

Translation

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## Summary of Consolidated Financial Results for the Six Months Ended September 30, 2016 (Based on Japanese GAAP)

November 8, 2016

Company name: SRG TAKAMIYA Co., Ltd.  
 Stock exchange listing: Tokyo  
 Stock code: 2445 URL <http://www.srg.jp/>  
 Representative: President KAZUMASA TAKAMIYA  
 Executive Officer and General Manager, TOMOYA TATSUMI  
 Finance & Accounting Department TEL 06-6375-3918  
 Scheduled date to file Quarterly Securities Report: November 10, 2016  
 Scheduled date to commence dividend payments: December 9, 2016  
 Preparation of supplementary material on quarterly financial results: Yes  
 Holding of quarterly financial results meeting: Yes (for institutional investors and analysts)

(Amounts less than one million yen are rounded down)

1. Consolidated financial results for the six months ended September 30, 2016 (from April 1, 2016 to September 30, 2016)

(1) Consolidated operating results (cumulative)

Percentages indicate year-on-year changes

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Six months ended September 30, 2016	17,520	4.3	966	(14.2)	740	(34.6)	420	(38.7)
Six months ended September 30, 2015	16,802	2.7	1,125	(27.6)	1,133	(30.3)	684	(30.6)

	Earnings per share		Diluted earnings per share	
	Yen		Yen	
Six months ended September 30, 2016	9.64		9.36	
Six months ended September 30, 2015	15.19		14.73	

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of September 30, 2016	50,003	11,699	22.7	263.52
As of March 31, 2016	50,091	12,097	23.5	269.09

2. Cash dividends

	Annual dividends per share				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Fiscal year-end	Total
	Yen				
Year ended March 31, 2016	–	3.50	–	6.50	10.00
Year ending March 31, 2017	–	3.50			
Year ending March 31, 2017 (Forecast)			–	6.50	10.00

3. Forecast of consolidated financial results for the year ending March 31, 2017 (from April 1, 2016 to March 31, 2017)

Percentages indicate year-on-year changes

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	38,800	13.0	3,380	13.3	3,100	13.5	1,950	(9.4)	44.60

4. Notes

- (1) Changes in significant subsidiaries during the six months ended September 30, 2016  
(changes in specified subsidiaries resulting in the change in scope of consolidation): No
- (2) Application of special accounting methods for preparing quarterly consolidated financial statements: No
- (3) Changes in accounting policies, changes in accounting estimates, and restatement of prior period financial statements
- Changes in accounting policies due to revisions to accounting standards and other regulations: Yes
- Changes in accounting policies due to other reasons: No
- Changes in accounting estimates: No
- Restatement of prior period financial statements: No

(4) Number of issued shares (common shares)

Total number of issued shares at the end of the period (including treasury shares)

As of September 30, 2016	45,304,000 shares	As of March 31, 2016	45,304,000 shares
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Number of treasury shares at the end of the period

As of September 30, 2016	2,250,931 shares	As of March 31, 2016	1,578,070 shares
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Average number of shares during the period (cumulative from the beginning of the fiscal year)

Six months ended September 30, 2016	43,581,739 shares	Six months ended September 30, 2015	45,099,930 shares
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**Quarterly consolidated financial statements**  
**Consolidated balance sheets**

(Thousands of yen)

	As of March 31, 2016	As of September 30, 2016
Assets		
Current assets		
Cash and deposits	4,642,513	4,657,433
Notes and accounts receivable - trade	9,371,995	9,212,731
Merchandise and finished goods	2,824,914	2,875,444
Work in process	1,097,900	866,527
Raw materials and supplies	980,850	795,099
Deferred tax assets	181,154	125,310
Other	834,068	724,454
Allowance for doubtful accounts	(163,754)	(110,861)
Total current assets	19,769,642	19,146,139
Non-current assets		
Property, plant and equipment		
Assets For Rent	35,774,153	36,565,718
Accumulated depreciation-Assets For Rent	(18,401,079)	(18,715,190)
Assets For Rent, net	17,373,073	17,850,527
Buildings and structures	5,310,171	5,485,018
Accumulated depreciation and impairment loss	(2,654,718)	(2,730,774)
Buildings and structures, net	2,655,453	2,754,244
Machinery, equipment and vehicles	1,740,343	1,784,282
Accumulated depreciation	(656,632)	(698,275)
Machinery, equipment and vehicles, net	1,083,711	1,086,007
Land	4,937,789	4,923,943
Leased assets	1,070,683	1,065,783
Accumulated depreciation	(655,188)	(697,981)
Leased assets, net	415,495	367,802
Construction in progress	188,104	38,165
Other	884,974	877,557
Accumulated depreciation	(487,146)	(497,437)
Other, net	397,828	380,119
Total property, plant and equipment	27,051,456	27,400,810
Intangible assets		
Leasehold right	327,821	327,821
Goodwill	156,604	119,415
Leased assets	88,714	70,921
Other	168,147	164,408
Total intangible assets	741,287	682,567
Investments and other assets		
Investment securities	295,939	370,134
Guarantee deposits	624,031	620,200
Membership	47,476	45,386
Net defined benefit asset	87,356	105,531
Deferred tax assets	519,513	610,150
Other	1,032,505	1,103,009
Allowance for doubtful accounts	(77,697)	(79,987)
Total investments and other assets	2,529,123	2,774,424
Total non-current assets	30,321,867	30,857,802
Total assets	50,091,509	50,003,941

