financial Instruments" (Accounting Standards Board of Japan Statement No. 10, July 4, 2019), the new accounting policy stipulated by the Fair Value Measurement Accounting Standard, etc. are applied prospectively. These applications have no impact on the financial statements.

In addition, in the notes to "Fair value of Financial Instruments", breakdown of the fair value of financial instruments by level, etc. are stated. However, in accordance with the transitional treatment stipulated in Paragraph 7-4 of the "Guidance on Disclosures about Fair Value of Financial Instruments" (Accounting Standards Board of Japan Guidance No. 19, July 4, 2019), notes related to the previous consolidated fiscal year are not stated.

(14) Accounting standards issued but not yet adopted

"Implementation Guidance on Accounting Standard for Fair Value Measurement" (Accounting Standards Board of Japan Guidance No. 31, June 17, 2021)

(Overview)

The guidance is stipulated for the calculation of the fair value of money trusts and notes to the fair value of investments in limited partnerships and other partnerships in which the net amount of equity interest is recorded on the balance sheet.

(Application date)

The guidance is expected to be applied from the beginning of the fiscal year starting on or after April 1, 2022.

(Impact of the application of the accounting standards)

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

(15) Additional information

Application of "Practical Solution on Transactions of Delivering the Company's Own Stock to Employees etc. through Trusts"

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

(Overview of transaction)

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

Although "Practical Solution on Transactions of Delivering the Company's Own Stock to Employees, etc., through Trusts" (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 ¥245 million for the previous fiscal year, and ¥227 million (US$1,860 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 132 thousand for the previous fiscal year and 122 thousand for the fiscal year. The average number of shares held during the year was 132 thousand for the previous fiscal year and 124 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 is ¥449 million for the previous fiscal year and ¥398 million (US$3,253 thousand) for the fiscal year, and the number of such shares is 136,400 for the previous fiscal year and 120,700 for the fiscal year.

(Effects of the spread of COVID-19)

The future outlook of the world economy and market environment in our group are on a recovery trend due to vaccine rollouts and so on, though they remain highly uncertain because the effects of the COVID-19 still continue due to widespread of new variant of the COVID-19 and so on.

Under these circumstances, accounting estimates for the valuation of fixed assets including goodwill and so on in the consolidated fiscal year are performed based on the assumption that capital investment will recover mainly in North America, Japan, China, India and so on in the future.

3. Notes of consolidated balance sheets

(1) Notes receivable, accounts receivable from completed construction contracts and other, arising from contracts with customers, such as accounts receivable and contract assets are as follows.

As of March 31, 2022	Millions of yen	Thousands of U.S. dollars
	2022	2022
Notes receivable - trade	¥2,908	$23,761
Accounts receivable from completed construction contracts	¥79,781	$651,757
Contract assets	¥22,266	$181,899

(2) The information of associates

As of March 31, 2021 and 2022	Millions of yen		Thousands of U.S. dollars
	2021	2022	2022
Investment securities	¥531	¥562	$4,592

(3) Pledged assets

Assets pledged as collateral for loans payable of subsidiaries and associates

As of March 31, 2021	Millions of yen	
Pledged assets	Book value	Liabilities covered by pledged assets
Cash and deposits	¥177	¥264
Machinery, vehicles, tools, furniture and fixtures	¥11	¥5

As of March 31, 2022	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	¥302	¥202	$2,469	$1,654
Machinery, vehicles, tools, furniture and fixtures	¥12	¥7	$104	$59

Assets pledged as collateral for security deposits at subsidiaries and associates

As of March 31, 2021 and 2022	Millions of yen		Thousands of U.S. dollars
	2021	2022	2022
Cash and deposits	¥57	¥57	$469

Assets pledged as collateral for overdraft facilities of subsidiaries and associates

As of March 31, 2021 and 2022	Millions of yen		Thousands of U.S. dollars
	2021	2022	2022
Cash and deposits	¥17	¥17	$140

(4) Guarantee obligations

As of March 31, 2021 and 2022	Millions of yen		Thousands of U.S. dollars
	2021	2022	2022
Tianjin Dongchun-Taiki Metal Finishing & Conveyor System Manufacturing Co., Ltd.	¥177	¥449	$3,668

(5) 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, 2021 and 2022	Millions of yen		Thousands of U.S. dollars
	2021	2022	2022
Total amount of lending commitment	¥5,000	¥5,000	$40,846
Borrowing execution balance	–	–	–
Net	¥5,000	¥5,000	$40,846

(6) Endorsed notes

As of March 31, 2021 and 2022	Millions of yen		Thousands of U.S. dollars
	2021	2022	2022
Endorsed notes	¥26	¥41	$335

(7) 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, 2021 and 2022	Millions of yen		Thousands of U.S. dollars
	2021	2022	2022
Provision for loss on construction contracts	¥–	¥1	$16

4. Notes of consolidated statements of income

(1) Revenue from contracts with customers

Revenue from completed construction contracts is not separately stated from revenue from contracts with customers and other revenue. The amount of revenue from contracts with customers is stated in "Notes to Consolidated Financial Statements (Revenue Recognition) (1) Breakdown of revenue from contracts with customers".

(2) Research and development expenses

Research and development expenses included in selling, general and administrative expenses are as follows.

For the years ended March 31, 2021 and 2022	Millions of yen		Thousands of U.S. dollars
	2021	2022	2022
General and administrative expenses	¥1,122	¥1,106	$9,042

(3) Gain on disposal of non-current assets

For the years ended March 31, 2021 and 2022	Millions of yen		Thousands of U.S. dollars
	2021	2022	2022
Buildings and structures	¥166	¥33	$277
Machinery, vehicles, tools, furniture and fixtures	17	15	126
Land	435	–	–
Leasehold and guarantee deposits	–	0	8
Total	¥618	¥50	$411

(4) Loss on disposal of non-current assets

For the years ended March 31, 2021 and 2022	Millions of yen		Thousands of U.S. dollars
	2021	2022	2022
Buildings and structures	¥355	¥34	$285
Machinery, vehicles, tools, furniture and fixtures	5	4	34
Land	–	6	53
Software	62	–	–
Long-term deposits	0	–	–
Total	¥425	¥45	$372

(5) 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, 2021 and 2022	Millions of yen		Thousands of U.S. dollars
	2021	2022	2022
Provision for loss on construction contracts	¥353	¥207	$1,699

5. Notes of consolidated statements of comprehensive income

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

For the years ended March 31, 2021 and 2022	Millions of yen		Thousands of U.S. dollars
	2021	2022	2022
Valuation difference on available-for-sale securities			
Net gains (losses) arising during the period	¥8,302	¥(2,148)	$(17,550)
Reclassification adjustments	–	(1,177)	(9,623)
Before tax effects	8,302	(3,326)	(27,173)
Tax effects	(2,441)	997	8,145
Valuation difference on available-for-sale securities	5,860	(2,329)	(19,028)
Deferred gains or losses on hedges			
Net gains (losses) arising during the period	(4)	(31)	(260)
Reclassification adjustments	–	–	–
Before tax effects	(4)	(31)	(260)
Tax effects	1	9	79
Deferred gains or losses on hedges	(3)	(22)	(181)
Foreign currency translation adjustment			
Net gains (losses) arising during the period	(546)	2,547	20,813
Foreign currency translation adjustment	(546)	2,547	20,813
Remeasurements of defined benefit plans			
Net gains (losses) arising during the period	3,913	(356)	(2,916)
Reclassification adjustments	55	(330)	(2,702)
Before tax effects	3,969	(687)	(5,618)
Tax effects	(1,210)	231	1,894
Remeasurements of defined benefit plans	2,758	(455)	(3,724)
Share of other comprehensive income of entities accounted for using equity method			
Net gains (losses) arising during the period	6	69	565
Other comprehensive income	¥8,076	¥(190)	$(1,554)

6. Notes of consolidated statements of changes in net assets

(1) The number of issued shares

For the year ended March 31, 2021	Beginning Balance	Increase	Decrease	Ending Balance
Common shares	35,082,009	–	–	35,082,009

For the year ended March 31, 2022	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, 2021	Beginning Balance	Increase	Decrease	Ending Balance
Common shares	1,013,573	250	–	1,013,823

(Note1) The number of treasury shares increased by 250 shares because of purchase of shares less than one unit (*).
(Note2) The number of treasury shares as of the fiscal year end includes 136,400 shares owned by Custody Bank of Japan, 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.

