

April 4, 2016

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



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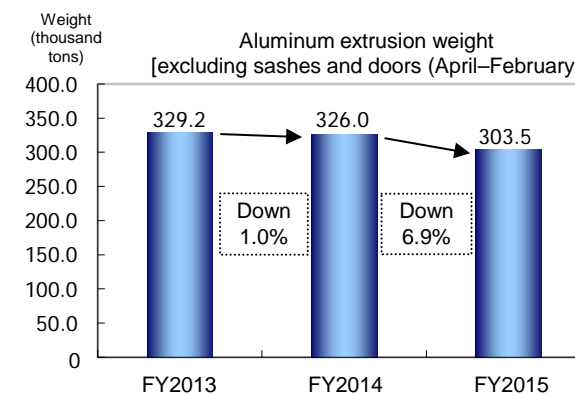
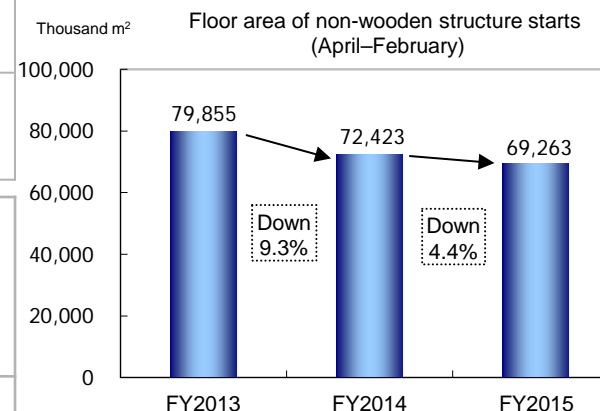
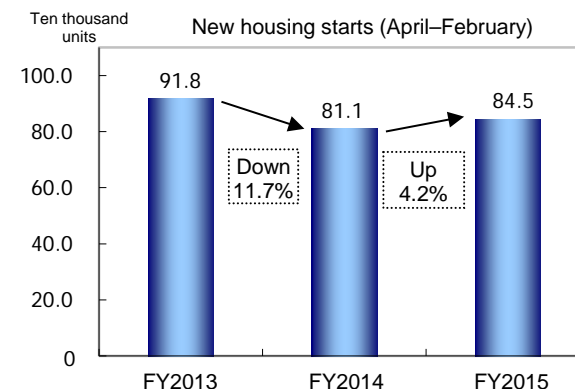
# 1-1. Q3 FY2016 Business environment

## ◇ Market environment

Market environment	FY2013	FY2014	FY2015
New housing starts (April–February) * Construction Materials Business (Residential) Index	918 thousand units	811 thousand units (-11.7% YoY)	845 thousand units (+4.2% YoY)
Floor area of non-wooden structure starts (April–February) * Construction Materials Business (Buildings) Index	79,855 thousand m <sup>2</sup>	72,423 thousand m <sup>2</sup> (-9.3% YoY)	69,263 thousand m <sup>2</sup> (-4.4% YoY)
Aluminum extrusion weight [excluding sashes and doors] (April–February) * Material Business Index	329.2 thousand tons	326.0 thousand tons (-1.0% YoY)	303.5 thousand tons (-6.9% YoY)
Aluminum bullion [Nikkei average] (April–February)	239.8 yen/kg	292.0 yen/kg (+21.8% YoY)	256.8 yen/kg (-12.1% YoY)

During the third quarter of this consolidated fiscal year, Japan's economy was on track for gradual recovery, as seen in improvements in corporate earnings and the employment situation. However, it was still far from full recovery, mainly because domestic consumer spending and capital expenditure remained lackluster. Taking a look at the world, fears of the slowing global economy are increasing due to an economic downturn in China, decline in oil prices, and other concerns.

