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February 8, 2019

Summary of Consolidated Financial Results for the Nine Months Ended December 31, 2018 (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 12, 2019
 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, 2018 (from April 1, 2018 to December 31, 2018)

(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, 2018	31,869	18.4	2,006	44.2	1,963	37.8	1,181	8.4
Nine months ended December 31, 2017	26,924	(0.2)	1,391	(21.1)	1,424	(22.8)	1,090	(2.7)

(Note) Comprehensive income
 Nine months ended December 31, 2018: 1,073 million yen (0.5%)
 Nine months ended December 31, 2017: 1,068 million yen (57.2%)

	Earnings per share		Diluted earnings per share	
	yen		yen	
Nine months ended December 31, 2018	27.58		26.75	
Nine months ended December 31, 2017	25.49		24.72	

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of December 31, 2018	54,618	14,182	25.2	321.67
As of March 31, 2018	52,813	13,552	25.0	307.89

(Reference) Shareholders equity
 As of December 31, 2018: 13,780 million yen
 As of March 31, 2018: 13,190 million yen

2. Cash dividends

	Annual dividends per share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
	Yen				
Year ended March 31, 2018	—	4.00	—	7.00	11.00
Year ending March 31, 2019	—	4.00	—		
Year ending March 31, 2019 (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, 2019 (from April 1, 2018 to March 31, 2019)

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	41,000	13.5	2,500	47.8	2,230	38.5	1,333	6.5	31.11

(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, 2018	45,447,600 shares	As of March 31, 2018	45,447,600 shares
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Number of treasury shares at the end of the period

As of December 31, 2018	2,606,971 shares	As of March 31, 2018	2,606,863 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, 2018	42,840,704 shares	Nine months ended December 31, 2017	42,779,283 shares
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* Quarterly summary of financial results is not included in a quarterly review by a certified public accountant or an auditing firm.

* 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 2, "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. However, domestically on one hand, natural disasters hit many places, and on the other hand, global prospects have still been under unpredictable and unclear situation, especially concerns about consequences of the recent U.S.-China trade conflicts.

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, and additionally, investment in public projects such as infrastructure improvement. At the same time, however, shortage of construction workers and stricter safety criteria have become significant issues for our industry. In these circumstances, needs have increased for temporary equipment that is easier and safer to set up as compared to conventional prefabricated scaffolding, and there is increasingly much momentum for expanding the market of next generation scaffolding.

In such an environment, the Group has proactively put its efforts to promotion of both sales business and rental business, streamlining of management focusing on reduction in manufacturing cost, and building up its supply structure of temporary equipment for rent that is stable even during busy seasons, with its own next-generation scaffolding called "Iq System". Furthermore, it has developed proactive sales activities for manufacturing/sales/rental business of temporary equipment overseas mainly in ASEAN region where construction demands are rising vigorously.

As a result, consolidated performance of the current third consolidated cumulative period was as follows: net sales of 31,869,789,000 yen (increase by 18.4% YoY); operating income of 2,006,387,000 yen (increase by 44.2% YoY); ordinary income of 1,963,206,000 yen (increase by 37.8% YoY); and quarterly net profit attributable to owners of parent of 1,181,584,000 yen (increase by 8.4% YoY).

Operating results of individual business segments are as follows.

① Sales business

In terms of net sales to external customers, proactive sales activities recommending various solutions making use of the "Iq System" were rolled out in the context of construction demands rising vigorously and stricter safety criteria, and as a result, high level of order-taking could be maintained not only from new customers but also from existing customers. (external net sales increased by 20.7% YoY)

Meanwhile, inter-segment sales considerably decreased due to integration of Hory Corp., a manufacturing subsidiary in Jan., 2018 (inter-segment sales decreased by 92.4% YoY).

As for profitability, effects of cost reduction have gradually appeared thanks to integration of the manufacturing subsidiary.

These operations resulted in net sales of 10,081,374,000 yen (increase by 0.4% YoY) and operating income of 1,323,038,000 yen (increase by 18.7% YoY).

② Rental business

Regarding private construction work, the Group has, in an environment where demands rise vigorously, proposed various services together with scaffolding set-up, in addition to providing temporary equipment that is easier and safer to set up, centered on the "Iq System". As a result, utilization rate of temporary equipment remains at a high level. At the same time, shipment has been going smoothly in the field of civil engineering and bridge construction where prominent delay in commencement of work had been observed. As a result, during the current third quarter consolidated cumulative period, overall shipment quantities of temporary equipment including those for private construction work and civil engineering and bridge construction still remain at high level. In addition, investment in temporary equipment for rent passed a peak and therefore depreciation that was on an upward trend stayed at almost the same level as the previous year.

These operations resulted in net sales of 17,495,801,000 yen (increase by 8.9% YoY) and operating income of 1,691,527,000 yen (increase by 34.8% YoY).