For the year ended March 31, 2022	Beginning Balance	Increase	Decrease	Ending Balance
Common shares	1,013,823	436	15,700	998,559

(Note1) The number of treasury shares increased by 436 shares because of purchase of shares less than one unit (*). Also, the number of treasury shares decreased by 15,700 shares because of provision to Board Members from the Board Benefit Trust (BBT).
(Note2) The number of treasury shares as of the fiscal year end includes 120,700 shares owned by Custody Bank of Japan, 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, 2021

Resolution approved by	Type of shares	Amount Millions of yen	Amount per share Yen	Shareholders' cut-off date	Effective date
Annual general meeting of shareholders (June 26, 2020)	Common shares	¥2,394	¥70.00	March 31, 2020	June 29, 2020
Board of directors (November 10, 2020)	Common shares	¥1,026	¥30.00	September 30, 2020	November 27, 2020

(Note1) Dividends on June 29, 2020 includes dividends of ¥9 million for treasury shares owned by Custody Bank of Japan, Ltd. (Trust E account) as trust assets for Board Benefit Trust (BBT).
(Note2) Dividends on November 27, 2020 includes dividends of ¥4 million (US$37 thousand) for treasury shares owned by Custody Bank of Japan, Ltd. (Trust E account) as trust assets for Board Benefit Trust (BBT).

For the year ended March 31, 2022

Resolution approved by	Type of shares	Amount		Amount per share		Shareholders' cut-off date	Effective date
		Millions of yen	Thousands of U.S. dollars	Yen	U.S. dollars		
Annual general meeting of shareholders (June 29, 2021)	Common shares	¥2,052	$16,766	¥60.00	$0.49	March 31, 2021	June 30, 2021
Board of directors (November 10, 2021)	Common shares	¥1,026	$8,383	¥30.00	$0.25	September 30, 2021	November 30, 2021

(Note1) Dividends on June 30, 2021 includes dividends of ¥8 million (US$74 thousand) for treasury shares owned by Custody Bank of Japan, Ltd. (Trust E account) as trust assets for Board Benefit Trust (BBT).
(Note2) Dividends on November 30, 2021 includes dividends of ¥3 million (US$29 thousand) for treasury shares owned by Custody Bank of Japan, 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, 2021

Resolution approved by	Type of shares	Paid from	Amount Millions of yen	Amount per share Yen	Shareholders' cut-off date	Effective date
Annual general meeting of shareholders (June 29, 2021)	Common shares	Retained earnings	¥2,052	¥60.00	March 31, 2021	June 30, 2021

(Note) Dividends total includes dividends of ¥8 million for treasury shares owned by Custody Bank of Japan, Ltd. (Trust E account) as trust assets for Board Benefit Trust (BBT).

For the year ended March 31, 2022

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 29, 2022)	Common shares	Retained earnings	¥2,394	$19,560	¥70.00	$0.57	March 31, 2022	June 30, 2022

(Note) Dividends total includes dividends of ¥8 million (US$69 thousand) for treasury shares owned by Custody Bank of Japan, 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, 2021 and 2022	Millions of yen 2021	Millions of yen 2022	Thousands of U.S. dollars 2022
Cash and deposits	¥52,059	¥49,085	$400,993
Securities	2,000	3,000	24,508
Sub total	54,059	52,085	425,501
Time deposits over three months	(3,389)	(3,294)	(26,910)
Cash and cash equivalents	¥50,670	¥48,791	$398,591

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

For the year ended March 31, 2021

Details of assets and liabilities at time of consolidation commencement of Nicomac Clean Rooms Far East LLP (hereinafter "Nicomac") which is included in the scope of consolidation because of acquisition of equity as well as the relation between the acquisition cost of equity and the expenditures (net) are as follows. After becoming a subsidiary, Nicomac changed its form of organization from a Limited Liability Partnership (LLP) to an incorporated company, and its company name to Nicomac Taikisha Clean Rooms Private Limited.

	Millions of yen
Current assets	¥755
Non-current assets	1,608
Goodwill	3,432
Current liabilities	(297)
Non-current liabilities	(498)
Non-controlling interests	(407)
Foreign currency translation adjustment	(92)
Acquisition cost of equity	4,500
Cash and cash equivalents	(209)
Net : Purchase of investment in capital of subsidiaries resulting in change in scope of consolidation	¥(4,290)

Geico S.p.A., a consolidated subsidiary of the Company, acquired additional shares of its associate subject to the equity method J-PM Systems GmbH and made it a subsidiary. Furthermore, J-PM Systems GmbH acquired shares of Process Solution Partner GmbH (including Process Solution Partner Rus LLC, a subsidiary of Process Solution Partner GmbH) and Software Automation Concepts d.o.o., and made them subsidiaries.

Details of assets and liabilities at time of consolidation commencement of J-PM Systems GmbH, Process Solution Partner GmbH (including Process Solution Partner Rus LLC, a subsidiary of Process Solution Partner GmbH) and Software Automation Concepts d.o.o. as well as the relation between the acquisition cost of shares and the expenditures (net) are as follows. In addition, J-PM Systems GmbH has changed its company name to Geico Taikisha GmbH, and Software Automation Concepts d.o.o. has changed its company name to Geico Taikisha Controls d.o.o.

	Millions of yen
Current assets	¥1,533
Non-current assets	249
Goodwill	424
Current liabilities	(1,569)
Non-current liabilities	(215)
Shareholdings before the acquisition	31
Non-controlling interests	(15)
Foreign currency translation adjustment	5
Gain on step acquisitions	(62)
Acquisition cost of shares	381
Cash and cash equivalents	(444)
Third-party allotment	(248)
Net : Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	¥311

For the year ended March 31, 2022

Not applicable.

(3) 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, 2021 and 2022	Millions of yen		Thousands of U.S. dollars
	2021	2022	2022
Due within one year	¥283	¥262	$2,145
Due over one year	650	633	5,179
Total	¥933	¥896	$7,324

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 the difference between those values.

As of March 31, 2021

	Millions of yen		
	Book value	Fair value	Difference
Notes receivable, accounts receivable from completed construction contracts and other	¥101,413		
Allowance for doubtful accounts (*2)	(436)		
	100,977	100,963	(13)
Securities and Investment securities (*3)	33,710	33,710	–
Total Assets	134,687	134,674	(13)
Notes payable, accounts payable for construction contracts and other	52,050	52,042	(8)
Short-term loans payable	6,588	6,588	–
Long-term loans payable	4,769	4,795	26
Total Liabilities	63,409	63,426	17
Derivatives	¥(5)	¥(5)	¥–

(*1) Cash and deposits and income taxes payable are not stated because they are settled in a short period of time and their fair value approximates their book values.
(*2) "Allowance for doubtful accounts" separately included in "notes receivable, accounts receivable from completed construction contracts and other" is deducted.
(*3) Certain financial instruments for which it is extremely difficult to determine the fair value are not included (see Note 1 below).