(Thousands of yen)

	As of March 31, 2016	As of September 30, 2016
<b>Liabilities</b>		
<b>Current liabilities</b>		
Notes and accounts payable - trade	6,110,151	5,750,693
Short-term loans payable	4,958,800	4,894,400
Current portion of bonds	632,500	62,500
Current portion of long-term loans payable	5,639,278	5,428,145
Lease obligations	235,261	196,924
Income taxes payable	796,920	397,481
Provision for bonuses	227,085	233,543
Notes payable - facilities	504,491	120,906
Asset retirement obligations	35,000	–
Other	2,225,882	2,198,588
<b>Total current liabilities</b>	<b>21,365,371</b>	<b>19,283,182</b>
<b>Non-current liabilities</b>		
Bonds payable	175,000	643,750
Long-term loans payable	13,304,389	15,109,130
Lease obligations	326,426	278,078
Deferred tax liabilities	3,053	–
Provision for directors' retirement benefits	43,910	44,745
Net defined benefit liability	744,248	806,228
Asset retirement obligations	12,160	12,309
Other	2,019,031	2,127,071
<b>Total non-current liabilities</b>	<b>16,628,220</b>	<b>19,021,313</b>
<b>Total liabilities</b>	<b>37,993,591</b>	<b>38,304,496</b>
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Capital stock	714,770	714,770
Capital surplus	1,208,857	1,208,857
Retained earnings	10,344,515	10,480,414
Treasury shares	(703,066)	(1,032,997)
<b>Total shareholders' equity</b>	<b>11,565,075</b>	<b>11,371,044</b>
<b>Accumulated other comprehensive income</b>		
Valuation difference on available-for-sale securities	18,571	20,614
Deferred gains or losses on hedges	(78,778)	(73,525)
Foreign currency translation adjustment	292,320	38,895
Remeasurements of defined benefit plans	(31,081)	(11,661)
<b>Total accumulated other comprehensive income</b>	<b>201,030</b>	<b>(25,677)</b>
Subscription rights to shares	243,498	271,176
Non-controlling interests	88,312	82,902
<b>Total net assets</b>	<b>12,097,917</b>	<b>11,699,445</b>
<b>Total liabilities and net assets</b>	<b>50,091,509</b>	<b>50,003,941</b>

**Consolidated statements of income (cumulative) and consolidated statements of comprehensive income (cumulative)**

**Consolidated statements of income (cumulative)**

(Thousands of yen)

	Six months ended September 30, 2015	Six months ended September 30, 2016
Net sales	16,802,182	17,520,062
Cost of sales	11,473,184	12,300,786
Gross profit	5,328,997	5,219,276
Selling, general and administrative expenses	4,203,392	4,252,991
Operating income	1,125,605	966,285
Non-operating income		
Interest income	7,113	6,053
Dividend income	18,699	9,718
Rent income	37,368	45,910
Contribution for Assets for rent	3,362	5,032
Gain on sales of Scrap	25,037	19,374
Share of profit of entities accounted for using equity method	32,867	47,490
Other	99,228	58,882
Total non-operating income	223,677	192,462
Non-operating expenses		
Interest expenses	109,255	106,126
Commission fee	34,849	38,386
Loss on valuation of derivatives	6,828	2,093
Bond issuance cost	–	17,789
Foreign exchange losses	17,958	225,896
Other	47,159	27,534
Total non-operating expenses	216,052	417,828
Ordinary income	1,133,230	740,920
Extraordinary income		
Gain on sales of non-current assets	254	4,020
Settlement received	80,665	–
Total extraordinary income	80,919	4,020
Extraordinary losses		
Loss on retirement of non-current assets	1,516	3,899
Impairment loss	68,076	10,477
Total extraordinary losses	69,593	14,376
Profit before income taxes	1,144,557	730,563
Income taxes - current	518,404	351,367
Income taxes - deferred	(12,576)	(35,472)
Total income taxes	505,828	315,895
Profit	638,729	414,667
Loss attributable to non-controlling interests	(46,204)	(5,449)
Profit attributable to owners of parent	684,933	420,117

