

July 10, 2015

# Supplemental Earnings Announcement Information for the Fiscal Year Ended May 31, 2015

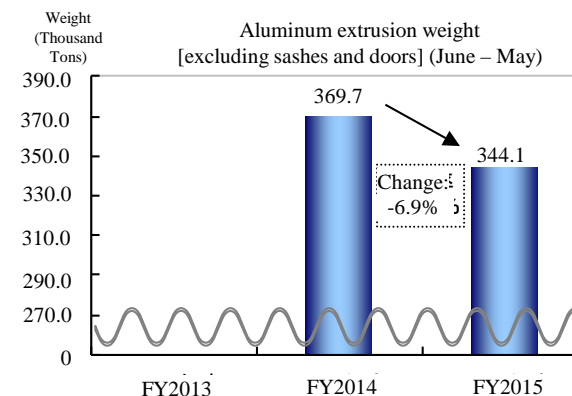
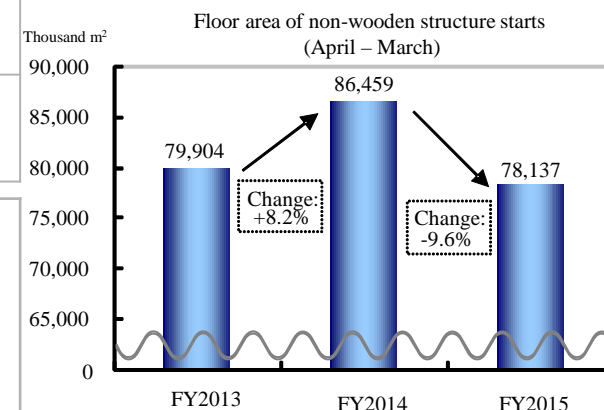
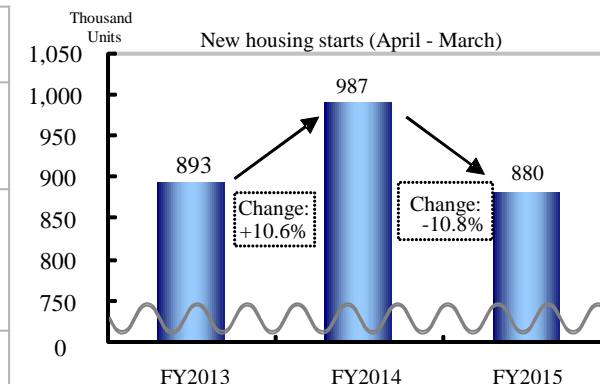
 **SankyoTateyama, Inc.**

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# 1-1. FY2015 Business environment

## ◇Market environment

Market environment	FY2013	FY2014	FY2015
New housing starts (April – March) <small>*Construction Materials Business (Residential) Index</small>	893 thousand units	987 thousand units (+10.6% YoY)	880 thousand units (-10.8% YoY)
Floor area of non-wooden structure starts (April – March) <small>*Construction Materials Business (Buildings) Index</small>	79,904 thousand m <sup>2</sup>	86,459 thousand m <sup>2</sup> (+8.2% YoY)	78,137 thousand m <sup>2</sup> (-9.6% YoY)
Aluminum extrusion weight [excluding sashes and doors] (June – May) <small>*Materials Business Index</small>	<small>*No continuity up to FY2013</small>	369.7 thousand tons (+14.0% YoY)	344.1 thousand tons (-6.9% YoY)
Aluminum bullion [Nikkei average] (June – May)	221.1 yen/kg	242.1 yen/kg (+9.5% YoY)	301.5 yen/kg (+24.5% YoY)



Although consumer spending and housing investment were sluggish in the first half due to a reactionary drop after the rush demand prior to the consumption tax increase and declined real income following the price hike, in the second half, mild recovery trend continued thanks to the pickup in export led by the weaker yen and improved corporate earnings, in addition to the gradual easing of reactionary drop in demand. On the other hand, the weakening yen caused a continued rise in imported raw material prices, which put pressure on profit of importing companies and that was passed on to product prices.

Construction Materials	In the construction materials market, due mainly to a reactionary drop after the rush demand prior to the consumption tax increase, the number of new housing starts decreased significantly.
Materials	In the aluminum extrusion and billet market, demand trends were solid in the transport and general machinery areas, backed by weight-saving demand for automobiles and other factors.
Commercial Facilities	In the commercial facilities market, demand trends were solid for new store openings and renovations of convenience stores and drugs stores.
Aluminum Bullion	From the beginning of FY2015, aluminum market price went up to a high level and aluminum bullion price remained high, coupled with the weakening yen in the second half.

# 1-2. FY2015 Business results

(Units: Billions of yen)

	FY2014 Results	FY2015 Revised plan	FY2015 Results	YoY	
				Change	%
Net sales	295.2	300.0	292.3	-2.8	-1.0%
Gross profit	75.8	-	67.1	-8.6	-11.4%
Gross profit margin	25.7%	-	23.0%	-	-2.7p
Operating income	16.6	10.5	8.5	-8.1	-48.6%
Operating income margin	5.6%	3.5%	2.9%	-	-2.7p
Ordinary income	15.5	0	7.9	-7.6	-49.0%
Net income	12.6	0	5.9	-6.7	-53.1%

