

SRG TAKAMIYA Co., Ltd. (Tokyo Stock Exchange First Section)
<Summary>

- ✓ The main business of SRG TAKAMIYA Co., Ltd. (hereinafter SRG TAKAMIYA or the company) is rental of lightweight temporary scaffold equipment and materials for construction works. In the past several years, however, the company has also been focusing on manufacturing and sales of those materials. The company's business has been diversified into evenly manufacturing/sales and rentals.
- ✓ Due to the weak demand for the domestic construction sector, the company's business results up to the fiscal year 09 (FY09, ending March 2010), were slowing down. After the FY11, however, its results have recovered into up-trend due mainly to growth of the environmental sector on which the company was heavily focusing, and to contributions of consolidated subsidiaries taken over in the past. The company achieved historical record high operating profits(OP) of ¥3.09 billion for the FY14, though it was lower than original forecast. This was primarily due to delays in some civil engineering work projects, but does not indicate a major change in the industry environment.
- ✓ For the FY15, sales of ¥39.0 billion and OP of ¥3.80 billion are expected, up by 13.8% and by 22.7% year-on-year respectively. However, those forecast have been revised a bit downward from those in the initial midterm business plan. It is believed, however, that such revision is realistic, as it is based on a reconsideration of the current industry environment and other factors, and thus those goals are likely to be achieved.
- ✓ The company initially announced a midterm business plan targeting sales of ¥45.0 billion and OP of ¥5.2 billion in the FY16, but those targets have been revised to sales of ¥42.0 billion and OP of ¥4.3 billion in reflecting actual results for the FY14. Such revision is disappointed, but realistic in consideration with industry environment; delay in construction projects, labor shortages, soaring material prices, and other factors. So new(revised) targets are highly likely to be achieved by continuing to implement the measures of "investment in high-value added assets" and "expansion of manufacturing and sales business."
- ✓ As stated above, the company's business results are likely to improve dramatically hereafter. In addition to that, with improvement of IR activity, the stock price evaluation is likely to change significantly. Therefore it is worth watching how the company and the stock price will change alongside business results in the coming 2 to 3 years

(Noboru Terashima, analyst of G-Cube Co., Ltd.).

-Consolidated Business Results-

Fiscal term	Net sales (Million yen)	Operating income (Million yen)	Ordinary income (Million yen)	Net income (Million yen)	Dividend (Yen)
FY11 (A)	23,201	1,037	1,080	755	20.0
FY12 (A)	28,113	1,605	1,553	807	20.0
FY13 (A)	32,443	3,051	3,006	1,768	13.0
FY14 (A)	34,261	3,098	3,325	2,070	16.0
FY15 (E)	39,000	3,800	3,700	2,330	10.0

* "E"=expected by the company.

Dividends paid in March 2014 are the dividend after stock split (1:2 as of April 1, 2013).

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SRG TAKAMIYA Co., Ltd. (Tokyo Stock Exchange First Section)**<History>**

The company was founded in 1969 as Sinkansai Co., Ltd., in Higashiyodogawa-ku, Osaka City, Osaka Prefecture. The company dealt mainly with wooden scaffolding. In the meantime, the company focused quickly on steel scaffolding being spotlighted at that time especially overseas, and introduced those to building and civil engineering sites. Around that time, many builders procured large quantities of equipment and materials to construct pavilions for the Osaka World Exposition. Such trend to sell used equipment and materials was soon seen in Osaka. Because of this trend, the company focused attention on future possibility of rental business of such equipment and material, and thus bought a large amount of temporary equipment and materials to change the core of business from sales to rental, and thus laid the foundations of the current SRG TAKAMIYA. Then, in the 1980's, the company aggressively introduced state-of-the-art technology ahead of other companies. The company newly established an engineering department to respond to drawing and design needs, and constructed a computer center for further energy-saving and rationalization. The company promoted a corporate structure from both technological and managerial aspects. In 1988, the company introduced a CAD system in the engineering department. Thereafter, this engineering department was spun off as the predecessor of Cadian (temporary drawing design).

The latter half of 1980's were the time when Japan's economy as a whole thrived inside an economic bubble. Investment in the domestic construction industry expanded to ¥85 trillion (real value: National Land and Transportation Ministry) and the temporary equipment and materials rental market expanded as well. Under these circumstances, the whole industry lowered rental price resolutely without thinking of the consequences and fierce price competition beset the participating companies. During such period, however, the company did not simply compete by cutting prices but stood by its belief that improving the quality of services itself would gain the trust of customer and thus continued with those efforts.

In the 1990's, the economic bubble collapsed and investment in the construction industry in Japan fell to ¥53 trillion (same as above). The leading general contractors sold large quantity of their temporary equipment and materials to improve their financial position. While many competitors refrained from new investment in equipment and materials, the company aggressively purchased temporary equipment and materials dumped in the market and, as a result, it now possessed a large quantity of fully-depreciated equipment and materials. In the temporary equipment and materials rental industry, since the quantity of equipment and materials is directly co-related to sales increase, the fact that the company could acquire a large quantity of equipment and materials marked an important turning point for next period of growth for the company.

All the leading general contractors who sold temporary equipment and materials after the bubble burst changed their business model to outsourcing temporary construction work and, as a result, the rental share of the temporary equipment and materials market increased abruptly to 90% of the total. On the other hand, while the construction industry recovered favorably, the price of steel materials rose alongside soaring crude oil prices and a shortage of

SRG TAKAMIYA Co., Ltd. (Tokyo Stock Exchange First Section)

temporary equipment and materials prevailed in the market. In such environment, the company has established overwhelming advantageous position owing to aggressive purchasing of equipment and materials that the company did in the 1990's.

The company, thereafter, went on growing favorably as a rental company specialized in temporary equipment and materials, made efforts to improve its position in the rental industry as a company that always creates new value and aims to serve not only the construction industry but also society at large. In 2005, the company's shares were listed on the JASDAQ Securities Exchange, and then in December 2007, they were listed in the Second Section of the Tokyo Stock Exchange.

Recently (after 2010), in light of frequent landslide disasters, the demand for landslide prevention work, which the company has been tackling ahead of other competitors, has increased rapidly. Also, the company has developed the "space rental" business for solution of facilities for acceptance of contaminated soils and wastes and sports event facilities. Furthermore, the company has adopted mast climbing work platforms (the Lift Climber series) appropriate for skyscrapers as the ultra-tall condominiums that were constructed in 1990's are now in need of repair. Thus, the company offers mast climbing work platforms (the Lift Climber series) appropriate for ultra-high-rise buildings and aggressively develops new markets of great potential. As the result of investment in safety of site workers and surrounding environment, the company has succeeded in maintaining the performance and quality of equipment and materials at a high level. In recent years, construction site safety awareness, i.e., prevention of collapses, accidents caused by falling objects, etc., has risen, and the Ministry of Health, Labor and Welfare, legal JIS establishment and others have made legal revisions to health and safety regulations. Though further improvements to safety, maintenance and quality control are demanded, temporary equipment and materials rental companies are facing difficulties in coping with the situation via just the conventional handling of equipment and materials. However, the company, which has been making efforts to promptly improve site environments, product development and quality maintenance and controls, has been helping to build safe and highly efficient work sites, and has seized upon this movement as a favorable trend.

