

October 5, 2015

# Supplemental Earnings Announcement Information for the First Quarter of the Fiscal Year Ending May 31, 2016

 **SankyoTateyama, Inc.**

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(Women Promoting WG’s activities)
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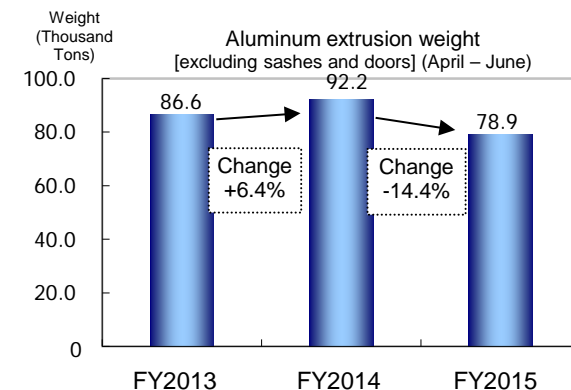
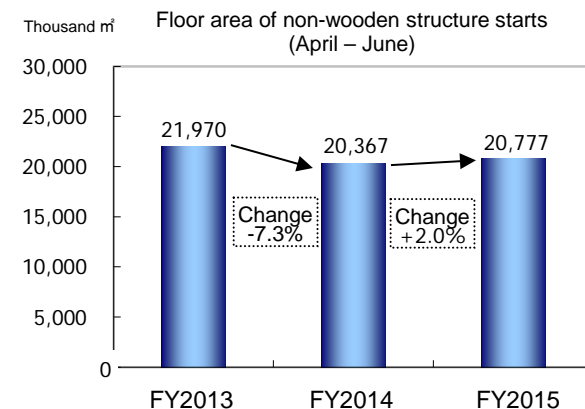
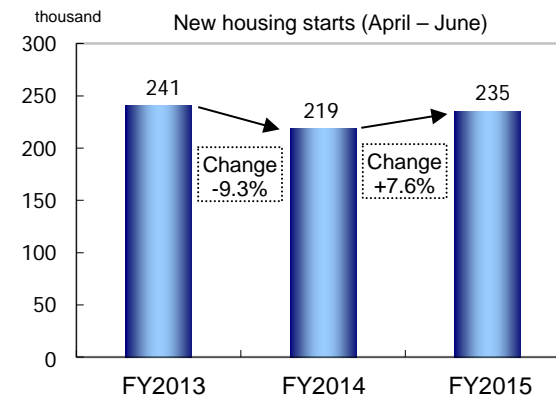
# 1-1. Q1 FY2016 Business environment

## ◇ Market environment

Market environment	FY2013	FY2014	FY2015
New housing starts (April – June) *Construction Materials Business (Residential) Index	241 thousand units	219 thousand units (-9.3% YoY)	235 thousand units (+7.6% YoY)
Floor area of non-wooden structure starts (April – June) *Construction Materials Business (Buildings) Index	21,970 thousand m <sup>2</sup>	20,367 thousand m <sup>2</sup> (-7.3% YoY)	20,777 thousand m <sup>2</sup> (+2.0% YoY)
Aluminum extrusion weight [excluding sashes and doors] (April – June) * Material Business Index	86.6 thousand tons	92.2 thousand tons (+6.4% YoY)	78.9 thousand tons (-14.4% YoY)
Aluminum bullion [Nikkei average] (April - June)	242.6 yen / kg	259.1 yen / kg (+6.8% YoY)	299.0 yen / kg (+15.4% YoY)

During the first quarter of the current consolidated fiscal year, the Japanese economy showed signs of recovery, such as improvement in corporate profits and new housing starts, from a reactionary drop in demand after the consumption tax hike, but individual consumption had not fully recovered, instead remaining weak. While raw materials prices remained at high levels caused by the continued weak yen, the aluminum bullion market currently showed a downward trend. The future of the economy still remained uncertain.