③ Overseas business

DIMENSION-ALL INC. (a subsidiary in the Philippines) has rolled out proactive sales activities in the context of construction demands rising vigorously, whereas concerning its profitability, in addition to increased depreciation due to investment in temporary equipment, allocating foreign exchange losses largely caused ordinary loss. Consequently, one-time amortization of goodwill of 47,798,000 yen was allocated to extraordinary loss. Hory Korea Co., Ltd., like in the Philippines, in spite of increased depreciation due to proactive investment in equipment in the context of stricter safety criteria at construction sites, has maintained steady growth by receiving orders for selling large-size solar panel mounting frames and installation work of them.

These operations resulted in net sales of 6,091,722,000 yen (increase by 55.5% YoY) and operating income of 45,255,000 yen (decrease by 42.6% YoY).

(2) Descriptions regarding financial position

Total assets was 54,618,564,000 yen at the end of the current second quarter consolidated fiscal period, i.e. increase by 1,804,975,000 yen as compared to the end of previous consolidated fiscal year. This is mainly due to increase in notes and accounts receivable - trade by 1,881,365,000 yen.

Total liabilities was 40,435,705,000 yen, i.e. increase by 1,174,231,000 yen since the end of the previous consolidated fiscal year. This is mainly due to increase in lease obligations (current/non-current liabilities) by 437,902,000 yen.

Total net assets was 14,182,859,000 yen, i.e. increase by 630,744,000 yen as compared to the end of the previous consolidated fiscal year. This is mainly due to increase in retained earnings by 710,336,000 yen.

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

There is no change in consolidated performance forecasts as announced on May 9, 2018.

2. Quarterly consolidated financial statements and principal notes**(1) Quarterly consolidated balance sheets**

(Thousand yen)

	As of March 31, 2018	As of December 31, 2018
Assets		
Current assets		
Cash and deposits	5,150,160	5,374,491
Notes and accounts receivable - trade	9,547,860	11,429,226
Merchandise and finished goods	3,050,797	3,364,932
Work in process	805,016	922,310
Raw materials and supplies	848,357	898,132
Other	747,353	983,014
Allowance for doubtful accounts	(178,162)	(253,931)
Total current assets	19,971,384	22,718,176
Non-current assets		
Property, plant and equipment		
Assets for rent		
Assets for rent	39,645,483	39,747,508
Accumulated depreciation-Assets for rent	(21,383,108)	(22,787,346)
Assets for rent, net	18,262,374	16,960,162
Buildings and structures		
Buildings and structures	6,102,671	6,520,099
Accumulated depreciation and impairment loss	(3,093,236)	(3,286,066)
Buildings and structures, net	3,009,435	3,234,032
Machinery, equipment and vehicles		
Machinery, equipment and vehicles	2,057,439	2,304,460
Accumulated depreciation	(931,122)	(1,083,842)
Machinery, equipment and vehicles, net	1,126,316	1,220,617
Land	5,680,348	5,765,075
Leased assets		
Leased assets	926,609	912,616
Accumulated depreciation	(471,143)	(450,456)
Leased assets, net	455,465	462,160
Construction in progress	122,917	207,725
Other	967,774	1,038,377
Accumulated depreciation	(657,917)	(719,859)
Other, net	309,856	318,518
Total property, plant and equipment	28,966,714	28,168,290
Intangible assets		
Leasehold right	327,821	327,821
Goodwill	344,792	227,466
Leased assets	22,515	12,986
Other	158,943	282,035
Total intangible assets	854,073	850,309
Investments and other assets		
Investment securities	489,662	430,458
Guarantee deposits	589,381	581,513
Membership	39,356	39,356
Net defined benefit asset	85,768	81,664
Deferred tax assets	919,951	838,831
Other	942,141	956,579
Allowance for doubtful accounts	(44,844)	(46,615)
Total investments and other assets	3,021,417	2,881,787
Total non-current assets	32,842,205	31,900,387
Total assets	52,813,589	54,618,564

(Thousand yen)

	As of March 31, 2018	As of December 31, 2018
Liabilities		
Current liabilities		
Notes and accounts payable - trade	5,349,587	6,071,256
Short-term loans payable	6,645,188	6,884,890
Current portion of bonds	62,500	30,000
Current portion of long-term loans payable	5,651,675	5,554,909
Lease obligations	170,624	150,941
Income taxes payable	355,330	495,716
Provision for bonuses	188,904	71,782
Notes payable - facilities	246,061	263,896
Other	2,322,007	2,583,326
Total current liabilities	20,991,878	22,106,719
Non-current liabilities		
Bonds payable	1,450,000	1,705,000
Long-term loans payable	13,653,216	13,387,166
Lease obligations	337,059	794,644
Net defined benefit liability	883,169	885,567
Asset retirement obligations	15,504	15,788
Other	1,930,646	1,540,819
Total non-current liabilities	18,269,595	18,328,986
Total liabilities	39,261,474	40,435,705
Net assets		
Shareholders' equity		
Capital stock	731,097	731,097
Capital surplus	1,225,185	1,225,185
Retained earnings	12,229,063	12,939,400
Treasury shares	(1,233,095)	(1,233,173)
Total shareholders' equity	12,952,251	13,662,510
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	80,629	30,169
Deferred gains or losses on hedges	(38,496)	(29,752)
Foreign currency translation adjustment	209,100	128,788
Remeasurements of defined benefit plans	(13,462)	(11,359)
Total accumulated other comprehensive income	237,770	117,845
Subscription rights to shares	268,274	296,351
Non-controlling interests	93,817	106,151
Total net assets	13,552,115	14,182,859
Total liabilities and net assets	52,813,589	54,618,564