In addition, the company has completely affiliated Hory Corp., which developed, manufactured and sold temporary construction equipment and materials and home building materials, as a subsidiary in 2010. With this, the company has successfully turned into a company that possesses manufacturing and sales sectors from merely a rental company specializing in temporary equipment and materials. In addition to the active situation across the entire construction market, the anticipatory investment for which the company has been making effort is about to flourish. It will be necessary to watch their future business results.

SRG TAKAMIYA Co., Ltd. (Tokyo Stock Exchange First Section)

<History>

- 1969: Founded Sinkansai Co., Ltd., the predecessor of the company.
- 1973: Moved the registered head office to Settsu City, Osaka Prefecture.
- 1974: Changed the line of business to the “leasing and rental of temporary equipment and materials.”
- 1978: Established a computation center and started doing rental estimates on computer.
- 1984: Established SRG TAKAMIYA Co., Ltd. as a subsidiary of temporary equipment and materials in Chuo-ku, Tokyo.
- 1987: Absorbed the subsidiary into SRG TAKAMIYA Co., Ltd. and, at the same time, renamed the company SRG TAKAMIYA Co., Ltd. made the former SRG TAKAMIYA Co., Ltd. the Tokyo Branch.
- 1988: Moved the head office to Shibata-cho, Kita-ku, Osaka.
- 1990: Established IWATA Co.,Ltd. to rent temporary equipment and materials for construction in Wakayama City, Wakayama Prefecture (currently consolidated subsidiary IWATA Co., Ltd. in Kinokawa City, Wakayama Prefecture.)
- 1994: In July, established Rental NAGAKITA Co., Ltd. to rent temporary construction equipment and materials in Niigata City, Niigata Prefecture. (currently consolidated subsidiary SHINKEN NAGAKITA Co., Ltd.)
In August, established TATSUMI Ltd. to rent temporary construction equipment and materials in Uchihara-cho, Higashiibaragi-gun, Ibaragi Prefecture (currently consolidated subsidiary TATSUMI Co., Ltd. in Mito City, Ibaragi Prefecture.)
- 1998: Established Techno Kobo Ltd. for temporary drawing design in Chuo-ku, Osaka (currently consolidated subsidiary Cadian Co., Ltd. in Kita-ku, Osaka.)
- 2002: In February, introduced the “Standing Bear” heavy object timbering that were developed in collaboration with Koyo Machine Industries Co., Ltd.
In August, established SRG Kanki Co., Ltd. to rent temporary construction equipment and materials in Suma-ku, Kobe City under joint management with Kanki Co., Ltd.
In December, moved the registered head office to Shibata-cho, Osaka.
- 2003: Introduced “Freely” free design and multipurpose roofing materials.
- 2004: Established HIRAMATSU Co., Ltd. (currently consolidated subsidiary) to rent temporary construction equipment and materials in Haibara -cho, Haibara-gun, Shizuoka Prefecture.
- 2005: In February, established SN Builtech Co., Ltd. (currently consolidated subsidiary) to rent temporary civil engineering equipment and materials in Shinjuku-ku, Tokyo.
In June, the company was listed on the JASDAQ Securities Exchange. (Securities code: 2445)
- 2006: Moved the head office and Osaka Branch to Chayamachi, Kita-ku, Osaka and changed head office registration.
- 2007: In December, the company was listed on the Tokyo Stock Exchange Second Section
(In January 2008, the company was delisted from the JASDAQ Securities Exchange.)

SRG TAKAMIYA Co., Ltd. (Tokyo Stock Exchange First Section)

- 2008: In October, established AOMORI ATOM (consolidated subsidiary) to rent temporary construction equipment and materials in Higashitoori-mura, Shimokita-gun, Aomori Prefecture.
In December, introduced mast climbing work platforms (the Lift Climber series).
- 2009: Acquired 100% stock in Ishijima Kizai Seisakusho Co., Ltd. (Nagoya City, Aichi Prefecture) and made it a consolidated subsidiary.
- 2010: Affiliated Hory corporation. (Koto-ku, Tokyo), which developed, manufactured and sold temporary construction equipment and materials and home building materials, as a consolidated subsidiary.
- 2011: In April, NAGAKITA Co., Ltd. took over the business of Sinkenkizai Co., Ltd. and renamed of company SHINKEN NAGAKITA Co., Ltd. (currently consolidated subsidiary).
In September, affiliated MGI Co., Ltd. (Chuo-ku, Sapporo City), contractor of installation works for temporary equipment, mast climbing work platforms, etc. and temporary electric work.
- 2012: Renamed Ishijima Kizai Seisakusho Co., Ltd. as TOTAL TOSHISEIBI Co., Ltd. (currently consolidated subsidiary in Nakagawa-ku, Nagoya City).
Established the Fukushima Office in Sukagawa City, Fukushima Prefecture.
- 2013: Introduced the next generation scaffolding "Iq System."
- 2014: Acquired 100% stock in ASAHI KOUGYOU Co., Ltd. (Hirano-ku, Osaka City) and made it a consolidated subsidiary.
Established HORY VIETNAM Co., Ltd. (consolidated subsidiary) in Dong Nai Province, Vietnam.
- 2015: Acquired 100% stock in DIMENSION-ALL INC. (Philippines) and made it a consolidated subsidiary.

SRG TAKAMIYA Co., Ltd. (Tokyo Stock Exchange First Section)

Outline of Business

In a nutshell, the company’s main line of business is the “manufacturing, sales and rental of temporary equipment and materials for construction works.” The company is ranked at the top in the rental of lightweight temporary equipment and materials, and also the only public company in the industry. In recent years, however, the company has strengthened its position as a manufacturer of temporary construction equipment and materials, and also for metal frames for solar power systems and other items through Hory Corporation acquired through M&A. The company’s business is now divided roughly evenly between manufacturing/sales and rentals. (See below for details.)

<Temporary equipment and materials and activity areas of the company>

Temporary equipment and materials such as scaffolding, in addition to construction machinery (heavy machines such as cranes and bulldozers), are absolutely indispensable for people working at construction sites and similar locations. Temporary equipment and materials are classified further into the three categories; “heavyweight temporary equipment and materials” “lightweight temporary equipment and materials” and “temporary equipment and materials for housing.” Of these categories, the company specializes in the manufacturing, sales and rental of lightweight temporary equipment and materials.



Source : Data from company’s explanation)

Work sites are roughly classified into the following 9 areas.

(Architecture):

High-rise buildings, high-rise condominiums, warehouses, commercial facilities, etc.

(Bridge):

Expressways, railroads, elevated highways, bridges, etc.

(Underground work):

Shielding work such as subways, pipe lines, and utility tunnels

(Plant):

Construction and maintenance of treatment plants, incineration facilities, plants, etc.