Construction Materials	In the construction materials market, it started to recover from a decreasing trend in the number of new housing starts due mainly to a reactionary drop in demand after the consumption tax hike.
Materials	In the aluminum profiles and billet markets, while demand trends in the transport and general machinery areas remained strong, demand for electronic equipment dropped.
Commercial Facilities	In the commercial facilities market, while demand trends were solid for convenience stores and drug stores, demand for new store openings and renovations of specialized mass retailers decreased.
Aluminum Bullion	Aluminum market prices had continued to decrease after the peak in November 2014.



# 1-2. Q1 FY2016 Business results

(billions of yen)

	Q1 FY2015 results	Q1 FY2016 results	Year on year	
			Change	%
Net sales	67.0	79.2	12.1	18.2%
Gross profit	17.0	15.7	-1.2	-7.4%
Gross profit margin	25.4%	19.9%	-	-5.5p
Operating income	2.9	0.1	-2.8	-94.9%
Operating income margin	4.5%	0.2%	-	-4.3p
Ordinary income	2.9	0.1	-2.8	-96.5%
Net income attributable to the parent company	2.4	-0	-2.5	-

\*Amounts and rates are rounded down.

<Net sales> Although revenues in the construction materials business and the commercial facilities business were down, revenues in the materials business increased and the global business was added, and the overall net sales increased by 18.2% year-on-year.

**Construction Materials Business** Although we promoted measures including strengthening of the sales network and capturing demand for renovations, due to factors such as an effect of reactionary decrease in sales after soaring demand from snow damage in the Kanto region last year, an effect of continued rising prices from last fiscal year of aluminum bullion, the key raw materials, and intensifying competition, net sales were recorded at 47,913 million yen (a year-on-year decrease of 2.1%) and segment loss was recorded at 205 million yen (income of 1,757 million yen for the corresponding period of previous year)

**Materials Business** Due to factors such as the aggressive capturing of demand in the areas of transport and general machinery, consolidated net sales of Sankyo Thermo-Tech, Inc. that became a subsidiary in September 2014, net sales were recorded at 10,948 million yen (a year-on-year increase of 13.3%) but segment income was recorded at 632 million yen (a year-on-year decrease of 21.0%) due to a decrease in demand for electronic equipment.

**Commercial Facilities Business** Although we made efforts to expand sales mainly to convenience stores and specialized mass retailers, due to factors such as slowdown of demand concerning management integration of retailers last fiscal year, net sales were recorded at 7,984 million yen (a year-on-year decrease of 5.3%) and segment income was recorded at 285 million yen (a year-on-year decrease of 49.2%)

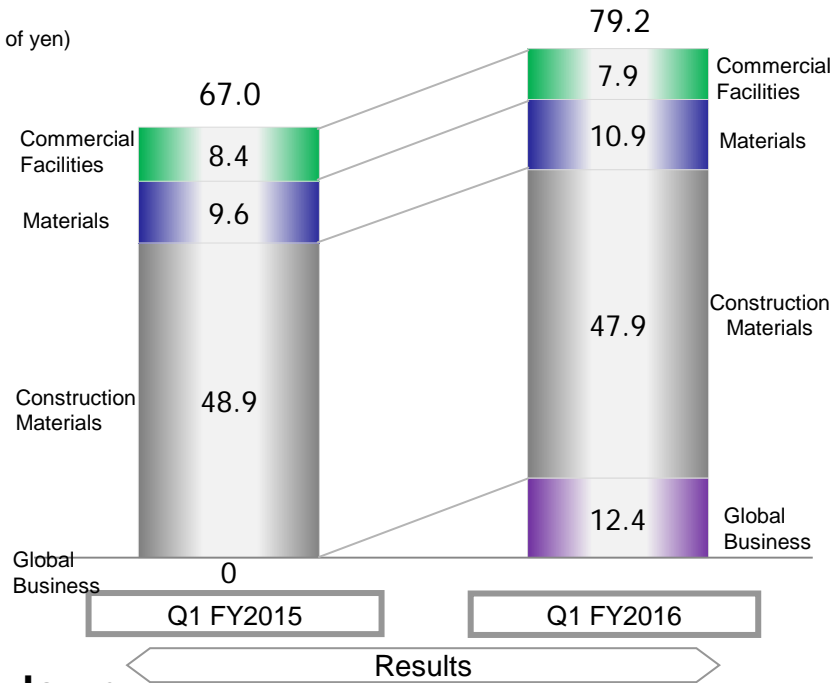
**Global Business** Due to factors such as steady demand for automobile and aircraft fields, and capturing demand for construction materials fields in growing ASEAN, net sales were recorded at 12,406 million yen, but segment loss was recorded at 553 million yen (loss of 14 million yen for the corresponding period of previous year) due to factors such as intensifying competition in railway fields in Europe and a burden of the amortization of goodwill as a result of M & A.