As of March 31, 2022	Millions of yen			Thousands of U.S. dollars		
	Book value	Fair value	Difference	Book value	Fair value	Difference
Notes receivable, accounts receivable from completed construction contracts and other	¥104,956			$857,417		
Allowance for doubtful accounts (*2)	(499)			(4,081)		
	104,456	104,400	(55)	853,336	852,879	(457)
Securities and Investment securities (*3)	31,607	31,607	–	258,211	258,211	–
Total Assets	136,064	136,008	(55)	1,111,547	1,111,090	(457)
Notes payable, accounts payable for construction contracts and other	47,102	47,066	(36)	384,794	384,497	(297)
Short-term loans payable	15,535	15,535	–	126,917	126,917	–
Long-term loans payable	5,605	5,624	19	45,793	45,950	157
Total Liabilities	68,244	68,226	(17)	557,504	557,364	(140)
Derivatives	¥(43)	¥(43)	¥–	$(352)	$(352)	$–

(*1) Cash and deposits and income taxes payable are not stated because they are settled in a short period of time and their fair value approximates their book value.
(*2) "Allowance for doubtful accounts" separately included in "notes receivable, accounts receivable from completed construction contracts and other" is deducted.
(*3) Stocks and other securities without market prices are not included (see Note 1 below).

(Note 1)

As of March 31, 2021 and 2022	Millions of yen		Thousands of U.S. dollars
	2021	2022	2022
Available-for-sale securities			
Non-listed stocks	¥961	¥992	$8,111
Non-listed foreign bonds	¥4	¥4	$38

(Note 2) Redemption schedule for monetary receivables and securities with maturities

As of March 31, 2021	Millions of yen			
	Within one year	Over one year within five years	Over five years within ten years	Over ten years
Cash and deposits	¥52,059	¥–	¥–	¥–
Notes receivable, accounts receivable from completed construction contracts and other	89,681	11,714	17	–
Securities and Investment securities				
Available-for-sale securities with maturity date (Money trusts, etc.)	2,000	–	–	–
Available-for-sale securities with maturity date (Non-listed foreign bonds)	–	4	–	–
Total	¥143,741	¥11,719	¥17	¥–

As of March 31, 2022	Millions of yen			
	Within one year	Over one year within five years	Over five years within ten years	Over ten years
Cash and deposits	¥49,085	¥–	¥–	¥–
Notes receivable, accounts receivable from completed construction contracts and other	94,984	9,924	46	–
Securities and Investment securities				
Available-for-sale securities with maturity date (Money trusts, etc.)	3,000	–	–	–
Available-for-sale securities with maturity date (Non-listed foreign bonds)	–	4	–	–
Total	¥147,070	¥9,929	¥46	¥–

As of March 31, 2022

	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	$400,993	$–	$–	$–
Notes receivable, accounts receivable from completed construction contracts and other	775,953	81,080	383	–
Securities and Investment securities				
Available-for-sale securities with maturity date (Money trusts, etc.)	24,508	–	–	–
Available-for-sale securities with maturity date (Non-listed foreign bonds)	–	38	–	–
Total	$1,201,454	$81,118	$383	$–

(Note 3) Redemption schedule for long-term loans payable, lease obligations and other interest-bearing debts

As of March 31, 2021

	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	¥4,787	¥–	¥–	¥–	¥–	¥–
Long-term loans payable	1,801	1,568	1,145	820	743	492
Lease obligations	77	63	28	21	9	3
Total	¥6,666	¥1,631	¥1,174	¥841	¥753	¥495

As of March 31, 2022

	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	¥13,413	¥–	¥–	¥–	¥–	¥–
Long-term loans payable	2,122	2,165	1,484	1,216	607	131
Lease obligations	83	43	24	10	2	–
Total	¥15,618	¥2,209	¥1,509	¥1,227	¥609	¥131

As of March 31, 2022

	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	$109,581	$–	$–	$–	$–	$–
Long-term loans payable	17,336	17,691	12,126	9,941	4,960	1,073
Lease obligations	678	358	202	88	23	–
Total	$127,595	$18,049	$12,328	$10,029	$4,983	$1,073

(3) Breakdown of the fair value of financial instruments by level, and so on

The fair values of financial instruments are classified into the following three levels based on the observability and materiality of the inputs used to measure fair value.

Level 1: Fair values measured using quoted prices in active markets with respect to identical assets or liabilities
Level 2: Fair values measured using inputs other than those included within Level 1 that are observable
Level 3: Fair values measured using inputs that are unobservable

If multiple inputs that have significant impacts on the measurement of fair value are used, fair values are classified to the level with the lowest priority in the measurement of fair value among the levels to which each of those inputs belongs.

Financial instruments recorded on the consolidated balance sheet at fair value

As of March 31, 2022

	Millions of yen			
	Level 1	Level 2	Level 3	Total
Securities and Investment securities				
Available-for-sale securities				
Stocks	¥28,607	¥–	¥–	¥28,607
Total Assets	28,607	–	–	28,607
Derivative transactions	¥–	¥(43)	¥–	¥(43)

As of March 31, 2022

	Thousands of U.S. dollars			
	Level 1	Level 2	Level 3	Total
Securities and Investment securities				
Available-for-sale securities				
Stocks	$233,704	$–	$–	$233,704
Total Assets	233,704	–	–	233,704
Derivative transactions	$–	$(352)	$–	$(352)

Financial instruments other than financial instruments recorded on the consolidated balance sheet at fair value

As of March 31, 2022

	Millions of yen			
	Level 1	Level 2	Level 3	Total
Notes receivable, accounts receivable from completed construction contracts and other	¥–	¥104,400	¥–	¥104,400
Securities and Investment securities				
Money trusts	–	2,000	–	2,000
Bonds				
Other	–	1,000	–	1,000
Total Assets	–	107,400	–	107,400
Notes payable, accounts payable for construction contracts and other	–	47,066	–	47,066
Short-term loans payable	–	15,535	–	15,535
Long-term loans payable	–	5,624	–	5,624
Total Liabilities	¥–	¥68,226	¥–	¥68,226

As of March 31, 2022

	Thousands of U.S. dollars			
	Level 1	Level 2	Level 3	Total
Notes receivable, accounts receivable from completed construction contracts and other	$–	$852,879	$–	$852,879
Securities and Investment securities				
Money trusts	–	16,339	–	16,339
Bonds				
Other	–	8,169	–	8,169
Total Assets	–	877,387	–	877,387
Notes payable, accounts payable for construction contracts and other	–	384,497	–	384,497
Short-term loans payable	–	126,917	–	126,917
Long-term loans payable	–	45,950	–	45,950
Total Liabilities	$–	$557,364	$–	$557,364

(Note) Explanation of valuation method used in the measurement of fair value and inputs related to the measurement of fair value

Assets

Notes receivable, accounts receivable from completed construction contracts and other

These fair values are classified into level 2 because these fair values are calculated based on the discount rate that takes into account the period until these maturities and credit risks for each receivables classified by a certain period of time.

Securities and investment securities

These fair values of listed stocks are evaluated using quoted market prices. These fair values are classified into level 1 because the listed stocks are traded in active markets. Bonds are classified into level 2 because these present values are cash flows discounted by the rate based on the yield of government bonds with the closer redemption period.

Liabilities

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

These fair values of payables or loans are classified into level 2 because the fair values are calculated by discounting by the discount rate that takes into account the period until these payment or repayment and credit risk.