Construction Materials Business	While the new housing starts began to recover, the floor area of non-wooden structure starts continued to decline on a year-on-year basis.
Materials Business	Demand for transportation services was strong. However, the overall materials business remained in severe conditions, mainly due to a drop in demand for electronics equipment.
Commercial Facilities Business	Large-scale high-volume retailers, convenience stores, and others tended to refrain from investments in retail store openings and remodeling.
Global Business	Thailand's economy slowed down with sluggish personal consumption due to climate factors. In Europe, competition in the transport business was intensified.
Aluminum Bullion	The aluminum bullion market is stable for the time being.



# 1-2. Q3 FY2016 business results

(Billions of yen)

	Q3 FY2015 results	Q3 FY2016 results	Year on year	
			Change	%
Net sales	212.4	246.8	34.4	16.2%
Gross profit	50.4	51.8	1.3	2.7%
Gross profit margin	23.7%	21.0%	-	-2.7p
Operating income	7.5	3.8	-3.6	-48.7%
Operating income margin	3.6%	1.5%	-	-2.1p
Ordinary income	6.9	3.1	-3.7	-54.0%
Net income attributable to the parent company	5.9	1.3	-4.6	-77.6%

\* Amounts and rates are rounded down.

<Net sales> While revenues in the construction materials business increased, revenues in the materials and commercial facilities businesses decreased. Since the global business is added as a new business segment from this fiscal year, overall net sales increased by 16.2% year on year.

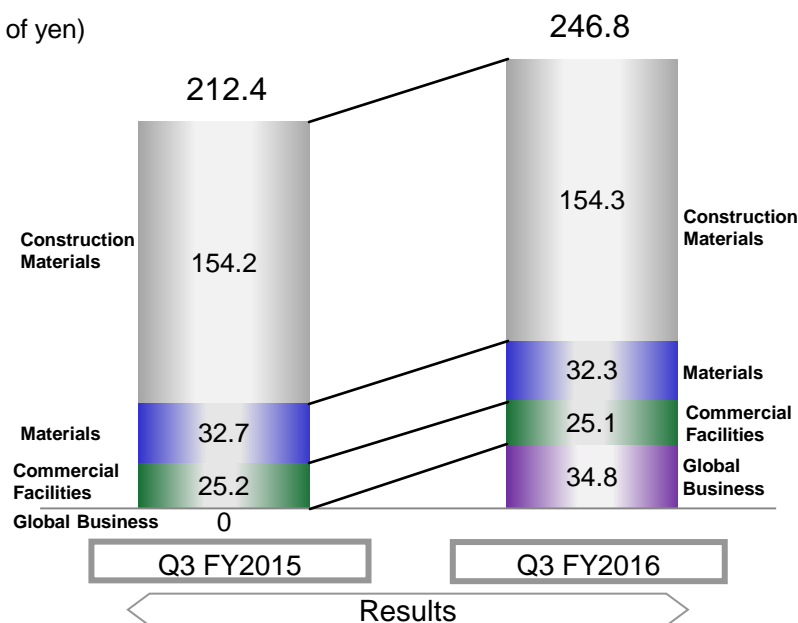
Construction Materials Business	A year-on-year increase in net sales was just 0.1% due to sluggish domestic demand in the non-wooden building market, despite an improvement in the number of new wooden housing starts.
Materials Business	While an attempt to absorb demand for transportation services and other efforts were promoted, net sales decreased by 1.2% year on year, mainly as a result of declining demand for electronics equipment.
Commercial Facilities Business	Although we promoted proposal-based sales to increase orders for new retail store openings and remodeling, large-scale high-volume retailers' unwillingness to make new capital investment led to a decline in demand. Due to this and other factors, net sales decreased by 0.5% year on year.
Global Business	Efforts were made to respond to demand for transportation services and profiles and to newly develop synergy projects in Japan, Europe, China, and Thailand. However, we faced intensified competition in the railroad business in Europe and declining demand for construction materials in Thailand. As a result, net sales were recorded at 34,818 million yen.

<Operating income> Significantly affected by an increase in investment for transition in mainstream products in the construction materials business, as well as by a slowdown in the European and Thai markets in the global business, operating income decreased by 48.7% year on year.

