

Financial Report for the Third Quarter of the Fiscal Year ending March 31, 2020

February 10, 2020

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

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

Name of company... Taikisha Ltd.

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

Code..... 1979

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

Contact..... Masanori Nakagawa, Director, Managing Corporate Officer, Administrative Management
Headquarters Chief Executive

TEL..... (03)5338 - 5052

URL..... <https://www.taikisha.co.jp/>

Scheduled date to submit Quarterly report : February 14, 2020

Scheduled date to commence dividend payments : —

Supplemental materials prepared for financial results : No

Briefing session of financial results : No

(Round down to one million yen)

1. Consolidated Operating Performance (April 1, 2019 through December 31, 2019)

(1) Consolidated operating results (Cumulative)

(% indicates increase ratio over previous year)

	Sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	million yen	%	million yen	%	million yen	%	million yen	%
Nine months ended								
December 31, 2019	158,696	2.6	10,852	34.1	11,249	28.7	7,761	91.2
December 31, 2018	154,603	(4.7)	8,091	28.0	8,744	26.6	4,058	(0.9)

(Note) Comprehensive income
 Nine months ended December 31, 2019 : 8,599 million yen
 Nine months ended December 31, 2018 : 1,590 million yen
 Increase ratio : 440.8 %
 (85.2) %

	Profit attributable to owners of parent per share	Profit attributable to owners of parent per share (Diluted)
Nine months ended	yen	yen
December 31, 2019	227.81	—
December 31, 2018	119.13	—

(2) Consolidated financial position

	Total assets	Net assets	Equity capital ratio
As of	million yen	million yen	%
December 31, 2019	218,936	116,126	50.9
March 31, 2019	223,080	113,649	48.8

(Note) Shareholders' Equity
 As of December 31, 2019 : 111,510 million yen
 As of March 31, 2019 : 108,787 million yen

2. Dividends

	Dividend per share				
	1Q	2Q	3Q	Year End	Total (annually)
Year ended	yen	yen	yen	yen	yen
March 31, 2019	—	25.00	—	66.00	91.00
March 31, 2020	—	30.00	—	—	—
Year ending March 31, 2020 (Forecast)	—	—	—	70.00	100.00

(Note) Revisions to forecast of dividends : None

3. Consolidated Earnings Forecast for Fiscal Year Ending March 31, 2020 (April 1, 2019 through March 31, 2020)

(% indicates increase ratio over previous year)

	Sales		Operating income		Ordinary income		Profit attributable to owners of parent		Profit attributable to owners of parent per share	
	million yen	%	million yen	%	million yen	%	million yen	%	yen	%
Full year	239,000	6.0	14,600	4.0	15,300	1.4	9,700	9.7	284.72	

(Note) Revisions to forecast of earnings : None

4. Others

- (1) Changes in significant subsidiaries during the period
(Changes in specified subsidiaries accompanying changes in scope of consolidation) : None
- (2) Adoption of particular accounting treatments for quarterly consolidated financial statements : None
- (3) Changes in accounting policies, changes in accounting estimates and restatements
- (i) Changes in accounting policies due to revisions of accounting standards etc. : None
 - (ii) Changes in accounting policies other than (i) : None
 - (iii) Changes in accounting estimates : None
 - (iv) Restatements : None
- (4) Number of shares issued (common shares)
- (i) Number of shares issued at end of period (including treasury shares)
 - As of December 31, 2019 35,082,009 shares
 - As of March 31, 2019 35,082,009 shares
 - (ii) Number of treasury shares at end of period
 - As of December 31, 2019 1,013,516 shares
 - As of March 31, 2019 1,013,293 shares
 - (iii) Average number of shares during the period
 - Nine months ended December 31, 2019 34,068,661 shares
 - Nine months ended December 31, 2018 34,068,939 shares
- (Note) The Company has introduced the "Board Benefit Trust (BBT)" as its performance-linked and share-based compensation plan since second quarter of the fiscal year ending March 31, 2020 and its own shares remaining in the Trust are included as treasury shares. The number of treasury shares at the end of period is 136,400 and average number of shares during the period is 68,200.
- ※ Notice of status of implementation for quarterly review procedures
This financial report is not subject to quarterly review procedures by certified public accountants or auditing firms.
- ※ Explanation about the proper use of consolidated forecasts and other notes
Data and forward-looking statements disclosed herein are based on current information as of today, and may change depending upon various factors. The data and assumptions do not mean guaranteeing accomplishment of goals and projections, and may be changed at any time without notice. Consequently, the Company ask you to use this information at your discretion based upon your own judgment and information you may obtain through other sources. The company will not be liable for any damages that result from the use of this information.

