

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

<Summary>

- ✓ The main business of SRG TAKAMIYA Co., Ltd. (hereinafter SRG 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 for the fiscal year 09 (FY09, ended March 2010), were slowing down. After 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. However, FY16 performance was downward from the initial forecast. OP was only 2.98 billion yen (year on year 3.7% down). The main causes of this were the fact that there were not any changes in the industrial environment, so the sales sector was more sluggish than expected, and the fact that the schedules of some civil works projects were pushed back.
- ✓ Sales of ¥38.8 billion and OP of ¥3.38 billion, up by 13.3% y-o-y, are expected for FY16, though those forecast have been revised significantly downward from the initial midterm business plan. It is believed, however, that such revision is realistic, as it is based on a reconsideration of the current business 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 FY16, but those targets have been revised to sales of the above. The cause of the revision was the fact that the industrial environment did not particularly worsen, so the rental sector remained strong while the sales sector was sluggish, and thus the revision seems to be realistic. There are plans to continue implementing the policies of "investing in high value-added assets" and "expanding manufacturing and sales operations."
- ✓ In the next several years, the company's results are expected to be steady because orders are anticipated associated with construction for the Tokyo Olympics and so on. In addition, the company's stance for IR appears to have improved, and there is a high possibility of the company's stock price valuation also changing. It will be worth noting the company's results, as well as how the company itself and its stock price valuation change over the next two to three years.
- ✓ (Noboru Terashima, analyst of G-Cube Co., Ltd.).

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-Consolidated Business Results-

Fiscal term	Net sales (Million yen)	Operating Income (Million yen)	Ordinary Income (Million yen)	Net income (Million yen)	Dividend (yen)
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 (A)	34,350	2,983	2,731	2,153	10.0
FY16 (E)	38,800	3,380	3,100	1,950	10.0

*(E) = Expected by The Company

Dividends paid in FY13 are the dividend after stock split (1:2 as of April 1,2013)

Dividends paid in FY16 are the dividend after stock split (1:2 as of Jun 1,2015)

<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 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 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

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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. The company has expanded its commercial area. As a result, its commercial area has expanded to the entire country, and in spite of headwinds, investment in equipment and materials has continued and the quantity of equipment and materials held has increased. The proactive policies for this period have thus marked an important turning point for the 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 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

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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.

<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

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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.)

2008: In October, established AOMORI ATOM (consolidated subsidiary) to rent temporary construction equipment and materials in Higashitooi-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).

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.

2016: ASAHI KOUGYO Co., Ltd. integrated with the sales department of SN builtech Osaka branch, and then changed its name to Nextech Co., Ltd.

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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.

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.

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Joint (clamp):

General-purpose equipment used in any work sites

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

(Note: The merger plan to the parent company as of Jan, 2017)

(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

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

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

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(Cadian Co., Ltd.)