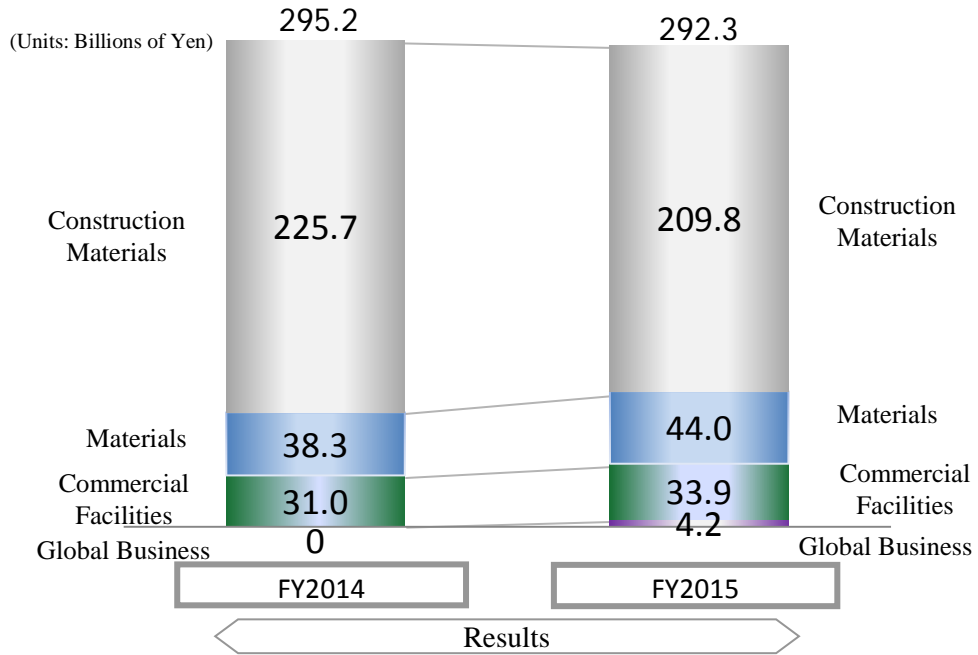
<Net sales> Although revenues were down in the Construction Materials Business, revenues increased in the Materials Business and the Commercial Facilities Business, causing a 1% year-on-year decrease overall.

Construction Materials Business	Despite progress in strengthening of the sales network, capturing demand for renovations and sales promotion measures such as the opening of a showroom in the Capital Area, due to factors such as a decrease in the number of new housing starts, rising aluminum bullion prices and intensifying competition, net sales of 209,894 million yen (a year-on-year decrease of 7.0%) and segment income of 4,432 million yen (a year-on-year decrease of 64.2%) were recorded.
Materials Business	Due to factors such as the aggressive capturing of solid demand in the areas of transport and general machinery, net sales of 44,077 million yen (a year-on-year increase of 15.1%) and segment income of 3,160 million yen (a year-on-year increase of 5.1%) were recorded.
Commercial Facilities Business	Due to factors such as the aggressive capturing of demand for new store openings and renovations of convenience stores and drugs stores, net sales of 33,993 million yen (a year-on-year increase of 9.4%) and segment income of 1,722 million yen (a year-on-year increase of 33.8%) were recorded.
Global Business	In the Global Business, while net sales came to 4,276 million yen, segment loss of -797 million yen (loss of 10 million yen in the previous consolidated fiscal year) was recorded due to the expense incurred in acquiring aluminum extrusion business in Europe and the acquisition cost of a subsidiary in Thailand.

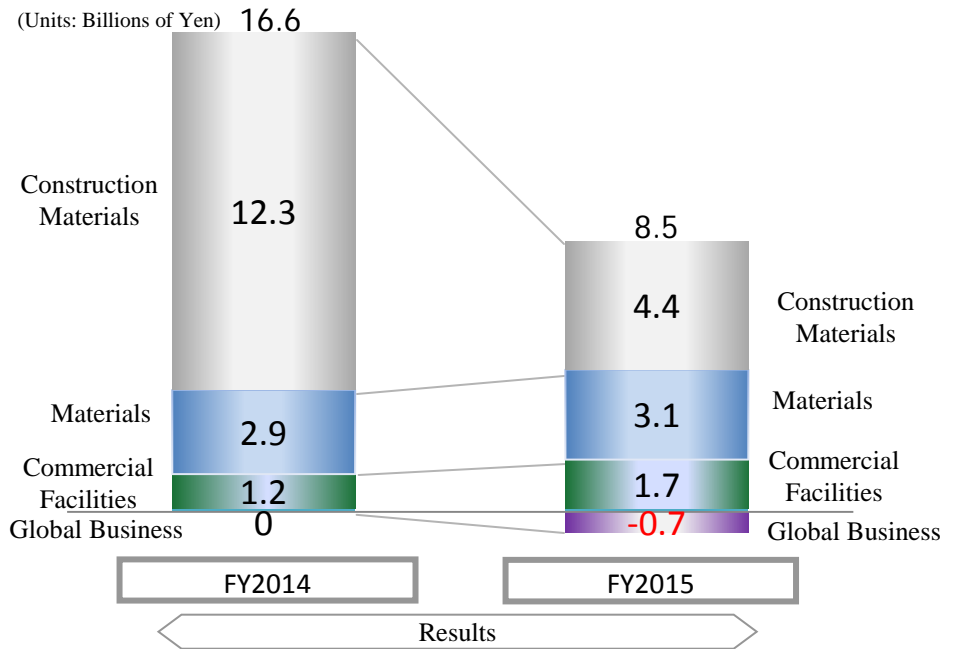
<Operating income> Despite progress in improving profitability through cost reduction and optimization, factors such as shrinking market led by fewer new housing starts, intensifying competition and rising aluminum bullion prices caused a year-on-year decrease of 48.5%.

