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February 9, 2018

Summary of Consolidated Financial Results for the Nine Months Ended December 31, 2017 (Based on Japanese GAAP)

Company name: SRG TAKAMIYA CO., LTD.
 Stock exchange listing: Tokyo
 Stock code: 2445 URL: <http://www.srg.jp/>
 Representative: Representative Director, President and Chairman KAZUMASA TAKAMIYA
 Inquiries: Executive Officer and General Manager, TOMOYA TATSUMI TEL: 81-6-6375-3918
 Finance & Accounting Department
 Scheduled date to file Quarterly Securities Report: February 13, 2018
 Scheduled date to commence dividend payments: —
 Preparation of supplementary material on financial results: Yes
 Holding of financial results meeting: No

(Amounts less than one million yen are rounded down)

1. Consolidated financial results for the Nine months ended December 31, 2017 (from April 1, 2017 to December 31, 2017)

(1) Consolidated operating results (cumulative)

Percentages indicate year-on-year changes

	Net Sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Nine months ended December 31, 2017	26,924	(0.2)	1,391	(21.1)	1,424	(22.8)	1,090	(2.7)
Nine months ended December 31, 2016	26,980	5.5	1,762	(11.3)	1,844	(3.2)	1,120	(9.5)

(Note) Comprehensive income
 Nine months ended December 31, 2017: 1,068 million yen (57.2%)
 Nine months ended December 31, 2016: 679 million yen ((31.0)%)

	Earnings per share		Diluted earnings per share	
	yen		yen	
Nine months ended December 31, 2017	25.49		24.72	
Nine months ended December 31, 2016	25.88		25.11	

(2) Consolidated financial position

	Total assets		Net assets		Equity ratio		Net assets per share	
	Million yen		Million yen		%		Yen	
As of December 31, 2017	52,083		13,349		24.9		303.00	
As of March 31, 2017	52,760		12,699		23.4		288.97	

(Reference) Shareholders equity
 As of December 31, 2017: 12,980 million yen
 As of March 31, 2017: 12,338 million yen

2. Cash dividends

	Annual dividends per share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
	Yen				
Year ended March 31, 2017	—	3.50	—	6.50	10.00
Year ending March 31, 2018	—	4.00	—		
Year ending March 31, 2018 (forecasts)				7.00	11.00

(Note) Revisions to performance forecasts published most recently: No

3. Forecast of consolidated financial results for the year ending March 31, 2018 (from April 1, 2017 to March 31, 2018)

Percentages indicate year-on-year changes

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Earnings per share	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen	
Full year	38,300	4.2	2,850	17.3	2,600	11.3	1,700	12.1	39.82	

(Note) Revisions to performance forecasts published most recently: No

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* Notes

- (1) Changes in significant subsidiaries during the current quarter consolidated cumulative period (changes in specified subsidiaries resulting in the change in scope of consolidation): No
- (2) Application of special accounting methods to the preparation of quarterly consolidated financial statement: No
- (3) Changes in accounting policies, changes in accounting estimates, and restatement of prior period financial statements
- ① Changes in accounting policies due to revisions to accounting standards and other regulations: No
 - ② Changes in accounting policies due to other reasons: No
 - ③ Changes in accounting estimates: No
 - ④ 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 December 31, 2017	45,447,600 shares	As of March 31, 2017	45,304,000 shares
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Number of treasury shares at the end of the period

As of December 31, 2017	2,606,783 shares	As of March 31, 2017	2,606,631 shares
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Average number of shares during the period (cumulative from the beginning of the fiscal year)

Nine months ended December 31, 2017	42,779,283 shares	Nine months ended December 31, 2016	43,294,545 shares
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* Quarterly summary of financial results is not covered by quarterly review.

* Explanation regarding appropriate use of the earnings forecast and other special notes (notes on descriptions about the future, etc.)

Descriptions about the future such as performance forecasts contained in this document are based on information currently available to the Company and certain presumptions considered as reasonable, and those are not intended to indicate the Company should assure that it would realize such forecasts. Meanwhile, actual performance in the future may differ substantially, influenced by a wide variety of factors. For preconditions for performance forecasts and precaution statements in using such forecasts, please see the appendix, page 3, "1. Qualitative information regarding the financial results for the current quarter: (3) Descriptions regarding future prospects such as consolidated performance forecasts".