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

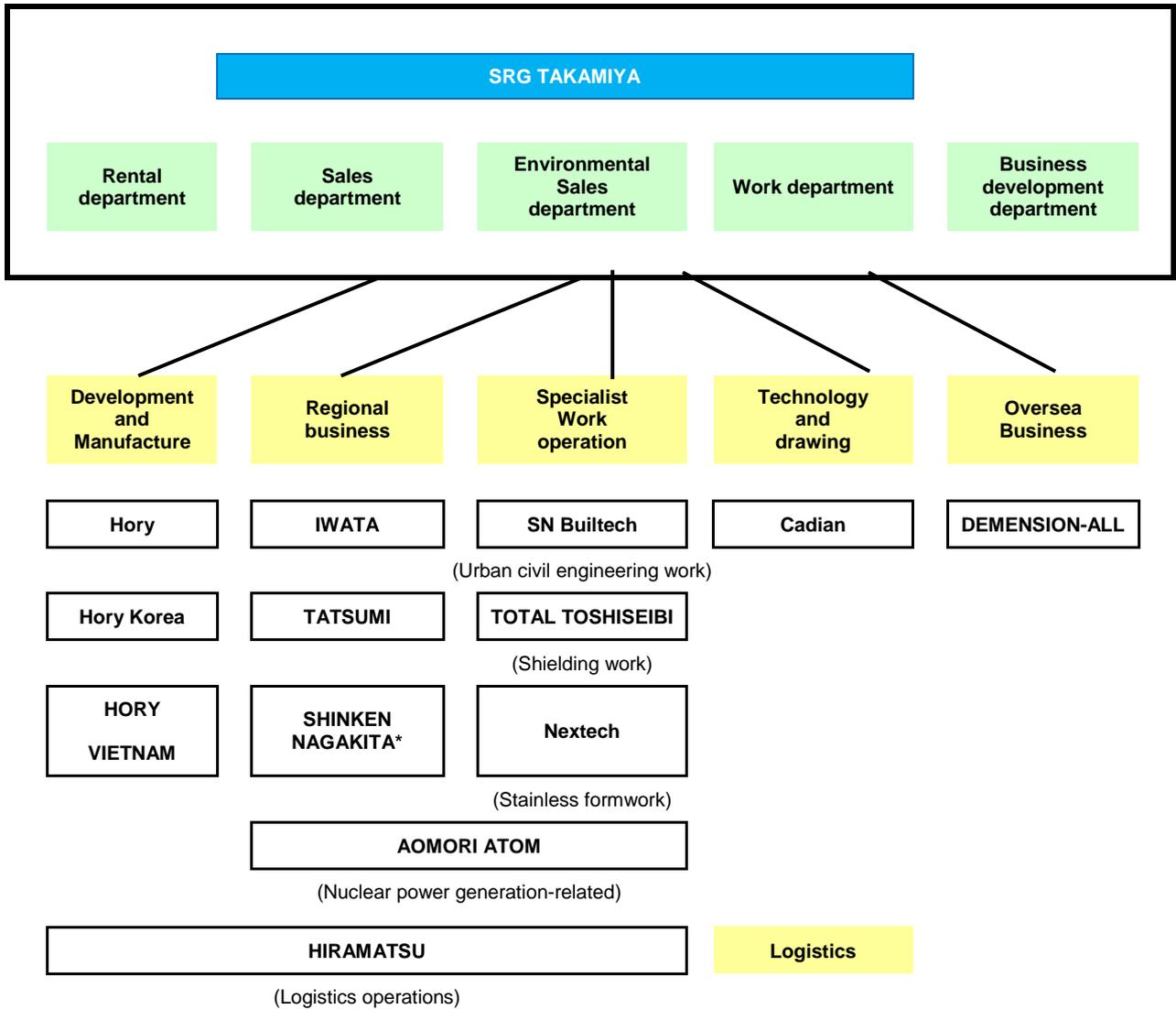
(ASAHI KOUGYOU Co., Ltd.)

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

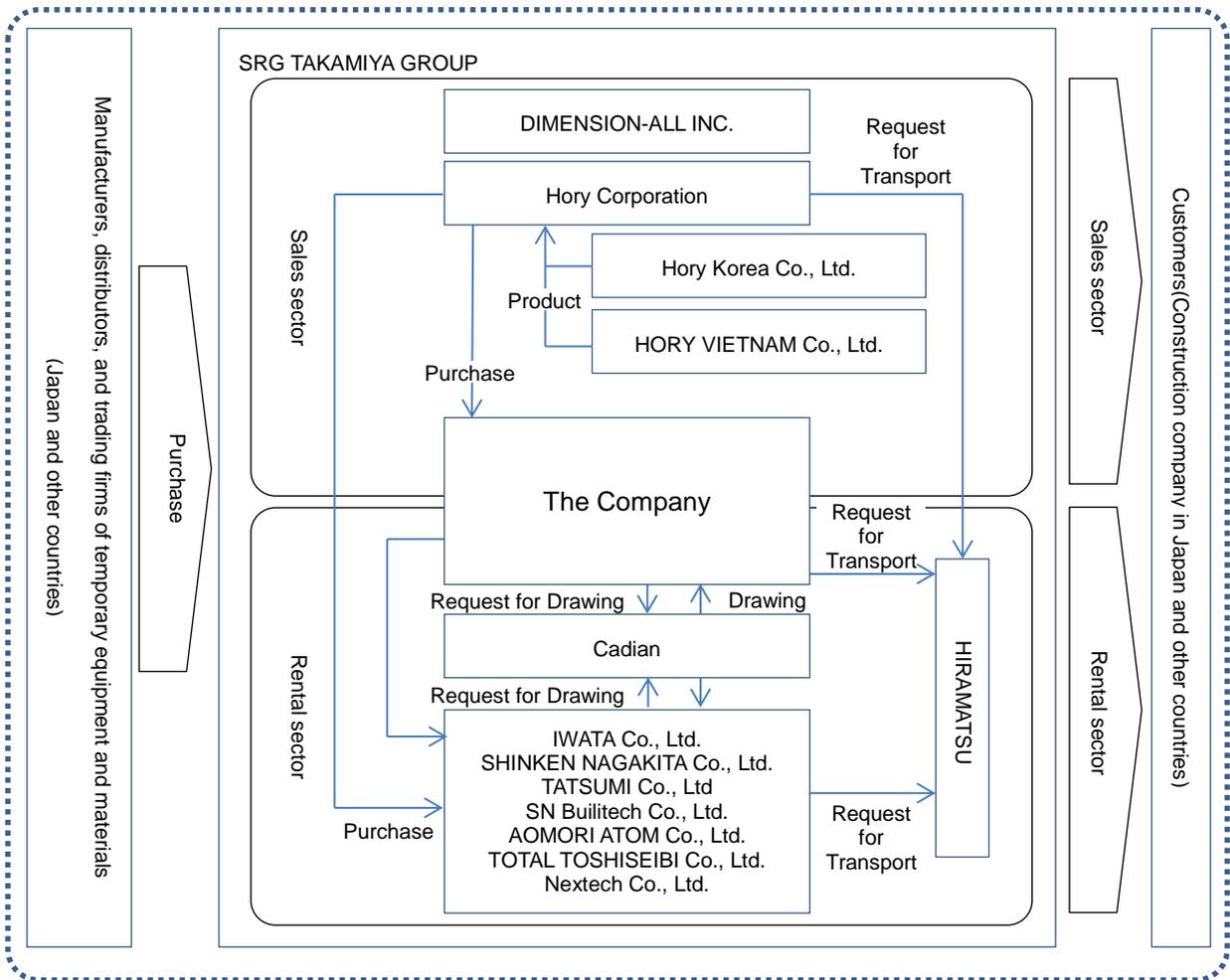
The following chart shows the businesses and categories of the subsidiaries