# 1-3. FY2015 (Year-on-year) sales and operating income

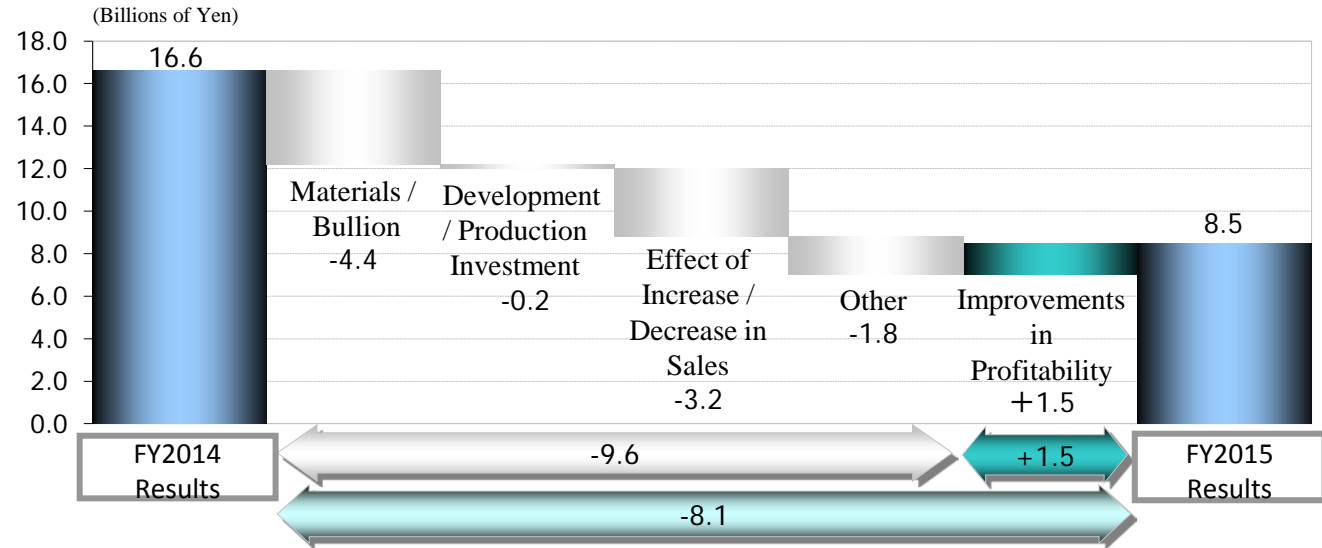
## Net sales



## Operating income



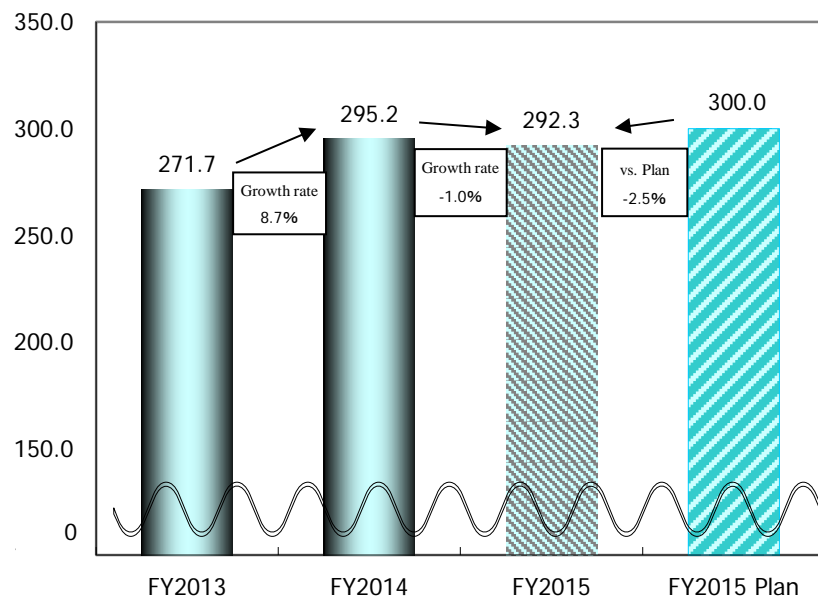
## Breakdown of changes in operating income



# 1-4. FY2015 (Vs. plan) sales and operating income

## Net sales

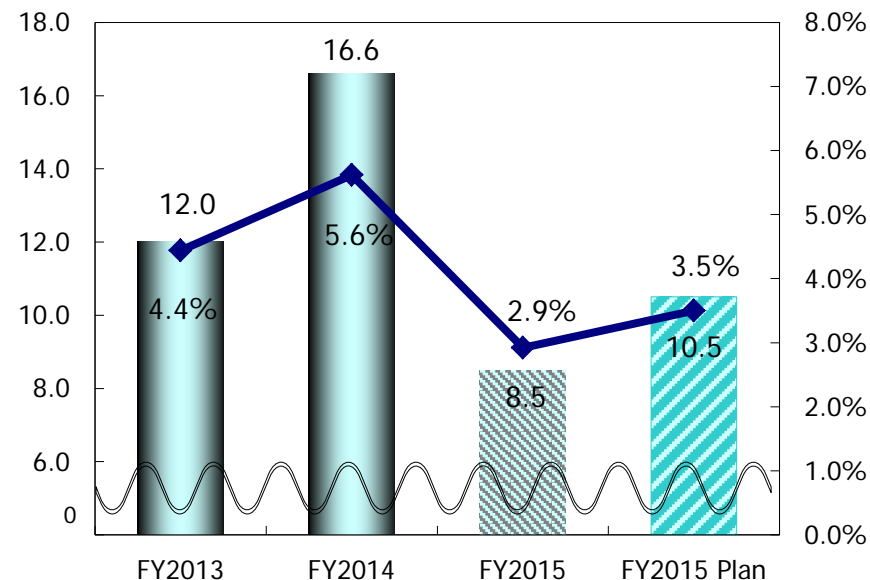
(Units: Billions of Yen)