Long-term loans payable

Fair values of long-term loans with floating interest rates are classified into level 2 because these fair values are deemed to approximate the book values and the floating interest rates reflect the market interest rates and these credit statuses are not significantly different from those when the loans are executed. Fair values of long-term loans with fixed interest rates are classified into level 2 because the total amount of principal and interest of the long-term loans divided by a certain period of time are calculated fair value by discounting by the interest rate assumed when a new similar loans are executed.

Derivative transactions

These fair values are classified into level 2 because these fair values are based on the prices provided by the financial institutions with which the Company has transactions. In addition, the special treatments of interest rate swaps are included in the fair values of relevant long-term loans payable because they are treated together with long-term loans to be hedged.

10. Securities

(1) Held-to-maturity debt securities

As of March 31, 2021
Not applicable.

As of March 31, 2022
Not applicable.

(2) Available-for-sale securities

As of March 31, 2021

	Millions of yen		
	Book value	Acquisition cost	Difference
Securities whose book value exceeds their acquisition cost			
Stocks	¥31,686	¥11,306	¥20,379
Securities whose book value does not exceed their acquisition cost			
Money trusts	1,000	1,000	–
Stocks	24	34	(9)
Bonds			
Other	1,000	1,000	–
Total	¥33,710	¥13,340	¥20,369

As of March 31, 2022

	Millions of yen		
	Book value	Acquisition cost	Difference
Securities whose book value exceeds their acquisition cost			
Stocks	¥28,441	¥11,381	¥17,059
Securities whose book value does not exceed their acquisition cost			
Money trusts	2,000	2,000	–
Stocks	166	182	(16)
Bonds			
Other	1,000	1,000	–
Total	¥31,607	¥14,563	¥17,043

As of March 31, 2022

	Thousands of U.S. dollars		
	Book value	Acquisition cost	Difference
Securities whose book value exceeds their acquisition cost			
Stocks	$232,344	$92,977	$139,367
Securities whose book value does not exceed their acquisition cost			
Money trusts	16,339	16,339	–
Stocks	1,359	1,492	(133)
Bonds			
Other	8,170	8,170	–
Total	$258,212	$118,978	$139,234

(3) Available-for-sale securities sold

For the year ended March 31, 2021
Not applicable.

For the year ended March 31, 2022

	Millions of yen		
	Sales amount	Total gain on sales	Total loss on sales
Stocks	¥1,455	¥1,177	¥–
Total	¥1,455	¥1,177	¥–

For the year ended March 31, 2022

	Thousands of U.S. dollars		
	Sales amount	Total gain on sales	Total loss on sales
Stocks	$11,893	$9,623	$–
Total	$11,893	$9,623	$–

(4) Securities with impairment loss

For the years ended March 31, 2021

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, 2022

Not applicable. 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, 2021

		Millions of yen			
Category	Transaction type	Contract amount	Over one year	Fair value	Unrealized gain (loss)
Non-market transactions	Forward exchange contracts:				
	Buy				
	Yen	¥232	¥–	¥(10)	¥(10)
	U.S. dollars	15	–	(0)	(0)
	Euros	10	–	(0)	(0)
	Chinese Yuan	127	–	6	6
	Sell				
	U.S. dollars	64	–	3	3
	Total	¥451	¥–	¥(0)	¥(0)

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

As of March 31, 2022

		Millions of yen			
Category	Transaction type	Contract amount	Over one year	Fair value	Unrealized gain (loss)
Non-market transactions	Forward exchange contracts:				
	Buy				
	Yen	¥157	¥–	¥(3)	¥(3)
	U.S. dollars	22	–	0	0
	Chinese Yuan	92	–	(1)	(1)
	Sell				
	Yen	1	–	0	0
	Total	¥273	¥–	¥(4)	¥(4)

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

As of March 31, 2022

		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	$1,287	$–	$(30)	$(30)
	U.S. dollars	181	–	4	4
	Chinese Yuan	759	–	(11)	(11)
	Sell				
	Yen	11	–	0	0
	Total	$2,238	$–	$(37)	$(37)

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

Currency-related transactions

As of March 31, 2021

Hedging method	Transaction type		Main hedged items	Contract amount (Millions of yen)	Over one year (Millions of yen)	Fair value (Millions of yen)
Method in principle	Forward exchange contracts					
	Buy					
		Baht	Accounts payable for construction contracts (forecast)	¥555	¥26	¥26
	Sell					
		U.S. dollars	Accounts receivable from completed construction contracts (forecast)	281	–	(18)
		Euros	Accounts receivable from completed construction contracts (forecast)	156	–	(9)
		Chinese Yuan	Accounts receivable from completed construction contracts (forecast)	209	–	(3)
			Total	¥1,202	¥26	¥(4)

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

As of March 31, 2022

Hedging method	Transaction type		Main hedged items	Contract amount (Millions of yen)	Over one year (Millions of yen)	Fair value (Millions of yen)
Method in principle	Forward exchange contracts					
	Buy					
		Baht	Accounts payable for construction contracts (forecast)	¥10	¥–	¥0
		Chinese Yuan	Accounts payable for construction contracts (forecast)	13	–	(0)
	Sell					
		U.S. dollars	Accounts receivable from completed construction contracts (forecast)	118	–	(3)
		Euros	Accounts receivable from completed construction contracts (forecast)	155	155	(8)
		Chinese Yuan	Accounts receivable from completed construction contracts (forecast)	649	362	(27)
			Total	¥947	¥517	¥(38)

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

As of March 31, 2022

Hedging method	Transaction type		Main hedged items	Contract amount (Thousands of U.S. dollars)	Over one year (Thousands of U.S. dollars)	Fair value (Thousands of U.S. dollars)
Method in principle	Forward exchange contracts					
	Buy					
		Baht	Accounts payable for construction contracts (forecast)	$90	$–	$5
		Chinese Yuan	Accounts payable for construction contracts (forecast)	106	–	(1)
	Sell					
		U.S. dollars	Accounts receivable from completed construction contracts (forecast)	969	–	(25)
		Euros	Accounts receivable from completed construction contracts (forecast)	1,269	1,269	(72)
		Chinese Yuan	Accounts receivable from completed construction contracts (forecast)	5,304	2,960	(223)
			Total	$7,738	$4,229	$(316)

Interest-related transactions

As of March 31, 2021

Hedging method	Transaction type	Main hedged items	Contract amount (Millions of yen)	Over one year (Millions of yen)	Fair value (Millions of yen)
Special treatment	Interest rate swap				
	Pay fixed/Receive floating	Long-term loans payable	¥2,763	¥2,524	(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, 2022

Hedging method	Transaction type	Main hedged items	Contract amount (Millions of yen)	Over one year (Millions of yen)	Fair value (Millions of yen)
Special treatment	Interest rate swap				
	Pay fixed/Receive floating	Long-term loans payable	¥2,676	¥2,039	(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, 2022

Hedging method	Transaction type	Main hedged items	Contract amount (Thousands of U.S. dollars)	Over one year (Thousands of U.S. dollars)	Fair value (Thousands of U.S. dollars)
Special treatment	Interest rate swap				
	Pay fixed/Receive floating	Long-term loans payable	$21,866	$16,660	

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, 2021 and 2022	Millions of yen		Thousands of U.S. dollars
	2021	2022	2022
Projected benefit obligations at the beginning of current period	¥18,133	¥17,441	$142,482
Service costs	1,258	1,229	10,045
Interest costs	57	38	313
Actuarial differences accrued in the current period	(989)	137	1,126
Benefits paid	(948)	(1,001)	(8,180)
Past service costs accrued in the current period	–	(39)	(324)
Foreign currency translation	(69)	41	338
Projected benefit obligations at the end of current period	¥17,441	¥17,847	$145,800

