



Life with Green Technology

**Financial Results for Q2 FY2017  
(September 1, 2016 – November 30, 2016)**

January 11, 2017

 **SankyoTateyama, Inc.**

# **1. Summary of Financial Results for Q2 FY2017 (September 1, 2016 – November 30, 2016)**

# 1-1. Q2 FY2017 Consolidated results (Income Statement)

(Units: billion JPY)

	Q2 FY2016 Results	Q2 FY2017 Planned	Q2 FY2017 Results	Year-on-year		vs. Planned	
				Change	%	Change	%
Net sales	167.9	169.0	158.3	-9.5	-5.7%	-10.6	-6.3%
Gross profit	35.3	-	37.5	2.2	6.4%	-	-
Gross profit margin	21.0%	-	23.7%	-	+2.7p	-	-
Operating income	2.2	4.5	4.0	1.7	78.5%	-0.4	-10.2%
Operating income margin	1.3%	2.7%	2.6%	-	+1.3p	-	-0.1p
Ordinary income	1.6	4.0	4.0	2.3	142.7%	0.0	1.1%
Net income attributable to the parent company	0	2.5	2.0	1.9	-	-0.4	-18.8%

Amounts are rounded down to the nearest 100 million JPY; rates are rounded off.

## Results Summary

### Year-on-year

#### Net sales (-9.5 billion JPY)

- Construction materials business: Despite signs of a recovery in new housing starts, net sales decreased due to factors such as the low level of non-wooden housing starts.
- Materials business: Despite positive developments such as an increase in orders received mainly in the transport field, net sales decreased due to the fact that sales prices are linked to aluminum ingots market conditions.
- Commercial facilities business: Net sales increased thanks to efforts including actively promoting proposals in response to demand for new retail store openings and remodeling of existing stores.
- Global business: Despite improved earnings in the European business and efforts to capture steady demand in the transportation and other fields in the ASEAN region, net sales decreased due to factors, including the impact of exchange rates and continued tough competition in the European railway market.

#### Operating income (+1.7 billion JPY)

- Operating income increased thanks to factors including cost reductions and lower prices of aluminum ingots in the construction materials business, increased orders received in the materials and commercial facilities businesses, and progress on improving earnings in the global business.

### vs. Planned

#### Net sales (-10.6 billion JPY)

- Net sales fell vs. planned levels due to factors including slow non-wooden housing starts in the construction materials business, a drop in sales due to the fact that sales prices are linked to aluminum ingots market conditions in the materials business, and the impact of exchange rates in the global business.

#### Operating income (-0.4 billion JPY)

- Despite factors such as a slowdown in the aluminum ingots market and decreased sales and administrative expenses, operating income fell vs. planned levels due to factors including the effects of decreased demand due to a drop in non-wooden housing starts in the construction materials business and recording of one-time costs in the global business.