*Note: The merger plan to the parent company as of Jan, 2017

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

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(Source: Data from the summary of financial statements)

< Iq System >

As mentioned before, the company 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.

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(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.

(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 FY15 (actual) >

Million yen, %	FY14		FY15		
	Actual result	Composition ratio	Actual result	Composition ratio	Year / Year comparison
Net sales	34,261	100.0	34,350	100.0	0.3
Gross profit	10,856	31.7	11,291	32.9	4.0
SG&A expenses	7,758	22.6	8,307	24.2	7.1
Operating income	3,098	9.0	2,983	8.7	△3.7
Ordinary income	3,325	9.7	2,731	8.0	△17.9
Net income	2,070	6.1	2,153	6.4	4.0
Net income per share (yen)	46.17	—	48.12	—	—
Dividend per share (yen)	12.50	—	10.00	—	—
Allowance for Depreciation	3,649	10.7	4,137	12.0	13.4
EBITDA	6,747	19.7	7,120	20.7	5.5

NOTE) Allowance for depreciation is based on the cash

EBITDA = Operating profits + Allowance for depreciation

Net profits per share and dividend per share reflect (are revised by) the stock split (1:2 as of January 1, 2015)

Business results in the last fiscal year, ended March 2016, 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, but the results were on par with the revised forecast. Results that were significantly below the initial forecast included delays in some civil works projects, solar power decreases that were expected in the sales sector being larger

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than anticipated, and anticipated external sales of new scaffolding (Iq System) being lower than expected.

As sales slumped, selling, general and administrative expenses amounted to ¥8,307 million (up 7.1% from the previous year), operating income amounted to ¥2,983 million (down 3.7% from the previous year), and foreign exchange losses as non-operating expenses amounted to ¥247 million (marginal gain of ¥138 million in the previous year), and as such, ordinary income decreased 17.9% from the previous year to ¥2,731 million. Nevertheless, a gain on sales of investment securities of ¥500 million was tallied as an extraordinary profits, and thus net income attributed to parent company shareholders increased by 4.0% from the previous year.

