

(Translation)

(Note)

This is an English translation of the Japanese original for reference purpose only. In the event of any discrepancy between the English translation and the Japanese original, the original shall prevail. The Company assumes no responsibility for the translation or for direct, indirect or any other forms of damages arising from the translation.

A&A partners audited Japanese non-consolidated financial statements and consolidated financial statements, and they expressed an unqualified opinion. English non-consolidated financial statements and consolidated financial statements are just translated from Japanese originals for reference purpose, they were not subject to audit procedures by A&A partners.

(Securities Code: 1979)

June 10, 2020

To Shareholders:

Koji Kato  
Representative Director, President  
Taikisha Ltd.  
8-17-1, Nishi-Shinjuku, Shinjuku-ku,  
Tokyo, Japan

## **NOTICE OF THE 75TH ANNUAL SHAREHOLDERS' MEETING**

You are cordially invited to attend the 75th Annual Shareholders' Meeting of Taikisha Ltd. (the "Company"). If you are unable to attend the meeting, you can exercise your voting rights in writing or via the Internet. Please review the attached Reference Documents for the Shareholders' Meeting and exercise your voting rights by no later than 5:45 p.m. on Thursday, June 25, 2020, Japan time.

- 1. Date and Time:** Friday, June 26, 2020, at 10 a.m. Japan time
- 2. Place:** 43rd floor, "Moon Light" Keio Plaza Hotel, located at  
2-2-1, Nishi-Shinjuku, Shinjuku-ku, Tokyo, Japan
- 3. Meeting Agenda:**
- Matters for Reporting:**
- (1) The Business Report, the Consolidated Financial Statements for the 75th Fiscal Year (from April 1, 2019, to March 31, 2020) and the results of audits by the Accounting Auditor and the Audit & Supervisory Board of the Consolidated Financial Statements
  - (2) The Non-consolidated Financial Statements for the 75th Fiscal Year (from April 1, 2019, to March 31, 2020)
- Matters for Resolution:**
- Proposal No. 1:** Appropriation of Surplus
  - Proposal No. 2:** Election of Nine (9) Directors
  - Proposal No. 3:** Election of Three (3) Audit & Supervisory Board Members
  - Proposal No. 4:** Revision of Amount of Compensation to Directors

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(Notes)

1. Upon arrival on the day of the meeting, please submit the enclosed Voting Rights Exercise Form at the reception desk of the venue for confirmation.
2. Of the documents to be provided to shareholders with this NOTICE, the Notes to Consolidated Financial Statements and the Notes to Non-consolidated Financial Statements are posted on the Company's website (<https://www.taikisha.co.jp/>) pursuant to the provisions of laws and regulations, as well as Article 15 of the Company's Articles of Incorporation, and therefore are not included in the Attached Documents for the Annual Shareholders' Meeting. The Consolidated Financial Statements and the Non-consolidated Financial Statements, which are stated in said Attached Documents, form a part of the Consolidated Financial Statements and the Non-consolidated Financial Statements audited by the Company's Accounting Auditor and Audit & Supervisory Board Members in preparing their Audit Reports.

(Translation)

3. If any necessary revisions are made to the Reference Documents for the Shareholders' Meeting, the Business Report, the Consolidated Financial Statements and/or the Non-consolidated Financial Statements, they will be posted on the Company's website (<https://www.taikisha.co.jp/>).

(Translation)

## Reference Documents for the Shareholders' Meeting

### Proposals and References

#### **Proposal No. 1:** Appropriation of Surplus

The Company proposes to distribute a year-end dividend with due consideration to the operating results to reflect our appreciation of shareholders' continued support.

The annual dividend, therefore, will be ¥100 per share, a year-on-year increase of ¥9 per share, including the interim dividend of ¥30 per share already paid.

Meanwhile, to prepare for future business development, the Company proposes to set aside a "Reserve for investment on information technology" of ¥200 million.

#### 1. Matters concerning year-end dividends

- (1) Type of property for dividends: Money
- (2) Matters concerning allotment of property dividends to shareholders and the total amount thereof  
¥70 per share of common shares  
Total amount: ¥2,394,338,520
- (3) Effective date of distribution from surplus: June 29, 2020

#### 2. Matters concerning appropriation of other surplus

- (1) Item and amount of surplus to be decreased  
Retained earnings brought forward: ¥200,000,000
- (2) Item and amount of surplus to be increased  
Reserve for investment on information technology: ¥200,000,000

(Translation)

**Proposal No. 2:** Election of Nine (9) Directors

The terms of office of all ten (10) Directors will expire at the conclusion of this Annual Shareholders' Meeting. Accordingly, the election of nine (9) Directors is proposed.

The candidates are as follows, and the two candidates for Outside Director satisfy the "Independence Criteria for Outside Director/Outside Audit & Supervisory Board Member" stipulated by the Company. Refer to page 11 for details of said criteria.

| No |                                                                    | Name              | Positions and assignments<br>in the Company                                                                                                                        | Attendance at the<br>Board of Directors<br>Meetings<br>(Attendance rate) |
|----|--------------------------------------------------------------------|-------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------|
| 1  | [Reappointment]                                                    | Koji Kato         | Representative Director, President<br>Corporate Officer                                                                                                            | 14/14 (100%)                                                             |
| 2  | [Reappointment]                                                    | Hiroshi Mukai     | Representative Director, Executive<br>Vice President Corporate Officer                                                                                             | 14/14 (100%)                                                             |
| 3  | [Reappointment]                                                    | Kazuhide Hayakawa | Director, Executive Corporate<br>Officer, Chief General Manager,<br>Paint Finishing System Division                                                                | 14/14 (100%)                                                             |
| 4  | [Reappointment]                                                    | Yasushi Nakajima  | Director, Executive Corporate<br>Officer, Chief General Manager,<br>Green Technology System Division                                                               | 14/14 (100%)                                                             |
| 5  | [Reappointment]                                                    | Masanori Nakagawa | Director, Managing Corporate<br>Officer, Chief Executive,<br>Administrative Management<br>Headquarters and in charge of CSR                                        | 14/14 (100%)                                                             |
| 6  | [Reappointment]                                                    | Nobutaka Inagawa  | Director, Managing Corporate<br>Officer, Vice General Manager,<br>Green Technology System Division                                                                 | 11/11 (100%)                                                             |
| 7  | [Reappointment]                                                    | Junichi Murakawa  | Director, Managing Corporate<br>Officer, Vice General Manager,<br>Paint Finishing System Division,<br>and Senior General Manager,<br>Engineering Supervisory Dept. | 11/11 (100%)                                                             |
| 8  | [Reappointment]<br>[Outside Director]<br>[Independent<br>Director] | Hirokazu Hikosaka | Director                                                                                                                                                           | 13/14 (92.9%)                                                            |
| 9  | [Reappointment]<br>[Outside Director]<br>[Independent<br>Director] | Kiyotaka Fuke     | Director                                                                                                                                                           | 13/14 (92.9%)                                                            |

(Translation)

| No | Name<br>(Date of birth; Age)                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | Career summary, positions and assignments in the Company<br>and important positions concurrently held at other companies                                                                                                     |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
|----|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1  | <b>Koji Kato</b><br><br>(June 12, 1955; 65)<br><br>[Reappointment]<br><br>Gender:<br>Male<br><br>Number of years as Director<br>of the Company:<br>11 years and 9 months (at the<br>conclusion of the Meeting)<br><br>Attendance at the Board of<br>Directors Meetings:<br>14/14 (100%)<br><br>Number of shares of the<br>Company held:<br>11,200                                                                                                                                                  | April 1978<br>June 2005<br>April 2007<br><br>April 2009<br><br>April 2010<br><br><br>June 2010<br><br>April 2012<br><br>April 2013<br><br>April 2014<br><br>April 2016<br><br>April 2017<br><br>April 2018<br><br>April 2019 | Joined the Company<br>Director<br>Assistant to Chief General Manager, Green<br>Technology System Division<br>Corporate Officer; General Manager, Engineering<br>Planning Dept., Green Technology System Division<br>Managing Corporate Officer, Chief General<br>Manager, Green Technology System Division, and<br>General Manager, Engineering Planning Dept.,<br>Green Technology System Division<br>Director, Managing Corporate Officer, Chief<br>General Manager, Green Technology System<br>Division, and General Manager, Engineering<br>Planning Dept., Green Technology System Division<br>Director, Managing Corporate Officer, Chief<br>Executive, Corporate Planning Headquarters and in<br>charge of Environment, and General Manager,<br>Corporate Planning Office<br>Director, Managing Corporate Officer, Chief<br>Executive, Corporate Planning Headquarters and in<br>charge of CSR<br>Director, Managing Corporate Officer, Chief<br>Executive, Administrative Management<br>Headquarters and in charge of CSR<br>Director, Executive Corporate Officer, Chief<br>Executive, Administrative Management<br>Headquarters and in charge of CSR<br>Representative Director, Executive Vice President<br>Corporate Officer, in charge of Administrative<br>Management Headquarters<br>Representative Director, Executive Vice President<br>Corporate Officer<br>Representative Director, President Corporate Officer<br>(current position) |
|    | [Reason for nominating as a candidate for Director]<br>Koji Kato has led the management of the Taikisha Group as Representative Director, President Corporate Officer. The Company reappoints him as a candidate for Director based on its judgment that he qualifies for this position taking into account his good track record, as well as his competence in ensuring the stable and sustainable growth of the Group and increasing corporate value by implementing the Mid-Term Business Plan. |                                                                                                                                                                                                                              |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |

(Translation)

| No | Name<br>(Date of birth; Age)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | Career summary, positions and assignments in the Company<br>and important positions concurrently held at other companies    |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
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| 2  | <b>Hiroshi Mukai</b><br>(October 10, 1953; 66)<br>[Reappointment]<br>Gender:<br>Male<br>Number of years as Director<br>of the Company:<br>5 years (at the conclusion of<br>the Meeting)<br>Attendance at the Board of<br>Directors Meetings:<br>14/14 (100%)<br>Number of shares of the<br>Company held:<br>11,500                                                                                                                                                                                                                                                                                                                                                | April 1974<br>April 2012<br>April 2014<br>April 2015<br>June 2015<br>April 2016<br>April 2017<br>April 2019                 | Joined the Company<br>Corporate Officer, General Manager, Osaka Branch<br>Office, Green Technology System Division<br>Senior Corporate Officer, General Manager, Osaka<br>Branch Office, Green Technology System Division<br>Managing Corporate Officer, Vice General Manager,<br>Green Technology System Division<br>Director, Managing Corporate Officer, Vice General<br>Manager, Green Technology System Division<br>Director, Managing Corporate Officer, Chief<br>General Manager, Green Technology System<br>Division<br>Director, Executive Corporate Officer, Chief General<br>Manager, Green Technology System Division<br>Representative Director, Executive Vice President<br>Corporate Officer (current position)                                                                                                                                                                                                                                  |
|    | [Reason for nominating as a candidate for Director]<br>Hiroshi Mukai has played a significant role as Representative Director, Executive Vice President<br>Corporate Officer, by assisting the President Corporate Officer in promoting the enhancement of the<br>business base of the Taikisha Group. The Company reappoints him as a candidate for Director based on<br>its judgment that he qualifies for this position taking into account his good track record.                                                                                                                                                                                             |                                                                                                                             |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
| 3  | <b>Kazuhide Hayakawa</b><br>(April 18, 1955; 65)<br>[Reappointment]<br>Gender:<br>Male<br>Number of years as Director<br>of the Company:<br>3 years (at the conclusion of<br>the Meeting)<br>Attendance at the Board of<br>Directors Meetings:<br>14/14 (100%)<br>Number of shares of the<br>Company held:<br>8,400                                                                                                                                                                                                                                                                                                                                               | April 1979<br>April 2012<br>October 2013<br>April 2014<br>April 2016<br>April 2017<br>June 2017<br>April 2018<br>April 2019 | Joined the Company<br>Corporate Officer, Senior General Manager,<br>Engineering Supervisory Dept., Green Technology<br>System Division<br>Corporate Officer, Senior General Manager, Sales<br>and Marketing Dept., Green Technology System<br>Division<br>Senior Corporate Officer, Senior General Manager,<br>Sales and Marketing Dept., Green Technology<br>System Division<br>Senior Corporate Officer, Vice General Manager in<br>charge of sales and Senior General Manager, Sales<br>and Marketing Dept., Green Technology System<br>Division<br>Managing Corporate Officer, Chief Executive,<br>Corporate Planning Headquarters<br>Director, Managing Corporate Officer, Chief<br>Executive, Corporate Planning Headquarters<br>Director, Managing Corporate Officer, Vice General<br>Manager, Paint Finishing System Division<br>Director, Executive Corporate Officer, Chief General<br>Manager, Paint Finishing System Division (current<br>position) |
|    | [Reason for nominating as a candidate for Director]<br>Kazuhide Hayakawa has abundant business experience in the field of the green technology system<br>business, corporate planning and paint finishing system business. In addition, he has sufficiently fulfilled<br>his duties as a Director, including decisions on important management matters, the execution of business<br>and supervising the execution of duties by other Directors, since his assumption of the Director position.<br>The Company reappoints him as a candidate for Director based on its judgment that he qualifies for this<br>position taking into account his good track record. |                                                                                                                             |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |

(Translation)

| No | Name<br>(Date of birth; Age)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                | Career summary, positions and assignments in the Company<br>and important positions concurrently held at other companies |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
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| 4  | <b>Yasushi Nakajima</b><br>(February 23, 1960; 60)<br>[Reappointment]<br>Gender:<br>Male<br>Number of years as Director<br>of the Company:<br>3 years (at the conclusion of<br>the Meeting)<br>Attendance at the Board of<br>Directors Meetings:<br>14/14 (100%)<br>Number of shares of the<br>Company held:<br>7,000                                                                                                                                                                                                                                                                                                                                       | April 1982<br>April 2014<br>April 2015<br>April 2016<br>April 2017<br>June 2017<br>April 2019                            | Joined the Company<br>Corporate Officer, Senior General Manager,<br>Engineering Supervisory Dept., Green Technology<br>System Division<br>Senior Corporate Officer, Senior General Manager,<br>Engineering Supervisory Dept., Green Technology<br>System Division and Senior General Manager,<br>Global Business Management Dept.<br>Senior Corporate Officer, Vice General Manager in<br>charge of technology and Senior General Manager,<br>Engineering Supervisory Dept., Green Technology<br>System Division and Senior General Manager,<br>Global Business Management Dept.<br>Managing Corporate Officer, Vice General Manager,<br>Green Technology System Division<br>Director, Managing Corporate Officer, Vice General<br>Manager, Green Technology System Division<br>Director, Executive Corporate Officer, Chief General<br>Manager, Green Technology System Division<br>(current position) |
|    | [Reason for nominating as a candidate for Director]<br>Yasushi Nakajima has abundant business experience in the field of the green technology system<br>business. In addition, he has sufficiently fulfilled his duties as a Director, including decisions on<br>important management matters, the execution of business and supervising the execution of duties by<br>other Directors, since his assumption of the Director position. The Company reappoints him as a<br>candidate for Director based on its judgment that he qualifies for this position taking into account his<br>good track record.                                                    |                                                                                                                          |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
| 5  | <b>Masanori Nakagawa</b><br>(December 30, 1959; 60)<br>[Reappointment]<br>Gender:<br>Male<br>Number of years as Director<br>of the Company:<br>2 years (at the conclusion of<br>the Meeting)<br>Attendance at the Board of<br>Directors Meetings:<br>14/14 (100%)<br>Number of shares of the<br>Company held:<br>6,237                                                                                                                                                                                                                                                                                                                                      | April 2009<br>October 2012<br>April 2013<br>April 2014<br>April 2017<br>June 2018                                        | General Manager, Strategic Investment Department,<br>Headquarters Business Administration Division of<br>Mizuho Corporate Bank, Ltd. (current Mizuho Bank,<br>Ltd.)<br>Joined the Company<br>General Manager, Corporate Planning Office,<br>Corporate Planning Headquarters<br>Vice Executive, Administrative Management<br>Headquarters<br>Managing Corporate Officer, Chief Executive,<br>Administrative Management Headquarters and in<br>charge of CSR<br>Director, Managing Corporate Officer, Chief<br>Executive, Administrative Management<br>Headquarters and in charge of CSR (current<br>position)                                                                                                                                                                                                                                                                                            |
|    | [Reason for nominating as a candidate for Director]<br>Masanori Nakagawa has abundant business experience at a major bank, engaged in the field of corporate<br>planning and business administration of the Company. In addition, he has sufficiently fulfilled his duties<br>as a Director, including decisions on important management matters, the execution of business and<br>supervising the execution of duties by other Directors, since his assumption of the Director position. The<br>Company reappoints him as a candidate for Director based on its judgment that he qualifies for this<br>position taking into account his good track record. |                                                                                                                          |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |

(Translation)

| No                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | Name<br>(Date of birth; Age)                                                                                                                                                                                                                                                                                                                 | Career summary, positions and assignments in the Company<br>and important positions concurrently held at other companies |                                                                                                                                                                                                                                   |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 6                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | <b>Nobutaka Inagawa</b><br><br>(May 9, 1953; 67)<br><br>[Reappointment]<br><br>Gender:<br>Male<br><br>Number of years as Director<br>of the Company:<br>1 year (at the conclusion of<br>the Meeting)<br><br>Attendance at the Board of<br>Directors Meetings:<br>11/11 (100%)<br><br>Number of shares of the<br>Company held:<br>3,100       | April 1972                                                                                                               | Joined the Company                                                                                                                                                                                                                |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |                                                                                                                                                                                                                                                                                                                                              | April 2008                                                                                                               | Corporate Officer, General Manager, Tohoku Branch<br>Office, Green Technology System Division                                                                                                                                     |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |                                                                                                                                                                                                                                                                                                                                              | April 2009                                                                                                               | Corporate Officer, Vice Senior General Manager,<br>Engineering Supervisory Dept., Green Technology<br>System Division                                                                                                             |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |                                                                                                                                                                                                                                                                                                                                              | April 2010                                                                                                               | Corporate Officer, General Manager, Chubu Branch<br>Office, Green Technology System Division                                                                                                                                      |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |                                                                                                                                                                                                                                                                                                                                              | April 2011                                                                                                               | Corporate Officer, General Manager, Chubu Branch<br>Office and General Manager, Engineering Dept.,<br>Green Technology System Division                                                                                            |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |                                                                                                                                                                                                                                                                                                                                              | April 2012                                                                                                               | Senior Corporate Officer, General Manager, Tokyo<br>Branch Office, Green Technology System Division                                                                                                                               |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |                                                                                                                                                                                                                                                                                                                                              | April 2017                                                                                                               | Managing Corporate Officer, General Manager,<br>Tokyo Branch Office, Green Technology System<br>Division                                                                                                                          |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |                                                                                                                                                                                                                                                                                                                                              | April 2019                                                                                                               | Managing Corporate Officer, Vice General Manager,<br>Green Technology System Division, and General<br>Manager, Tokyo Branch Office                                                                                                |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |                                                                                                                                                                                                                                                                                                                                              | June 2019                                                                                                                | Director, Managing Corporate Officer, Vice General<br>Manager, Green Technology System Division, and<br>General Manager, Tokyo Branch Office                                                                                      |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |                                                                                                                                                                                                                                                                                                                                              | April 2020                                                                                                               | Director, Managing Corporate Officer, Vice General<br>Manager, Green Technology System Division<br>(current position)                                                                                                             |
| [Reason for nominating as a candidate for Director]<br>Nobutaka Inagawa has abundant business experience in the field of the green technology system<br>business. In addition, he has sufficiently fulfilled his duties as a Director, including decisions on<br>important management matters, the execution of business and supervising the execution of duties by<br>other Directors, since his assumption of the Director position. The Company reappoints him as a<br>candidate for Director based on its judgment that he qualifies for this position taking into account his<br>good track record. |                                                                                                                                                                                                                                                                                                                                              |                                                                                                                          |                                                                                                                                                                                                                                   |
| 7                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | <b>Junichi Murakawa</b><br><br>(December 26, 1955; 64)<br><br>[Reappointment]<br><br>Gender:<br>Male<br><br>Number of years as Director<br>of the Company:<br>1 year (at the conclusion of<br>the Meeting)<br><br>Attendance at the Board of<br>Directors Meetings:<br>11/11 (100%)<br><br>Number of shares of the<br>Company held:<br>3,400 | April 1976                                                                                                               | Joined the Company                                                                                                                                                                                                                |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |                                                                                                                                                                                                                                                                                                                                              | April 2013                                                                                                               | Corporate Officer; General Manager, Process West<br>Japan Head Office and General Manager, Nagoya<br>Office, Paint Finishing System Division                                                                                      |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |                                                                                                                                                                                                                                                                                                                                              | April 2014                                                                                                               | Corporate Officer, General Manager, Process West<br>Japan Head Office, General Manager, Nagoya Office<br>and General Manager, Osaka Office, Paint Finishing<br>System Division                                                    |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |                                                                                                                                                                                                                                                                                                                                              | April 2015                                                                                                               | Corporate Officer, General Manager, West Japan<br>Head Office, General Manager, Nagoya Office,<br>General Manager, Osaka Office, and Senior General<br>Manager, Engineering Supervisory Dept., Paint<br>Finishing System Division |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |                                                                                                                                                                                                                                                                                                                                              | April 2018                                                                                                               | Senior Corporate Officer, Assistant to Chief General<br>Manager, Paint Finishing System Division                                                                                                                                  |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |                                                                                                                                                                                                                                                                                                                                              | April 2019                                                                                                               | Managing Corporate Officer, Vice General Manager,<br>Paint Finishing System Division, and Senior General<br>Manager, Engineering Supervisory Dept.                                                                                |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |                                                                                                                                                                                                                                                                                                                                              | June 2019                                                                                                                | Director, Managing Corporate Officer, Vice General<br>Manager, Paint Finishing System Division, and<br>Senior General Manager, Engineering Supervisory<br>Dept. (current position)                                                |
| [Reason for nominating as a candidate for Director]<br>Junichi Murakawa has abundant business experience in the field of the paint finishing system business.<br>In addition, he has sufficiently fulfilled his duties as a Director, including decisions on important<br>management matters, the execution of business and supervising the execution of duties by other<br>Directors, since his assumption of the Director position. The Company reappoints him as a candidate for<br>Director based on its judgment that he qualifies for this position taking into account his good track<br>record.  |                                                                                                                                                                                                                                                                                                                                              |                                                                                                                          |                                                                                                                                                                                                                                   |



(Translation)

| No | Name<br>(Date of birth; Age)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 | Career summary, positions and assignments in the Company<br>and important positions concurrently held at other companies                                                                                                                                                                                                                                                              |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
|----|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 8  | <b>Hirokazu Hikosaka</b><br><br>(December 2, 1960; 59)<br><br>[Reappointment]<br>[Outside Director]<br>[Independent Director]<br><br>Gender:<br>Male<br><br>Number of years as Director<br>of the Company:<br>3 years (at the conclusion of<br>the Meeting)<br><br>Attendance at the Board of<br>Directors Meetings:<br>13/14 (92.9%)<br><br>Number of shares of the<br>Company held:<br>1,100                                                                                                                                                                                                                                                                               | April 1983<br><br>April 1992<br><br>April 1999<br><br>April 2005<br><br>June 2006<br>June 2010<br><br>April 2014<br>June 2015<br><br>June 2017<br>April 2019                                                                                                                                                                                                                          | Joined Asahi Shinkin Bank (resigned in March 1985)<br>Admitted as attorney and joined Nakajima Law Office (current Nakajima Hikosaka Kubouchi Law Office) (current position)<br>Commissioner, Kanto Federation of Bar Associations<br>Executive Commissioner, Japan Federation of Bar Associations<br>Outside Director, Adways Inc.<br>Audit & Supervisory Board Member, Adways Inc. (current position)<br>Vice President, Tokyo Bar Association<br>Audit & Supervisory Board Member of the Company<br>Director of the Company (current position)<br>Vice President, Kanto Federation of Bar Associations (retired in March 2020) |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
|    | [Reason for nominating as a candidate for Outside Director]<br>Although Hirokazu Hikosaka has had no experience of directly engaging in corporate management, he has provided valuable advice and supervision on the management of the Company especially in the aspect of legal affairs from an independent and objective standpoint as he has professional expertise and abundant experience as a lawyer. The Company reappoints him as a candidate for Outside Director based on its judgment that he qualifies for this position from the viewpoint of ensuring transparent decision making by the Board of Directors and reinforcing the supervisory functions thereon. |                                                                                                                                                                                                                                                                                                                                                                                       |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
|    | [View on independence]<br>As Hirokazu Hikosaka satisfies the “Independence Criteria for Outside Director/Outside Audit & Supervisory Board Member” stipulated by the Company, the Company judges that he maintains independence from the Company. There are no interests including personal, capital and transactional relationships between Nakajima Hikosaka Kubouchi Law Office, at which he works as a lawyer, and the Company.                                                                                                                                                                                                                                          |                                                                                                                                                                                                                                                                                                                                                                                       |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
|    | 9                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            | <b>Kiyotaka Fuke</b><br><br>(April 19, 1954; 66)<br><br>[Reappointment]<br>[Outside Director]<br>[Independent Director]<br><br>Gender:<br>Male<br><br>Number of years as Director<br>of the Company:<br>1 year (at the conclusion of<br>the Meeting)<br><br>Attendance at the Board of<br>Directors Meetings:<br>13/14 (92.9%)<br><br>Number of shares of the<br>Company held:<br>900 | April 2014<br><br>July 2014<br><br>April 2016<br><br>June 2016<br><br>July 2016<br><br>June 2017<br><br><br><br>June 2019                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | Deputy President, Executive Officer, Meiji Yasuda Life Insurance Company<br>Director, Deputy President, Executive Officer, Meiji Yasuda Life Insurance Company<br>Director, Meiji Yasuda Life Insurance Company (retired in July 2016)<br>Outside Audit & Supervisory Board Member, Mizuho Trust & Banking Co., Ltd.<br>Advisor, Meiji Yasuda Life Insurance Company (retired in June 2019)<br>Member of the Board of Directors (Outside Director and Audit & Supervisory Committee Member), Mizuho Trust & Banking Co., Ltd. (current position)<br>Audit & Supervisory Board Member of the Company<br>Director of the Company (current position) |
|    |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | [Reason for nominating as a candidate for Outside Director]<br>Kiyotaka Fuke has abundant expertise and experience nurtured during his tenure as manager at a leading life insurance company and has provided valuable advice and supervision on the management of the                                                                                                                |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |

(Translation)

| No | Name<br>(Date of birth; Age) | Career summary, positions and assignments in the Company<br>and important positions concurrently held at other companies                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
|----|------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|    |                              | <p>Company from an independent and objective standpoint, since his assumption of the Director position. The Company reappoints him as a candidate for Outside Director based on its judgment that he qualifies for this position from the viewpoint of ensuring transparent decision making by the Board of Directors and reinforcing the supervisory functions thereon.</p> <p>[View on independence]<br/>As Kiyotaka Fuke satisfies the “Independence Criteria for Outside Director/Outside Audit &amp; Supervisory Board Member” stipulated by the Company, the Company judges that he maintains independence from the Company. He came from Meiji Yasuda Life Insurance Company but retired from his position as an Advisor in 2019. Although this company holds the Company’s shares, its shareholding ratio is 1.35% (calculated after subtracting treasury shares; hereinafter, the same shall apply). Although this company and the Company had transactions such as construction contracts and insurance contracts in fiscal 2019, the respective amount of the relevant transactions did not exceed the amount of payments specified in the aforementioned criteria. (The average transaction amounts between both companies for the past three fiscal years (meaning fiscal 2017 through fiscal 2019; hereinafter, the same shall apply) was less than 1% of the three-year average transaction amounts of this company’s non-consolidated ordinary income or the Company’s consolidated net sales of completed construction contracts for the past three fiscal years.)</p> |

(Notes)

1. No material conflict of interest exists between the Company and any of the above candidates for Director.
2. Hirokazu Hikosaka and Kiyotaka Fuke are candidates for Outside Director.
3. For Nobutaka Inagawa and Junichi Murakawa, the attendance rates are stated for their attendance at the Board of Directors meetings during fiscal 2019 held after their assumption of office in June 2019. For Kiyotaka Fuke, the attendance rate is stated for his attendance at the Board of Directors meetings during fiscal 2019 held during his term of office as Audit & Supervisory Board Member and after his assumption of office as Outside Director in June 2019.
4. The Company has stipulated in its Articles of Incorporation that it can conclude a limited liability agreement with each Director who is not an executive director to limit his/her liability for damages to a certain degree, and has concluded the limited liability agreements with Hirokazu Hikosaka and Kiyotaka Fuke. If their appointment is approved, the Company intends to continue the limited liability agreement with each of them.  
The outline of the aforementioned limited liability agreement is as follows:
  - In case a Director causes damage to the Company due to his/her negligence of duty, his/her liability for the damage shall be up to the minimum liability amount provided for in laws and regulations when said Director’s duty is performed in good faith and with no gross negligence.
5. The Company has notified the Tokyo Stock Exchange of the designation of Hirokazu Hikosaka and Kiyotaka Fuke as Independent Directors as stipulated in the provisions of the Tokyo Stock Exchange.
6. The age of the respective candidates indicated is as of the date of this Annual Shareholders’ Meeting.

(Translation)

(Reference)

“Independence Criteria for Outside Director/Outside Audit & Supervisory Board Member”

In order to increase the soundness and transparency of management, the Company has established the following independence criteria for outside directors and outside audit & supervisory board members. Outside directors and outside audit & supervisory board members are considered to be independent unless any of the following criteria applies.

1. Major shareholder<sup>1</sup> of the Company or an executive thereof;
2. Major lender<sup>2</sup> of the Company or an executive thereof;
3. A party whose major client or supplier is the Company<sup>3</sup> or an executive thereof;
4. Major client or supplier of the Company<sup>4</sup> or an executive thereof;
5. Consultant, accountant or legal professional who receives more than ¥10 million per year in monetary consideration or other property from the Company besides compensation as a Director/Audit & Supervisory Board Member (if the recipient of such property is a corporation, partnership or other entities, a person who belongs to an entity for which the total amount of money and property received from the Company exceeds 2% of its annual gross revenue);
6. Person who receives more than ¥10 million per year in donation from the Company (or executive thereof, if the recipient of such donation is a corporation, partnership or other entities);
7. Person who fell under any of the above-listed items 1. through 6. during the past three years; or
8. Relatives within the second degree of kinship of the person (excluding those who are not significant persons) who fall under any of the following items (1) through (3).
  - (1) Person who falls under any of the above-listed items 1 through 7;
  - (2) Executive of any subsidiaries of the Company; or
  - (3) Non-executive director of any subsidiaries of the Company.

(Notes)

1. “Major shareholder” refers to a shareholder who holds 10% or more of the voting rights directly or indirectly at the end of the most recent fiscal year.
2. “Major lender” refers to a lender to whom the Company has outstanding borrowings in the amount that exceeded 2% of the consolidated total assets of the Company at the end of the most recent fiscal year.
3. “A party whose major client or supplier is the Company” refers to a party for whom the average amount of payments received from the Company for the past three fiscal years exceeds 2% of the average consolidated net sales of said party for the past three fiscal years.
4. “A major client or supplier of the Company” refers to a party for whom the average amount of payments to the Company for the past three years exceeds 2% of the average consolidated net sales of the Company for the past three fiscal years.

(Translation)

**Proposal No. 3:** Election of Three (3) Audit & Supervisory Board Members

The terms of office of Audit & Supervisory Board Members Toshiya Furukatsu and Junichi Noro will expire at the conclusion of this Annual Shareholders' Meeting. Accordingly, the election of three (3) Audit & Supervisory Board Members with an increase of one (1) member is proposed to further reinforce the audit system.

The Audit & Supervisory Board has given its prior consent to this Proposal.

The candidates are as follows, and the two candidates for Outside Audit & Supervisory Board Member satisfy the "Independence Criteria for Outside Director/Outside Audit & Supervisory Board Member" stipulated by the Company. Refer to page 11 for details of said criteria.

| No | Name<br>(Date of birth; Age)                                                                                                                                                                                                                                                                                                                                                                                                                                                   | Career summary and positions in the Company<br>and important positions concurrently held at other companies |                                                                                                                              |
|----|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------|
| 1  | <b>Makoto Wakida</b><br>(July 9, 1960; 59)<br>[New appointment]                                                                                                                                                                                                                                                                                                                                                                                                                | July 2013                                                                                                   | General Manager for Sendai Corporate Banking Department, Mizuho Bank, Ltd.                                                   |
|    | Gender:<br>Male<br><br>Number of years as Audit & Supervisory Board Member of the Company:<br>—                                                                                                                                                                                                                                                                                                                                                                                | April 2015<br>April 2016                                                                                    | Joined the Company<br>General Manager, Planning Promotion Office, Planning Management Dept., Corporate Planning Headquarters |
|    | Attendance at the Board of Directors Meetings:<br>—                                                                                                                                                                                                                                                                                                                                                                                                                            | April 2017                                                                                                  | General Manager, Planning Promotion Dept. Corporate Planning Headquarters                                                    |
|    | Attendance at the Audit & Supervisory Board Meetings:<br>—                                                                                                                                                                                                                                                                                                                                                                                                                     | April 2018                                                                                                  | Corporate Officer, General Manager, Corporate Planning Dept.                                                                 |
|    | Number of shares of the Company held:<br>1,400                                                                                                                                                                                                                                                                                                                                                                                                                                 | April 2020                                                                                                  | Assistant to Chief Executive, Corporate Planning Headquarters (current position)                                             |
|    | [Reason for nominating as a candidate for Audit & Supervisory Board Member]<br>Makoto Wakida has abundant business experience at a major bank, and has been mainly engaged in the field of corporate planning as a Corporate Officer since joining the Company. The Company newly appoints him as a candidate for Audit & Supervisory Board Member based on its judgment that he qualifies for this position because he is well-versed in the actual condition of the Company. |                                                                                                             |                                                                                                                              |