<Operating income> Despite progress in improving profitability through cost reduction and optimization, factors such as an increase in sales promotion expenses for new products, continued high prices of aluminum bullion and intensifying competition caused a year-on-year decrease of 94.9%.

# 1-3. Q1 FY2016 (Year-on-Year) sales and operating income

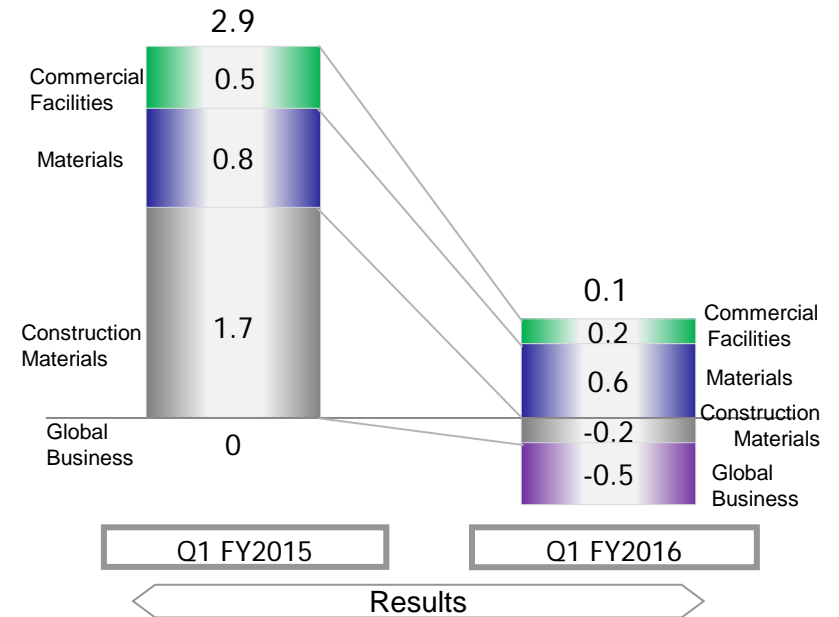
## Net sales

(billions of yen)