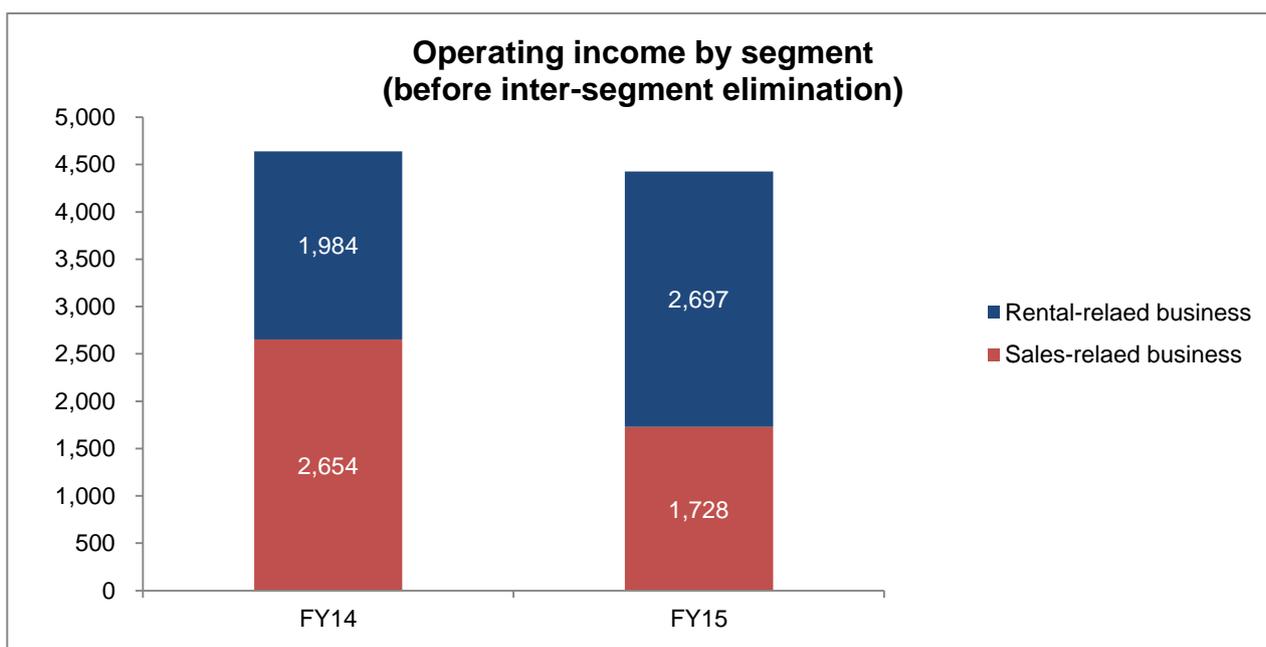
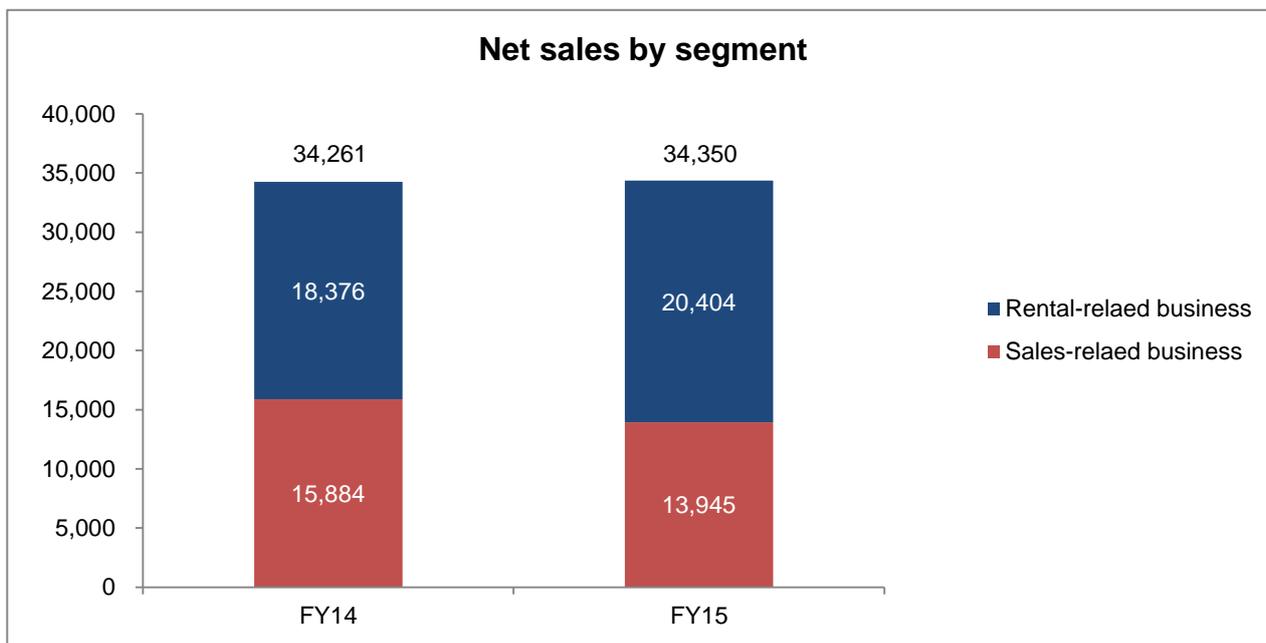
(million yen, %)	FY15		FY16 (Forecast)		
	Amount	Composition ratio	Amount	Composition ratio	Y/Y comparison
Net sales	34,261	100.0	34,350	100.0	0.3
Sales-related business	15,885	46.4	13,945	40.6	△12.2
Rental-related business	18,376	53.6	20,404	59.4	11.0
Operating income	3,098	9.0	2,983	8.7	△3.7
Sales-related business	2,654	—	1,728	—	△34.9
Rental-related business	1,984	—	2,697	—	35.9
(Intersegment eliminations)	△1,541	△4	△1,443	△4	△6.4