\* Reference: Assumptions behind FY2017 plans and Q2 results

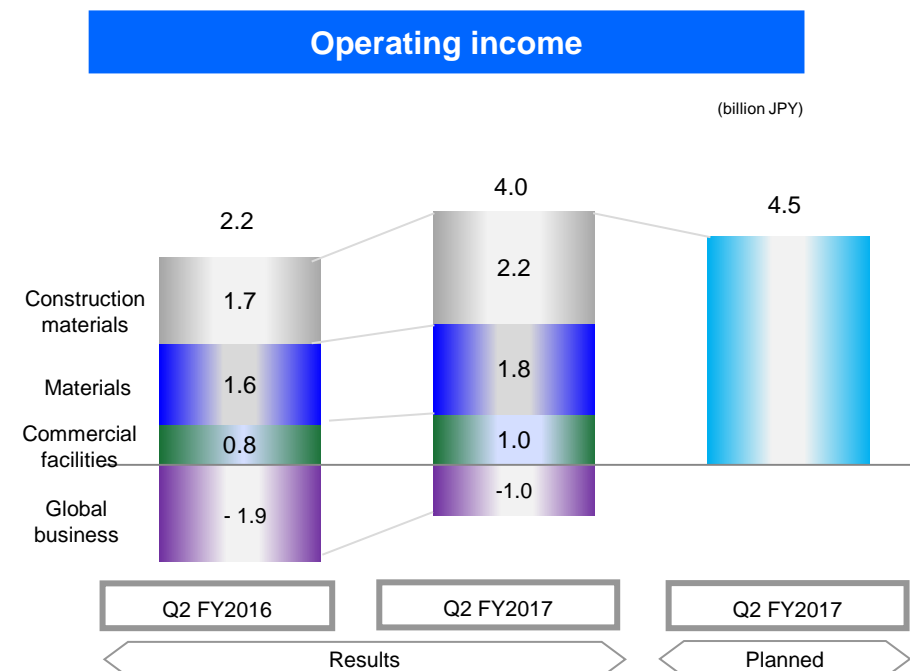
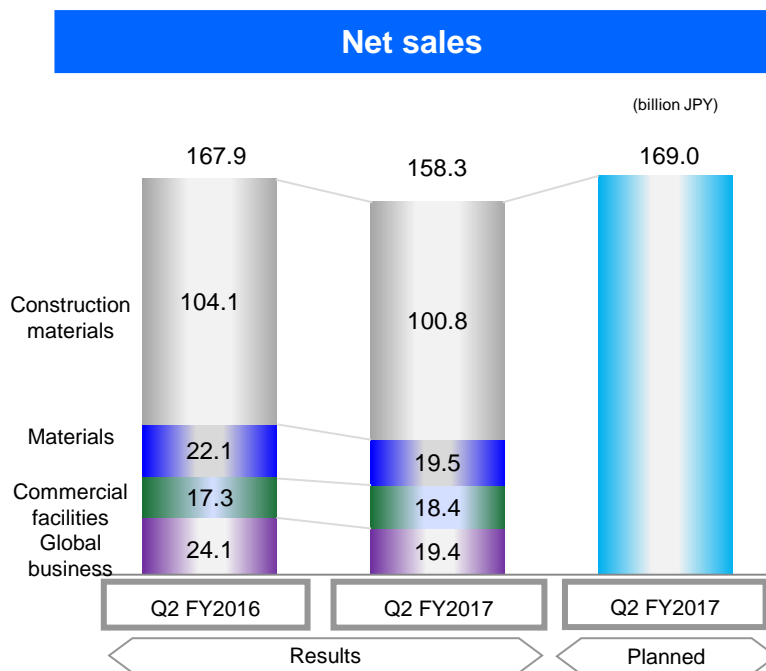
Aluminum ingots (Nikkei Aluminum): Plan assumption: 240 JPY /kg; actual (April-September 2016 average): 219.2 JPY /kg

Exchange rates \*Plan assumptions (actual average rates during the period in parentheses)

