

(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 5, 2019

To Shareholders:

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

## **NOTICE OF THE 74TH ANNUAL SHAREHOLDERS' MEETING**

You are cordially invited to attend the 74th 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 Wednesday, June 26, 2019, Japan time.

- 1. Date and Time:** Thursday, June 27, 2019, 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 74th Fiscal Year (from April 1, 2018, to March 31, 2019) 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 74th Fiscal Year (from April 1, 2018, to March 31, 2019)
  - Matters for Resolution:**
    - Proposal No. 1:** Appropriation of Surplus
    - Proposal No. 2:** Election of Ten (10) Directors
    - Proposal No. 3:** Election of One (1) Audit & Supervisory Board Member
    - Proposal No. 4:** Election of One (1) Substitute Audit & Supervisory Board Member
    - Proposal No. 5:** Introduction of Performance-linked Stock-based Compensation Plan for Executive 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 ¥91 per share, a year-on-year increase of ¥16 per share, including the interim dividend of ¥25 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  
¥66 per share of common shares  
Total amount: ¥2,248,535,256
- (3) Effective date of distribution from surplus: June 28, 2019

#### 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 Ten (10) Directors

The terms of office of all ten (10) Directors will expire at the conclusion of this Annual Shareholders' Meeting. Accordingly, the election of ten (10) 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 12 for details of said criteria.

| No |                                                                   | Name              | Positions and assignments in the Company                                                                                                     | Attendance at the Board of Directors Meetings (Attendance rate) |
|----|-------------------------------------------------------------------|-------------------|----------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------|
| 1  | [Reappointment]                                                   | Eitaro Uenishi    | Director, Chairman                                                                                                                           | 15/15 (100%)                                                    |
| 2  | [Reappointment]                                                   | Koji Kato         | Representative Director, President Corporate Officer                                                                                         | 15/15 (100%)                                                    |
| 3  | [Reappointment]                                                   | Hiroshi Mukai     | Representative Director, Executive Vice President Corporate Officer                                                                          | 15/15 (100%)                                                    |
| 4  | [Reappointment]                                                   | Kazuhide Hayakawa | Director, Executive Corporate Officer, Chief General Manager, Paint Finishing System Division                                                | 15/15 (100%)                                                    |
| 5  | [Reappointment]                                                   | Yasushi Nakajima  | Director, Executive Corporate Officer, Chief General Manager, Green Technology System Division                                               | 15/15 (100%)                                                    |
| 6  | [Reappointment]                                                   | Masanori Nakagawa | Director, Managing Corporate Officer, Chief Executive, Administrative Management Headquarters and in charge of CSR                           | 12/12 (100%)                                                    |
| 7  | [New appointment]                                                 | Nobutaka Inagawa  | Managing Corporate Officer, Vice General Manager, Green Technology System Division, and General Manager, Tokyo Branch Office                 | —                                                               |
| 8  | [New appointment]                                                 | Junichi Murakawa  | Managing Corporate Officer, Vice General Manager, Paint Finishing System Division, and Senior General Manager, Engineering Supervisory Dept. | —                                                               |
| 9  | [Reappointment]<br>[Outside director]<br>[Independent Director]   | Hirokazu Hikosaka | Director                                                                                                                                     | 15/15 (100%)                                                    |
| 10 | [New appointment]<br>[Outside director]<br>[Independent Director] | Kiyotaka Fuke     | Audit & Supervisory Board Member                                                                                                             | —                                                               |

(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  | <p><b>Eitaro Uenishi</b><br/>(January 12, 1951; 68)<br/>[Reappointment]</p> <p>Gender:<br/>Male</p> <p>Number of years as Director<br/>of the Company:<br/>16 years (at the conclusion of<br/>the Meeting)</p> <p>Attendance at the Board of<br/>Directors Meetings:<br/>15/15 (100%)</p> <p>Number of shares of the<br/>Company held:<br/>203,300</p>                                                                                                                                       | <p>April 1974<br/>June 2003<br/>April 2005<br/>April 2007<br/>April 2008<br/>April 2009<br/>April 2010<br/>April 2013<br/>April 2016</p> | <p>Joined the Company<br/>Director<br/>General Manager, Osaka Branch Office, Green<br/>Technology System Division<br/>Director, Senior Corporate Officer, General<br/>Manager, Tokyo Branch Office 1, Green Technology<br/>System Division<br/>Director, Senior Corporate Officer, Assistant to<br/>President, in charge of Corporate Planning<br/>Director, Managing Corporate Officer, Assistant to<br/>President, in charge of Company-wide Sales<br/>Promotion<br/>Representative Director, President Corporate Officer<br/>Representative Director, Chairman Corporate Officer<br/>Director, Chairman (current position)</p> |
|    | <p>[Reason for nominating as a candidate for Director]<br/>After having served as Representative Director, President Corporate Officer and in other positions,<br/>Eitaro Uenishi is currently working to reinforce the supervisory function of the Board of Directors as<br/>Chairman who is not an executive director. The Company reappoints him as a candidate for Director<br/>based on its judgment that he qualifies for this position taking into account his good track record.</p> |                                                                                                                                          |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |

(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                                                         |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
|----|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 2  | <b>Koji Kato</b><br>(June 12, 1955; 64)<br>[Reappointment]<br>Gender:<br>Male<br>Number of years as Director<br>of the Company:<br>10 years and 9 months (at the<br>conclusion of the Meeting)<br>Attendance at the Board of<br>Directors Meetings:<br>15/15 (100%)<br>Number of shares of the<br>Company held:<br>10,700                                                                                                                                                                                                           | April 1978<br>June 2005<br>April 2007<br>April 2009<br>April 2010<br>June 2010<br>April 2012<br>April 2013<br>April 2014<br>April 2016<br>April 2017<br>April 2018<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 since April 2019 as Representative Director,<br>President Corporate Officer. The Company reappoints him as a candidate for Director based on its<br>judgment that he qualifies for this position taking into account his good track record, as well as his<br>competence in ensuring the stable and sustainable growth of the Group and increasing corporate value<br>by implementing the new 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    |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
|----|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 3  | <b>Hiroshi Mukai</b><br>(October 10, 1953; 65)<br>[Reappointment]<br>Gender:<br>Male<br>Number of years as Director<br>of the Company:<br>4 years (at the conclusion of<br>the Meeting)<br>Attendance at the Board of<br>Directors Meetings:<br>15/15 (100%)<br>Number of shares of the<br>Company held:<br>9,500                                                                                                                                                                                                                                                                                                                                                                                       | 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 since April 2019, by assisting the President Corporate Officer in promoting the<br>enhancement of the business base of the Taikisha Group. The Company reappoints him as a candidate<br>for Director based on its judgment that he qualifies for this position taking into account his good track<br>record.                                                                                                                                                                                                               |                                                                                                                             |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
| 4  | <b>Kazuhide Hayakawa</b><br>(April 18, 1955; 64)<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>15/15 (100%)<br>Number of shares of the<br>Company held:<br>7,000                                                                                                                                                                                                                                                                                                                                                                                     | 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 and has served as Chief General Manager, Paint Finishing System Division, since April 2019.<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 |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
|----|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 5  | <b>Yasushi Nakajima</b><br>(February 23, 1960; 59)<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>15/15 (100%)<br>Number of shares of the<br>Company held:<br>5,500                                                                                                                                                                                                                                                                                                                                                                                                                                     | 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 business<br>and has served as Chief General Manager, Green Technology System Division, since April 2019.<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.                                                   |                                                                                                                          |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
| 6  | <b>Masanori Nakagawa</b><br>(December 30, 1959; 59)<br>[Reappointment]<br>Gender:<br>Male<br>Number of years as Director<br>of the Company:<br>1 year (at the conclusion of<br>the Meeting)<br>Attendance at the Board of<br>Directors Meetings:<br>12/12 (100%)<br>Number of shares of the<br>Company held:<br>5,137                                                                                                                                                                                                                                                                                                                                                                                                                                     | 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 after joining the Company and currently serves as Chief Executive,<br>Administrative Management Headquarters. In addition, he has sufficiently fulfilled his duties as a<br>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 |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
|----|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 7  | <b>Nobutaka Inagawa</b><br>(May 9, 1953; 66)<br>[New appointment]<br>Gender:<br>Male<br>Number of years as Director<br>of the Company:<br>—<br>Attendance at the Board of<br>Directors Meetings:<br>—<br>Number of shares of the<br>Company held:<br>2,100                                                                                                                                                                                                                                                            | April 1972<br>April 2008<br>April 2009<br>April 2010<br>April 2011<br>April 2012<br>April 2017<br>April 2019             | Joined the Company<br>Corporate Officer, General Manager, Tohoku Branch<br>Office, Green Technology System Division<br>Corporate Officer, Vice Senior General Manager,<br>Engineering Supervisory Dept., Green Technology<br>System Division<br>Corporate Officer, General Manager, Chubu Branch<br>Office, Green Technology System Division<br>Corporate Officer, General Manager, Chubu Branch<br>Office and General Manager, Engineering Dept.,<br>Green Technology System Division<br>Senior Corporate Officer, General Manager, Tokyo<br>Branch Office, Green Technology System Division<br>Managing Corporate Officer, General Manager,<br>Tokyo Branch Office, Green Technology System<br>Division<br>Managing Corporate Officer, Vice General Manager,<br>Green Technology System Division, and General<br>Manager, Tokyo Branch Office (current position)        |
|    | [Reason for nominating as a candidate for Director]<br>Nobutaka Inagawa has abundant business experience in the Green Technology System Division and has<br>served as Vice General Manager, Green Technology System Division, since April 2019.<br>The Company newly appoints him as a candidate for Director based on its judgment that he qualifies for<br>this position taking into account his good track record and his expected contribution to the further<br>development of the Taikisha Group as a Director. |                                                                                                                          |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
| 8  | <b>Junichi Murakawa</b><br>(December 26, 1955; 63)<br>[New appointment]<br>Gender:<br>Male<br>Number of years as Director<br>of the Company:<br>—<br>Attendance at the Board of<br>Directors Meetings:<br>—<br>Number of shares of the<br>Company held:<br>2,200                                                                                                                                                                                                                                                      | April 1976<br>April 2013<br>April 2014<br>April 2015<br>April 2018<br>April 2019                                         | Joined the Company<br>Corporate Officer; General Manager, Process West<br>Japan Head Office and General Manager, Nagoya<br>Office, Paint Finishing System Division<br>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<br>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<br>Senior Corporate Officer, Assistant to Chief General<br>Manager, Paint Finishing System Division<br>Managing Corporate Officer, Vice General Manager,<br>Paint Finishing System Division, and Senior General<br>Manager, Engineering Supervisory Dept. (current<br>position) |
|    | [Reason for nominating as a candidate for Director]<br>Junichi Murakawa has abundant business experience in the Paint Finishing System Division and has<br>served as Vice General Manager, Paint Finishing System Division, since April 2019.<br>The Company newly appoints him as a candidate for Director based on its judgment that he qualifies for<br>this position taking into account his good track record and his expected contribution to the further<br>development of the Taikisha Group as a Director.   |                                                                                                                          |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |

(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 |                                                                                                                                                   |
|----|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------|
| 9  | <b>Hirokazu Hikosaka</b><br>(December 2, 1960; 58)<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>2 years (at the conclusion of<br>the Meeting)<br><br>Attendance at the Board of<br>Directors Meetings:<br>15/15 (100%)<br><br>Number of shares of the<br>Company held:<br>900                                                                                                                                                                                                                                                                                      | April 1983                                                                                                               | Joined Asahi Shinkin Bank (Resigned in March 1985)                                                                                                |
|    |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | April 1992                                                                                                               | Admitted as attorney and joined Nakajima Law Office (current Nakajima Hikosaka Kubouchi Law Office) (current position)                            |
|    |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | April 1999                                                                                                               | Commissioner, Kanto Federation of Bar Associations                                                                                                |
|    |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | April 2005                                                                                                               | Executive Commissioner, Japan Federation of Bar Associations                                                                                      |
| 10 |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | June 2006                                                                                                                | Outside Director, Adways Inc.                                                                                                                     |
|    |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | June 2010                                                                                                                | Audit & Supervisory Board Member, Adways Inc. (current position)                                                                                  |
|    |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | April 2014                                                                                                               | Vice President, Tokyo Bar Association                                                                                                             |
|    |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | June 2015                                                                                                                | Audit & Supervisory Board Member of the Company                                                                                                   |
|    |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | June 2017                                                                                                                | Director of the Company (current position)                                                                                                        |
|    |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | April 2019                                                                                                               | Vice President, Kanto Federation of Bar Associations (current position)                                                                           |
|    | [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.                                                                                                                                                                                                                                          |                                                                                                                          |                                                                                                                                                   |
| 10 | <b>Kiyotaka Fuke</b><br>(April 19, 1954; 65)<br><br>[New appointment]<br>[Outside Director]<br>[Independent Director]<br><br>Gender:<br>Male<br><br>Number of years as Director<br>of the Company:<br>—<br><br>Attendance at the Board of<br>Directors Meetings:<br>—<br><br>Number of shares of the<br>Company held:<br>600                                                                                                                                                                                                                                                                                                                                                 | April 2014                                                                                                               | Deputy President, Executive Officer, Meiji Yasuda Life Insurance Company                                                                          |
|    |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | July 2014                                                                                                                | Director, Deputy President, Executive Officer, Meiji Yasuda Life Insurance Company                                                                |
|    |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | April 2016                                                                                                               | Director, Meiji Yasuda Life Insurance Company (retired in July 2016)                                                                              |
|    |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | June 2016                                                                                                                | Outside Audit & Supervisory Board Member, Mizuho Trust & Banking Co., Ltd.                                                                        |
|    |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | July 2016                                                                                                                | Advisor, Meiji Yasuda Life Insurance Company (current position)                                                                                   |
|    |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | June 2017                                                                                                                | Member of the Board of Directors (Outside Director and Audit & Supervisory Committee Member), Mizuho Trust & Banking Co., Ltd. (current position) |
|    |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |                                                                                                                          | Audit & Supervisory Board Member 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 is expected to provide appropriate advice on the management of the Company from an independent and objective standpoint. The Company newly appoints him as a                                                                                                                                                                                                                                                                                                                |                                                                                                                          |                                                                                                                                                   |

(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>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 concurrently serves as an Advisor of Meiji Yasuda Life Insurance Company. 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 2018, 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 2016 through fiscal 2018; 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)

- No material conflict of interest exists between the Company and any of the above candidates for Director.
- Hirokazu Hikosaka and Kiyotaka Fuke are candidates for Outside Director.
- For Masanori Nakagawa, the attendance rate is stated for his attendance at the Board of Directors meetings during fiscal 2018 held after his assumption of office in June 2018.
- Although Kiyotaka Fuke is currently an Outside Audit & Supervisory Board Member of the Company, his term of office will expire at the conclusion of this Annual Shareholders’ Meeting. The number of years as Outside Audit & Supervisory Board Member will be two years at the conclusion of the Meeting. His attendance at the meetings of the Board of Directors and the Audit & Supervisory Board as Outside Audit & Supervisory Board Member during fiscal 2018 is as follows:  
Attendance at the Board of Directors meetings: 15/15 (attendance rate: 100%)  
Attendance at the Audit & Supervisory Board meetings: 11/12 (attendance rate: 91.7%)
- 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 Eitaro Uenishi and Hirokazu Hikosaka. If their appointment is approved, the Company intends to continue the limited liability agreement with each of them.  
In addition, 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, and has concluded the limited liability agreement with Kiyotaka Fuke, who is currently an Outside Audit & Supervisory Board Member of the Company. If his appointment as Director is approved, the Company intends to newly conclude a similar limited liability agreement with him as a Director who is not an executive director.  
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.
- 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.
- 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 One (1) Audit & Supervisory Board Member

The term of office of Audit & Supervisory Board Member Kiyotaka Fuke will expire at the conclusion of this Annual Shareholders' Meeting. Accordingly, the election of one (1) Audit & Supervisory Board Member is proposed.

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

The candidate is as follows, and the candidate for Outside Audit & Supervisory Board Member satisfies the "Independence Criteria for Outside Director/Outside Audit & Supervisory Board Member" stipulated by the Company. Refer to page 12 for details of said criteria.

| Name<br>(Date of birth; Age)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | Career summary and positions in the Company<br>and important positions concurrently held at other companies |                                                                                                                                                                              |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Toshiyuki Hanazawa</b><br><br>(July 14, 1957; 61)<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 the<br>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 Company<br>held:<br>0                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | April 1981                                                                                                  | Joined Yasuda Fire and Marine Insurance Company, Limited (current Sampo Japan Nipponkoa Insurance Inc.)                                                                      |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | April 1999                                                                                                  | Manager, IR Office, Corporate Planning Dept., Yasuda Fire and Marine Insurance Company, Limited                                                                              |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | July 2002                                                                                                   | General Manager, IR Office, Corporate Planning Dept., Sampo Japan Insurance Inc. (current Sampo Japan Nipponkoa Insurance Inc.)                                              |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | January 2003                                                                                                | Senior Vice President, Sampo Japan Insurance Company of America                                                                                                              |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | July 2005                                                                                                   | General Manager, Finance and Accounting Dept., and General Manager, Group Business Planning Dept., Sampo Japan Insurance Inc. (current Sampo Japan Nipponkoa Insurance Inc.) |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | April 2007                                                                                                  | General Manager, Finance and Accounting Dept., Sampo Japan Insurance Inc.                                                                                                    |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | April 2009                                                                                                  | Corporate Officer, General Manager, Finance and Accounting Dept., Sampo Japan Insurance Inc.                                                                                 |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | June 2010                                                                                                   | Corporate Officer, General Manager, International Planning Dept., Sampo Japan Insurance Inc.                                                                                 |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | June 2012                                                                                                   | Director, Managing Corporate Officer, Sampo Japan Insurance Inc. (retired in March 2014)                                                                                     |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | March 2014                                                                                                  | Full-time Audit & Supervisory Board Member, Tokyo Tatemono Co., Ltd. (retired in March 2019)                                                                                 |
| [Reason for nominating as a candidate for Outside Audit & Supervisory Board Member]<br>Toshiyuki Hanazawa has abundant expertise and experience nurtured during his tenure as a manager of a leading non-life insurance company and professional knowledge about finance and accounting as a person who served as a general manager of finance and accounting department. Accordingly, 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.<br>[View on independence]<br>As Toshiyuki Hanazawa 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. He came from Sampo Japan Nipponkoa Insurance Inc. but retired from the position of Director of this company in 2014. Although this company holds the Company's shares, its shareholding ratio is 0.39%. Although this company and the Company had transactions such as construction contracts and insurance contracts in fiscal 2018, 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 the candidate for Audit & Supervisory Board Member.
2. Toshiyuki Hanazawa is a candidate for Outside Audit & Supervisory Board Member.
3. The Company has stipulated in its Articles of Incorporation that it can conclude a limited liability

(Translation)

agreement with each Audit & Supervisory Board Member to limit his/her liability for damages to a certain degree. If the appointment of Toshiyuki Hanazawa as Audit & Supervisory Board Member is approved, the Company intends to conclude said agreement with him.

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 Toshiyuki Hanazawa as Audit & Supervisory Board Member is approved, the Company intends to designate him as an Independent Auditor as stipulated in the provisions of the Tokyo Stock Exchange and notify the Tokyo Stock Exchange of his designation as such.
  5. The age of the candidate indicated is as of the date of this Annual Shareholders' Meeting.

**Proposal No. 4:** Election of One (1) Substitute Audit & Supervisory Board Member

To prepare for a possible vacancy in the number of Audit & Supervisory Board Members, which is stipulated by the relevant laws and regulations, the prior election of one (1) Substitute Audit & Supervisory Board Member is proposed.

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

The candidate is as follows:

| Name<br>(Date of birth; Age)                                                                                             | Career summary and positions in the Company<br>and important positions concurrently held at other companies |                                                                                                              |
|--------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------|
| <b>Takashi Kouno</b><br>(February 22, 1955; 64)<br><br>Gender:<br>Male<br><br>Number of shares of the Company held:<br>0 | April 1978                                                                                                  | Joined The Long-Term Credit Bank of Japan, Limited (current Shinsei Bank, Limited) (Retired in October 1985) |
|                                                                                                                          | April 1992                                                                                                  | Admitted as attorney. Joined Komatsu & Koma Law Office                                                       |
|                                                                                                                          | January 1996                                                                                                | Established Toranomon Daiichi Law Office                                                                     |
|                                                                                                                          | June 1997                                                                                                   | Outside Audit & Supervisory Board Member, Tamura Electric Works, Ltd. (current SAXA, Inc.)                   |
|                                                                                                                          | February 2004                                                                                               | Outside Audit & Supervisory Board Member, SAXA Holdings, Inc. (retired in June 2016)                         |
|                                                                                                                          | April 2004                                                                                                  | Outside Audit & Supervisory Board Member, SAXA, Inc. (retired in June 2016)                                  |
|                                                                                                                          | October 2006                                                                                                | Established Kouno Law Office (current position)                                                              |

(Notes)

1. No material conflict of interest exists between the Company and the candidate for Substitute Audit & Supervisory Board Member.
2. Takashi Kouno is a candidate for Substitute Outside Audit & Supervisory Board Member.
3. Although Takashi Kouno has had no experience of directly engaging in corporate management, the Company appoints him as a candidate for Substitute Outside Audit & Supervisory Board Member based on its judgment that he qualifies for this position as he has professional expertise and abundant experience as a lawyer, and the expectation that he would appropriately perform duties from an objective standpoint to supervise the execution of duties by Directors.
4. 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 Takashi Kouno assumes the position of Audit & Supervisory Board Member, the Company intends to conclude said agreement with him.  
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.
5. If Takashi Kouno assumes the position of Audit & Supervisory Board Member, the Company intends to designate him as an Independent Auditor as stipulated in the provisions of the Tokyo Stock Exchange and notify the Tokyo Stock Exchange of his designation as such.
6. The age of the candidate indicated is as of the date of this Annual Shareholders' Meeting.

