

Financial Report for the Third Quarter of the Fiscal Year ending March 31, 2017 (Consolidated)

February 10, 2017

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..... Satoru Kamiyama, President and Representative Director

Contact..... Koji Kato, Director and Executive Corporate Officer, Administrative Management Headquarters
Chief Executive

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Scheduled date to submit Quarterly report : February 13, 2017

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, 2016 through December 31, 2016)

(1) Consolidated operating results (Cumulative)

(% indicates increase ratio over previous year)

	Sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	million yen	%	million yen	%	million yen	%	million yen	%
Nine months ended December 31, 2016	132,109	(9.1)	5,067	(42.2)	6,055	(24.4)	4,301	(0.8)
December 31, 2015	145,370	13.7	8,759	86.6	8,010	48.3	4,337	17.5

(Note) Comprehensive income
Nine months ended December 31, 2016 : 2,166 million yen
Nine months ended December 31, 2015 : 1,870 million yen
15.8 %
(70.2) %

	Basic earnings per share	Diluted earnings per share
	yen	yen
Nine months ended December 31, 2016	124.73	—
December 31, 2015	125.01	—

(2) Consolidated financial position

	Total assets	Net assets	Equity capital ratio
	million yen	million yen	%
As of December 31, 2016	181,714	94,298	49.8
March 31, 2016	189,566	95,921	48.0

(Note) Shareholders' Equity
As of December 31, 2016 : 90,530 million yen
As of March 31, 2016 : 91,024 million yen

2. Dividends

	Dividend per share				
	1Q	2Q	3Q	Year End	Total (annually)
	yen	yen	yen	yen	yen
Year ended March 31, 2016	—	25.00	—	42.00	67.00
March 31, 2017	—	25.00	—		
Year ending March 31, 2017 (Forecast)				45.00	70.00

(Note) Revisions to forecast of dividends : None

3. Consolidated Earnings Forecast for Fiscal Year Ending March 31, 2017 (April 1, 2016 through March 31, 2017)

(% indicates increase ratio over previous year)

	Sales		Operating income		Ordinary income		Profit attributable to owners of parent		Basic earnings per share	
	million yen	%	million yen	%	million yen	%	million yen	%	yen	
Full year	194,000	(8.7)	11,100	(12.8)	11,800	(4.4)	6,900	(2.6)	199.03	

(Note) Revisions to forecast of earnings : None

4. Others

- (1) Changes in significant subsidiaries during the period
(Changes in specified subsidiaries accompanying changes in scope of consolidation) : None
- (2) Adoption of particular accounting treatments for quarterly consolidated financial statements : None
- (3) Changes in accounting policies, changes in accounting estimates and restatements
- (i) Changes in accounting policies due to revisions of accounting standards etc. : Yes
 - (ii) Changes in accounting policies other than (i) : None
 - (iii) Changes in accounting estimates : None
 - (iv) Restatements : None
- (4) Number of shares issued (common shares)
- (i) Number of shares issued at end of period (including treasury shares)
 - As of December 31, 2016 36,782,009 shares
 - As of March 31, 2016 36,782,009 shares
 - (ii) Number of treasury shares at end of period
 - As of December 31, 2016 2,575,702 shares
 - As of March 31, 2016 2,219,061 shares
 - (iii) Average number of shares during the period
 - Nine months ended December 31, 2016 34,491,555 shares
 - Nine months ended December 31, 2015 34,699,305 shares
- ※ Notice of status of implementation for quarterly review procedures
This financial report is not subject to quarterly review procedures based upon the Financial Instruments and Exchange Act.
Quarterly review procedures for the consolidated financial statements in accordance with the Financial Instruments and Exchange Act have not been completed as at the time of disclosure of this financial report.
- ※ 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, 2016	As of December 31, 2016
Assets		
Current assets		
Cash and deposits	44,001	41,193
Notes receivable, accounts receivable from completed construction contracts and other	92,718	78,887
Securities	13	—
Costs on uncompleted construction contracts	1,907	3,726
Raw materials and supplies	283	320
Other	10,199	15,412
Allowance for doubtful accounts	(433)	(555)
Total current assets	148,690	138,985
Non-current assets		
Property, plant and equipment	7,750	7,299
Intangible assets		
Goodwill	3,024	2,463
Other	1,512	1,945
Total intangible assets	4,536	4,408
Investments and other assets		
Investment securities	22,469	24,739
Net defined benefit asset	3,203	3,879
Other	2,948	2,412
Allowance for doubtful accounts	(32)	(11)
Total investments and other assets	28,589	31,021
Total non-current assets	40,876	42,729
Total assets	189,566	181,714
Liabilities		
Current liabilities		
Notes payable, accounts payable for construction contracts and other	49,214	38,551
Short-term loans payable	5,261	6,625
Income taxes payable	2,045	327
Advances received on uncompleted construction contracts	15,905	18,883
Provision for bonuses	—	1,193
Provision for warranties for completed construction	1,346	948
Provision for loss on construction contracts	190	467
Provision for directors' bonuses	129	61
Reserve for loss on dissolution of employees' pension fund	247	—
Other	9,154	10,744
Total current liabilities	83,493	77,802
Non-current liabilities		
Long-term loans payable	1,383	1,046
Provision for directors' retirement benefits	106	46
Net defined benefit liability	1,646	1,517
Other	7,015	7,002
Total non-current liabilities	10,152	9,612
Total liabilities	93,645	87,415