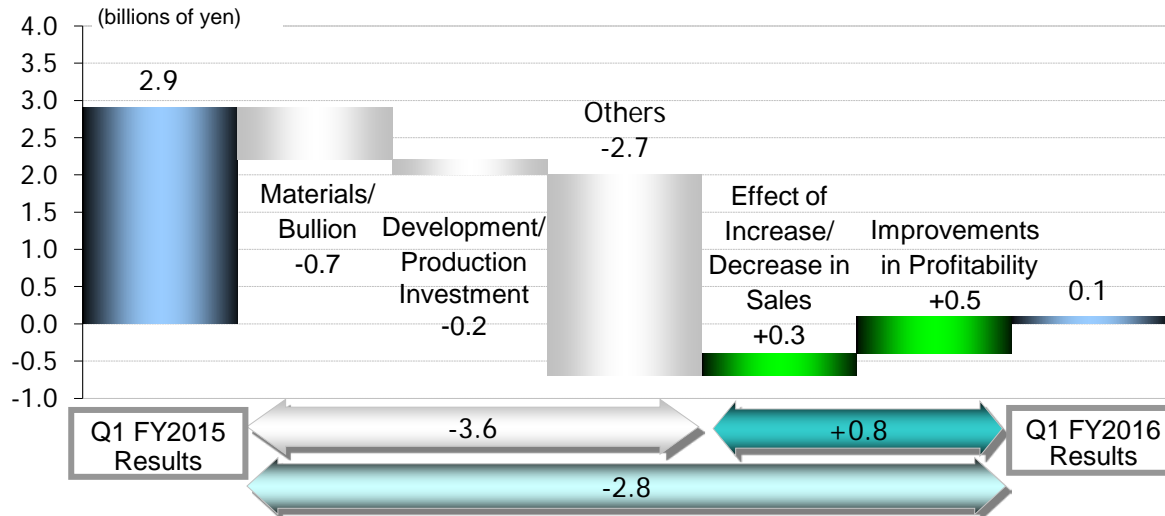


## Operating income

(billions of yen)



## Breakdown of changes in operating income



- \* Main breakdown of others
- Advertising expenses -400 million yen
  - Goodwill amortization -250 million yen
  - Increase in provisions for doubtful receivables -250 million yen
  - Selling and administrative expenses for global business -940 million yen etc.

\*Amounts are rounded down.

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

(During the first quarter of the current consolidated fiscal year, the plan was promoted at the beginning)

Segment	Item	Summary
Construction Materials Business	Strengthen sales foundation	Promote area strategy, strengthen sales capability Product development that has competitiveness (see Topics 3-3, 3-4)
	Aggressive stance in growth areas	Strengthen remodeling and renovation proposal abilities, promote competitive commodification (see Topics 3-5) Strengthen renovation 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	Establishment of each foundation and sales channels	Promote implementation of a foundation as a global supplier Promote efficient integration of competitive technology and market (see Topics 3-6) Strengthen management control structure of subsidiaries
Commercial Facilities Business	Expand business areas and strengthen supply structure	Establish competitive development and production/supply structure Expand business areas through improving the quality of sales activity and obtaining customer satisfaction (see Topics 3-7, 3-8) Expand sales to China, North America and the ASEAN region by leveraging the technology accumulated in Japan
Global Business	Foundation establishment	Establish a foundation to create synergies with new subsidiaries in Europe and Thailand (see Topics 3-2)

## Sankyo Tateyama is added to JPX-Nikkei Index 400

**——400 companies with high appeal for investors**

On August 7, Japan Exchange Group, Inc. announced Replacement of Component Issues for the JPX-Nikkei Index 400 where Sankyo Tateyama is added in changes of components dated August 31, 2015.

### ◆ JPX-Nikkei Index 400

The new index is composed of 400 companies with high appeal for investors, which meet requirements of global investment standards, such as efficient use of capital and investor-focused management perspective. The new index started in 2014 to promote the appeal of Japanese corporations at home and abroad, while encouraging continued improvement of corporate value, thereby aiming to revitalize the Japanese market.

Index Name	JPX-Nikkei Index 400 (Abbrev.: JPX-Nikkei 400)
Index Providers	Japan Exchange Group, Inc., Tokyo Stock Exchange, Inc. and Nikkei Inc.
Number of Components	400 issues
Eligible Issues	TSE-listed issues (first section, second section, Mothers, JASDAQ)
Start of Calculation	January 6, 2014 (disseminated at real time (every one second) from TSE's Market Information System)
Base Date/Base Point	August 30, 2013/10,000 points

(Source: Japan Exchange Group website: <http://www.jpx.co.jp/markets/indices/jpx-nikkei400/>)

## Sankyo Tateyama holds Information Session for Institutional Investors

— Explains 70th period financial forecast,  
VISION2020 and New Mid-Term Management Plan

■ Date: July 22, 2015

■ Place: Daiwa Conference Hall (Chiyoda-ku, Tokyo)



The session was participated in by 54 institutional investors.