(Translation)

## **Proposal No. 5: Introduction of Performance-linked Stock-based Compensation Plan for Executive Directors**

### **1. Reason for Proposal**

In this proposal, the Company requests for approval to introduce a Board Benefit Trust (BBT) (hereinafter referred to as the “Plan”), which is a performance-linked stock-based compensation plan for Executive Directors of the Company.

The purpose of this proposal 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.

The stock-based compensation described in this Proposal will be newly granted to Executive Directors of the Company separately from the compensation for directors, which was approved at the 71st Annual Shareholders’ Meeting held on June 29, 2016 (within ¥540 million per year (of which that for Outside Directors is within ¥20 million per year) without including the portions of their employee salaries for Directors who concurrently serve as employees). The Company therefore requests for approval of the amount of such compensation at the Meeting. The Company also requests to leave the details of the Plan to the discretion of the Board of Directors according to the framework of 2. below.

If this Proposal is approved and passes in its original form, the number of eligible Directors who become beneficiaries of the Plan will be seven (7).

### **2. Amounts of Compensation, etc., Related to the Plan and Reference Information**

#### **(1) Outline of the Plan**

The Plan 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 Plan 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 (hereinafter referred to as the “Company’s Shares, etc.”) 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) Beneficiaries of the Plan**

Executive Directors (Directors who concurrently serve as Corporate Officers)

#### **(3) Period of Trust**

From August 2019 (scheduled) until the termination of the Trust (The Trust shall continue without determining a specific expiry date as long as the Plan remains in effect. The Plan shall be terminated upon the occurrence of events such as a delisting of the Company’s shares or abolition of the director stock benefit rules.)

#### **(4) Amount of Trust Money (Amount of Compensation, etc.)**

On condition that this Proposal is approved, the Company will introduce the Plan for three fiscal years from the fiscal year ending March 31, 2020 to the fiscal year ending March 31, 2022 (hereinafter, the period covering the said three fiscal years is referred to as the “Initial Target Period” and the Initial Target Period and each three-year period after the Initial Target Period are referred to as the “Target Period”) and for each subsequent Target Period. The Company shall contribute money to the Trust as described below as the fund to acquire the Company’s shares through the Trust to distribute the Company’s Shares, etc. to Executive Directors.

At the time the Trust is established (in August 2019 (scheduled)), the Company shall contribute funds of up to 450 million yen to the Trust as the funds necessary for the Initial Target Period.

After the Initial Target Period has elapsed, up until the termination of the Plan, the Company, in principle, shall make additional contributions to the Trust of up to 450 million yen in each Target Period. However, if, at the time such additional contributions are made, there remain the Company’s shares (excluding the Company’s shares corresponding to the number of points granted to Executive Directors for each Target Period up to the immediately preceding Target Period and that have not been distributed to Executive Directors) and cash in the trust assets (hereinafter referred to as the “Residual Shares, etc.”), the maximum total amount of the Residual Shares, etc. (for the Company’s shares, the monetary amount of the book value of as of the final day of the immediately preceding Target Period) and the amount of additional contributions to be made shall be set at 450 million yen.

(Translation)

When the Company decides to make additional contributions, details will be disclosed in a timely and appropriate manner.

**(5) Method of Acquisition of the Company's Shares and the Number of Shares to be Acquired**

The Trust shall acquire the Company's shares, using the funds contributed as provided in (4) above, either through the stock market or by subscription to the disposal of the Company's treasury stock.

In the Initial Trust Period, the Company shall acquire the Company's shares, up to a maximum limit of 198,600 shares, without delay after the establishment of the Trust.

Details of the acquisition of the Company's shares through the Trust shall be disclosed in a timely and appropriate manner.

**(6) Calculation Method for the Number of the Company's Shares, etc. to be Granted to the Executive Directors**

For each fiscal year, Executive Directors shall be granted points determined after taking into consideration matters such as their positions and performance achievement levels in accordance with the director stock benefit rules. The maximum total number of points that can be granted to Executive Directors per each fiscal year shall be 66,200 points. This was decided after comprehensively taking into consideration the current level of executive directors' compensation, the trend and future prospects for the number of Executive Directors, and other factors, and is deemed to be fair and adequate.

In the distribution of the Company's Shares, etc. described in (7) below, the points granted to Executive Directors shall be converted to the number of the Company's shares by converting one point to one share of common stock of the Company (however, in the event a stock split, a gratis allotment of shares, or a stock consolidation of the Company's shares is carried out after this Proposal is approved, the Company shall reasonably adjust the limit of the number of points, the number of points already granted or their conversion ratio, in accordance with the ratios of such stock-related actions).

The number of points of Executive Directors, which serves as the basis for the distribution of the Company's Shares, etc. as described in (7) below, shall be, in principle, the number of points granted to the said Executive Directors until their retirement (hereinafter, the number of points thus calculated is referred to as the "Defined Number of Points").

**(7) Distribution of the Company's Shares, etc.**

In the event that Executive Directors have retired and meet the beneficiary requirements provided in the director stock benefit rules, the said eligible Directors, in principle, shall receive from the Trust the Company's shares corresponding to the Defined Number of Points determined as provided in (6) above after retirement by carrying out a predetermined beneficiary determination procedure. Provided that the Executive Directors meet the requirements provided in the director stock benefit rules, they shall receive cash instead of the Company's shares in an amount equivalent to the market value of such shares for a certain percentage of the points. The Trust may sell the Company's shares to make such cash provisions.

**(8) Exercise of Voting Rights**

In accordance with instructions from the trust administrator, the voting rights attached to the Company's shares held in the Trust account shall not be exercised without exception. This approach intends to ensure neutrality in the Company's management regarding the exercise of the voting rights attached to the Company's shares held in the Trust account.

**(9) Treatment of Dividends**

The Trust shall receive dividends from the Company's shares held in the Trust account and allocate them to the payment of the costs for acquiring the Company's shares and to the trust fees for the Trust's trustees, etc. If the Trust is terminated, any residual funds in the Trust, including dividends, shall be provided to the Executive Directors who are in office at the time based on the number of points held by each Executive Director on a pro-rata basis, in accordance with the provisions of the director stock benefit rules.

**(10) Termination of Trust**

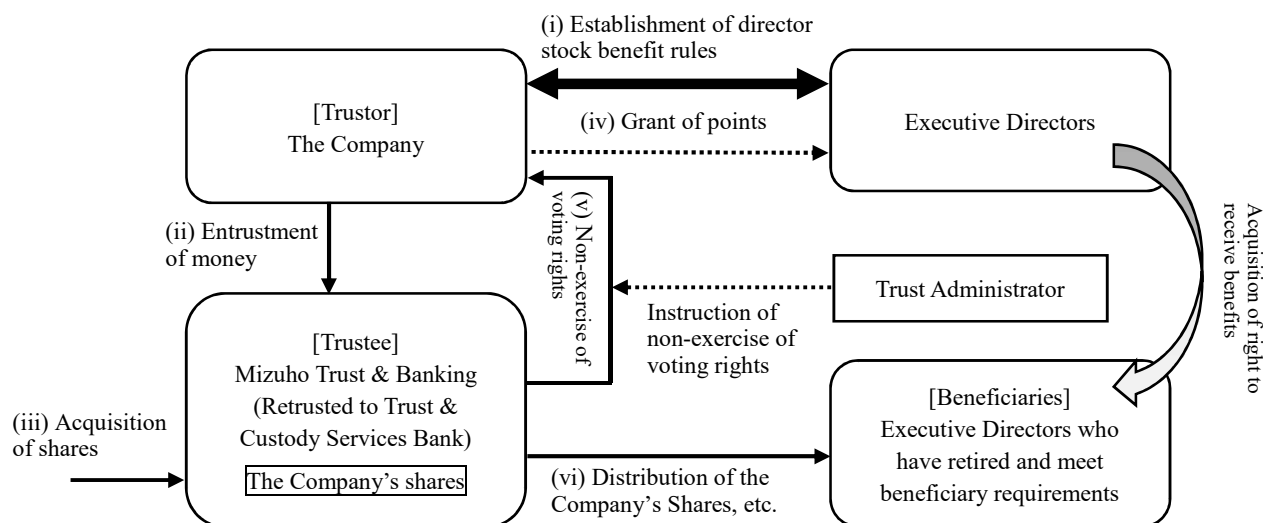
The Trust shall terminate upon the occurrence of events such as a delisting of the Company's shares or abolition of the director stock benefit rules.

Of the Trust's residual assets as at the termination of the Trust, the Company plans to acquire all of the Company's shares without consideration and to cancel them by resolution of the Board of Directors. Of the Trust's residual assets as at the termination of the Trust, cash shall be provided to the Company, excluding the amount to be provided to Executive Directors as described in (9) above.



(Translation)

<Reference: Scheme of the Plan>



- (i) The Company shall establish the “director stock benefit rules” within the framework approved with regard to this Proposal.
- (ii) The Company shall entrust money within the limit approved with regard to this Proposal.
- (iii) The Trust shall acquire the Company’s shares through the stock market or by subscription to the disposal of the Company’s treasury stock, using money entrusted as described in (ii) above.
- (iv) The Company shall grant points to the Executive Directors based on the “director stock benefit rules”.
- (v) In accordance with instructions from a trust administrator independent from the Company, the Trust shall not exercise the voting rights attached to the Company’s shares in the Trust account.
- (vi) The Trust shall distribute the Company’s shares to the Executive Directors who have retired and meet the beneficiary requirements stipulated in the “director stock benefit rules” (hereinafter referred to as the “Beneficiaries”) based on the number of points granted to the said Beneficiaries. Note that the Executive Directors who meet the requirements provided in the “director stock benefit rules” shall receive cash in an amount equivalent to the market value of the Company’s shares for a certain percentage of the points granted to them.