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SRG TAKAMIYA Co., Ltd. (Tokyo Stock Exchange First Section)**(Repair work):**

Repair works including repair, maintenance, etc. of buildings, bridges, and ultra-high-rise buildings

(Demolition work):

Demolition works of structures accompanied by reconstruction, repair, etc.

(Disaster prevention work of slopes):

Disaster prevention works of slopes, disaster prevention works against landslides, etc.

(Soil improvement work):

Works for improving contaminated soil, etc.

(Work of port and harbor):

Works of coastal seawalls, etc.

There are the following kinds of temporary equipment and materials.

(Building frame)

Scaffolding for work that is used for construction work (of buildings, apartment houses, etc.). They are wide versatile and often seen. The next generation scaffolding the Iq System released in 2013, in particular, is drawing attention from various fields because it provides excellent safety performance and space-saving storage. (See below for details)

(Falsework)

Solid temporary equipment and materials that support heavy structures until works are completed at construction sites of bridges, expressways, etc. and civil engineering works.

(Work gantry)

It can be installed efficiently along irregular slopes to prevent landslides, etc. Large construction machinery and tractor can be operated on it.

(Temporary equipment and materials for the shield tunneling method)

Special temporary equipment and materials for various shield tunneling methods used for stormwater drainage ditches, utility tunnels, etc.

(Mast climbing work platforms)

New generation scaffolding, which electrically moves a working floor up and down, is built for safety and efficiency, and surpasses conventional scaffolding in any application such as condominium repair work, construction works of warehouses, plants, etc.

(Membrane structure dome)

Space rental service that is utilized for soil improvement work, indoor facilities (sports facilities, event sites, etc.) and as disaster prevention shelters.

The company has been positively engaged in the manufacturing and sales businesses for various temporary equipment and materials since it has acquired Hory as mentioned before. The following are products the company deals with in the sales-related business.

SRG TAKAMIYA Co., Ltd. (Tokyo Stock Exchange First Section)

Joint (clamp):

General-purpose equipment used in any work sites

Wedge-type scaffolding:

Scaffolding for independent housing, low- and middle-rise condominiums, and repairing

Next generation scaffolding:

New scaffolding with high safety performance, an alternative to the conventional building frames

Safety member:

Preceding handrails, baseboards, handrail members, etc.

Temporary equipment and materials (Commercial department):

Procurement and sales of new and used equipment and materials

Seismic motion mitigation equipment for wooden housing:

Original product of Hory (supporting new and existing housing)

Metal parts for wooden housing:

Various metal parts and construction materials, etc.

Solar panel installation frame (for housing):

Frames and brackets for installation on house roofs

Installation frame for industrial mega photovoltaic power plant:

Mega solar mounting frames

<Group Companies and Operational Chart>

The SRG TAKAMIYA Group consists of 13 companies between the parent company and the following 12 consolidated subsidiaries. The main lines of business of each subsidiary are as follows.

(Hory Corporation, Hory Korea, and HORY VIETNAM)

Manufacturing and sales of temporary construction equipment and materials

Manufacturing and sales of home building materials (seismic motion mitigation equipment, metal parts, solar panel installation frames, etc.)

(IWATA Co., Ltd.)

Rental of temporary construction equipment and materials

(SHINKEN NAGAKITA Co., Ltd.)

Rental and set-up/tear down of temporary construction equipment and materials

(TATSUMI Co., Ltd.)

Rental and set-up/tear down of temporary construction equipment and materials

(HIRAMATSU Co. Ltd.)

General freight transportation

(AOMORI ATOM Co., Ltd.)

Rental of temporary construction equipment and materials

(SN Builtech Co., Ltd.)

Rental of temporary construction equipment and materials

SRG TAKAMIYA Co., Ltd. (Tokyo Stock Exchange First Section)

(TOTAL TOSHISEIBI Co., Ltd.) (Former Ishijima Seisakusho Co., Ltd.)

Rental of temporary construction equipment and materials (relating to shielding)

(Cadian Co., Ltd.)

Construction CAD drafting on consignment and CAD drafting of work planning drawings and temporary planning drawings

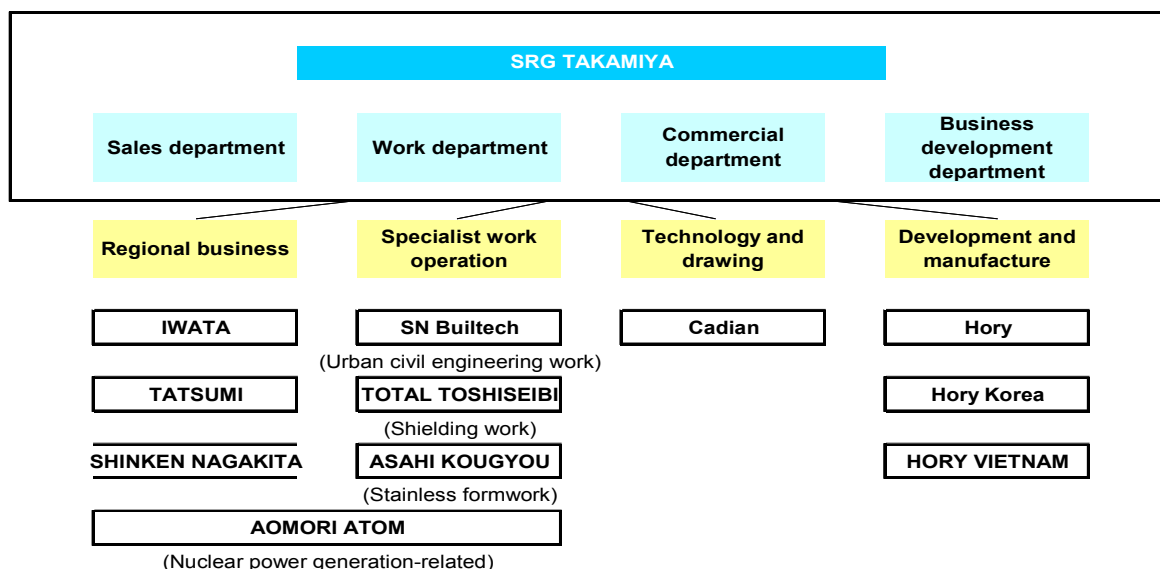
(ASAHI KOUGYOU Co., Ltd.)

Specializing in sales and rental of formworks centering on stainless molds, with extensive construction records in the fields of substructure (piers), marine civil engineering, and port construction

(DIMENSION-ALL INC.)