# 1-3. Q3 FY2016 sales and operating income (year-on-year)

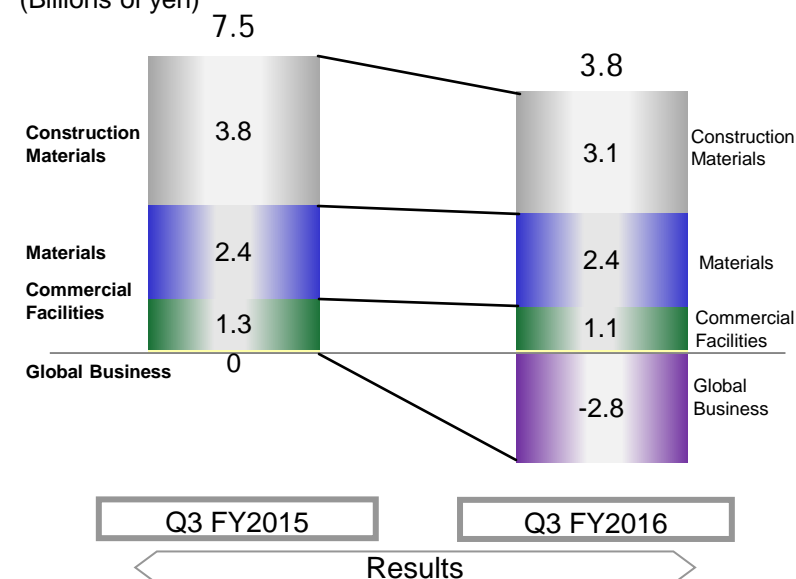
## ■ Net sales

(Billions of yen)

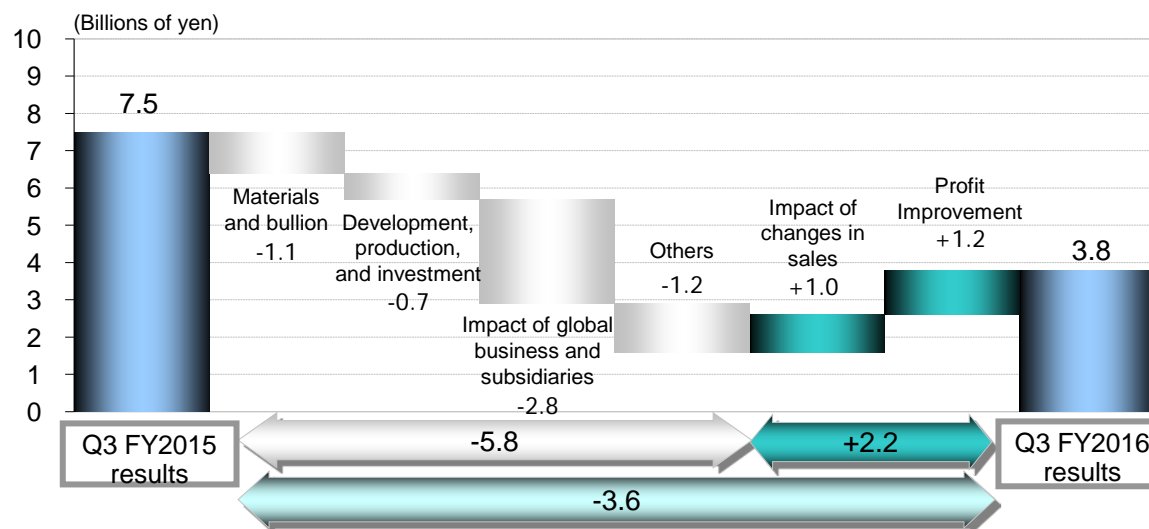


## ■ Operating income

(Billions of yen)



## ■ Breakdown of changes in operating income



### Breakdown (billions of yen)

<Impact of global business and subsidiaries>

Impact of exchange -0.1

Employment adjustment -0.7

SG&A expenses and others -1.4

Depreciation of goodwill -0.6

<Others>

Retirement benefits expenses +0.1

SG&A expenses and others -1.3

\* Amounts are rounded down

# 1-4. FY2016 initiatives by segment

**While establishing a structure capable of flexibly adapting to the external environment,  
Sankyo Tateyama will develop in growth areas and improve revenues and profits.**  
(Promoting the business plan at the beginning of the year without change)