(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, 2017	Nine months ended December 31, 2018
Net sales	26,924,065	31,869,789
Cost of sales	19,037,113	22,901,402
Gross profit	7,886,952	8,968,386
Selling, general and administrative expenses	6,495,445	6,961,999
Operating income	1,391,506	2,006,387
Non-operating income		
Interest income	8,846	7,594
Dividend income	22,199	20,643
Rent income	39,661	37,690
Contribution for assets for rent	23,301	6,185
Gain on sales of scrap	54,285	76,815
Share of profit of entities accounted for using equity method	74,432	—
Gain on valuation of derivatives	5,193	—
Other	87,227	89,403
Total non-operating income	315,148	238,333
Non-operating expenses		
Interest expenses	160,627	186,485
Commission fee	71,112	51,771
Bond issuance cost	—	4,674
Foreign exchange losses	16,269	8,826
Loss on valuation of derivatives	—	1,930
Other	34,442	27,825
Total non-operating expenses	282,452	281,513
Ordinary income	1,424,202	1,963,206
Extraordinary income		
Gain on sales of non-current assets	3,761	—
Surrender value of insurance	169,960	—
Total extraordinary income	173,722	—
Extraordinary losses		
Loss on sales of non-current assets	16,299	2,723
Loss on retirement of non-current assets	—	31,054
Impairment loss	—	47,798
Total extraordinary losses	16,299	81,575
Profit before income taxes	1,581,624	1,881,631
Income taxes - current	439,385	595,584
Income taxes - deferred	41,732	92,110
Total income taxes	481,118	687,695
Profit (loss)	1,100,506	1,193,935
Profit (loss) attributable to non-controlling interests	10,075	12,350
Profit (loss) attributable to owners of parent	1,090,431	

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

(Thousand yen)

	Nine months ended December 31, 2017	Nine months ended December 31, 2018
Profit (loss)	1,100,506	1,193,935
Other comprehensive income		
Valuation difference on available-for-sale securities	55,846	(50,477)
Deferred gains (losses) on hedges	4,153	8,744
Foreign currency translation adjustment	(95,029)	(80,312)
Remeasurements of defined benefit plans, net of tax	3,322	2,102
Total other comprehensive income	(31,706)	(119,942)
Comprehensive income	1,068,800	1,073,993
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,058,702	1,061,659
Comprehensive income attributable to non-controlling interests	10,097	12,333

(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, TOTAL TOSHISEIBI Co., Ltd. has been excluded from the scope of consolidated accounting since it was merged with SN Build Tech Co., Ltd. (surviving company) and accordingly became extinct during the first quarter consolidated fiscal period. In addition, SN Build Tech Co., Ltd. changed its trade name to TOTAL TOSHISEIBI Co., Ltd.

(Additional information)

(Application of "Partial amendment of 'Accounting Standards for Tax Effect Accounting'" and others)

"Partial amendment of 'Accounting Standards for Tax Effect Accounting'" (Accounting Standards for Business Enterprises, No. 28, February 16, 2018) and others have been applied since the beginning of the first quarter consolidated fiscal period. Accordingly, deferred tax assets falls under investment and other assets; and deferred tax liabilities falls under non-current liabilities.

(Segment information)

【Segment Information】

I Previous 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 income (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.

II Current third quarter consolidated cumulative period (from April 1, 2018 to December 31, 2018)

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	9,944,345	17,376,958	4,548,485	31,869,789	—	31,869,789
Inter-segment sales or transfer	137,029	118,842	1,543,237	1,799,108	(1,799,108)	—
Total	10,081,374	17,495,801	6,091,722	33,668,898	(1,799,108)	31,869,789
Segment income (loss)	1,323,038	1,691,527	45,255	3,059,820	(1,053,433)	2,006,387

Notes: 1. Adjusted segment income (loss) of (1,053,433) thousand yen includes inter-segment transaction elimination of 175,802 thousand yen and corporate expenses not allocated to individual reportable segments of (1,229,235) 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 31,054,000 yen has not been allocated to reportable segments. Also, in the "Overseas business" segment one-time amortization of goodwill of 47,798,000 yen was allocated to extraordinary loss.