Reconciliation of beginning and ending balances for pension assets

For the years ended March 31, 2021 and 2022	Millions of yen		Thousands of U.S. dollars
	2021	2022	2022
Pension assets at the beginning of current period	¥21,830	¥25,242	$206,212
Expected return on pension assets	467	524	4,282
Actuarial differences accrued in the current period	2,928	(249)	(2,039)
Contributions from employers	859	885	7,236
Benefits paid	(843)	(915)	(7,482)
Foreign currency translation	0	8	70
Pension assets at the end of current period	¥25,242	¥25,495	$208,279

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, 2021 and 2022	Millions of yen		Thousands of U.S. dollars
	2021	2022	2022
Funded projected benefit obligations	¥16,177	¥16,586	$135,502
Pension assets	(25,242)	(25,495)	(208,279)
Sub total	(9,064)	(8,908)	(72,777)
Unfunded projected benefit obligations	1,263	1,260	10,298
Net amount of liabilities and assets in the consolidated balance sheets	(7,801)	(7,648)	(62,479)
Net defined benefit liability	1,310	1,261	10,306
Net defined benefit asset	9,111	8,909	72,785
Net amount of liabilities and assets in the consolidated balance sheets	¥(7,801)	¥(7,648)	$(62,479)

Retirement benefit expenses

For the years ended March 31, 2021 and 2022	Millions of yen		Thousands of U.S. dollars
	2021	2022	2022
Service costs	¥1,258	¥1,229	$10,045
Interest costs	57	38	313
Expected return on pension assets	(467)	(524)	(4,282)
Amortization of actuarial differences	32	(344)	(2,812)
Amortization of past service costs	12	6	51
Retirement benefit expenses of defined benefit plans	¥892	¥405	$3,315

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, 2021 and 2022	Millions of yen		Thousands of U.S. dollars
	2021	2022	2022
Past service costs	¥19	¥47	$391
Actuarial differences	3,949	(735)	(6,009)
Total	¥3,969	¥(687)	$(5,618)

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, 2021 and 2022	Millions of yen		Thousands of U.S. dollars
	2021	2022	2022
Unrecognized past service costs	¥(115)	¥(67)	$(555)
Unrecognized actuarial differences	3,600	2,864	23,402
Total	¥3,484	¥2,796	$22,847

Pension assets

Composition ratio of pension assets is as follows.

As of March 31, 2021 and 2022	2021	2022
Debt securities	27%	30%
Stocks	34	31
Cash and deposits	3	4
General account of life insurance	27	22
Other	9	13
Total	100%	100%

(Note) For the previous fiscal year, 16% of total pension assets are attributed to the employee retirement benefit trust for benefit pension plan. For this fiscal year, 15% 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, 2021 and 2022

	2021	2022
Discount rates (weighted average)	0.3%	0.4%
Expected long-term return rates on pension assets (weighted average)	2.5%	2.5%

(3) Defined benefit plan calculated by simplified method

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

For the years ended March 31, 2021 and 2022

	Millions of yen		Thousands of U.S. dollars
	2021	2022	2022
Net defined benefit liability at the beginning of current period	¥221	¥196	$1,604
Retirement benefit expenses	17	22	185
Benefits paid	(37)	(35)	(286)
Contributions to the plan	(9)	(4)	(40)
Foreign currency translation	2	11	98
Other	1	9	78
Net defined benefit liability at the end of current period	¥196	¥200	$1,639

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

As of March 31, 2021 and 2022

	Millions of yen		Thousands of U.S. dollars
	2021	2022	2022
Funded projected benefit obligations	¥71	¥76	$626
Pension assets	(59)	(65)	(539)
Sub total	12	10	87
Unfunded projected benefit obligations	183	189	1,552
Net amount of liabilities and assets in the consolidated balance sheets	196	200	1,639
Net defined benefit liability	196	200	1,639
Net amount of liabilities and assets in the consolidated balance sheets	¥196	¥200	¥1,639

Retirement benefit expenses

Retirement benefit expenses calculated by the simplified method are ¥17 million for the previous fiscal year and ¥22 million (US$185 thousand) for this fiscal year.

(4) Defined contribution plans

Required contribution amount for defined contribution plans is ¥317 million for the previous fiscal year and ¥321 million (US$2,623 thousand) for this fiscal year.

13. Tax effect accounting

(1) Significant components of deferred tax assets and liabilities

As of March 31, 2021 and 2022	Millions of yen		Thousands of U.S. dollars
	2021	2022	2022
Deferred tax assets			
Allowance for doubtful accounts	¥123	¥222	$1,815
Provision for warranties for completed construction	133	172	1,413
Provision for loss on construction contracts	89	114	934
Net defined benefit liability	231	213	1,747
Employees' pension trust, investment securities	322	336	2,750
Provision for directors' retirement benefits	14	15	127
Accrued enterprise tax etc.	104	125	1,025
Accrued bonuses	1,724	1,226	10,016
Loss on valuation of investment securities	121	116	951
Loss on valuation of golf club membership	56	56	460
Valuation difference on available-for-sale securities	2	4	41
Foreign tax credit carried forward	164	182	1,489
Tax loss carried forward (Note2)	1,138	1,670	13,643
Other	1,555	1,528	12,485
Subtotal	5,782	5,985	48,896
Valuation allowance for tax loss carried forward (Note2)	(889)	(1,662)	(13,582)
Valuation allowance for total of deductible temporary differences, etc.	(997)	(906)	(7,402)
Subtotal (Note1)	(1,886)	(2,568)	(20,984)
Total deferred tax assets	3,896	3,416	27,912
Deferred tax liabilities			
Net defined benefit assets	(2,790)	(2,719)	(22,212)
Valuation difference on available-for-sale securities	(6,135)	(5,140)	(41,994)
Retained earnings of consolidated overseas subsidiaries	(2,039)	(1,921)	(15,700)
Other	(726)	(992)	(8,108)
Total deferred tax liabilities	(11,691)	(10,773)	(88,014)
Net deferred tax assets liabilities	¥(7,795)	¥(7,357)	$(60,102)

(Note1) Valuation allowance increased by ¥682 million (US$ 5,576 thousand). This increase is mainly due to increase in valuation allowances for tax loss carryforwards of ¥595 million (US$ 4,868 thousand) in Geico S.p.A. and its subsidiaries which are consolidated subsidiary of the Company.
(Note2) Total of tax loss carried forward and its deferred tax assets, by carryforward expiration date.

As of March 31, 2021	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)	¥69	¥9	¥9	¥1	¥3	¥1,046	¥1,138
Valuation allowance	(7)	(9)	(9)	(1)	(1)	(860)	(889)
Deferred tax assets	¥62	¥–	¥–	¥–	¥1	¥185	(b) ¥249

(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 ¥1,138 million tax loss carried forward (the result of multiplication by the effective statutory tax rate for each tax-paying entity), ¥249 million in deferred tax assets have been recorded. This total of ¥249 million in deferred tax assets relates mainly to tax loss carried forward at consolidated subsidiaries TKS Industrial Company of ¥185 million. 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.