Segment	Item	Summary
Construction Materials Business	Strengthen sales foundation	Promote area strategy; strengthen sales capability (see Topics 2-3 and 2-4) Develop competitive products (see Topics 2-1, 2-2, 2-5, 2-6, and 2-7)
	Promote intensive efforts in growth areas	Strengthen abilities of proposing remodeling and renovation solutions; promote competitive commodification 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	Develop infrastructures and marketing channels at each business location	Promote the development of business infrastructures appropriate as a global supplier Promote efficient integration of competitive technology and market (see Topic 2-8) Strengthen management control structure of subsidiaries
Commercial Facilities Business	Expand business areas and strengthen supply structure	Establish competitive development and production/supply structure (see Topic 2-9) Expand business areas through improving the quality of sales activity and achieving customer satisfaction Expand sales into China, North America, and the ASEAN region by leveraging technologies accumulated in Japan
Global Business	Enhance business infrastructures globally	Reinforce administration of subsidiaries outside Japan and enhance business infrastructures for pursuing efficiency and creating synergy

## 2-1. Sankyo Alumi's ALGEO selling well

“ALGEO,” a new type of compound aluminum sash

—Realizes industry-leading toughness and kindness

—Highly-reputed “flat lower frame” and new color, “Earth Brown”



Life with Green Technology  
環境技術でひらく、豊かな暮らし



GOOD DESIGN  
AWARD 2015



### Toughness

Durability against harsh environments

Resistant to rain and wind



Water tightness

Wind pressure resistance

Heat insulation capacity

**W-5**  
**S-4**  
**H-6**



### Kindness

Readily cleanable  
Easy to care



Flat lower frame



New color: Earth Brown

ALGEO is a new type of compound aluminum sash. Taking advantage of both aluminum and resin, ALGEO not only possesses high-quality heat insulation, but also achieves user-friendly, excellent performance such as industry-leading wind resistance and water tightness in preparation for extreme weather conditions and natural disasters becoming more frequent in recent years, smoothly sliding doors, and easiness in cleaning and care. In particular, “flat lower frame” allowing easy care and a new color of “Earth Brown” are very popular among customers.



## 2-2. Sankyo Alumi's FANOVA, to be released on May 2

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“FANOVA,” new entrance doors, to be released on May 2

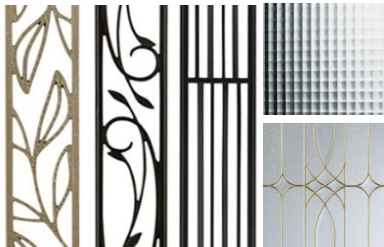
—Renewed product series of mainstream entrance doors

ネクスト玄関ドア

**FANOVA**  
ファノバ



<First in the industry>  
Window with a new air intake  
structure (In-swinging  
horizontal window)



A variety of patterns for  
lighting designs  
(Slit window with cast  
decorative glass, design glass)



Touch lock  
options  
“e-Entry”

### ● Training seminars for salespersons and distributors

In the seminars started nationwide from February 17, 2016, in-house salespersons in respective regions learned the characteristics of mainstream entrance doors to be offered under the brand of FANOVA and their selling points. Similar seminars or exhibitions targeting distributors and builders will be held sequentially from March 2016.