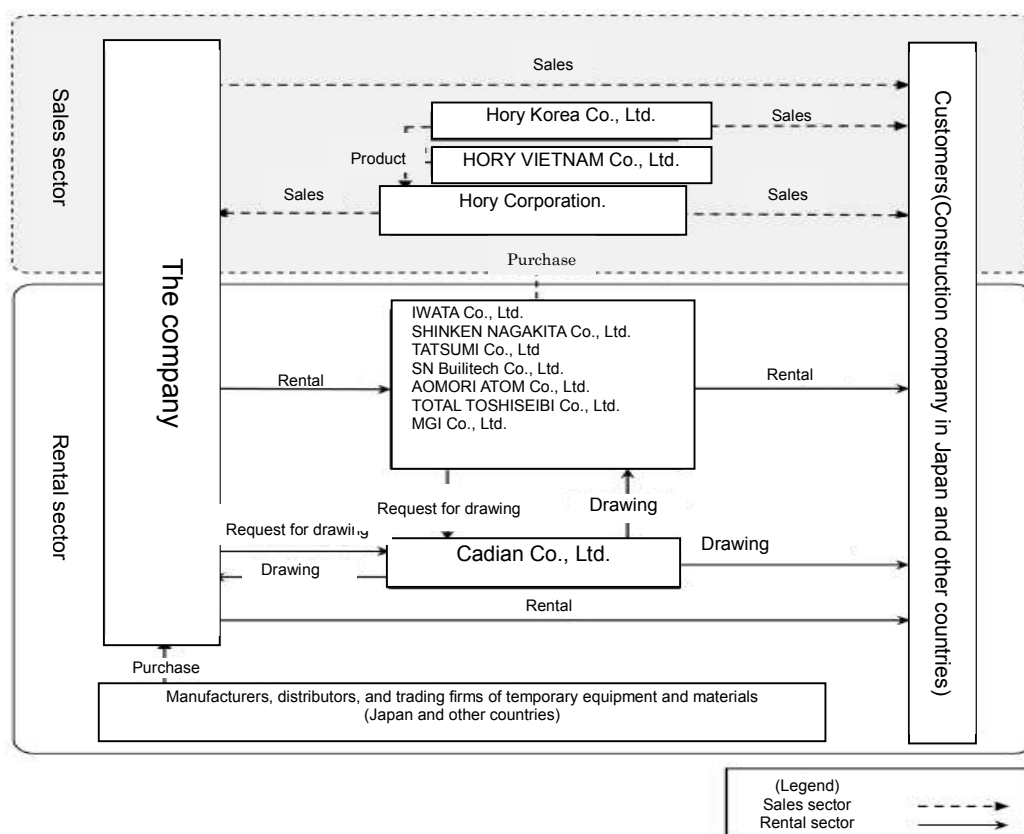
Sales and rental of aluminum system formworks in the Philippines

The following chart shows the businesses and categories of the subsidiaries



(Source: Created by G-Cube based on various documents)

SRG TAKAMIYA Co., Ltd. (Tokyo Stock Exchange First Section)



(Source: Data from the summary of financial statements)

< Iq System >

As mentioned before, the company has released the innovative next generation scaffolding “Iq System” in 2014. This next generation scaffolding has the following advantages and is expected to greatly contribute not only to enhancement of competitiveness of the company’s rental sector, but also to increase in sales of the sales sector. At this time, the next generation scaffolding can be manufactured only by Hory (subsidiary) and one more company.

(Speedy assembly and dismantlement)

Adopting the “Side-slide attachment method” in which a wedge is inserted into the flange sideways, it is no longer necessary to pull the joint parts simultaneously. With this feature, it is possible to assemble and dismantle scaffolding very quickly.

(Spacious workspace and high safety performance)

A preceding handrail, equipped as standard, has a height of 1,000 mm or more exceeding requirements of the Ordinance on Industrial Safety and Health. In addition, with a 1,900-mm floor height, workers can go through the scaffolding very smoothly, wearing a helmet without having to bend down. With these features, spacious work space and high safety performance are realized.

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SRG TAKAMIYA Co., Ltd. (Tokyo Stock Exchange First Section)
(Working easily with lightweight columns)

By using light high-strength low-alloy steel pipes, total weight is lighter by 2 kg than the conventional wedge-type columns (a 3,800-mm column), making works significantly easier.

(Significantly increased efficiencies for transportation and storage)

Parts can be easily divided so that the capacity is decreased significantly. While the conventional prefabricated scaffolding (equivalent to 1,000 sets) requires 52.62 m² for storage, the Iq System requires only 21.06 m². This significantly improves stock yard efficiency. Transportation efficiency is also significantly improved because only two trucks are required for Iq System while three trucks are required for conventional scaffolding.

Business Results
<Results of the FY14(actual) >

Million yen, %	Period of March 2014		Period of March 2015		
	Actual result	Composition ratio	Actual result	Composition ratio	Year-to-year comparison
Net sales	32,443	100.0	34,261	100.0	5.6
Gross profits	9,832	30.3	10,856	31.7	10.4
SGA expenses	6,781	20.9	7,758	22.6	14.4
Operating income	3,051	9.4	3,098	9.0	1.5
Ordinary income	3,006	9.3	3,325	9.7	10.6
Net income	1,768	5.4	2,070	6.1	17.1
Net income per share (yen)	40.17	-	46.17	-	-
Dividend per share (yen)	13.00	-	16.00	-	-
Allowance for depreciation	3,369	-	3,649	-	8.3
EBITDA	6,421	-	6,747	-	5.1

Allowance for depreciation is based on the cash flow statement

EBITDA = Operating profits + Allowance for depreciated

Net profits per share and dividend per share reflect (are revised by) the stock split (1:2 as of April 1, 2013)

Business results in the last fiscal year, ended March 2015, posted slight increases in sales and profits as shown in the table above. The forecast at the beginning of the term (sales of ¥36,030 million and OP of ¥3,840 million) was not achieved, primarily because of the following factors: the utilization rate in the rental sector fell short to the forecast due to delays in some civil engineering projects; and in the sales sector, decline in the solar power generation-related field was greater than originally expected and external sales were slower than initial forecast because production of anticipated new Iq System scaffolding was delayed and priority was given to internal orders. Except for the solar power generation-related field, all of those factors involve postponements in timing of sales and do not mean a major deterioration in the industry environment resulting from a decrease in demand itself. Furthermore, the initial forecast was fairly ambitious, and while there may be a negative impression associated with short to initial forecast, those results were not discouraging so much.