USD1 = 120 JPY (USD1 = 105.3 JPY ), EUR1 = 125 JPY (EUR1 = 118.1 JPY), 1THB = 3.1 JPY (1THB = 3.0 JPY ),

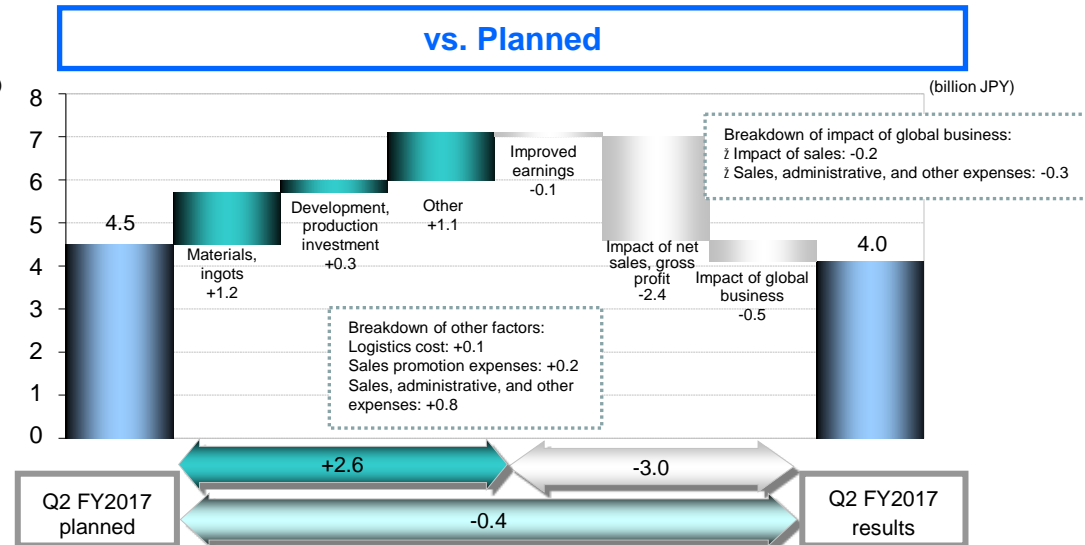
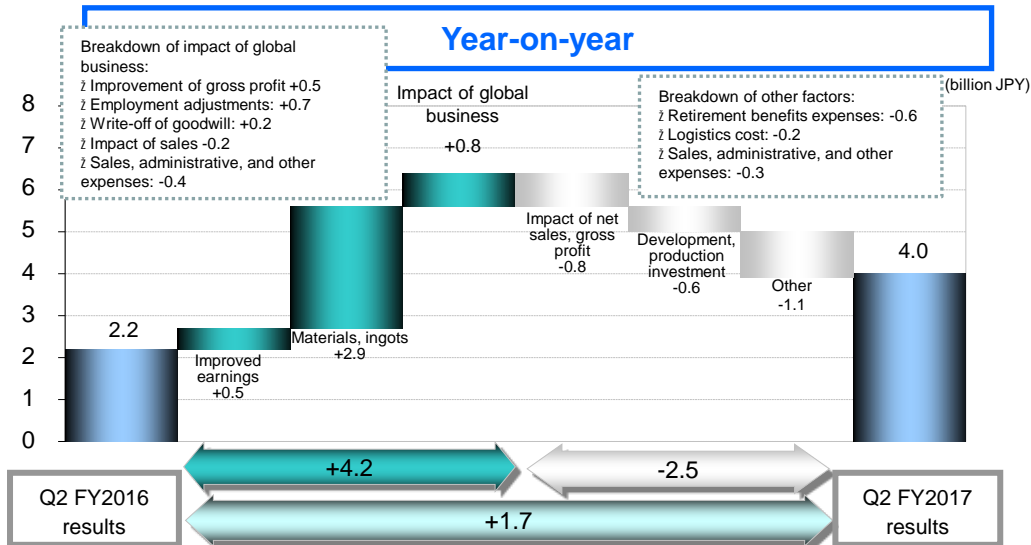
1RMB = 18 JPY (1RMB = 15.9 JPY ), 1PHP = 2.6 JPY (1PHP = 2.19 JPY )

1-2.  
Q2 FY2017  
Consolidated  
results  
Breakdown of net  
sales and  
operating income



\*Amounts are rounded down to the nearest 100 million JPY.

### Operating income change factors



\*Amounts are rounded down to the nearest 100 million JPY.

### 1-3. Q2 FY2017 Consolidated results (Balance Sheet)

(billion JPY)

	End of FY2016	End of Q2 FY2017	YoY		End of FY2016	End of Q2 FY2017	YoY
Cash and deposits	27.3	28.8	1.4	Notes and accounts payable – trade	52.3	54.7	2.3
Notes and accounts receivable – trade	52.2	53.5	1.2	Short-term loans payable	12.3	14.5	2.2
Inventories	37.4	40.6	3.2	Other current liabilities	29.7	26.8	-2.8
Allowance for doubtful accounts	-1.7	-1.8	-0.1	Long-term loans and bonds payable	50.2	53.6	3.3
Other	7.6	7.6	0.0	Other fixed liabilities	29.8	28.3	-1.5
<b>Current assets: Total</b>	<b>123.0</b>	<b>128.8</b>	<b>5.8</b>	<b>Liabilities: Total</b>	<b>174.5</b>	<b>178.1</b>	<b>3.6</b>
Buildings and structures	27.3	26.6	-0.6	Shareholders' equity	77.5	78.8	1.2
Land	54.8	54.1	-0.7	Accumulated other comprehensive income	0.3	-0.1	-0.4
Other tangible fixed assets	24.5	24.1	-0.3	Non-controlling interests	2.2	2.4	0.2
Investment securities	14.7	15.8	1.0				
Allowance for doubtful accounts	-1.3	-1.2	0.1				
Other fixed assets	11.5	10.8	-0.6				
<b>Fixed assets: Total</b>	<b>131.6</b>	<b>130.3</b>	<b>-1.2</b>	<b>Net assets: Total</b>	<b>80.1</b>	<b>81.0</b>	<b>0.9</b>
<b>Assets: Total</b>	<b>254.6</b>	<b>259.2</b>	<b>4.6</b>	<b>Liabilities and net assets: Total</b>	<b>254.6</b>	<b>259.2</b>	<b>4.6</b>

\* Long-term loans and bonds payable includes current portions of long-term loans and bonds payable  
\*Amounts are rounded down to the nearest 100 million JPY.