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1. Qualitative information regarding the current quarter

(1) Descriptions regarding operating results

During the current third quarter consolidated cumulative period, Japanese economy has shown gradual upswing thanks to improvement in overall corporate profit and employment environment. Overseas, however, global economic prospects have still been under unpredictable and unclear situation, especially geopolitical risks in some foreign countries.

In the construction industry in which the Group operates, our environment for receiving orders has largely been steadily growing, including large-scale redevelopment work around Tokyo metropolitan area and those related to the upcoming Olympic/Paralympic Games in Tokyo. At the same time, however, there remain some concerns about delay in commencement of work due to, for example, shortage of construction workers and rise in material prices.

In such an environment, the Group has proactively put its efforts to promotion of both domestic sales business and rental business, and further overseas business expansion mainly in ASEAN region, aiming at achieving de facto standards with its own next-generation scaffolding called "Iq System".

During the current third quarter consolidated cumulative period, domestically, the Group tried to build up its structure for mobilizing inventory of assets for rent so that it could respond to the full-swing demands for temporary equipment from customers involved in commencement of various big projects including stretching work of the Hokuriku Shinkansen (bullet train). Besides, the Group is in the process of merging Hory Corporation for the purpose of enhancing its consistent structure for development, manufacture, sales and rental business of temporary equipment for overseas markets and highly-focused products such as those for agriculture sector.

In addition, overseas subsidiaries in the Philippines and Korea have completed their foundations of internal control that had been an outstanding issue for them since the previous consolidated fiscal year, leading to start proactive sales activities.

As a result, consolidated performance of the current third consolidated cumulative period was as follows: net sales of 26,924,065,000 yen (decrease by 0.2% YoY); operating income of 1,391,506,000 yen (decrease by 21.0% YoY); ordinary income of 1,424,202,000 yen (decrease by 22.8% YoY); and quarterly net profit attributable to owners of parent of 1,090,431,000 yen (decrease by 2.7% YoY).

Operating results of individual business segments are as follows.

① Sales business

With respect to the "Iq System", since the Group has seen steady growth of its environment for receiving many inquiries and orders from customers, it continued to proactively promote recommending solutions in response to a wide variety of customers' needs. However, in the current third quarter consolidated cumulative fiscal period, the Group unfortunately showed lower performance than the previous year because, despite of increasing number of companies selling the Iq System, in practice there were not so many large-scale projects. In addition, inter-segment sales decreased substantially, and decreased net sales caused decrease in operating income as well.

These operations resulted in net sales of 10,040,677,000 yen (decrease by 19.3% YoY) and operating income of 1,114,808,000 yen (decrease by 32.7% YoY).

② Rental business

Business of temporary equipment for civil engineering and bridge construction has shown low level of utilization because of still noteworthy delay in commencement of work. At the same time, regarding private construction work, the Group has, in an environment where demands rise steadily, proposed highly value-added services together with scaffolding set-up services to its customers, in addition to safety and easiness to set-up temporary equipment centered on the "Iq System". Consequently, although utilization stayed still at some high level, shipments were predominantly for repair work which required only short periods and therefore it could not make up for decreased sales in terms of civil engineering and bridge construction due to delay in commencement of work. In terms of profitability, proactive enhancement of temporary equipment carried out during the previous consolidated fiscal year and earlier caused increase in depreciation, leading to suppressed profitability.

These operations resulted in net sales of 16,069,679,000 yen (decrease by 3.9% YoY) and operating income of 1,254,804,000 yen (decrease by 33.2% YoY).

③ Overseas business

DIMENSION-ALL INC. (Philippines) and Hory Korea Co., Ltd. have strengthened their foundations of internal control schemes such as operational management and inventory control, being issues carried over since the previous consolidated fiscal year. Especially in the Philippines, proactive sales activities have been rolled out in the context of construction demands rising vigorously.

These operations resulted in net sales of 3,918,614,000 yen (increase by 33.5% YoY) and operating income of 78,888,000 yen (as opposed to operating loss of 132,951,000 yen in the same period of the previous year).

