



Annual Report 2017
SRG TAKAMIYA CO., LTD.

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SRG TAKAMIYA CO., LTD. got its start selling wooden scaffolding for construction sites, and through a proactive program of M&A and other measures anticipating the changing times has expanded its business scope and functions to include rental of temporary equipment and materials, as well as equipment development, manufacture, and sale.

Under the new medium-term management plan launched in April 2017, we are implementing measures to meet robust demand in Japan, and looking ahead to changes in the business environment following the 2020 Tokyo Olympics and Paralympics. We are also cultivating new businesses that will be growth drivers over the longer term, including agriculture and overseas businesses.

The SRG TAKAMIYA Group will continue to enhance its strengths, and steadily build a foundation for sustainable growth. Thank you for your understanding and support.

Kazumasa Takamiya

Representative Director, President and Chairman



Established

Started a rental service for construction scaffolding

Japan



▶ Started a rental business

▶ Embarked upon the environmental prevention field
▶ Moved into the market for disaster prevention / disaster planning

Expanded business fields

1969

1974

• Started selling wooden scaffolding

• Building construction
• Bridge construction
• Urban civil engineering (construction of treatment facilities)
• Demolition work

• Soil improvement work
• Landslide prevention work
• Maintenance / repair
• Ultra high-rise building construction and renovation
• Plant construction and renovation

The SRG TAKAMIYA Group's History of



■ Net Sales (¥ million)
● EBITDA (¥ million)

2006.3

Acquired Hory Corporation
Acquired Hory Korea Co., Ltd. **hory**
Established the Construction Department.

Established HORY VIETNAM Co., Ltd.

Acquired DIMENSION-ALL INC.



Merged Hory Corporation

Expanded business areas



▶ Moved into the manufacture and sales business
▶ Started the scaffolding set-up business with the expectation of an increase in demand for scaffolding set-ups.

▶ Started the production and sales of next-generation scaffolding by applying the know-how gained in the rental business to development activities



Overseas

▶ Expanded network overseas to reduce production costs

▶ Started the development / sales of products designed for Japan / the ASEAN region



▶ Acquired overseas rental businesses for the enhancement of overseas business activities

- Scaffolding set-ups
- Development and sales of temporary equipment and materials
- Development and sales of building materials for residences
- Development and sales of solar panel frame
- Development and sales of building materials

- Systemized scaffolding (Iq System)

- Agricultural greenhouses

2010

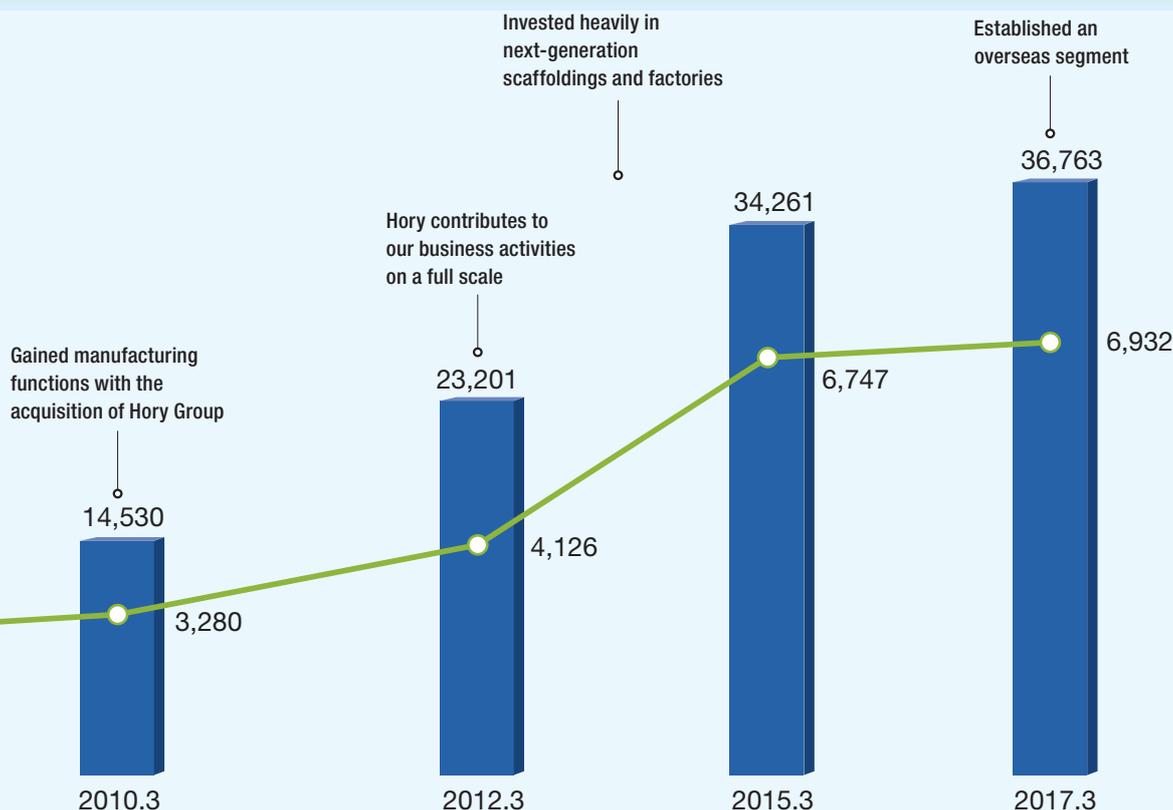
2012

2015

2018

Growth

SRG TAKAMIYA CO., LTD. has been making changes in industries by enthusiastically implementing M&A activities and product development with a long-term viewpoint.



Business Details

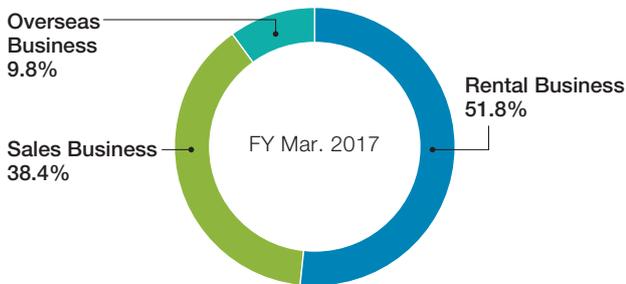
As a specialist of light-duty temporary equipment, the SRG TAKAMIYA Group is capable of comprehensive services from development / production to rental service, sales and construction.

Our group supports various workplaces including not only building construction sites but also landslide prevention works and agricultural greenhouses using metal processing technologies that we have acquired through the development of temporary equipment. In addition, we contribute to the development of industries by improving the safety and the workability using high-value-added products and services through technological innovation.

While we have stably expanded our business within Japan with our two core businesses, rental service and sales business, thus far, in the fiscal year ended March 2017, we established the overseas segment as part of preparations for the development of full-scale overseas business.

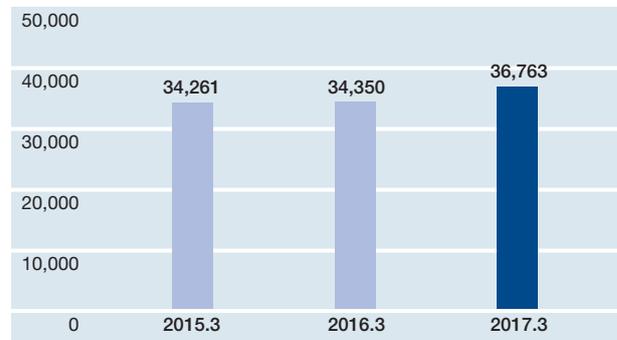
With DIMENSION-ALL in the Philippines, which is our overseas hub that we acquired in 2015 as a consolidated subsidiary, we nurture our overseas business of rental and sales services as the center of businesses that lead growth in the next generation.

Net Sales by Segment*

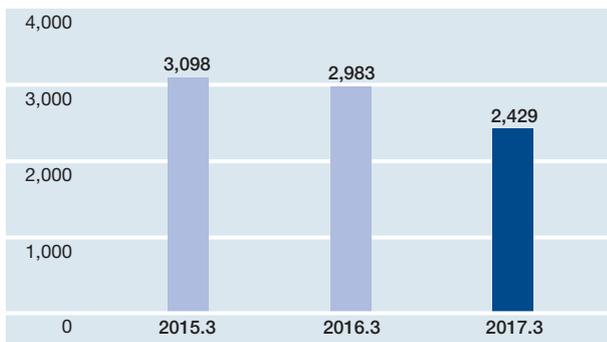


*Figures include internal sales and transfers.

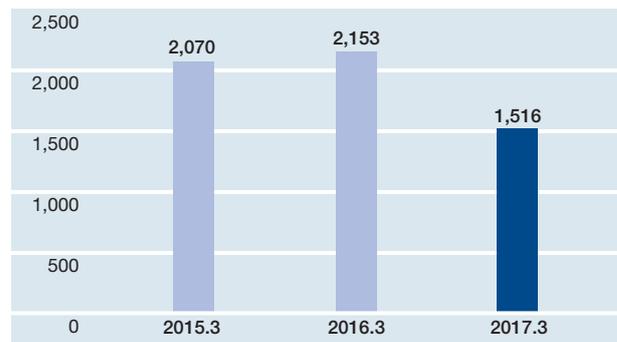
Net Sales (¥ million)



Operating Income (¥ million)



Profit Attributable to Owner of Parent (¥ million)



Light-duty Temporary Equipment and Materials

Much of the equipment and materials used at construction sites is rented. Of this, the SRG TAKAMIYA Group specializes in providing light-duty temporary equipment and materials that includes scaffolding erected for use by workers during construction.



Work Scaffolding

Scaffolding primarily set up around the exterior walls of buildings



Falsework

Used to support heavy loads in buildings and civil engineering projects such as bridges

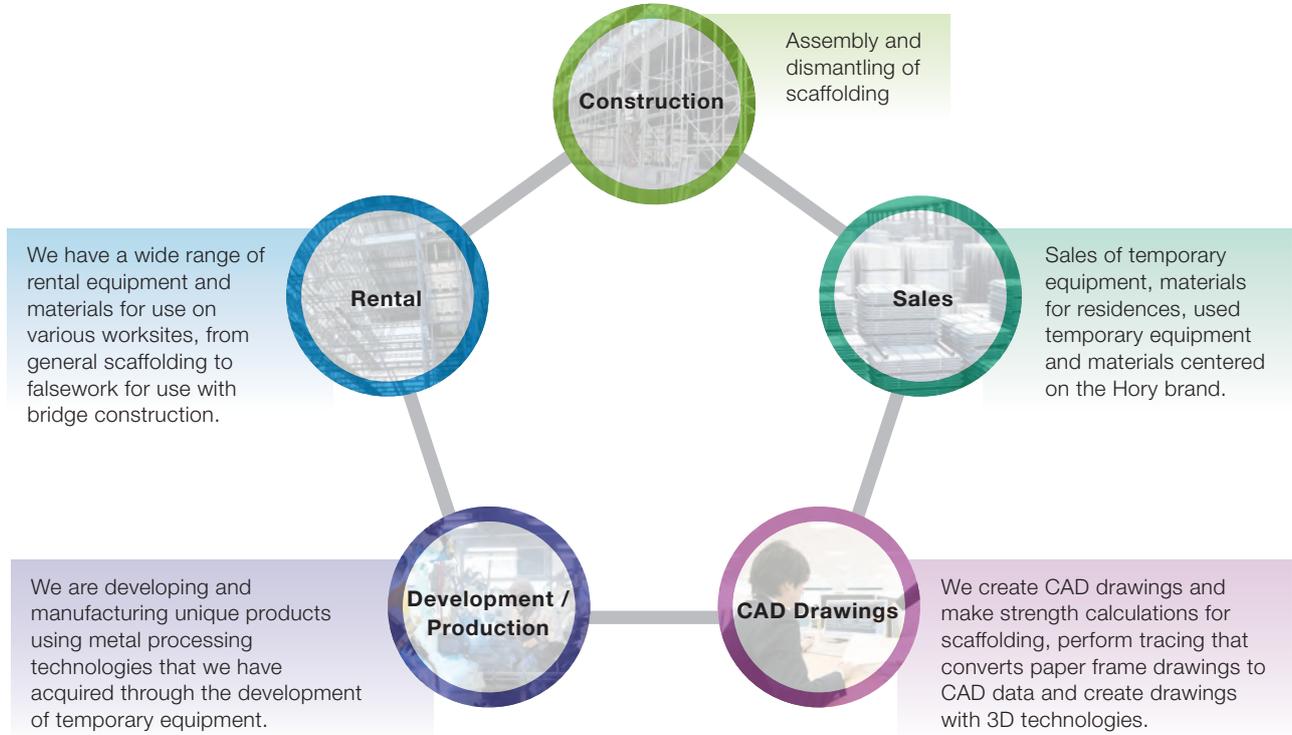


Suspended Scaffolding

Scaffolding suspended for use in inspections, repairs and other work of road bridges