## Operating income • Operating income margin

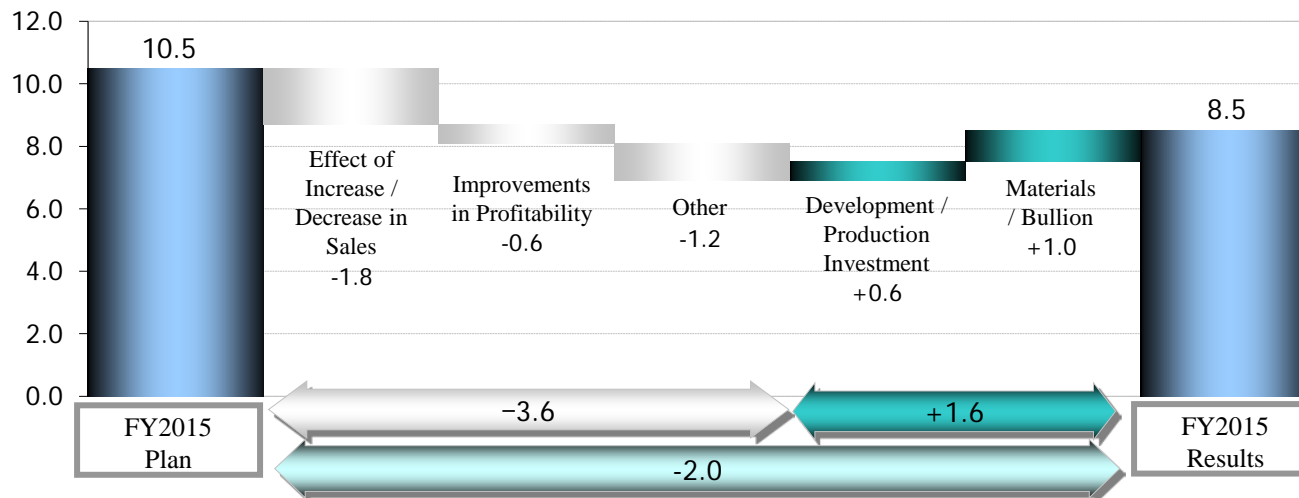
(Units: Billions of Yen)

(Operating income margin)



## Breakdown of changes in operating income

(Billions of Yen)



**While establishing a structure capable of flexibly adapting to the external environment, expand in growth areas and improve revenues and profits.**

Segment	Item	Summary
Construction Materials Business	Strengthen sales foundation	Promote area strategy, strengthen sales capability Product development that has competitiveness
	Aggressive stance in growth areas	Strengthen renovation and reform proposal abilities, promote competitive commodification Strengthen reform network
	Seek to reduce costs	Establish a production structure capable of flexibly adapting to the external environment, promote reduction of costs by thorough optimization, establish optimized procurement network
Materials Business	Implement a foundation for each base and establish sales channel	Promote implementation of a foundation as a global supplier Promote efficient integration of competitive technology and market Strengthen management control structure of subsidiaries
Commercial Facilities Business	Expand business areas and strengthen supply structures	Establish competitive development and production/supply structures Expand business areas through improving the quality of sales activity and obtaining customer satisfaction Expand sales to China, North America and the ASEAN region by leveraging the technology accumulated in Japan
Global Business	Implement a foundation	Implement a foundation to create synergies with new Group subsidiaries in Europe and Thailand

## 2-2. FY2016 Full-year business forecasts

(Units: Billions of yen)

	FY2015 Results	FY2016 Forecasts	YoY	
			Change	%
Net sales	292.3	355.0	62.6	21.4%
Gross profit	67.1	-	-	-
Gross profit margin	23.0%	-	-	-
Operating income	8.5	7.0	-1.5	-18.1%
Operating income margin	2.9%	2.0%	-	-1.0p
Ordinary income	7.9	6.0	-1.9	-24.3%
Net income	5.9	2.5	-3.4	-58.0%

### <Economic outlook and external environment>

The economy is expected to be firm backed by mild recovery in consumer spending. However, imported raw material prices will continue to remain high due to the weaker yen.

#### Construction Materials Business

In the construction materials market, the number of new housing starts in FY2016 is expected to amount to 890 thousand units (101% YoY) and floor area of non-wooden structure starts will be approximately 78 million m<sup>2</sup> (99% YoY), both will remain unchanged from the previous year.

#### Materials Business

In the aluminum extrusion and billet market in Japan, due to the upward trend in capital investment and the weaker yen, demand is expected to be solid mainly in export products in the transport and general machinery areas.

#### Commercial Facilities Business

In the commercial facilities market, demand for new store openings of specialized retailers including convenience stores and drugs stores, and renovation demand associated with the reorganization and business merger in the retail industry are expected.

