

Financial Report for the First Quarter of the Fiscal Year ending March 31, 2021

August 11, 2020

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

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

Name of company... Taikisha Ltd.

Stock Exchange..... First Section of Tokyo Stock Exchange

Code..... 1979

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

Contact..... Masanori Nakagawa, Director, Managing Corporate Officer, Administrative Management
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Scheduled date to submit Quarterly report : August 14, 2020

Scheduled date to commence dividend payments : —

Supplemental materials prepared for financial results : None

Briefing session of financial results : None

(Round down to one million yen)

1. Consolidated Operating Performance (April 1, 2020 through June 30, 2020)

(1) Consolidated operating results

(% indicates increase ratio over previous year)

	Sales		Operating income		Ordinary income		Profit attributable to owners of parent	
Three months ended	million yen	%	million yen	%	million yen	%	million yen	%
June 30, 2020	37,188	(19.8)	932	(59.9)	993	(56.9)	1,482	(15.2)
June 30, 2019	46,394	(5.5)	2,326	(8.9)	2,306	(17.8)	1,748	(0.3)

(Note) Comprehensive income Three months ended June 30, 2020 1,450 million yen 973.6 %
Three months ended June 30, 2019 135 million yen (91.4) %

	Profit attributable to owners of parent per share	Profit attributable to owners of parent per share (Diluted)
Three months ended	yen	yen
June 30, 2020	43.52	—
June 30, 2019	51.33	—

(2) Consolidated financial position

	Total assets	Net assets	Equity capital ratio
As of	million yen	million yen	%
June 30, 2020	201,005	111,736	53.5
March 31, 2020	215,389	112,843	50.2

(Note) Shareholders' Equity As of June 30, 2020 107,450 million yen
As of March 31, 2020 108,209 million yen

2. Dividends

	Dividend per share				
	1Q	2Q	3Q	Year End	Total (annually)
Year ended	yen	yen	yen	yen	yen
March 31, 2020	—	30.00	—	70.00	100.00
March 31, 2021	—				
Year ending March 31, 2021 (Forecast)		30.00	—	60.00	90.00

(Note) Revisions to forecast of dividends : Yes

3. Consolidated Earnings Forecast for Fiscal Year Ending March 31, 2021 (April 1, 2020 through March 31, 2021)

(% indicates increase ratio over previous year)

	Sales		Operating income		Ordinary income		Profit attributable to owners of parent		Profit attributable to owners of parent per share	
Half year	million yen	%	million yen	%	million yen	%	million yen	%	yen	yen
Half year	80,500	(23.3)	3,100	(59.0)	3,900	(49.2)	2,900	(46.0)	85.12	
Full year	203,000	(9.9)	11,000	(28.8)	12,000	(25.0)	8,000	(12.4)	234.82	

(Note) Revisions to forecast of earnings : Yes

4. Others

(1) Changes in significant subsidiaries during the period (Changes in specified subsidiaries accompanying changes in scope of consolidation)		: None
(2) Adoption of particular accounting treatments for quarterly consolidated financial statements		: None
(3) Changes in accounting policies, changes in accounting estimates and restatements		
(i) Changes in accounting policies due to revisions of accounting standards etc.		: None
(ii) Changes in accounting policies other than (i)		: None
(iii) Changes in accounting estimates		: None
(iv) Restatements		: None
(4) Number of shares issued (common shares)		
(i) Number of shares issued at the end of period (including treasury shares)		
As of June 30, 2020	35,082,009 shares	
As of March 31, 2020	35,082,009 shares	
(ii) Number of treasury shares at the end of period		
As of June 30, 2020	1,013,573 shares	
As of March 31, 2020	1,013,573 shares	
(iii) Average number of shares during the period		
Three months ended June 30, 2020	34,068,436 shares	
Three months ended June 30, 2019	34,068,716 shares	

(Note) The Company has introduced the "Board Benefit Trust (BBT)" as its performance-linked and share-based compensation plan and its own shares remaining in the Trust are included as treasury shares. The number of treasury shares owned by the trust as of June 30, 2020 and as of March 31, 2020 are 136,400 and 136,400, respectively. The average number of treasury shares owned by the trust for three months ended June 30, 2020 and for three months ended June 30, 2019 are 136,400 and 0, respectively.