Kiyotsugu Yamashita  
President of Sankyo Tateyama



Mr. Supat Ratanasirivilai  
Representative of  
Thai Metal Aluminium



Mr. Michael Zint  
Representative of STEP-G

President Yamashita of Sankyo Tateyama explained the outline of the 70th period financial forecast, VISION2020 and the new Mid-Term Management Plan. From overseas subsidiaries, Mr. Michael Zint, representative of STEP-G, and Mr. Supat Ratanasirivilai, representative of Thai Metal Aluminium, explained the outline of their companies and future policies as an ST group company.



## New aluminum resin compound sash ALGEO is introduced in press release

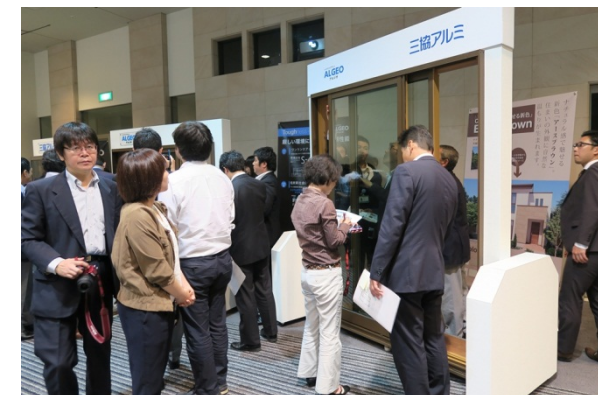
— Promoting product features such as high performance and usability



Promoting renovation points



There were 38 reporters in the release.



Samples exhibition area



### ● Trial sessions for agencies

The Housing Business Department and branch offices cooperate in holding a trial session across the country for the purpose of improving the recognition of ALGEO and enabling customers to experience the appeal of the product by seeing and touching an actual product.

In addition to high heat insulation and high durability of the product features, user-friendliness and easy care were emphasized. Its development process and sales policy were also explained. Being positioned as “next-generation standard sash,” ALGEO will be distributed as a core product succeeding the MADiO Series, which was released ten years ago.

## Three products received Good Design Award 2015

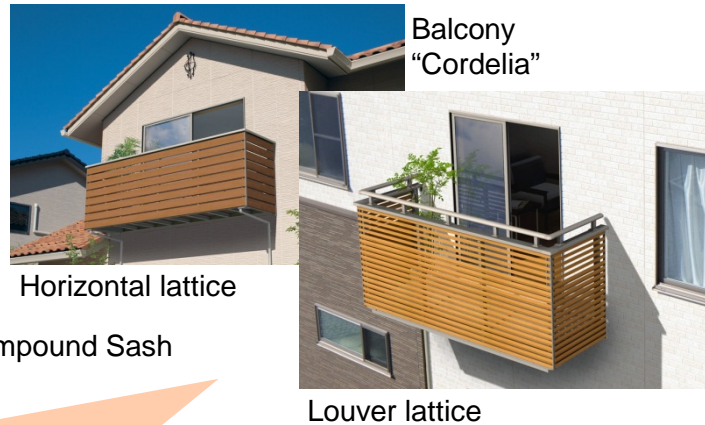
— *New aluminum resin compound sash “ALGEO,” balconies “Cordelia (horizontal lattice), (louver lattice)” and fences “S Border Series (RING RING), (Air Block)”*



### Evaluation Point

The lower frame of double sliding window is made flat to give it a clean impression and make it easy to care.

New Aluminum Resin Compound Sash  
“ALGEO”



Horizontal lattice

Louver lattice

Balcony  
“Cordelia”

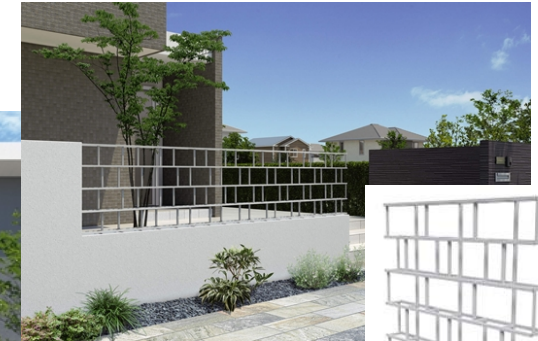
### Evaluation Point

Considered as an extension of a living room, this balcony blocks glances from the external balcony, takes breeze and avoids becoming a child’s foothold.