(Trends by segment: Although Rental-related business was strong, Sales-related business slump)

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 ¥13,945 million, down by 12.2% year-on-year and the rental-related business were ¥20,404 million, up by 11.0% year-on-year.(See the table above)

The rental-related business was relatively robust, but the sales-related business had a solar-related downturn, and construction-related sales (including Iq System) were lower than expected, so revenues declined. Looking at operating income by segment (prior to eliminating inter-segment sales), sales-related business amounted to ¥1,728 million (down 34.9% year-on-year), and rental-related business amounted to ¥2,697 million (up 35.9% year-on-year), and thus the rental sector contributed to a profit increase, while the sales sector significantly weighed on profits.

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In the sales-related business, there were some delays in starts up of construction demand in the civil engineering and building industries, so sales of major products such as clamps and wedge-type housing scaffolding were sluggish. In addition, sales of “Iq System,” expected to have significant growth as next-generation scaffolding, were below than the planned level (initial plan of ¥3,000 million, result of ¥1,344 million). As a result, construction-related sales amounted to ¥9,736 million (down 6.9% year-on-year), and environmental-related sales such as solar-related sales dropped significantly to ¥2,011 million (down 41.3%). Construction material-related sales, such as sales of balconies for general

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residences, were steady, amounting to ¥1,354 million (up 29.1% year-on-year), but the scale of these sales is still small, so they were not enough to cover the drops in construction-related and environmental-related sales, and thus revenues and profits decreased in the segment overall.

In the rental-related business, there were some delays in construction work, but the operating rate of rental equipment was steady throughout the year, so revenues and profits increased. As for the next generation scaffolding Iq System, which is currently receiving high attention in the industry, external sales were lower than expected, as mentioned above, but the number of worksites at which Iq System are used increased to 1,500 from 500 at the end of the previous year. Valuse amounts of Iq System held by the company as rental assets was ¥6,299 million, almost double of ¥3,191 million a year ago, which will enable further expansion of Iq System retail in the future.

The company has expressed that it will proactively expand its overseas operations in FY16, and thus will disclose the overseas business as the third business segment, adding to the “rental business-related,” and the “sales business-related”. Furthermore, the company has stated a target figure of 10% of total sales for this new segment of “overseas business-related.”

(Balance Sheet and Cash Flow)

(Million yen)	FY14	FY15
Current assets	18,213	19,769
Cash and Deposits	4,680	4,642
	4,699	4,901
Fixed assets	25,307	30,321
Tangible fixed assets	21,306	27,051
Assets for rental	13,132	17,373
Intangible fixed assets	724	741
Investments and others	3,275	2,529
Total assets	43,520	50,091
Current liabilities	18,070	21,365
Fixed liabilities	13,687	16,628
Total liabilities	31,758	21,365
Net assets	11,762	12,097

FY15 financial situation (balance sheet) was as shown above. Rental assets increased due to factors such as the accumulation of “Iq System,” investment and other assets decreased due to sale of investment securities, and fixed liabilities increased due to an increase in long-term borrowings, but there were no particularly significant changes regarding other items.

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Cash flow was as shown in the table below. Primary outflow of cash included purchase of assets for rental, increase of inventories and procurement of property, plant and equipment. Major cash inflow were income before taxes, depreciation, Increase of account payable. As a result, the fund balance at the end of the period increased by ¥9 million over the previous fiscal year to ¥4,242 million.

(Million yen)	FY14	FY15
Operating Cash flow	Δ1,620	Δ1,081
Pretax profits	3,322	3,211
Allowance for depreciation	3,649	4,137
Acquisition of assets for rental	Δ2,608	Δ3,149
Increase and decrease of receivables	Δ240	Δ972
Increase and decrease of inventory	Δ4,636	Δ3,825
Investment cash flow	Δ1,563	Δ1,736
Acquisition of tangible fixed assets	Δ1,660	Δ1,453
Investment in affiliates	Δ21	Δ157
Loan (net)	85	Δ41
Financial cash flow	2,927	2,844
Increase and decrease of short-term debt (net)	1,894	1,867
Increase and decrease of long-term debt (net)	1,642	2,747
Increase and decrease of cash or the equivalent	Δ159	9
Increase in cash equivalents resulting from new consolidation (net)	413	—
Outstanding amount of cash or the equivalent at the end of period	4,233	4,242