	Millions of yen	
	As of March 31, 2016	As of December 31, 2016
Net assets		
Shareholders' equity		
Capital stock	6,455	6,455
Capital surplus	7,344	7,343
Retained earnings	73,943	75,941
Treasury shares	(5,127)	(6,128)
Total shareholders' equity	82,615	83,613
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	7,908	9,819
Deferred gains or losses on hedges	7	63
Foreign currency translation adjustment	1,528	(2,193)
Accumulated remeasurements of defined benefit plans	(1,036)	(771)
Total accumulated other comprehensive income	8,409	6,917
Non-controlling interests	4,896	3,768
Total net assets	95,921	94,298
Total liabilities and net assets	189,566	181,714

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

	Millions of yen	
	Nine months ended December 31, 2015 Apr. 1, 2015 - Dec. 31, 2015	Nine months ended December 31, 2016 Apr. 1, 2016 - Dec. 31, 2016
Net sales of completed construction contracts	145,370	132,109
Cost of sales of completed construction contracts	122,507	112,888
Gross profit on completed construction contracts	22,863	19,221
Selling, general and administrative expenses	14,103	14,154
Operating income	8,759	5,067
Non-operating income		
Interest income	349	403
Dividend income	341	388
Dividend income of insurance	138	133
Real estate rent	78	77
Foreign exchange gains	—	172
Reversal of allowance for doubtful accounts	—	1
Other	137	118
Total non-operating income	1,045	1,294
Non-operating expenses		
Interest expenses	138	129
Rent expenses on real estates	15	15
Foreign exchange losses	1,476	—
Provision of allowance for doubtful accounts	1	—
Share of loss of entities accounted for using equity method	57	59
Other	105	101
Total non-operating expenses	1,794	305
Ordinary income	8,010	6,055
Extraordinary income		
Gain on disposal of non-current assets	8	20
Gain on sales of investment securities	24	25
Gain on liquidation of subsidiaries and associates	27	—
Reversal of provision for loss on Anti-Monopoly Act	87	—
Reversal of reserve for loss on dissolution of employees' pension fund	—	9
Other	—	2
Total extraordinary income	147	57
Extraordinary loss		
Loss on disposal of non-current assets	3	13
Impairment loss	0	0
Loss on sales of investment securities	0	141
Loss on valuation of investment securities	0	0
Provision of reserve for loss on dissolution of employees' pension fund	38	—
Other	—	16
Total extraordinary losses	43	171
Income before income taxes and non-controlling interests	8,114	5,941
Income taxes-current	2,213	1,109
Income taxes-deferred	779	746
Total income taxes	2,992	1,856
Profit	5,121	4,085
Profit (loss) attributable to non-controlling interests	784	(216)
Profit attributable to owners of parent	4,337	4,301

Consolidated Statements of Comprehensive Income

	Millions of yen	
	Nine months ended December 31, 2015 Apr. 1, 2015 - Dec. 31, 2015	Nine months ended December 31, 2016 Apr. 1, 2016 - Dec. 31, 2016
Profit	5,121	4,085
Other comprehensive income		
Valuation difference on available-for-sale securities	(679)	1,910
Deferred gains or losses on hedges	19	55
Foreign currency translation adjustment	(2,483)	(4,035)
Remeasurements of defined benefit plans	(94)	270
Share of other comprehensive income of entities accounted for using equity method	(13)	(120)
Total other comprehensive income	(3,251)	(1,919)
Comprehensive income	1,870	2,166
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,459	2,810
Comprehensive income attributable to non-controlling interests	410	(643)

(Segment information)

Sales and profits or losses by reportable segments

Nine months ended December 31, 2015 (April 1, 2015 through December 31, 2015)