#### Global Business

In the global market, economic growth rate is expected to be high mainly in emerging countries such as the ASEAN countries. Backed by demand for switch to aluminum in the areas of transport, etc., production volume of related manufacturers is forecast to increase.

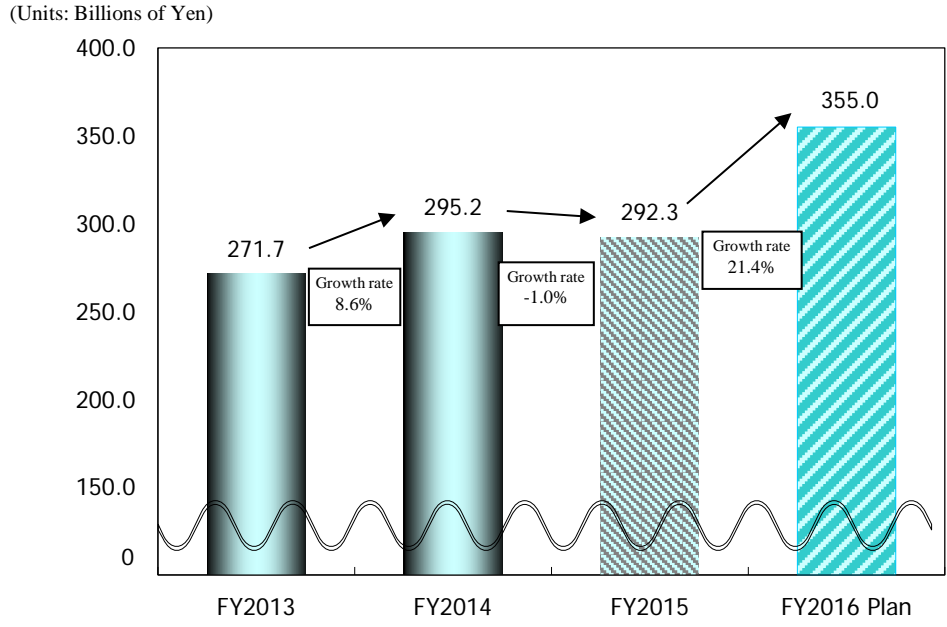
### <Operating income>

Although net sales is expected to increase and profit will grow through improvements in profitability, costs will also rise due to high aluminum bullion price resulting from exchange rate and higher investment in development and production of new sashes and other products.