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

1 Consolidated Financial Statements

(1) Consolidated Balance Sheets

Millions of yen

	As of March 31, 2020	As of June 30, 2020
Assets		
Current assets		
Cash and deposits	57,626	48,428
Notes receivable, accounts receivable from completed construction contracts and other	96,726	85,345
Securities	3,500	2,000
Costs on uncompleted construction contracts	3,097	4,401
Raw materials and supplies	358	392
Other	7,979	12,001
Allowance for doubtful accounts	(329)	(246)
Total current assets	168,958	152,324
Non-current assets		
Property, plant and equipment	10,493	10,444
Intangible assets		
Goodwill	755	738
Other	2,824	2,908
Total intangible assets	3,580	3,646
Investments and other assets		
Investment securities	24,388	26,418
Deferred tax assets	655	565
Net defined benefit asset	5,181	5,554
Other	2,187	2,106
Allowance for doubtful accounts	(55)	(54)
Total investments and other assets	32,357	34,590
Total non-current assets	46,430	48,681
Total assets	215,389	201,005
Liabilities		
Current liabilities		
Notes payable, accounts payable for construction contracts and other	57,623	43,352
Short-term loans payable	6,460	9,037
Income taxes payable	1,481	246
Advances received on uncompleted construction contracts	14,342	16,620
Provision for bonuses	—	717
Provision for warranties for completed construction	836	738
Provision for loss on construction contracts	289	188
Provision for directors' bonuses	116	—
Other	12,772	9,668
Total current liabilities	93,924	80,571
Non-current liabilities		
Long-term loans payable	1,952	1,189
Deferred tax liabilities	4,497	5,408
Provision for directors' retirement benefits	51	32
Provision for share-based remuneration for directors	109	109
Net defined benefit liability	1,706	1,623
Other	305	336
Total non-current liabilities	8,622	8,698
Total liabilities	102,546	89,269

Millions of yen

	As of March 31, 2020	As of June 30, 2020
Net assets		
Shareholders' equity		
Capital stock	6,455	6,455
Capital surplus	5,058	5,058
Retained earnings	90,842	89,931
Treasury shares	(2,593)	(2,593)
Total shareholders' equity	99,762	98,851
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	8,376	9,840
Deferred gains or losses on hedges	(0)	2
Foreign currency translation adjustment	372	(1,193)
Accumulated remeasurements of defined benefit plans	(302)	(51)
Total accumulated other comprehensive income	8,447	8,599
Non-controlling interests	4,633	4,285
Total net assets	112,843	111,736
Total liabilities and net assets	215,389	201,005

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

	Millions of yen	
	Three months ended June 30, 2019	Three months ended June 30, 2020
	Apr. 1, 2019 - Jun. 30, 2019	Apr. 1, 2020 - Jun. 30, 2020
Net sales of completed construction contracts	46,394	37,188
Cost of sales of completed construction contracts	39,104	31,640
Gross profit on completed construction contracts	7,289	5,548
Selling, general and administrative expenses	4,963	4,615
Operating income	2,326	932
Non-operating income		
Interest income	68	79
Dividend income	220	230
Real estate rent	26	25
Reversal of allowance for doubtful accounts	0	—
Other	54	28
Total non-operating income	369	363
Non-operating expenses		
Interest expenses	54	37
Rent expenses on real estates	6	4
Foreign exchange losses	234	165
Provision of allowance for doubtful accounts	—	0
Share of loss of entities accounted for using equity method	76	64
Other	18	30
Total non-operating expenses	389	303
Ordinary income	2,306	993
Extraordinary income		
Gain on disposal of non-current assets	1	594
Total extraordinary income	1	594
Extraordinary losses		
Loss on disposal of non-current assets	3	15
Loss on valuation of investment securities	0	0
Total extraordinary losses	3	15
Profit before income taxes	2,304	1,571
Income taxes-current	273	33
Income taxes-deferred	301	199
Total income taxes	575	232
Profit	1,729	1,339
Loss attributable to non-controlling interests	(19)	(143)
Profit attributable to owners of parent	1,748	1,482

Consolidated Statements of Comprehensive Income

	Millions of yen	
	Three months ended June 30, 2019	Three months ended June 30, 2020
	Apr. 1, 2019 - Jun. 30, 2019	Apr. 1, 2020 - Jun. 30, 2020
Profit	1,729	1,339
Other comprehensive income		
Valuation difference on available-for-sale securities	(1,601)	1,463
Deferred gains or losses on hedges	3	2
Foreign currency translation adjustment	310	(1,596)
Remeasurements of defined benefit plans	(317)	251
Share of other comprehensive income of entities accounted for using equity method	12	(11)
Total other comprehensive income	(1,594)	111
Comprehensive income	135	1,450
Comprehensive income attributable to :		
Owners of parent	160	1,634
Non-controlling interests	(25)	(184)

(Additional information)

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

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

(Segment information)

Sales and profits or losses by reportable segments

Three months ended June 30, 2019 (April 1, 2019 - June 30, 2019)

Millions of yen

	Reportable segments			Eliminations/ Corporate	Amount recorded in the consolidated financial statements
	Green Technology System Division	Paint Finishing System Division	Total		
Sales					
Sales to customers	33,351	13,042	46,394	—	46,394
Intersegment	—	—	—	—	—
Total	33,351	13,042	46,394	—	46,394
Segment profit (loss)	2,612	(290)	2,321	(14)	2,306

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

Eliminations/ Corporate of Segment profit (loss) of minus 14 million yen includes non-allocatable common profits (net amount of common profit and loss) of minus 18 million yen and other adjustment of 3 million yen.