Functions

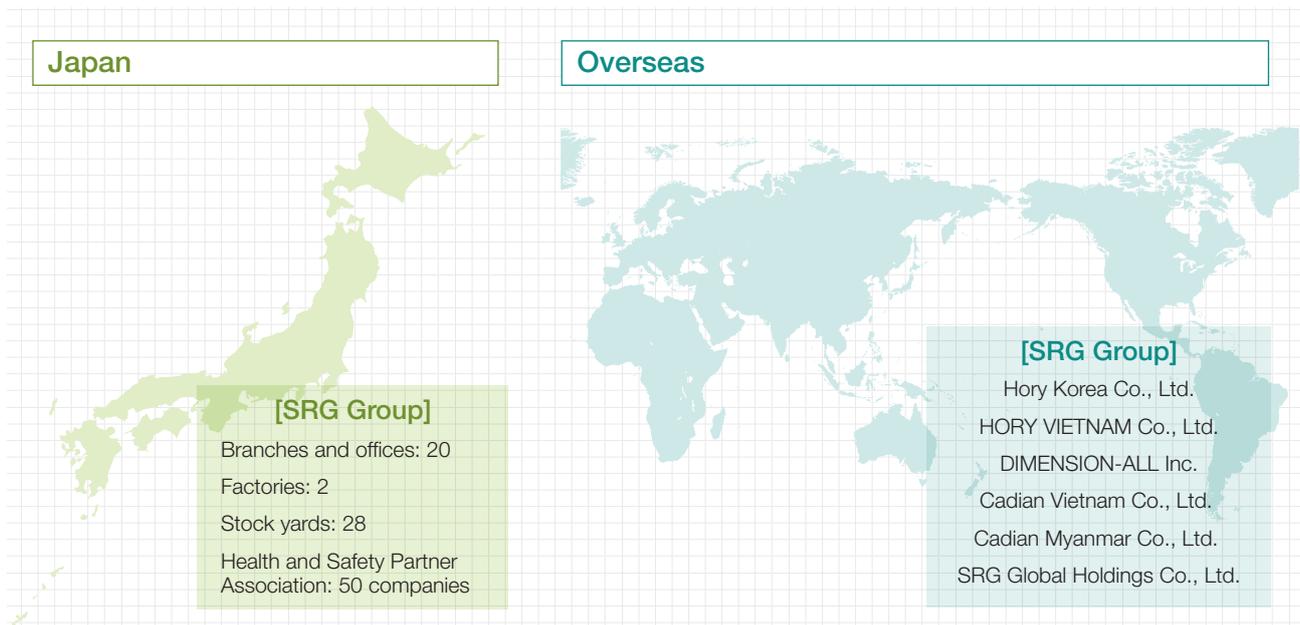
By utilizing the following five functions for light-duty temporary equipment, the SRG TAKAMIYA Group is not only able to offer comprehensive services and secure supplies of superior equipment, but also can gain and share know-how.



Network

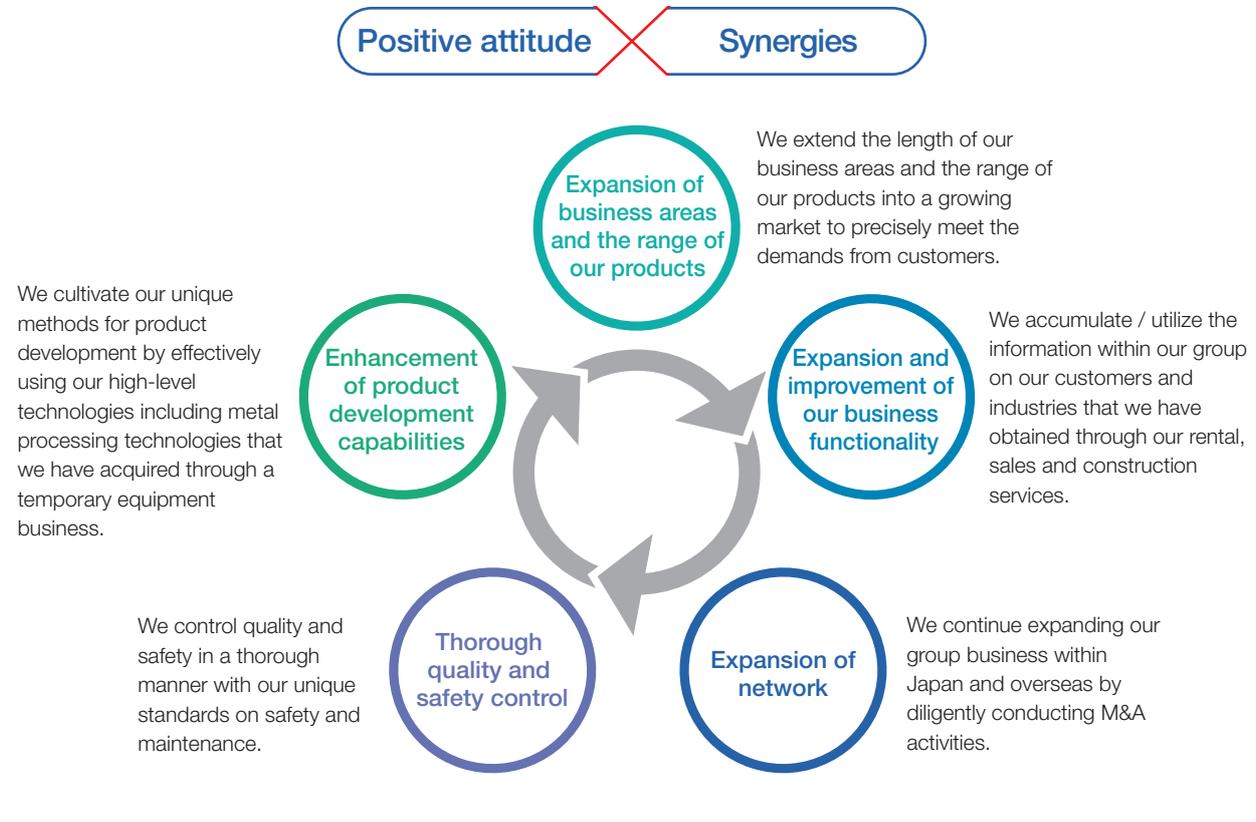
As of March 31, 2017

Utilizing our networks in Japan and overseas, we provide wide-scale high-value-added services.



Growth Strategy

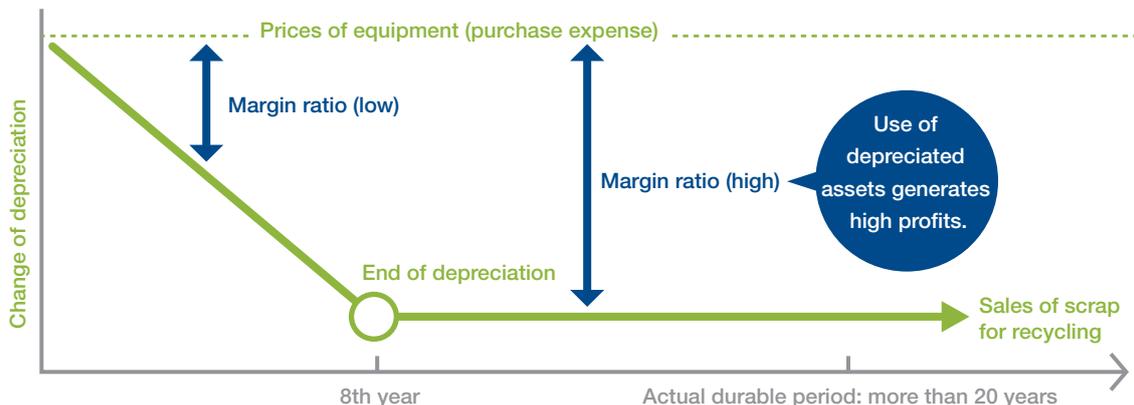
The SRG TAKAMIYA Group promotes the following business strategies with a positive attitude, while improving its sustainable company values by utilizing the synergies, while are the combination of these strategies.



Key for rental business profit—utilization of depreciated assets

Because temporary equipment can be used even after the completion of a fiscal amortization period (eight years by the straight-line method), it generates profits stably as long as we conduct adequate maintenance and own such equipment as our assets. In the stock-type business model, the funds gained by using depreciated assets are used for re-investment in equipment that is more high-functional and efficient.

In the late 1990s, when the whole industry was suffering from overstock, our company had secured a great quantity of equipment by purchasing that had been released by other companies at reasonable prices. We have gained profits from the rental service by utilizing such equipment.



Positive attitude

Scaffolding can be used for years, even after the completion of a fiscal amortization period (eight years), without upgrade. Therefore, rental service companies usually secure their profits by using depreciated equipment without making further investment.

Our company, however, has developed our business with a positive attitude by making strategic investment such as the following by anticipating the maturation of the market.

Examples of strategic investment:

Investment for introducing equipment, for which high demand is expected in the future, and those with high versatility.



Improvement of the efficiency of assets (ROA / ROIC)

Investment in product development that enhances added value such as product quality and safety



Creation of the market

Investment in the expansion of business hubs by M&A activities overseas



Re-monetization* by promoting the use of depreciated equipment overseas

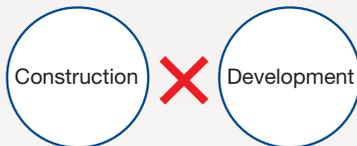
* Re-monetization: the term means to gain profits by promoting the use of depreciated assets in overseas markets using newly expanded business hubs.

These investments have increased EBITDA, which means the profits after depreciation and investment capacity have risen (refer to page 15). The new medium-term management plan includes the aims to increase free-cash flow by controlling large-scale investments in assets for lease (temporary equipment), to improve our balance sheet, to re-design research and development activities and factories in Japan and overseas, and to efficiently invest in the sales business and other new service fields. By setting these aims, we determine the timing of a positive promotion for a next business growth while establishing new profit bases including overseas business.

Synergies

We enhance the advantages of the existing services and steadily develop new business with a wide range of our business fields and products, the five main functions in our business, our metal processing technology with high quality and know-how, and by fully utilizing our internal and external networks.

Example of synergy between the main functions



We preferentially introduce our new products to a construction site with the aim to promote these products. We can also apply the feedback from the site workers to development activities.

Example of a synergy between the internal and external networks



The domestic group networks and the network between scaffolding companies allow us to steadily promote products with high added value throughout Japan, which includes Iq System, a next-generation scaffolding. The network also makes it possible for us to respond efficiently and rapidly to services in new areas including agriculture.

Revising our business model to be a corporate group with sustained growth

Kazumasa Takamiya

Representative Director, President and Chairman

Solid foundation established under the previous management plan

Under the previous three-year management plan (FY3/15-FY3/17), even though we were forced to revise the earnings targets, we laid the foundations for growth over the medium and long term.

Specifically, we achieved positive growth in the rental business for Iq System, a next-generation scaffolding developed to change the status quo in the industry, and have steadily established a market for next-generation scaffolding. Further, the agriculture business, launched as a new growth business, has already begun producing results with major projects for agricultural greenhouses, and we have high expectations for future expansion. We also continued laying the foundations for full-fledged overseas business development, which we intend to cultivate as a growth driver over the medium to long term.

One of the reasons we were unable to achieve our initial plan targets was the slow growth in construction volume. At the time we formulated the plan, construction demand had just begun a robust expansion as a result of Abenomics, and over the medium term we anticipated even greater demand as a result of the 2020 Tokyo Olympics and Paralympics, as well as revised earthquake resistance standards following recent disasters. Accordingly, SRG and others in the industry had high expectations for growth. However, the increasingly severe shortage of skilled workers constrained expansion in construction volume, which had a major impact on our earnings. Sales of the next-generation scaffolding Iq System suffered as customers delayed purchases, and we fell well

short of our initial targets. Demand for solar panel frame partially recovered during the plan period, but overall the pace of market contraction exceeded our expectations. The fact is that our outlook for the business environment was off the mark.

Nevertheless, the issues we are facing became clear during this three-year period. Capital investment also finally began to rise in the latter half of FY3/16. We identified the issues for longer-term growth, and have already begun taking steps to address them.

Next-generation scaffolding leading an industry transformation

SRG's Iq System scaffolding has steadily become established in the market, capturing around 30% of the entire market for next-generation scaffolding (SRG's estimate). The industry as a whole has begun shifting to equipment compliant with new safety standards, and we anticipate that replacement demand centered on next-generation scaffolding to finally begin in earnest.

Anticipating long-term changes in the industry, in 2013 SRG began replacing its conventional lease assets with Iq System, and nearly completed the switchover during the previous management plan. Such proactive investment resulted in a large depreciation burden, but we plan to curb large-scale investment in lease assets (temporary equipment and materials) for the next three years. We believe that increased sales demand for next-generation scaffolding, and the recovery of investments made up to this point, will expand earnings and allow us to improve our financial balance.

Vision and Targets for the 2014 Medium-Term Management Plan*

Vision

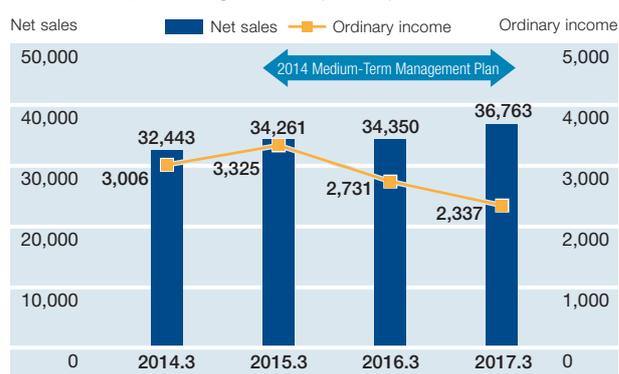
- Become the de facto standard, and aim to be a corporate group driving the qualitative development of the industry.
- Emphasize profitability, and aim for a consolidated ordinary income ratio of 8% or higher.

Earnings Targets

- Consolidated ordinary income of ¥3.1 billion in FY3/17

* Revised May 10, 2016

Net Sales, Ordinary Income (¥ million)



Evaluation of the 2014 Medium-Term Management Plan

| Basic Policy | Evaluation | Result (○)/Issue (△) |
|-----------------------------------------|------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Strengthen group management foundations | ○ | <ul style="list-style-type: none"> ○ Integrated sales and rental marketing divisions ○ Integrated business offices and locations, absorption/merger of subsidiaries ○ Increased the number of directors and executive officers |
| Establish a high-earnings structure | △ | <ul style="list-style-type: none"> ○ Introduced high-utilization equipment and materials, mainly Iq System ○ Transferred to overseas, sold or scrapped low-utilization equipment and materials ○ Lowered costs through vertical group integration → Achieved in Japan (★ Continued as Group-wide activity including overseas subsidiaries) △ Up-front investments for business expansion squeezing earnings |
| Generate new growth businesses | △ | <ul style="list-style-type: none"> △ Developed agricultural materials, structural equipment and materials (construction materials) (Full-scale contribution to earnings is an issue going forward) ○ M&A with overseas formwork rental company DIMENSION-ALL (Philippines) |

| Investment Policy | Evaluation | Result (○)/Issue (△) |
|--------------------------------------------------------------------------------------------------------------------------|------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Replace lease assets (conventional scaffolding to Iq System), increase amount of high-utilization equipment and material | ○ | <ul style="list-style-type: none"> ○ Replacement of conventional scaffolding to Iq System nearly completed ○ High utilization rate maintained with introduction of equipment and materials for renovation work, general purpose materials |
| Expand production facilities, move manufacturing offshore | △ | △ Domestic factories being restructured, and manufacturing of general purpose equipment and materials moved overseas (★ Continued) |
| Complement and expand group functions (M&A, alliances) | △ | <ul style="list-style-type: none"> ○ Overseas formwork rental company DIMENSION-ALL (Philippines) acquired △ Forming alliances to gain expertise to enter new fields (★ Continued) |

| Financial Policy | Evaluation | Result (○)/Issue (△) |
|------------------------------------|------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Proactive reinvestment of earnings | ○ | <ul style="list-style-type: none"> ○ Broke away from existing service-oriented business model ○ Reinvested in high-utilization, high-efficiency equipment and materials to hasten recovery period ○ Made proactive capital investments |
| Target equity ratio of 25% | × | <ul style="list-style-type: none"> ○ Procured long-term capital with low interest × Earnings fell short of plan → Equity ratio 23.4% |
| Maintain double-digit ROE | ○ | ○ Earnings fell short of plan → Leverage management → Final ROE 12.6% |

| Shareholder Returns Policy | Evaluation | Result (○)/Issue (△) |
|-----------------------------------------------------------------------------|------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Maintain current dividend level, provide dividends consistent with earnings | △ | <ul style="list-style-type: none"> ○ Maintained stable dividends △ Dividend not increased ○ Share buy-back conducted (FY3/17) ○ Total return 63.2% (Largest during business plan period, FY3/17) |

Note: Measures marked with a star (★) are being continued over the medium and long term.

Growth strategies in the new medium-term management plan

The 2017 medium-term management plan that began from April 2017 aims to allow for a flexible and agile response to the continually changing business environment, and further solidify our business foundation with a focus on growth from 2020 and beyond.

During the plan period, the Japanese construction market is expected to experience robust demand in preparation for the 2020 Tokyo Olympics and Paralympics. Some observers think the strong demand will continue, but considering that fundamental problems such as labor shortages, overconcentration in the Tokyo metropolitan area, and regional disparity will remain, we do not think construction investment is likely to grow over the medium and long term. Despite the demand trend, we are aiming to generate a new earnings base, and consider 2020 as the deadline by which to achieve it.

In the rental business in Japan, we plan to further enhance operational efficiency, place emphasis on products with high demand and profitability, and establish a market for sales while maintaining stable earnings.

In the sales business, we will strengthen the management structure for manufacturing facilities in Japan and overseas, and clarify roles and positioning. In Japan, we will focus management resources on product research and development, and establish a framework to produce high-value-added products with global appeal. Outside Japan, we will restructure facilities, consolidate manufacturing of general purpose products in Vietnam, and strengthen our sales and marketing in ASEAN countries. In South Korea we will focus on the rental business, and like in Japan, emphasize the manufacture and sale of high-value-added products.

A promising market where we anticipate growth is agriculture business. SRG is applying the metal processing technologies it has acquired from scaffolding development to offer cost-competitive, highly weather-resistant products,

placing emphasis on providing framework structures that enhance agricultural efficiency, including cooperation with outside partners and utilization of the Internet of Things (IoT). SRG is a new entrant to this market, but we believe that we can utilize our strengths to create environments that strengthen Japanese agriculture.

The basic policy of the new medium-term management plan is to establish an earnings model that combines a stock-type business generating stable earnings (focused on the rental business), a flow-type business that fluctuates but with prospects for growth (mainly manufacturing and sales), and the agriculture business offering growth potential. The absorption-type merger with Hory Corporation planned for January 2018 will also further strengthen our unified structure, from developing and manufacturing to rental, sales, design and construction, as well as lower costs by integrating the management structure, and enhance the speed of decision-making.

Through these measures, SRG aims to shift from its previous focus on the rental business to a manufacturing and sales company with a core in metal processing technologies, and become a corporate group with strong profitability and growth over the medium and long term.

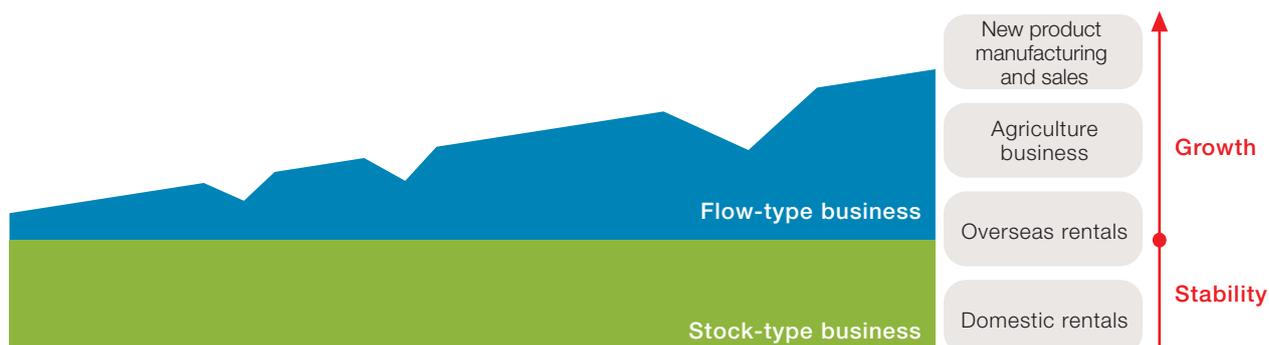
Main strategies for the fiscal year ended March 2018

The fiscal year ending March 2018 is a major turning point for implementing the basic strategies. We plan to concentrate on addressing the ongoing issues from the previous management plan, and get a solid head start.

In the rental business, shipments for civil engineering projects (one of the reasons for the revenue shortfall) are expected to rise from summer 2017. Accordingly, we will ensure efficiency in preparations for equipment and materials, and increase rental income. In addition, through services combining equipment rental and temporary construction (material and construction orders), we will actively pursue new

Basic Strategy: Business Model Combining Stock and Flow

SRG aims to combine a stock-type business generating stable earnings (focused on the rental business), a flow-type business that fluctuates but with prospects for growth (mainly manufacturing and sales), and the overseas business offering growth potential, in order to establish a corporate group able to generate high earnings and growth over the medium and long term.



product marketing and product development expertise. Further, we will utilize the Construction Department and scaffolding company network to expand operations including agriculture and other growth markets, not just temporary construction.

In the sales business, SRG will expand revenue and earnings by strengthening sales of next-generation scaffolding in response to full-fledged demand, and the full-scale launch of shipments to new sectors such as structural materials and agriculture business.

Outside Japan, SRG will strengthen its management structure, and enhance marketing activities to further expand orders. We will also actively develop markets overseas for fully depreciated equipment with low demand in Japan, mainly in ASEAN countries, and gain renewed profit. We are steadily recovering the up-front investments that had put pressure on earnings, and aim to regain profitability in the fiscal year ending March 2018.

The foundation supporting enterprise value

As SRG reforms its business structure and accelerates overseas business expansion, corporate governance becomes increasingly important. From the standpoint of strengthening the management structure, we are revising the corporate governance structure including appointment of a second outside director, seeking to enhance clarity and objectivity in management and raise corporate value.

Proactive investment in overseas also increases the need to address collection risk and other types of risk management. Business outside Japan will continue to be managed directly by the president in order to quickly respond to issues. In addition, we are establishing a global risk management structure, and cultivating local staff.

The most important management asset to expand enterprise value is people. As we shift to becoming a manufacturer, we plan to expand our workforce to include a diverse range of personnel, such as employees with a wealth of agricultural knowledge who can offer technical solutions. We will cultivate and train personnel so that all group employees, including next-generation management candidates, fully understand the group's policies, and are able to generate high degrees of value with fresh ideas unconstrained by conventional thinking.

SRG is also working to provide a positive work environment, including actively encouraging employees to take advantage of extended leave benefits, maternity and childcare leave, and shorter working hours for childcare. As a result of these measures our turnover rate is as low as 7.7%, keeping human asset outflow to a minimum. We will continue to make active use of female and older employees, establish a management structure open to all nationalities, offer varied working styles including telecommuting, and implement other management reforms that enhance employee motivation.

Aiming to be a corporate group with continued growth

The SRG TAKAMIYA Group's business up to now has mainly been rental of temporary equipment and materials to the construction industry. Over the last few years, however,



manufacturing and sales have become an increasingly large part of our business as a result of strategic investments for long-term growth, including the acquisition of manufacturer Hory Corporation, overseas M&A, and the launch of Iq System, a next-generation scaffolding. We plan to further expand in this area under the new management plan.

While making appropriate investments for growth, SRG will continue to provide shareholder returns consistent with earnings, based on our policy of stable dividends.

Going forward, SRG will develop and offer products with high added value that meet industry standards for safety and efficiency, in order to boost earnings capacity and enhance enterprise value. We will also further strengthen our foundations and structures to continue offering new value, seek innovations to address the issues facing society with flexible ideas, and strive to be a corporate group that continues to grow over the long term, from 2020 and beyond.

I would like to thank all stakeholders for their support in taking a longer-term perspective toward our strategies.

July 2017

Kazumasa Takamiya
Representative Director, President and Chairman

Contributing to stable growth in the medium and long term and nurturing newly growing businesses

Akiyoshi Takamiya

Representative Director,
Executive Vice President



Medium-term success in domestic business environment

With the Tokyo Olympics and Paralympics being held in 2020, the domestic construction industry is expected to show steady investment growth in construction business mainly in metropolitan areas. Investment in private equipment and public investment including re-establishment of deteriorated infrastructures is also expected to increase. In addition, because the utilization rate of equipment for civil engineering and bridge construction will be improved thanks to the construction work for Hokuriku Shinkansen Line, the medium-term business environment is expected to shift positively for the Company.

On the other hand, the chronic shortage of workers followed by the increase of labor costs is a structural issue. Also, considering current condition, in which markets concentrate in urban cities, and the decrease in population, it is a fact that we cannot expect large-scale growth in the domestic market. However, for the Company, the domestic business is always an important core to generate stable profits. It is not too much to say that the future movement of domestic business strategies is the key to the growth of the whole group through vigorous promotion of the agriculture business, which we hope to be a next generation business, and maintenance and repair businesses, the growth of which are greatly anticipated.

Promotion of de facto standardization of Iq System in markets we have developed

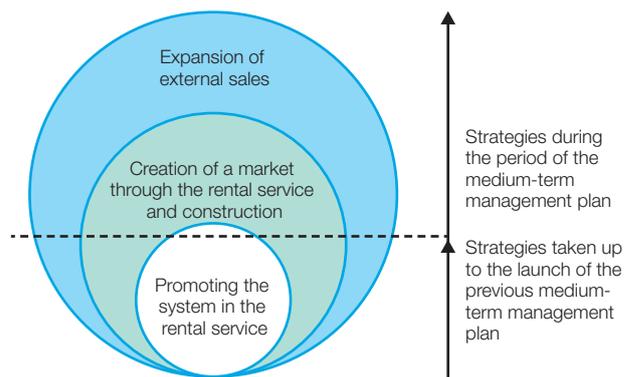
Iq System, a next-generation scaffolding, is an essential factor to establishing a stable profit base for the future. It has been rapidly drawing attention as the total number of sites using it had reached 2,868 as of the end of March 2017.

One of the reasons for its popularity is its high safety standard. Although governments have established stricter regulations on safety in order to decrease the number of accidents and fatalities in the construction industry, companies have add parts to traditional equipment to enhance safety rather than purchase new equipment because the durable period of scaffolding is very long. This fact has caused a decline in work efficiency and safety at work sites. Now, to improve such situation, we have developed Iq System,

a next-generation scaffolding that responds to typical conditions in construction sites, and have introduced the system into the market. We have worked on improving safety conditions, and have been successful in enhancing our operational ratio and reducing expenses as the workability and efficiency have improved.

In addition, our Construction Department has showcased the advantages of Iq System to our customers at construction site and launched promotions. It can be said that the competitive superiority of the Company has been generated by effectively activating the Construction Department in order to be able to provide the customers with not only scaffolding but also excellent workers; in addition, the department collects the data and opinions from actual construction sites. We also strive to expand our network with scaffolding companies from a medium-term standpoint as we foresee the current shortage of workers will become even harsher; now there are 50 companies throughout the nation in our network (as of March 31, 2017). We are planning to raise the number to 100. The Company has promoted the advantages of Iq System through the rental service and has steadily expanded the market. It is expected that other competitors will follow us as it has become more important to listen to the opinions from worksites and the owners of construction sites that demand improvement for safety and work efficiency. We believe the advantages of the Company are solid. It is expected that, while the number of orders for

■ Promotion of De Facto Standardization of Iq System



rental items that are used for building construction and renovation is increasing, the sales to scaffolding companies will increase thanks to the increasing demand for rental services. In the new medium-term management plan, we aim to boost our sales while developing the market by promoting our rental services for construction businesses.

Promotion of products with high added value

In addition to Iq System, a next-generation scaffolding, we promote strategic products for the construction market such as Spider Panel, an advanced hanging-type scaffolding, and Lift Climber, a mast climbing work platform used at large-scale renovation sites like high-rise apartment buildings, which will support the growth of the Company for the medium and long term.

We are also aiming to expand the market for agriculture businesses and structural equipment including seismic dampers. For the agriculture market, we have developed a low-cost product that has strong weather-resistant function that is called G-Castle, an agricultural greenhouse with a steel framework. The Construction Department has been working to establish systems to be used for the building of agricultural greenhouses and repair work. The seismic damper includes WUTEC-SF, an earthquake-resistant and seismic damping framework for wooden buildings that has been designed using our advanced metal processing technologies. While aluminum products with seismic damping effects are rarely seen in the industry, we believe producing such products generates a competitive superiority as a manufacturer. Currently, we are devoting ourselves to the development of a new product called Oct-brace, a large-scale seismic damper that can be used for metal frames. Reducing the weight of seismic damper can reduce the use of the metal frames of a building, which will save on overall construction expenses.

All our products enhance the safety and efficiency of construction work. Hereafter, we believe it is important to continue developing such products with high added value in order to shift from rental business to development and manufacturing and sales business.

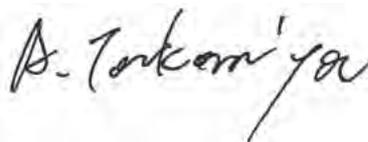
Enhancement of profitability and establishment of strong advantages

Profitability in a mature domestic market depends on how fast we can provide value-added products. We are required to continue developing products with high added value that have never been previously existed, while researching what contributions we can make to technologies for maintenance and repair and construction.

In the rental business, we aim to promote a proposal-based rental service, which proposes appropriate equipment to customers among various products from the manufacturer viewpoint. With the cooperation with the Construction Department, we aim to provide one-stop services by utilizing the assets of each group company by proposing appropriate equipment using the architectural drawings and creating temporary equipment plans in order to gain more orders while following up customers on-site by giving technical advice. Moreover, we strive to get more orders from demands for repair and infrastructure maintenance and establish a solid base in the Kanto area, in which most of our orders are concentrated.

By providing added value that can rarely be seen elsewhere, we believe our business will take benefit in a better way than ever. Applying the fundamentals that have been established already to an excellent business environment that will last until the 2020 Tokyo Olympics and Paralympics, we will continue enhancing our values so as to be continually chosen by our customers.

July 2017



Akiyoshi Takamiya
Representative Director and Executive Vice President

Agriculture business—aiming to reinvigorate traditional Japanese agriculture

The know-how that the Company has accumulated and our metal processing technologies can be effectively applied to manufacturing/construction of agricultural greenhouses and plant shelves. It is beneficial for us to enter into the business because we can utilize the product supplies system of temporary equipment based on the consideration about purchase activities and production costs.

Data shows that the average age of people engaging in agriculture is 68 and nearly 30 percent of current farmers will quit their business in the next 10 years. Also, entry into the business is difficult due to the high expenses required for initial investment.



G-Castle series
A greenhouse with a metal framework, designed using our unique structural calculations, realizes low cost but high weather resistance.



Pipe house
This agricultural greenhouse is highly durable against natural disasters, maintaining a full-scale cultivation cycle throughout the year.

However, since the business is of great importance, we believe we can reinvigorate traditional Japanese agriculture by effectively utilizing our business resources including our technologies and human resources. By proposing products such as agricultural greenhouses and related services, we can contribute to producing a business environment that enhances the power of Japanese agriculture.

[Three advantages of our agricultural greenhouse]

- 1) Price advantage:** We can realize low prices by using our know-how in structural calculations, which has been acquired through development activities for temporary equipment and our unique metal processing technology.
- 2) Weather resistance:** By implementing structural calculations and quality evaluations that respond to damage by various weather conditions including strong winds and snow, we achieve high weather resistance considering the actual environment in which the products are used.
- 3) Construction speed:** Utilizing of the networks of the construction department and its partner scaffolding set-up companies has been promoted in order to achieve speedy construction work throughout Japan.



Enhancement of our financial characteristics by shifting our business direction from investment to recovery

Hideki Yasuda

Director and Senior Managing Executive Officer
Division General Manager
Business Management Division
General Manager

Review of the fiscal year ended March 2017

In the fiscal year ended March 2017, the last year of the 2014 medium-term management plan, net sales were ¥36,763 million (up 7.0% year on year), operating income was ¥2,429 million (down 18.6%), ordinary income was ¥2,337 million (down 14.4%) and profit attributable to owners of parent was ¥1,516 million (down 29.6%). ROE was 12.6%.

In the rental business, we vigorously promoted the advantages of our next-generation scaffolding called Iq System and the safe and reliable scaffolding service provided using the nationwide network with scaffolding companies in order to increase the already strong demand for building construction implemented by the private sector. For temporary equipment for construction for civil engineering and bridges, some areas saw suspension of work and delay in the start of construction in the first half of the year. But the operations re-started in the second half, resulting in an increase in overall revenues. Unfortunately, a decline in profit was unavoidable due to the strong promotion of temporary equipment.

The sales business received large orders for Iq System in the second half of the year thanks to promotional activities by the rental services, and also the number of inquiries increased. Profit and sales have improved due to the reduction of production costs.

In overseas operations, on the other hand, an increase was seen in the management costs for the establishment of the sales management system for solar-related products and the enhancement of a new rental business within South Korea. In addition, issues have occurred such as a loss of business opportunities due to delays in the investment in rental assets in the Philippines, an increase of the costs for the establishment of the control system for stocks and credits after receiving orders, etc. Although these issues were solved later in the year, it resulted in a decrease in profits and operating losses.

From investment to recovery

Investment was the main focus of the financial strategies in the 2014 medium-term management plan. Since we decided, at the time of the establishment of the plan, to start recovery activities after concluding three year investments, we were able to explain to banks about the promotion of next-generation scaffolding and the switch in rental assets at an early stage. This has allowed us to establish a relationship with the banks in which we both plan together to realize smooth funding.

Although the fiscal year ended March 2017 recorded positive operating cash flows, some investors may be

Consolidated Financial Highlights

(¥ million)

| | 2015.3 (Actual) | 2016.3 (Actual) | 2017.3 (Actual) | 2018.3 (Forecast) |
|----------------------------------------|--------------------|--------------------|--------------------|----------------------|
| Net sales | 34,261 | 34,350 | 36,763 | 38,300 |
| Operating income ① | 3,098 | 2,983 | 2,429 | 2,850 |
| Ordinary income | 3,325 | 2,731 | 2,337 | 2,600 |
| Profit attributable to owner of parent | 2,070 | 2,153 | 1,516 | 1,700 |
| Depreciation ② | 3,649 | 4,137 | 4,502 | — |
| EBITDA (①+②) | 6,747 | 7,120 | 6,932 | — |
| Earnings per share (yen) | 46.17 | 48.12 | 35.14 | 39.82 |
| Dividends per share (yen) | 16.0 | 10.0 | 10.0 | 11.0 |
| ROE (%) | 19.8 | 18.5 | 12.6 | — |

Notes:

- Recorded figures are rounded down to the nearest million yen (except per-share information).
- We conducted two-for-one stock splits on January 1, 2015. Earnings per share is calculated by deeming stock splits to have occurred at the beginning of the fiscal year ended March 31, 2015. The dividend for the fiscal year ended March 31, 2015 included a commemorative dividend of ¥2.5 to commemorate the designation of our stock to the First Section of the Tokyo Stock Exchange.

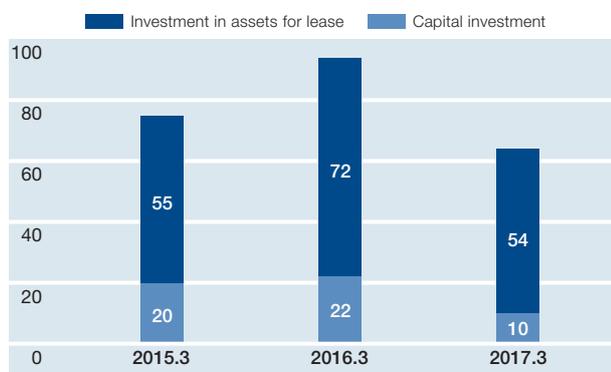
concerned about negative operating cash flows. This is actually result of the investment in rental assets we have implemented mainly in next-generation scaffolding. Usually the expenses for investment are recoded as negative in investment cash flow. But the Company records the expenses in the operating cash flow because we regard rental assets as the same as operational assets. As investments in rental assets have been ended, the operating cash flow is expected to become positive largely.

The period of the 2017 medium-term management plan will be one of recovery after investment. We aim to improve our balance sheets while enhancing the capital adequacy ratio in order to build strong financial structures.

For the next three years, we will control large-scale investment in scaffolding, but will still continue investment activities while narrowing down investment targets to fields with high future growth potential such as agriculture and overseas operations for costs for research & development, enhancement of production lines, shifts to overseas production, and so on.

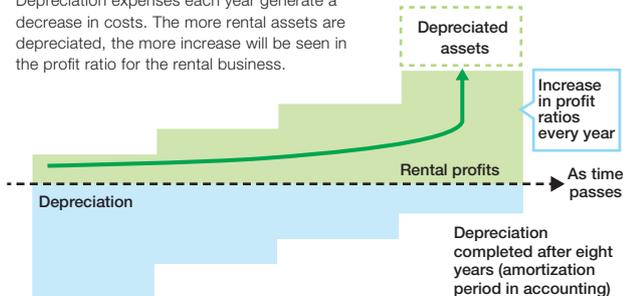
In the business environment of the fiscal year ending March 2018, which is the first fiscal year of the new medium-term management plan, business activities will rapidly accelerate in the third quarter period because of the launch of large-scale jobs in constructions of civil engineering projects and the restoration of infrastructure in the Kanto area that are scheduled between summer and early autumn.

Investment Results (¥ billion)



Depreciation and the Profit Ratio

Depreciation expenses each year generate a decrease in costs. The more rental assets are depreciated, the more increase will be seen in the profit ratio for the rental business.



Investment control for the change of business models

We have realized profit in the past by efficiently renting out 'depreciated equipment' using an overwhelming amount of equipment in stock. (See page 6 for the profit model of the rental business.)

We may have realized a large profit if we continued our operations using depreciated assets without investing in next-generation scaffolding. However, then we would not have gained further growth in a mature market.

The merger with Hory Corporation planned in January 2018 will accelerate the shift to companies to development and manufacturing. By combining a stock-type business, which can generate profits stably for a long period, with a flow-type one that can make income for a short-period of time, we are attempting to shift to a balanced business model that can achieve high growth and steady profits. (See the "Business Model Combining Stock and Flow" on page 10.)

Focus on management indicators

The Company focuses on EBITDA, data obtained by adding operating income to depreciation costs. In the stock-type business models, the profit ratio increases as costs reduce due to the progress of the depreciation of rental assets (refer to the image on left). In other words, when EBITDA is large, the investment power for the future is strong. We are also striving to bring ROE above 10%, which has been included in the financial policy.

Eagerly take on challenges to achieve high goals

It is our responsible as a listed company to continuously grow by effectively utilizing funds from stockholders while enhancing the Company values. We understand the fact that the performance goals in the previous medium-term management plan were not achieved, and now we have established and started the new medium-term management plans on analysis of these results.

Although we expect the business environment to be stable up until the Tokyo 2020 Olympic and Paralympic Games, it is necessary to develop new fields for further development and to shift our operations. Expanding our business into the fields of agriculture and overseas operations is part of this goal. Although it is expected that issues may arise for a short period of time, we believe that we can establish a position in the market, just as we always do, by overcoming obstacles in the medium and long term.

We hope that stockholders and investors will appreciate our positive attitude against such challenges as we seek new possibilities and set high goals.

July 2017

Hideki Yasuda
 Director and Senior Managing Executive Officer
 Division General Manager
 Business Management Division
 General Manager



Rental business for temporary equipment that improves operational efficiency and profitability

The Company offers its rental services for temporary equipment to various construction sites such as buildings, bridges, renovation of ultra high-rise buildings, and tunnels and other underground facilities. The advantage of our company is to be able to respond to diverse needs adequately by combining our business functions of development and production, construction, and designing with the rental service. Also, we contribute to the safety and efficiency of the sites by thoroughly maintaining the quality of equipment.

We attempt to continuously improve operational efficiency and profitability by replacing mainly with Iq System, a next-generation scaffolding that we have developed as our main product and other high-value-added and versatile products.

Business Details

Started soon after our establishment, the rental business has been a core service for the Company. The rental business started by targeting building construction, then vigorously expanded into new industrial fields through business transfers from other companies and business acquisitions. As a result, we now own equipment that supports most construction sites including underground work, ultra high-rise buildings, highways and bridges. In 2010, we established the construction department, which has allowed us to accept orders for both construction of scaffolding and equipment, and to expand the range of the service details.

Competitive Advantage

Throughout the country, we propose one-stop services for from planning temporary construction work, creating blueprints and arranging equipment, construction and safety management. We cover various construction fields from shield construction for pipeline work to large-scale repair work for ultra high-rise apartment buildings, renovation work for highways and plant construction work. We also respond demands to help prevent natural disasters such as work to prevent landslides and building of seawalls.

The distribution costs of our service is lower because most of our equipment including scaffolding are manufactured within our group, and management expenses are controlled as much as possible by reducing weight of the equipment we own and using them for various purposes.

Results for the fiscal year ended March 2017

In the 2014 medium-term management plan, the rental business went almost as initially planned. As the demand from the construction field increased, the rental orders for our equipment, mainly for Iq System, a next-generation scaffolding, was high. The demand for temporary equipment for civil engineering and bridge construction was slow due to a slowdown in construction work in some areas and delays in the launch of work in the early part of the year; however, later in the term, orders started to gradually increase. This resulted in a record number of shipment orders for equipment.

On the other hand, because of price controls as part of the promotion of Iq System, profit was less than estimates in the initial plan. The reason was because management costs have increased as new and old equipment were mixed together as it was a transition time for rental assets, in addition to the increase in the depreciation costs due to vigorous promotion of temporary equipment, and the slump in local subsidies.

In regards to the promotion of Iq System, we proposed our rental service as well as the scaffolding set-up service that are safe and reliable through the Safety and Health Cooperative Association, a network throughout Japan of scaffolding companies. The promotion has been successful so far as total number of the construction sites that have used our rental service reached 2,868 (as of the end of March 2017) and the monthly average operational ratio is 61.9%.

As a result, sales in the rental business were ¥22,213 million (up 8.3% year on year) and operating income was ¥2,267 million (down 16.4%).

MESSAGE

Message from the Officer in Charge



Tsutomu Abe

Director and Executive Officer / Division General Manager of Sales & Marketing Division and General Manager of Rental Department

We are aware that our rental business is the main source of profits for our group.

The fiscal year ended March 2017 saw a large expansion of the market share for the next-generation scaffolding as well as an increase in the number of repeat customers from construction companies. The future demand for Iq System appears to be positive and the penetration of the product will be accelerated. Also, the increase in the demand for rental products will have a healthy impact on the sales business as a synergetic effect. For the whole rental business, it is expected that a positive environment will be generated with some large-scale projects including the construction work for the Hokuriku Shinkansen Line and redevelopment in metropolitan areas, which will be a solid source of profits for our group. It is important that penetration strategies are created by the construction department in order to accelerate this briskness. When we launch new products into the market (not limited to Iq System), the construction department plays an important role. We attempt to increase our profitability by enhancing our advantages as a manufacturer including technology proposals, enhancement of the quality of work of the Construction Department and safety.

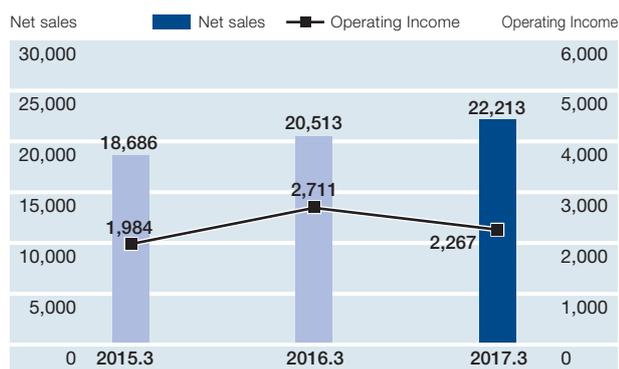
Acceleration of de facto standardization for next-generation scaffolding by steadily gaining demand

As the market for post-disaster reconstruction in the Tohoku region has reached a saturation point, most of the sites of orders have been concentrated in metropolitan areas, related to construction work for the 2020 Tokyo Olympic and Paralympics and restoration activities for decrepit infrastructure. In the fiscal year ending March 2018, high demand for Iq System, next-generation scaffolding, is expected along with the steady growth of the number of new construction and repair work in the construction field mainly in metropolitan areas. The utilization rate of all the equipment will maintain at a high level, even in the civil engineering and bridge construction field, the distribution of equipment will be implemented on a full-scale to respond to the demand related to construction sites for the development of the Hokuriku

Shinkansen Line and repair of infrastructure. We will also aim for steady demand with a proposal-base rental service, in which we select equipment that is most suited for each site among a variety of product ranges.

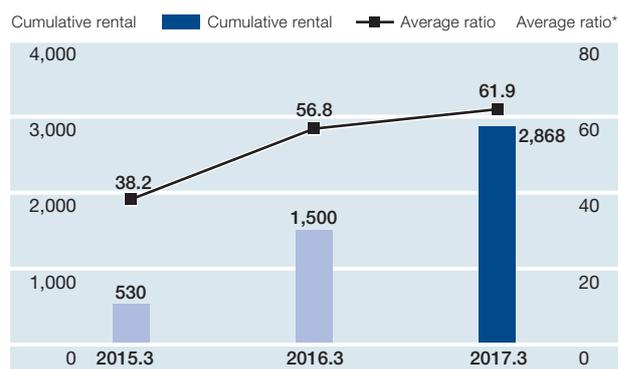
For the next-generation scaffolding, the market will become more aggressive as competitors have started full-scale entry into the market. The demand for Iq System, the floor height of which is 190cm (20cm higher than traditional scaffolding), is steadily growing, and the number of orders from our customers has been increasing. We promote de facto standardization of Iq System by creating a market as we continue developing our rental service while promoting the product through the activities of the construction department. We have almost completed switching lease assets from conventional scaffolding to next-generation scaffolding in the domestic markets, and we strive to enhance profitability while making adjustments to determine fair prices. We are also determined to achieve our profit goals.

Net sales and Operating Income (¥ million)



*Sales and operating income include internal sales and transfers.

Cumulative Rental and Average Ratio of Availability of Iq System (site / %)



* Comparison data from the time of the installation of Iq System



Vigorous development activities for value-added products using our metal processing technologies

By utilizing our metal processing technologies we have gained through past business activities, we carry out a wide range of activities including development, manufacturing and sales for our unique products such as Iq System, a next-generation scaffolding, small temporary equipment like clamps, seismic dampers, solar panel frame and agricultural greenhouses.

The core service of the SRG TAKAMIYA Group is development and manufacturing that can realize various needs of worksites, and is one of our strengths that create new values. We promote the sales of the Iq System to achieve de facto standardization as well as receive more orders from agriculture business, which is considered to be a growing industry.

Business Details

The sales business mainly develops temporary equipment that is used at new construction sites and renovation work including Iq System, a next-generation scaffolding, and Spider Panel, advanced hanging-type scaffolding. As a new business, we vigorously implement promotional activities for agriculture-related materials including greenhouses, etc. and trading of seismic damping parts used for individual residential houses and low-and mid- and high-rise buildings, which have drawn attention as a measure against earthquakes, with the aim of making the service a core business. Also, we sell commercial products with high profitability such as second-hand products in addition to depreciated assets that we own.

Competitive Advantage

In industries in which most of manufacturers carry out rental services, it is rare that a rental company has the functions of a manufacturer. Therefore, the Company has a variety of advantages. One of the advantages is that we can directly hear various needs of customers and apply them to product improvement and development activities. Moreover, we introduce newly developed products to our rental business and them through promotion activities. Because a certain quantity of rental assets is purchased in the rental business, this allows us to estimate the quantity of production in a year, so production activity becomes safer and has advantages in cost performance.

Results for the fiscal year ended March 2017

Net sales of the sales business were ¥16,489 million (up 3.9% year on year) and operating income was ¥2,357 million (up 53.9%), both of which were higher than the initial plan.

For construction products, we have achieved the goals set in the fiscal year plan thanks to large orders placed at the end of the term for the popular Iq System of next-generation scaffolding. The total area in which Iq System was used has increased to 3,650,000 m², and the market share of the Iq System is now approximately 5.0%.*

In the environment-related business, the number of orders for solar panel frame grew steadily in contrast to our expectation; however, the results for the agriculture business were lower than what we initially expected despite the increase in the number of inquiries and orders. The net sales of used products increased compared to the previous fiscal year, but the gross margin ratio has declined due to the decrease in the sales of depreciated assets. Other factors such as cost reductions thanks to stable production activities at factories and the sales of products with high profitability had a positive impact on profit.

* The ratio was determined using the total area, in which Iq System has been used (3,650,000m²) against the area of traditional studs (scaffolding frames) 73,410,000 m². Calculated by the Company in accordance with the "Survey on the Construction-Related Industry March 2017" by the Ministry of Land, Infrastructure and Transport.

MESSAGE

Message from the Officer in Charge



Hidehiko Yamashita

Executive Officer/General Manager of HORY Product Sales Department and Sales & Marketing Division

In the fiscal year ended March 2017, we saw a fall in the profit ratio for used equipment sales; however, on the whole, the results exceeded what was initially planned in the business plan. The biggest challenge in the sales business is an expansion of the market of Iq System, a next-generation scaffolding. We are conducting operational activities to gain de facto standardization of the system with the aim to increase sales and profits every year. It has been possible in the past to reduce costs through stable production activities for rental assets within the Group, but after the fiscal year ending March 2018, when external sales will become our main activity, a reduction in sales will have a negative impact on Group result. The path of the shift from traditional scaffolding to next-generation scaffolding is almost visible now. We strive to maintain the top position and produce results. In new fields, we will expand operational areas in order to gain orders for agriculture-related equipment. For structural equipment, we have succeeded in the development of seismic dampers that can be used for buildings and warehouses, and we continue striving to contribute to business by increasing the number of operational items.

Propose value-added products and services by enhancing development, manufacturing and sales

In the fiscal year ending March 2018, the temporary equipment industry will see an even greater boost in sales mainly of Iq System; the background to such a boost is the increase in demand for rental services. We will continue enhancing the sales business for strategic products, including Spider Panel, an advanced hanging-type scaffolding, and other equipment with high workability and safety.

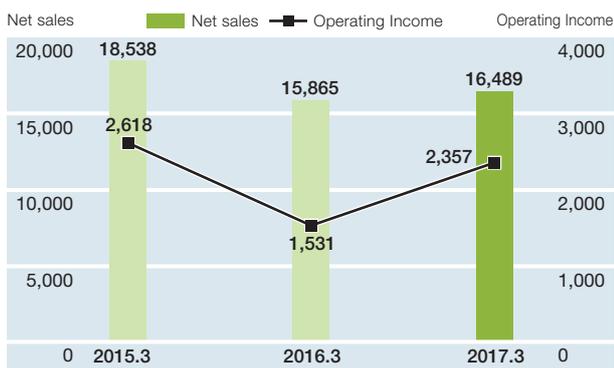
In the environment business, we are promoting the development of agriculture-related products such as greenhouses highly resistant to snowfall and strong winds yet with low costs, and also the number of inquiries for steel-framed greenhouses is increasing. Promotional activities are to be launched to secure more orders.

Moreover, we aim to realize production of Oct-brace, structural equipment that is larger than WUTEC-SF, a seismic damper for wooden houses. This product is a functional

structure part, which can be used not only for distribution warehouses with large floor areas and low-and mid-rise buildings, but also for ultra high-rise buildings. We aim to continue producing high-value-added products such as the above.

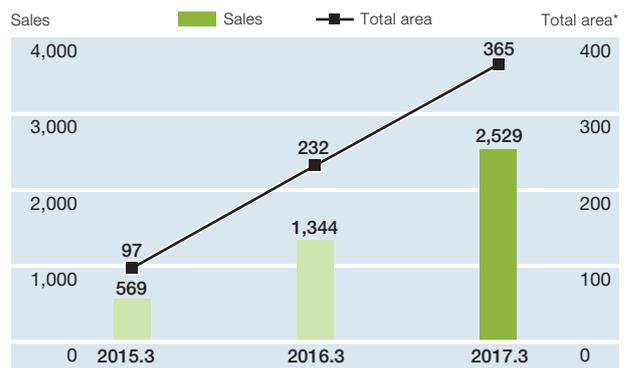
Due to the merger of Hory Corporation, one of our subsidiaries, scheduled in January 2018, all the business of the Group will be shifted to manufacturing and sales according to our long-term plan. To make this happen, the roles of each region including overseas factories must be clarified to optimize the category of products. In domestic activities, management resources are concentrated on the research and development activities for products, and we clarify hubs that produce high-value-added products while establishing a production system that focuses on cost reduction. The sales plan of this business for external customers in the fiscal year ending March 2018 is expected to increase; however, contributions to earnings will be small because of the prior investment in factories with the aim of reducing future costs.

Net Sales and Operating Income (¥ million)



*Sales and operating income include internal sales and transfers.

Sales of Iq System and Total Area Used (¥ million / 10,000m²)



*The total area is calculated by the Company based on owned rental assets and sales performance.



Enhancement of our profit systems in overseas market –the key to future growth

We launched our overseas business in the fiscal year ended March 2017. The pillar of future growth is to be built by comprehensively managing the rental and sales businesses in the overseas market.

By effectively utilizing overseas business hubs including DIMENSION-ALL INC. in the Philippines, a consolidated subsidiary that we acquired in 2015, the SRG TAKAMIYA Group is looking to enhance its profit system using both businesses of rental and sales while establishing business fundamentals including priority investment for business expansion.

Business Details

As features of our overseas operations, each subsidiary runs its business mainly by doing business with local construction companies. In South Korea, a solar panel frame is one of the main business products in addition to the sales of temporary equipment. In the Philippines, aluminum frames are leased out to major construction companies in local areas. Vietnam has been a production hub for products, with metal fittings being the main product; however, the country will be a hub for equipment (including temporary equipment) supplied to the Group.

Competitive Advantage

Consolidated subsidiaries in South Korea and the Philippines, which are the hubs of our sales activities, mainly undertake business with local companies. In the ASEAN region, which is the target market of these subsidiaries, infrastructure investment has been very active. The utilization rate for equipment required for the construction of infrastructure is forecast to be unstable in Japan; however, since such equipment is in short supply in the ASEAN, profits can be generated by transferring depreciated equipment to the region. Having our production hub in Vietnam, we also aim to reduce costs by producing products that are in demand in local areas using Japanese production technologies and latest equipment. With our price-competitiveness generated through the above-mentioned activities, we earnestly undertake our business activities with local manufacturers and Japanese companies.

Results for the fiscal year ended March 2017

Net sales from overseas business were ¥4,198 million (down 12.6% year on year) and operating loss was ¥189 million (operating income in the previous fiscal year was ¥179 million), considerably lower than the result of the previous fiscal year. The overseas sales ratio was 9.8%.*

One of the reasons why we could not achieve our goals was because the management systems of overseas subsidiaries were not sufficient enough. We failed to expand our business operations as planned because we prioritized debt-collection. Hory Korea Co., Ltd. has re-designed the management systems within South Korea by suspending the acceptance of orders for solar-related business. In addition, management costs increased due to the launch of rental services. DIMENSION-ALL INC., our subsidiary in the Philippines, posted a large deficit in business operations. Although issues with the management of stock and debts were solved later in the year, it had a big impact on the results of each business. HORY VIETNAM Co., Ltd., on the other hand, maintained steady manufacture of and sales of clamps to countries in Southeast Asia.

* The ratio was calculated using the figures including internal sales and transfers.

Start full-scale measures with enhanced business foundation to contribute to results

In order to improve the sales performance and profits, we are striving to establish business structures to develop and manufacture products that meet local demand. We will also strengthen sales activities with a supply hub in the ASEAN

MESSAGE

Message from the Officer in Charge



Yuki Mukaiyama

Director and Executive Officer/ Division General Manager of Business Development Division

The overseas operations in the fiscal year ended March 2017 resulted in a decrease in the operation results of the group due to the prioritization of inventory management and debt collection. However, our operation systems have become more profitable for the group as we consolidate the control systems and promote investment in business expansion. Business localization is the next aim for the Company. It is commonly seen that Japanese companies establish local subsidiaries and dispatch Japanese staff from Japan. However, we plan to hire local employees at our overseas subsidiaries while cementing alliance with local companies and implementing M&A activities as we continue enhancing governance capabilities. As a start, we will reform the operation structure with the members of the Korean subsidiary, who already have strong operational skills, and strengthen the operation activities in the ASEAN region while establishing a product supply structure in at factories in Vietnam. We will steadily develop the profit base of our group for the year 2020 and after with relationships with local companies that can be deepened through participation in business matching events in each country.

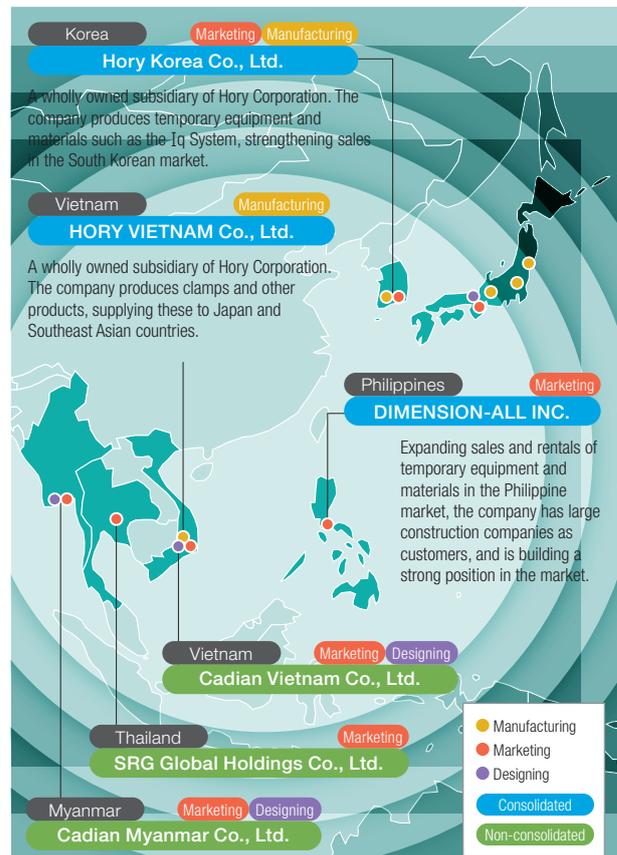
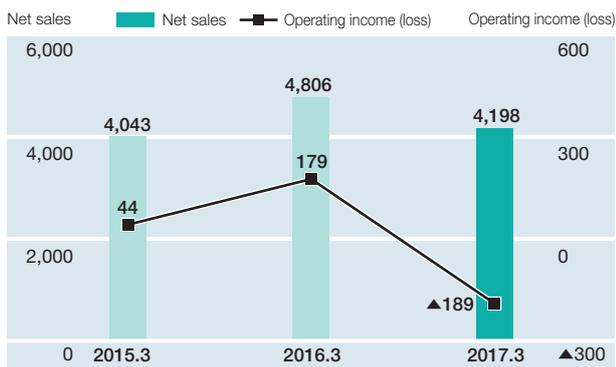
region, that is, in Vietnam, by carrying out all production activities focusing on versatile products like clamps. In South Korea, we will make sure that management structures are strong enough in order to boost sales activities before lifting the suspension the acceptance of orders for solar-related products, and we will also focus on the rental service to gain more orders for rental products within South Korea. In production, value-added products will be viewed just as they are in Japan.

In the Philippines, the number of inquiries for temporary equipment has been increasing thanks to strong demand in the construction industry. We strive to re-monetize the orders by transferring products to the country, which are popular in the Philippines but not in Japan, while continuing to enhance the management systems of DIMENSION-ALL. Thus, we aim to enhance our profitability by responding to the strong demand in the construction field while maintaining cost competitiveness by supplying rental equipment within the Group.

In Korea, we will not only strengthen the operations within the country, but also implement strong sales activities for temporary equipment in the ASEAN region as well as cement the alliance with major companies in the country.

In addition to these activities, the collection of upfront costs, which was a burden on the profit result, has been very smooth. We aim to return to profitability in the fiscal year ending March 2018, and to achieve a sales ratio over 10%.

Net Sales and Operating Income (loss) (¥ million)



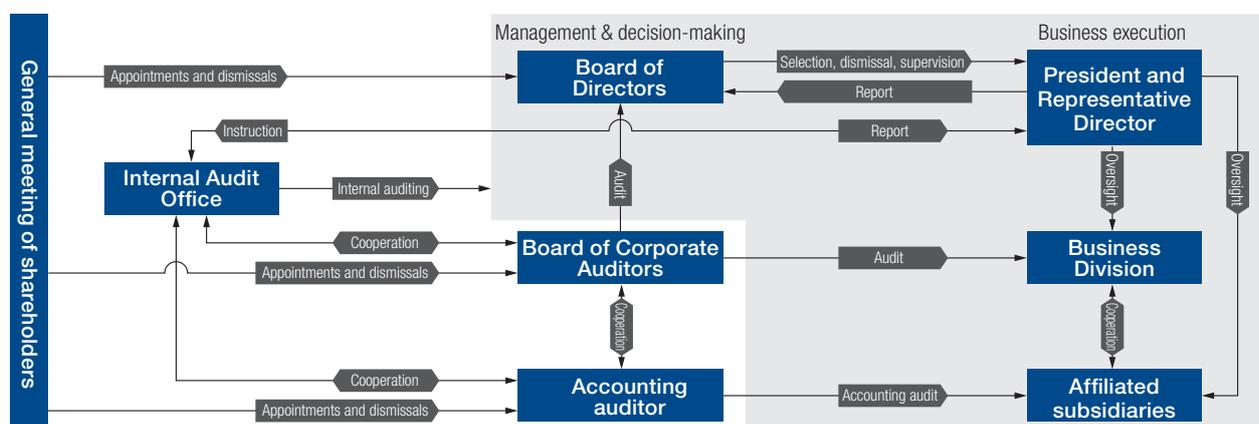
Basic Policy on Corporate Governance

The Group believes that ensuring full compliance, guaranteeing operational transparency and efficiency, and maximizing its corporate value for shareholders and other stakeholders are all central to corporate governance.

Overview of Corporate Governance System

| | |
|----------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Organization | Company with a Board of Corporate Auditors |
| Chairman of the Board | Kazumasa Takamiya |
| Number of Board Members | Ten, including two outside directors |
| Number of Corporate Auditors | Three, including two outside corporate auditors |
| Board of Directors Meetings in the FY Mar. 2017 | Held: Regularly 12 times, extraordinary five times, written resolutions two times Director attendance rate: 98%, corporate auditor attendance rate: 86% |
| Board of Corporate Auditors Meetings in the FY Mar. 2017 | Held: Regularly 12 times, extraordinary three times Corporate auditor attendance rate: 89% |
| Main Meetings Attended by Corporate Auditors | Board of Directors Meetings, Management Meetings |
| Appointment of Independent Directors | Two outside directors and two outside corporate auditors |
| Accounting auditor | Ernst & Young ShinNihon LLC |

Corporate Governance System



Appointment of Outside Executives

We appoint outside directors and outside corporate auditors. Each outside executive carries out objective and neutral auditing and monitoring of directors' business execution from their respective positions, thus ensuring satisfactory corporate governance.

Although there are no specifically defined standards or policies regarding independence when appointing outside directors and external corporate auditors, during appointment, we first evaluate that they have a perspective sufficiently separated from our management personnel based upon their career and relationship with our company, and that they have the independence to carry out their duties as external executives.

Mutual cooperation involves periodically receiving reports from the corporate auditors and the manager of the Internal Audit Office, and making comments as needed, with the aim of strengthening this cooperation.

Reason for Appointing Outside Director

| | |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>Kouji Shimokawa (Independent Director) President & CEO of Global Human Communications Co., Ltd. Representative Partner of Shimokawa & Partners Accounting Corporation</p> | <p>We have appointed Mr. Shimokawa as an outside director in the expectation that the Company can use his knowledge and experience cultivated in management accounting as a qualified tax accountant.</p> |
| <p>Noboru Furuichi (Independent Director)</p> | <p>With his experience as a financial advisor at a securities firm and his excellent decision making skills in business, Mr.Furuichi is capable to fulfilling the role as the Independent Director in an adequate manner using his knowledge and experience.</p> |

Reason for Appointing Outside Corporate Auditor

| | |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Yoshihiro Sakatani (Independent Corporate Auditor) President and Representative Director of Japan Management Consulting Co., Ltd. | We have appointed Mr. Sakatani as an outside corporate auditor in the expectation that he will utilize his qualifications as a certified public accountant and tax accountant and his deep knowledge and understanding of corporate accounting, to perform his duties appropriately as an external corporate auditor from an objective and neutral standpoint, based on his professional insight into finance and accounting. |
| Teiji Jouko (Independent Corporate Auditor) YODOYABASHI & YAMAGAMI Legal Professional Corporation The External Auditor of G-7 Holdings Inc. The External Auditor of Onamba Co., Ltd. | Mr. Jouko, a licensed lawyer, has been appointed for the position of the Independent Director as he can implement audit activities in an objective / neutral manner with the viewpoint of compliance. |

Executive Remuneration

For the fiscal year ended March 31, 2017, executive remuneration for our directors and corporate auditors was as follows:

| Classification | Total remuneration (thousands of yen) | Total remuneration by type (thousands of yen) | | | | Number of executives covered |
|--------------------------------------------------------------|------------------------------------------|-----------------------------------------------|---------------|----------------|---------------------|------------------------------|
| | | Basic remuneration | Stock options | Annual bonuses | Retirement benefits | |
| Directors (excluding outside directors) | 245,450 | 217,773 | 27,677 | — | — | 8 |
| Corporate auditors (excluding outside corporate auditors) | 9,600 | 9,600 | — | — | — | 1 |
| External directors | 7,140 | 7,140 | — | — | — | 3 |

Auditor Remuneration

For the fiscal year ended March 31, 2017, remuneration paid to certified public accountants and others was as follows:

| Classification | Previous fiscal year | | Current fiscal year | |
|---------------------------|-------------------------------------------------------------------------|-----------------------------------------------------------------------------|-------------------------------------------------------------------------|-----------------------------------------------------------------------------|
| | Compensation paid for audit certification work (thousands of yen) | Compensation paid for non-audit certification work (thousands of yen) | Compensation paid for audit certification work (thousands of yen) | Compensation paid for non-audit certification work (thousands of yen) |
| The Company | 30,000 | — | 32,000 | — |
| Consolidated subsidiaries | — | — | — | — |
| Total | 30,000 | — | 32,000 | — |

*Our consolidated subsidiaries of Hory Korea Co., Ltd., HORY VIETNAM Co., Ltd., and DIMENSION-ALL INC., paid a total of ¥3,896 thousand as remuneration based upon audit certification work to Ernst & Young member firms, which are members of the same network as our certified public accountants.

Communications with Shareholders and Investors

We endeavor to provide shareholders and investors with timely information in a transparent, fair and consistent manner. As well as striving to disclose information in accordance with appropriate disclosure regulations, we work proactively to disclose information that is effective in fostering a better understanding of the Company.

We aim to expand numbers of our shareholders and investors, and through direct communications are attempting to increase their understanding of our business activities, strategies and performance. Specifically, we are conducting presentations and meetings on financial results for analysts and institutional investors, as well as presentations for individual investors. We also publish the SRG Report, a newsletter for individual shareholders. Our main investor relations activities for the fiscal year ended March 31, 2017 were as follows:

| For Individual Investors | For Analysts and Institutional Investors | IR Website |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <ul style="list-style-type: none"> •Presentations for individual investors: six/year (total participants: 800) <p>We hold regular presentations at the Security Analysts Association of Japan as well as at branches of securities companies, with our officials as speakers. Our IR website indicates the timing of this disclosure.</p> | <ul style="list-style-type: none"> •Financial results presentations: two/year (year-end, end of the second quarter) •One-on-one meetings: approximately 100 times <p>At our semi-annual results presentations, the president and other executives summarize our performance and provide earnings forecasts. Materials and videos are available on our investor relations website.</p> | <ul style="list-style-type: none"> •https://www.srg.jp/en/ir/index.html <p>To ensure the timeliness and fairness of disclosure, we disclose materials on our IR website in a timely manner. This information includes analyst reports and historical data. We also provide in-depth content to assist in a further understanding of our business and strategy.</p> |

Directors



Kazumasa Takamiya
Representative Director,
President and Chairman
Executive Manager of
Overseas Business



Akiyoshi Takamiya
Representative Director,
Executive Vice President
Executive Manager of
Sales & Marketing
In charge of Environmental
Business Marketing



Hideki Yasuda
Director and
Senior Managing Executive Officer
Division General Manager of
Business Management Division
General Manager of
Corporate Planning Department



Tsutomu Abe
Director and Executive Officer
Division General Manager of
Sales & Marketing Division
General Manager of
Rental Marketing Department



Takashi Matsui
Director and Executive Officer
Division General Manager of
Scaffolding Management Division
General Manager of
Scaffolding Control Department



Sadamitsu Shimizu
Director and Executive Officer
Division General Manager of
Procurement & R&D Division



Yuki Mukaiyama
Director and Executive Officer
Division General Manager of
Business Development Division



Yasunori Nishioka
Director and Executive Officer
General Manager of
Manufacturing Department
President and
Representative Director
Hory Corporation



Kouji Shimokawa
Outside Director

Outside Independent



Noboru Furuichi
Outside Director

Outside Independent

Corporate Auditors



Kazumasa Yamaguchi
Corporate Auditor



Yoshihiro Sakatani
Outside Corporate Auditor

Outside Independent



Teiji Jouko
Outside Corporate Auditor

Outside Independent

Note: Kouji Shimokawa and Noboru Furuichi are Outside Directors. Yoshihiro Sakatani and Teiji Jouko are Outside Corporate Auditors. The Company designated these four as Independent Directors and Independent Corporate Auditors pursuant to the regulations of the Tokyo Stock Exchange and registered them as such at the stock exchange.

Executive Officers

Kazunori Kawakami
Senior Executive Officer
Deputy Division General Manager
Sales & Marketing Division
General Manager of
Construction Department
Executive Manager of East Japan Business

Shinri Ueda
Executive Officer
General Manager of
Scaffolding Quality Control Department
Scaffolding Management Division

Takahiro Shozaki
Executive Officer
General Manager of
Sales & Marketing Planning
Department
Sales & Marketing Division

Koichi Nishihashi
Executive Officer
General Manager of
General Affairs Department
Business Management Division

Michio Ashida
Executive Officer
President and Representative Director
HORY VIETNAM Co., Ltd.