(2) Descriptions regarding financial position

Total assets was 52,083,852,000 yen at the end of the current third quarter consolidated fiscal period, i.e. decrease by 676,640,000 yen as compared to the end of the previous consolidated fiscal year. This is mainly due to decrease in cash and deposits by 1,413,864,000 yen, and increase in merchandise and finished goods by 676,068,000 yen.

Total liabilities was 38,734,402,000 yen, i.e. decrease by 1,326,385,000 yen as compared to the end of the previous consolidated fiscal year. This is mainly due to decrease in notes and accounts payable by 534,606,000 yen, increase in short-term loans payable by 1,345,201,000 yen, decrease in long-term loans payable (including current portion) by 1,298,526,000 yen, and decrease in income taxes payable by 527,417,000 yen.

Total net assets was 13,349,450,000 yen, i.e. increase by 649,745,000 yen as compared to the end of the previous consolidated fiscal year. This is mainly due to increase in retained earnings by 641,694,000 yen.

(3) Descriptions regarding future prospects such as consolidated performance forecasts

There is no change in consolidated performance forecasts as announced on May 10, 2017.

2. Quarterly consolidated financial statements and principal notes

(1) Quarterly consolidated balance sheets

	(Thousand yen)	
	As of March 31, 2017	As of December 31, 2017
Assets		
Current assets		
Cash and deposits	5,587,909	4,174,045
Notes and accounts receivable - trade	10,189,280	9,627,541
Merchandise and finished goods	2,745,211	3,421,280
Work in process	623,679	832,738
Raw materials and supplies	831,797	896,503
Deferred tax assets	148,540	85,351
Other	588,403	773,336
Allowance for doubtful accounts	(157,578)	(155,702)
Total current assets	20,557,244	19,655,092
Non-current assets		
Property, plant and equipment		
Assets for rent	38,284,023	39,274,065
Accumulated depreciation-Assets for rent	(19,560,884)	(21,002,678)
Assets for rent, net	18,723,139	18,271,386
Buildings and structures	5,542,443	6,007,061
Accumulated depreciation and impairment loss	(2,868,075)	(3,015,873)
Buildings and structures, net	2,674,367	2,991,187
Machinery, equipment and vehicles	1,896,008	1,980,211
Accumulated depreciation	(770,006)	(891,874)
Machinery, equipment and vehicles, net	1,126,002	1,088,336
Land	5,277,847	5,499,060
Leased assets	882,272	905,102
Accumulated depreciation	(427,554)	(426,463)
Leased assets, net	454,717	478,638
Construction in progress	118,562	101,369
Other	910,328	955,271
Accumulated depreciation	(562,797)	(635,386)
Other, net	347,530	319,885
Total property, plant and equipment	28,722,168	28,749,864
Intangible assets		
Leasehold right	327,821	327,821
Goodwill	110,950	79,972
Leased assets	51,197	28,034
Other	149,694	148,268
Total intangible assets	639,664	584,096
Investments and other assets		
Investment securities	421,491	504,397
Guarantee deposits	582,842	584,749
Membership	46,206	34,290
Net defined benefit asset	84,070	84,832
Deferred tax assets	799,448	790,448
Other	969,007	1,156,717
Allowance for doubtful accounts	(61,649)	(60,636)
Total investments and other assets	2,841,416	3,094,798
Total non-current assets	32,203,248	32,428,760
Total assets	52,760,493	52,083,852

(Thousand yen)