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

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

Three months ended June 30, 2020 (April 1, 2020 - June 30, 2020)

Millions of yen

	Reportable segments			Eliminations/ Corporate	Amount recorded in the consolidated financial statements
	Green Technology System Division	Paint Finishing System Division	Total		
Sales					
Sales to customers	26,574	10,613	37,188	—	37,188
Intersegment	—	—	—	—	—
Total	26,574	10,613	37,188	—	37,188
Segment profit (loss)	1,594	(871)	722	270	993

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

Eliminations/ Corporate of Segment profit (loss) of 270 million yen includes non-allocatable common profits (net amount of common profit and loss) of 280 million yen and other adjustment of minus 10 million yen.

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

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

(Significant subsequent events)

Business combination through acquisition

The Company has resolved Nicomac Clean Rooms Far East LLP (India, hereinafter "Nicomac") to become a subsidiary of the Company by way of contribution at its Board of Directors held on July 22, 2020 and signed the investment agreement on the same date. Nicomac has become a subsidiary of the Company by way of contribution on July 30, 2020. In addition, the form of legal entity of Nicomac at the time of the contribution is Limited Liability Partnership (LLP). After the contribution, Nicomac will convert into private limited company promptly.

1. Outline of business combination

(1) Name of the acquired company and its main business

Name of the acquired company	Nicomac Clean Rooms Far East LLP
Main business	Manufacturing, installation and design for clean room

(2) Main reason for the business combination

Nicomac is a manufacturer and marketer of clean room panels and manufactures and sells high quality panels to Indian pharmaceutical manufacturers as its main customers.

Under the basic policy of the Mid-Term Business Plan, "solidify the Company's position in the global market", and the direction of the plan, "expand business domains", in the Indian market, which is expected to grow economically in the medium to long term, the Company aims to strengthen its ability to respond to the Indian clean room construction market, by combining Nicomac's panel manufacturing and installation technologies with air conditioning system technologies of the Company, mainly in the pharmaceutical manufacturing environment, which requires high performance air conditioning systems.

(3) Date of acquisition

July 30, 2020 (date of acquisition)
September 30, 2020 (deemed acquisition date)

(4) Legal form of the business combination

Acquisition of equity interest in exchange for cash contribution

(5) Name of the acquired company after the business combination

There is no change in the name of the acquired company after the business combination.

(6) Ratio of voting rights acquired

74%

(7) Basis for the determination of the acquired company

The basis for the determination is that the company acquired equity interest in exchange for cash contribution.

2. Amount and breakdown of acquisition costs

Consideration for the acquisition	Cash 4,500 million yen
Acquisition costs	4,500 million yen

3. Amount and breakdown of the main acquisition-related costs

Advisory expenses etc. (estimated amount) 262 million yen

4. Amount of goodwill recognized, reason for recognition, and method and period for amortization of goodwill

They have not yet been determined.

(Supplementary information)

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

Millions of yen

	Three months ended June 30, 2019 (Apr. 1, 2019 - Jun. 30, 2019)		Three months ended June 30, 2020 (Apr. 1, 2020 - Jun. 30, 2020)		Increase (Decrease)	
	Amounts	%	Amounts	%	Amounts	%
Orders-received						
Green Technology System Division						
Building HVAC	15,889	25.3	5,488	9.3	(10,401)	(65.5)
Industrial HVAC	27,754	44.2	26,429	44.8	(1,324)	(4.8)
Total	43,644	69.5	31,917	54.1	(11,726)	(26.9)
[Overseas]	[8,271]	[13.2]	[14,144]	[24.0]	[5,873]	[71.0]
Paint Finishing System Division	19,113	30.5	27,059	45.9	7,946	41.6
[Overseas]	[15,975]	[25.4]	[24,939]	[42.3]	[8,964]	[56.1]
Total	62,757	100.0	58,977	100.0	(3,779)	(6.0)
[Overseas]	[24,247]	[38.6]	[39,084]	[66.3]	[14,837]	[61.2]
Net sales of completed construction contracts						
Green Technology System Division						
Building HVAC	11,908	25.7	8,349	22.5	(3,558)	(29.9)
Industrial HVAC	21,443	46.2	18,225	49.0	(3,218)	(15.0)
Total	33,351	71.9	26,574	71.5	(6,777)	(20.3)
[Overseas]	[8,278]	[17.9]	[6,490]	[17.5]	[(1,788)]	[(21.6)]
Paint Finishing System Division	13,042	28.1	10,613	28.5	(2,428)	(18.6)
[Overseas]	[10,265]	[22.1]	[8,780]	[23.6]	[(1,484)]	[(14.5)]
Total	46,394	100.0	37,188	100.0	(9,206)	(19.8)
[Overseas]	[18,543]	[40.0]	[15,270]	[41.1]	[(3,272)]	[(17.6)]
Construction carried forward						
Green Technology System Division						
Building HVAC	56,795	29.8	42,743	21.8	(14,051)	(24.7)
Industrial HVAC	66,035	34.6	78,216	40.0	12,181	18.4
Total	122,830	64.4	120,960	61.8	(1,869)	(1.5)
[Overseas]	[23,971]	[12.6]	[42,127]	[21.5]	[18,156]	[75.7]
Paint Finishing System Division	67,928	35.6	74,730	38.2	6,801	10.0
[Overseas]	[60,680]	[31.8]	[67,891]	[34.7]	[7,211]	[11.9]
Total	190,758	100.0	195,690	100.0	4,932	2.6
[Overseas]	[84,651]	[44.4]	[110,019]	[56.2]	[25,367]	[30.0]