(Translation)

| No | Name<br>(Date of birth; Age)                                                                                                                                                                                                                                                                                                                                                                                                                                     | Career summary and positions in the Company<br>and important positions concurrently held at other companies                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |                                                                                                                                                                                                                                                                                                                                                                                                                                     |
|----|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 2  | <p><b>Shigeo Kobayashi</b><br/>(August 5, 1956; 63)</p> <p>[New appointment]<br/>[Outside Audit &amp; Supervisory Board Member]<br/>[Independent Auditor]</p> <p>Gender:<br/>Male</p> <p>Number of years as Audit &amp; Supervisory Board Member of the Company:<br/>—</p> <p>Attendance at the Board of Directors Meetings:<br/>—</p> <p>Attendance at the Audit &amp; Supervisory Board Meetings:<br/>—</p> <p>Number of shares of the Company held:<br/>0</p> | <p>October 1978<br/>July 1984</p> <p>September 1996</p> <p>August 2007</p> <p>July 2019</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | <p>Joined Coopers &amp; Lybrand Japan<br/>Joined Chuo Audit Corporation (later Chuo Audit Corporation, ChuoAoyama Audit Corporation, Misuzu Audit Corporation) due to a merger<br/>Representative Partner, Chuo Audit Corporation (retired in July 2007)<br/>Joined KPMG AZSA &amp; Co. (current KPMG AZSA LLC) as a Partner (resigned in June 2019)<br/>Shigeo Kobayashi Certified Public Accountant Office (current position)</p> |
|    |                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | <p>[Reason for nominating as a candidate for Outside Audit &amp; Supervisory Board Member]<br/>Although Shigeo Kobayashi has had no experience of directly engaging in corporate management, he has professional expertise and abundant experience as a certified public accountant and professional knowledge about finance and accounting. Accordingly, the Company newly appoints him as a candidate for Outside Audit &amp; Supervisory Board Member based on its judgment that he qualifies for the duties to audit the execution of duties by Directors from an objective standpoint independent of the Company.</p>                                                                                                                                                                                                                                                                                                                                                      |                                                                                                                                                                                                                                                                                                                                                                                                                                     |
|    |                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | <p>[View on independence]<br/>As Shigeo Kobayashi satisfies the “Independence Criteria for Outside Director/Outside Audit &amp; Supervisory Board Member” stipulated by the Company, the Company judges that he maintains independence from the Company. There are no interests including personal, capital and transactional relationships between Shigeo Kobayashi Certified Public Accountant Office, at which he works as a certified public accountant, and the Company. He came from KPMG AZSA LLC but resigned from his position in 2019. Although this company and the Company had transaction of consulting contract in fiscal 2019, the respective amount of the relevant transactions did not exceed the amount of payments specified in the aforementioned criteria. (The average amount of transactions between both companies for the past three fiscal years was less than 1% of the three-year average transaction amount of the company’s total turnover.)</p> |                                                                                                                                                                                                                                                                                                                                                                                                                                     |

(Translation)

| No | Name<br>(Date of birth; Age)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                | Career summary and positions in the Company<br>and important positions concurrently held at other companies                                                            |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
|----|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 3  | <b>Nobuyuki Soda</b><br><br>(March 7, 1964; 56)<br><br>[New appointment]<br>[Outside Audit & Supervisory<br>Board Member]<br>[Independent Auditor]<br><br>Gender:<br>Male<br><br>Number of years as Audit &<br>Supervisory Board Member of<br>the Company:<br>—<br><br>Attendance at the Board of<br>Directors Meetings:<br>—<br><br>Attendance at the Audit &<br>Supervisory Board Meetings:<br>—<br><br>Number of shares of the<br>Company held:<br>0                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | April 1986<br>March 2014<br><br>March 2016<br><br>March 2017<br><br>March 2018<br><br>July 2018<br><br><br>March 2019<br><br>April 2019<br>June 2019<br><br>April 2020 | Joined Nippon Life Insurance Company<br>Executive Officer, General Manager, Affiliated<br>Business Dept., Nippon Life Insurance Company<br>Executive Officer, General Manager, Affiliated<br>Business Dept., and Adviser to Corporate Planning<br>Dept., Nippon Life Insurance Company<br>Executive Officer, Deputy General Manager, Agency<br>Marketing Headquarters and Deputy General<br>Manager, Financial Institution Relations<br>Headquarters, Nippon Life Insurance Company<br>Managing Executive Officer, General Manager,<br>Financial Institution Relations Headquarters, Nippon<br>Life Insurance Company<br>Director, Managing Executive Officer in charge of<br>Agency Management Sector, Financial Institution<br>Relations Sector, and Sales Staff Sector (related to<br>agencies and financial institutions), and General<br>Manager, Financial Institution Relations<br>Headquarters, Nippon Life Insurance Company<br>Director, Nippon Life Insurance Company (retired in<br>July 2019)<br>Director and Executive Vice President, Corporate-<br>Pension Business Service Co., Ltd.<br>Outside Director, Audit and Supervisory Committee<br>Member, The Hyakujushi Bank, Ltd. (current<br>position)<br>Director and President, Corporate-Pension Business<br>Service Co., Ltd. (current position) |
|    | [Reason for nominating as a candidate for Outside Audit & Supervisory Board Member]<br>Nobuyuki Soda has abundant expertise and experience nurtured during his tenure as a manager at a leading life insurance company, and the Company newly appoints him as a candidate for Outside Audit & Supervisory Board Member based on its judgment that he qualifies for the duties to audit the execution of duties by Directors from an objective standpoint independent of the Company.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |                                                                                                                                                                        |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
|    | [View on independence]<br>As Nobuyuki Soda satisfies the “Independence Criteria for Outside Director/Outside Audit & Supervisory Board Member” stipulated by the Company, the Company judges that he maintains independence from the Company. Although he concurrently serves as Director and President of Corporate-Pension Business Service Co., Ltd., there are no interests including personal, capital and transactional relationships between this company and the Company. He came from Nippon Life Insurance Company but retired from the position of Director of this company in 2019. Although this company holds the Company’s shares, its shareholding ratio is 2.53%. Although this company and the Company had transactions such as construction contracts and insurance contracts in fiscal 2019, the respective amount of the relevant transactions did not exceed the amount of payments specified in the aforementioned criteria. (The average transaction amounts between both companies for the past three fiscal years was less than 1% of the three-year average transaction amounts of this company’s non-consolidated ordinary income or the Company’s consolidated net sales of completed construction contracts for the past three fiscal years.) |                                                                                                                                                                        |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |

(Notes)

1. No material conflict of interest exists between the Company and any of the above candidates for Audit & Supervisory Board Member.
2. Shigeo Kobayashi and Nobuyuki Soda are candidates for Outside Audit & Supervisory Board Member.
3. The Company has stipulated in its Articles of Incorporation that it can conclude a limited liability agreement with each Audit & Supervisory Board Member to limit his/her liability for damages to a certain degree. If the appointment of Makoto Wakida, Shigeo Kobayashi and Nobuyuki Soda as Audit & Supervisory Board Member is approved, the Company intends to conclude said agreements with them. The outline of the aforementioned limited liability agreement is as follows:
  - In case an Audit & Supervisory Board Member causes damage to the Company due to his/her negligence of duty, his/her liability for the damage shall be up to the minimum liability amount provided for in laws and regulations when said Audit & Supervisory Board Member’s duty is performed in good faith and with no gross negligence.
4. If the appointment of Shigeo Kobayashi and Nobuyuki Soda as Audit & Supervisory Board Member is approved, the Company intends to designate them as Independent Auditors as stipulated in the provisions

(Translation)

of the Tokyo Stock Exchange and notify the Tokyo Stock Exchange of their designation as such.

5. The age of the respective candidates indicated is as of the date of this Annual Shareholders' Meeting.

(Translation)

**Proposal No. 4:** Revision of Amount of Compensation to Directors

At the 71st Annual Shareholders' Meeting held on June 29, 2016, a resolution was adopted to set the amount of compensation to Directors of the Company to be within ¥540 million per year (of which that for Outside Directors to be within ¥20 million per year), and remains effective until now. However, in due consideration of the increased roles and responsibilities of Outside Directors with an aim of strengthening corporate governance among other factors, the Company proposed that the amount of compensation to Outside Directors be revised to within ¥40 million per year.

The total amount of compensation to Directors will remain unchanged. In addition, the amount of compensation to Directors, as in the past, does not include the portion of their salaries for Directors who concurrently serve as employees.

There will be no change in the amount of performance-linked stock-based compensation, etc. granted to Executive Directors of the Company, approved separately from the abovementioned compensation at the 74th Annual Shareholders' Meeting held on June 27, 2019.

At present, the number of Directors is ten (10) (including two (2) Outside Directors). If Proposal No. 2 is approved as originally proposed, the number of Directors will be nine (9) (including two (2) Outside Directors).



(Translation)

[Attached Documents for the 75th Annual Shareholders' Meeting]

## **Business Report**

(From April 1, 2019, to March 31, 2020)

### **1. Overview of the Group**

#### **(1) Business Progress and Results**

##### **1) Overview of business**

The global economy deteriorated significantly for the fiscal year, affected by a drop in both domestic and foreign demands since the beginning of the year due to the impact of spread of coronavirus disease (COVID-19) in addition to trade friction between the United States and China.

In the United States, domestic demand, mainly consumer spending, was firm, but the economy decelerated due to sluggish foreign demand and other factors. In Europe, the slowdown in the economy continued due to a drop in foreign demand and the turmoil surrounding Brexit. Also in China, economic recovery continued to be weak as a whole, as corporate capital investments and consumer spending declined due to the impact of U.S.-China trade friction. The Japanese economy as a whole remained flat, as consumer spending gradually recovered due to improvements in employment and income conditions, but was offset by weak exports against the backdrop of sluggish recovery in the global economy.

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

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

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

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

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

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

Consolidated net sales of completed construction contracts decreased 0.0% year-on-year to ¥225,378 million, with a decrease in overseas contracts more than offsetting the increase in Japan. This includes consolidated net sales of completed construction contracts overseas, which decreased 12.3% year-on-year to ¥93,029 million.

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

(Translation)

**Orders received, net sales of completed construction contracts and construction carried forward by each division**

(Millions of yen)

| Category                         |                                   | Construction brought forward | Orders received   | Total             | Net sales of completed construction contracts | Construction carried forward |
|----------------------------------|-----------------------------------|------------------------------|-------------------|-------------------|-----------------------------------------------|------------------------------|
| Green Technology System Division | Building HVAC                     | 52,813                       | 47,755            | 100,568           | 54,963                                        | 45,605                       |
|                                  | Industrial HVAC                   | 59,679                       | 112,767           | 172,446           | 102,411                                       | 70,034                       |
|                                  | Subtotal [Overseas]               | 112,492 [23,932]             | 160,522 [49,527]  | 273,014 [73,460]  | 157,374 [38,964]                              | 115,639 [34,495]             |
| Paint Finishing System Division  | Paint Finishing System [Overseas] | 60,537 [53,650]              | 66,387 [52,784]   | 126,925 [106,435] | 68,003 [54,064]                               | 58,922 [52,370]              |
| Total [Overseas]                 |                                   | 173,030 [77,582]             | 226,909 [102,312] | 399,940 [179,895] | 225,378 [93,029]                              | 174,562 [86,865]             |

(Note)

Regarding foreign exchange translation of contracts brought forward from previous year in foreign subsidiaries, fluctuation amount because of foreign exchange is adjusted in the beginning balance of construction contracts brought forward.

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

**[Green Technology System Division]**

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

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

**[Paint Finishing System Division]**

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

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

(Translation)

As for the non-consolidated performance of the Company, orders received decreased 8.9% year-on-year to ¥122,844 million and net sales of completed construction contracts increased 6.0% year-on-year to ¥132,630 million. Profit of the Company increased ¥376 million to ¥7,645 million.

## 2) Capital expenditures

There is nothing of significance to mention for the fiscal year.

## 3) Financing

There is nothing of significance to mention for the fiscal year.

## (2) Transfer of Business, Absorption-Type Company Split and Incorporation-Type Company Split

Not applicable.

## (3) Business Assigned from Other Companies

Not applicable.

## (4) Succession of Rights and Obligations regarding Other Entities' Business due to Absorption-Type or Incorporation-Type Company Split

Not applicable.

## (5) Acquisition or Disposition of Shares and Other Equity Interests or Share Subscription Rights of Other Companies

Not applicable.

## (6) Changes in Assets and Income

### 1) Changes in operating results

(Millions of yen)

|                                                        | Year ended<br>March 31, 2016<br>(71st term) | Year ended<br>March 31, 2017<br>(72nd term) | Year ended<br>March 31, 2018<br>(73rd term) | Year ended<br>March 31, 2019<br>(74th term) | Year ended<br>March 31, 2020<br>(75th term)<br>This consolidated<br>fiscal year |
|--------------------------------------------------------|---------------------------------------------|---------------------------------------------|---------------------------------------------|---------------------------------------------|---------------------------------------------------------------------------------|
| Orders received                                        | 221,764                                     | 218,323                                     | 219,844                                     | 241,889                                     | 226,909                                                                         |
| Net sales of<br>completed<br>construction<br>contracts | 212,424                                     | 200,604                                     | 231,898                                     | 225,402                                     | 225,378                                                                         |
| Ordinary income                                        | 12,343                                      | 9,842                                       | 13,082                                      | 15,085                                      | 15,991                                                                          |
| Profit<br>attributable to<br>owners of parent          | 7,084                                       | 6,305                                       | 7,254                                       | 8,841                                       | 9,132                                                                           |
| Basic earnings<br>per share (Yen)                      | 204.35                                      | 183.16                                      | 212.40                                      | 259.53                                      | 268.07                                                                          |
| Total assets                                           | 187,910                                     | 197,753                                     | 215,392                                     | 223,080                                     | 215,389                                                                         |
| Net assets                                             | 95,921                                      | 100,184                                     | 110,650                                     | 113,649                                     | 112,843                                                                         |
| Net assets per<br>share (Yen)                          | 2,633.60                                    | 2,799.30                                    | 3,087.51                                    | 3,193.18                                    | 3,176.25                                                                        |

(Notes)

1. "Basic earnings per share" is calculated based on the average number of shares outstanding during the year after subtracting treasury shares. "Net assets per share" is calculated based on the total number of issued shares at the end of the year after subtracting treasury shares. The number of treasury shares does not include the number of the Company's shares held by Trust & Custody Services Bank, Ltd. (Trust E Account), because of the introduction of the ESOP (Employee Stock Ownership Plan). Meanwhile, the number of treasury shares includes the number of the Company's shares held by Trust & Custody Services

(Translation)

- Bank, Ltd. (Trust E Account), because of the introduction of the BBT (Board Benefit Trust).
2. “Partial Amendments to Accounting Standard for Tax Effect Accounting, etc.” (ASBJ Statement No. 28, February 16, 2018) has been applied since the beginning of the 74th fiscal year. Total assets for the 71st term through the 73rd term represent the amounts after retroactively applying said accounting standard, etc.

## 2) Changes in net sales of completed construction contracts by each division

(Millions of yen)

|                                           |                              | Year ended<br>March 31,<br>2016<br>(71st term) | Year ended<br>March 31,<br>2017<br>(72nd term) | Year ended<br>March 31,<br>2018<br>(73rd term) | Year ended<br>March 31,<br>2019<br>(74th term) | Year ended<br>March 31,<br>2020<br>(75th term)<br>This<br>consolidated<br>fiscal year |
|-------------------------------------------|------------------------------|------------------------------------------------|------------------------------------------------|------------------------------------------------|------------------------------------------------|---------------------------------------------------------------------------------------|
| Green<br>Technology<br>System<br>Division | Building<br>HVAC             | 43,608                                         | 43,857                                         | 45,845                                         | 46,158                                         | 54,963                                                                                |
|                                           | Industrial<br>HVAC           | 91,214                                         | 80,704                                         | 94,093                                         | 103,005                                        | 102,411                                                                               |
|                                           | Subtotal                     | 134,822                                        | 124,561                                        | 139,938                                        | 149,164                                        | 157,374                                                                               |
| Paint<br>Finishing<br>System<br>Division  | Paint<br>Finishing<br>System | 77,602                                         | 76,043                                         | 91,960                                         | 76,238                                         | 68,003                                                                                |
| Total<br>[Overseas]                       |                              | 212,424<br>[117,881]                           | 200,604<br>[98,820]                            | 231,898<br>[116,170]                           | 225,402<br>[106,136]                           | 225,378<br>[93,029]                                                                   |

## (7) Issues to Be Addressed

### 1) Basic management policy of the Company

The Taikisha Group will globally expand its business areas and pursue stable and sustainable growth in compliance with the “Customers first” spirit as Taikisha’s corporate philosophy (mission statement), and based on environmentally compliant technologies through our expertise in “Energy, Air, and Water” represented by the company name “Taikisha.” To this end, we will further create an attractive company for all stakeholders and contribute to society.

### 2) Long-term vision

The Taikisha Group formulated the long-term vision, “Aim to become a global corporate group that creates an optimum environment through unique engineering” in the Company’s Mid-Term Business Plan publicly announced on May 15, 2019. The long-term vision encompasses three priority items.

- a. Technology  
Aim to become an engineering group that meets the diverse needs of clients through energy-, air- and water-based technology.
- b. Environment  
Solve the clients’ environmental issues with innovative solution technology and contribute to passing on the rich global environment to future generations.
- c. Human Resources  
Respect the individual’s creativity and diversity, and value the corporate culture which allows employees to experience one’s growth and the joy of working.