1 Consolidated Financial Statements

(1) Consolidated Balance Sheets

	Millions of yen	
	As of March 31, 2019	As of December 31, 2019
Assets		
Current assets		
Cash and deposits	52,107	41,737
Notes receivable, accounts receivable from completed construction contracts and other	104,705	101,038
Securities	1,000	—
Costs on uncompleted construction contracts	2,807	3,895
Raw materials and supplies	396	477
Other	8,379	17,472
Allowance for doubtful accounts	(428)	(238)
Total current assets	168,968	164,382
Non-current assets		
Property, plant and equipment	10,333	10,119
Intangible assets		
Goodwill	1,332	1,206
Other	3,318	2,976
Total intangible assets	4,650	4,183
Investments and other assets		
Investment securities	29,378	30,132
Net defined benefit asset	5,912	6,434
Other	3,891	3,692
Allowance for doubtful accounts	(53)	(7)
Total investments and other assets	39,128	40,251
Total non-current assets	54,111	54,554
Total assets	223,080	218,936
Liabilities		
Current liabilities		
Notes payable, accounts payable for construction contracts and other	55,835	50,795
Short-term loans payable	10,892	5,953
Income taxes payable	2,711	226
Advances received on uncompleted construction contracts	14,778	16,093
Provision for bonuses	—	4,306
Provision for warranties for completed construction	787	638
Provision for loss on construction contracts	407	466
Provision for directors' bonuses	154	42
Other	13,225	13,453
Total current liabilities	98,791	91,978
Non-current liabilities		
Long-term loans payable	3,076	1,693
Provision for directors' retirement benefits	62	47
Provision for share-based remuneration for directors	—	42
Net defined benefit liability	1,370	1,625
Other	6,127	7,423
Total non-current liabilities	10,638	10,831
Total liabilities	109,430	102,809

	Millions of yen	
	As of March 31, 2019	As of December 31, 2019
Net assets		
Shareholders' equity		
Capital stock	6,455	6,455
Capital surplus	7,244	5,058
Retained earnings	84,984	89,471
Treasury shares	(2,476)	(2,593)
Total shareholders' equity	96,208	98,390
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	11,842	12,549
Deferred gains or losses on hedges	(0)	(0)
Foreign currency translation adjustment	164	(101)
Accumulated remeasurements of defined benefit plans	572	672
Total accumulated other comprehensive income	12,578	13,119
Non-controlling interests	4,862	4,616
Total net assets	113,649	116,126
Total liabilities and net assets	223,080	218,936

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

	Millions of yen	
	Nine months ended December 31, 2018 Apr. 1, 2018 - Dec. 31, 2018	Nine months ended December 31, 2019 Apr. 1, 2019 - Dec. 31, 2019
Net sales of completed construction contracts	154,603	158,696
Cost of sales of completed construction contracts	130,774	131,663
Gross profit on completed construction contracts	23,828	27,032
Selling, general and administrative expenses	15,737	16,180
Operating income	8,091	10,852
Non-operating income		
Interest income	235	250
Dividend income	509	525
Dividend income of insurance	189	123
Real estate rent	78	84
Reversal of allowance for doubtful accounts	0	—
Other	280	151
Total non-operating income	1,292	1,135
Non-operating expenses		
Interest expenses	197	134
Rent expenses on real estates	19	18
Foreign exchange losses	172	286
Provision of allowance for doubtful accounts	—	0
Share of loss of entities accounted for using equity method	170	181
Other	79	116
Total non-operating expenses	639	737
Ordinary income	8,744	11,249
Extraordinary income		
Gain on disposal of non-current assets	11	26
Gain on sales of investment securities	51	447
Total extraordinary income	63	474
Extraordinary losses		
Loss on disposal of non-current assets	191	53
Impairment loss	116	0
Loss on sales of investment securities	—	0
Loss on valuation of investment securities	—	0
Amortization of goodwill	1,819	—
Total extraordinary losses	2,128	53
Profit before income taxes	6,679	11,669
Income taxes-current	2,829	2,554
Income taxes-deferred	(398)	907
Total income taxes	2,430	3,461
Profit	4,248	8,208
Profit attributable to non-controlling interests	190	447
Profit attributable to owners of parent	4,058	7,761