(Translation)

[Attached Documents for the 74th Annual Shareholders' Meeting]

## **Business Report**

(From April 1, 2018, to March 31, 2019)

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

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

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

The U.S. economy continued to expand gradually mainly due to the underlying strengths of consumer spending and capital investments. Meanwhile, the European economy experienced a decelerating trend mainly due to sluggish growth in exports and other factors, though consumer spending remained firm. In Asia, the economic recovery was weak overall, as represented by the decelerating trend mainly due to decreases in exports and consumer spending in China that was affected by the trade friction with the United States. The Japanese economy continued to undergo a gradual recovery against a backdrop of a gradual increase in consumer spending as a result of improvements in the employment and income conditions, as well as steady capital investments, despite negative effects in exports reflecting the slowing of economic growth overseas.

As for the market environment of the Taikisha Group, in the domestic market, investments by electronic parts manufacturers remained favorable and demand for construction of office buildings remained high in the Tokyo metropolitan area. Meanwhile, in overseas markets, a sense of uncertainty continued to spread, affected by the effects of the U.S.-China trade friction.

Given such circumstances, orders received both in Japan and overseas increased. Consequently, orders received overall increased 10.0% year-on-year to ¥241,889 million, including overseas orders received of ¥112,013 million, which increased 10.3% year-on-year.

Consolidated net sales of completed construction contracts increased in Japan but decreased overseas, overall decreased 2.8% year-on-year to ¥225,402 million, including overseas sales of ¥106,136 million, which decreased 8.6% year-on-year.

In regard to profits, gross profit on completed construction contracts increased ¥3,475 million year-on-year to ¥36,254 million, operating income increased ¥1,855 million year-on-year to ¥14,035 million, ordinary income increased ¥2,003 million year-on-year to ¥15,085 million, and profit attributable to owners of parent increased ¥1,587 million year-on-year to ¥8,841 million. Every profit-related item was higher compared to the previous year due to the favorable performance of Green Technology System.

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

##### **[Green Technology System Division]**

Consolidated orders received increased compared to the previous year mainly owing to vigorous demand for construction in the Tokyo metropolitan area in the building HVAC sector and active capital investments by electronic parts manufacturers in the industrial HVAC sector in Japan. Consolidated net sales of completed construction contracts increased compared to the previous year mainly due to increases of industrial HVAC in Japan and sales in Thailand.

As a result, consolidated orders received increased 7.5% year-on-year to ¥158,588 million. The breakdown is orders received for building HVAC of ¥46,731 million which increased 7.2% year-on-year and orders received for industrial HVAC of ¥111,856 million which increased 7.7% year-on-year. Consolidated net sales of completed construction contracts increased 6.6% year-on-year to ¥149,164 million. The breakdown is sales for building HVAC of ¥46,158 million which increased 0.7% year-on-year and sales for industrial HVAC of ¥103,005 million which increased 9.5% year-on-year. Segment profit (ordinary income) increased ¥1,682 million year-on-year to ¥13,567 million.

##### **[Paint Finishing System Division]**

Consolidated orders received increased compared to the previous year mainly due to an order received for a large-scale construction contracts in Europe, though orders received in North America decreased. Consolidated net sales of completed construction contracts decreased mainly affected by a reactionary drop from two large-scale construction contracts in North America that were received in the previous year, though sales in Europe and China increased.

(Translation)

As a result, consolidated orders received increased 15.2% year-on-year to ¥83,300 million and consolidated net sales of completed construction contracts decreased 17.2% year-on-year to ¥76,245 million. Segment profit (ordinary income) increased ¥516 million year-on-year to ¥1,676 million.

**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                     | 52,239                       | 46,731            | 98,971            | 46,158                                        | 52,813                       |
|                                  | Industrial HVAC                   | 50,916                       | 111,856           | 162,773           | 103,005                                       | 59,767                       |
|                                  | Subtotal [Overseas]               | 103,156 [23,249]             | 158,588 [42,385]  | 261,745 [65,635]  | 149,164 [41,614]                              | 112,580 [24,021]             |
| Paint Finishing System Division  | Paint Finishing System [Overseas] | 56,019 [51,089]              | 83,300 [69,627]   | 139,320 [120,716] | 76,238 [64,522]                               | 63,082 [56,194]              |
| Total [Overseas]                 |                                   | 159,176 [74,338]             | 241,889 [112,013] | 401,065 [186,351] | 225,402 [106,136]                             | 175,663 [80,215]             |

(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.

As for the non-consolidated performance of the Company, orders received increased 7.2% year-on-year to ¥134,799 million and net sales of completed construction contracts increased 1.3% year-on-year to ¥125,181 million. Profit of the Company decreased ¥630 million to ¥7,269 million.

**2) Capital expenditures**

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

**3) Financing**

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

**(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.

(Translation)

## (6) Changes in Assets and Income

### 1) Changes in operating results

(Millions of yen)

|                                                        | Year ended<br>March 31, 2015<br>(70th term) | 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)<br>This consolidated<br>fiscal year |
|--------------------------------------------------------|---------------------------------------------|---------------------------------------------|---------------------------------------------|---------------------------------------------|---------------------------------------------------------------------------------|
| Orders received                                        | 187,311                                     | 221,764                                     | 218,323                                     | 219,844                                     | 241,889                                                                         |
| Net sales of<br>completed<br>construction<br>contracts | 183,648                                     | 212,424                                     | 200,604                                     | 231,898                                     | 225,402                                                                         |
| Ordinary income                                        | 9,579                                       | 12,343                                      | 9,842                                       | 13,082                                      | 15,085                                                                          |
| Profit<br>attributable to<br>owners of parent          | 6,084                                       | 7,084                                       | 6,305                                       | 7,254                                       | 8,841                                                                           |
| Basic earnings<br>per share (Yen)                      | 172.64                                      | 204.35                                      | 183.16                                      | 212.40                                      | 259.53                                                                          |
| Total assets                                           | 187,066                                     | 187,910                                     | 197,753                                     | 215,392                                     | 223,080                                                                         |
| Net assets                                             | 99,669                                      | 95,921                                      | 100,184                                     | 110,650                                     | 113,649                                                                         |
| Net assets per<br>share (Yen)                          | 2,690.76                                    | 2,633.60                                    | 2,799.30                                    | 3,087.51                                    | 3,193.18                                                                        |

(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 ESOP (Employee Stock Ownership Plan).
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 fiscal year under review. Total assets for the 70th 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>2015<br>(70th term) | 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)<br>This<br>consolidated<br>fiscal year |
|-------------------------------------------|------------------------------|------------------------------------------------|------------------------------------------------|------------------------------------------------|------------------------------------------------|---------------------------------------------------------------------------------------|
| Green<br>Technology<br>System<br>Division | Building<br>HVAC             | 40,827                                         | 43,608                                         | 43,857                                         | 45,845                                         | 46,158                                                                                |
|                                           | Industrial<br>HVAC           | 75,307                                         | 91,214                                         | 80,704                                         | 94,093                                         | 103,005                                                                               |
|                                           | Subtotal                     | 116,134                                        | 134,822                                        | 124,561                                        | 139,938                                        | 149,164                                                                               |
| Paint<br>Finishing<br>System<br>Division  | Paint<br>Finishing<br>System | 67,513                                         | 77,602                                         | 76,043                                         | 91,960                                         | 76,238                                                                                |
| Total<br>[Overseas]                       |                              | 183,648<br>[101,344]                           | 212,424<br>[117,881]                           | 200,604<br>[98,820]                            | 231,898<br>[116,170]                           | 225,402<br>[106,136]                                                                  |

(Translation)

## **(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.

### **3) Targeted management indices**

The Taikisha Group publicly announced on May 15, 2019, a new Mid-Term Business Plan for the fiscal year ending March 2020 through the fiscal year ending March 2022. The summary of its targets 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 2019 |
|-----------------------------------------------|------------------------------------------------------------|----------------------------------------------------------------------|
| Orders received                               | 265.0                                                      | 241.8                                                                |
| Net sales of completed construction contracts | 260.0                                                      | 225.4                                                                |
| Ordinary income                               | 16.0                                                       | 15.0                                                                 |
| Profit attributable to owners of parent       | 10.0                                                       | 8.8                                                                  |
| Return on equity (ROE) (%)                    | 8% or higher                                               | 8.3%                                                                 |

### **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

(Translation)

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.

(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.

**(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                              |

(Translation)

| Company name                                         | Capital             | Percentage of voting rights held by the Company | Principal business                                                                                  |
|------------------------------------------------------|---------------------|-------------------------------------------------|-----------------------------------------------------------------------------------------------------|
| 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>                 | —                   | 51.00%                                          | 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       | 96.00%                                          | 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    | 90.00%                                          | 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                                                                                                  |
| 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                                                                                               |



(Translation)

| Company name                    | Capital       | Percentage of voting rights held by the Company | Principal business                                                          |
|---------------------------------|---------------|-------------------------------------------------|-----------------------------------------------------------------------------|
| “Geico Russia” LLC <sup>1</sup> | RUB 6 million | 100.00%                                         | Design and installation of paint systems and plants for automobile industry |

(Notes)

1. For the companies marked with “1,” the percentage of voting rights held by the Company includes the equity investment by the Company’s subsidiaries.
2. 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.
3. 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.
4. In the fiscal year under review, Geico S.p.A., a consolidated subsidiary of the Company, and Geico Taikisha Europe Ltd., a consolidated subsidiary of Geico S.p.A., conducted an absorption-type merger, where Geico S.p.A. survived and Geico Taikisha Europe Ltd. was dissolved. Due to its dissolution, Geico Taikisha Europe Ltd. has been excluded from the scope of consolidation. Geico Taikisha Europe Ltd. was a specified subsidiary of the Company.