(Translation)

### 3) Targeted management indices

The summary of the Mid-Term Business Plan for the fiscal year ending March 2020 through the fiscal year ending March 2022 of Taikisha Group is as follows:

(Billions of yen)

| Item                                          | Targets for the consolidated fiscal year ending March 2022 | Actual performance for the consolidated fiscal year ended March 2020 |
|-----------------------------------------------|------------------------------------------------------------|----------------------------------------------------------------------|
| Orders received                               | 265.0                                                      | 226.9                                                                |
| Net sales of completed construction contracts | 260.0                                                      | 225.3                                                                |
| Ordinary income                               | 16.0                                                       | 15.9                                                                 |
| Profit attributable to owners of parent       | 10.0                                                       | 9.1                                                                  |
| Return on equity (ROE) (%)                    | 8% or higher                                               | 8.4%                                                                 |

(Note)

With the spread of COVID-19, the business environment may differ significantly from that assumed in the Company's Mid-term Business Plan announced on May 15, 2019. We are currently assessing the impact, and we will promptly announce any necessary changes to the Mid-term Business Plan.

### 4) Management issues

The Taikisha Group has stipulated the following as its management issues based on the basic policy and direction of the Mid-Term Business Plan to achieve the long-term vision, "Aim to become a global corporate group that creates an optimum environment through unique engineering": a) Solidify the Company's position in the global market, b) Strengthen initiatives for the future, and c) Build an attractive company and establish a solid management base.

#### a) Solidify the Company's position in the global market

The Taikisha Group will increase competitiveness and profitability and aim to solidify the Company's position in the Japanese and overseas facility construction industry. We will address the following measures toward the realization of the task, "Solidify the Company's position in the global market."

##### (i) Reinforce the business base

We intend to reinforce the business base by building a well-balanced business portfolio that can respond to changes in the environment and economic fluctuations, securing stable suppliers and business partners, and maintaining a sound financial base.

##### (ii) Enhance competitiveness

We intend to enhance competitiveness by enhancing added value in terms of energy-saving, cost-saving and environment-responsive technology and automation technology, etc. We will also reinforce technological development capabilities by upgrading and utilizing laboratories, as well as strengthen proposal capabilities through the visualization of technology. Furthermore, we will promote the development of new solutions by utilizing IoT/AI, and enhance the Company's presence through stepped-up PR to enhance our competitiveness.

##### (iii) Improve profitability

We intend to make priority allocations of management resources into the growth markets. In addition, we will enhance productivity by improving and propagating onsite construction methods and business processes and utilizing IT, etc. Furthermore, we will reinforce the project management structure.

#### b) Strengthen initiatives for the future

The Taikisha Group will look ahead to future changes in the market environment and promote the development of systems and structures that will turn those changes into business opportunities. We will address the following measures toward the realization of the task, "Strengthen initiatives for the future."

##### (i) Expand business domains

We intend to deepen the existing major business domains and expand new businesses such as the plant factory business and the paint finishing system business for large vehicles other than automobiles. We will also expand business areas into new countries. Furthermore, we will promote alliances with overseas Group companies to reinforce capabilities to respond to the needs of overseas clients.

(Translation)

(ii) Environment response

We intend to reinforce capabilities to solve clients' environmental issues such as the reduction of greenhouse gas emissions and environmentally hazardous substances by leveraging the technological expertise cultivated in the HVAC business. Furthermore, we will respond to social needs such as SDGs-and ESG-related needs through business operations to pursue these areas as new business opportunities.

c) Build an attractive company and establish a solid management base

The Taikisha Group will reinforce human resource strategies that will make the Company more attractive and a corporate governance structure that will raise society's trust in the Company. We will address the following measures toward the realization of the task, "Build an attractive company and establish a solid management base."

(i) Human resource strategies

We intend to secure human resources with measures to make the Company more attractive including the enhancement of systems to enable flexible work styles, improvement of benefits and reduction of working hours. We will also firmly establish the Career Plan Scheme to raise the capabilities and enhance the motivation of employees. Furthermore, we will reinforce human capital and organizational capabilities through the utilization of diverse human resources, as well as secure employees in line with the situation of each overseas Group company.

(ii) Governance

We intend to reinforce corporate governance through the reinforcement of the management oversight functions of the Board of Directors and capital cost-conscious management. We will also reinforce the internal control system both in Japan and overseas. Furthermore, we will improve the global risk management system regarding legal risks, information security, compliance, etc.

To further reinforce our corporate governance structure, specific measures are carried out for enhanced compliance, including the holding of compliance-based training sessions for executives and employees; the streamlining and disseminating of internal reporting systems; and the verification of compliance status at the meetings of the Compliance Committee, held monthly in principle.

(Translation)

**(8) Significant Subsidiaries**

| Company name                                         | Capital             | Percentage of voting rights held by the Company | Principal business                                                                                                 |
|------------------------------------------------------|---------------------|-------------------------------------------------|--------------------------------------------------------------------------------------------------------------------|
| San Esu Industry Co., Ltd.                           | ¥100 million        | 87.75%                                          | Pipework, sheet metal work and can manufacturing work, as well as manufacture and sales of machinery and equipment |
| Nippon Noise Control Ltd.                            | ¥30 million         | 100.00%                                         | Design, manufacture, sales and installation of silencer and vibration-proof equipment                              |
| Tokyo Taikisha Service Ltd.                          | ¥20 million         | 100.00%                                         | Design and installation of HVAC systems                                                                            |
| TKS Industrial Company                               | USD 10 thousand     | 100.00%                                         | Design and installation of paint finishing and HVAC systems                                                        |
| Encore Automation LLC <sup>1,3</sup>                 | —                   | 100.00%                                         | Design and installation of paint systems and plants for automobile industry and aviation industry                  |
| Taikisha Canada Inc. <sup>1</sup>                    | CAD 442 thousand    | 100.00%                                         | Design and installation of paint finishing and HVAC systems                                                        |
| Taikisha de Mexico, S.A. de C.V. <sup>1</sup>        | MXN 11,729 thousand | 100.00%                                         | Design and installation of paint finishing and HVAC systems                                                        |
| Taikisha Mexicana Service S.A. de C.V. <sup>1</sup>  | MXN 100 thousand    | 100.00%                                         | Design and installation of paint finishing and HVAC systems, as well as temporary staffing services                |
| Taikisha do Brasil Ltda. <sup>1</sup>                | BRL 8,107 thousand  | 100.00%                                         | Design and installation of paint finishing and HVAC systems                                                        |
| Taikisha (Singapore) Pte. Ltd.                       | SGD 20 million      | 100.00%                                         | Design and installation of HVAC and paint finishing systems                                                        |
| Taikisha (Thailand) Co., Ltd. <sup>1</sup>           | THB 40 million      | 85.65%                                          | Design and installation of HVAC and paint finishing systems                                                        |
| Taikisha Trading (Thailand) Co., Ltd. <sup>1</sup>   | THB 5 million       | 98.60%                                          | Exports and imports of HVAC and paint finishing systems and other products for plants                              |
| Thaiken Maintenance & Service Co., Ltd. <sup>1</sup> | THB 5 million       | 100.00%                                         | Maintenance services and small-scale works, etc.                                                                   |
| Token Interior & Design Co., Ltd. <sup>1</sup>       | THB 20 million      | 87.40%                                          | Manufacture and sales of interior goods and materials                                                              |
| TKA Co., Ltd. <sup>1</sup>                           | THB 5 million       | 99.00%                                          | Manufacture and sales of precision machinery parts                                                                 |
| BTE Co., Ltd. <sup>1,2</sup>                         | THB 20 million      | 50.00%                                          | Assembly and installation of switchboards and control panels                                                       |
| Token Myanmar Co., Ltd. <sup>1</sup>                 | USD 200 thousand    | 95.00%                                          | Interior decoration-related design and installation                                                                |
| Taikisha Engineering (M) Sdn. Bhd.                   | MYR 750 thousand    | 100.00%                                         | Design and installation of HVAC and paint finishing systems                                                        |
| P.T. Taikisha Indonesia Engineering                  | IDR 982 million     | 98.91%                                          | Design and installation of HVAC and paint finishing systems                                                        |
| P.T. Taikisha Manufacturing Indonesia                | IDR 87,531 million  | 99.98%                                          | Painting of automobile parts                                                                                       |
| Taikisha Philippines Inc. <sup>2</sup>               | PHP 22 million      | 40.00%                                          | Design and installation of HVAC and paint finishing systems                                                        |

(Translation)

| Company name                                              | Capital            | Percentage of voting rights held by the Company | Principal business                                                                                                                                                        |
|-----------------------------------------------------------|--------------------|-------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Taikisha Vietnam Engineering Inc.                         | VND 53,895 million | 100.00%                                         | Design and installation of HVAC and paint finishing systems                                                                                                               |
| Taikisha (Cambodia) Co., Ltd.                             | USD 300 thousand   | 100.00%                                         | Design and installation of HVAC and paint finishing systems                                                                                                               |
| Taikisha Myanmar Co., Ltd. <sup>1</sup>                   | USD 2 million      | 100.00%                                         | Design, installation and maintenance of HVAC and paint finishing systems                                                                                                  |
| Taikisha Lao Co., Ltd. <sup>1,4</sup>                     | USD 505 thousand   | 100.00%                                         | Design and installation of HVAC and paint finishing systems                                                                                                               |
| WuZhou Taikisha Engineering Co., Ltd.                     | CNY 51 million     | 70.00%                                          | Design and installation of HVAC and paint finishing systems                                                                                                               |
| Beijing Wuzhou Taikisha Equipment Co., Ltd. <sup>1</sup>  | CNY 800 thousand   | 100.00%                                         | Manufacture, installation, adjustment and repair of paint finishing, HVAC and pollution control systems, as well as sales of machinery, equipment and electronic products |
| Tianjin Taikisha Paint Finishing System Ltd. <sup>1</sup> | CNY 73 million     | 90.00%                                          | Research, development, manufacture, sales and maintenance of paint systems                                                                                                |
| Taikisha Hong Kong Limited                                | HKD 2 million      | 100.00%                                         | Design and installation of HVAC and paint finishing systems                                                                                                               |
| Taikisha (Taiwan) Ltd.                                    | TWD 230 million    | 100.00%                                         | Design and installation of HVAC and paint finishing systems                                                                                                               |
| Taikisha Korea Ltd.                                       | KRW 700 million    | 80.00%                                          | Design and installation of paint finishing and HVAC systems                                                                                                               |
| Taikisha Engineering India Private Ltd.                   | INR 5 million      | 57.89%                                          | Design and installation of paint finishing and HVAC systems                                                                                                               |
| Geico S.p.A.                                              | EUR 3 million      | 51.00%                                          | Design and installation of paint systems and plants for automobile industry                                                                                               |
| J-CO America Corporation <sup>1</sup>                     | USD 300 thousand   | 100.00%                                         | Design and installation of paint systems and plants for automobile industry                                                                                               |
| J-CO Mexico, S. de R.L. de C.V. <sup>1</sup>              | MXN 272 thousand   | 100.00%                                         | Design and installation of paint systems and plants for automobile industry                                                                                               |
| Geico Brasil Ltda. <sup>1</sup>                           | BRL 5,500 thousand | 100.00%                                         | Design and installation of paint systems and plants for automobile industry                                                                                               |
| Geico Paint Shop India Private Limited <sup>1</sup>       | INR 3 million      | 100.00%                                         | Design and installation of paint systems and plants for automobile industry                                                                                               |
| Geico Painting System (Suzhou) Co., Ltd. <sup>1</sup>     | CNY 25 million     | 100.00%                                         | Design and installation of paint systems and plants for automobile industry                                                                                               |
| “Geico Russia” LLC <sup>1</sup>                           | RUB 6 million      | 100.00%                                         | Design and installation of paint systems and plants for automobile industry                                                                                               |

(Notes)

- For the companies marked with “1,” the percentage of voting rights held by the Company includes the equity investment by the Company’s subsidiaries.
- Although the Company’s equity in the company marked with “2” is 50% or less, this company is included in the category of “consolidated subsidiaries” as the Company substantially controls it.
- The company marked with “3” is a “limited liability company” under U.S. laws; the “Capital” is not stated in the table because the concept precisely falling under such “capital” does not exist.



(Translation)

4. As the company marked with “4” is a company newly established in the fiscal year, it is included in the category of “consolidated subsidiaries.”

**(9) Principal Business**

The Taikisha Group is mainly engaged in the design, supervision and installation of HVAC systems and paint finishing systems in Japan and overseas, as well as in the manufacture and sales of related equipment and materials. Major markets and client fields for each business segment are as follows:

|                                  |                                                                                                                                                                                                                                                                                                                                                                                                             |
|----------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Green Technology System Division | <ul style="list-style-type: none"><li>• General-purpose HVAC systems for offices, hotels, stores, schools, research institutes, theaters, halls, residences, hospitals, computer centers and so forth</li><li>• Industrial HVAC systems, including clean rooms, for factories and plants of semiconductors, electronic parts/components, precision machinery, pharmaceuticals, foods and so forth</li></ul> |
| Paint Finishing System Division  | <ul style="list-style-type: none"><li>• Paint finishing systems in factories not only for automobile parts/components such as chassis and bumpers slated for automobile industry but also for construction vehicles, rolling stock, aircraft and the like</li></ul>                                                                                                                                         |

**(10) Principal Business Locations**

**1) The Company**

|                     |                                                                                                                                                                                                                                                                                                                                                                                                                                         |
|---------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Head Office         | 8-17-1, Nishi-Shinjuku, Shinjuku-ku, Tokyo                                                                                                                                                                                                                                                                                                                                                                                              |
| Branch              | Sapporo Office, Tohoku Branch Office (Sendai-shi), Kanto Office (Saitama-shi), Tokyo Branch Office (Nakano-ku, Tokyo), Yokohama Office, Chubu Branch Office (Nagoya-shi), Osaka Branch Office, Chugoku Office (Hiroshima-shi), Kyushu Branch Office (Fukuoka-shi), International Operations Center (Shinjuku-ku, Tokyo), East Japan Office (Shinjuku-ku, Tokyo), West Japan Office (Nagoya-shi), Automation Office (Zama-shi, Kanagawa) |
| Sales Office        | Ibaraki (Tsukuba-shi), Hokuriku (Kanazawa-shi), Nagano, Kyoto, Kobe, Kagoshima, Okinawa (Naha-shi)                                                                                                                                                                                                                                                                                                                                      |
| Research Laboratory | Plant Factory Demonstration and Development Center (Itabashi-ku, Tokyo), Technical Center (Zama-shi, Kanagawa), Research and Development Center (Aikawa-cho, Aiko-gun, Kanagawa)                                                                                                                                                                                                                                                        |

(Translation)

## 2) Subsidiaries

|          |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |                                                                                                                                                                                                                                                                                                                                                                                                                              |
|----------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Japan    | San Esu Industry Co., Ltd.<br>Nippon Noise Control Ltd.<br>Tokyo Taikisha Service Ltd.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | Hirakata-shi, Osaka<br>Nakano-ku, Tokyo<br>Nakano-ku, Tokyo                                                                                                                                                                                                                                                                                                                                                                  |
| Overseas | TKS Industrial Company<br>Encore Automation LLC<br>Taikisha Canada Inc.<br>Taikisha de Mexico, S.A. de C.V.<br>Taikisha Mexicana Service S.A. de C.V.<br>Taikisha do Brasil Ltda.<br>Taikisha (Singapore) Pte. Ltd.<br>Taikisha (Thailand) Co., Ltd.<br>Taikisha Trading (Thailand) Co., Ltd.<br>Thaiken Maintenance & Service Co., Ltd.<br>Token Interior & Design Co., Ltd.<br>TKA Co., Ltd.<br>BTE Co., Ltd.<br>Token Myanmar Co., Ltd.<br>Taikisha Engineering (M) Sdn. Bhd.<br>P.T. Taikisha Indonesia Engineering<br>P.T. Taikisha Manufacturing Indonesia<br>Taikisha Philippines Inc.<br>Taikisha Vietnam Engineering Inc.<br>Taikisha (Cambodia) Co., Ltd.<br>Taikisha Myanmar Co., Ltd.<br>Taikisha Lao Co., Ltd.<br>WuZhou Taikisha Engineering Co., Ltd.<br>Beijing Wuzhou Taikisha Equipment Co., Ltd.<br>Tianjin Taikisha Paint Finishing System Ltd.<br>Taikisha Hong Kong Limited<br>Taikisha (Taiwan) Ltd.<br>Taikisha Korea Ltd.<br>Taikisha Engineering India Private Ltd.<br>Geico S.p.A.<br>J-CO America Corporation<br>J-CO Mexico, S. de R.L. de C.V.<br>Geico Brasil Ltda.<br>Geico Paint Shop India Private Limited<br>Geico Painting System (Suzhou) Co., Ltd.<br>“Geico Russia” LLC | U.S.A.<br>U.S.A.<br>Canada<br>Mexico<br>Mexico<br>Brazil<br>Singapore<br>Thailand<br>Thailand<br>Thailand<br>Thailand<br>Thailand<br>Thailand<br>Thailand<br>Thailand<br>Myanmar<br>Malaysia<br>Indonesia<br>Indonesia<br>The Philippines<br>Vietnam<br>Cambodia<br>Myanmar<br>Laos<br>China<br>China<br>China<br>China<br>Taiwan<br>South Korea<br>India<br>Italy<br>U.S.A.<br>Mexico<br>Brazil<br>India<br>China<br>Russia |

(Translation)

**(11) Employees**

**1) Taikisha Group**

| Type of business            | Number of employees | Increase/Decrease from previous fiscal year-end |
|-----------------------------|---------------------|-------------------------------------------------|
| Equipment installation work | 4,783               | (46)                                            |