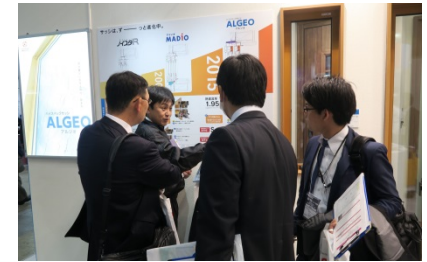
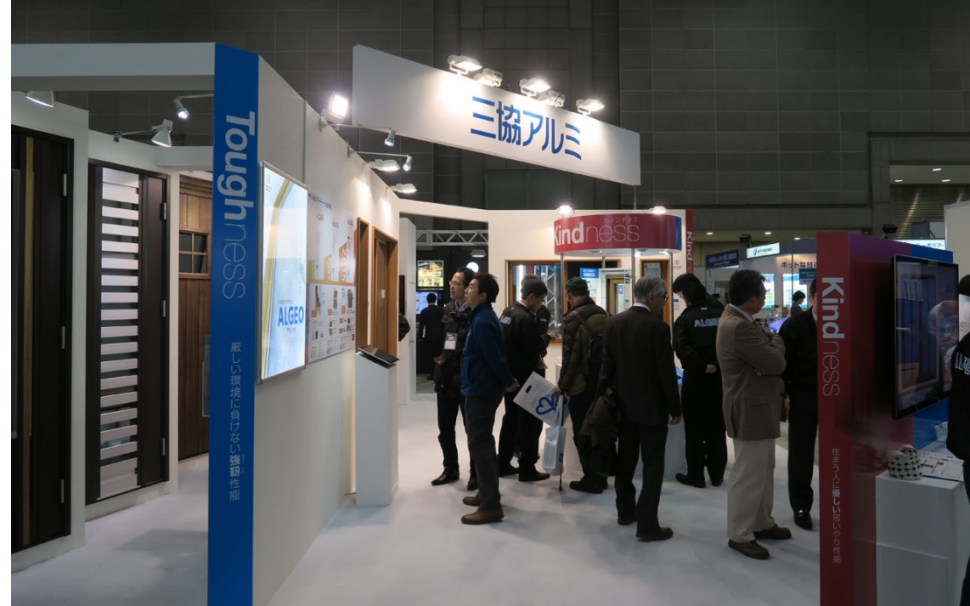
The mainstream entrance door series “Laforce” was completely renewed and a new product series “FANOVA” will be released on May 2, 2016. Based on the concept “User-friendly,” a new air intake structure is introduced for the first time in the industry. In addition, we are ready to offer relief-tone, wood-grain doors which realize realistic wood textures, touch key options, and a variety of patterns for lighting designs, in pursuit of absolutely unique designs and universal usability and comfort.



### Eco House & Eco Building Expo 2016

—“ALGEO,” a new type of compound aluminum sash

—“FANOVA,” new entrance doors



Eco House & Eco Building Expo 2016 took place at Tokyo Big Sight (located in Koto City, Tokyo) for three days from March 2 to 4, 2016. In this exposition, Sankyo Alumi exhibited ALGEO, a new type of compound aluminum sash released in October 2015, and FANOVA, new entrance doors scheduled to be released in May 2016. This exposition was visited by 63,423 persons in total during the three-day period, and Sankyo Alumi's booth received about 2,000 visitors during these three days.

# Memorial Event for Distributors to Celebrate the First Anniversary of Tokyo Metropolitan Showroom Opening

—Part 1: Commemorative Lecture on Construction and Reform

—Part 2: Announcement of Release of New Entrance Door Series, “FANOVA”