Fence  
“S. Border Series”



RING RING



Air Blocks



### Evaluation Point

People are apt to think a fence is a separation, but we consider not only that it separates a site and a road but that it links them as well, enabling residents to be engaged in linkage in natural way, not limiting to the purpose of separation.

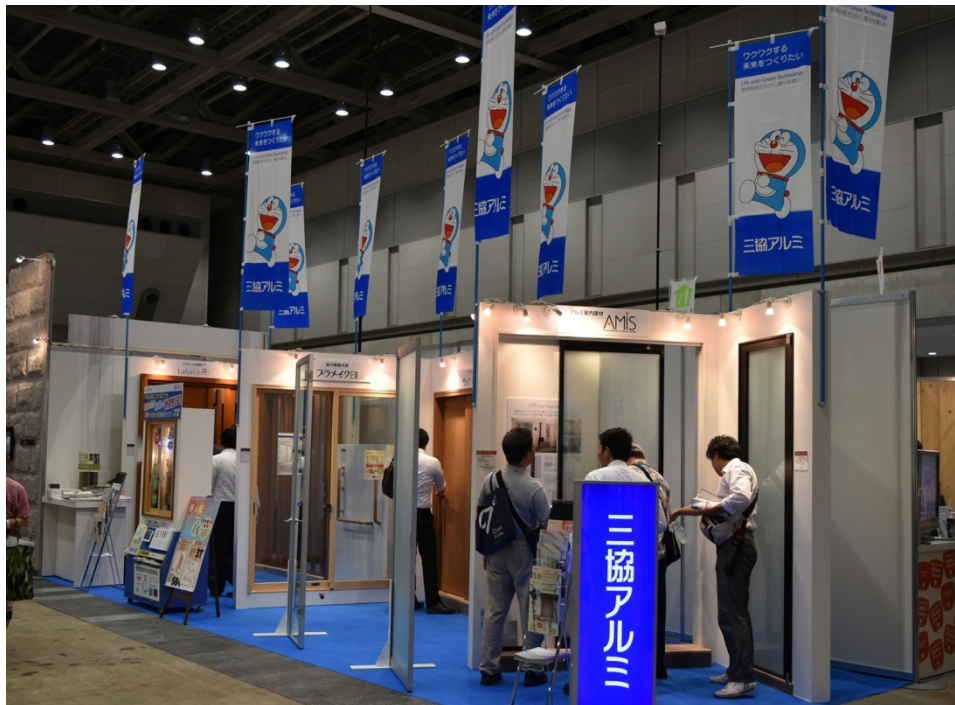
### ◆ Good Design Award

The Good Design Award is the successor to the Good Design Products Selection System launched by the Ministry of International Trade and Industry (the present Ministry of Economy, Trade and Industry) in 1957 and since its new start in 1998 as Good Design Award hosted by Japan Institute of Design Promotion, a public interest incorporated foundation, it has served as a comprehensive design evaluation and commendation system. Over the past 60 years, around 42,000 designs have been recognized by the awards to enrich our lives, industries, and society as a whole.

## Exhibits at Reform Industry Fair 2015

—Exhibits renovated front doors, sliding doors, and interior construction materials

Sankyo Alumi exhibits nine items such as renovated front doors, sliding doors, Pla-make E II and interior construction materials including new type AMiS



Sankyo Alumi booth



Explaining the Aluminum Modern Interior System “AMiS”

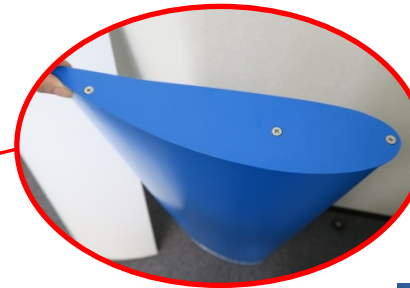
### ◆ Reform Industry Fair

It is an exhibition which introduces a wide range of housing facilities, construction materials, supporting products for their sales and business administration. It is held for renovators, building contractors, homebuilders, general construction companies, developers, real estate companies, trading companies, distributors, and manufacturers of housing materials and construction materials. This year marked the 18th fair, where about 240 companies exhibited and about 24,000 people visited.