As of March 31, 2022	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)	¥13	¥8	¥7	¥1	¥1	¥1,637	¥1,670
Valuation allowance	(10)	(8)	(7)	(1)	(1)	(1,632)	(1,662)
Deferred tax assets	¥2	¥–	¥–	¥–	¥–	¥4	¥7

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

	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	$108	$72	$64	$14	$9	$13,376	$13,643
Valuation allowance	(87)	(72)	(64)	(14)	(9)	(13,337)	(13,583)
Deferred tax assets	$21	$–	$–	$–	$–	$39	$60

(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, 2021 and 2022

	2021	2022
Effective statutory tax rate	30.62%	30.62%
Adjustment		
Expenses not deductible permanently	1.90	2.54
Income not taxable permanently	(1.88)	(1.78)
Inhabitant tax on per capita basis, etc.	0.67	0.69
Increase (Decrease) in valuation allowance	(2.34)	4.80
Difference in effective statutory tax rate between the Company and consolidated subsidiaries	(3.18)	(0.32)
Special tax deductions	(1.27)	(0.63)
Retained earnings of consolidated overseas subsidiaries	(0.01)	(6.99)
Withholding tax on dividends from overseas related companies	1.32	1.90
Amortization of goodwill	1.60	1.06
Other	1.40	0.88
Actual tax rate after the application of tax effect accounting	28.83%	32.77%

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. Revenue recognition

(1) Disaggregation of revenues from contracts with customers

For the year ended March 31, 2022	Millions of yen		
	Green Technology System Division	Paint Finishing System Division	Total
By region			
Japan	¥94,137	¥13,570	¥107,708
Overseas	40,255	61,297	101,552
Revenues from contracts with customers	134,393	74,867	209,261
Other revenues	–	–	–
Revenues from external customers	¥134,393	¥74,867	¥209,261

For the year ended March 31, 2022	Thousands of U.S. dollars		
	Green Technology System Division	Paint Finishing System Division	Total
By region			
Japan	$769,038	$110,862	$879,900
Overseas	328,859	500,754	829,613
Revenues from contracts with customers	1,097,897	611,616	1,709,513
Other revenues	–	–	–
Revenues from external customers	$1,097,897	$611,616	$1,709,513

(2) Information that is the basis for understanding the revenues from contracts with customers

Taikisha Group is engaged in construction contracts and so on and sales of equipment and materials for design, supervision, and construction work in the Green Technology System business and Paint Finishing System business.

Construction contracts and so on

Taikisha Group's performances of construction contracts or other contracts results in arising or increasing in value of an assets, along with these assets increase, the Company considers that it has transferred control of the assets to the customers over a certain period of time. Therefore, revenue is recognized based on progress toward complete satisfaction of performance obligations as of the closing date.

Progress is measured as the ratio of the costs incurred to the total estimated costs (input method), because it is possible to make reasonable estimates of the total estimated costs based on the budgets. In addition, revenue is recognized by cost recovery method in case incurred costs are expected to be recoverable though the progress of satisfaction of performance obligations cannot be reasonably measured.

Sales of equipment and materials

Regarding Taikisha Group's sales of equipment and materials, as a result of consideration of indicators related to the transfer of control, such as physical possession of the equipment and materials, significant risks associated with ownership and the transfer of economic value to the customer, Taikisha Group has determined that control over the equipment and materials are transferred to the customers and the performance of obligation is satisfied at the time of delivery of equipment and materials. In this reason, revenue is recognized when equipment and materials are delivered.

For these performance obligations, Taikisha Group provides guarantees such as free repair for contractual non-conformities that occur within a certain period of time after handover or delivery. It provides assurance to the customer that the products will function as intended and in accordance with the specifications agreed upon with the customers. Expected future expenditures are estimated based on historical warranty rates and are recognized as a provision for warranties for completed construction.

Also, these terms of payments for these performance obligations are common and do not include significant financial elements.

(3) Information about the relationship between the satisfaction of performance obligations under contracts with customers and cash flows from such contracts, and the amount and timing of revenue expected to be recognized from contracts with customers that existed at the end of the current consolidated fiscal year and are expected to be recognized in the following consolidated fiscal year or later

Balances of contract assets and liabilities

As of March 31, 2022	Millions of yen	Thousands of U.S. dollars
	2022	2022
Receivables arising from contracts with customers (Beginning balance)	¥80,179	$655,010
Receivables arising from contracts with customers (Ending balance)	¥79,781	$651,757
Contract assets (Beginning balance)	¥17,473	$142,749
Contract assets (Ending balance)	¥22,266	$181,899
Contract liabilities (Beginning balance)	¥14,200	$116,009
Contract liabilities (Ending balance)	¥6,901	$56,381

In the consolidated balance sheets, accounts receivable for completed construction contracts and contract assets arising from contracts with customers are included in notes receivable, accounts receivable from completed construction contracts and other while contract liabilities are presented as advances received on uncompleted construction contracts.

The amounts of revenue recognized in the current fiscal year that was included in the balance of contract liabilities at the beginning of the current period are ¥13,697 million (US$111,900 thousand). The amount of revenue recognized in the current fiscal year from performance obligations that were satisfied (or partially satisfied) in the previous fiscal year are not material.

Transaction price allocated to the remaining performance obligations

The aggregate transaction prices allocated to unsatisfied performance obligations and the period over which revenues are expected to be recognized are as follows.

For the year ended March 31, 2022	Millions of yen		
	Green Technology System Division	Paint Finishing System Division	Total
By region			
Japan	¥109,493	¥15,904	¥125,398
Overseas	33,672	39,218	72,891
Total	¥143,166	¥55,123	¥198,289

For the year ended March 31, 2022	Thousands of U.S. dollars		
	Green Technology System Division	Paint Finishing System Division	Total
By region			
Japan	$894,482	$129,930	$1,024,412
Overseas	275,082	320,390	595,471
Total	$1,169,564	$450,320	$1,619,883

The transaction prices allocated to unsatisfied performance obligations in the “Green Technology System business” and “Paint Finishing System business” are expected to be recognized as construction revenue within two years, primarily based on the progress of construction.

16. 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.

(Application of Accounting Standard for Revenue Recognition, etc.)

As stated under "Change in accounting policy", the Revenue Recognition Accounting Standard, etc. have been applied from the beginning of the consolidated fiscal year. As a result of a change in the method of accounting treatment for revenue recognition, the method of measuring profit or loss in each reportable segment has also been changed accordingly.

Due to this change, compared with previous method, net sales of completed construction contracts in Green Technology System increased by ¥92 million (US$757 thousand) and segment profit in Green Technology System decreased by ¥13 million (US$114 thousand) respectively. Also, net sales of completed construction contracts in Paint Finishing System increased by ¥115 million (US$945 thousand) and segment profit in Paint Finishing System increased by ¥35 million (US$291 thousand) respectively.

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

For the year ended March 31, 2021	Millions of yen				
	Green Technology System Division	Paint Finishing System Division	Total	Adjustments	Amount recorded in the consolidated financial statements
Sales					
Sales to customers	¥134,051	¥68,497	¥202,548	¥–	¥202,548
Intersegment	6	0	7	(7)	–
Total	134,058	68,497	202,555	(7)	202,548
Segment profit	11,192	911	12,103	183	12,287
Segment assets	110,608	67,985	178,593	50,261	228,855
Other items					
Depreciation and amortization	863	1,508	2,371	(8)	2,362
Amortization of goodwill	170	467	638	–	638
Interest income	147	147	295	(4)	291
Interest expenses	3	161	165	8	173
Share of profit (loss) of entities accounted for using equity method	(0)	(64)	(65)	–	(65)
Investments in associates accounted for using equity method	13	517	531	–	531
Increase in property, plant and equipment, intangible assets	¥5,483	¥1,693	¥7,176	¥383	¥7,560

(Note 1) The amounts of Adjustments are as follows.