Consolidated Statements of Comprehensive Income

	Millions of yen	
	Nine months ended December 31, 2018	Nine months ended December 31, 2019
	Apr. 1, 2018 - Dec. 31, 2018	Apr. 1, 2019 - Dec. 31, 2019
Profit	4,248	8,208
Other comprehensive income		
Valuation difference on available-for-sale securities	(2,159)	707
Deferred gains or losses on hedges	10	0
Foreign currency translation adjustment	(461)	(382)
Remeasurements of defined benefit plans	(20)	94
Share of other comprehensive income of entities accounted for using equity method	(28)	(28)
Total other comprehensive income	(2,658)	390
Comprehensive income	1,590	8,599
Comprehensive income attributable to :		
Owners of parent	1,524	8,301
Non-controlling interests	65	297

(Additional information)

(Introduction of the Board Benefit Trust (BBT))

The Company has introduced the “Board Benefit Trust (BBT)” as its performance-linked and share-based compensation plan (hereinafter referred to as the “Plan”) for the Company's Board Members (excluding Outside Board Members) (hereinafter referred to as the “Board Members”), starting from the second quarter, pursuant to the resolution of the 74th Ordinary General Shareholders’ Meeting held on June 27, 2019.

The purpose of the Plan is to promote the motivation of Board Members in contributing to the improvement of business performance and corporate value over the medium to long term by making the linkage between their compensation and the Company's business performance and shareholder value even clearer and having Board Members share not only the benefits from higher stock prices, but also the risk of a drop in stock prices, with shareholders.

The gross method has been used for the accounting treatment under the Plan in accordance with “Practical Solution on Transactions of Delivering the Company’s Own Stock to Employees, etc., through Trusts” (Practical Issues Task Force No. 30 of March 26, 2015).

(1) Overview of Transactions

The Plan is a scheme whereby money contributed by the Company is used as financial resources to acquire the Company's shares through a trust (the trust established under the Plan shall be hereinafter referred to as the “Trust”), and the Company's shares and money in the amount of monetary equivalence of the Company's shares measured at fair value (hereinafter referred to as “the Company’s Shares, etc.”) are provided to Board Members through the Trust in accordance with the “Share Benefit Regulations for Directors” stipulated by the Company.

The time when the Company’s Shares, etc., are provided to Board Members shall be, in principle, the date of the retirement from the Company.

(2) The Company’s Own Shares Remaining in the Trust

The Company recognizes its own shares remaining in the Trust as treasury shares under the category of net assets, using the carrying amount in the Trust (excluding the amount of ancillary expenses). The carrying amount of such treasury shares as of the end of the third quarter is 449 million yen, and the number of such shares is 136,400.

(Segment information)

Nine months ended December 31, 2018 (April 1, 2018 - December 31, 2018)

1. Sales and profits or losses by reportable segments

Millions of yen

	Reportable segments			Eliminations/ Corporate	Amount recorded in the consolidated financial statements
	Green Technology System Division	Paint Finishing System Division	Total		
Sales					
Sales to customers	105,170	49,432	154,603	—	154,603
Intersegment	—	0	0	(0)	—
Total	105,170	49,433	154,603	(0)	154,603
Segment profit (loss)	9,372	(742)	8,629	114	8,744

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

Eliminations/ Corporate of Segment profit (loss) of 114 million yen includes non-allocatable common profits (net amount of common profit and loss) of 112 million yen and other adjustments of 1 million yen.