**2) The Company**

| Number of employees at fiscal year-end | Increase/Decrease from previous fiscal year-end | Average age | Average years of service |
|----------------------------------------|-------------------------------------------------|-------------|--------------------------|
| 1,483                                  | 11                                              | 43.6        | 17.8                     |

**(12) Major Lenders**

(Millions of yen)

| Lenders                         | Balance of borrowings |
|---------------------------------|-----------------------|
| Mizuho Bank, Ltd.               | 1,338                 |
| MUFG Bank, Ltd.                 | 1,118                 |
| Intesa Sanpaolo S.p.A.          | 977                   |
| Banca Popolare di Milano S.p.A. | 921                   |

(Translation)

## 2. Status of Shares

- (1) Total Number of Authorized Shares 100,000,000 shares
- (2) Total Number of Issued Shares 34,204,836 shares  
(excluding 877,173 treasury shares)
- (3) Number of Shareholders 3,169 persons  
(a year-on-year increase of 204 persons)

### (4) Major Shareholders (top 10)

| Name of shareholders                                       | Number of shares held (in thousands) | Percentage of shares held to the total number of issued shares (%) |
|------------------------------------------------------------|--------------------------------------|--------------------------------------------------------------------|
| The Master Trust Bank of Japan, Ltd. (Trust Account)       | 3,232                                | 9.45                                                               |
| Japan Trustee Services Bank, Ltd. (Trust Account 9)        | 2,125                                | 6.22                                                               |
| Kenzaisha Ltd.                                             | 1,730                                | 5.06                                                               |
| Japan Trustee Services Bank, Ltd. (Trust Account)          | 1,363                                | 3.99                                                               |
| THE BANK OF NEW YORK MELLON (INTERNATIONAL) LIMITED 131800 | 1,080                                | 3.16                                                               |
| Taikisha Business Partners Shareholding Association        | 1,000                                | 2.93                                                               |
| Dai ni Kenzaisha Ltd.                                      | 1,000                                | 2.92                                                               |
| Sumitomo Realty & Development Co., Ltd.                    | 981                                  | 2.87                                                               |
| Taikisha Employees Shareholding Association                | 927                                  | 2.71                                                               |
| Nippon Life Insurance Company                              | 866                                  | 2.53                                                               |

(Notes)

- The Company holds 877,173 treasury shares but is excluded from the list of major shareholders above. The above treasury shares do not include 137,700 shares of the Company held by Trust & Custody Services Bank, Ltd. (Trust E Account), because of the introduction of the ESOP (Employee Stock Ownership Plan). The above treasury shares do not include 136,400 shares of the Company held by Trust & Custody Services Bank, Ltd. (Trust E Account), because of the introduction of the Board Benefit Trust (BBT).
- The “Percentage of shares held to the total number of issued shares” is calculated by subtracting treasury shares from all issued shares.

### (5) Other Share-Related Significant Matters

#### 1) ESOP (Employee Stock Ownership Plan)

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.

The Plan has a scheme in which shares of the Company are awarded to its eligible employees who have satisfied certain requirements in accordance with Stock Granting Regulations set forth in advance by the Company. Said Company’s shares are acquired with money initially contributed to a trust, including future portions, and separately managed as a trust estate.

#### 2) Board Benefit Trust (BBT)

The introduction of a Board Benefit Trust (BBT) (hereinafter referred to as the “System”), which is a performance-linked stock-based compensation plan, was approved at the 74th Annual Shareholders’ Meeting held on June 27, 2019.

The purpose of the introduction of this System is to further clarify the link between the compensation of Executive Directors and the Company’s operating performance and stock value, and enhancing their motivation to contribute to the improvement of operating performance in the medium and long term and to boost corporate value.

Following the introduction of the System, the disposal of the Company’s treasury shares through an allocation to a third party was carried out for Trust & Custody Services Bank, Ltd. (Trust E Account) as of August 26, 2019, as follows.

- Class of disposed shares: Common shares of the Company
- Total number of disposed shares: 136,400 shares
- Total amount of disposed shares: ¥449,983,600

### 3. Share Subscription Rights (Shinkabu Yoyakuken) of the Company, etc.

Not applicable.

(Translation)

#### 4. Company Officers

##### (1) Directors and Audit & Supervisory Board Members

| Position                                   | Name               | Assignments in the Company and important positions con-currently held at other companies                                                     |
|--------------------------------------------|--------------------|----------------------------------------------------------------------------------------------------------------------------------------------|
| Director                                   | Eitaro Uenishi     | Chairman                                                                                                                                     |
| Representative Director                    | Koji Kato          | President Corporate Officer                                                                                                                  |
| Representative Director                    | Hiroshi Mukai      | Executive Vice President Corporate Officer                                                                                                   |
| Director                                   | Kazuhide Hayakawa  | Executive Corporate Officer, Chief General Manager, Paint Finishing System Division                                                          |
| Director                                   | Yasushi Nakajima   | Executive Corporate Officer, Chief General Manager, Green Technology System Division                                                         |
| Director                                   | Masanori Nakagawa  | Managing Corporate Officer, Chief Executive, Administrative Management Headquarters and in charge of CSR                                     |
| ○ Director                                 | Nobutaka Inagawa   | Managing Corporate Officer, Vice General Manager, Green Technology System Division, and General Manager, Tokyo Branch Office                 |
| ○ Director                                 | Junichi Murakawa   | Managing Corporate Officer, Vice General Manager, Paint Finishing System Division, and Senior General Manager, Engineering Supervisory Dept. |
| Director                                   | Hirokazu Hikosaka  | Lawyer<br>Audit & Supervisory Board Member, Adways Inc.                                                                                      |
| ○ Director                                 | Kiyotaka Fuke      | Member of the Board of Directors (Outside Director and Audit & Supervisory Committee Member), Mizuho Trust & Banking Co., Ltd.               |
| Full-time Audit & Supervisory Board Member | Tetsuya Ogawa      |                                                                                                                                              |
| Full-time Audit & Supervisory Board Member | Toshiya Furukatsu  |                                                                                                                                              |
| Audit & Supervisory Board Member           | Junichi Noro       | Representative Director, Chairman & CEO, NLI Research Institute                                                                              |
| ○ Audit & Supervisory Board Member         | Toshiyuki Hanazawa |                                                                                                                                              |

(Notes)

1. The Directors and Audit & Supervisory Board Member marked with “○” were newly elected as Directors and Audit & Supervisory Board Member respectively at the 74th Annual Shareholders’ Meeting held on June 27, 2019, and assumed their positions.
2. Kiyotaka Fuke was elected as Director and assumed his position after he retired from the position of Audit & Supervisory Board Member due to the expiry of his term of office at the conclusion of the 74th Annual Shareholders’ Meeting held on June 27, 2019.
3. Toshiaki Shiba, Ryoichi Uenodan and Shuichi Murakami retired from the position of Director due to expiry of their terms of office at the conclusion of the 74th Annual Shareholders’ Meeting held on June 27, 2019.
4. Directors Hirokazu Hikosaka and Kiyotaka Fuke are Outside Directors.
5. Audit & Supervisory Board Members Junichi Noro and Toshiyuki Hanazawa are Outside Audit & Supervisory Board Members.
6. Audit & Supervisory Board Member Toshiya Furukatsu has long experience in accounting and finance-related operations, and therefore has abundant knowledge regarding finance and accounting affairs. Also, Audit & Supervisory Board Member Toshiyuki Hanazawa has experience in accounting as a general manager of accounting department at a leading non-life insurance company, and therefore has abundant knowledge regarding finance and accounting affairs.
7. The Company has notified the Tokyo Stock Exchange of the designation of Directors Hirokazu Hikosaka and Kiyotaka Fuke, as well as Audit & Supervisory Board Members Junichi Noro and Toshiyuki

(Translation)

Hanazawa, as Independent Directors/Auditors as stipulated in the provisions of the Tokyo Stock Exchange.

8. The following assignments in the Company were transferred as of April 1, 2020.

| Name             | After the transfer                                     | Before the transfer                                                                              |
|------------------|--------------------------------------------------------|--------------------------------------------------------------------------------------------------|
| Nobutaka Inagawa | Vice General Manager, Green Technology System Division | Vice General Manager, Green Technology System Division, and General Manager, Tokyo Branch Office |

## (2) Outline of limited liability agreement

The Company has concluded limited liability agreements respectively with all Directors who are not executive directors and all Audit & Supervisory Board Members to limit their liability for damages under Article 423, Paragraph 1 of the Companies Act, in accordance to the provision of Article 427, Paragraph 1 of the Act.

The liability for damages both for such Directors and Audit & Supervisory Board Members pursuant to the agreements is up to the minimum liability amount provided for in laws and regulations.

## (3) Compensation to Directors and Audit & Supervisory Board Members

| Category                                                                                | Total amount of compensation, etc. | Total amount of compensation, etc. by type |                                 |                          | Number of persons |
|-----------------------------------------------------------------------------------------|------------------------------------|--------------------------------------------|---------------------------------|--------------------------|-------------------|
|                                                                                         |                                    | Fixed compensation                         | Performance-linked compensation |                          |                   |
|                                                                                         |                                    | Basic compensation                         | Bonus                           | Stock-based compensation |                   |
| Directors (excluding Outside Directors)                                                 | ¥553 million                       | ¥334 million                               | ¥109 million                    | ¥109 million             | 10                |
| Outside Directors                                                                       | ¥19 million                        | ¥19 million                                | —                               | —                        | 3                 |
| Audit & Supervisory Board Members (excluding Outside Audit & Supervisory Board Members) | ¥45 million                        | ¥45 million                                | —                               | —                        | 2                 |
| Outside Audit & Supervisory Board Members                                               | ¥15 million                        | ¥15 million                                | —                               | —                        | 3                 |

(Notes)

- The above “Number of persons” includes three (3) Directors and one (1) Audit & Supervisory Board Member who retired from office at the conclusion of the 74th Annual Shareholders’ Meeting held on June 27, 2019.  
Among them, Audit & Supervisory Board Member Kiyotaka Fuke assumed office as Director after he retired from the position of Audit & Supervisory Board Member due to expiry of his term of office at the 74th Annual Shareholders’ Meeting held on June 27, 2019. Therefore, the figures under total amount of compensation, etc., the total amount of compensation, etc. by type, and the number of persons are respectively allocated by the period he served as Audit & Supervisory Board Member and Director.
- The “Amount of compensation, etc.,” to Directors includes ¥109 million in directors’ bonuses expected to be paid relating to the fiscal year.
- At the 71st Annual Shareholders’ Meeting held on June 29, 2016, a resolution was adopted to set an upper limit on compensation to Directors to be within ¥540 million per year (of which that for Outside Directors to be within ¥20 million per year) without including the portions of their salaries for Directors who concurrently serve as employees.  
In addition to the aforementioned upper limit on compensation, at the 74th Annual Shareholders’ Meeting held on June 27, 2019, a resolution was adopted for contribution of funds of up to ¥450 million (for every three fiscal years) to the Board Benefit Trust (BBT) which is a performance-linked stock-based compensation plan for Executive Directors.
- At the 59th Annual Shareholders’ Meeting held on June 29, 2004, a resolution was adopted to set an upper limit on compensation to Audit & Supervisory Board Members to be within ¥85 million per year.

(Translation)

**(4) Outside Officers**

**1) Relationship between other companies where important positions are concurrently held by our outside officers and the Company**

The important positions that are concurrently held by each of the outside officers of the Company are as stated in “(1) Directors and Audit & Supervisory Board Members” above. There are no special interests between each company where each outside officer concurrently serves and the Company.

**2) Major activities during the year**

Attendance at the meetings of the Board of Directors and the Audit & Supervisory Board, and opinions made thereat

| Position                         | Name               | Main activities at the meetings                                                                                                                                                                                                                                                                                                                                                                                  |
|----------------------------------|--------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Director                         | Hirokazu Hikosaka  | Attended 13 of 14 meetings (attendance rate: 92.9%) of the Board of Directors held during the fiscal year ended March 31, 2020, and timely made remarks based on his professional expertise and experience as a lawyer.                                                                                                                                                                                          |
| Director                         | Kiyotaka Fuke      | Attended 13 of 14 meetings (3 meetings held while he was Outside Audit & Supervisory Board Member and 10 meetings held after he assumed office as Outside Director; attendance rate: 92.9%) of the Board of Directors held during the fiscal year ended March 31, 2020, and timely made remarks based on his knowledge and experience nurtured during his services rendered at a leading life insurance company. |
| Audit & Supervisory Board Member | Junichi Noro       | Attended 13 of 14 meetings (attendance rate: 92.9%) of the Board of Directors and all 12 meetings (attendance rate: 100%) of the Audit & Supervisory Board held during the fiscal year ended March 31, 2020, and made remarks to ensure the legality of decision making by the Board of Directors.                                                                                                               |
| Audit & Supervisory Board Member | Toshiyuki Hanazawa | Attended all 11 meetings (attendance rate: 100%) of the Board of Directors and all 10 meetings (attendance rate: 100%) of the Audit & Supervisory Board held after he assumed office, and made remarks to ensure the legality of decision making by the Board of Directors.                                                                                                                                      |

(Translation)

## **5. Accounting Auditor**

### **(1) Designation of the Accounting Auditor**

A&A Partners

### **(2) Accounting Auditor's Compensation, etc., Pertaining to the Fiscal Year Ended March 31, 2020**

|              |                                                                                              |             |
|--------------|----------------------------------------------------------------------------------------------|-------------|
| A&A Partners | Amount of compensation, etc.                                                                 | ¥75 million |
|              | Cash and other profits payable by the Company and its subsidiaries to the Accounting Auditor | ¥75 million |

(Notes)

1. The Audit & Supervisory Board of the Company examined the status of executed duties for the preceding fiscal years, the grounds for calculating the estimated compensation and other factors with required materials and reports, which were obtained and/or heard from the Directors, relevant in-house departments/sections and the Accounting Auditor. As a result, judging that the compensation amounts above are fair and reasonable, the Audit & Supervisory Board has given its consent, as set forth in Article 399, Paragraph 1, of the Companies Act, with regard to compensation, etc., to the Accounting Auditor.
2. Under the audit agreement between the Company and the Accounting Auditor, compensation to audits pursuant to the Companies Act and audits pursuant to the Financial Instruments and Exchange Act are not strictly separated and otherwise cannot be substantially distinguished from each other. Consequently, the above amount reflects total compensation.
3. The Company's overseas subsidiaries are audited by Certified Public Accountants or audit corporations (including those with comparable qualifications abroad) other than the Company's Accounting Auditor.

### **(3) Non-Audit Services**

Not applicable.

### **(4) Policy regarding Determination of Dismissal or Non-Reappointment of Accounting Auditor**

In the event that the Accounting Auditor is deemed to have fallen under any of the grounds set forth in the items of Article 340, Paragraph 1, of the Companies Act, and his or her dismissal is judged to be appropriate, the Audit & Supervisory Board shall decide such dismissal subject to the unanimous consent of Audit & Supervisory Board Members. In that case, the dismissal of said Accounting Auditor and reasons therefor will be reported by an Audit & Supervisory Board Member designated by the Audit & Supervisory Board at the first shareholders' meeting to be convened after the dismissal.

In addition, should the Accounting Auditor be deemed unable to perform an audit properly, the Audit & Supervisory Board shall decide the details of a proposal for the dismissal or non-reappointment of the Accounting Auditor to be submitted to the shareholders' meeting, based on the provisions stipulated in Article 344 of the Companies Act.



(Translation)

## **6. The Company's Systems to Ensure Proper Execution of Business, as well as Operational Status of Said Systems**

### **(1) Systems to Ensure Proper Execution of Business**

The Board of Directors of the Company has determined its basic policy for the systems to ensure proper execution of business (the internal control system), which is set forth in the Companies Act and the Ordinance for Enforcement of the Companies Act, as follows:

#### **[Objectives]**

This resolution shall stipulate the outline regarding the establishment and operation of the Company's internal control system, pursuant to the Companies Act and the Ordinance for Enforcement of the Companies Act, in order to recognize the fact that the biggest current managerial risk is violation of the laws and regulations, and to familiarize and thoroughly carry out execution of observance of the laws and regulations. The internal control system, in accordance with this resolution, shall be thoroughly established and operated, and shall be improved by constant review with the purpose of ensuring an efficient and proper company structure.

### **1) The System to Ensure that Directors and Employees of the Company Conform to Laws and Regulations and Articles of Incorporation**

- a) According to the Company's Mission Statement and Corporate Philosophy, the Company shall consider its Management Vision—to conduct transactions through free and fair competition by abiding by the laws and their spirit, and to contribute to our customers, partners, shareholders, employees, community, society and global environment through transparency and high ethical standards—and the Taikisha Ltd. Code of Conduct as performance guidelines for directors and employees, and shall remind all persons involved about these standards.
- b) The Compliance Committee headed by the Representative Director as chairperson and consisting of members of the Management Meeting, the General Manager of the Corporate Compliance Department, the General Manager of the Internal Audit Office, and the Chief Executive of the Corporate Planning Headquarters shall in principle meet monthly in order to examine and respond to issues regarding compliance in the overall business operations of the Company from a management standpoint and to validate the status of compliance with laws and regulations as well as the Articles of Incorporation. Two of the meetings of the Compliance Committee shall be held as Compliance Policy Review Meetings attended by all officers. Compliance Policy Review Meetings shall examine and validate the annual compliance policy, the annual compliance plan, and the compliance measures, in addition to validating the above-mentioned matters, and report the overview of the results thereof to the Board of Directors. In the event of signs of a significant event, the Corporate Compliance Committee consisting of all officers, the General Manager of the Corporate Compliance Department, the General Manager of the Internal Audit Office, and the Chief Executive of the Corporate Planning Headquarters shall be convened promptly in order to deal with such event.
- c) The Company shall, in Taikisha's Code of Conduct, prescribe and implement a basic policy for Anti-Social Forces of refusing any involvement of Anti-Social Forces in its business, rejecting any requirement from Anti-Social Forces and prohibiting all directors and employees of the Company to have any relationship with Anti-Social Forces. In addition, the Company shall constantly conduct educational and dissemination activities related to compliance in order to familiarize all directors and employees of the Company, shall make every effort to prevent any violation of the policy, and shall gather information related to Anti-Social Forces from the outside of the Company regularly. If the Company receives undue demands from Anti-Social Forces, the Company is committed to confront Anti-Social Forces systematically in cooperation with outside experts.
- d) The Corporate Compliance Department, which is under the direct control of the Representative Director, shall constantly conduct educational and dissemination activities related to compliance in order to familiarize all directors and employees of the Company with the management vision and Taikisha's Code of Conduct, and shall make every effort to prevent any violations of laws and regulations in cooperation with other compliance-related departments of business divisions, and shall report all relevant activities to the Compliance Committee.
- e) For instances where a director or employee finds a violation of laws and regulations or Articles of Incorporation, an internal reporting system reporting to the Corporate Compliance Department shall be developed and an external reporting system reporting to independent outside attorneys shall be established. The Corporate Compliance Department shall remind all persons involved, both inside and outside the Company, of the reporting system so that those contacts are effectively utilized, and shall monitor and supervise the situation in accordance with the internal reporting rules so that a person who

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made a report pursuant to the preceding paragraph is not treated in a disadvantageous manner because he or she made such report.

- f) In the event of a compliance violation, the offenders concerned shall be severely disciplined according to work regulations.

**2) The System regarding the Storage and Management of Information Related to the Execution of Duties by Directors of the Company**

Information and materials related to the directors' execution of duties shall be handled pursuant to internal rules and regulations, especially the Information Security Rules and Document Management Rules, and shall be appropriately stored, managed and disposed of. If necessary, operational status shall be examined and internal rules and regulations shall be reviewed.

**3) Rules regarding Management of Risk of Loss of the Company and Other Systems**

- a) The Company shall, in accordance with the Risk Management Rules, establish the Risk Management Committee to identify risks of the Taikisha Group in an integrated fashion and to implement effective and efficient risk management. The Committee shall establish basic policies, responsibility systems, operations and other necessary measures for risk management of the Taikisha Group, and shall keep all persons involved informed about the establishment and implementation.
- b) Regarding risks associated with operations, such as quality control, safety control and compliance, assigned to each department, each department shall identify and prioritize the risks, draft specific measures against the risks and report to the Risk Management Committee. Each department shall implement internal rules and regulations, and shall keep all persons involved informed about the details of the implementation.
- c) On the assumption of situations in which measures should be taken to respond to exposed potential major risks (hereinafter referred to as crisis), the Company shall establish the Crisis Management Committee for the purpose of crisis response and daily crisis management. In the event that crisis breaks out, the Crisis Management Committee shall organize the crisis management team or establish the crisis task force to respond to the crisis under the supervision of the Crisis Management Committee. On the assumption of the outbreak of the crisis, the Company shall establish a business continuity plan to restore the damage caused by the crisis.
- d) The Internal Audit Office, which is under the direct control of the Representative Director, shall conduct internal audits in accordance with the Internal Audit Rules. The effectiveness of internal audits shall be ensured by the appointment of the General Manager of the Internal Audit Office chosen from employees at the level of Corporate Officer or higher, and by the placement of other necessary personnel. Furthermore, the Internal Audit Office shall examine audit methods and items to be audited, and shall amend the audit procedures as needed.

**4) The System to Ensure the Efficient Execution of Duties by Directors of the Company**

- a) By adopting a corporate officer system, responsibilities and authorities of corporate management and duty execution shall be clarified, aiming for revitalization of the Board of Directors, promotion of rapid decision-making, and advancement of management reforms.
- b) Based on the Board of Directors Rules, Rules for Managerial Approval, and other internal rules, the matters applicable for submission to the Board shall be submitted to the Board of Directors. In this regard, the appropriate materials concerning the agendas shall be distributed to all directors in advance and the Board of Directors shall pass a resolution after a full discussion based on such materials.
- c) With the Company's philosophy as a foundation, each departmental headquarters and business divisions, after the Policy Review Meeting, shall establish an appropriate annual policy and annual target, and shall work in order to achieve those targets.
- d) The Management Meeting, mainly consisting of directors at the level of Managing Corporate Officer or higher, shall be established to conduct deliberations regarding the Taikisha Group's important management issues to be addressed pursuant to the Rules for Management Approval, and shall make prompt decisions on these issues. In addition, the Management Meeting shall examine the progress toward annual target by monthly reviewing operating reports.

**5) The System to Ensure the Appropriateness of Operations conducted by the Corporate Group Consisting of the Company and its Subsidiaries (including Affiliated Companies, the same hereinafter)**

- a) Directors and employees of the subsidiaries of the Company who execute the business shall report the matters pertaining to the execution of duties to a responsible department and the responsible department

(Translation)

shall manage subsidiaries based on the Affiliate Management Rules to enhance management efficiency of the Taikisha Group.

- b) The Company shall conduct regular audits mainly by the Internal Audit Office to audit whether any risk exists in subsidiaries in accordance with the Internal Audit Rules and other related internal rules. In addition, the Company shall immediately report a risk of loss in subsidiaries, detected in subsidiaries as a result of audit, to directors, audit & supervisory board members and other departments in charge.
- c) Regarding a system to ensure the adequacy of materials concerning the finances and accounting of the Taikisha Group, and to ensure the adequacy of other related information pursuant to the Financial Instruments and Exchange Act, the Company shall, under the instructions of the Representative Director and President, establish the Basic Rules for Internal Control in compliance with the “Standards for Management Assessment and Audit concerning Internal Control Over Financial Reporting” and “Practice Standards for Management Assessment and Audit concerning Internal Control Over Financial Reporting” issued by the Financial Services Agency. In addition, the Company shall, in accordance with the Basic Rules, conduct improvement and operational status assessments of internal control procedures carried out by the Taikisha Group.
- d) To ensure that directors and employees of the subsidiaries execute their duties in compliance with laws and regulations as well as their articles of incorporation, the Internal Audit Office shall play a central role in regular audits and the Corporate Compliance Department shall conduct regular investigations in accordance with the Internal Audit Rules and other related internal rules. In addition, the Corporate Compliance Department shall remind all persons involved of the system so that the internal reporting systems of the Company are effectively utilized.

**6) Matters regarding Employees in Cases where Audit & Supervisory Board Members Request to Hire the Employees to Assist in their Audits, and Matters regarding the Independence of the Employees from Directors, and Matters regarding the Ensuring of Effective Instructions to such Employees**

The Company shall establish the Audit & Supervisory Board Members Office under the audit & supervisory board members and appoint employees who shall assist with the audit & supervisory board members’ duties. Consent from audit & supervisory board members shall be required for appointment, dismissal and transfer of the employees from positions and personnel evaluation and the Company shall ensure that the employees are independent of directors and instructions to the employees are effective.

**7) The System for Reporting Information Received from Directors and Employees of the Company and Directors, Statutory Auditors and Employees of Subsidiaries to the Audit & Supervisory Board Members and Other Systems relating to Reporting to the Audit & Supervisory Board Members**

- a) Directors and employees shall be obligated to report the following matters to audit & supervisory board members, and shall also provide the necessary reports and information upon request from each audit & supervisory board member pursuant to the Audit & Supervisory Board Rules and the Rules for Audit by Audit & Supervisory Board Members;
  - Matters resolved and reported by the Management Meeting
  - Matters discussed at the Compliance Committee, Risk Management Committee and Crisis Management Committee
  - Matters which may cause serious harm to the Company and its subsidiaries
  - Violation of laws and regulations or the Articles of Incorporation by directors and employees or facts that may lead to such violations
  - Results of internal audits by the Internal Audit Office
  - Request forms for internal managerial decisions and proceedings of meetings requested by audit & supervisory board members
- b) The manager of the responsible department of the Company who received a report from a director, statutory auditor or employee of the subsidiaries shall make a report to the audit & supervisory board members of the Company at a meeting at which the audit & supervisory board members are present or periodically as necessary in accordance with the Affiliate Management Rules.

**8) The System for Ensuring a Person who made a Report pursuant to the preceding Paragraph is not treated in a Disadvantageous Manner because He or She made Such Report**

At the request of the Audit & Supervisory Board, the Company shall ensure that a person who made a report pursuant to the preceding paragraph is not treated in a disadvantageous manner because he or she made such report. In addition, the Corporate Compliance Department shall monitor and supervise the situation so that the person who made such report is not treated in a disadvantageous manner.

(Translation)

**9) Matters regarding the Policy for Procedures for Advance Payment or Reimbursement of Expenses incurred with Respect to the Execution of Duties of Audit & Supervisory Board Members and Handling of Other Expenses or Obligations incurred with Respect to the Execution of Such Duties**

Audit & supervisory board members may request that any expenses incurred with respect to the execution of duties be paid in advance or reimbursed in accordance with the provisions of the Audit & Supervisory Board Rules.

**10) System to Ensure the Effective Implementation of Audits by Audit & Supervisory Board Members**

- a) The Representative Director, the Chief Executive of the Administrative Management Headquarters and the General Manager of the Internal Audit Office shall arrange meetings and consultations in order to thoroughly discuss and examine the improvement of the environments for audits conducted by audit & supervisory board members, and shall ensure the effectiveness of such audits.
- b) Audit & supervisory board members may make requests for improvement of the audit system and other related matters in order to ensure the effectiveness of audits conducted by them.

**(2) Summary of Operational Status of the Systems to Ensure Proper Execution of Business**

The operational status of the internal control system for the fiscal year ended March 31, 2020, was as follows:

**1) Compliance-related Initiatives**

During the fiscal year, 10 Compliance Committee meetings and two Compliance Policy Review Meetings were held to examine and discuss the compliance-related issues of the Taikisha Group and verify the status of compliance with laws and regulations.

To raise the awareness of compliance among officers and employees, the Company took several measures such as transmitting information via its intranet, posting posters for enlightenment, holding workshops to explain compliance manuals and training officers and employees (e.g., e-learning and dispatching of staff from the Corporate Compliance Department). The Corporate Compliance Department disseminated regularly the internal reporting systems via its intranet and posters.

**2) Risk Management-related Initiatives**

Two Risk Management Committee meetings were held to examine and discuss basic policies on the risk management of the Taikisha Group. Regarding risks associated with departmental operations, pursuant to the basic policy on risk management, each department identified risks, drafted and implemented specific measures against the risks, and reported their status to the Risk Management Committee.

**3) Initiatives to Ensure the Appropriateness and the Efficiency of the Execution of Duties by Directors**

Fourteen Board of Directors meetings were held for decision making of the Taikisha Group's management policies and important management issues, as well as for monitoring the execution of duties by Directors with reference to reports on their business execution.

Twenty-seven Management Meetings were held to deliberate and make decisions on important execution of business entrusted by the Board of Directors and the matters to be submitted to the Board of Directors.

**4) Initiatives to Ensure the Appropriateness of Operations Conducted by the Taikisha Group**

Regarding the important matters stipulated in the Affiliate Management Rules, we received reports from subsidiaries. In addition, we regularly checked compliance with the Affiliate Management Rules by subsidiaries.

**5) Initiatives to Ensure the Effectiveness of Reporting to Audit & Supervisory Board Members and the Audits by Audit & Supervisory Board Members**

Audit & supervisory board members attended the meetings of the Board of Directors, the Management Meeting and other important meetings to understand the execution of duties by directors, and collected information and received reports from the directors, employees and other relevant personnel regarding performance of their duties.

The Internal Audit Office timely reported the results of its internal audits within the Group to the Board of Directors and reported the executed status of the audit plan and internal audits, the results of audits and other related matters to the audit & supervisory board members.

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(Note)

Amounts and numbers of shares in this Business Report are rounded down to the nearest unit, while ratios and other figures are rounded off to the nearest unit.

(Translation)

**Consolidated Balance Sheet**

(As of March 31, 2020)

(Millions of yen)

Account title	Amount	Account title	Amount
<b>(Assets)</b>		<b>(Liabilities)</b>	
<b>Current assets</b>	<b>168,958</b>	<b>Current liabilities</b>	<b>93,924</b>
Cash and deposits	57,626	Notes payable, accounts payable for construction contracts and other	57,623
Notes receivable, accounts receivable from completed construction contracts and other	96,726	Short-term loans payable	6,460
Securities	3,500	Income taxes payable	1,481
Costs on uncompleted construction contracts	3,097	Advances received on uncompleted construction contracts	14,342
Raw materials and supplies	358	Provision for warranties for completed construction	836
Other	7,979	Provision for loss on construction contracts	289
Allowance for doubtful accounts	(329)	Provision for directors' bonuses	116
		Other	12,772
<b>Non-current assets</b>	<b>46,430</b>	<b>Non-current liabilities</b>	<b>8,622</b>
<b>Property, plant and equipment</b>	<b>10,493</b>	Long-term loans payable	1,952
Buildings and structures	8,632	Deferred tax liabilities	4,497
Machinery, vehicles, tools, furniture and fixtures	11,002	Provision for directors' retirement benefits	51
Land	2,038	Provision share-based remuneration for directors	109
Other	703	Net defined benefit liability	1,706
Accumulated depreciation	(11,884)	Other	305
<b>Intangible assets</b>	<b>3,580</b>	<b>Total liabilities</b>	<b>102,546</b>
Goodwill	755	<b>(Net assets)</b>	
Other	2,824	<b>Shareholders' equity</b>	<b>99,762</b>
<b>Investments and other assets</b>	<b>32,357</b>	Capital stock	6,455
Investment securities	24,388	Capital surplus	5,058
Deferred tax assets	655	Retained earnings	90,842
Net defined benefit asset	5,181	Treasury shares	(2,593)
Other	2,187	<b>Accumulated other comprehensive Income</b>	<b>8,447</b>
Allowance for doubtful accounts	(55)	Valuation difference on available-for-sale securities	8,376
		Deferred gains or losses on hedges	(0)
		Foreign currency translation adjustment	372
		Accumulated remeasurements of defined benefit plans	(302)
		<b>Non-controlling interests</b>	<b>4,633</b>
		<b>Total net assets</b>	<b>112,843</b>
<b>Total assets</b>	<b>215,389</b>	<b>Total liabilities and net assets</b>	<b>215,389</b>

(Note) Amounts of less than one million yen are rounded down.

(Translation)

## Consolidated Statement of Income

(From April 1, 2019, to March 31, 2020)

(Millions of yen)

Account title	Amount	
Net sales of completed construction contracts		225,378
Cost of sales of completed construction contracts		187,683
<b>Gross profit on completed construction contracts</b>		<b>37,694</b>
Selling, general and administrative expenses		22,254
<b>Operating income</b>		<b>15,439</b>
Non-operating income		
Interest and dividends income	993	
Other	456	1,450
Non-operating expenses		
Interest expenses	174	
Foreign exchange losses	385	
Other	338	898
<b>Ordinary income</b>		<b>15,991</b>
Extraordinary income		
Gain on disposal of non-current assets	58	
Gain on sales of investment securities	447	506
Extraordinary losses		
Loss on disposal of non-current assets	83	
Impairment loss	97	
Loss on sales of investment securities	0	
Loss on valuation of investment securities	0	
Amortization of goodwill	455	637
<b>Profit before income taxes</b>		<b>15,860</b>
Income taxes-current	4,636	
Income taxes-deferred	1,560	6,197
<b>Profit</b>		<b>9,663</b>
Profit attributable to non-controlling interests		530
<b>Profit attributable to owners of parent</b>		<b>9,132</b>

(Note) Amounts of less than one million yen are rounded down.

(Translation)

## Consolidated Statement of Comprehensive Income

(From April 1, 2019, to March 31, 2020)

(Millions of yen)

Account title	Amount
<b>Profit</b>	<b>9,663</b>
<b>Other comprehensive income</b>	
Valuation difference on available-for-sale securities	(3,465)
Deferred gains or losses on hedges	0
Foreign currency translation adjustment	147
Remeasurements of defined benefit plans	(891)
Share of other comprehensive income of entities accounted for using equity method	(16)
<b>Total other comprehensive income</b>	<b>(4,225)</b>
<b>Comprehensive income</b>	<b>5,437</b>
Comprehensive income	
Comprehensive income attributable to owners of parent	5,001
Comprehensive income attributable to non-controlling interests	436

(Notes)

1. Amounts of less than one million yen are rounded down.
2. The amounts in this statement are not subject to audit procedures by the Accounting Auditor.

(Translation)

## Consolidated Statement of Changes in Net Assets

(From April 1, 2019, to March 31, 2020)

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at the beginning of current period	6,455	7,244	84,984	(2,476)	96,208
Changes of items during the period					
Dividends of surplus			(3,274)		(3,274)
Profit attributable to owners of parent			9,132		9,132
Purchase of treasury shares				(450)	(450)
Disposal of treasury shares		116		333	449
Purchase of shares of consolidated subsidiaries		(2,303)			(2,303)
Net changes of items other than shareholders' equity					
Total changes of items during the period	—	(2,186)	5,858	(117)	3,553
Balance at the end of current period	6,455	5,058	90,842	(2,593)	99,762



(Translation)

(Millions of yen)

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at the beginning of current period	11,842	(0)	164	572	12,578	4,862	113,649
Changes of items during the period							
Dividends of surplus							(3,274)
Profit attributable to owners of parent							9,132
Purchase of treasury shares							(450)
Disposal of treasury shares							449
Purchase of shares of consolidated subsidiaries							(2,303)
Net changes of items other than shareholders' equity	(3,465)	0	208	(874)	(4,131)	(229)	(4,360)
Total changes of items during the period	(3,465)	0	208	(874)	(4,131)	(229)	(806)
Balance at the end of current period	8,376	(0)	372	(302)	8,447	4,633	112,843

(Note) Amounts of less than one million yen are rounded down.

(Translation)

**Non-consolidated Balance Sheet**

(As of March 31, 2020)

(Millions of yen)

Account title	Amount	Account title	Amount
<b>(Assets)</b>		<b>(Liabilities)</b>	
<b>Current assets</b>	<b>99,117</b>	<b>Current liabilities</b>	<b>51,113</b>
Cash and deposits	29,459	Notes payable-trade	6,234
Notes receivable-trade	459	Electronically recorded obligations-operating	15,747
Electronically recorded monetary claims	1,916	Accounts payable for construction contracts	14,358
Accounts receivable from completed construction contracts	59,528	Short-term loans payable	2,433
Securities	3,500	Accounts payable-other	7,180
Costs on uncompleted construction contracts	511	Income taxes payable	1,101
Raw materials and supplies	142	Advances received on uncompleted construction contracts	1,513
Other	3,619	Deposits received	761
Allowance for doubtful accounts	(19)	Provision for warranties for completed construction	258
<b>Non-current assets</b>	<b>46,486</b>	Provision for loss on construction contracts	133
<b>Property, plant and equipment</b>	<b>4,436</b>	Provision for directors' bonuses	109
Buildings	2,212	Other	1,280
Structures	43	<b>Non-current liabilities</b>	<b>2,901</b>
Machinery and equipment	392	Long-term loans payable	164
Vehicles	0	Deferred tax liabilities	2,471
Tools, furniture and fixtures	178	Provision for retirement benefits	120
Land	1,408	Provision for share-based remuneration for directors	109
Construction in progress	201	Other	35
<b>Intangible assets</b>	<b>1,878</b>	<b>Total liabilities</b>	<b>54,014</b>
Software	1,877	<b>(Net Assets)</b>	
Other	1	<b>Shareholders' equity</b>	<b>83,212</b>
<b>Investments and other assets</b>	<b>40,170</b>	<b>Capital stock</b>	<b>6,455</b>
Investment securities	23,833	<b>Capital surplus</b>	<b>7,413</b>
Shares of subsidiaries and associates	9,681	Legal capital surplus	7,297
Long-term loans receivable	4	Other capital surplus	116
Claims provable in bankruptcy, claims provable in rehabilitation and other	0	<b>Retained earnings</b>	<b>71,937</b>
Long-term prepaid expenses	8	Legal retained earnings	1,613
Prepaid pension cost	5,374	Other retained earnings	70,323
Lease and guarantee deposits	1,262	Reserve for reduction entry	0
Other	9	Reserve for investment on information technology	1,840
Allowance for doubtful accounts	(4)	General reserve	35,720
		Retained earnings brought forward	32,763
		<b>Treasury shares</b>	<b>(2,593)</b>
		<b>Valuation and translation adjustments</b>	<b>8,376</b>
		Valuation difference on available-for-sale securities	8,376
		Deferred gains or losses on hedges	(0)
		<b>Total net assets</b>	<b>91,588</b>
<b>Total assets</b>	<b>145,603</b>	<b>Total liabilities and net assets</b>	<b>145,603</b>

(Note) Amounts of less than one million yen are rounded down.

(Translation)

## Non-consolidated Statement of Income

(From April 1, 2019, to March 31, 2020)

(Millions of yen)

Account title	Amount	
Net sales of completed construction contracts		132,630
Cost of sales of completed construction contracts		110,663
<b>Gross profit on completed construction contracts</b>		<b>21,966</b>
Selling, general and administrative expenses		13,795
<b>Operating income</b>		<b>8,171</b>
Non-operating income		
Interest income and dividends income	2,140	
Dividend income of insurance	123	
Real estate rent	164	
Technical advisory fee	1,272	
Reversal of allowance for doubtful accounts	1	
Other	58	3,760
Non-operating expenses		
Interest expenses	23	
Sales discounts	160	
Rent expenses on real estate	48	
Foreign exchange losses	334	
Other	31	598
<b>Ordinary income</b>		<b>11,333</b>
Extraordinary income		
Gain on sales of investment securities	447	447
Extraordinary losses		
Loss on disposal of non-current assets	72	
Impairment loss	0	
Loss on valuation of investment securities	0	
Loss on valuation of shares of subsidiaries and associates	851	924
<b>Profit before income taxes</b>		<b>10,856</b>
Income taxes-current	3,198	
Income taxes-deferred	13	3,211
<b>Profit</b>		<b>7,645</b>

(Note) Amounts of less than one million yen are rounded down.

(Translation)

**Non-consolidated Statement of Changes in Net Assets**

(From April 1, 2019, to March 31, 2020)

(Millions of yen)

	Shareholders' equity									
	Capital stock	Capital surplus			Retained earnings					
		Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	Other retained earnings				Total retained earnings
						Reserve for reduction entry	Reserve for investment on information technology	General reserve	Retained earnings brought forward	
Balance at the beginning of current period	6,455	7,297	—	7,297	1,613	0	2,120	35,720	28,112	67,566
Changes of items during the period										
Reserve for investment on information technology							200		(200)	—
Reversal of reserve for investment on information technology							(480)		480	—
Dividends of surplus									(3,274)	(3,274)
Profit									7,645	7,645
Purchase of treasury shares										
Disposal of treasury shares			116	116						
Net changes of items other than shareholders' equity										
Total changes of items during the period	—	—	116	116	—	—	(280)	—	4,650	4,370
Balance at the end of current period	6,455	7,297	116	7,413	1,613	0	1,840	35,720	32,763	71,937

	Shareholders' equity		Valuation and translation adjustments			Total net assets
	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Total valuation and translation adjustments	
Balance at the beginning of current period	(2,476)	78,842	11,842	(0)	11,841	90,684
Changes of items during the period						
Reserve for investment on information technology		—				—
Reversal of reserve for investment on information technology		—				—
Dividends of surplus		(3,274)				(3,274)
Profit		7,645				7,645
Purchase of treasury shares	(450)	(450)				(450)
Disposal of treasury shares	333	449				449
Net changes of items other than shareholders' equity			(3,465)	0	(3,464)	(3,464)
Total changes of items during the period	(117)	4,369	(3,465)	0	(3,464)	904
Balance at the end of current period	(2,593)	83,212	8,376	(0)	8,376	91,588

(Note) Amounts of less than one million yen are rounded down.

(Translation)

[Audit & Supervisory Board Audit Report (duplicated copy)]

## **Audit Report**

(English Translation)

Regarding the performance of duties by the Directors for the 75th fiscal year from April 1, 2019, to March 31, 2020, the Audit & Supervisory Board hereby submits its Audit Report, which has been prepared upon careful consideration based on the audit report prepared by each Audit & Supervisory Board Member.

1. Summary of Auditing Methods by the Audit & Supervisory Board Members and Audit & Supervisory Board

(1) The Audit & Supervisory Board established auditing policies, allocation of duties, and other relevant matters for the fiscal year ended March 31, 2020, and received reports from each Audit & Supervisory Board Member regarding his or her audits and results thereof, as well as received reports from the Directors, other relevant personnel and the Accounting Auditor regarding performance of their duties, and requested explanations as necessary.

(2) Each Audit & Supervisory Board Member complied with the auditing regulations stipulated by the Audit & Supervisory Board, followed the auditing policies, allocation of duties and other relevant matters for the fiscal year, communicated with the Directors, the Internal Audit Office, other employees and any other relevant personnel, and made efforts to prepare the environment for information collection and audits, and conducted the audit in the following manner.

1) Each Audit & Supervisory Board Member attended the meetings of the Board of Directors and other important meetings, received reports from the Directors, employees and other relevant personnel regarding performance of their duties, requested explanations as necessary, examined important authorized documents and associated information, and conducted audit visits to study the operations and financial positions of the head office, as well as of principal branch offices, branches and business offices.

With respect to subsidiaries, each Audit & Supervisory Board Member communicated and exchanged information with Directors, Statutory Auditors and other relevant personnel of several major subsidiaries, and conducted audit visits to major subsidiaries including those overseas to study the operations and financial positions thereof.

2) With respect to the contents of resolutions of the Board of Directors regarding the improvement of the system stipulated in Article 100, Paragraphs 1 and 3 of the Ordinance for Enforcement of the Companies Act, which is considered necessary pursuant to the System to Ensure that Directors and Employees of the Company Conform to Laws and Regulations and Articles of Incorporation and the System to Ensure the Appropriateness of Operations conducted by the Corporate Group Consisting of the Company and its Subsidiaries in the Business Report, as well as to the systems (internal control system) that have been improved based on such resolutions, each Audit & Supervisory Board Member received regular reports from Directors, employees and other relevant personnel with regard to the improvement and operational status of said systems, requested explanations as necessary and expressed opinions, in accordance with the “Audit Standards for Audit & Supervisory Board Members Regarding the Internal Control System” and the “Checklist for the Internal Control System Audit,” which were stipulated through consultations among all the Audit & Supervisory Board Members.

3) Each Audit & Supervisory Board Member monitored and verified whether the Accounting Auditor maintained their independence and implemented appropriate audits, as well as received reports from the Accounting Auditor regarding the performance of their duties and requested explanations as necessary. In addition, each Audit & Supervisory Board Member received notice from the Accounting Auditor that the “system for ensuring that duties are performed properly” (matters set forth in each item of Article 131 of the Ordinance for Corporate Accounting) had been prepared in accordance with the “Product Quality Management Standards Regarding Audits” (issued by the Business Accounting Council on October 28, 2005) and other relevant standards, and requested explanations as necessary.

Based on the above methods, we examined the Business Report and the accompanying supplementary schedules, Non-consolidated Financial Statements (Non-consolidated Balance Sheet, Non-consolidated Statement of Income, Non-consolidated Statement of Changes in Net Assets, and Notes to Non-consolidated Financial Statements) and the accompanying supplementary schedules, as well as the Consolidated Financial Statements (Consolidated Balance Sheet, Consolidated Statement of Income, Consolidated Statement of Changes in Net Assets and Notes to Consolidated Financial Statements), all of which pertain to the fiscal year.

(Translation)

## 2. Results of Audit

### (1) Results of Audit of Business Report and Other Relevant Documents

- 1) In our opinion, the Business Report and the accompanying supplementary schedules are in accordance with the related laws, regulations and the Articles of Incorporation, and fairly present the Company's condition.
- 2) We have found no evidence of wrongful action or material violation of related laws and regulations, nor of any violation with respect to the Articles of Incorporation, related to performance of duties by the Directors.
- 3) In our opinion, the contents of the resolutions of the Board of Directors related to the internal control system are fair and reasonable. In addition, we have found no matters on which to remark regarding the description in the Business Report and the performance of duties by the Directors related to such internal control system.

### (2) Results of Audit of Consolidated Financial Statements

In our opinion, the methods and results employed and rendered by A&A Partners are fair and reasonable.

### (3) Results of Audit of Non-consolidated Financial Statements and the Accompanying Supplementary Schedules

In our opinion, the methods and results employed and rendered by A&A Partners are fair and reasonable.

May 21, 2020

#### Taikisha Ltd. Audit & Supervisory Board

Audit & Supervisory Board  
Member (Full-time)

Tetsuya Ogawa (seal)

Audit & Supervisory Board  
Member (Full time)

Toshiya Furukatsu (seal)

Audit & Supervisory Board  
Member (Outside)

Junichi Noro (seal)

Audit & Supervisory Board  
Member (Outside)

Toshiyuki Hanazawa (seal)

(Translation)

Items Disclosed on Internet Concerning  
Notice of the 75th Annual Shareholders' Meeting

Notes to Consolidated Financial Statements

Notes to Non-consolidated Financial Statements

(From April 1, 2019, to March 31, 2020)

**Taikisha Ltd.**

The Company provides its shareholders with the above documents by posting them on the Company's website (<https://www.taikisha.co.jp/>) in accordance with the provisions of the relevant laws and regulations and Article 15 of the Articles of Incorporation.

(Translation)

## Notes to Consolidated Financial Statements

### [Notes regarding the Basis for Preparing Consolidated Financial Statements]

#### 1. Scope of consolidation

Number of consolidated subsidiaries	39
Names of significant subsidiaries	San Esu Industry Co., Ltd. TKS Industrial Company Taikisha (Thailand) Co., Ltd. WuZhou Taikisha Engineering Co., Ltd. Geico S.p.A. Taikisha Lao Co., Ltd., a newly established company, has been included in the scope of consolidation from this consolidated fiscal year.

#### 2. Application of the equity method

##### (1) Number and names of associates subject to the equity method

Number of associates	3
Names of associates	Shanghai Dongbo-Taiki Conveyor System Manufacturing Co., Ltd. Tianjin Dongchun-Taiki Metal Finishing & Conveyor System Manufacturing Co., Ltd. J-PM Systems GmbH

##### (2) Name of associate not subject to the equity method

Name of associate	Makiansia Engineering (M) Sdn. Bhd.
Reason for not applying 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 statement.

#### 3. Accounting policies

##### (1) Standards and methods for valuation of significant assets

Securities	
Held-to-maturity debt securities	Amortized cost method (straight-line method)
Shares of associates	Stated at cost using the moving average method
Available-for-sale securities	
Available-for-sale securities with fair value	Stated at fair value based on the market prices at the end of the 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	Stated at cost using the moving average method
Derivatives	Stated at fair value
Inventories	
Costs on uncompleted construction contracts	Stated at cost using the specific identification method
Raw materials and supplies	Stated at cost determined by the moving average method (The amounts stated in the balance sheets are calculated by writing down the book value based on the decline in profitability.)



(Translation)

(2) Depreciation method for principal depreciable assets

Property, plant and equipment  
(excluding leased assets)

The declining-balance method is mainly applied. However, 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 mainly in accordance with the Corporation Tax Act.

Intangible assets  
(excluding leased assets)

The straight-line method is applied. However, computer software for internal use is amortized by the straight-line method over the estimated internal useful life (5 years).

Leased assets

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

(3) 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 Company and its consolidated subsidiaries (collectively, 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.

(4) Other important matters for presenting the Consolidated Financial Statements

Accounting standards for net sales of completed construction contracts and cost of sales of completed construction contracts

1) The percentage-of-completion method is applied for construction work for which the completion of a certain percentage of the entire work is reliably recognizable by the fiscal year end (percentage of completion is estimated by the cost-to-cost method).

(Translation)

#### Important methods of hedge accounting

- 2) The completed-contract method is applied for other construction contracts.
- 1) Method of hedge accounting  
Accounted for using the deferral method of accounting. With regard to forward exchange contracts that meet the requirements for deferral hedge accounting, deferral hedge accounting is applied.  
With regard to interest rate swaps and interest rate caps that meet the requirements for special treatment, special treatment is applied.
- 2) 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
- 3) 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.
- 4) 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.

#### Accounting procedure for retirement benefits

- 1) 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.
- 2) Amortization method for actuarial differences and prior service costs  
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 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.

#### Amortization method and period for goodwill

Goodwill is amortized by the straight-line method over a period of 20 years. However, an immaterial goodwill is recognized as expenses in the fiscal year of accrual.

#### Accounting for consumption taxes

At the Company and its domestic consolidated subsidiaries, transactions subject to consumption tax and local consumption tax are recorded at amounts exclusive of consumption tax.

(Translation)

**[Notes to Consolidated Balance Sheet]**

1. Pledged assets

(1) The following assets are pledged as collateral for loans payable at subsidiaries and associates.

(Millions of yen)

Asset pledged as collateral	Book value	Secured obligations corresponding to the asset at left
Cash and deposits	185	283
Machinery, vehicles, tools, furniture and fixtures	9	15

(2) The following assets are pledged as collateral for security deposits at subsidiaries and associates.

Cash and deposits ¥57 million

(3) The following assets are pledged as collateral for overdraft facilities of subsidiaries and associates.

Cash and deposits ¥18 million

2. Guarantee obligations

The Company guarantees loans payable, etc., made by its associates under agreements concluded with financial institutions.

Tianjin Dongchun-Taiki Metal Finishing & Conveyor System Manufacturing Co., Ltd. ¥265 million

3. Endorsed notes ¥22 million

4. Provision for loss on construction contracts

The costs on uncompleted construction contracts regarding the construction contracts for which losses are expected are reported after they are offset by the corresponding provision for loss on construction contracts of ¥4 million.

**[Note to Consolidated Statement of Income]**

Provision for loss on construction contracts included in the cost of sales of completed construction contracts is ¥228 million.