	As of March 31, 2017	As of December 31, 2017
Liabilities		
Current liabilities		
Notes and accounts payable - trade	5,971,664	5,437,057
Short-term loans payable	5,163,530	6,508,731
Current portion of bonds	62,500	62,500
Current portion of long-term loans payable	5,762,166	5,589,544
Lease obligations	202,507	178,903
Income taxes payable	776,202	248,785
Provision for bonuses	229,602	89,898
Notes payable - facilities	241,378	381,112
Other	2,196,593	2,150,210
Total current liabilities	20,606,144	20,646,744
Non-current liabilities		
Bonds payable	612,500	550,000
Long-term loans payable	15,403,972	14,278,067
Lease obligations	354,502	364,202
Provision for directors' retirement benefits	47,365	27,450
Net defined benefit liability	853,787	864,618
Asset retirement obligations	12,457	15,378
Other	2,170,058	1,987,940
Total non-current liabilities	19,454,643	18,087,657
Total liabilities	40,060,788	38,734,402
Net assets		
Shareholders' equity		
Capital stock	714,770	731,097
Capital surplus	1,208,857	1,225,185
Retained earnings	11,425,631	12,067,326
Treasury shares	(1,232,951)	(1,233,041)
Total shareholders' equity	12,116,307	12,790,567
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	46,873	102,698
Deferred gains or losses on hedges	(48,354)	(44,201)
Foreign currency translation adjustment	241,387	146,357
Remeasurements of defined benefit plans	(17,842)	(14,519)
Total accumulated other comprehensive income	222,063	190,334
Subscription rights to shares	271,176	268,274
Non-controlling interests	90,157	100,273
Total net assets	12,699,704	13,349,450
Total liabilities and net assets	52,760,493	52,083,852

(2) Quarterly consolidated statements of income and statement of comprehensive income

(Quarterly consolidated statements of income)

(For the third quarter consolidated cumulative period)

(Thousand yen)

	Nine months ended December 31, 2016	Nine months ended December 31, 2017
Net sales	26,980,268	26,924,065
Cost of sales	18,830,667	19,037,113
Gross profit	8,149,600	7,886,952
Selling, general and administrative expenses	6,386,838	6,495,445
Operating income	1,762,762	1,391,506
Non-operating income		
Interest income	8,734	8,846
Dividend income	11,306	22,199
Rent income	69,434	39,661
Contribution for assets for rent	13,338	23,301
Gain on sales of scrap	28,282	54,285
Share of profit of entities accounted for using equity method	73,738	74,432
Foreign exchange gains	67,051	—
Gain on valuation of derivatives	4,244	5,193
Other	84,271	87,227
Total non-operating income	360,402	315,148
Non-operating expenses		
Interest expenses	160,662	160,627
Commission fee	62,382	71,112
Bond issuance cost	17,789	—
Foreign exchange losses	—	16,269
Other	37,788	34,442
Total non-operating expenses	278,623	282,452
Ordinary income	1,844,541	1,424,202
Extraordinary income		
Gain on sales of non-current assets	8,906	3,761
Surrender value of insurance	—	169,960
Total extraordinary income	8,906	173,722
Extraordinary losses		
Loss on sales of non-current assets	238	—
Loss on retirement of non-current assets	15,615	16,299
Impairment loss	10,477	—
Total extraordinary losses	26,331	16,299
Profit before income taxes	1,827,115	1,581,624
Income taxes - current	791,577	439,385
Income taxes - deferred	(84,202)	41,732
Total income taxes	707,375	481,118
Profit (loss)	1,119,740	1,100,506
Profit (loss) attributable to non-controlling interests	(710)	10,075
Profit (loss) attributable to owners of parent	1,120,450	1,090,431

(Quarterly consolidated statements of income)
(For the third quarter consolidated cumulative period)

(Thousand yen)

	Nine months ended December 31, 2016	Nine months ended December 31, 2017
Profit (loss)	1,119,740	1,100,506
Other comprehensive income		
Valuation difference on available-for-sale securities	26,592	55,846
Deferred gains (losses) on hedges	31,926	4,153
Foreign currency translation adjustment	(511,499)	(95,029)
Remeasurements of defined benefit plans, net of tax	13,201	3,322
Total other comprehensive income	(439,778)	(31,706)
Comprehensive income	679,961	1,068,800
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	680,593	1,058,702
Comprehensive income attributable to non-controlling interests	(632)	10,097

(3) Notes on quarterly consolidated financial statements

(Going concern assumption)

Not applicable.

(Notes in case of significant changes in the amount of shareholders' equity)

Not applicable.

(Changes in important subsidiaries during the current consolidated cumulative period)

Not applicable.

It should be noted that, although not applicable to changes in particular subsidiaries, TATSUMI CO., LTD. has been excluded from the scope of consolidated accounting since it was merged by the Company during the first quarter consolidated fiscal period.