Greetings from President S. Kambara, Sankyo Alumi



Commemorative lecture meeting held in Part 1

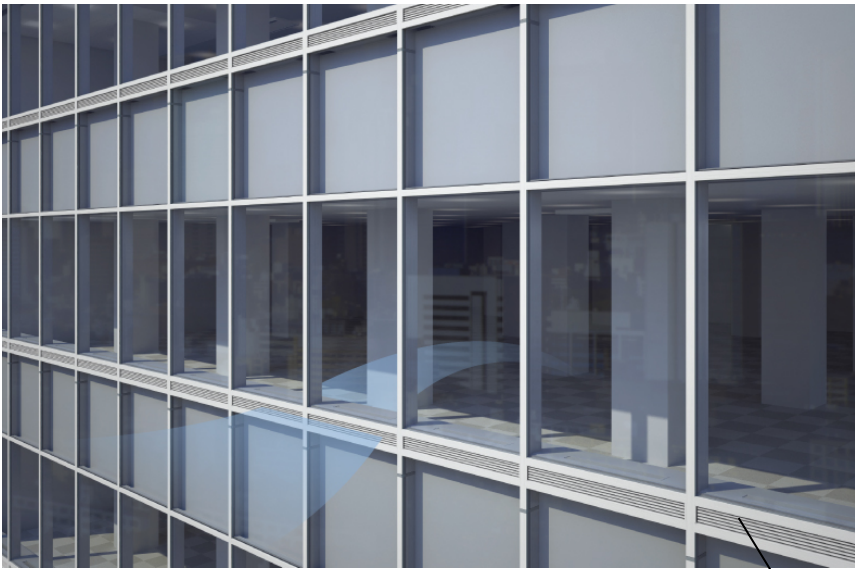


Announcement of release of FANOVA in Part 2

To celebrate the first anniversary of the opening of its Tokyo Metropolitan Showroom, Sankyo Alumi hosted a memorial event targeted at its distributors on March 23 in the showroom. This event received about 60 visitors from Sankyo Alumi's distributors. In Part 1 of the memorial event, Mr. Yusuke Miyoshi (Reform Promotion and Coordination Division Manager) of Recruit Sumai Company, Ltd. delivered a lecture entitled “Feedback from the Construction and Reform Trend Survey: Changes in Values of Citizens, New Concepts of Family, and Visions for Housing.” In Part 2, a product release scheduled in May 2016 was announced, where new entrance doors to be offered under the brand of FANOVA were introduced, their characteristics were explained, and prototypes were made available to participants for inspection to check usability and user experience.

# Sankyo Alumi won a special prize in the Housing Equipment and Building Materials Competition (hosted by Nikkei Architecture and Nikkei Home Builder)

—“NL-R NAV,” a highly watertight curtain wall with a natural ventilation structure



Highly watertight curtain wall with natural ventilation structure

Ventilation slits



## Special Prize

Selected from the products exhibited by manufacturers of construction materials or facilities, based on evaluations by the judging panel

Announced in March 2016



The award ceremony in the Housing Equipment and Building Materials Competition (hosted by Nikkei Architecture and Nikkei Home Builder) took place in Meguro Gajoen (a hotel located in Meguro City, Tokyo) on March 2. This competition is to award one grand prize and five special prizes based on evaluations by the judging panel chaired by Mr. Hiroshi Naito, an architect and emeritus professor of the University of Tokyo. Sankyo Alumi was awarded a special prize for NL-R NAV, a highly watertight curtain wall with a natural ventilation structure.



To commemorate the debut of a garden floor, "La Stella," a campaign called "Present Your Wife with a Star" is promoted from March 1–June 30

—Give a chance to obtain a "Name a Star" gift by lot



"La Stella" will go on sale on June 1, as a modern, stylish, new-sense outdoor flooring solution, which is neither a wood deck nor a tile terrace. The pillars on the front, rear, and both sides are set inward, and the floorboards overhang those pillars. This style is called "overhang floor with fitting structure," which makes you feel that you are on the floating floor. During nighttime hours, LED lighting (offered as an option) illuminates downside panels, creating a more impressive feeling of floating.



Garden floor "La Stella"



▲ LED lighting (indirect lighting), offered as an option

In commemoration of the release of a new garden floor, "La Stella," Sankyo Alumi is running a campaign "Present Your Wife with a Star" from March 1 to June 30. During this four-month period, Sankyo Alumi's website provides a special site "La Stella Campaign." Those who have answered the quiz on this special site are eligible for campaign entries and may have a chance to obtain a "Name a Star" gift accredited by Springbrook Research Observatory in Australia, followed by another chance to get a gift associated with stars from Sankyo Alumi.