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

(Translation)

**(11) Employees**

**1) Taikisha Group**

| Type of business            | Number of employees | Increase/Decrease from previous fiscal year-end |
|-----------------------------|---------------------|-------------------------------------------------|
| Equipment installation work | 4,829               | (5)                                             |

**2) The Company**

| Number of employees at fiscal year-end | Increase/Decrease from previous fiscal year-end | Average age | Average years of service |
|----------------------------------------|-------------------------------------------------|-------------|--------------------------|
| 1,472                                  | (6)                                             | 43.9        | 18.1                     |

**(12) Major Lenders**

(Millions of yen)

| Lenders                         | Balance of borrowings |
|---------------------------------|-----------------------|
| Mizuho Bank, Ltd.               | 4,423                 |
| MUFG Bank, Ltd.                 | 2,892                 |
| Intesa Sanpaolo S.p.A.          | 1,489                 |
| Banca Popolare di Milano S.p.A. | 1,049                 |

(Translation)

## 2. Status of Shares

- (1) Total Number of Authorized Shares 100,000,000 shares
- (2) Total Number of Issued Shares 34,068,716 shares  
(excluding 1,013,293 treasury shares)
- (3) Number of Shareholders 2,965 persons  
(a year-on-year decrease of 51 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)       | 3,423                                | 10.05                                                              |
| Japan Trustee Services Bank, Ltd. (Trust Account 9)        | 2,285                                | 6.71                                                               |
| Kenzaisha Ltd.                                             | 1,730                                | 5.08                                                               |
| Japan Trustee Services Bank, Ltd. (Trust Account)          | 1,250                                | 3.67                                                               |
| Taikisha Business Partners Shareholding Association        | 1,008                                | 2.96                                                               |
| Dai ni Kenzaisha Ltd.                                      | 1,000                                | 2.94                                                               |
| Sumitomo Realty & Development Co., Ltd.                    | 981                                  | 2.88                                                               |
| Taikisha Employees Shareholding Association                | 900                                  | 2.64                                                               |
| THE BANK OF NEW YORK MELLON (INTERNATIONAL) LIMITED 131800 | 894                                  | 2.62                                                               |
| Nippon Life Insurance Company                              | 866                                  | 2.54                                                               |

(Notes)

1. The Company holds 1,013,293 treasury shares but is excluded from the list of major shareholders above. The above treasury shares do not include 146,700 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).
2. 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

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.

## 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                    | Toshiaki Shiba    | President Corporate Officer                                                                                                                                                    |
| Representative Director                    | Koji Kato         | Executive Vice President Corporate Officer                                                                                                                                     |
| Director                                   | Hiroshi Mukai     | Executive Corporate Officer, Chief General Manager, Green Technology System Division                                                                                           |
| Director                                   | Ryoichi Uenodan   | Executive Corporate Officer, Chief General Manager, Paint Finishing System Division                                                                                            |
| Director                                   | Kazuhide Hayakawa | Managing Corporate Officer, Vice General Manager, Paint Finishing System Division                                                                                              |
| Director                                   | Yasushi Nakajima  | Managing Corporate Officer, Vice General Manager, Green Technology System Division                                                                                             |
| ○ Director                                 | Masanori Nakagawa | Managing Corporate Officer, Chief Executive, Administrative Management Headquarters and in charge of CSR                                                                       |
| Director                                   | Shuichi Murakami  |                                                                                                                                                                                |
| Director                                   | Hirokazu Hikosaka | Lawyer<br>Audit & Supervisory Board Member, Adways Inc.                                                                                                                        |
| 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           | Kiyotaka Fuke     | Member of the Board of Directors (Outside Director and Audit & Supervisory Committee Member), Mizuho Trust & Banking Co., Ltd.<br>Advisor, Meiji Yasuda Life Insurance Company |

(Notes)

1. The Director marked with “○” was newly elected as Director at the 73rd Annual Shareholders’ Meeting held on June 28, 2018, and assumed his position.
2. Yukinori Hamanaka retired from the position of Director due to expiry of his term of office at the conclusion of the 73rd Annual Shareholders’ Meeting held on June 28, 2018.
3. Directors Shuichi Murakami and Hirokazu Hikosaka are Outside Directors.
4. Audit & Supervisory Board Members Junichi Noro and Kiyotaka Fuke are Outside Audit & Supervisory Board Members.
5. 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.
6. The Company has notified the Tokyo Stock Exchange of the designation of Directors Shuichi Murakami and Hirokazu Hikosaka, as well as Audit & Supervisory Board Members Junichi Noro and Kiyotaka Fuke, as Independent Directors/Auditors as stipulated in the provisions of the Tokyo Stock Exchange.
7. The following assignments in the Company were transferred as of April 1, 2019.

(Translation)

| Name              | After the transfer                                                                                                                          | Before the transfer                                                                            |
|-------------------|---------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------|
| Koji Kato         | Representative Director, President Corporate Officer                                                                                        | Representative Director, Executive Vice President Corporate Officer                            |
| Hiroshi Mukai     | Representative Director, Executive Vice President Corporate Officer                                                                         | Director, Executive Corporate Officer, Chief General Manager, Green Technology System Division |
| Kazuhide Hayakawa | Director, Executive Corporate Officer, Chief General Manager, Paint Finishing System Division                                               | Director, Managing Corporate Officer, Vice General Manager, Paint Finishing System Division    |
| Yasushi Nakajima  | Director, Executive Corporate Officer, Chief General Manager, Green Technology System Division                                              | Director, Managing Corporate Officer, Vice General Manager, Green Technology System Division   |
| Toshiaki Shiba    | Director                                                                                                                                    | Representative Director, President Corporate Officer                                           |
| Ryoichi Uenodan   | Director, Executive Corporate Officer, Vice General Manager, Paint Finishing System Division and in charge of Automation System Head Office | Director, Executive Corporate Officer, Chief General Manager, Paint Finishing System Division  |

### (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                          | Number of persons | Amount of compensation, etc. | Remarks                                          |
|-----------------------------------|-------------------|------------------------------|--------------------------------------------------|
| Directors                         | 11                | ¥489 million                 | 2 Outside Directors included therein ¥18 million |
| Audit & Supervisory Board Members | 4                 | ¥60 million                  | 2 Outside Directors included therein ¥15 million |
| Total                             | 15                | ¥549 million                 |                                                  |

(Notes)

1. The above “Number of persons” includes one (1) Director who retired from office at the conclusion of the 73rd Annual Shareholders’ Meeting held on June 28, 2018.
2. The “Amount of compensation, etc.,” to Directors includes ¥140 million in directors’ bonuses expected to be paid relating to the fiscal year under review.
3. 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.
4. 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                         | Shuichi Murakami  | Attended all 15 meetings (attendance rate: 100%) of the Board of Directors held during the fiscal year ended March 31, 2019, and timely made remarks based on his knowledge and experience nurtured during his services rendered at a leading non-life insurance company.                              |
| Director                         | Hirokazu Hikosaka | Attended all 15 meetings (attendance rate: 100%) of the Board of Directors held during the fiscal year ended March 31, 2019, and timely made remarks based on his professional expertise and experience as a lawyer.                                                                                   |
| Audit & Supervisory Board Member | Junichi Noro      | Attended all 15 meetings (attendance rate: 100%) 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, 2019, and made remarks to ensure the legality of decision making by the Board of Directors.        |
| Audit & Supervisory Board Member | Kiyotaka Fuke     | Attended all 15 meetings (attendance rate: 100%) of the Board of Directors and 11 out of 12 meetings (attendance rate: 91.7%) of the Audit & Supervisory Board held during the fiscal year ended March 31, 2019, 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, 2019**

|              |                                                                                              |             |
|--------------|----------------------------------------------------------------------------------------------|-------------|
| 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**

The non-audit services for which the Company pays compensation to the Accounting Auditor include examination of financial figures for the inspection on management matters.

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

In the event that the Audit & Supervisory Board judges it necessary to do so, including the cases where the Accounting Auditor are deemed to have violated or interfered with any of the relevant laws and/or regulations such as the Companies Act and the Certified Public Accountant Law, or where the Accounting Auditor have committed an outrage against public decency, the Audit & Supervisory Board shall, in accordance with the Audit & Supervisory Board Rules, decide the content of the proposal regarding the dismissal or non-reappointment of said Accounting Auditor whereas the Board of Directors shall submit said proposal to a shareholders' meeting.



(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 General Manager of the Corporate Planning Department 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 General Manager of the Corporate Planning Department 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

(Translation)

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, 2019, was as follows:

**1) Compliance-related Initiatives**

During the fiscal year under review, 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**

Fifteen 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.

Seventeen 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.

(Translation)

## **7. Basic Policy regarding the Control of the Company**

### **(1) Basic Policy regarding Persons Who Control the Company's Decisions on Financial Matters and Business Policies**

The Company believes that the trading of the Company shares should be left to the market, and believes that the shareholders should make the final decision as to whether to sell the Company's shares by accepting the request by Large-Scale Purchasers conducting a Large-Scale Purchase of the Company's share certificates or other securities. Involvement in management by a Large-Scale Purchaser will not necessarily damage the corporate value, and if it leads to an expansion in the Company's corporate value, the Company will not reject such involvement.

However, the Company believes that, with some of those Large-Scale Purchasers, in view of their intentions, etc., there are cases where Large-Scale Purchases are being implemented inappropriately such as where said action poses the threat of damaging the corporate value of the Company, and consequently undermining the common interests of shareholders, or where shareholders are essentially being coerced into selling their shares of the Company.

With such inappropriate Large-Scale Purchases that are detrimental to the corporate value of the Company, and consequently, the common interests of shareholders, the Company believes that it is necessary to secure sufficient information and time for a decision to be made as to whether the shareholders will accept or reject the request to purchase by the Large-Scale Purchaser, and for the Company to secure the opportunity to negotiate with the Large-Scale Purchaser.

In addition, in order to achieve the goal of securing corporate value that promises continuity, and ultimately, the common interests of shareholders, it is necessary for the Company to aim for stable management while eyeing future prospects from a more medium to long-term perspective, with a full understanding of the positions and roles of each operating company within the Company group.

Thus, the Company believes that in the event of a Large-Scale Purchase of the Company's share certificates or other securities by a Large-Scale Purchaser, securing sufficient information and time for deciding whether to accept or reject said Large-Scale Purchase in light of the characteristics of the Company and the Company group, and securing the opportunity for the Company to negotiate with the Large-Scale Purchaser, is essential in securing and enhancing the corporate value of the Company and the common interests of its shareholders.

### **(2) Initiatives to Help Realize the Basic Policy**

The Company has stipulated the following two objectives as its corporate philosophy: "Establish a company which can continuously grow and contribute to the society" and "Establish an attractive company." In order to realize this corporate philosophy, the Company strives to: bring prosperity to its stakeholders by enhancing its added values; create rich environment and evolve the industrial society through engineering expertise; enable employees to achieve self-fulfillment through their work responsibilities; and establish a corporate culture of mutual trust, cooperation and rationality. These aims of the Company are paraphrased into the following management vision: "Conduct businesses under free and fair competition in compliance with laws and regulations and the spirit thereof; contribute to customer/business partner, shareholder, employee, community/society and global environment with transparency and integrity."