Adjustments of Segment profit of ¥183 million include non-allocatable common profits of ¥184 million and other adjustment of minus ¥0 million. Non-allocatable common profits are mainly general and administrative expenses, dividend income, etc., which are not attributed to any reportable segment.

Adjustments of Segment assets of ¥50,261 million are elimination of receivable and payable etc., of minus ¥2,797 million and non-allocatable common assets which are not allocated to any reportable segments of ¥53,059 million. Non-allocatable common assets are mainly cash and deposits, securities, 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 ¥383 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, 2022

	Millions of yen				
	Green Technology System Division	Paint Finishing System Division	Total	Adjustments	Amount recorded in the consolidated financial statements
Sales					
Sales to customers	¥134,393	¥74,867	¥209,261	¥–	¥209,261
Intersegment	6	14	20	(20)	–
Total	134,399	74,882	209,282	(20)	209,261
Segment profit	9,302	667	9,969	849	10,818
Segment assets	109,420	70,719	180,139	48,019	228,159
Other items					
Depreciation and amortization	1,052	1,461	2,513	(17)	2,496
Amortization of goodwill	362	52	414	–	414
Interest income	108	154	263	(4)	259
Interest expenses	3	294	298	5	303
Share of profit (loss) of entities accounted for using equity method	(7)	(25)	(32)	–	(32)
Investments in associates accounted for using equity method	–	559	559	–	559
Increase in property, plant and equipment, intangible assets	¥1,210	¥900	¥2,111	¥212	¥2,324

(Note 1) The amounts of Adjustments are as follows.
Adjustments of Segment profit of ¥849 million (US$6,938 thousand) include non-allocatable common profits of ¥849 million (US$6,936 thousand) and other adjustment of ¥0 million (US$2 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 ¥48,019 million (US$392,287 thousand) are elimination of receivable and payable etc., of minus ¥3,312 million (minus US$27,062 thousand) and non-allocatable common assets which are not allocated to any reportable segments of ¥51,332 million (US$419,349 thousand). Non-allocatable common assets are mainly cash and deposits, securities, 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 ¥212 million (US$1,740 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, 2022

	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	$1,097,897	$611,616	$1,709,513	$–	$1,709,513
Intersegment	50	120	170	(170)	–
Total	1,097,947	611,736	1,709,683	(170)	1,709,513
Segment profit	75,992	5,451	81,443	6,938	88,381
Segment assets	893,887	577,724	1,471,611	392,287	1,863,898
Other items					
Depreciation and amortization	8,598	11,937	20,535	(141)	20,394
Amortization of goodwill	2,960	427	3,387	–	3,387
Interest income	889	1,262	2,151	(35)	2,116
Interest expenses	32	2,406	2,438	42	2,480
Share of profit (loss) of entities accounted for using equity method	(58)	(204)	(262)	–	(262)
Investments in associates accounted for using equity method	–	4,569	4,569	–	4,569
Increase in property, plant and equipment, intangible assets	$9,886	$7,360	$17,246	$1,740	$18,986

17. Related information in regard to segment information

(1) Information by product and service

For the year ended March 31, 2021

This item is omitted because similar information is disclosed in "16. Segment information"

For the year ended March 31, 2022

This item is omitted because similar information is disclosed in "16. Segment information"

(2) Sales by region

For the year ended March 31, 2021

Millions of yen

Japan	North America	Southeast Asia		East Asia		India	Other	Total
		Thailand	Other Southeast Asia	China	Other East Asia			
¥109,757	¥19,697	¥16,267	¥19,072	¥13,319	¥2,649	¥5,488	¥16,296	¥202,548

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

For the year ended March 31, 2022

Millions of yen

Japan	North America	Southeast Asia		East Asia		India	Other	Total
		Thailand	Other Southeast Asia	China	Other East Asia			
¥107,708	¥17,347	¥17,106	¥19,765	¥14,416	¥2,605	¥11,456	¥18,855	¥209,261

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

For the year ended March 31, 2022

Thousands of U.S. dollars

Japan	North America	Southeast Asia		East Asia		India	Other	Total
		Thailand	Other Southeast Asia	China	Other East Asia			
$879,900	$141,718	$139,745	$161,467	$117,775	$21,281	$93,595	$154,032	$1,709,513

(3) Property, plant and equipment by region

For the year ended March 31, 2021

Millions of yen

Japan	Thailand	Indonesia	China	India	Italy	Other	Total
¥4,758	¥515	¥208	¥506	¥1,794	¥1,818	¥548	¥10,150

For the year ended March 31, 2022

Millions of yen

Japan	Thailand	Indonesia	China	India	Italy	Other	Total
¥5,249	¥490	¥205	¥491	¥1,994	¥2,300	¥512	¥11,243

For the year ended March 31, 2022

Thousands of U.S. dollars

Japan	Thailand	Indonesia	China	India	Italy	Other	Total
$42,884	$4,006	$1,677	$4,014	$16,292	$18,790	$4,187	$91,850

(4) Sales information by main customer

For the year ended March 31, 2021

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, 2022

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.

18. Impairment loss by reportable segment

Impairment loss of the non-current assets by reportable segment

For the year ended March 31, 2021

	Millions of yen				
	Green Technology System Division	Paint Finishing System Division	Total	Eliminations/ Corporate (Note)	Total
Impairment loss	¥156	¥–	¥156	¥202	¥359

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

For the year ended March 31, 2022

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

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

For the year ended March 31, 2022

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

19. Amortization and balance of goodwill

(1) Amortization and balance of goodwill by reportable segment

For the year ended March 31, 2021

	Millions of yen				
	Green Technology System Division	Paint Finishing System Division	Total	Eliminations/ Corporate	Total
Balance of goodwill	¥3,419	¥665	¥4,084	¥–	¥4,084

(Note) Amortization of goodwill is omitted because it is already disclosed in the "16. Segment information".

For the year ended March 31, 2022

	Millions of yen				
	Green Technology System Division	Paint Finishing System Division	Total	Eliminations/ Corporate	Total
Balance of goodwill	¥3,282	¥684	¥3,966	¥–	¥3,966

(Note) Amortization of goodwill is omitted because it is already disclosed in the "16. Segment information".

For the year ended March 31, 2022

	Thousands of U.S. dollars				
	Green Technology System Division	Paint Finishing System Division	Total	Eliminations/ Corporate	Total
Balance of goodwill	$26,813	$5,590	$32,403	$–	$32,403

(2) Gain on negative goodwill by reportable segment

For the year ended March 31, 2021
Not applicable.

For the year ended March 31, 2022
Not applicable.

20. Related party transactions

For the year ended March 31, 2021
Not applicable.

For the year ended March 31, 2022
Not applicable.

21. Details of bonds

Not applicable.

22. Details of loans

As of March 31, 2022	Millions of yen		Thousands of U.S. dollars		
	Beginning balance	Ending balance	Ending balance	Average interest rate (%)	Maturity
Short-term loans payable	¥4,787	¥13,413	$109,581	1.114	–
Current portion of long-term loans payable	1,801	2,122	17,336	1.178	–
Current portion of lease obligations	77	83	678	–	–
Long-term loans payable (excluding current portion)	4,769	5,605	45,793	1.172	October 2024 to September 2031
Lease obligations (excluding current portion)	127	82	670	–	May 2023 to March 2027
Total	¥11,563	¥21,306	$174,058	–	–

(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, 2022 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	¥2,165	¥1,484	¥1,216	¥607
Lease obligations	¥43	¥24	¥10	¥2

	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	$17,691	$12,126	$9,941	$4,960
Lease obligations	$358	$202	$88	$23

23. 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.