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

2. In the previous consolidated cumulative first quarter, there is no difference between net sales of completed construction contracts and total sales in the segment information by the Green Technology System Division. And, there is no difference between net sales of completed construction contracts and total sales in the segment information by the Paint Finishing System Division.

3. In the consolidated cumulative first quarter, there is no difference between net sales of completed construction contracts and total sales in the segment information by the Green Technology System Division. And, there is no difference between net sales of completed construction contracts and total sales in the segment information by the Paint Finishing System Division.

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

Millions of yen

	Three months ended June 30, 2019 (Apr. 1, 2019 - Jun. 30, 2019)		Three months ended June 30, 2020 (Apr. 1, 2020 - Jun. 30, 2020)		Increase (Decrease)	
	Amounts	%	Amounts	%	Amounts	%
Orders-received						
Green Technology System Division						
Building HVAC	15,041	40.0	5,213	25.6	(9,827)	(65.3)
Industrial HVAC	19,510	51.8	12,273	60.4	(7,237)	(37.1)
Total	34,551	91.8	17,486	86.0	(17,065)	(49.4)
[Overseas]	[52]	[0.2]	[22]	[0.1]	[(29)]	[(56.0)]
Paint Finishing System Division	3,103	8.2	2,853	14.0	(249)	(8.1)
[Overseas]	[837]	[2.2]	[1,243]	[6.1]	[405]	[48.4]
Total	37,655	100.0	20,340	100.0	(17,315)	(46.0)
[Overseas]	[889]	[2.4]	[1,266]	[6.2]	[376]	[42.3]
Net sales of completed construction contracts						
Green Technology System Division						
Building HVAC	11,304	39.1	7,541	35.4	(3,763)	(33.3)
Industrial HVAC	13,168	45.6	11,718	54.9	(1,450)	(11.0)
Total	24,473	84.7	19,259	90.3	(5,213)	(21.3)
[Overseas]	[22]	[0.1]	[9]	[0.0]	[(13)]	[(58.0)]
Paint Finishing System Division	4,425	15.3	2,061	9.7	(2,364)	(53.4)
[Overseas]	[2,297]	[7.9]	[802]	[3.8]	[(1,494)]	[(65.1)]
Total	28,898	100.0	21,320	100.0	(7,577)	(26.2)
[Overseas]	[2,319]	[8.0]	[812]	[3.8]	[(1,507)]	[(65.0)]
Construction carried forward						
Green Technology System Division						
Building HVAC	55,875	52.3	41,596	47.6	(14,279)	(25.6)
Industrial HVAC	42,087	39.4	36,287	41.6	(5,800)	(13.8)
Total	97,962	91.7	77,883	89.2	(20,079)	(20.5)
[Overseas]	[36]	[0.0]	[214]	[0.3]	[178]	[490.8]
Paint Finishing System Division	8,876	8.3	9,432	10.8	555	6.3
[Overseas]	[3,038]	[2.9]	[3,341]	[3.8]	[303]	[10.0]
Total	106,839	100.0	87,315	100.0	(19,523)	(18.3)
[Overseas]	[3,074]	[2.9]	[3,556]	[4.1]	[482]	[15.7]

3. Sales by regions

Three months ended June 30, 2019 (April 1, 2019 - June 30, 2019)

Millions of yen

Japan	North America	Southeast Asia		East Asia		India	Other	Total
		Thailand	Other Southeast Asia	China	Other East Asia			
27,850	3,186	4,308	4,653	2,243	174	2,719	1,258	46,394

Three months ended June 30, 2020 (April 1, 2020 - June 30, 2020)

Millions of yen

Japan	North America	Southeast Asia		East Asia		India	Other	Total
		Thailand	Other Southeast Asia	China	Other East Asia			
21,917	3,666	3,071	4,002	1,561	154	374	2,440	37,188