Based on the aforementioned philosophy and vision, and under the three-year Mid-Term Business Plan from the fiscal year ended March 2017 through the fiscal year ended March 2019, the Company aimed to achieve sustainable development of its business centered on the green technology system business and the paint finishing system business, and at the same time strived to secure and enhance its corporate value and the common interests of its shareholders.

The Company is acutely aware that the biggest management risk that could damage corporate value is violation of laws and regulations, and therefore it has positioned the enhancement of corporate value through compliance with laws and regulations and further improvement of corporate governance to gain wider recognition from society as its key management priority. Through the activities of its Board of Directors, Audit & Supervisory Board, Management Meeting, Compliance Committee, Internal Audit Office and other frameworks, and also through the establishment of an internal control system, the Company strives to comply with relevant laws and regulations such as the Construction Business Act and the Financial Instruments and Exchange Act.

### **(3) Initiatives to Prevent the Company's Decisions on Financial Matters and Business Policies from Being Controlled by a Person Deemed as Inappropriate Pursuant to the Basic Policy**

The Company resolved to introduce the "Countermeasures against Large-Scale Purchases of the Company's Share Certificates or Other Securities (Takeover Defense Measures)" at the Board of Directors

(Translation)

meeting held on January 31, 2008, to counter against purchases of the Company's share certificates or other securities, in which the ratio of voting rights of specified shareholders, etc. of the Company's share certificates or other securities is 20% or more, or purchases of the Company's share certificates or other securities that result in the ratio of voting rights of the specified shareholders, etc. is 20% or more ("Large-Scale Purchase"; and a person conducting a Large-Scale Purchase shall be referred to as the "Large-Scale Purchaser") with the aim of securing and enhancing the Company's corporate value, and consequently, the common interests of shareholders.

Subsequently, the partial amendments to and continuation of the aforementioned countermeasures (takeover defense measures) were approved by the shareholders at the 63rd Annual Shareholders' Meeting held on June 27, 2008, at the 65th Annual Shareholders' Meeting held on June 29, 2010, at the 68th Annual Shareholders' Meeting held on June 27, 2013, and at the 71st Annual Shareholders' Meeting held on June 29, 2016 (the currently effective plan shall be referred to as the "Plan").

The effective period of the Plan expires at the conclusion of the 74th Annual Shareholders' Meeting to be held on June 27, 2019. The Company resolved, at the meeting of the Board of Directors held on May 15, 2019, to discontinue the Plan after the expiration of the effective period.

The Plan stipulates the procedures for the Board of Directors to require a Large-Scale Purchaser to provide information on a Large-Scale Purchase in advance to evaluate and examine the Large-Scale Purchase, negotiate with the Large-Scale Purchaser regarding terms and other matters of the purchase, and to propose an alternative plan to shareholders or take other actions, in order to secure sufficient information and time necessary for shareholders to appropriately decide whether to accept the Large-Scale Purchase upon a Large-Scale Purchase of the Company's share certificates or other securities, and also stipulates the procedures for the Board of Directors to exercise other countermeasures against a Large-Scale Purchase ("Large-Scale Purchase Rules"), while, as a general rule, following the recommendations of the Independent Committee, to be appointed from outside directors, outside audit & supervisory board members and outside advisors who have no specific interest with the Company and are highly independent from the Board of Directors.

Where the Large-Scale Purchaser fails to observe the Large-Scale Purchase Rules, or even where the Large-Scale Purchaser observes the Large-Scale Purchase Rules, if the Large-Scale Purchase is deemed obvious to be an act that will inflict upon the Company any damage that is difficult to recover from, for example, when the Large-Scale Purchase falls under any of the objective requirements stipulated reasonably and in detail, the Board of Directors will, as a general rule, resolve to exercise countermeasures, and will exercise such countermeasures, in accordance with the recommendations of the Independent Committee.

Specifically, appropriate countermeasures will be selected, depending on the situation at different times, out of those accepted as being within the authority of the Board of Directors in relation to a gratis allotment of share subscription rights, other laws and regulations, and the Company's Articles of Incorporation.

For details of the Plan, refer to the description posted on the Company's website below.  
([https://www.taikisha.co.jp/corporate/news/20160516\\_1.pdf](https://www.taikisha.co.jp/corporate/news/20160516_1.pdf))

**(4) Above Initiatives Comply with the Basic Policy and Do Not Impair the Common Interests of the Company's Shareholders or Aim to Protect the Positions of any of the Company Officers of the Company**

**1) Initiatives Stated in 2.**

The initiatives in "2. Initiatives to help realize the Basic Policy" above have been stipulated with the aim of continuously and sustainably securing and enhancing the Company's corporate value, and consequently, the common interests of shareholders, and therefore contribute to the realization of the Basic Policy.

Consequently, such initiatives comply with the Basic Policy and do not impair the common interests of the Company's shareholders or aim to protect the positions of any of the company officers.

**2) Initiatives Stated in 3.**

The Company believes, for the following reasons, that the initiatives in "3. Initiatives to prevent the Company's decisions on financial matters and business policies from being controlled by a person deemed as inappropriate pursuant to the Basic Policy" above comply with the Basic Policy, and they do not impair the common interests of the Company's shareholders or aim to protect the positions of any of the company officers.

(Translation)

a) Fully Satisfying the Three Principles Set Out in the Guidelines Regarding the Takeover Defense Measures

The Plan fully satisfies the three principles ((i) Protection and Enhancement of Corporate Value and Shareholders' Common Interests, (ii) Prior Disclosure and Shareholders' Intent and (iii) Ensuring the Necessity and Reasonableness) set out in the "Guidelines Regarding Takeover Defense for the Purposes of Ensuring and Enhancing Corporate Value and Shareholders' Common Interests" released by the Ministry of Economy, Trade and Industry and the Ministry of Justice as of May 27, 2005.

b) Reflecting the Spirit of the Takeover Defense Measures Released by the Corporate Value Study Group

The contents of the Plan reflect the spirit of "Takeover Defense Measures in Light of Recent Environmental Changes" released on June 30, 2008 by the Corporate Value Study Group established by the Ministry of Economy, Trade and Industry.

c) Emphasis on the Intent of the Shareholders and Information Disclosure

The effective period of the Plan shall expire as of the conclusion of the annual shareholders' meeting pertaining to the last fiscal year ending within three years after the completion of the 71st Annual Shareholders' Meeting (74th Annual Shareholders' Meeting scheduled to be held during June 2019). However, even before the expiration of the effective period of the Plan, if the shareholders' meeting resolves to abolish the Plan, then the Plan will be abolished as of the time of such resolution, and for this point, the continuation and abolition of the Plan will be conducted in a manner that respects the intent of the shareholders.

Moreover, a shareholders' meeting (the "Shareholders' Meeting for Confirming the Intent of Shareholders") can be held in order to have an opportunity to confirm the intent of shareholders regarding the advantages and disadvantages of exercising a countermeasure and it will be possible to clarify that countermeasures are exercised by respecting the intent of shareholders.

Furthermore, in order to enable the shareholders to appropriately make decisions such as decisions on the abolition or other matters, the decision as to whether to sell shares of the Company by accepting the Large-Scale Purchase, and other matters of the Plan, the Board of Directors will disclose to shareholders information on the Large-Scale Purchase and other information provided by the Large-Scale Purchaser at the time and in a method the Board of Directors deems appropriate.

d) Scheme to Eliminate Arbitrary Decisions by the Board of Directors

In introducing and continuing the Plan, the Company established the Independent Committee to eliminate arbitrary decisions by the Board of Directors.

If a Large-Scale Purchase is made against the Company, the Independent Committee will make a recommendation to the Board of Directors upon discussing and examining whether to exercise countermeasures against the Large-Scale Purchase, and other matters, and the Board of Directors will, as a general rule, make a resolution following the recommendation of the Independent Committee and a scheme to eliminate the exercise of countermeasures based on arbitrary decisions by the Board of Directors is thereby secured.

Furthermore, the Plan will be exercised only when the Large-Scale Purchaser fails to observe formal Large-Scale Purchase Rules set out in the Plan, or when the Large-Scale Purchase satisfies objective requirements stipulated reasonably and in detail where the Large-Scale Purchaser considerably damages the Company's corporate value, and the Shareholders' Meeting for Confirming the Intent of Shareholders is held in certain cases and countermeasures are exercised only when the approval of the majority of the shareholders is obtained, and also on these points, a scheme to eliminate the exercise of arbitrary countermeasures by the Board of Directors is in place.

e) No Dead-Handed or Slow-Handed Defense Measures

The Plan may be abolished by the Board of Directors, and therefore the Plan is not a dead-handed takeover defense measure (a takeover defense measure that cannot be blocked even if the majority of the constituent members of the Board of Directors are replaced). In addition, because the Company has not adopted a system of staggered terms of office for its directors, the Plan is not a slow-handed takeover defense measure (a takeover defense measure that requires time to block because constituent members of the Board of Directors may not be replaced at one time).

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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, 2019)

(Millions of yen)

Account title	Amount	Account title	Amount
<b>(Assets)</b>		<b>(Liabilities)</b>	
<b>Current assets</b>	<b>168,968</b>	<b>Current liabilities</b>	<b>98,791</b>
Cash and deposits	52,107	Notes payable, accounts payable for construction contracts and other	55,835
Notes receivable, accounts receivable from completed construction contracts and other	104,705	Short-term loans payable	10,892
Securities	1,000	Income taxes payable	2,711
Costs on uncompleted construction contracts	2,807	Advances received on uncompleted construction contracts	14,778
Raw materials and supplies	396	Provision for warranties for completed construction	787
Other	8,379	Provision for loss on construction contracts	407
Allowance for doubtful accounts	(428)	Provision for directors' bonuses	154
		Other	13,225
<b>Non-current assets</b>	<b>54,111</b>	<b>Non-current liabilities</b>	<b>10,638</b>
<b>Property, plant and equipment</b>	<b>10,333</b>	Long-term loans payable	3,076
Buildings and structures	8,179	Deferred tax liabilities	5,876
Machinery, vehicles, tools, furniture and fixtures	11,077	Provision for directors' retirement benefits	62
Land	2,058	Net defined benefit liability	1,370
Other	551	Other	250
Accumulated depreciation	(11,534)	<b>Total liabilities</b>	<b>109,430</b>
<b>Intangible assets</b>	<b>4,650</b>	<b>(Net assets)</b>	
Goodwill	1,332	<b>Shareholders' equity</b>	<b>96,208</b>
Other	3,318	Capital stock	6,455
<b>Investments and other assets</b>	<b>39,128</b>	Capital surplus	7,244
Investment securities	29,378	Retained earnings	84,984
Deferred tax assets	1,847	Treasury shares	(2,476)
Net defined benefit asset	5,912	<b>Accumulated other comprehensive Income</b>	<b>12,578</b>
Other	2,043	Valuation difference on available-for-sale securities	11,842
Allowance for doubtful accounts	(53)	Deferred gains or losses on hedges	(0)
		Foreign currency translation adjustment	164
		Accumulated remeasurements of defined benefit plans	572
		<b>Non-controlling interests</b>	<b>4,862</b>
		<b>Total net assets</b>	<b>113,649</b>
<b>Total assets</b>	<b>223,080</b>	<b>Total liabilities and net assets</b>	<b>223,080</b>

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



(Translation)

## Consolidated Statement of Income

(From April 1, 2018, to March 31, 2019)

(Millions of yen)

Account title	Amount	
Net sales of completed construction contracts		225,402
Cost of sales of completed construction contracts		189,148
<b>Gross profit on completed construction contracts</b>		<b>36,254</b>
Selling, general and administrative expenses		22,218
<b>Operating income</b>		<b>14,035</b>
Non-operating income		
Interest and dividends income	941	
Foreign exchange gains	75	
Other	539	1,556
Non-operating expenses		
Interest expenses	275	
Other	231	506
<b>Ordinary income</b>		<b>15,085</b>
Extraordinary income		
Gain on disposal of non-current assets	12	
Gain on sales of investment securities	855	868
Extraordinary losses		
Loss on disposal of non-current assets	195	
Impairment loss	166	
Loss on sales of investment securities	10	
Amortization of goodwill	1,245	1,618
<b>Profit before income taxes</b>		<b>14,335</b>
Income taxes-current	5,406	
Income taxes-deferred	(664)	4,742
<b>Profit</b>		<b>9,593</b>
Profit attributable to non-controlling interests		751
<b>Profit attributable to owners of parent</b>		<b>8,841</b>

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

(Translation)

## Consolidated Statement of Comprehensive Income

(From April 1, 2018, to March 31, 2019)

(Millions of yen)

Account title	Amount
<b>Profit</b>	9,593
<b>Other comprehensive income</b>	
Valuation difference on available-for-sale securities	(1,400)
Deferred gains or losses on hedges	(2)
Foreign currency translation adjustment	(1,127)
Remeasurements of defined benefit plans	(293)
Share of other comprehensive income of entities accounted for using equity method	(44)
<b>Total other comprehensive income</b>	(2,868)
<b>Comprehensive income</b>	6,724
Comprehensive income	
Comprehensive income attributable to owners of parent	6,168
Comprehensive income attributable to non-controlling interests	555

(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, 2018, to March 31, 2019)

(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	7,258	78,698	(2,475)	89,936
Changes of items during the period					
Dividends of surplus			(2,555)		(2,555)
Profit attributable to owners of parent			8,841		8,841
Purchase of treasury shares				(0)	(0)
Purchase of shares of consolidated subsidiaries		(13)			(13)
Net changes of items other than shareholders' equity					
Total changes of items during the period	—	(13)	6,286	(0)	6,272
Balance at the end of current period	6,455	7,244	84,984	(2,476)	96,208

(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	13,242	3	1,141	864	15,252	5,461	110,650
Changes of items during the period							
Dividends of surplus							(2,555)
Profit attributable to owners of parent							8,841
Purchase of treasury shares							(0)
Purchase of shares of consolidated subsidiaries							(13)
Net changes of items other than shareholders' equity	(1,400)	(4)	(977)	(291)	(2,673)	(599)	(3,272)
Total changes of items during the period	(1,400)	(4)	(977)	(291)	(2,673)	(599)	2,999
Balance at the end of current period	11,842	(0)	164	572	12,578	4,862	113,649

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

(Translation)

**Non-consolidated Balance Sheet**

(As of March 31, 2019)

(Millions of yen)

Account title	Amount	Account title	Amount
<b>(Assets)</b>		<b>(Liabilities)</b>	
<b>Current assets</b>	<b>99,382</b>	<b>Current liabilities</b>	<b>55,913</b>
Cash and deposits	22,008	Notes payable-trade	6,572
Notes receivable-trade	610	Electronically recorded obligations-operating	16,013
Electronically recorded monetary claims	3,222	Accounts payable for construction contracts	14,097
Accounts receivable from completed construction contracts	69,582	Short-term loans payable	6,644
Securities	1,000	Accounts payable-other	6,794
Costs on uncompleted construction contracts	328	Income taxes payable	2,425
Raw materials and supplies	157	Advances received on uncompleted construction contracts	1,442
Other	2,548	Deposits received	315
Allowance for doubtful accounts	(75)	Provision for warranties for completed construction	250
<b>Non-current assets</b>	<b>51,302</b>	Provision for loss on construction contracts	133
<b>Property, plant and equipment</b>	<b>4,362</b>	Provision for directors' bonuses	140
Buildings	2,208	Other	1,083
Structures	47	<b>Non-current liabilities</b>	<b>4,087</b>
Machinery and equipment	499	Long-term loans payable	100
Vehicles	0	Deferred tax liabilities	3,841
Tools, furniture and fixtures	186	Provision for retirement benefits	131
Land	1,408	Other	14
Construction in progress	11	<b>Total liabilities</b>	<b>60,000</b>
<b>Intangible assets</b>	<b>2,428</b>	<b>(Net Assets)</b>	
Software	2,426	<b>Shareholders' equity</b>	<b>78,842</b>
Other	1	<b>Capital stock</b>	<b>6,455</b>
<b>Investments and other assets</b>	<b>44,512</b>	<b>Capital surplus</b>	<b>7,297</b>
Investment securities	28,734	Legal capital surplus	7,297
Shares of subsidiaries and associates	9,423	<b>Retained earnings</b>	<b>67,566</b>
Long-term loans receivable	7	Legal retained earnings	1,613
Claims provable in bankruptcy, claims provable in rehabilitation and other	0	Other retained earnings	65,952
Long-term prepaid expenses	40	Reserve for reduction entry	0
Prepaid pension cost	5,044	Reserve for investment on information technology	2,120
Lease and guarantee deposits	1,263	General reserve	35,720
Other	3	Retained earnings brought forward	28,112
Allowance for doubtful accounts	(5)	<b>Treasury shares</b>	<b>(2,476)</b>
		<b>Valuation and translation adjustments</b>	<b>11,841</b>
		Valuation difference on available-for-sale securities	11,842
		Deferred gains or losses on hedges	(0)
		<b>Total net assets</b>	<b>90,684</b>
<b>Total assets</b>	<b>150,685</b>	<b>Total liabilities and net assets</b>	<b>150,685</b>

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

(Translation)

## Non-consolidated Statement of Income

(From April 1, 2018, to March 31, 2019)

(Millions of yen)

Account title	Amount	
Net sales of completed construction contracts		125,181
Cost of sales of completed construction contracts		102,994
<b>Gross profit on completed construction contracts</b>		<b>22,187</b>
Selling, general and administrative expenses		13,652
<b>Operating income</b>		<b>8,534</b>
Non-operating income		
Interest income and dividends income	2,251	
Dividend income of insurance	189	
Real estate rent	168	
Technical advisory fee	1,415	
Reversal of allowance for doubtful accounts	1	
Other	26	4,051
Non-operating expenses		
Interest expenses	28	
Sales discounts	85	
Rent expenses on real estate	57	
Foreign exchange losses	49	
Other	19	240
<b>Ordinary income</b>		<b>12,345</b>
Extraordinary income		
Gain on sales of investment securities	855	855
Extraordinary losses		
Loss on disposal of non-current assets	193	
Impairment loss	146	
Loss on sales of investment securities	10	
Loss on valuation of shares of subsidiaries and associates	2,065	2,416
<b>Profit before income taxes</b>		<b>10,785</b>
Income taxes-current	4,316	
Income taxes-deferred	(799)	3,516
<b>Profit</b>		<b>7,269</b>

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

(Translation)

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

(From April 1, 2018, to March 31, 2019)

(Millions of yen)

	Shareholders' equity								
	Capital stock	Capital surplus		Retained earnings					
		Legal 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	2,400	35,720	23,119	62,852
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								(2,555)	(2,555)
Profit								7,269	7,269
Purchase of treasury shares									
Net changes of items other than shareholders' equity									
Total changes of items during the period	—	—	—	—	—	(280)	—	4,993	4,713
Balance at the end of current period	6,455	7,297	7,297	1,613	0	2,120	35,720	28,112	67,566

	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	(2,475)	74,129	13,242	4	13,247	87,377
Changes of items during the period						
Reserve for investment on information technology		—				—
Reversal of reserve for investment on information technology		—				—
Dividends of surplus		(2,555)				(2,555)
Profit		7,269				7,269
Purchase of treasury shares	(0)	(0)				(0)
Net changes of items other than shareholders' equity			(1,400)	(5)	(1,405)	(1,405)
Total changes of items during the period	(0)	4,712	(1,400)	(5)	(1,405)	3,307
Balance at the end of current period	(2,476)	78,842	11,842	(0)	11,841	90,684

(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 74th fiscal year from April 1, 2018, to March 31, 2019, 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, 2019, 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 under review, 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 his/her 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) With respect to the Basic Policy pursuant to Article 118, Item 3 (a), and the respective initiatives pursuant to Article 118, Item 3 (b), of the Ordinance for Enforcement of the Companies Act and described in the Business Report, each Audit & Supervisory Board Member examined the content thereof after taking into account deliberations at the Board of Directors and other relevant internal organs.

4) 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, 2015) 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



(Translation)

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 under review.

## 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.
- 4) We have found no matters to point out with respect to the basic policy regarding persons who control the Company's decisions on financial matters and business policies as described in the Business Report. In our opinion, the respective initiatives pursuant to Article 118, Item 3 (b), of the Ordinance for Enforcement of the Companies Act set forth in the Business Report comply with said basic policy and do not impair the common interests of the Company's shareholders or aim to protect the positions of any of the company officers.

### (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 14, 2019

#### 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)	Kiyotaka Fuke (seal)

(Translation)

Items Disclosed on Internet Concerning  
Notice of the 74th Annual Shareholders' Meeting

Notes to Consolidated Financial Statements

Notes to Non-consolidated Financial Statements

(From April 1, 2018, to March 31, 2019)

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

38

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.

In this consolidated fiscal year, Geico S.p.A., a consolidated subsidiary of the Company, and Geico Taikisha Europe Ltd., a consolidated subsidiary of Geico S.p.A., conducted an absorption-type merger, where Geico S.p.A. survived and Geico Taikisha Europe Ltd. was dissolved. Due to its dissolution, Geico Taikisha Europe Ltd. has been excluded from the scope of consolidation. Geico Taikisha Europe Ltd. was a specified subsidiary of the Company.

#### 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

(Translation)

profitability.)

(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.

(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 balance sheet date (percentage of completion is estimated by the cost-to-cost method).

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

Important methods of hedge accounting

1) Method of hedge accounting

(Translation)

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 under review.

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 regarding Change in Presentation Method]**

**Consolidated balance sheet**

Effective from the fiscal year under review, the Company has applied the Ministerial Ordinance on the Partial Revision of the Ordinance for Enforcement of the Companies Act and the Rules of Corporate Accounting (Ordinance of the Ministry of Justice No. 5, March 26, 2018), associated with the “Partial Amendments to Accounting Standard for Tax Effect Accounting, etc.” (ASBJ Statement No. 28, February 16, 2018).

Accordingly, deferred tax assets are presented under investments and other assets, whereas deferred tax liabilities are presented under non-current liabilities.

As a result, “Deferred tax assets” of ¥2,159 million and “Deferred tax liabilities” of ¥2 million, which were separately presented under “Current assets” and “Current liabilities,” respectively, on the consolidated balance sheet for the previous fiscal year, have been included in ¥1,847 million of “Deferred tax assets” under “Investments and other assets” and ¥5,876 million of “Deferred tax liabilities” under “Non-current liabilities,” respectively, for the fiscal year under review.

**[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	Year-end balance on account books	Secured obligations corresponding to the asset at left
Cash and deposits	195	299
Machinery, vehicles, tools, furniture and fixtures	7	12

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

Cash and deposits ¥56 million

(3) The following assets are pledged as collateral for loans payable at investees.

Investment securities ¥2 million

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

Cash and deposits ¥17 million

2. Guarantee obligations

The Taikisha Group guarantees loans payable, etc., made by its employees and associates under agreements concluded with financial institutions.

Employees ¥1 million

Tianjin Dongchun-Taiki Metal Finishing & Conveyor System Manufacturing Co.,  
Ltd. ¥259 million

3. Endorsed notes

¥78 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 ¥5 million.

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

Provision for loss on construction contracts included in the cost of sales of completed construction contracts is ¥249 million.

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

1. Type and total number of issued shares as of the consolidated balance sheet date

Common shares 35,082,009 shares

2. Dividends

(Translation)

(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 28, 2018	Common shares	1,703	50.00	March 31, 2018	June 29, 2018
Board of Directors Meeting on November 12, 2018	Common shares	851	25.00	September 30, 2018	November 30, 2018

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

The following matters concerning the dividends of common shares are proposed at the Annual Shareholders' Meeting held on June 27, 2019.

1) Total dividends	¥2,248 million
2) Dividend per share	¥66.00
3) Shareholders' cut-off date	March 31, 2019
4) Effective date	June 28, 2019

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

**[Notes regarding Financial Instruments]**

1. Status of Financial Instruments

(1) Policies on financial instruments

The Taikisha Group invests 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.

Although being exposed to the risk of fluctuations in market price, stocks included in the category of investment securities are those of companies with which the Companies have business relations and are continuously monitored through regular checks of 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 under review, 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

(Translation)

utilization, reporting system and the like. 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 are not a direct measure of the Companies’ risk exposure in connection with the corresponding derivative 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, 2019. 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	52,107	52,107	—
(2) Notes receivable, accounts receivable from completed construction contracts and other	104,705		
Allowance for doubtful accounts*1	(372)		
	104,333	104,318	(15)
(3) Securities and investment securities*2	29,306	29,306	—
Total assets	185,747	185,732	(15)
(4) Notes payable, accounts payable for construction contracts and other	55,835	55,830	(4)
(5) Short-term loans payable	10,892	10,892	—
(6) Income taxes payable	2,711	2,711	—
(7) Long-term loans payable	3,076	3,074	(1)
Total liabilities	72,516	72,509	(6)
(8) Derivative transactions	(10)	(10)	—

\*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.



(Translation)

(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”.

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

Available-for-sale securities with fair value (as of March 31, 2019)

(Millions of yen)

Category	Book value	Acquisition cost	Difference
Securities whose book value exceeds their acquisition cost			
Stocks	28,197	11,271	16,926
Securities whose book value does not exceed their acquisition cost			
Stocks	109	117	(8)
Bonds			
Other	1,000	1,000	—
Total	29,306	12,388	16,917

2) The sales amount for available-for-sale securities was ¥1,089 million for the fiscal year under review. The total gain on sales was ¥855 million, whereas the total loss on sales was ¥10 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

(Translation)

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.

(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 balance sheet date 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	184	—	(3)	(3)
	USD	42	—	(1)	(1)
	EUR	30	—	(2)	(2)
	Sell:				
	USD	815	—	(3)	(3)
Total		1,074	—	(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 balance sheet date 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:				
	Buy:				
	USD	Accounts payable for construction contracts (forecast)	7	—	0
	THB	Accounts payable for construction contracts (forecast)	68	—	0
	KRW	Accounts payable for construction contracts (forecast)	46		(1)
	Sell:				
	USD	Accounts receivable from completed construction contracts (forecast)	78	—	0
	CNY	Accounts receivable from completed construction contracts (forecast)	143	—	(0)
Total			344	—	(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	477	350	(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	1,065
Non-listed foreign bonds	6

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	52,107	—	—	—
Notes receivable, accounts receivable from completed construction contracts and other	89,846	14,859	—	—
Securities and investment securities				
Available-for-sale securities with maturity dates (money trusts or others)	1,000	—	—	—
Available-for-sale securities with maturity dates (non-listed foreign bonds)	—	6	—	—
Total	142,953	14,866	—	—

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

- |  |           |
|--|-----------|
| 1. Net assets per share                              | ¥3,193.18 |
| 2. Profit attributable to owners of parent per share | ¥259.53   |

**[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 trust estate for the fiscal year under review was ¥272 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 at the fiscal year-end was 146 thousand, and the average number of shares outstanding during the year was 148 thousand. The number of shares at the 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.

(Translation)

## 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 (excluding leased assets)	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 (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 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

(Translation)

Provision for retirement benefits

provided based on the estimated payment of the fiscal year. In order to prepare for employees' retirement benefits, the provision is provided based on estimated benefit obligations and the fair value of plan assets at the balance sheet date.

- 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 under review.

- 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.

- (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 balance sheet date (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)
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Hedged items	Foreign currency receivables, foreign currency payables and future transactions in foreign currency
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- 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 retirement benefits differ from those applied in the consolidated financial statements.

(Translation)

Accounting for consumption taxes

Transactions subject to consumption tax and local consumption tax are recorded at amounts exclusive of consumption tax.

**[Notes regarding Change in Presentation Method]**

**Non-consolidated balance sheet**

Effective from the fiscal year under review, the Company has applied the Ministerial Ordinance on the Partial Revision of the Ordinance for Enforcement of the Companies Act and the Rules of Corporate Accounting (Ordinance of the Ministry of Justice No. 5, March 26, 2018), associated with the “Partial Amendments to Accounting Standard for Tax Effect Accounting, etc.” (ASBJ Statement No. 28, February 16, 2018). Accordingly, deferred tax assets are presented under investments and other assets, whereas deferred tax liabilities are presented under non-current liabilities.

As a result, “Deferred tax assets” of ¥1,504 million, which were separately presented under “Current assets” on the non-consolidated balance sheet for the previous fiscal year, have been included in ¥3,841 million of “Deferred tax liabilities” under “Non-current liabilities” for the fiscal year under review.

(Translation)

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

1. Pledged assets

The following assets are pledged as collateral for loans payable at investees.

Investment securities ¥2 million

2. Accumulated depreciation

Property, plant and equipment ¥4,550 million

3. Guarantee obligations

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

(Millions of yen)

Employees	1
Taikisha (Singapore) Pte. Ltd.	80
Taikisha (Thailand) Co., Ltd.	670
Taikisha Engineering (M) Sdn. Bhd.	5
P.T. Taikisha Indonesia Engineering	397
Taikisha Vietnam Engineering Inc.	358
Taikisha Myanmar Co., Ltd.	19
WuZhou Taikisha Engineering Co., Ltd.	115
Taikisha Korea Ltd.	19
Taikisha Engineering India Private Ltd.	4,480
Tianjin Dongchum-Taiki Metal Finishing & Conveyor System Manufacturing Co., Ltd.	259
Total	<u>6,409</u>

4. Monetary receivables from and payables to subsidiaries and associates

Short-term monetary receivables ¥6,468 million

Short-term monetary payables ¥2,993 million

5. 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 ¥5 million.

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

1. Transactions with subsidiaries and associates

(Millions of yen)

Net sales of completed construction contracts	5,575
Cost of sales of completed construction contracts	6,306
Transactions other than operating transactions (for revenue)	3,143
Transactions other than operating transactions (for expenses)	302

2. Provision for loss on construction contracts included in the cost of sales of completed construction contracts was ¥103 million.

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

Type and number of treasury shares as of the balance sheet date

Common shares 1,013,293 shares



(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	24
Provision for warranties for completed construction	76
Provision for loss on construction contracts	40
Provision for retirement benefits	40
Employee pension trust, investment securities	298
Accrued enterprise taxes	161
Accrued bonuses	2,007
Loss on valuation of investment securities	121
Loss on valuation of shares of subsidiaries and associates	1,309
Loss on valuation of golf club membership	56
Others	288
Subtotal	4,425
Valuation allowance	(1,607)
Total deferred tax assets	2,817

Deferred tax liabilities:

Prepaid pension cost	(1,544)
Valuation difference on available-for-sale securities	(5,078)
Others	(36)
Total deferred tax liabilities	(6,659)
Net deferred tax liabilities	(3,841)

**[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>4</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>	4,480	—	—
	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>	4,068	Accounts receivable from completed construction contracts	4,359
	TKS Industrial Company	Direct holding (100.00%)	Con-currently held Officers' posts; Financial support; Ordering to the Company for part of construction work	Underwriting of capital increase <sup>3</sup>	2,260	—	—

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 Company underwrote an increase in capital of TKS Industrial Company.
4. The transaction amount above does not include consumption taxes.

(Translation)

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

1. Net assets per share	¥2,661.81
2. Basic earnings per share	¥213.36

**[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.