24. Significant subsequent events

(Change in Consolidated Subsidiaries)

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, 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 ("Geico Group") have been excluded from the scope of consolidation.

1. Reasons for the Share transfer

Since 2011, the Company has acquired 51.0% of Geico's outstanding shares and has been working to complement and strengthen the technological and market strengths of the two companies through the capital alliance with Geico.

Because of the continuing pandemic situation caused by the COVID-19 and the conflict between Russia and Ukraine which is expected to affect the capital investment of European automakers and cause a sharp rise in price of resource, materials and equipment, the Paint Finishing System business of the Company focuses on the automobile market in regions other than Europe in external collaboration with Geico and expands automation business areas other than the automobile market in order to improve medium- to long-term business value.

Given the above background and in accordance with the purpose of the Corporate Governance Code, the Company has decided to reduce the shareholding ratio in Geico from 51.0% to 14.5% from the view of focusing on capital efficiency.

2. Overview of consolidated subsidiary to be changed

(1) Company name	Geico S.p.A.
(2) Location	Cinisello Balsamo, Milan, Italy
(3) Representative & title	Daryush Arabnia, President and Chairman
(4) Description of business	Design and construction of paint finishing systems and plants for the automotive industry
(5) Capita	EUR 3,627,000 (JPY 423 million)
(6) Date of establishment	December 1963
(7) Major shareholders & ratio of shareholding	Taikisha Ltd. 51% Gecofin S.p.A. 49%

3. Overview of the counterparty of the Share Transfer

(1) Company name	Gecofin S.p.A.
(2) Location	Cinisello Balsamo, Milan, Italy

4. Schedule of the Share Transfer

(1) Date of Board of Directors resolution	April 19, 2022
(2) Contract date	April 19, 2022

5. Future outlook

As the result of this share transfer, though the Geico Group is to be excluded from the scope of consolidation, the Company will maintain its global business Alliance with Geico and continue to collaborate on a project basis.

¥881 million of gain on sale of shares of subsidiaries and associates is expected as extraordinary income.

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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, 2022, 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, 2022, 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.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

1. Reasonableness of estimates of total costs for construction contracts.	
Description of Key Audit Matter	Auditor's Response
As described in the notes 2. Summary of significant accounting policies, (8) Revenue and cost recognition, in the Green Technology System business and the Paint Finishing System business, performance obligations for construction contracts, etc. mainly involving design, supervision, and installation are deemed to be satisfied over time, and revenue is recognized based on progress toward complete satisfaction of a performance obligation. As stated in the notes "Estimates of percentage of completion in construction contracts, etc. in which revenue is recognized over time" under(12) Significant accounting estimates, The percentage of completion is measured by	As revenue arise from construction contracts in which revenue is recognized over time is calculated by the progress measured based on total costs of construction, we performed following audit procedures to evaluate the reasonableness of estimate of total costs of construction. Main procedures are as follows. • We evaluated the design and operational effectiveness of internal controls over estimates of total construction costs. Specifically we focused on the controls over making working budgets and updating the budgets to reflect the situation changed after the construction has commenced. • We identified the contracts in which the uncertainty of the working budget is relatively high by analyzing the correlation

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the ratio of costs incurred as of the fiscal year-end to estimated total costs based on the working budget for the construction contract (input methods). The Group recorded net sales of completed construction contracts ¥ 187,745 million on a consolidated basis for the fiscal year by the method. The estimated total cost is calculated by making working budgets for each construction, and the budgets have high uncertainty as the construction cost such as material prices, labor costs and so on could change by the construction site conditions and price negotiation with main contractors after launching the constructions. Therefore we determined this matter as a key audit matter.	between the order amount and the working budget, as well as the profit margin of each construction contract. • For the identified construction contracts, we examined the reasonableness of estimates of the working budget made by the management by comparing the latest estimate of working budget as of the fiscal year end with the original ones and investigating the reason of fluctuation. • For the construction contracts which has not completed its delivery we examined whether there was any over or underrun in the working budget by confirming the latest purchase order. • We communicated with the auditors of significant components and reviewed the interoffice audit deliverables prepared by them.

2. Judgement on impairment on goodwill and Customer-related assets	
Description of Key Audit Matter	Auditor's Response
As described in the notes 2. Summary of significant accounting policies, (12) Significant accounting estimates, Valuation of goodwill and intangible assets, the company recorded ¥3,966million of Goodwill and ¥1,334 million of Customer-related assets. Those include ¥3,282 million of Goodwill and ¥1,334 million of Customer-related assets arising from the company's acquisition of Nicomac Taikisha Clean Rooms Private Limited (hereinafter "Nicomac") as a consolidated subsidiary in the year ended March 31, 2021. Nicomac produces and sells panels for clean rooms for pharmaceuticals in India, and some orders were postponed due to COVID-19 and the prices of raw materials surged. Given this situation, it resulted in lower performance than the business plan made at the acquisition and there were signs of necessity of impairment regarding goodwill and Customer-related assets. Therefore, the management assessed them for impairment and they concluded that no impairment loss was required to be record in this fiscal year as estimated undiscounted future net cash flow was enough to cover the book values of Goodwill and Customer-related assets.	Main audit procedures for the judgement regarding impairment loss regarding Goodwill and Customer-related assets of Nicomac Taikisha Clean Rooms Private Limited we performed were as follows. • We evaluated the design and operational effectiveness of internal controls over the recognition and measurement of an impairment regarding fixed assets including goodwill and customer-related assets. Specifically we focused on the controls over the development of the business plan on which the future cash flow before discounting was estimated. • We obtained an understanding of the main assumption of the business plan forming the basis for the future cash flow by inquiries of management. • We tested the consistency between the future cash flow before discounting and its underlying business plan approved by management. • To evaluate the sales quantity, which is one of the significant assumptions, we verified the consistency with available external data regarding demand forecasts in medical supplies market and

The undiscounted cash flow is based on the business plan, which was made with management's assumptions. Specifically sales quantity and raw materials cost considering market growth rate were considered to be significant assumptions. In case of selecting inappropriate assumptions for estimating undiscounted future cash flow, there lies the risk of not recognizing impairment losses as the management's subjective decisions affect those significant assumptions. As described above, we determined this matter to be a key audit matter.	the internal plans regarding expanding manufacturing capabilities of the plants. • To test the reasonableness of the forecast raw material costs, which is the other significant assumption, we made trend analysis of raw material cost ratio in previous years.

Emphasis of Matter

We draw attention to Change in Consolidated Subsidiaries in Note 24. Significant subsequent events of the financial statements which describes the share transfer of Geico.S.p.A. The company concluded a share transfer agreement on April 19, 2022 and the share transfer was completed on April 20, 2022. Our opinion is not modified in respect of this matter.

Other Information

The other information comprises the information included in the integrated report, but does not include the consolidated financial statements and our auditor's report hereon. Management is responsible for the other information. In addition, those charged with governance are responsible for overseeing the Group's reporting process of the other information.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

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.

From the matters communicated with the audit & supervisory board, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Interest required to be disclosed by the Certified Public Accountants Act of Japan
Our firm and its designated engagement partners do not have any interest in the Company and its consolidated subsidiaries which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Convenience Translation
The amounts expressed in U.S. dollars, which are provided solely for the convenience of the reader, have been translated on the basis set forth in Note 1 to the accompanying consolidated financial statements.

Hiroaki Kagami

Hiroaki Kagami
Designated Engagement Partner
Certified Public Accountant

Kenji Oka

Kenji Oka
Designated Engagement Partner
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A&A Partners
Tokyo, Japan
December 6, 2022