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

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

2. Impairment loss on non-current assets or goodwill etc. by reportable segment

In the Paint Finishing System Division, one-time amortization of goodwill related to Geico S.p.A. ("Geico") is recognized as extraordinary loss in the consolidated financial statements. In the third quarter of the consolidated fiscal year, the decrease in goodwill related to Geico due to the said amortization etc. is 1,819 million yen.

Nine months ended December 31, 2019 (April 1, 2019 - December 31, 2019)

1. Sales and profits or losses by reportable segments

Millions of yen

	Reportable segments			Eliminations/ Corporate	Amount recorded in the consolidated financial statements
	Green Technology System Division	Paint Finishing System Division	Total		
Sales					
Sales to customers	113,744	44,952	158,696	—	158,696
Intersegment	3	—	3	(3)	—
Total	113,747	44,952	158,699	(3)	158,696
Segment profit	10,165	1,391	11,557	(307)	11,249

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

Eliminations/ Corporate of Segment profit of minus 307 million yen includes non-allocatable common profits (net amount of common profit and loss) of minus 310 million yen and other adjustments of 3 million yen.

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

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

2. Impairment loss on non-current assets or goodwill etc. by reportable segment

Not applicable.

(Supplementary information)

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

Millions of yen

	Nine months ended December 31, 2018 (Apr. 1, 2018 - Dec. 31, 2018)		Nine months ended December 31, 2019 (Apr. 1, 2019 - Dec. 31, 2019)		Increase (decrease)	
	Amounts	%	Amounts	%	Amounts	%
	Orders-received					
Green Technology System Division						
Building HVAC	39,717	21.3	32,230	19.3	(7,487)	(18.9)
Industrial HVAC	87,783	47.1	82,285	49.3	(5,498)	(6.3)
Total	127,501	68.4	114,515	68.6	(12,985)	(10.2)
[Overseas]	[28,331]	[15.2]	[28,108]	[16.9]	[(222)]	[(0.8)]
Paint Finishing System Division	59,027	31.6	52,245	31.4	(6,782)	(11.5)
[Overseas]	[48,521]	[26.0]	[40,858]	[24.5]	[(7,662)]	[(15.8)]
Total	186,529	100.0	166,760	100.0	(19,768)	(10.6)
[Overseas]	[76,852]	[41.2]	[68,966]	[41.4]	[(7,885)]	[(10.3)]
Net sales of completed construction contracts						
Green Technology System Division						
Building HVAC	30,192	19.5	38,989	24.6	8,796	29.1
Industrial HVAC	74,977	48.5	74,754	47.1	(222)	(0.3)
Total	105,170	68.0	113,744	71.7	8,573	8.2
[Overseas]	[29,297]	[19.0]	[26,609]	[16.8]	[(2,687)]	[(9.2)]
Paint Finishing System Division	49,432	32.0	44,952	28.3	(4,480)	(9.1)
[Overseas]	[41,775]	[27.0]	[34,880]	[22.0]	[(6,895)]	[(16.5)]
Total	154,603	100.0	158,696	100.0	4,093	2.6
[Overseas]	[71,072]	[46.0]	[61,490]	[38.8]	[(9,582)]	[(13.5)]
Construction carried forward						
Green Technology System Division						
Building HVAC	61,764	32.3	46,054	25.4	(15,710)	(25.4)
Industrial HVAC	63,736	33.3	67,131	37.1	3,395	5.3
Total	125,501	65.6	113,186	62.5	(12,315)	(9.8)
[Overseas]	[22,297]	[11.7]	[25,354]	[14.0]	[3,056]	[13.7]
Paint Finishing System Division	65,778	34.4	68,004	37.5	2,225	3.4
[Overseas]	[57,998]	[30.3]	[59,801]	[33.0]	[1,803]	[3.1]
Total	191,280	100.0	181,190	100.0	(10,089)	(5.3)
[Overseas]	[80,295]	[42.0]	[85,155]	[47.0]	[4,859]	[6.1]

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

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

There is 0 million yen difference between net sales of completed construction contracts of 49,432 million yen and total sales of 49,433 million yen in the segment information by the Paint Finishing System Division.

Above difference is due to intersegment sales.

3. In the consolidated cumulative third quarter, there is 3 million yen difference between net sales of completed construction contracts of 113,744 million yen and total sales of 113,747 million yen in the segment information by the Green Technology System Division. Above difference is due to intersegment sales.

There is no difference between net sales of completed construction contracts and total sales in the segment information by the Paint Finishing System Division.

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

Millions of yen

	Nine months ended December 31, 2018 (Apr. 1, 2018 - Dec. 31, 2018)		Nine months ended December 31, 2019 (Apr. 1, 2019 - Dec. 31, 2019)		Increase (decrease)	
	Amounts	%	Amounts	%	Amounts	%
Orders-received						
Green Technology System Division						
Building HVAC	37,380	32.5	29,397	30.5	(7,983)	(21.4)
Industrial HVAC	59,042	51.3	54,495	56.6	(4,546)	(7.7)
Total	96,422	83.8	83,892	87.1	(12,530)	(13.0)
[Overseas]	[95]	[0.1]	[396]	[0.4]	[300]	[316.4]
Paint Finishing System Division	18,684	16.2	12,453	12.9	(6,231)	(33.3)
[Overseas]	[9,798]	[8.5]	[4,030]	[4.2]	[(5,768)]	[(58.9)]
Total	115,107	100.0	96,346	100.0	(18,761)	(16.3)
[Overseas]	[9,894]	[8.6]	[4,426]	[4.6]	[(5,467)]	[(55.3)]
Net sales of completed construction contracts						
Green Technology System Division						
Building HVAC	28,548	32.7	37,120	38.1	8,572	30.0
Industrial HVAC	45,236	51.7	48,177	49.4	2,941	6.5
Total	73,784	84.4	85,297	87.5	11,513	15.6
[Overseas]	[84]	[0.1]	[107]	[0.1]	[22]	[26.9]
Paint Finishing System Division	13,626	15.6	12,251	12.5	(1,374)	(10.1)
[Overseas]	[7,390]	[8.5]	[4,757]	[4.9]	[(2,632)]	[(35.6)]
Total	87,410	100.0	97,549	100.0	10,138	11.6
[Overseas]	[7,474]	[8.6]	[4,864]	[5.0]	[(2,609)]	[(34.9)]
Construction carried forward						
Green Technology System Division						
Building HVAC	60,569	52.1	44,415	45.8	(16,154)	(26.7)
Industrial HVAC	41,460	35.7	42,064	43.4	603	1.5
Total	102,030	87.8	86,479	89.2	(15,551)	(15.2)
[Overseas]	[31]	[0.0]	[295]	[0.3]	[264]	[853.7]
Paint Finishing System Division	14,131	12.2	10,399	10.8	(3,731)	(26.4)
[Overseas]	[7,194]	[6.2]	[3,770]	[3.9]	[(3,424)]	[(47.6)]
Total	116,161	100.0	96,879	100.0	(19,282)	(16.6)
[Overseas]	[7,225]	[6.2]	[4,065]	[4.2]	[(3,159)]	[(43.7)]

3. Sales by regions

Nine months ended December 31, 2018 (April 1, 2018 - December 31, 2018)

Millions of yen

Japan	North America	Southeast Asia		East Asia		India	Other	Total
		Thailand	Other Southeast Asia	China	Other East Asia			
83,530	13,849	18,653	13,014	9,272	1,246	6,388	8,647	154,603

Nine months ended December 31, 2019 (April 1, 2019 - December 31, 2019)

Millions of yen

Japan	North America	Southeast Asia		East Asia		India	Other	Total
		Thailand	Other Southeast Asia	China	Other East Asia			
97,206	9,115	13,861	15,097	8,352	936	7,300	6,827	158,696