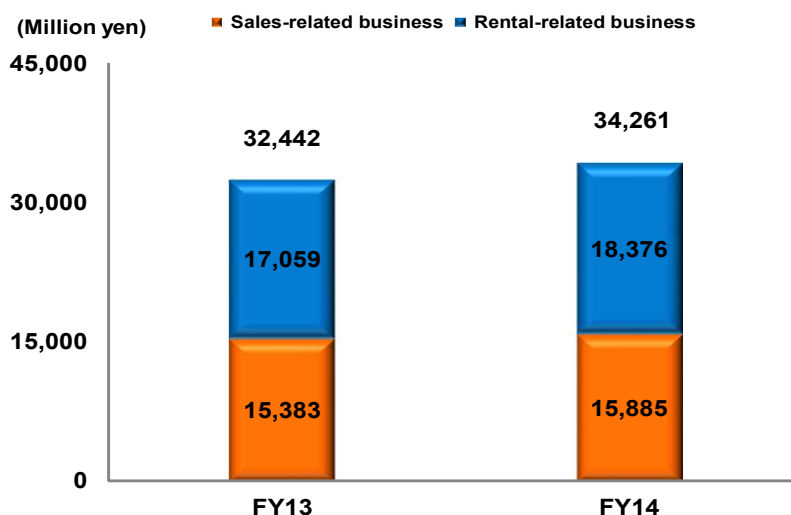
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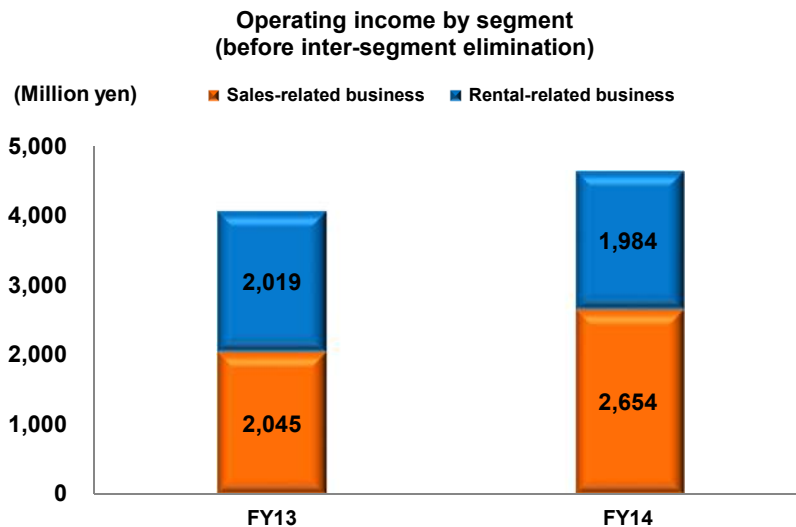
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Million yen, %	Period of March 2014		Period of March 2015		
	Actual result	Composition ratio	Actual result	Composition ratio	Year-to-year comparison
Net sales	32,443	100.0	34,261	100.0	5.6
Sales-related business	15,384	47.4	15,885	46.4	3.3
Rental-related business	17,060	52.6	18,376	53.6	7.7
Operating income	3,051	9.4	3,098	9.0	1.5
Sales-related business	2,045	-	2,654	-	29.8
Rental-related business	2,019	-	1,984	-	△ 1.7
(Elimination of intra-company transactions)	△ 1,012	△ 3	△ 1,541	△ 4	52.3

(Trends by segment: Both the sales and rental businesses showed only a slight increase in sales)

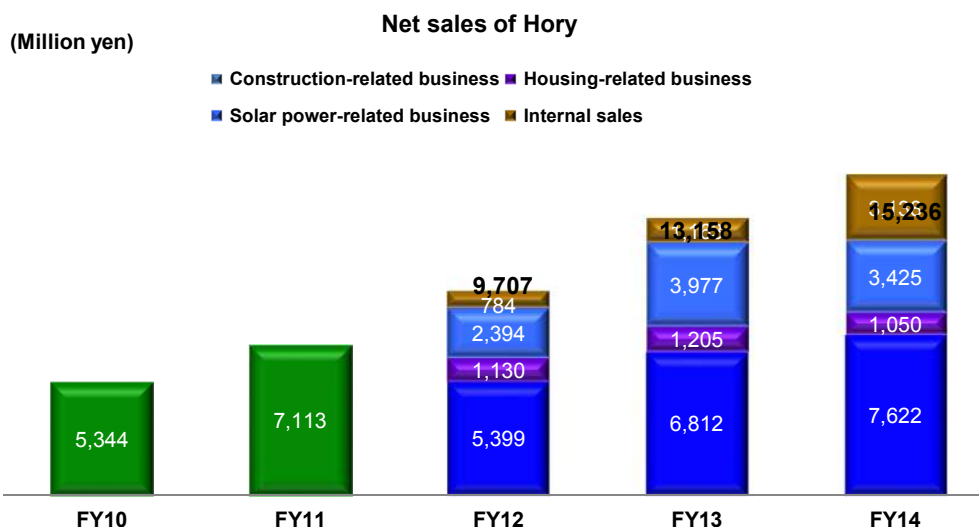
Effective from the fiscal year ended March 2013, the company has changed its business segmentation from the previous 4 sectors of “Construction-related sales,” “Construction-related rental,” “Environment-related sales” and “Environment-related rental” to only 2 sectors: “Sales-related business” and “Rental-related business.” As for segment sales(after eliminating inter-segment sales) for the FY14, sales-related business were ¥15,885 million, up by 3.3% year-on-year and the rental-related business were ¥18,376 million, up by 7.7% year-on-year.(See the table above) Both sectors posted year-on-year increases in sales, but short to the initial forecast. Furthermore, OP by segment (after eliminating inter-segment expense) were ¥2,654 million, up by 29.8% year-on-year for the sales-related business and ¥1,984 million, down by 1.7% year-on-year for the rental-related business. So the sales sector contributed to profits increase while the rental business remained largely flat.

Net sales by segment


SRG TAKAMIYA Co., Ltd. (Tokyo Stock Exchange First Section)


In the sales-related business, sales of construction-related materials including leading products such as clamps and wedge-lock scaffolding for housing did not grow as expected, mainly due to work delays in the civil engineering and construction industries. Delays also arose in the production of the Iq System, which was expected to grow considerably as next-generation scaffolding. As a result, external sales fell short to the forecast due to priority being given to internal orders. For the housing-related and solar power-related fields, although some extent decline was forecast from initial stage, sales down of the solar power-related field was larger than forecast while the housing-related field sales were almost in line with expectation.

The major company in this business sector is Hory (including Hory Korea and HORY VIETNAM), a subsidiary of the company. As shown in the figure below, Hory's net sales increased sharply from FY10 onward. However, its growth shrank in the last year, FY14 due to weak sales in construction-related fields, and to worse-than-expected sales in the solar power-related field. With regard to the Iq System, sales within the group were given more priority after delays arose in production schedule. As a result, sales of this product within the group were ¥2,074 million, largely in line with the target (¥2,000 million), while external sales were ¥528 million, reaching only a half of target of ¥1,000 million. Because internal sales of this product are eliminated as intra-company transactions, they do not contribute directly to consolidated results (net sales) for the preceding period. However, the Iq System has been built up considerably as rental equipment and materials of the parent company (SRG TAKAMIYA), and it is expected to contribute significantly to the rental business from next fiscal year or after.

SRG TAKAMIYA Co., Ltd. (Tokyo Stock Exchange First Section)


Delays in some civil engineering-related works in the rental business resulted in lower utilization rate of civil engineering equipment and materials. However, civil work projects themselves were not cancelled, and the rental utilization rate can be expected to recover as these works progress from the latter half of the current fiscal year onward. The utilization rate for the Iq System has also been high. Although the utilization rate for temporary construction equipment and materials was relatively high, returns of some equipment and materials came in toward March, and this was one of factors resulted in sluggish performance. Unit prices, on the other hand, continued on an improvement trend.