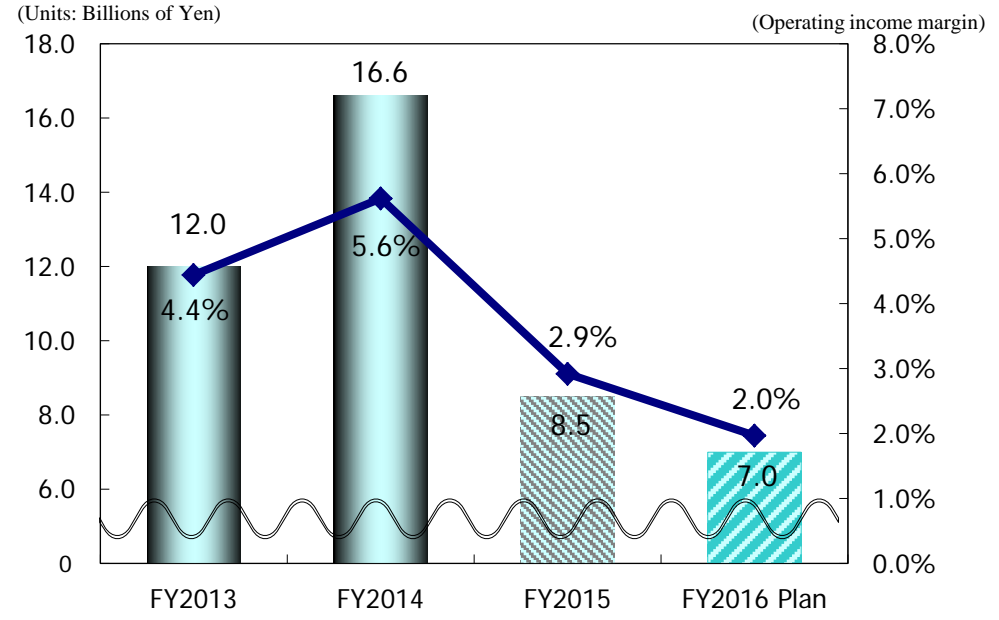


# 2-3. FY2016 Change factors of operating income

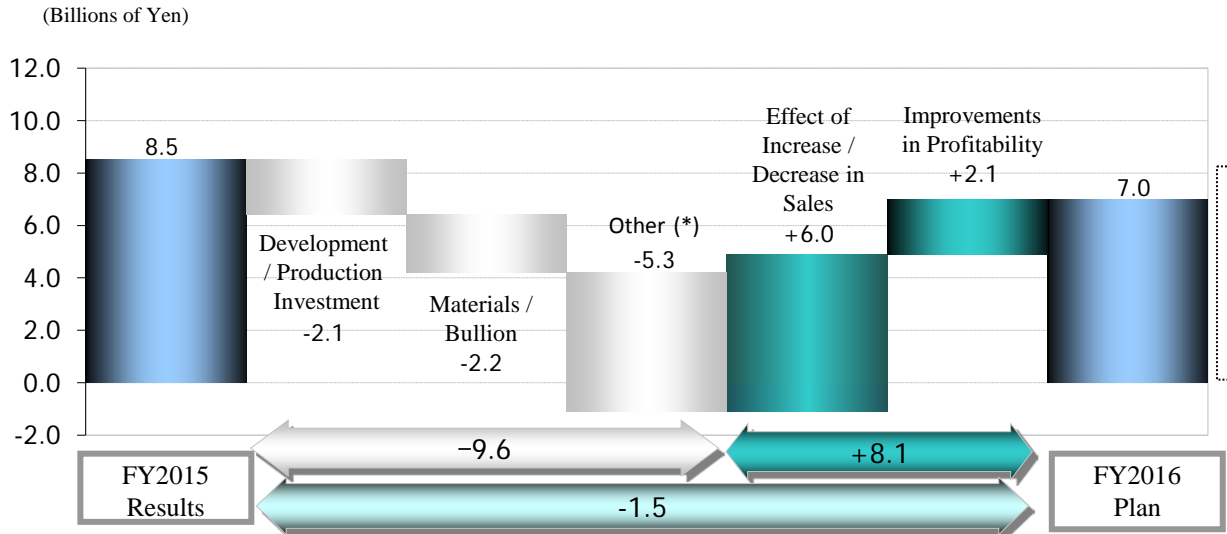
## Net sales



## Operating income • Operating income margin



## Breakdown of changes in operating income



(\*) Breakdown of Other (Billions of yen)

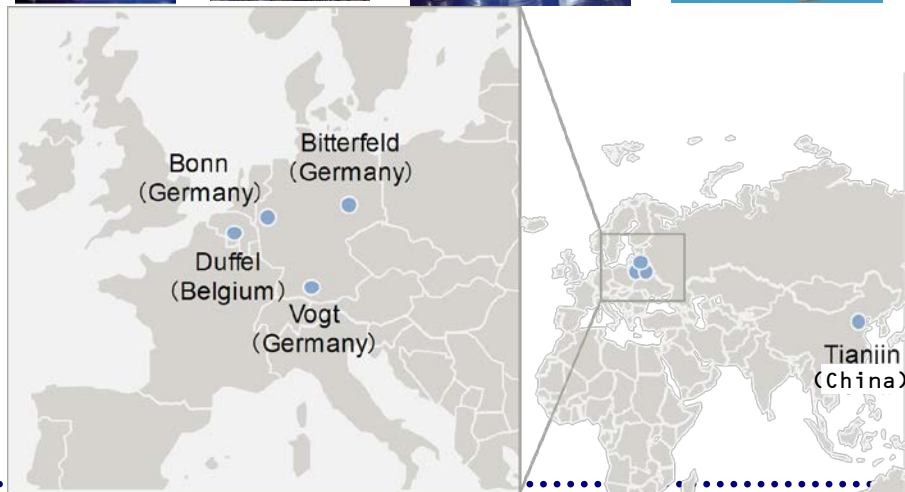
- Advertising expenses: -1.0
- System expenses: -0.2
- Logistics expenses: -0.5
- Allowance for doubtful accounts: -1.4
- Amortization of goodwill: -0.8 and others

## In March 2015, new overseas bases were added in Europe, China and Thailand

### -- STEP-G and Thai Metal Aluminium

## STEP/G ST Extruded Products Group

- Acquired from Aleris International, Inc. in U.S. on March 1, 2015
  - Aluminum extrusion and processing group with five plants worldwide in Germany, Belgium and China
  - With its high technology, manufactures products for areas including aerospace, rail and automotive fields
  - Number of employees: approx. 900
- Net sales: approx. 37.0 billion yen



## Thai Metal Aluminium


- Made into subsidiary on March 2, 2015
  - Aluminum casting, extrusion and processing manufacturer headquartered in Samutprakarn Province, Thailand
  - Other than aluminum extrusion for construction materials, supplying products for a wide range of areas including automotive and electronic product components, etc.
  - Number of employees: approx. 900
- Net sales: approx. 9.5 billion yen



## New aluminum resin compound sash “ALGEO” will be released in October (scheduled)

*-- Industry leading performance emphasizing “safety and security” and “ease of use”*

As well as high heat insulation capacity, “ALGEO” realized “**Toughness**,” a structure to improve durability and the rigidity capable of withstanding severe environmental conditions, and “**Kindness**,” a user-friendliness characterized by easy opening/closing and maintenance, achieving both high performance and usability for residents.



**Toughness**

- Point 1 Upgraded **High durability**
- Point 2 Contributing to low carbon society **Heat insulation**
- Point 3 A structure enabling **Safe and secure installation**

**Kindness**

- Point 1 Easy maintenance **Flat lower frame**
- Point 2 Good operability **Anywhere Pull**
- Point 3 Tailored to each lifestyle **Enhanced functions**

In addition to preparation for the abnormal weather such as frequent torrential rain in recent years, cold snap and extreme heat, wind pressure resistance, water tightness and heat insulation capacity have been improved in light of the New Energy Saving Standard that is scheduled to become mandatory in 2020. Being positioned as “next-generation standard sash,” ALGEO will be distributed as a core product in succession to MADiO Series which were released 10 years ago. The ratio of aluminum resin compound windows is planned to be raised to 50% by FY2017.