## Results Summary

### Current assets (+5.8 billion JPY)

- Cash and deposits: cash flow from operations: +1.6 billion JPY; cash flow used in investment activities: -4.6 billion JPY; cash flow from financing activities: +4.9 billion JPY; etc.
- Inventories: +3.2 billion JPY from factors including increase in work in process in the construction materials business

### Fixed assets (-1.2 billion JPY)

- Results included -1.7 billion JPY due to factors such as purchase, write-off, and sale of tangible fixed assets and foreign-exchange effects related to fixed assets of overseas subsidiaries

### Liabilities (+3.6 billion JPY)

- Increase in notes and accounts payable – trade: +2.3 billion JPY
- Long-term, short-term loans payable: +5.6 billion JPY
- Liabilities related to retirement benefits: -1.1 billion JPY
- Decrease in other current liabilities: -2.8 billion JPY etc.

### Net assets (+0.9 billion JPY)

- Increase in retained earnings: +1.2 billion JPY
- Other foreign currency translation adjustments etc.: -0.4 billion JPY etc.

## 1-4. Q2 FY2017 Consolidated results (Statement of Cash Flows)

(billion JPY)

	Q2 FY2016	Q2 FY2017	Change
Net income before income taxes and minority interests	1.6	3.8	2.2
Depreciation expense	3.6	3.9	0.3
Change in accounts receivable – trade	0.3	-1.9	-2.2
Change in inventories	0.0	-4.0	-4.0
Change in accounts payable – trade	-1.5	2.9	4.5
Other	1.2	-3.1	-4.3
Cash flow from/used in operating activities	5.2	1.6	-3.6
Purchase of tangible fixed assets	-5.3	-4.2	1.0
Sale of tangible fixed assets	0.6	0.2	-0.3
Other	-1.4	-0.6	0.7
Cash flow from/used in investing activities	-6.0	-4.6	1.4
Change in short-term loans payable	-12.8	2.3	15.2
Proceeds from long-term loans payable	9.3	10.2	0.9
Repayment of long-term loans payable	-6.4	-6.8	-0.3
Proceeds from issue of bonds	15.0	–	-15.0
Other	-1.0	-0.8	0.2
Cash flow from financing activities	3.9	4.9	0.9
Effect of exchange rate change on cash and cash equivalents	-0.2	-0.5	-0.3
Net increase (decrease) in cash and cash equivalents	2.9	1.4	-1.4
Starting balance of cash and cash equivalents	30.1	26.3	-3.7
Ending balance of cash and cash equivalents	33.0	27.8	-5.2

### Results Summary

⌚ Cash flow from/used in operating activities (-3.6 billion JPY)  
Gain of 1.6 billion due to net income before income taxes and minority interests of 3.8 billion JPY and other factors, despite paying corporate and other taxes of 2.4 billion JPY

⌚ Cash flow from/used in investing activities (+1.4 billion JPY)  
Expenditures of 4.6 billion JPY due to factors including expenditures of 4.2 billion JPY on purchase of tangible fixed assets

⌚ Cash flow from financing activities (+0.9 billion JPY)  
Gain of 4.9 billion JPY due to factors including 10.2 billion JPY in proceeds from long-term loans payable and a net increase of 2.3 billion JPY in short-term loans payable, despite repayment of 6.8 billion JPY in long-term loans payable.

Balance of cash and cash equivalents increased by 1.4 billion JPY.