<Forecast for the FY16 ending March 2017>

(million yen, %)	FY15		FY16 (Forecast)		
	Amount	Composition ratio	Amount	Composition ratio	Y/Y comparison
Net sales	34,350	100.0	38,800	100.0	13.0
Rental	20,513	52.1	22,300	51.7	8.7
Sales	18,859	47.9	20,800	48.3	10.3
(Intersegment eliminations)	Δ5,022	-	Δ4,300	-	-
Operating income	2,983	8.7	3,380	8.7	13.3
Ordinary income	2,731	8.0	3,100	8.0	13.5
Net income	2,153	6.4	1,950	5.0	Δ9.4

Note: Before inter-segment elimination

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As stated above, the company initially announced a medium-term business plan (3 years) targeting sales of ¥45,000 million and operating income of ¥5,200 million in FY16, but actual results in FY14 and FY15 were much below than those in such plan. So business forecast for FY16, the final year of the plan, was significantly revised downward, and thus the current forecast is as shown in the table above. The main reasons for such downward revision from the initial medium-term plan were weaker than expected sales of solar-related materials and of external sales of Iq System, etc.

Nevertheless, the current forecast is based on very close to actual situation, and the environment of the construction and civil engineering industry has not significantly worsened, so the above-stated forecast seems to be very realistic and achievable. The company plans to proactively make investments in preparation for future development, and is planning capital expenditure of ¥9,000 million for this year (previous year ¥8,824 million), including Investment in rental assets of ¥7,050 million (previous year ¥7,561million). Depreciation expenses are expected to be ¥4,370 million (previous year ¥4,137million), and as large-scale capital investments during the current year is almost over, depreciation seems to be peak during the next year.

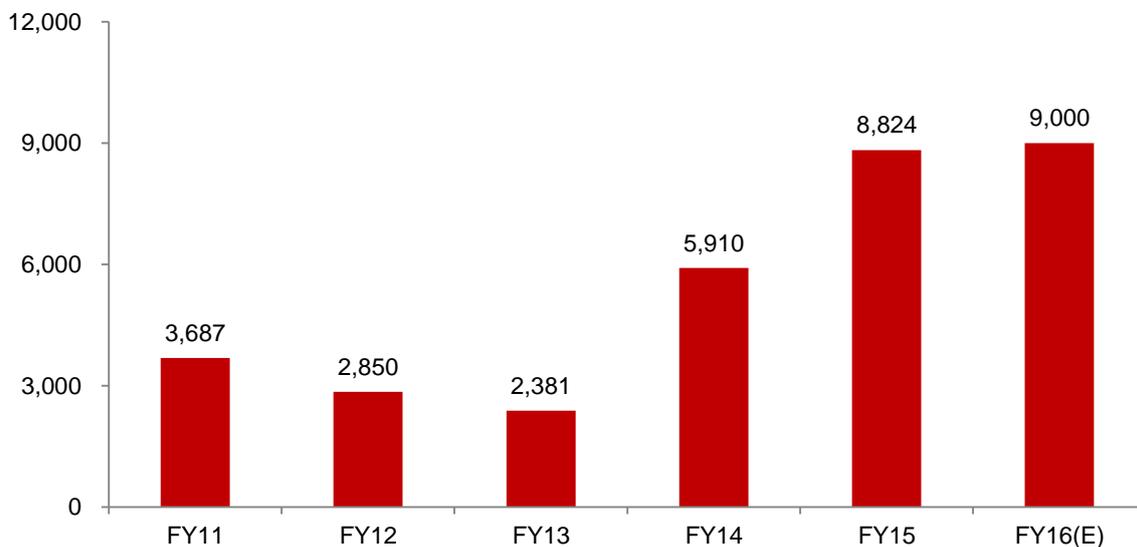
The company plans to continue proactively investing in Iq System, being expected to have high potential as next generation scaffolding, and is aiming for Iq System rental assets holding amount of ¥8,500 million (¥6,299 million at end of previous year) and a cumulative rental worksite number of 3,500 (1,500 at the end of previous year) at the end of the current year. For external sales of Iq System, slumped in the previous year, the company is planning for ¥2,500 million for this year from ¥1,344 million a year ago.