Millions of yen

	Reportable segments			Eliminations/ Corporate	Consolidated
	Green Technology System Division	Paint Finishing System Division	Total		
Sales					
Sales to customers	95,035	50,334	145,370	—	145,370
Intersegment	2	0	2	(2)	—
Total	95,038	50,335	145,373	(2)	145,370
Segment profit	6,050	1,853	7,903	107	8,010

(Note) 1. The amounts of Eliminations/ Corporate are as follows:

Eliminations/ Corporate of Segment profit of 107 million yen includes non-allocatable common profits (net amount of common profit and loss) of 103 million yen and other adjustments of 3 million yen.

Non-allocatable common profits are mainly dividend income etc. those are not attributed to any reportable segments.

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

Nine months ended December 31, 2016 (April 1, 2016 through December 31, 2016)

Millions of yen

	Reportable segments			Eliminations/ Corporate	Consolidated
	Green Technology System Division	Paint Finishing System Division	Total		
Sales					
Sales to customers	85,053	47,056	132,109	—	132,109
Intersegment	3	20	23	(23)	—
Total	85,057	47,076	132,133	(23)	132,109
Segment profit (loss)	5,951	(131)	5,819	236	6,055

(Note) 1. The amounts of Eliminations/ Corporate are as follows:

Eliminations/ Corporate of Segment profit (loss) of 236 million yen includes non-allocatable common profits (net amount of common profit and loss) of 236 million yen and other adjustments of 0 million yen.

Non-allocatable common profits 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.

(Change in reportable segments etc.)

In line with a revision of tax regulations, Taikisha Ltd. and its domestic subsidiaries ("the Companies") have applied the "Practical Solution on a Change in Depreciation Method due to Tax Reform 2016" (Practical Issues Task Force No 32, June 17, 2016) from the first quarter of fiscal year ending March 31, 2017 and changed the depreciation method for facilities attached to buildings and structures acquired on or after April 1, 2016 from the declining balance method to the straight-line method.

Therefore, the Companies have changed the depreciation method of business segments in the same way.

The effect of this change on segment profit (loss) for the third quarter of fiscal year ending March 31, 2017 is immaterial.

(Supplementary information)

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

Millions of yen

	Nine months ended December 31, 2015 (Apr. 1, 2015 - Dec. 31, 2015)		Nine months ended December 31, 2016 (Apr. 1, 2016 -Dec. 31, 2016)		Increase (decrease)	
	Amounts	%	Amounts	%	Amounts	%
Orders-received						
Green Technology System Division						
HVAC for buildings	34,803	21.6	37,433	22.3	2,630	7.6
Industrial HVAC	74,990	46.4	61,252	36.6	(13,738)	(18.3)
Total	109,793	68.0	98,685	58.9	(11,108)	(10.1)
[Overseas]	[34,898]	[21.6]	[24,385]	[14.6]	[(10,513)]	[(30.1)]
Paint Finishing System Division	51,676	32.0	68,932	41.1	17,256	33.4
[Overseas]	[45,369]	[28.1]	[57,010]	[34.0]	[11,641]	[25.7]
Total	161,469	100.0	167,618	100.0	6,149	3.8
[Overseas]	[80,268]	[49.7]	[81,395]	[48.6]	[1,127]	[1.4]
Net sales of completed construction contracts						
Green Technology System Division						
HVAC for buildings	29,726	20.5	28,742	21.8	(984)	(3.3)
Industrial HVAC	65,309	44.9	56,310	42.6	(8,999)	(13.8)
Total	95,035	65.4	85,053	64.4	(9,982)	(10.5)
[Overseas]	[37,290]	[25.7]	[24,858]	[18.8]	[(12,432)]	[(33.3)]
Paint Finishing System Division	50,334	34.6	47,056	35.6	(3,278)	(6.5)
[Overseas]	[43,535]	[29.9]	[39,304]	[29.8]	[(4,231)]	[(9.7)]
Total	145,370	100.0	132,109	100.0	(13,261)	(9.1)
[Overseas]	[80,826]	[55.6]	[64,162]	[48.6]	[(16,664)]	[(20.6)]
Construction carried forward						
Green Technology System Division						
HVAC for buildings	54,558	32.2	58,280	31.1	3,722	6.8
Industrial HVAC	53,887	31.8	44,058	23.5	(9,829)	(18.2)
Total	108,445	64.0	102,339	54.6	(6,106)	(5.6)
[Overseas]	[29,260]	[17.2]	[19,610]	[10.5]	[(9,650)]	[(33.0)]
Paint Finishing System Division	61,005	36.0	85,111	45.4	24,106	39.5
[Overseas]	[54,516]	[32.2]	[73,755]	[39.3]	[19,239]	[35.3]
Total	169,451	100.0	187,451	100.0	18,000	10.6
[Overseas]	[83,777]	[49.4]	[93,365]	[49.8]	[9,588]	[11.4]

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

2. In the previous consolidated cumulative third quarter, there is 2 million yen difference between net sales of completed construction contracts of 95,035million yen and total sales of 95,038million yen in the segment information by the Green Technology System Division.