## Sankyo Material produces windmill blade for compact wind power generator with aluminum extrusion

—Contributing to dissemination of wind energy generation and its efficiency improvement

It becomes more difficult to mold aluminum extrusion when materials get thinner due to technical restrictions. Sankyo Material realized both its thinness and strength.



Stream-lined cross-section

<Sample of use>  
Toyama Municipal  
Family Park Zoo ▶



After trials and errors during a two-year period since April 2013, Sankyo Material succeeded in molding blades that are light and of sufficient strength. The wind power generator consists of four vertical blades that are built to the vertical axis to rotate the blades. Compared with commonly used wind-mill type generators, it has many advantages; it can rotate with weak wind, its noise is small, and it requires little space for installation. Taking advantage of excellent characteristics of aluminum such as it being light, difficult to rust, and easy to recycle, Sankyo Material will make efforts to develop various products in the years ahead.

## Exhibited at the 57th SIGN & DISPLAY SHOW

— Introduced new products such as AD-View Upper at its large booth



Tateyama Advance has exhibited at the show every year for ten years since its founding. The company exhibited many products including the main product, AD-View Upper, which is an external led-illuminated signboard unit launched in September, Postand and AD PACK, a thin type internal led-illuminated signboard, and AD-View Banner (tentative name), an integral structure of AD-View and roll screen as a reference exhibition.



### ◆ SIGN & DISPLAY SHOW

This is the display industry's largest exhibition. It exhibits a variety of general products related to sign displays including materials and process equipment necessary for manufacturing and construction as well as the latest technologies. It is a yearly exhibit that serves as a venue for information provision and product introduction of each exhibitor. There were 138 companies exhibiting in 2015 and approximately 30,000 visitors attended over a three day period.

### Polygonium is delivered to Museum Shop at TOYAMA KIRARI

*—Used for product display tables and a customer reception counter*

It is a display system made of aluminum profiles, combining aluminum and wood with thin cedar wood affixed to the inside and outer sides of the system.



Used for product display tables and a customer reception counter

#### ◆ TOYAMA KIRARI

It is a complex facility fully opened in Toyama City on August 22, 2015, consisting of a glass museum, library, café, museum shop and others. It was designed by Mr. Kengo Kuma, a world-famous architect and political advisor to Toyama City. The delivered Polygonium will be used at the museum shop.

## Summer Holiday Parent-Child Craft School and Door to the Future Contest organized by Women Promoting Working Group were held.

### Summer Holiday Parent-Child Craft School



Female employees at the reception



Nuts and seashells are used for various crafts.



Morning and afternoon sessions were attended by about 100 parent-child pairs.

### Door to the Future Contest

Gold prize award pictures drawn by children in the category of first graders to third graders



Calling for entries of "Door to the future" imagined and drawn by elementary school children, the organizer received about 2,000 pictures from across the country.

Gold prize award pictures drawn by children in the category of fourth graders to sixth graders



#### ◆ Women Promoting Working Group

The working group was founded last year when measures of advertising and promotion featuring Doraemon were developed. After that, they held two events this year, namely Summer Holiday Parent-Child Craft School and Door to the Future Contest. They plan to hold many events and projects, utilizing a women's viewpoint.

## 7th Twin-leaf Afforestation weeding activities

— Joins Afforestation by Business Entities signed with Takaoka City



The participants cut weeds and vines around saplings planted two years ago and last year.



A total of 28 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, Sankyo Tateyama has planted 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]

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