1-5.  
FY2017 capital investment:  
Q2 results, full-year plans

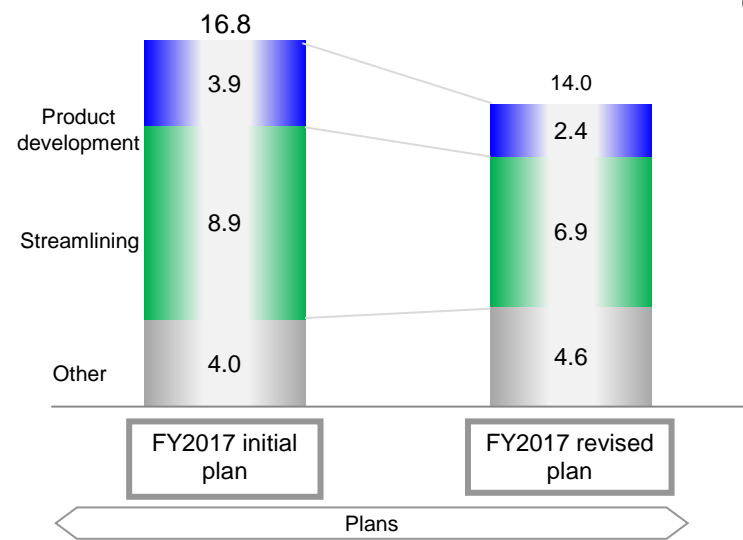
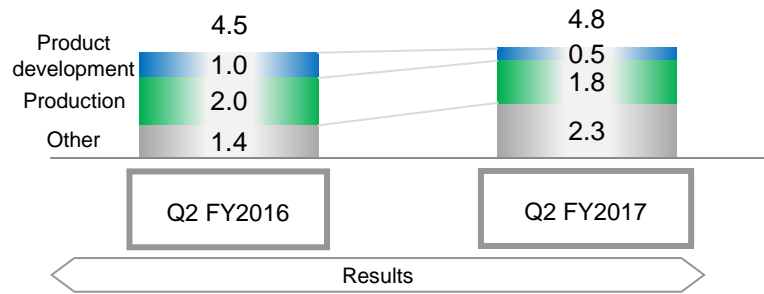
**Capital Investment**

**YoY comparison of Q2 results**

**Full-year plans (initial plan vs. H2 revised plan)**

(billion JPY)

(billion JPY)



<Breakdown>

		Q2 FY2016	Q2 FY2017
Product development		1.0	0.5
Production	Streamlining, improvement	1.1	0.4
	Repairs etc.	0.9	1.3
Other	Software	0.2	0.2
	Overseas subsidiaries	1.0	1.6
	Other	0.3	0.3
<b>Total</b>		<b>4.5</b>	<b>4.8</b>

Depreciation expense	3.6	3.9
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<Breakdown>

		FY2017 initial plan	FY2017 revised plan
Product development		3.9	2.4
Production	Streamlining, improvement	4.1	3.1
	Repairs etc.	4.8	3.8
Other	Software	1.2	0.9
	Overseas subsidiaries	1.9	2.9
	Other	0.9	0.9
<b>Total</b>		<b>16.8</b>	<b>14.0</b>

Depreciation expense	9.0	8.6
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\*Amounts are rounded down to the nearest 100 million JPY.

## 2. Reference



## 2-1. Q2 FY2017 Business environment

Market environment	FY2014	FY2015	FY2016
[Construction materials business (housing) index] Number of new housing starts (Apr - Sep)	441,000 houses (-11.6% yoy)	472,000 houses (+6.9% yoy)	500,000 houses (+6.0% yoy)
[Construction materials business (buildings) index] Floor area of non-wooden structure starts (Apr - Sep)	40.180 million square meters (-9.9% yoy)	39.819 million square meters (-0.9% yoy)	40.194 million square meters (+0.9% yoy)
[Materials business index] Aluminum extrusion weight [excluding sashes and doors] (Apr - Sep)	179,600 tons (+3.5% yoy)	160,500 tons (-10.6% yoy)	169,600 tons (+5.7% yoy)
[Commercial facilities business index] Number of new building starts [stores] (Apr - Sep)	4,969 buildings (-6.1% yoy)	4,573 buildings (-8.0% yoy)	4,427 buildings (-3.2% yoy)
Aluminum ingots [Nikkei aluminum average] (Apr - Sep)	273.7 JPY/kg (+14.3% yoy)	274.7 JPY/kg (+0.4% yoy)	219.2 JPY/kg (-20.2% yoy)

[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 referred to as 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 in response 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 other aspects of the Sankyo Tateyama Group may include, but are not limited to, economic conditions in the business areas in which it operates, change in demand trends, and intensified price competition for the products and services of the Sankyo Tateyama Group, and price fluctuations of items such as aluminum ingots.

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