(Segment information)

【Segment Information】**I Previous third quarter consolidated cumulative period (from April 1, 2016 to December 31, 2016)****1. Information on amount of net sales and of income/loss for each reportable segment.**

	(Thousand yen)					
	Sales business	Rental business	Overseas business	Total	Adjustment (Note 1)	Amount allocated to the quarterly consolidated P/L statement (Note 2)
Net sales						
Sales to external customers	8,977,794	16,486,180	1,516,292	26,980,268	—	26,980,268
Inter-segment sales or transfer	3,471,083	237,198	1,419,181	5,127,464	(5,127,464)	—
Total	12,448,878	16,723,379	2,935,474	32,107,732	(5,127,464)	26,980,268
Segment income (loss)	1,657,595	1,879,741	(132,951)	3,404,385	(1,641,622)	1,762,762

Notes: 1. Adjusted segment profit (loss) of (1,641,622) thousand yen includes inter-segment transaction elimination of (612,379) thousand yen and corporate expenses not allocated to individual reportable segments of (1,029,243) thousand yen. Corporate expenses comprises mainly of general and administrative expenses not attributable to reportable segments.

2. Segment income (loss) is in agreement with the operating income (loss) presented on the Quarterly consolidated statements of income.

2. Information on impairment loss of non-current assets or goodwill, etc. for each reportable segment.

Impairment loss of 10,477,000 yen has not been allocated to reportable segments.

II Current third quarter consolidated cumulative period (from April 1, 2017 to December 31, 2017)**1. Information on amount of net sales and of income/loss for each reportable segment.**

	(Thousand yen)					
	Sales business	Rental business	Overseas business	Total	Adjustment (Note 1)	Amount allocated to the quarterly consolidated P/L statement (Note 2)
Net sales						
Sales to external customers	8,239,325	15,937,069	2,747,670	26,924,065	—	26,924,065
Inter-segment sales or transfer	1,801,351	132,610	1,170,943	3,104,905	(3,104,905)	—
Total	10,040,677	16,069,679	3,918,614	30,028,971	(3,104,905)	26,924,065
Segment income (loss)	1,114,808	1,254,804	78,888	2,448,501	(1,056,995)	1,391,506

Notes: 1. Adjusted segment profit (loss) of (1,056,995) thousand yen includes inter-segment transaction elimination of 1,378 thousand yen and corporate expenses not allocated to individual reportable segments of (1,058,373) thousand yen. Corporate expenses comprises mainly of general and administrative expenses not attributable to reportable segments.

2. Segment income (loss) is in agreement with the operating income (loss) presented on the Quarterly consolidated statements of income.

2. Information on impairment loss of non-current assets or goodwill, etc. for each reportable segment.

Not applicable.

(Significant post-balance sheet events)

Transactions under common control

Merger of a consolidated subsidiary

The Company decided at its board meeting held on March 23, 2017 that it would carry out merger transaction with Hory Corporation, treating the Company as the surviving company and Hory Corporation as the extinct company. Both parties executed a merger agreement on the same day and the latter was merged into the former on January 1, 2018.

(1) Overview of the transaction

① Name and content of business of the combined company

Name:	Hory Corporation
Content of business:	Development, manufacture and import of temporary equipment for civil engineering and construction; development and manufacture of housing materials, vibration control devices for residential houses, and structural materials/products; design, development and manufacture of photovoltaic installations and mounting frames; design, development and manufacture of agricultural materials and plant factory-related products

② Date of business combination
January 1, 2018③ Legal form of business combination
Treating the Company as the surviving company and Hory Corporation as the extinct company.④ Name of the company after combination
SRG TAKAMIYA CO., LTD.

⑤ Other matters relating to the overview of the transaction

This merger intends to further strengthen the consistent process structure ranging from development, manufacture, rental, sales, design through to construction; to pursue its merits such as cost reduction by streamlining the management regime and faster decision-making; to facilitate review of management regime of both domestic and overseas manufacturing bases, enhancement of the Group's management basis, and establishment of highly profitable scheme; as well as to improve production/development capabilities and productive technologies, and to develop high-value added products utilizing metalworking techniques, so that the current business could gain more profitability, realize creation of some new profitable business, and achieve higher corporate value.

(2) Overview of accounting treatments

The Company treated the transaction as a transaction under common control in accordance with the "Accounting Standard for Business Combinations" and the "Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures".