

Notice: This document is an excerpt translation of the original Japanese document and is only for reference purposes.

In the event of any discrepancy between this translated document and the original Japanese document, the latter shall prevail.

May 10, 2017

Summary of Consolidated Financial Results for the Year Ended March 31, 2017 (Based on Japanese GAAP)

Company name: SRG TAKAMIYA CO., LTD.
 Stock exchange listing: Tokyo
 Stock code: 2445 URL: <http://www.srg.jp/>
 Representative: President and Representative Director KAZUMASA TAKAMIYA
 Inquiries: Executive Officer and General Manager,
 Finance & Accounting Department TOMOYA TATSUMI TEL: 81-6-6375-3918
 Scheduled date of ordinary general meeting of shareholders: June 28, 2017
 Scheduled date to file Securities Report: June 28, 2017
 Scheduled date to commence dividend payments: June 13, 2017
 Preparation of supplementary material on financial results: Yes
 Holding of financial results meeting: Yes (for institutional investors and analysts)

(Amounts less than one million yen are rounded down)

1. Consolidated financial results for the year ended March 31, 2017 (from April 1, 2016 to March 31, 2017)

(1) Consolidated operating results

Percentages indicate year-on-year changes

	Net Sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Year ended March 31, 2017	36,763	7.0	2,429	(18.6)	2,337	(14.4)	1,516	(29.6)
Year ended March 31, 2016	34,350	0.3	2,983	(3.7)	2,731	(17.9)	2,153	4.0

(Note) Comprehensive income Year ended March 31, 2017: 1,538 million yen (1.1%)
 Year ended March 31, 2016: 1,522 million yen ((32.0)%)

	Earnings per share	Diluted earnings per share	Profit attributable to owners of parent/equity	Ordinary income/total assets	Operating income/net sales
	yen	yen	%	%	%
Year ended March 31, 2017	35.14	34.08	12.6	4.5	6.6
Year ended March 31, 2016	48.12	46.66	18.5	5.8	8.7

(Reference) Equity in earnings of affiliated companies Year ended March 31, 2017: 60 million yen
 Year ended March 31, 2016: 71 million yen

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of March 31, 2017	52,760	12,699	23.4	288.97
As of March 31, 2016	50,091	12,097	23.5	269.09

(Reference) Shareholders equity As of March 31, 2017: 12,338 million yen
 As of March 31, 2016: 11,766 million yen

(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	Million yen	Million yen	Million yen	Million yen
Year ended March 31, 2017	1,163	(1,093)	879	5,187
Year ended March 31, 2016	(1,081)	(1,736)	2,844	4,242

2. Cash dividends

	Annual dividends per share					Total cash dividends	Dividend payout ratio (consolidated)	Ratio of dividends to net assets (consolidated)
	1Q-end	2Q-end	3Q-end	Year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
Year ended March 31, 2016	—	3.50	—	6.50	10.00	442	20.8	3.8
Year ended March 31, 2017	—	3.50	—	6.50	10.00	428	28.5	3.6
Year ending March 31, 2018 (forecasts)	—	4.00	—	7.00	11.00		27.6	

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

Percentages indicate year-on-year changes

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Six months ending September 30, 2017	18,280	4.3	900	(6.9)	770	3.9	490	16.6	11.48
Full year	38,300	4.2	2,850	17.3	2,600	11.3	1,700	12.1	39.82

FOR TRANSLATION PURPOSE ONLY

4. Notes

(1) Changes in significant subsidiaries during the year ended March 31, 2017

(changes in specified subsidiaries resulting in the change in scope of consolidation): No

(2) Changes in accounting policies, changes in accounting estimates, and restatement of prior period financial statements

Changes in accounting policies due to revisions to accounting standards and other regulations: Yes

Changes in accounting policies due to other reasons: No

Changes in accounting estimates: No

Restatement of prior period financial statements: No

(Note) For details, please see the appendix, page 12, "3. Consolidated financial statements and principal notes, (5) Notes on consolidated financial statements, (Change in accounting principles)".

(3) Number of issued shares (common shares)

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

As of March 31, 2017	45,304,000 shares	As of March 31, 2016	45,304,000 shares
----------------------	-------------------	----------------------	-------------------

Number of treasury shares at the end of the period

As of March 31, 2017	2,606,631 shares	As of March 31, 2016	1,578,070 shares
----------------------	------------------	----------------------	------------------

Average number of shares during the period

Year ended March 31, 2017	43,147,296 shares	Year ended March 31, 2016	44,750,011 shares
---------------------------	-------------------	---------------------------	-------------------

(Reference) Unconsolidated financial results

1. Unconsolidated financial results for the year ended March 31, 2017 (from April 1, 2016 to March 31, 2017)

(1) Unconsolidated operating results

Percentages indicate year-on-year changes

	Net Sales		Operating income		Ordinary income		Profit	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Year ended March 31, 2017	29,947	22.7	2,005	(13.2)	2,254	(14.0)	1,668	(24.5)
Year ended March 31, 2016	24,411	33.6	2,312	49.9	2,623	29.7	2,210	57.2

	Earnings per share		Diluted earnings per share	
	Yen		Yen	
Year ended March 31, 2017	38.67		37.50	
Year ended March 31, 2016	49.40		47.90	

(2) Unconsolidated financial position

	Total assets		Net assets		Equity ratio		Net assets per share	
	Million yen		Million yen		%		Yen	
Year ended March 31, 2017	42,866		9,697		22.0		220.77	
Year ended March 31, 2016	37,839		8,912		22.9		198.25	

(Reference) Shareholders equity As of March 31, 2017: 9,426 million yen
As of March 31, 2016: 8,668 million yen

* Summary of financial results is not audited.

* Explanation regarding appropriate use of the earnings forecast and other special notes

(notes on descriptions about the future, etc.)

Descriptions about the future such as performance forecasts contained in this document are based on information currently available to the Company and certain presumptions considered as reasonable, and those are not intended to indicate the Company should assure that it would realize such forecasts. Meanwhile, actual performance in the future may differ substantially, influenced by a wide variety of factors. For preconditions for performance forecasts and precaution statements in using such forecasts, please see the appendix, page 3, "1. Overall operating results, etc., (4) Forecasts for the future".

(how to obtain supplementary references regarding financial results and materials for financial results briefing)

The Company will hold its financial results briefing for institutional investors and analysts on May 17, 2017 (Wed.). Supplementary references regarding financial results provided at the time of this briefing will be posted on our website immediately thereafter.

○ Table of Contents: Appendix

1. Overall operating results, etc.	2
(1) Overall operating results of the current period	2
(2) Overall financial position of the current period	3
(3) Overall cash flows of the current term	3
(4) Forecasts for the future	3
2. Basic idea for the selection of accounting standards	3
3. Consolidated financial statements and principal notes	4
(1) Consolidated balance sheets	4
(2) Consolidated statements of income and statements of comprehensive income	6
Consolidated statements of income	6
Consolidated statements of comprehensive income	7
(3) Consolidated statements of changes in equity	8
(4) Consolidated statements of cash flows	10
(5) Notes on consolidated financial statements	12
(Going concern assumption)	12
(Change in accounting principles)	12
(Segment information, etc.)	12
(Per share data)	14
(Important events that occurred after the balance sheet date)	15

1. Overall operating results, etc.

(1) Overall operating results of the current period

During the current consolidated fiscal year, Japanese economy has shown gradual upswing thanks to improvement in overall corporate profit and employment environment. Overseas, however, global economic prospects have still been under unpredictable and unclear situation, such as politics in EU member states and policy trends in the aftermath of inauguration of new president of the USA.

In the construction industry in which the Group operates there remains high level of demands for construction work including large-scale redevelopment work around Tokyo metropolitan area and the upcoming Olympic/Paralympic Games in Tokyo, so our environment for receiving orders has largely been steadily growing. In such an environment, the Group has proactively put its efforts to promotion of both sales business and rental business, and overseas business expansion mainly in ASEAN region, aiming at achieving de facto standards with its own next-generation scaffolding called "Iq System".

During the current fiscal period, the Group considered the current fiscal year as the final year for proactive investment in temporary equipment, and the Group has internally brought forward enhancement of temporary equipment for rent centered on the "Iq System". Moreover, the Group has proceeded with preparation for building up the framework for M&A of its two subsidiaries, for the purpose of higher efficiency in its assets and stronger sales capabilities in Northern Shinetsu and Northern Kanto regions.

As a result, consolidated performance of the current consolidated fiscal year was as follows: net sales of 36,763,472,000 yen (increase by 7.0% YoY); operating income of 2,429,778,000 yen (decrease by 18.6% YoY); ordinary income of 2,337,047,000 yen (decrease by 14.4% YoY); and profit attributable to owners of parent of 1,516,020,000 yen (decrease by 29.6% YoY).

Operating results of individual business segments are as follows.

It should be noted that starting from the current consolidated fiscal year, classification of reportable segments has been revised and therefore year-on-year comparisons as shown below are based on the recalculation assuming as if segment classification of the previous period was identical to the current period.

(Sales business)

By integrating the sales department of Hory Corp. (Tokyo) together, the Group has, in spite of decrease in inter-segment sales, proactively promoted recommending various solutions in response to every consultation from its customers about the highly reputable "Iq System". Consequently, during the second half of the current fiscal year the Group received a large-scale sales order and has received increasing number of inquiries. Also, there has been a rise in profitability due to reduced production cost.

These operations resulted in net sales of 16,489,032,000 yen (increase by 3.9% YoY) and operating income of 2,357,596,000 yen (increase by 53.9% YoY).

(Rental business)

Regarding private construction work, the Group has, in an environment where construction demands rise vigorously, proposed secure and safe scaffolding set-up services to its customers through the Group's nationwide network of "Safety and Health Cooperative Society" established with scaffolding set-up service companies, in addition to safety and easiness to set-up temporary equipment centered on the "Iq System". With respect to low utilization of temporary equipment for civil engineering / bridge construction, although there were some cases of slowed-down work and delayed commencement in some areas during the first half of the current fiscal period, shipment operations resumed little by little in the second half.

However, proactive enhancement of temporary equipment caused increase in depreciation, leading to slight decline in profitability. These operations resulted in net sales of 22,213,862,000 yen (increase by 8.3% YoY) and operating income of 2,267,895,000 yen (decrease by 16.4% YoY).

(Overseas business)

DIMENSION-ALL INC. (a subsidiary in the Philippines) has received increasing number of inquiries about temporary equipment in its domestic environment where construction demands rise vigorously, and at the same time it suffered from opportunity loss due to delayed investment in assets for rent, and in addition, some issues emerged, such as increased cost because of building up the management framework for inventories and credits after receiving orders. These issues were redressed during the second half of the current fiscal year, but resulted in operating loss for the full year. Hory Korea Co., Ltd., also a subsidiary, has seen increase in management cost because of building up the management framework for its domestic sales activities related to solar-power generation and for strengthening its new rental business.

These operations resulted in net sales of 4,198,549,000 yen (decrease by 12.6% YoY) and operating loss of 189,518,000 yen (as opposed to operating income of 179,879,000 yen in the previous fiscal year).

(2) Overall financial position of the current period

Total assets at the end of the current consolidated fiscal year was 52,760,493,000 yen, namely increase by 2,668,983,000 yen since the end of the previous consolidated fiscal year. This is mainly due to increase in cash and deposits by 945,395,000 yen, increase in notes and accounts receivable - trade by 817,285,000 yen, and increase in assets for rent by 1,350,066,000 yen.

Total liabilities was 40,060,788,000 yen, namely increase by 2,067,196,000 yen since the end of the previous consolidated fiscal year. This is mainly due to increase in long-term loans payable (including current portion) by 2,222,470,000 yen.

Total net assets was 12,699,704,000 yen, namely increase by 601,786,000 yen since the end of the previous consolidated fiscal year. This is mainly due to increase in retained earnings by 1,081,116,000 yen and decreased amount of 529,884,000 yen because of increase in treasury shares.

(3) Overall cash flows of the current term

Cash and deposits of the current consolidated fiscal year was, in spite of decrease in profit before income taxes, 5,187,909,000 yen, namely increase by 945,395,000 yen since the end of the previous consolidated fiscal year (increase by 22.3% YoY), due mainly to decrease in purchase of assets for rent and decrease in inventories.

Each cash flow status and factors thereof in the current consolidated fiscal year are as follows.

(Cash flows from operating activities)

Cash flows from operating activities resulted in revenue of 1,163,377,000 yen (as opposed to expenditure of 1,081,090,000 yen in the previous consolidated fiscal year). This is mainly due to purchase of assets for lease of 2,237,714,000 yen, increase in inventories of 2,201,099,000 yen, and income taxes of 1,102,807,000 yen, whereas profit before income taxes of 2,324,016,000 yen and depreciation of 4,502,566,000 yen.

(Cash flows from investing activities)

Cash flows from investing activities resulted in expenditure of 1,093,175,000 yen (for comparison, it was 1,736,794,000 yen in the previous consolidated fiscal year). This is mainly due to purchase of property, plant and equipment of 1,169,247,000 yen.

(Cash flows from financing activities)

Cash flows from financing activities resulted in revenue of 879,261,000 yen (for comparison, it was 2,844,325,000 yen in the previous consolidated fiscal year). This is mainly due to repayments of long-term loans payable of 5,676,281,000 yen, redemption of bonds of 632,500,000 yen and purchase of treasury shares of 529,884,000 yen, whereas proceeds from long-term loans payable of 7,891,450,000 yen.

(4) Forecasts for the future

Our industry expects unclear situations because of chronic lack of skilled workers and rising labor cost on one hand, but on the other hand anticipates continuously steady growth of investment in construction around Tokyo metropolitan area for the upcoming Olympic Games. In addition, capital investment in the private sector in the context of improved corporate performance and public investment such as rehabilitation projects of aging infrastructure are expected to be facilitated, and business environment surrounding the Group would show gradual upswing.

Under such circumstances, the Group expects high utilization of the next-generation scaffolding called "Iq System" to support building-related new construction / repair work in its rental business, and also expects higher utilization of equipment used for civil engineering / bridge construction in relation to construction work of the Hokuriku Shinkansen, infrastructure repair work and others.

In the sales business segment, more and more sales of temporary equipment, mainly the "Iq System", would be anticipated in the context of increasing demands for rental equipment. Concerning environment-related business, development of new products related to agriculture business in connection with solar panel mounting frames has been underway, and the Group plans to put more efforts to sales activities of such products so that order-taking of them could be brought into full swing. Also, production items at each factory including overseas factories will be reconsidered, and new production system will be built up focusing on cost reduction.

In the overseas business segment, DIMENSION-ALL INC., a subsidiary in the Philippines, will be strengthened of its management regime and at the same time it will be turned to a profitable one by supplying rental equipment within the Group and giving more cost competitiveness to respond to the vigorously rising construction demands. In Korea, the Group envisages increased sales by resuming solar-related order-taking upon strengthening its managerial aspects, and rental business will be reinforced to take in domestic rental demands. In addition, the Group will strengthen its business promotion for selling temporary equipment in the ASEAN region and its alliance with influential local companies.

With these activities, consolidated performance forecasts for the fiscal year ending March 31, 2018 would be as follows: net sales of 38,300,000,000 yen; operating income of 2,850,000,000 yen; ordinary income of 2,600,000,000 yen; and profit attributable to owners of parent of 1,700,000,000 yen.

2. Basic idea for the selection of accounting standards

The Group has decided to produce its consolidated financial statements in accordance with Japanese standards for the time being, considering year-on-year comparability of consolidated financial statements and comparability with other companies.

Meanwhile, the Group also considers the possibility of applying International Financial Reporting Standards as appropriate, taking various domestic/international situations into account.

3. Consolidated financial statements and principal notes

(1) Consolidated balance sheets

	(Thousand yen)	
	As of March 31, 2016	As of March 31, 2017
Assets		
Current assets		
Cash and deposits	4,642,513	5,587,909
Notes and accounts receivable - trade	9,371,995	10,189,280
Merchandise and finished goods	2,824,914	2,745,211
Work in process	1,097,900	623,679
Raw materials and supplies	980,850	831,797
Deferred tax assets	181,154	148,540
Other	834,068	588,403
Allowance for doubtful accounts	(163,754)	(157,578)
Total current assets	19,769,642	20,557,244
Non-current assets		
Property, plant and equipment		
Assets for rent	35,774,153	38,284,023
Accumulated depreciation-Assets for rent	(18,401,079)	(19,560,884)
Assets for rent, net	17,373,073	18,723,139
Buildings and structures	5,310,171	5,542,443
Accumulated depreciation and impairment loss	(2,654,718)	(2,868,075)
Buildings and structures, net	2,655,453	2,674,367
Machinery, equipment and vehicles	1,740,343	1,896,008
Accumulated depreciation	(656,632)	(770,006)
Machinery, equipment and vehicles, net	1,083,711	1,126,002
Land	4,937,789	5,277,847
Leased assets	1,070,683	882,272
Accumulated depreciation	(655,188)	(427,554)
Leased assets, net	415,495	454,717
Construction in progress	188,104	118,562
Other	884,974	910,328
Accumulated depreciation	(487,146)	(562,797)
Other, net	397,828	347,530
Total property, plant and equipment	27,051,456	28,722,168
Intangible assets		
Leasehold right	327,821	327,821
Goodwill	156,604	110,950
Leased assets	88,714	51,197
Other	168,147	149,694
Total intangible assets	741,287	639,664
Investments and other assets		
Investment securities	295,939	421,491
Guarantee deposits	624,031	582,842
Membership	47,476	46,206
Net defined benefit asset	87,356	84,070
Deferred tax assets	519,513	799,448
Other	1,032,505	969,007
Allowance for doubtful accounts	(77,697)	(61,649)
Total investments and other assets	2,529,123	2,841,416
Total non-current assets	30,321,867	32,203,248
Total assets	50,091,509	52,760,493

(Thousand yen)

	As of March 31, 2016	As of March 31, 2017
Liabilities		
Current liabilities		
Notes and accounts payable - trade	6,110,151	5,971,664
Short-term loans payable	4,958,800	5,163,530
Current portion of bonds	632,500	62,500
Current portion of long-term loans payable	5,639,278	5,762,166
Lease obligations	235,261	202,507
Income taxes payable	796,920	776,202
Provision for bonuses	227,085	229,602
Notes payable - facilities	504,491	241,378
Asset retirement obligations	35,000	—
Other	2,225,882	2,196,593
Total current liabilities	21,365,371	20,606,144
Non-current liabilities		
Bonds payable	175,000	612,500
Long-term loans payable	13,304,389	15,403,972
Lease obligations	326,426	354,502
Deferred tax liabilities	3,053	—
Provision for directors' retirement benefits	43,910	47,365
Net defined benefit liability	744,248	853,787
Asset retirement obligations	12,160	12,457
Other	2,019,031	2,170,058
Total non-current liabilities	16,628,220	19,454,643
Total liabilities	37,993,591	40,060,788
Net assets		
Shareholders' equity		
Capital stock	714,770	714,770
Capital surplus	1,208,857	1,208,857
Retained earnings	10,344,515	11,425,631
Treasury shares	(703,066)	(1,232,951)
Total shareholders' equity	11,565,075	12,116,307
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	18,571	46,873
Deferred gains or losses on hedges	(78,778)	(48,354)
Foreign currency translation adjustment	292,320	241,387
Remeasurements of defined benefit plans	(31,081)	(17,842)
Total accumulated other comprehensive income	201,030	222,063
Subscription rights to shares	243,498	271,176
Non-controlling interests	88,312	90,157
Total net assets	12,097,917	12,699,704
Total liabilities and net assets	50,091,509	52,760,493

(2) Consolidated statements of income and consolidated statements of comprehensive income
(Consolidated statements of income)

	(Thousand yen)	
	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017
Net sales	34,350,127	36,763,472
Cost of sales	23,059,012	25,771,702
Gross profit	11,291,114	10,991,769
Selling, general and administrative expenses	8,307,825	8,561,991
Operating income	2,983,289	2,429,778
Non-operating income		
Interest income	12,185	13,978
Dividend income	34,491	11,306
Rent income	74,918	51,508
Contribution for Assets for rent	12,092	20,110
Gain on sales of Scrap	39,835	46,326
Share of profit of entities accounted for using equity method	71,062	60,226
Gain on valuation of derivatives	—	4,520
Other	167,161	121,647
Total non-operating income	411,747	329,624
Non-operating expenses		
Interest expenses	225,812	209,277
Commission fee	71,027	89,708
Loss on valuation of derivatives	11,622	—
Bond issuance cost	725	17,789
Foreign exchange losses	247,093	54,156
Other	107,754	51,423
Total non-operating expenses	664,035	422,355
Ordinary income	2,731,001	2,337,047
Extraordinary income		
Gain on sales of non-current assets	7,879	10,204
Gain on sales of investment securities	500,515	—
Settlement received	80,665	—
Total extraordinary income	589,060	10,204
Extraordinary losses		
Loss on sales of non-current assets	800	242
Loss on retirement of non-current assets	6,584	6,551
Impairment loss	101,067	16,441
Total extraordinary losses	108,452	23,235
Profit before income taxes	3,211,609	2,324,016
Income taxes - current	1,200,034	1,069,342
Income taxes - deferred	(114,656)	(263,135)
Total income taxes	1,085,377	806,207
Profit	2,126,231	1,517,808
Profit (loss) attributable to non-controlling interests	(27,127)	1,788
Profit attributable to owners of parent	2,153,358	1,516,020

(Consolidated statements of comprehensive income)

(Thousand yen)

	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017
Profit	2,126,231	1,517,808
Other comprehensive income		
Valuation difference on available-for-sale securities	(509,293)	28,358
Deferred gains or losses on hedges	(45,536)	30,423
Foreign currency translation adjustment	10,274	(50,933)
Remeasurements of defined benefit plans, net of tax	(59,501)	13,239
Total other comprehensive income	(604,057)	21,088
Comprehensive income	1,522,174	1,538,897
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,549,353	1,537,053
Comprehensive income attributable to non-controlling interests	(27,179)	1,844

(3) Consolidated statements of changes in equity

Fiscal year ended March 31, 2016

(Thousand yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	704,445	1,189,599	8,754,905	(754)	10,648,195
Changes of items during period					
Issuance of new shares - exercise of subscription rights to shares	10,325	10,325			20,650
Dividends of surplus			(563,749)		(563,749)
Profit attributable to owners of parent			2,153,358		2,153,358
Purchase of treasury shares				(702,312)	(702,312)
Change in treasury shares of parent arising from transactions with non-controlling shareholders		8,932			8,932
Net changes of items other than shareholders' equity					
Total changes of items during period	10,325	19,257	1,589,609	(702,312)	916,880
Balance at end of current period	714,770	1,208,857	10,344,515	(703,066)	11,565,075

	Accumulated other comprehensive income					Subscription rights to shares	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at beginning of current period	527,812	(33,242)	282,045	28,419	805,036	182,378	126,953	11,762,563
Changes of items during period								
Issuance of new shares - exercise of subscription rights to shares								20,650
Dividends of surplus								(563,749)
Profit attributable to owners of parent								2,153,358
Purchase of treasury shares								(702,312)
Change in treasury shares of parent arising from transactions with non-controlling shareholders								8,932
Net changes of items other than shareholders' equity	(509,241)	(45,536)	10,274	(59,501)	(604,005)	61,119	(38,640)	(581,525)
Total changes of items during period	(509,241)	(45,536)	10,274	(59,501)	(604,005)	61,119	(38,640)	335,354
Balance at end of current period	18,571	(78,778)	292,320	(31,081)	201,030	243,498	88,312	12,097,917

Fiscal year ended March 31, 2017

(Thousand yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	714,770	1,208,857	10,344,515	(703,066)	11,565,075
Changes of items during period					
Issuance of new shares - exercise of subscription rights to shares					—
Dividends of surplus			(434,904)		(434,904)
Profit attributable to owners of parent			1,516,020		1,516,020
Purchase of treasury shares				(529,884)	(529,884)
Change in treasury shares of parent arising from transactions with non-controlling shareholders					—
Net changes of items other than shareholders' equity					
Total changes of items during period	—	—	1,081,116	(529,884)	551,232
Balance at end of current period	714,770	1,208,857	11,425,631	(1,232,951)	12,116,307

	Accumulated other comprehensive income					Subscription rights to shares	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at beginning of current period	18,571	(78,778)	292,320	(31,081)	201,030	243,498	88,312	12,097,917
Changes of items during period								
Issuance of new shares - exercise of subscription rights to shares								—
Dividends of surplus								(434,904)
Profit attributable to owners of parent								1,516,020
Purchase of treasury shares								(529,884)
Change in treasury shares of parent arising from transactions with non-controlling shareholders								—
Net changes of items other than shareholders' equity	28,302	30,423	(50,933)	13,239	21,032	27,677	1,844	50,554
Total changes of items during period	28,302	30,423	(50,933)	13,239	21,032	27,677	1,844	601,786
Balance at end of current period	46,873	(48,354)	241,387	(17,842)	222,063	271,176	90,157	12,699,704

(4) Consolidated statements of cash flows

(Thousand yen)

	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017
Cash flows from operating activities		
Profit before income taxes	3,211,609	2,324,016
Depreciation	4,137,381	4,502,566
Impairment loss	101,067	16,441
Amortization of goodwill	29,775	32,773
Loss on retirement of Assets for rent	134,656	204,159
Loss on sales of Assets for rent	146,328	114,186
Purchase of assets for lease	(3,149,550)	(2,237,714)
Contribution for Assets for rent	(12,092)	(20,110)
Increase (decrease) in allowance for doubtful accounts	21,159	(16,802)
Increase (decrease) in provision for bonuses	(6,819)	2,516
Increase (decrease) in provision for directors' bonuses	(1,000)	—
Increase (decrease) in net defined benefit liability	102,630	107,633
Increase (decrease) in provision for directors' retirement benefits	1,045	3,455
Loss (gain) on valuation of derivatives	11,622	(4,520)
Share-based compensation expenses	61,169	27,677
Interest and dividend income	(46,676)	(25,284)
Interest expenses	225,812	209,277
Foreign exchange losses (gains)	268,485	101,061
Loss (gain) on sales of property, plant and equipment	(7,879)	(10,204)
Loss on retirement of property, plant and equipment	6,295	4,642
Loss (gain) on sales of investment securities	(500,515)	(2,215)
Settlement received	(80,665)	—
Share of (profit) loss of entities accounted for using equity method	(71,062)	60,226
Decrease (increase) in notes and accounts receivable - trade	(972,446)	(827,360)
Decrease (increase) in inventories	(3,825,328)	(2,201,099)
Increase (decrease) in notes and accounts payable - trade	141,583	(61,047)
Other	316,555	270,008
Subtotal	243,141	2,453,830
Interest and dividend income received	42,953	25,499
Interest expenses paid	(220,063)	(213,144)
Settlement package received	80,665	—
Income taxes paid	(1,227,786)	(1,102,807)
Net cash provided by (used in) operating activities	(1,081,090)	1,163,377

(Thousand yen)

	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017
Cash flows from investing activities		
Payments into time deposits	(570,348)	(540,000)
Proceeds from withdrawal of time deposits	617,128	540,000
Purchase of property, plant and equipment	(1,453,236)	(1,169,247)
Proceeds from sales of property, plant and equipment	38,377	19,281
Purchase of intangible assets	(101,812)	(29,018)
Proceeds from sales of intangible assets	800	—
Purchase of investment securities	(3,203)	(102,752)
Proceeds from sales of investment securities	859,442	20,375
Payments for asset retirement obligations	—	(15,200)
Purchase of memberships	(3,650)	(3,600)
Proceeds from sales of membership	—	150
Proceeds from sales of investments in capital of subsidiaries and associates	25,000	22,920
Payments for investments in capital of subsidiaries and associates	(157,800)	—
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(946,419)	—
Payments of loans receivable	(217,700)	(43,000)
Collection of loans receivable	176,626	206,915
Net cash provided by (used in) investing activities	(1,736,794)	(1,093,175)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	1,867,933	21,635
Repayments of lease obligations	(269,291)	(243,559)
Proceeds from long-term loans payable	8,102,000	7,891,450
Repayments of long-term loans payable	(5,355,942)	(5,696,271)
Proceeds from issuance of bonds	49,217	482,210
Redemption of bonds	(302,500)	(632,500)
Proceeds from issuance of common shares	20,600	—
Purchase of treasury shares	(702,312)	(529,884)
Cash dividends paid	(562,850)	(433,808)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	(2,528)	—
Net cash provided by (used in) financing activities	2,844,325	879,261
Effect of exchange rate change on cash and cash equivalents	(17,195)	(4,067)
Net increase (decrease) in cash and cash equivalents	9,245	945,395
Cash and cash equivalents at beginning of period	4,233,268	4,242,513
Cash and cash equivalents at end of period	4,242,513	5,187,909

(5) Notes on consolidated financial statements

(Going concern assumption)

Not applicable.

(Change in accounting principles)

(Application of practical treatment with respect to the depreciation method change due to the tax revisions in FY 2016)

Following revisions to Corporation Tax Act, the Group has applied "Practical treatment with respect to the depreciation method due to the tax revisions in FY 2016" (Practice Corresponding Report No.32, dated June, 17, 2016) to the current consolidated fiscal year, and has changed its depreciation method for buildings and accompanying facilities and structures having been acquired after April 1, 2016, from declining balance method to straight-line method.

This change has only minor effects on the Group's loss/profit.

(Segment information, etc.)

1. Overview of reportable segments

The Group's reportable segments are those being its constituent units for which separated financial information is available and are subject to periodic review by the board of directors for determining allocation of management resources and for evaluating business performance.

The Group has established three reportable segments: "Sales business" that centers on manufacturing and selling temporary equipment for construction work; "Rental business" that centers on renting temporary equipment for construction work; and "Overseas business" that centers on selling and renting temporary equipment for construction work to overseas customers.

Since overseas business became more important, the Group has reconsidered the classification of segment information and accordingly from the current consolidated fiscal year it has changed the previous two categories of "Sales business" and "Rental business" to the current three categories of "Sales business", "Rental business" and "Overseas business".

Meanwhile, segment information about the previous consolidated fiscal year was generated in accordance with such changed classification method and is shown below in "3. Information on amount of net sales and profit/loss for each reportable segment" for the fiscal year ended March 31, 2016.

2. How to calculate amount of net sales and profit/loss for each reportable segment

Accounting treatment methods for the business segments as reported herein are basically identical to those employed for producing the consolidated financial statements.

Figures of segment profit of individual reportable segments are based on their operating income.

Inter-segment revenue and transfer are based on actual market prices.

It should be noted that while assets are not allocated to the business segments, depreciation values are allocated.

(Application of practical treatment with respect to the depreciation method change due to the tax revisions in FY 2016)

As described above in "Change in accounting principles", the Group has applied "Practical treatment with respect to the depreciation method due to the tax revisions in FY 2016", and has changed its depreciation method for buildings and accompanying facilities and structures having been acquired after April 1, 2016, from declining balance method to straight-line method.

This change has only minor effects on segment loss/profit of the current consolidated fiscal year.

3. Information on amount of net sales and profit/loss for each reportable segment

Fiscal year ended March 31, 2016

(Thousand yen)

	Sales business	Rental business	Overseas business	Total	Adjustment (see Notes 1&2)	Amount allocated on consolidated statements of income (see Note 3)
Net sales						
Sales from external customers	10,854,732	20,404,387	3,091,007	34,350,127	—	34,350,127
Inter-segment sales or transfer	5,010,470	109,204	1,715,027	6,834,701	(6,834,701)	—
Total	15,865,202	20,513,592	4,806,034	41,184,829	(6,834,701)	34,350,127
Segment profit	1,531,513	2,711,982	179,879	4,423,375	(1,440,086)	2,983,289
Other items						
Depreciation	319,208	3,573,051	184,473	4,076,733	60,648	4,137,381
Amortization of goodwill	11,584	4,625	13,566	29,775	—	29,775

- Notes
- Adjusted segment profit of (1,440,086) thousand yen includes inter-segment transaction elimination of (156,166) thousand yen and corporate expenses not allocated to individual reportable segments of (1,283,920) thousand yen. Corporate expenses comprises mainly of general and administrative expenses not attributable to reportable segments.
 - Adjusted depreciation of 60,648 thousand yen refers to depreciation of corporate assets not attributable to individual reportable segments.
 - Segment profit corresponds to operating income as shown in the consolidated statements of income.

Fiscal year ended March 31, 2017

(Thousand yen)

	Sales business	Rental business	Overseas business	Total	Adjustment (see Notes 1&2)	Amount allocated on consolidated statements of income (see Note 3)
Net sales						
Sales from external customers	12,535,963	21,897,992	2,329,516	36,763,472	—	36,763,472
Inter-segment sales or transfer	3,953,069	315,870	1,869,032	6,137,972	(6,137,972)	—
Total	16,489,032	22,213,862	4,198,549	42,901,445	(6,137,972)	36,763,472
Segment profit (loss)	2,357,596	2,267,895	(189,518)	4,435,973	(2,006,194)	2,429,778
Other items						
Depreciation	254,652	3,871,354	309,059	4,435,066	67,499	4,502,566
Amortization of goodwill	—	4,207	28,566	32,773	—	32,773

- Notes
- Adjusted segment profit of (2,006,194) thousand yen includes inter-segment transaction elimination of (677,146) thousand yen and corporate expenses not allocated to individual reportable segments of (1,370,087) thousand yen. Corporate expenses comprises mainly of general and administrative expenses not attributable to reportable segments.
 - Adjusted depreciation of 67,499 thousand yen refers to depreciation of corporate assets not attributable to individual reportable segments.
 - Segment profit corresponds to operating income as shown in the consolidated statements of income.

(Per share data)

	Year ended March 31, 2016	Year ended March 31, 2017
Net assets per share	269.09 yen	288.97 yen
Net income per share	48.12 yen	35.14 yen
Diluted earnings per share	46.66 yen	34.08 yen

Notes: 1. Calculation bases of net income per share and diluted earnings per share are as follows.

	Year ended March 31, 2016	Year ended March 31, 2017
Net income per share		
Profit attributable to owners of parent (thousand yen)	2,153,358	1,516,020
Amount not attributable to common stockholders (thousand yen)	—	—
Profit attributable to owners of parent applicable to common stock (thousand yen)	2,153,358	1,516,020
Average number of (thousand) shares outstanding during the period (common stock)	44,750	43,147
Diluted earnings per share		
Adjusted profit attributable to owners of parent (thousand yen)	—	—
Increased number of common stock (thousand shares)	1,399	1,338
(number of (thousand) shares with subscription rights)	(1,399)	(1,338)
Summary of residual securities not included in calculating diluted earnings per share, because of having no dilution effect	Two kinds of subscription rights to shares (236)	—

2. Calculation bases of net assets per share are as follows.

	Year ended March 31, 2016	Year ended March 31, 2017
Total net assets (thousand yen)	12,097,917	12,699,704
Deduction from total net assets (thousand yen)	331,811	361,333
(with subscription rights (thousand yen))	(243,498)	(271,176)
(for non-controlling shareholders (thousand yen))	(88,312)	(90,157)
End-of-period net assets applicable to common stock (thousand yen)	11,766,106	12,338,371
End-of-period number of (thousand) shares used for calculating net assets per share	43,725	42,697

(Important events that occurred after the balance sheet date)

Transactions under common control

Merger of a consolidated subsidiary

The Company decided at its board meeting held on December 20, 2016 that it would carry out merger transaction with TATSUMI CO., LTD., treating the Company as the surviving company and TATSUMI CO., LTD. as the extinct company. Both parties executed a merger agreement on the same day and the latter was merged into the former on April 21, 2017.

(1) Overview of the transaction

① Name and content of business of the combined company

Name: TATSUMI CO., LTD.

Content of business: Selling and renting of temporary equipment; Planning/design/conduct of temporary construction work

② Date of business combination

April 21, 2017

③ Legal form of business combination

Treating the Company as the surviving company and TATSUMI CO., LTD. as the extinct company.

④ Name of the company after combination

SRG TAKAMIYA CO., LTD.

⑤ Other matters relating to the overview of the transaction

Since 1994, TATSUMI CO., LTD. has, as one of the Company's subsidiaries, developed its business of leasing/renting temporary equipment mainly in Ibaraki prefecture. In recent years it has put its efforts also to selling temporary equipment and planning/design/conduct of temporary construction work, providing wide variety of community-based services.

This time the Company decided to merge TATSUMI CO., LTD. and operate it as a directly-controlled branch office in order to integrate its business structure in Kanto area and to achieve efficient group management.

(2) Overview of accounting treatments

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