## Advertising and promotion using “Doraemon” started in June 2014 continues this fiscal year

*-- Planning and development utilizing women’s viewpoint and sense*

- Advertising in Shin-takaoka Railway Station

■ At escalator/stairway



■ First floor inside ticket gate



- Promotional goods (Campaign and other events are scheduled)



- Wrap advertising on “AI-TRAM” of Manyo Line



- Advertisements



- Showroom

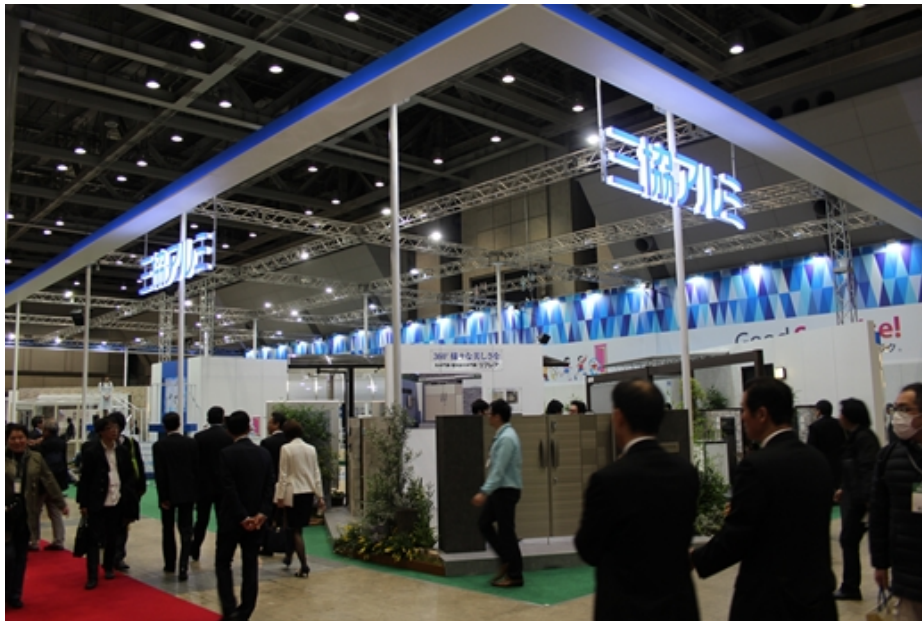


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## “Exterior New Product Exhibition 2015” was held in seven cities nationwide

*-- The theme was “Good Surprise! - Exciting discoveries in life”*



A view of the exhibition (Tokyo venue)



Must-see Products Live show



Exhibition of RING RING from “S. Border” Series, the first product line under SACLAB brand

The exhibition was held at seven venues; Shizuoka, Tokyo, Nagoya, Osaka, Nagano, Fukuoka and Sendai. Approximately 14,000 and 20,000 visitors attended Tokyo venue and Osaka venue, respectively.

Through the “Must-see Products Live show,” a new approach adopted this year, the features and characteristics of new products were introduced to the visitors from various perspectives with demonstration at the main stage using a large screen and live broadcast. At “Coloring scenes of life” area, the booth was decorated with plants by garden designers and various accessories to provide hands-on exhibit of an enjoyable lifestyle.

# Received order for exterior sashes of “Zhu He Feng” tower, an international landmark in Taiwan

*-- Our local sales company Sankyo Ta Tung Aluminium won the package order*



■ A joint press conference was held at the head office of PAU JAR GROUP in Taiwan after the technology exchange held by Zhu He Construction (PAU JAR group company).



■ Planned picture of ”Zhu He Feng”

◆ Zhu He Feng

A landmark tower to be constructed in Luzhou District by Zhu He Construction, the most quality-oriented company in the Taiwanese construction industry.



### Sankyo Alumi Presentation Center was remodeled

*-- Renovated as a presentation center exclusively for buildings*



Preview was held



#### ■ Natural ventilation hands-on facility

By bringing in artificial wind into the room, the ventilation effect of our products can be experienced.  
<Exhibited products> ARM-S@NAV, Swindow, CAVCON, Breath, etc.

#### ■ Products Square

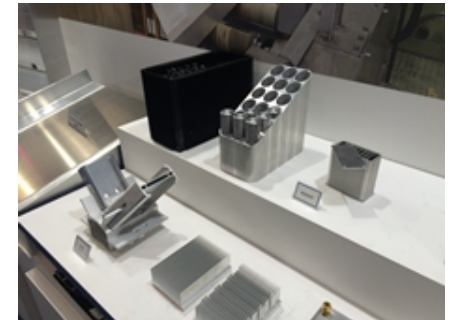
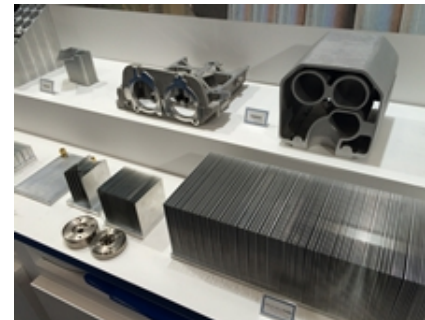
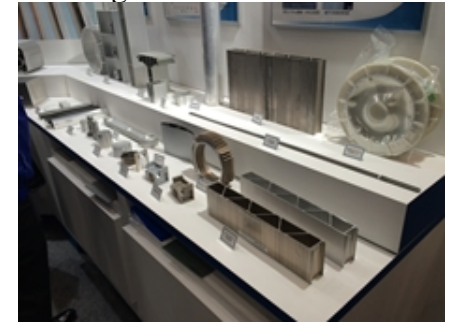
<Exhibited products> ARM-S, is100, MTG-70, MTG-90, HOOKSlim, handrails, etc.