Tomoya Tatsumi
Executive Officer
General Manager of
Finance & Accounting Department
Business Management Division

Hidehiko Yamashita
Executive Officer
General Manager of
HORY Product Sales Department
Sales & Marketing Division

Hideo Kato
Executive Officer
Tokyo Branch General Manager
Customer Service and
Operating Support Section Manager
Sapporo Office Manager

Consolidated Six-year Summary

(¥ million)

| | 2012.3 | 2013.3 | 2014.3 | 2015.3 | 2016.3 | 2017.3 |
|----------------------------------------------|--------|--------|---------|---------|---------|----------------|
| For the year | | | | | | |
| Net sales | 23,201 | 28,113 | 32,443 | 34,261 | 34,350 | 36,763 |
| Cost of sales | 15,998 | 19,917 | 22,610 | 23,404 | 23,059 | 25,771 |
| Selling, general and administrative expenses | 6,165 | 6,590 | 6,781 | 7,758 | 8,307 | 8,561 |
| Operating income | 1,037 | 1,605 | 3,051 | 3,098 | 2,983 | 2,429 |
| Ordinary income | 1,080 | 1,553 | 3,006 | 3,325 | 2,731 | 2,337 |
| Profit attributable to owner of parent | 755 | 807 | 1,768 | 2,070 | 2,153 | 1,516 |
| Investments in assets for lease | 3,687 | 2,850 | 2,381 | 5,577 | 7,227 | 5,447 |
| Depreciation | 3,088 | 3,280 | 3,369 | 3,649 | 4,137 | 4,502 |
| EBITDA* ³ | 4,126 | 4,886 | 6,421 | 6,747 | 7,120 | 6,932 |
| At year-end | | | | | | |
| Total assets | 32,472 | 33,987 | 37,245 | 43,520 | 50,091 | 52,760 |
| Equity | 6,271 | 6,947 | 9,514 | 11,453 | 11,766 | 12,338 |
| Interest-bearing debt | 19,534 | 19,384 | 18,694 | 21,635 | 26,636 | 29,287 |
| Number of employees | 679 | 710 | 693 | 903 | 979 | 1,010 |
| Cash Flow | | | | | | |
| Cash flows from operating activities | 669 | 1,575 | 2,839 | (1,620) | (1,081) | 1,163 |
| Cash flows from investing activities | (539) | (812) | (1,239) | (1,563) | (1,736) | (1,093) |
| Cash flows from financing activities | (39) | (779) | (715) | 2,927 | 2,844 | 879 |
| Cash and cash equivalents at end of period | 3,100 | 3,076 | 3,979 | 4,233 | 4,242 | 5,187 |
| Free cash flows | 129 | 763 | 1,600 | (3,183) | (2,817) | 70 |
| Per share data (yen) | | | | | | |
| Earnings | 17.47 | 18.83 | 40.17 | 46.17 | 48.12 | 35.14 |
| Net assets | 146.27 | 162.04 | 213.24 | 253.95 | 269.09 | 288.97 |
| Dividends | 20.0 | 20.0 | 13.0 | 16.0 | 10.0 | 10.0 |
| Ratios (%) | | | | | | |
| ROE* ⁴ | 12.7 | 12.2 | 21.5 | 19.8 | 18.5 | 12.6 |
| ROA* ⁵ | 3.5 | 4.7 | 8.4 | 8.2 | 5.8 | 4.5 |
| Operating profit margin | 4.5 | 5.7 | 9.4 | 9.0 | 8.7 | 6.6 |
| Equity ratio | 19.3 | 20.4 | 25.5 | 26.3 | 23.5 | 23.4 |
| D/E ratio | 311.5 | 279.0 | 196.5 | 188.9 | 226.4 | 237.4 |

Notes: 1. Figures are rounded down to the nearest million yen (except per share information).

2. We conducted two-for-one stock splits on April 1, 2013 and January 1, 2015. Per-share information (excluding dividends) is calculated by deeming stock splits to have occurred at the beginning of the fiscal year ended March 31, 2012. The dividend for the fiscal year ended March 31, 2015 included a commemorative dividend of ¥2.5 to commemorate the designation of our stock on the First Section of the Tokyo Stock Exchange.

3. EBITDA = operating income + depreciation

4. Return on equity = profit attributable to owners of parent / average equity

5. Return on assets = ordinary income / average total assets

Main Products

Temporary Equipment and Materials



YT Lock System

This scaffolding can be set up along slopes. It can also be used as a gantry.



V-MAX

V-MAX is a hanging-type scaffolding with high workability that is used for repair work for bridges.



Safety Walk

Safety Walk is a catwalk panel with less gaps to prevent stumbling and falling of objects.



Super Light

Super Light round pipe is 25% lighter than conventional products.

Temporary Equipment and Materials



Clamps

This bolted fastening-type metal fittings are an important part of temporary equipment.



Safety Screen

This sheet is placed on the side of constructing buildings to prevent objects from falling.



Power Frame

Power Frame is a wedge-type falsework that fits to the shape of a structure in a flexible manner.



AL-SPEEDER

AL-SPEEDER can be piled up. This aluminum, light-weight material has improved workability and it can be used for any types of scaffolding.

Formwork (Nextech)



STENMETAL (Steel form)

This steel form has enhanced cross-sectional performance with its rib height of 72mm, and can also be used with a wooden form.



Frame fitting jig for bearing box release (WP)3

This jig can be used as a unit but not a single piece. It can reduce work time largely because it doesn't need to be connected to steel frames.

Materials for Residential Houses



WUTEC-SF

This seismic damper reduces the range of vibration of buildings up to 80 percent.

Building Materials



Oct-brace

This structural part with a seismic damping function can be used for buildings of any heights from high-rise buildings to low-rise structures.

Building Materials



Cap Ten Pile Method

This method allows to follow the large-scale ground deformation due to an earthquake and reduce damages on piles.

Environmental Equipment



H2 System

This method, in which solar modules are supported with H-steel piles placed in one lane, reduces the amount of frame materials.

Agricultural Materials



Pipe House

The agricultural greenhouse is highly durable against natural disasters as it uses pipes one-size bigger than usual ones.



Weather-Resistant Pipe House

This agricultural greenhouse does not deform easily under harsh conditions caused by natural disasters.

Next-generation scaffolding, Iq System

Responding to the conditions at current construction worksites, Iq System, a next-generation scaffolding has made it possible to produce a wider work space while enhancing the safety and the workability. The Company has been promoting Iq System both in the rental and sales fields to make it become the de facto standard of the scaffolding industry.

Three innovations

① Outstanding safety

Increasing the floor height by 20 cm, to 190 cm, lets workers work more comfortably without bending. Reducing underfoot gaps also improves safety.

② High utilization rate

Compared to the conventional H-frame type, a strut type without a fixed width has increased versatility. This has led to a dramatic improvement in rental utilization rates.

③ Reduced operating costs

The system can be stored compactly, with a 50% reduction in storage space over conventional equipment. Another major benefit is the 30% reduction in the number of transport vehicles required.



Mast climbing work platform, Lift Climber

Lift Climber is a mast climbing work platform, necessary for renovation of high-rise buildings such as large-scale repair work to apartment blocks. It can handle heights up to 210 meters. The work platform moves up on two separate pillars, allowing more light on the subject building than scaffolding, while at the same time improving the level of security. Additionally, its design features ensure safety for workers, and easy to operate on-site. The Lift Climber is also easy to assemble, dismantle and relocate, and the reduced setup period lowers total operational costs.



Advanced hanging-type scaffolding, Spider Panel

Spider Panel has made it possible to minimize the differences in gaps and levels at an ultimate level in order to improve safety and workability. Hanging-type scaffolding can be installed by hanging scaffolding with chains, which plays an important role for infrastructure restoration including for railways and highways as this kind of work is expected to increase.



Weather-resistant agricultural greenhouse with steel frames, G-Castle Pro 2

G-Castle Pro 2, a high-grade agricultural greenhouse with low costs and high weather resistance, has been designed using our unique structural calculations. It can resist wind speed up to 50m/s and maximum snowfall of 50kg/m². It responds to various locations, agricultural products and customer needs.



Corporate Outline

| | |
|-----------------------|-------------------------------------------------------------------------------------|
| Name | SRG TAKAMIYA CO., LTD. |
| Date of establishment | June 21, 1969 |
| Headquarters | Grand Front Osaka Tower-B Bldg. 27F, 3-1, Ofuka-cho, Kita-ku, Osaka 530-0011, Japan |

| | |
|---------------------|----------------------------------------------------------------------|
| Capital | ¥714,770,000 |
| Representative | Kazumasa Takamiya Representative Director, President and Chairman |
| Number of employees | Non-consolidated 452 Consolidated 1,010 |

Stock Information

Stock data

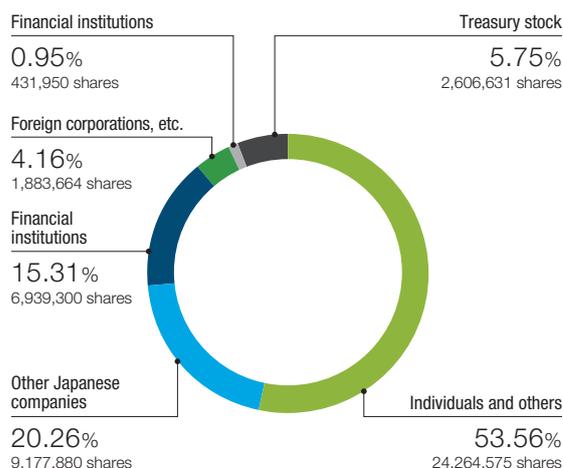
| | |
|---------------------------------|-------------|
| Total number of issuable shares | 144,000,000 |
| Total number of issued shares | 45,304,000 |
| Number of shareholders | 3,395 |

Principal Shareholders

| Shareholders | Number of shares held (shares) | Percentage of shares held (%) |
|--------------------------------------------------|--------------------------------|-------------------------------|
| Takamiya Ltd. | 6,725,520 | 15.75 |
| Tojitsu Takamiya | 5,653,604 | 13.24 |
| Sky Rainbow Employee Stock Ownership Community | 2,283,340 | 5.35 |
| Akiyoshi Takamiya | 2,202,784 | 5.16 |
| Kazumasa Takamiya | 2,109,672 | 4.94 |
| Japan Trustee Services Bank Ltd. (Trust account) | 2,097,100 | 4.91 |
| Toyoji Takamiya | 1,678,288 | 3.93 |
| Chikako Takamiya | 1,579,824 | 3.70 |
| The Bank of Tokyo-Mitsubishi UFJ, Ltd. | 907,200 | 2.12 |
| Kanamoto Co., Ltd. | 888,400 | 2.08 |

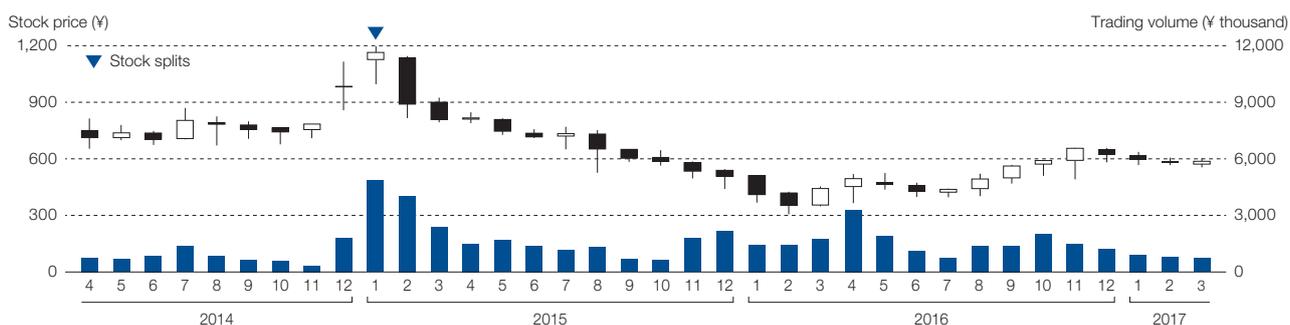
*Notes: 1. The Company holds 2,606,631 shares of treasury stock.
2. Treasury stock is excluded from the list of major shareholders and is not used in calculating percentages of shares held.

Breakdown of Shares by Type of Shareholders



*Rounded to the second decimal place.

Stock Prices and Trading Volume



*We conducted two-for-one stock splits on January 1, 2015. Stock prices are retroactively revised to incorporate the impact of these stock splits.

Shareholder Information

| | |
|-----------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Fiscal year | From April 1 to March 31 of the following year |
| Securities code | 2445 (the First Section of the Tokyo Stock Exchange) |
| Ordinary general meeting of shareholders | June |
| Record date | Ordinary general meeting of shareholders: March 31 / Year-end dividend: March 31 / 2nd quarter-end dividend: September 30 |
| Share trading unit | 100 shares |
| Transfer Agent and Registrar for Common Stock | Mitsubishi UFJ Trust and Banking Corporation |
| Contact for Transfer Agent and Registrar | Osaka Securities Agent Department, Mitsubishi UFJ Trust and Banking Corporation 3-6-3, Fushimi-cho, Chuo-ku, Osaka-shi, Osaka 541-8502, Japan Tel: 0120-094-777 (toll-free) |
| Method of public notice | By electronic notification on SRG TAKAMIYA's website: http://www.srg.jp/ However, if electronic notification is not possible due to an accident or other unavoidable circumstances, notice will be published in the Nihon Keizai Shimbun newspaper. |



SRG TAKAMIYA CO., LTD.

Grand Front Osaka Tower-B Bldg. 27F, 3-1,
Ofuka-cho, Kita-ku, Osaka 530-0011, Japan