There is 0 million yen difference between net sales of completed construction contracts of 50,334million yen and total sales of 50,335million yen in the segment information by the Paint Finishing System Division.

Above differences are due to intersegment sales.

3. In the consolidated cumulative third quarter, there is 3 million yen difference between net sales of completed construction contracts of 85,053 million yen and total sales of 85,057 million yen in the segment information by the Green Technology System Division.

There is 20 million yen difference between net sales of completed construction contracts of 47,056 million yen and total sales of 47,076 million yen in the segment information by the Paint Finishing System Division.

Above differences are due to intersegment sales.

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

Millions of yen

	Nine months ended December 31, 2015 (Apr. 1, 2015 - Dec. 31, 2015)		Nine months ended December 31, 2016 (Apr. 1, 2016 - Dec. 31, 2016)		Increase (decrease)	
	Amounts	%	Amounts	%	Amounts	%
Orders-received						
Green Technology System Division						
HVAC for buildings	33,051	36.1	35,339	40.4	2,288	6.9
Industrial HVAC	40,321	44.0	37,267	42.7	(3,054)	(7.6)
Total	73,372	80.1	72,607	83.1	(765)	(1.0)
[Overseas]	[391]	[0.4]	[460]	[0.5]	[69]	[17.6]
Paint Finishing System Division	18,192	19.9	14,747	16.9	(3,445)	(18.9)
[Overseas]	[13,410]	[14.7]	[4,068]	[4.7]	[(9,342)]	[(69.7)]
Total	91,565	100.0	87,354	100.0	(4,211)	(4.6)
[Overseas]	[13,802]	[15.1]	[4,529]	[5.2]	[(9,273)]	[(67.2)]
Net sales of completed construction contracts						
Green Technology System Division						
HVAC for buildings	28,127	39.7	27,129	38.6	(998)	(3.5)
Industrial HVAC	28,274	40.0	31,596	45.0	3,322	11.7
Total	56,402	79.7	58,726	83.6	2,324	4.1
[Overseas]	[353]	[0.5]	[230]	[0.3]	[(123)]	[(34.8)]
Paint Finishing System Division	14,354	20.3	11,496	16.4	(2,858)	(19.9)
[Overseas]	[8,925]	[12.6]	[5,094]	[7.3]	[(3,831)]	[(42.9)]
Total	70,757	100.0	70,222	100.0	(535)	(0.8)
[Overseas]	[9,279]	[13.1]	[5,324]	[7.6]	[(3,955)]	[(42.6)]
Construction carried forward						
Green Technology System Division						
HVAC for buildings	54,076	56.5	57,553	59.6	3,477	6.4
Industrial HVAC	24,618	25.7	24,690	25.5	72	0.3
Total	78,695	82.2	82,244	85.1	3,549	4.5
[Overseas]	[59]	[0.1]	[253]	[0.2]	[194]	[328.8]
Paint Finishing System Division	17,091	17.8	14,389	14.9	(2,702)	(15.8)
[Overseas]	[11,115]	[11.6]	[3,454]	[3.6]	[(7,661)]	[(68.9)]
Total	95,786	100.0	96,633	100.0	847	0.9
[Overseas]	[11,174]	[11.7]	[3,707]	[3.8]	[(7,467)]	[(66.8)]

3. Sales by regions

Nine months ended December 31, 2015 (April 1, 2015 through December 31, 2015)

Millions of yen

Japan	North America	South East Asia		East Asia		India	Other	Total
		Thailand	Other South East Asia	China	Other East Asia			
64,544	6,898	26,909	15,028	12,633	843	5,462	13,051	145,370

Nine months ended December 31, 2016 (April 1, 2016 through December 31, 2016)

Millions of yen

Japan	North America	South East Asia		East Asia		India	Other	Total
		Thailand	Other South East Asia	China	Other East Asia			
67,947	16,372	14,111	12,497	10,714	663	5,246	4,556	132,109