(Balance Sheet and Cash Flow)

(Million yen)	FY13	FY14
Current assets	15,892	18,213
Fixed assets	21,353	25,307
Tangible fixed assets	17,213	21,306
Assets for rental	10,760	13,132
Intangible fixed assets	730	724
Investments and others	3,408	3,275
Total assets	37,245	43,520
Current liabilities	15,356	18,070
Fixed liabilities	12,130	13,687
Total liabilities	27,486	31,758
Shareholders equity	9,758	11,762

The financial position (balance sheet) for the FY14 was shown in the above table. Assets for rental increased substantially due mainly to built-up of the Iq System, but there was no particularly change in any other items from the previous fiscal year.

SRG TAKAMIYA Co., Ltd. (Tokyo Stock Exchange First Section)

Cash flow was as shown in the table below. Primary expenses included purchase of assets for rental, increase of inventories and procurement of property, plant and equipment. Income included income before taxes, depreciation, increase of loans payable and of cash and deposits resulting from a new consolidated subsidiary. As a result, the fund balance at the end of the period grew by ¥254 million over the previous fiscal year to ¥4,233 million.

(Million yen)	FY13	FY14
Operating Cash flow	2,839	Δ 1,620
Pretax profits	3,003	3,322
Allowance for depreciation	3,369	3,649
Acquisition of assets for rental	Δ 1,487	Δ 2,608
Increase and decrease of receivables	Δ 117	Δ 240
Increase and decrease of inventory	Δ 1,974	Δ 4,636
Investment cash flow	Δ 1,239	Δ 1,563
Acquisition of tangible fixed assets	Δ 431	Δ 1,660
Investment in affiliates	Δ 343	Δ 21
Loan (net)	Δ 558	85
Financial cash flow	Δ 715	2,927
Increase and decrease of short-term debt (net)	759	1,894
Increase and decrease of long-term debt (net)	Δ 975	1,642
Increase and decrease of cash or the equivalent	902	Δ 159
Increase in cash equivalents resulting from new consolidation (net)	0	414
Outstanding amount of cash or the equivalent at the end of period	3,979	4,233

<Forecast for the FY15 ending March 2016>

(Million yen, %)	FY14		FY15		
	Amount	Composition ratio	Amount	Composition ratio	Y/Y comparison
Net sales	34,261	100.0	39,000	100.0	13.8
Operating income	3,098	9.0	3,800	9.7	22.7
Ordinary income	3,325	9.7	3,700	9.5	11.3
Net income	2,070	6.1	2,330	6.0	12.6

The company forecasts financial results for the current period (the fiscal year ending March 2016) as shown in the table above. The industry environment surrounding the company is expected to include a mix of positive and negative factors, as noted below.

- ➔ Increases of public investments in maintenance, repair and seismic retrofitting of aged social infrastructure
- ➔ More active investment in infrastructure enhancement and redevelopment in Tokyo metropolitan area toward the Olympic Games in Tokyo
- ➔ Increased awareness of safety due to the revision of Ordinance on Industrial Safety and Health, effective from July 2015

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- Continued delays in public works due to chronic labor shortages and soaring prices for materials
- Weak demand for housing-related facilities due to consumption tax hike
- A decline in demand for solar power generation systems because grid connection applications have been put on hold by the power companies

The following are expected to be negative factors in the company's internal environment.

- An increase in personnel costs due to hiring and securing of human resources for further business expansion
- An increase in selling, general and administrative expenses due to headquarters relocation and other investments

The company has revised downward the target number of the midterm business plan announced last spring, as indicated below, in light of the above external and internal environment and actual results of the FY14. The above forecast for FY15 is based on this revision. Although a close watch on future industry trends will be required, the above forecast is based on an objective judgment of various conditions at this point in time and is highly likely to be achieved.

Furthermore, the future development of the Iq System is drawing attention. TV commercials for the system have been airing in the Kanto region since April 2015 and in the Kansai region since July 2015. Thanks to such CM and others, inquiries for the Iq system are increasing steadily. As stated, the company has been building up the Iq System as internal rental assets that is expected to contribute significantly to results in the rental business from FY15 onward.

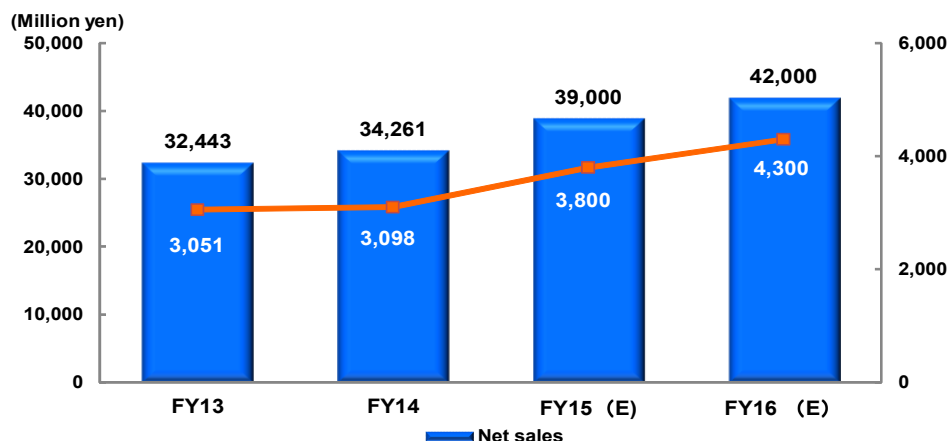
Future prospects: Toward achieving the revised midterm business plan

<Revised midterm business plan>

In the spring of 2014, the company announced a new midterm business plan for the coming three-year period ending FY16, in which targeted numbers were sales of ¥45,000 million, 38.7% up compared to FY13 results, and recurring profits(RP) of ¥5,000 million, 66.3% up from FY13 results.

But as noted above, the industry environment changed from the original outlook. As a result, the FY14 results fell short to such business plan. Responding to such fact, the company revised the target number and related figures in the midterm business plan. The current targets are net sales of ¥39.0 billion and OP of ¥3.8 billion for the FY15, and net sales of ¥42.0 billion and OP of ¥4.3 billion for the FY16.

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Although it is unfortunate that the original midterm business plan targets have been revised downward, such revision is made based on results of objective analysis and judgment of the current business environment and other factors. So it can be deemed preferable to continuously pursuing unrealistic targets with a low likelihood for achievement. It means only that the company, after having made the first start, newly started after the wind changed direction slightly. There is no change in the company's course or in its policy.

The company has set forth the following management policies to achieve the business plan targets. These have not changed from the original plan.