**[Notes to Consolidated Statement of Changes in Net Assets]**

1. Type and total number of issued shares as of the consolidated fiscal year end

Common shares 35,082,009 shares

2. Dividends

(1) Dividends paid

Resolution	Type of shares	Total dividends (Millions of yen)	Dividend per share (Yen)	Shareholders' cut-off date	Effective date
Annual Shareholders' Meeting on June 27, 2019	Common shares	2,248	66.00	March 31, 2019	June 28, 2019
Board of Directors Meeting on November 11, 2019	Common shares	1,026	30.00	September 30, 2019	November 29, 2019

(Note) The total dividends resolved at the Board of Directors Meeting held on November 11, 2019 include dividends of ¥4 million paid on the Company's shares held by Trust & Custody Services Bank, Ltd. (Trust E Account) as the trust assets of Board Benefit Trust (BBT).

(Translation)

- (2) Dividends whose record date is during the fiscal year, but whose effective date is after the end of the fiscal year

The following matters concerning the dividends of common shares are proposed at the Annual Shareholders' Meeting held on June 26, 2020.

- |                               |                |
|-------------------------------|----------------|
| 1) Total dividends            | ¥2,394 million |
| 2) Dividend per share         | ¥70.00         |
| 3) Shareholders' cut-off date | March 31, 2020 |
| 4) Effective date             | June 29, 2020  |

Retained earnings are planned to be used as the source of dividends.

(Note) The total dividends include dividends of ¥9 million paid on the Company's shares held by Trust & Custody Services Bank, Ltd. (Trust E Account) as the trust assets of Board Benefit Trust (BBT).

## [Notes regarding Financial Instruments]

### 1. Status of Financial Instruments

#### (1) Policies on financial instruments

The Companies invest its temporary surplus funds in financial assets that are highly secure and procures 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.

#### (2) 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 at any time 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.

Securities and investment securities are those of companies with which the Companies have business relations and money trusts, etc. for the investment of temporary surplus funds. Although they are exposed to the risk of fluctuations in market price and credit risk, the Companies continuously monitor through regular checks of the 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 amount 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 payables, 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, 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.

#### (3) Supplementary explanation on fair value of financial instruments, etc.

The contractual amounts, etc., with regard to derivative transactions in "2. Fair Value of Financial Instruments" below only indicate nominal contractual or notional principal amounts in derivative transactions, and they do not indicate risk amounts in connection with the corresponding derivative

(Translation)

transactions.

## 2. Fair Value of Financial Instruments

The following table indicates the book value, the fair value and the differences thereof as of March 31, 2020. Financial instruments for which it is deemed extremely difficult to determine the fair value are not included in the table below. (Refer to Note 2)

(Millions of yen)

	Book value	Fair value	Difference
(1) Cash and deposits	57,626	57,626	—
(2) Notes receivable, accounts receivable from completed construction contracts and other	96,726		
Allowance for doubtful accounts <sup>*1</sup>	(301)		
	96,424	96,399	(24)
(3) Securities and investment securities <sup>*2</sup>	26,907	26,907	—
Total assets	180,958	180,933	(24)
(4) Notes payable, accounts payable for construction contracts and other	57,623	57,598	(24)
(5) Short-term loans payable	6,460	6,460	—
(6) Income taxes payable	1,481	1,481	—
(7) Long-term loans payable	1,952	1,951	(0)
Total liabilities	67,519	67,493	(25)
(8) Derivative transactions	9	9	—

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

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

(Note 1)

Method to determine the fair value of financial instruments and securities and derivative transactions

### Assets

#### (1) Cash and deposits:

Since deposits are settled within a short period of time, the book value approximates the fair value. Therefore, the book value is used as the fair value.

#### (2) Notes receivable, accounts receivable from completed construction contracts and other:

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

#### (3) Securities and investment securities:

As for the calculation of the fair value of these assets, stocks are based on the prices traded at the stock exchange, whereas bonds are based on the present value calculated by applying discount rates, which take into account the remaining period prior to maturity, the yield of government bonds and other. The securities and investment securities are held in the form of “available-for-sale securities”.

(Translation)

1) The differences between the book value and acquisition cost are as follows:

Available-for-sale securities with fair value (as of March 31, 2020)

(Millions of yen)

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

2) The sales amount for available-for-sale securities was ¥499 million for the fiscal year. The total gain on sales was ¥447 million, whereas the total loss on sales was ¥0 million.

3) The “Acquisition cost” in the table 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.

#### Liabilities

(4) Notes payable, accounts payable for construction contracts and other, and (5) Short-term loans payable  
The fair value of these liabilities is determined based on the present value calculated by applying discount rates, which take into account the remaining period prior to maturity or repayment and the credit risk, for payables individually segmented by certain duration.

(6) Income taxes payable

As these liabilities are settled within a short period of time, the book value approximates the fair value. Therefore, the book value is used as the fair value.

(7) Long-term loans payable

With regard to floating rate loans, the book value approximates the fair value because the market interest rate is reflected in the interest rate within a short period of time and the credit risk did not fluctuate significantly after borrowing. Therefore, the book value is used as the fair value. With regard to fixed rate loans, the fair value is determined based on the present value of the total principal and interest discounted by an interest rate to be applied to similar new loans.

(Translation)

(8) Derivative transactions

1) Derivative transactions not subject to hedge accounting

For derivative transactions to which hedge accounting is not applied, contractual amounts or the notional principal amounts specified in the derivative contracts, fair value and gain (loss) on valuation as of the consolidated fiscal year end by type of target transaction, as well as the calculation method of said fair value, are as follows:

Currency-related

(Millions of yen)

Category	Type	Contract amount	Over one year	Fair value	Gain/loss on valuation
Non-market transactions	Forward exchange contracts:				
	Buy:				
	JPY	139	—	(3)	(3)
	USD	26	—	(0)	(0)
	EUR	27	—	(0)	(0)
	Sell:				
	JPY	64	—	1	1
	USD	323	—	12	11
Total		582	—	9	9

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

2) Derivative transactions to which hedge accounting is applied

For derivative transactions to which hedge accounting is applied, contractual amounts or the notional principal amounts specified in the derivative contracts as of the consolidated fiscal year end by type of hedge accounting method are as follows:

Currency-related

(Millions of yen)

Hedging method	Transaction type	Main hedged item	Contract amount	Over one year	Fair value
Method in principle	Forward exchange contracts:				
	Sell:				
	USD	Accounts receivable from completed construction contracts (forecast)	127	24	(0)
	EUR	Accounts receivable from completed construction contracts (forecast)	231	—	2
	CNY	Accounts receivable from completed construction contracts (forecast)	162	—	(1)
Total			520	24	(0)

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

(Translation)

Interest-related

(Millions of yen)

Hedging method	Transaction type	Main hedged item	Contract amount	Over one year	Fair value
Special treatment	Interest rate swaps: Pay fixed /Receive floating	Long-term loans payable	338	215	(Note)

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

(Note 2)

Book value of financial instruments for which it is extremely difficult to determine the fair value

(Millions of yen)

Category	Book value
Available-for-sale securities	
Non-listed stocks	975
Non-listed foreign bonds	5

Securities classified under this category have no market prices and estimating future cash flows would likely necessitate enormous costs. Accordingly, it is deemed extremely difficult to measure the fair value, and they are not included in “(3) Securities and investment securities”.

(Note 3)

Redemption schedule for monetary receivables and securities with maturities

(Millions of yen)

Category	Within one year	Over one year and within five years	Over five years and within 10 years	Over 10 years
Cash and deposits	57,626	—	—	—
Notes receivable, accounts receivable from completed construction contracts and other	86,081	10,639	5	—
Securities and investment securities				
Available-for-sale securities with maturity dates (money trusts or others)	3,500	—	—	—
Available-for-sale securities with maturity dates (non-listed foreign bonds)	—	5	—	—
Total	147,207	10,644	5	—

**[Notes regarding Per-Share Information]**

1. Net assets per share	¥3,176.25
2. Profit attributable to owners of parent per share	¥268.07

**[Note regarding Significant Subsequent Events]**

Not applicable.



(Translation)

**[Other Notes]**

(Note regarding 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.

(1) Outline of the transactions

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.

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

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

- 1) The book value of the Company's own shares held by the trust for the fiscal year was ¥256 million. The Company's own shares held by the trust are not reported as treasury shares under shareholders' equity.
- 2) The number of shares held as of the consolidated fiscal year end was 137 thousand, and the average number of shares outstanding during the year was 139 thousand. The number of shares as of the consolidated fiscal year end and the average number of shares outstanding during the year are not included in the number of treasury shares to be deducted in calculating per-share information.

(Introduction of a Board Benefit Trust (BBT) for Executive Directors)

Based on the resolution of the 74th Annual Shareholders' Meeting held on June 27, 2019, the Company has introduced a Board Benefit Trust (BBT) (hereinafter referred to as the "System"), which is a performance-linked stock-based compensation plan for Executive Directors of the Company from this consolidated fiscal year.

The purpose of the System is to further clarify the link between the compensation of Executive Directors and the Company's operating performance and stock value and enhancing their motivation to contribute to the improvement of operating performance in the medium and long term and to boost corporate value by sharing not only the benefit of stock price increases but also the risk of stock price decreases with shareholders.

In accordance with the Practical Solution on Transactions of Delivering the Company's Own Stock to Employees, etc., through Trusts (ASBJ PITF No. 30, March 26, 2015), the gross method has been applied for the accounting treatment under the System.

(1) Outline of the System

The System is a performance-linked stock-based compensation plan whereby the Company's shares are acquired through a trust using money contributed by the Company (hereinafter, the trust established pursuant to the System is referred to as the "Trust") as funds, and the Company's shares and the amount of money equivalent to the value of the Company's shares calculated based on market value are distributed through the Trust to Executive Directors as compensation in accordance with the director stock benefit rules established by the Company.

The Company's shares, etc. shall be granted to Executive Directors upon their retirement, in principle.

(2) The Company's shares that remain in the Trust

The Company's shares remaining in the Trust are recognized as treasury shares under net assets at the book value of the Trust (excluding ancillary expenses). The book value and number of treasury shares as of the consolidated fiscal year-end are ¥449 million and 136,400 shares, respectively.

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

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

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

## Notes to Non-consolidated Financial Statements

### [Notes regarding Significant Accounting Policies]

#### Accounting Standards

##### (1) Standards and methods for valuation of assets

###### Securities

Held-to-maturity debt securities	Amortized cost method (straight-line method)
Shares of subsidiaries and associates	Stated at cost using the moving-average method
Available-for-sale securities	
Available-for-sale securities with fair value	Stated at fair value based on the market prices at the end of the 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	Stated at cost using the moving-average method

###### Derivatives

Stated at fair value

###### Inventories

Costs on uncompleted construction contracts	Stated at cost using the specific identification method
Raw materials and supplies	Stated at cost determined by the moving average method (The amounts stated in the non-consolidated balance sheets are calculated by writing down the book value based on the decline in profitability.)

##### (2) Depreciation method for non-current assets

###### Property, plant and equipment

The declining-balance method is applied. However, 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. The useful lives and the residual values of depreciable assets are estimated mainly in accordance with the Corporation Tax Act.

###### Intangible assets

The straight-line method is applied. However, computer software for internal use is amortized by the straight-line method over the estimated internal useful life (5 years).

##### (3) Standards of accounting for 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 Company is 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 retirement benefits

In order to prepare for employees' retirement benefits, the provision is provided based on estimated benefit obligations

(Translation)

and the fair value of plan assets at the end of fiscal year.

- 1) 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.

- 2) Amortization method for actuarial differences and prior service costs

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 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.

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.

- (4) Accounting standards for net sales of completed construction contracts and cost of sales of completed construction contracts

- 1) The percentage-of-completion method is applied for construction work for which the completion of a certain percentage of the entire work is reliably recognizable by the fiscal year end (percentage of completion is estimated by the cost-to-cost method).

- 2) The completed-contract method is applied for other construction contracts.

- (5) Other important matters for presenting the Non-consolidated Financial Statements

Methods of hedge accounting

- 1) Method of hedge accounting

Accounted for using the deferral method of accounting. With regard to forward exchange contracts that meet the requirements for deferral hedge accounting, deferral hedge accounting is applied.

- 2) Hedging instruments and hedged items

Hedging instruments      Forward exchange contracts, and non-deliverable forwards (NDF)

Hedged items              Foreign currency receivables, foreign currency payables and future transactions in foreign currency

- 3) Hedging policy

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

- 4) 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.

Accounting procedure for retirement benefits

Accounting procedures for unrecognized actuarial differences and unrecognized prior service costs relative to

(Translation)

	retirement benefits differ from those applied in the consolidated financial statements.
Accounting for consumption taxes	Transactions subject to consumption tax and local consumption tax are recorded at amounts exclusive of consumption tax.

**[Notes to Non-consolidated Balance Sheet]**

1. Accumulated depreciation

Property, plant and equipment	¥4,565 million
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2. Guarantee obligations

The Company guarantees loans payable, etc., made by its subsidiaries and associates under agreements concluded with financial institutions.

	(Millions of yen)
Taikisha (Singapore) Pte. Ltd.	52
Taikisha (Thailand) Co., Ltd.	829
P.T. Taikisha Indonesia Engineering	199
Taikisha Vietnam Engineering Inc.	395
WuZhou Taikisha Engineering Co., Ltd.	83
Taikisha Korea Ltd.	0
Taikisha Engineering India Private Ltd.	2,994
Tianjin Dongchum-Taiki Metal Finishing & Conveyor System Manufacturing Co., Ltd.	265
Total	<u>4,820</u>

3. Monetary receivables from and payables to subsidiaries and associates

Short-term monetary receivables	¥4,855 million
Short-term monetary payables	¥2,443 million

4. Provision for loss on construction contracts

The costs on uncompleted construction contracts regarding the construction contracts for which losses are expected are reported after they are offset by the corresponding provision for loss on construction contracts of ¥4 million.

**[Notes to Non-consolidated Statement of Income]**

1. Transactions with subsidiaries and associates

	(Millions of yen)
Net sales of completed construction contracts	3,733
Cost of sales of completed construction contracts	5,680
Transactions other than operating transactions (for revenue)	2,841
Transactions other than operating transactions (for expenses)	116

2. Provision for loss on construction contracts included in the cost of sales of completed construction contracts was ¥128 million.

**[Note to Non-consolidated Statement of Changes in Net Assets]**

Type and number of treasury shares as of the fiscal year end

Common shares	1,013,573 shares
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(Note) The number of treasury shares as of the fiscal year end includes 136,400 shares held by Trust & Custody Services Bank, Ltd. (Trust E Account) as the trust assets of Board Benefit Trust (BBT).

(Translation)

**[Note regarding Tax Effect Accounting]**

Breakdown by cause of deferred tax assets and liabilities

(Millions of yen)

Deferred tax assets:

Allowance for doubtful accounts	7
Provision for warranties for completed construction	79
Provision for loss on construction contracts	41
Provision for retirement benefits	37
Employee pension trust, investment securities	310
Accrued enterprise taxes	105
Accrued bonuses	2,113
Loss on valuation of investment securities	121
Loss on valuation of shares of subsidiaries and associates	1,570
Loss on valuation of golf club membership	56
Valuation difference on available-for-sale securities	123
Others	392
Subtotal	4,956
Valuation allowance	(1,888)
Total deferred tax assets	3,068

Deferred tax liabilities:

Prepaid pension cost	(1,645)
Valuation difference on available-for-sale securities	(3,814)
Others	(79)
Total deferred tax liabilities	(5,539)
Net deferred tax liabilities	(2,471)

**[Notes regarding Transactions with Related Parties]**

Subsidiaries

(Millions of yen)

Category	Name of company, etc.	Percentage of voting rights, etc., held (or held of the Company)	Relationship with related party	Transaction details	Transaction amount <sup>3</sup>	Account title	Fiscal year-end balance
Subsidiary	Taikisha Engineering India Private Ltd.	Direct holding (57.89%)	Con-currently held Officers' posts; Financial support; Ordering to the Company for part of construction work	Guarantee of debt <sup>1</sup>	2,994	—	—
	Tianjin Taikisha Paint Finishing System Ltd.	Direct holding (72.14%) Indirectly holding (17.86%)	Con-currently held Officers' posts; Financial support; Ordering to the Company for part of construction work	Acceptance of contract fee <sup>2</sup>	1,371	Accounts receivable from completed construction contracts	2,110

Transaction conditions and decision policy thereof:

(Notes)

1. Consists of the guarantee for loans payable at said subsidiary and the performance guarantee to the customers of said subsidiary.
2. Entered into under general terms and conditions similar to those under arm's length transactions.
3. The transaction amount above does not include consumption taxes.

**[Notes regarding Per-Share Information]**

1. Net assets per share ¥2,688.38
2. Basic earnings per share ¥224.40

(Translation)

**[Note regarding Significant Subsequent Events]**

Not applicable.

**[Other Notes]**

(Note regarding Transactions of Delivering the Company's Own Stock to Employees, etc., through Trusts)

With regard to "Note regarding Transactions of Delivering the Company's Own Stock to Employees, etc., through Trusts", it is omitted since the same content is stated in "Other Notes" under Notes to Consolidated Financial Statements.

(Introduction of Board Benefit Trust (BBT) for Executive Directors)

With regard to "Note regarding Transactions of Delivering the Company's Own Stock to Executive Directors through Trusts", it is omitted since the same content is stated in "Other Notes" under Notes to Consolidated Financial Statements.

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

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

Under these circumstances, assuming that the impact on decrease in order-received due to weak capital investments especially in North America and Europe is expected to be affected until at least 2020 year end, accounting estimate for the valuation of shares of subsidiaries and associates is performed based on the assumption.