(Investment and value of holdings for Iq System)

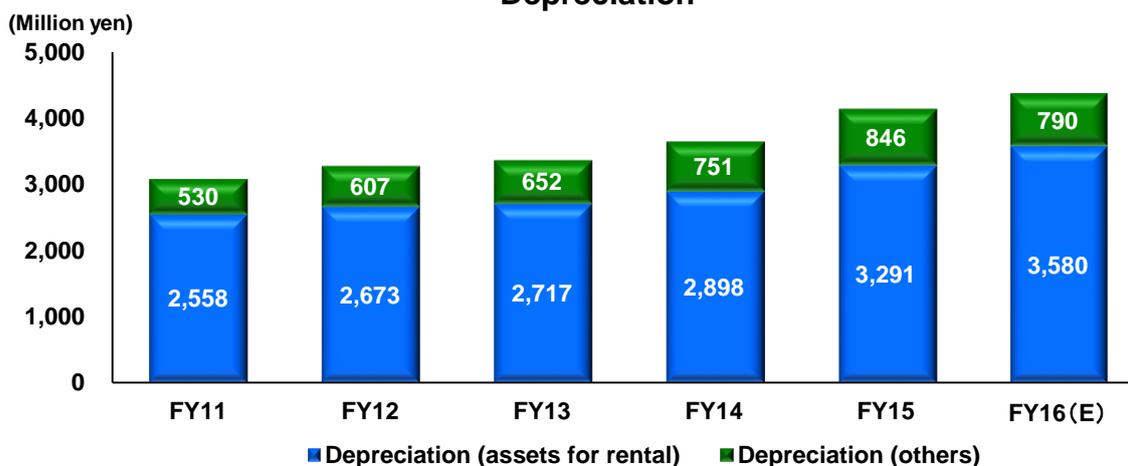
(Million yen)	Segment	FY14	FY15	FY16(E)
Value of holdings at end of period	(Rental)	3,191	6,299	8,500
External sales amount	(Sales)	528	1,344	2,500

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**Amount of investment in assets for rental
(purchase base)**



Depreciation



Future prospects: toward the next step

<Formulate a New Mid-term Business Plan>

As stated above, the company announced a medium-term three-year business plan in the spring of 2014, with FY16 as the final year, but unfortunately, it became difficult to achieve the target values in the plan. The main causes of this were a bigger than expected drop in solar-related sales and sluggish external sales of Iq System. Nevertheless, it seems that both of these factors were influenced by the external environment, and were not due to insufficient in-house efforts by the company. Meanwhile, it appears that the rental-related business, the company's main business, has recently been steadily expanding, and it seems that this point is worth acknowledging.

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Furthermore, as the 2020 Tokyo Olympics approaches, it is expected that there will be various activities in civil engineering and construction fields and thus demand will increase not only in the rental business, the company's main business, but also for product sales. The company thus plans to expand its business operations based on the reliable incorporation of this demand.

As a listed company, achieving the target values of business plans announced is important, and the company's failure to achieve such targets has been regrettable. Nevertheless, as pointed out earlier, an important point is not only achieving numerical targets in the plan, but also is changing the business models, in other words changing the company itself. The company sufficiently understands this point, and while the targets of the current plan were not achieved, it appears that the company is currently formulating its next business plan based on a review of the relevant processes, factors, and results. It is expected that the company will announce this new medium-term business plan next spring. The failure to achieve the current business plan might have lost somewhat trust of investors', but this does not mean that the company will stop announcing the next medium-term plans. It is important for the company to once again announce the next plan setting forth its next step and to achieve the targets of this plan going forward.

<No change of basic policy>

It is unfortunate that the targets of the current medium-term business plan have not been achieved, but the medium to long-term direction and policies of the company remain unchanged. In order to achieve the current medium-term plan this time, the company has set forth the following management policies, and these have not changed from those initially planned.

(Basic policy)**✓ Enhancement of the group management base**

Clarify a role of each group company to consolidate duplicated 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.

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✓ Creation of new growing businesses

Positively work on the following actions: creation of new businesses utilizing metalworking technologies, expansion 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. The investment in rental assets over the past three years, including the current year, is expected to total over ¥20 billion, and as part of this, there is an investment in Iq System next-generation scaffolding of about ¥6.2 billion. As a result, as stated above, the holding amount of this equipment is expected to reach 8.5 billion yen at the end of FY16, and thus the company plans to establish its position as a leader in the industry. Investment in rental assets overall is expected to peak during the current year, but proactive investment in Iq System will be continued.

✓ Other investment

The company plans positive investments not only in rental assets, but also in other fields. The performance of the sales sector has been sluggish, so investment in production equipment will be put on hold. Nevertheless, the company plans to continue proactively investing in production overseas (offshore development). Furthermore, the company will positively invest in "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 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 has not decided whether it will announce a new business plan in the future, but in any case, it seems that the important policies and fields that the company will particularly focus on in the next year and beyond will be as follows.