(Basic policy)

- ✓ Enhancement of the group management base
 - Clarify a role of each group company to consolidate duplicate functions and complement insufficient functions.
 - Establish the stable customer bases with further enhanced cooperation in marketing activities and, at the same time, facilitate information sharing and faster operational reforms with cooperation through IT.
 - In addition, accumulate technological know-how to improve technological capability and capability of product development.
- ✓ Establishment of system that earns higher profits
 - Make the next generation scaffolding, the Iq System, a de facto standard particularly through a coherent system of manufacturing, sales, and rental.
 - In addition, progressing further cost reduction by increase of offshore manufacturing and by networking of outsourcing, and rising up profitability by reviewing loss-making businesses and by improving handling efficiency of equipment and materials.
- ✓ Creation of new growing businesses
 - Positively work on the following actions: creation of new businesses utilizing metalworking technologies, expansion

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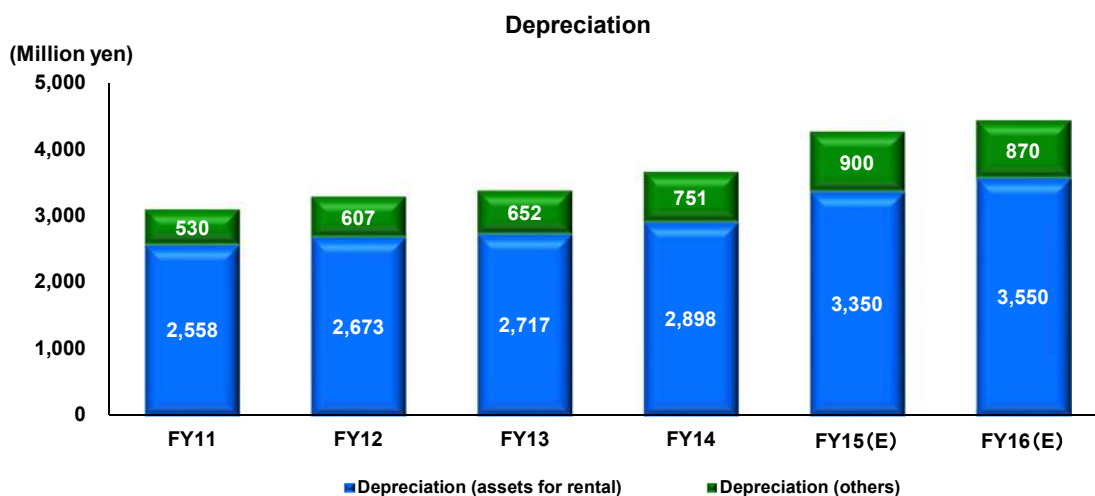
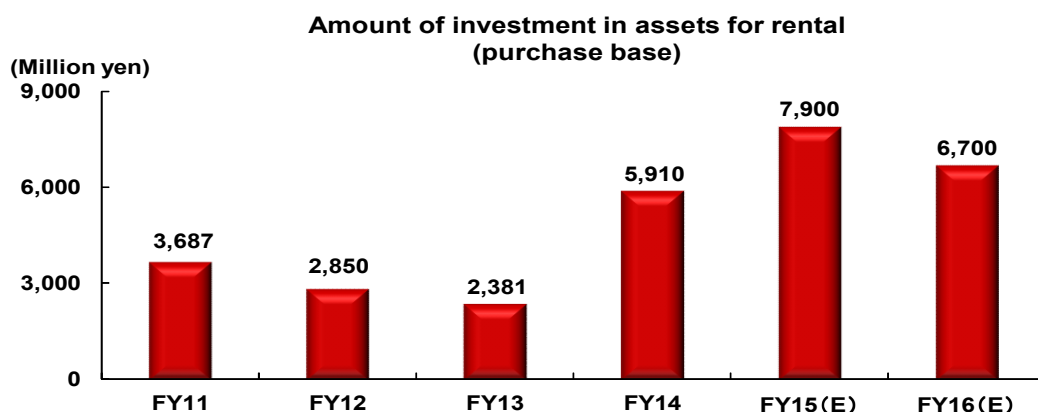
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of the drawing outsourcing business, establishment of overseas business bases, and expansion of the business areas through M&A

(Investment policy)

✓ Replacement of assets for rental

The company will positively invest in assets for rental during the midterm business plan and promote replacement with new equipment and materials, for example from prefabricated scaffolding to the Iq System. As shown in the figure below, a total of over ¥20.0 billion in investment in assets for rental is planned for the three year period; the last year and the coming two years. Of this, approximately ¥10.0 billion in investment is planned for the next-generation scaffolding Iq System over the three-year period including the previous fiscal year, as shown in the table below. As a result, the value of holdings of the Iq System is expected to reach ¥9.5 billion by the end of FY16, and the plan should solidify the company's position as a leader in the industry. External sales of ¥3.0 billion are planned for the current fiscal year ending March 2016 and ¥4.5 billion for the next period ending March 2017 by accelerating production of Iq system, which was delayed in the previous period.



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SRG TAKAMIYA Co., Ltd. (Tokyo Stock Exchange First Section)
(Investment and value of holdings for Iq System)

(Million yen)	Segment	FY14	FY15(E)	FY16(E)
Value of holdings at end of period	(Rental)	3,191	6,300	9,500
External sales amount	(Sales)	528	3,000	4,500

✓ Other investment

The company plans positive investments not only in rental assets, but also in other fields. Investment in production equipment will be also increased because the company plans to increase sales not only in the rental sector but also the sales sector. Furthermore, the company will positively invest "people, things and money" particularly in overseas business (and related sectors) because of an intended shift to overseas manufacturing (offshoring) in the future, as mentioned below.

In addition to investments in hardware assets such like assets for rental and production equipment, the company will implement M&As and establish alliances to expand its business and group functions. Targets have also been set for making investments in and training human resource, and bring-up of group executives.

<Important measures for achieving targets>

The company originally announced a midterm business plan with high targets for the three-year period starting from the previous fiscal year, FY14. But as mentioned, those targets have now been revised to more realistic ones in light of the industry environment and the results for FY14. Therefore, while the current targets are considered highly likely to be achieved, "further growth of the manufacturing and sales sectors" in addition to "expansion of the rental business area" remain unchanged as requirements for the company to achieve these targets. Various measures will be needed to meet these requirements, but of particular importance will be "effective investment in new equipment and materials" and "enhancement of development capability in the manufacturing and sales sectors."

(Effective investment in new equipment and materials)

To expand the major rental business, the following two measures are required.

✓ Expansion of the business areas

The company has expanded its business areas to wider fields such as from construction work to bridge work, urban civil engineering, soil improvement work, disaster prevention work on slopes and demolition work. This is a result of positive M&As in addition to the company's own development and exploitation. This policy will not change for the coming years. The company continues to challenge in new fields to expand business areas while also promoting M&As should the opportunities arise.