With the opening of the Capital Area Showroom (for residential-use, some are for exterior-use) in February 2015, the existing SPC was remodeled as a presentation center exclusively for buildings.

## Exhibited at the 2nd METAL JAPAN -Highly-functional Metal Expo-

*-- Introduced case studies in technical development, processed goods, aluminum pallets, etc.*

Our concept was “an integrated production from casting to processing and commercialization of aluminum and magnesium.” The case studies in technical development, processed goods, aluminum pallets and rack products for plant factories were exhibited to propose a variety of uses of light metal.



#### ◆METAL JAPAN -Highly-functional Metal Expo-

It gathers a wide range of metal materials such as iron, aluminum, copper, rare metal, titanium and magnesium, as well as technologies and products related to novel, cutting edge materials.

Combined with four other exhibits concurrently held, approximately 58,000 visitors attended over a three day period.

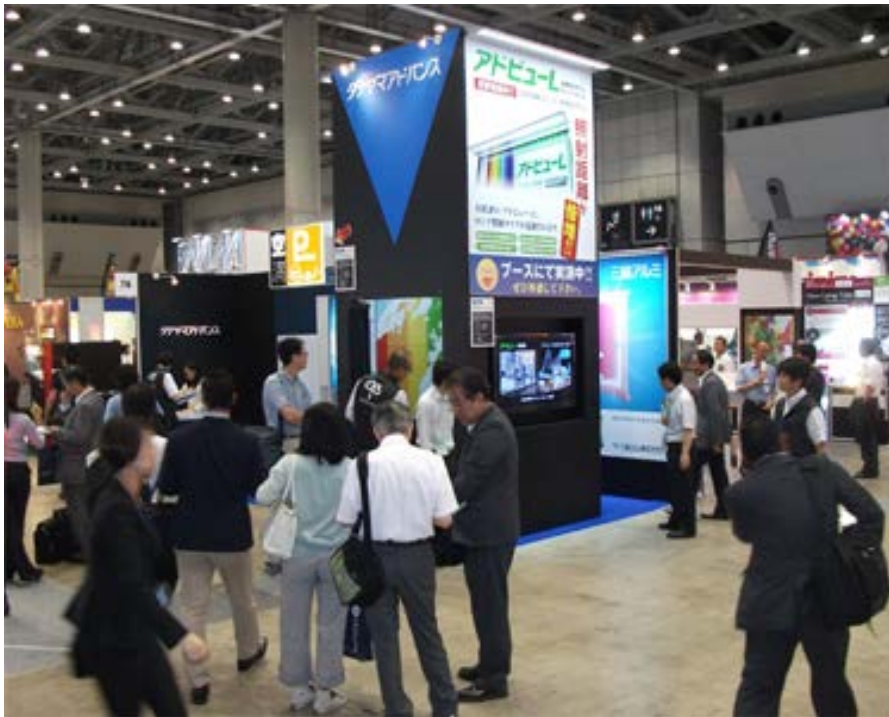


### 3-8. Tateyama Advance exhibits at the “SIGN & DISPLAY SHOW”

#### Exhibited at “SIGN & DISPLAY SHOW 2014”

*--Introduced new products of 2014 at its hands-on booth*

\*Tateyama Advance exhibits at the show every year since its founding (nine times so far)



”AdView-L,” a digital signage for large-sized ads on building walls and transportation ads that projects the image clearly with uniform lighting, and “ADO-940N-BT” that can be installed outdoors without electric sockets, and other products were exhibited

◆“SIGN & DISPLAY SHOW” Date: from September 18 (Thu.) to September 20 (Sat.), 2014

It is an yearly exhibit that serves as a venue for information provision and introduction of sign boards and facility signs, and current technologies and products in the display industry. 145 companies exhibited in 2014 and approximately 30,000 visitors attended over a three day period.

## “6th Twin-leaf afforestation” root treading activity was held

*-- Endorsing “afforestation by business entities” promoted by Toyama Prefecture*



■ The participants bound young pin oak and chestnut trees planted two years ago and in November last year to the support rods, and then trod the ground around them so that trees take root.



■ Total of 59 persons attended as volunteers, including employees and their families.

### ◆ Twin-leaf afforestation

As part of “afforestation by business entities” activity signed with Takaoka City in April 2013, SankyoTateyama plants around 500 trees every year in a mountain village of Toyama Fukuoka Family Village (Takaoka City, Toyama Prefecture) for five years. The 15-year project aims to grow approx. 2,500 trees in total, taking another 10 years of maintenance after the planting.

[Notes regarding these documents]

The content of these documents contains forward-looking statements including plans, strategies, and business results of Sankyo Tateyama, Inc. and its consolidated subsidiaries (hereinafter collectively the “Sankyo Tateyama Group”). These statements are based upon assumptions and decisions of the Sankyo Tateyama Group that have been derived from information available as of the time of writing, and include foreseeable and unforeseeable risks, uncertainties, and other factors. Due to these effects, the actual business results, business activities, and financial conditions of the Sankyo Tateyama Group may vary significantly from these forward-looking statements. Additionally, the Sankyo Tateyama Group may not necessarily revise its forward-looking statements due to new information, future events, or other reasons. Risks, uncertainties, and other factors that may have a material effect on the actual business results and others of the Sankyo Tateyama Group may include, but are not limited to, economic conditions in the business areas in which it operates, changes in demand trends and intensified price competition for the products and services of the Sankyo Tateyama Group, or price fluctuations of items such as aluminum bullion.

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