(Oversea Business)

The company already offers rental equipment in Vietnam through Hory Vietnam Co., Ltd., but going forward, it plans to expand its sales and rental business in the Philippines by offering manufactured products (clamps, molds, etc.) to local general contractors via its subsidiary Hory, as well as rental assets such as bridge-related equipment to DIMENSION-ALL (Philippines).

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The company foresees its overseas business as an important part of its business portfolio, and as stated above, it plans to disclose figures for this new segment starting this year (FY16). In terms of sales, the company will aim to achieve a sales ratio of 10% as early as possible.

(Development of Agri-Business)

Thus far, the main products of the company's sales business have been various temporary equipment for construction and civil engineering, and frames for solar power generation. In addition to these, however, focus also will be placed on agri-related products (mainly for agricultural vinyl houses, and multi-stage hydroponic racks).

New types of agriculture, including multi-stage hydroponic cultivation, have been receiving a lot of attention, and more companies are expected to enter the market. Large-scale orders have already been received from companies associated with major food companies, and it appears that inquiries from other major companies have also been increasing. This is a field in which growth for the company can be expected in the future.

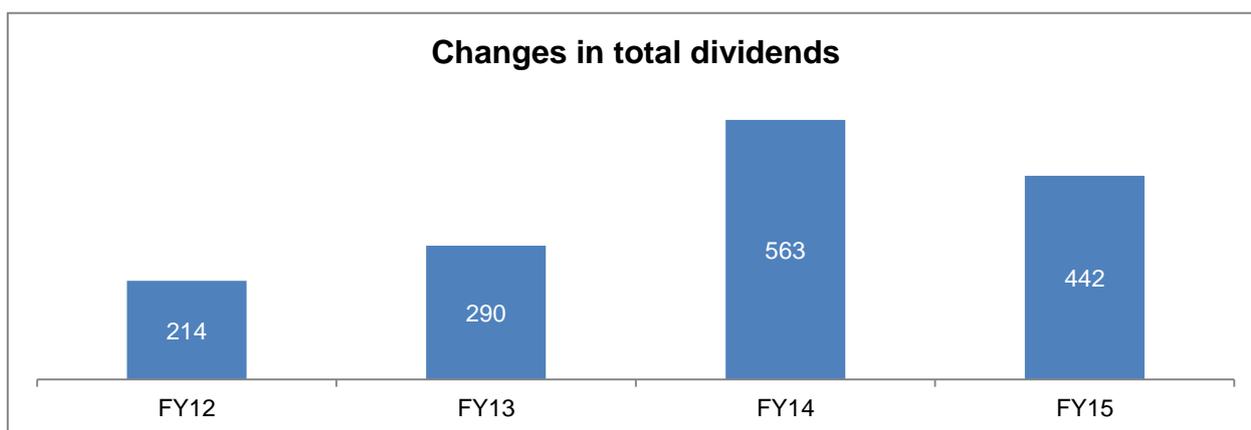
(Improvement of balance sheet)

As stated above, in addition to improving business content (business portfolio and profitability), the company will also work to improve financial position (balance sheet) from the next year onward. As mentioned earlier, investments in rental assets are scheduled to peak this year, and then to cease in the next year and beyond. Furthermore, depreciation is expected to reach peak level next year and then gradually decrease after that.

As a result, it is expected that if profits and losses proceed as planned, cash flow will increase and financial position of the company should significantly improve. In other words, the company will enter in the collect stage for large-scale investments made thus far, from next year and beyond, and the company has set forth such "investment collection" as one of the targets for its business plan.

Shareholder Return

In the past, the company was somewhat passive regarding IR, but its IR approach has significantly improved in the past several years, and assessments from institutional investors have risen. In addition, the company has been positive regarding returns to shareholders, and it carried stock splits of 1:2 twice, one in April 2013, and another in January 2015. At the same time, the company has been continuously increasing annual dividends. (See the chart below) In FY16, its dividend is expected to be at least at the same level as of the previous year.

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(Note: Financial year ended March 31, 2015, including a commemorative dividend)

Furthermore, the company has been proactively acquiring treasury stock, and it holds 2,250,931 treasury shares as of September 16, 2016, against to total issued shares (excluding treasury shares) of 43,053,069 shares. Furthermore, the company has announced that it will acquire an additional 400,000 shares by October 31, 2016. The company has not yet decided how it will use this treasury stock, but it is possible that those will be utilized for future M&A, and this approach of returning to shareholders seems to be worth acknowledging.

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 fiscal year ended March 2015 because environment surrounding the company has completely changed 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 in 2014 spring. At the point, we will be to pay attention whether the objectives, contents and measures of the next mid-term business plan, which seems to be currently under development.

The company now has a more positive and favorable attitude about investor relations (IR) and shareholder returns 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.

(End)