## 2-7. Sankyo Alumi's UCHI-MIZU, achieved in SACLAB, to be released on April 1

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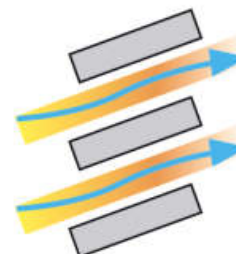
Created as an outcome from “SACLAB,” a collaborative project promoted together with architects<sup>\*1</sup>

As the third S Border Series, accomplished collaboratively with Mount Fuji Architects Studio  
“UCHI-MIZU,” eco-friendly louver screens, to be released on April 1

—Made with eco-friendly materials<sup>\*2</sup> which can mitigate hot air outside

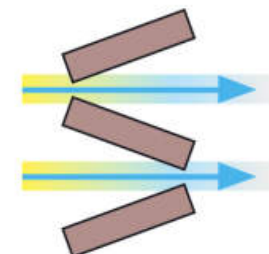


● Typical aluminum louvers



Air temperature  
almost unchanged  
between the near  
and far sides

● Water-retentive louvers



The wind horizontally  
passing through louvers  
is cooled by their water-  
holding effect.

Standard model



Planting unit model



<sup>\*2</sup>. Using “greenbiz” produced by Komatsu Seiren Co., Ltd. as water retaining materials

UCHI-MIZU incorporates porous water-retaining materials (formable ceramic) made from recycling wastes. Since water penetrating into water retentive louvers can reduce the temperature of the louver surface, the wind passing through the slits of the louvers is cooled by the louvers, eventually cooling the hot ambient air. In the UCHI-MIZU series, a standard model and a planting unit model will be offered to realize unique designs and a refreshing feeling. In this way, Sankyo Alumi seeks to propose new value and a comfortable and pleasant living.

<sup>\*1</sup>. SACLAB (Sankyo Alumi Creative Laboratory) is a project launched at the initiative of Sankyo Alumi in spring 2013, aiming at creating new living space solutions collaboratively with professional architects. Under the concept of “new-type borders on premises,” the first “S Border Series” was released in 2014, followed by the second series in 2015. The third series has been created as a collaborative product together with two architects, Masahiro Harada and Mao Harada (Mount Fuji Architects Studio), which is soon to be released.



## 2-8. Sankyo Material's **AI Farm (plant factory racks)** now on sale

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**“AI Farm,” aluminum-made plant factory racks, on sale**

***—Owing to weight reduction with aluminum and unitization of racks, installation efficiency is improved***



Lightweight but strong frames



Detachable wireway cover

Sankyo Material released AI Farm, plant racks dedicated for plant factories with hydroponic and artificial lightening systems. The weight of this rack is just one-third that of a steel-made plant rack available in the market. Owing to the unitization of racks, these racks allow more efficient installation. In addition, the company is ready to offer customized racks to meet respective customers' requirements for loading weight, installation methods, controllability, rigidity, or other characteristics.

Advertising banner with LED lighting, allowing setup of two types of media in one unit

*—Release a new product, “Ad View B (banner),” the first in the industry, on February 1*



Ad View B (banner) was released on February 1, 2016. This is an advertising banner display device with LED lighting, capable of incorporating two types of media in one unit, which is unprecedented in the industry. Since the media and the LED lighting structure are combined as one device, Ad View B can make the advertising content more simple-looking and create a clear and simple image for the storefront by day and night.



### STEP-G donated sportswear to refugees from the Middle East and other regions

*—Help refugees discover German culture through sports*



To support refugees from Middle Eastern nations or other regions<sup>\*1</sup> staying in the lodging facility adjacent to the factory of Sankyo Tateyama's German subsidiary (a.k.a. STEP-G) in Bonn, Germany, STEP-G donated about 100 sets of sportswear<sup>\*2</sup> to refugees desiring to receive them on March 7, 2016.

This donation was designed to help refugees discover German culture through sports. On the date of the donation, factory members and Bonn city officials were present, and a newspaper interview was conducted.

- \*1. During 2015, Germany accepted over one million refugees from the Middle East and other regions. The lodging facility adjacent to the STEP-G factory in Bonn takes in about 260 refugees at the request of the city government. This lodging facility with refugees is managed and controlled by the city government.
- \*2. The sets of sportswear donated had been procured jointly by STEP-G and Sankyo Tateyama.

[Notes regarding these documents]

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