**Consolidated statements of comprehensive income (cumulative)**

(Thousands of yen)

	Six months ended September 30, 2015	Six months ended September 30, 2016
Profit	638,729	414,667
Other comprehensive income		
Valuation difference on available-for-sale securities	(91,672)	2,082
Deferred gains or losses on hedges	(16,099)	5,253
Foreign currency translation adjustment	(44,039)	(253,425)
Remeasurements of defined benefit plans, net of tax	(2,316)	19,420
Total other comprehensive income	(154,128)	(226,669)
Comprehensive income	484,600	187,998
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	530,774	193,409
Comprehensive income attributable to non-controlling interests	(46,173)	(5,410)

## Consolidated statements of cash flows

(Thousands of yen)

	Six months ended September 30, 2015	Six months ended September 30, 2016
Cash flows from operating activities		
Profit before income taxes	1,144,557	730,563
Depreciation	1,966,519	2,210,963
Impairment loss	68,076	10,477
Amortization of goodwill	13,897	17,219
Loss on retirement of Assets For Rent	62,332	91,693
Loss on sales of Assets For Rent	44,495	61,004
Purchase of assets for lease	(1,134,859)	(876,688)
Contribution for Assets for rent	(3,362)	(5,032)
Increase (decrease) in allowance for doubtful accounts	2,086	(38,052)
Increase (decrease) in provision for bonuses	(13,052)	6,457
Increase (decrease) in provision for directors' bonuses	(1,000)	–
Increase (decrease) in net defined benefit liability	25,632	61,980
Increase (decrease) in provision for directors' retirement benefits	(895)	835
Share-based compensation expenses	61,169	27,677
Interest and dividend income	(25,812)	(15,771)
Interest expenses	109,255	106,126
Foreign exchange losses (gains)	54,451	293,640
Loss (gain) on sales of property, plant and equipment	(254)	(4,020)
Loss on retirement of property, plant and equipment	240	3,891
Settlement received	(80,665)	–
Share of (profit) loss of entities accounted for using equity method	(32,867)	(47,490)
Loss (gain) on valuation of derivatives	(6,828)	2,093
Decrease (increase) in notes and accounts receivable - trade	(16,872)	10,215
Decrease (increase) in inventories	(2,254,462)	(1,376,464)
Increase (decrease) in notes and accounts payable - trade	51,540	(213,950)
Other, net	39,444	(264,473)
Subtotal	72,768	792,897
Interest and dividend income received	26,123	20,274
Interest expenses paid	(110,712)	(104,077)
Settlement package received	80,665	–
Income taxes paid	(860,078)	(751,111)
Net cash provided by (used in) operating activities	(791,233)	(42,017)

(Thousands of yen)

	Six months ended September 30, 2015	Six months ended September 30, 2016
Cash flows from investing activities		
Payments into time deposits	(17,700)	(210,000)
Proceeds from withdrawal of time deposits	15,637	210,000
Purchase of property, plant and equipment	(868,725)	(713,836)
Proceeds from sales of property, plant and equipment	832	10,196
Purchase of intangible assets	(39,229)	(22,574)
Purchase of investment securities	(1,892)	(71,130)
Proceeds from sales of investment securities	797	–
Payments for asset retirement obligations	–	(15,200)
Purchase of memberships	(3,650)	–
Payments for investments in capital of subsidiaries and associates	(50,700)	–
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(946,419)	–
Payments of loans receivable	(100,500)	(4,000)
Collection of loans receivable	181,500	204,332
Net cash provided by (used in) investing activities	(1,830,048)	(612,212)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	1,588,559	(15,600)
Repayments of lease obligations	(130,834)	(136,702)
Proceeds from long-term loans payable	4,603,800	4,500,000
Repayments of long-term loans payable	(2,637,536)	(2,902,087)
Proceeds from issuance of bonds	–	482,210
Redemption of bonds	(201,250)	(601,250)
Purchase of treasury shares	–	(329,930)
Cash dividends paid	(405,149)	(283,182)
Net cash provided by (used in) financing activities	2,817,588	713,457
Effect of exchange rate change on cash and cash equivalents	14,969	(44,306)
Net increase (decrease) in cash and cash equivalents	211,276	14,920
Cash and cash equivalents at beginning of period	4,233,268	4,242,513
Cash and cash equivalents at end of period	4,444,544	4,257,433