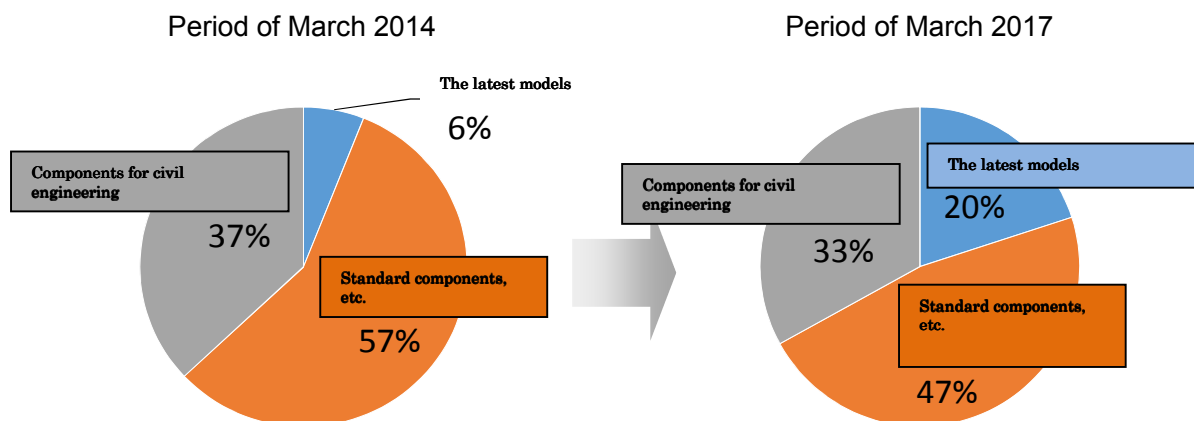
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It is true that the rental business itself is influenced by external environment through trends in the public work investments, construction and housing markets, etc. In other words, it is inevitable to be a “cyclical business.” However, it seems possible to raise the bottom line of the rental business by expanding its business areas as mentioned above. By doing this, it is possible to establish the business structure in which certain level of profits can be ensured even in an unfavorable external environment, and that is significant to achieve future growth.

✓ Differentiation with new equipment and materials

The other important measure for the rental business is “effective investment in new equipment and materials.” As mentioned before, the company is planning to significantly to increase investments in rental assets for the next three years, particularly in new equipment and materials such like the Iq System. By those investments, the ratio of such new equipment and materials like the Iq System and YT locks to total assets is expected to rise to 20% by FY16 from 6% in FY13 as shown in the figures below. This fact will definitely differentiate the company from other competitors and give an overwhelming advantage to the company.

[Changes in Composition of Rental Asset Holdings by Asset Type]



The latest models	Iq System, YT lock, Lift Climber, etc.
Standard components, etc.	Scaffolding frames, pipe, clamp, and others
Components for civil engineering	Falsework, etc.

Progressing investments in new equipment (and replacements to old ones) seems quite easy at a glance, but is actually difficult. If they simply purchase only new equipment, any company can do so as long as much enough funds are available. However, only purchasing assets increases entire stock(inventory) of materials, resulting in a lower assets efficiency , i.e. lower stock turnover. It is therefore necessary to proceed with selling used materials while purchasing new equipment and materials. By proceeding with replacement of assets for rental in this way, the company aims to improve the utilization

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ratio of rental assets and to increase efficiency of operations.

It may be no exaggeration to say that achievement of the midterm business plan depends upon success of such replacement of old assets into new ones. Therefore, it will be necessary to watch the future trends in material investments.

(Enhancement of development capability in the manufacturing and sales sectors)

Needless to say, further growth of the manufacturing and sales sectors is also achieve targets of the midterm business plan. Although it is true that the sales sector mostly handled by Hory has greatly contributed to achievement of targets under the previous midterm business plan, the results mainly came from an increase in existing products (in the solar-power-related business, housing-related business and elsewhere). Sales of existing products are expected to grow to some extent for the next two years even under the new midterm business plan. However, further growth will require increases in the sales of new products. Key to achieving targets of the new midterm business plan will be whether the company can develop, commercialize and market such new products, i.e., can strengthen the development capability for new products.

Key point is whether or not all group companies involved in the rental business, including the parent company, will be able to pick up market needs successfully, and then feedback those back to Hory and other manufacturing companies to commercialize them as a group. This is more difficult than it sounds. If the company group, however, continues to implement measures like this, its profitability should significantly improve. The structure of the company group will also change to a conglomerate, possessing sectors of product development, manufacturing, sales and rental, from merely a rental company. In that sense, it is necessary to pay attention not only to net sales and OP figures, but also to contents of results, which product groups contributed to.

(Acceleration of overseas development)

The company regards overseas business development as an important measure for a next few years . The following departments and subsidiaries are now engaged in overseas business development.

✓ Overseas Business Department

Conducts market research mainly in Southeast Asia while also carrying out sales activities. The structure is being reinforced with an increase in staff.

✓ SRG Global Holdings Co., Ltd.

A local subsidiary in Thailand, established as part of an effort to place a structure with a view to further strength and increase efficiency in the overseas business. Although still at the launch stage now, full-scale activities is planned near soon, and this subsidiary is intended to be the core of the company's Southeast Asia business in the future.

SRG TAKAMIYA Co., Ltd. (Tokyo Stock Exchange First Section)

✓ Hory Korea Co., Ltd.

As Hory's South Korean subsidiary, Hory Korea produces clamps for Japan while also engaging in sales within South Korea. Demand for construction scaffolding and mounting frames for solar panels is expected to emerge in South Korea in the future.

✓ HORY VIETNAM Co., Ltd.

For the time being, HORY VIETNAM produces materials, mainly clamps, for Japan. As hiring personnel is proceeding, full-fledged operations are scheduled to start during the current fiscal year. In addition, HORY VIETNAM will engage in local production and sales in Vietnam near future.

✓ DIMENSION-ALL INC. (DAI)

DIMENSION-ALL became a subsidiary of the company in July 2015. It engages in sales and rental of aluminum formworks in Philippines for the construction field including high-rise buildings and commercial facilities. In the near future, it is planned that DAI will sell and rent equipment and materials owned by the parent company, and manufactured by Hory in the Philippine market.

The company's overseas development is moving ahead steadily as described above. Of these developments, HORY VIETNAM is attracting particular attention. Although this company has just been launched and has made almost no contribution to results yet, production will move into full gear in the next fiscal year. It can be expected to contribute to consolidated results, albeit little by little. Furthermore, with the addition of DAI to the group, a structure has been put in place for production, sales and rental in the Southeast Asia region with SRG Global Holdings at the core. The company plans to accelerate expansion further in this region.

Summary

SRG TAKAMIYA is a leading company in the rental of lightweight temporary equipment and materials for construction works, being the industry's only listed company. The company's profits slowed down at one point due to a decline in domestic construction investment. The company, however, saw record-high profits in the previous period (the fiscal year ended March 2015) because the environment surrounding the company has made a complete change to better in the past several years. In addition, measures and policies including M&As that the company has implemented in the past are bearing fruit.

With growth of manufacturing and sales subsidiaries, the company has further shifted its business to manufacturing and sales over the past several years instead of remaining merely a rental company. As a result, it announced a rather confident midterm business plan last spring. Unfortunately, the original target values had to be revised downward due to changes in the industry environment, but such revisions seems quite realistic and also the company's direction toward the

SRG TAKAMIYA Co., Ltd. (Tokyo Stock Exchange First Section)

future and the measures to be take have not changed at all. Achieving target numbers of the midterm business plan is important. But at the same time, another important goal of the midterm plan for the company itself is to shift toward the direction aiming at.

The company now has a more positive and favorable attitude about investor relations (IR) than before, and thus in the coming years it will be necessary to pay more attention to trends in its business results, shifts in its business categories and its stock price.