



Life with Green Technology

**Financial Results for FY2017
(June 1, 2016 – May 31, 2017)**

July 12, 2017

 **SankyoTateyama, Inc.**

1. Summary of Financial Results for FY2017 (June 1, 2016 – May 31, 2017)

(Unit: billion JPY)

1-1. FY2017 Consolidated results (Income Statement)

	FY2016 Results	FY2017 Plan	FY2017 Results	Year-on-year		Vs. Planned	
				Change	%	Change	%
Net sales	332.1	342.0	320.8	-11.3	-3.4%	-21.1	-6.2%
Gross profit	70.8	-	72.9	2.1	3.0%	-	-
Gross profit margin	21.3%	-	22.7%	-	+1.3p	-	-
Operating income	6.2	8.5	6.7	0.4	7.4%	-1.7	-21.0%
Operating income margin	1.9%	2.5%	2.1%	-	+0.2p	-	-0.4p
Ordinary income	5.3	7.5	6.8	1.4	26.8%	-0.6	-8.7%
Net income attributable to the parent company	0	4.0	2.1	2.0	-	-1.8	-46.9%

The net income attributable to the parent company for FY2016 was 94 million JPY.
*Amounts are rounded down to the nearest 100 million JPY; rates are rounded off.

Results Summary

Year-on-year

Net sales (-11.3 billion JPY)

- Construction materials business: Although we strived to expand and strengthen sales of products including core sashes and remodeled front doors, net sales decreased due to factors including slow recovery of non-wooden housing starts and continued competitive environment in the detached housing market.
- Materials business: Despite capturing steady demand in the transportation field and the general machinery field, net sales decreased due to sales prices linked to the market conditions of aluminum ingots and other factors.
- Commercial facilities business: Net sales increased thanks to efforts including actively promoting proposals in response to demand for new retailers, including convenience stores and specialty discount stores, and demand for remodeling.
- Global business: Despite efforts to capture synergy cases between Europe, Thailand, China, and Japan, and demand in the transportation field in Europe and Thailand, net sales decreased due to factors including the impact of foreign exchange rates.

Operating income (+0.4 billion JPY)

- Operating income increased thanks to factors including improved earnings in the materials business and the global business despite a decrease in the construction materials business.

Net income attributable to the parent company (+2.0 billion JPY)

- This net income increased thanks to factors including a decrease in one-time expense (impairment loss of goodwill), which incurred in the previous year.

Compared with plan

Net sales (-21.1 billion JPY)

- Construction materials business: Net sales fell vs. the planned level due to factors including slow recovery of non-wooden housing starts and continued competitive environment in the detached housing market.
- Materials business: Net sales fell vs. the planned level due to factors including continued lower prices of aluminum ingots than those in the plan.
- Commercial facilities business: Net sales fell vs. the planned level due to factors including restraint on investment in the retail business continuing from the second half of the previous year.
- Global business: Net sales fell vs. the planned level due to factors including the impact of foreign exchange rates, continued change in business environment for customers in Europe, and slowdown of economic growth in Thailand.

Operating income (-1.7 billion JPY)

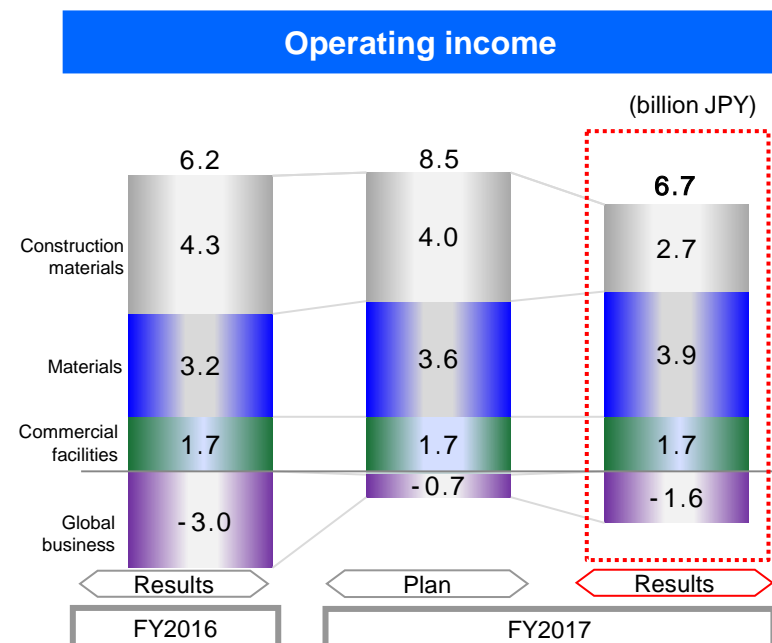
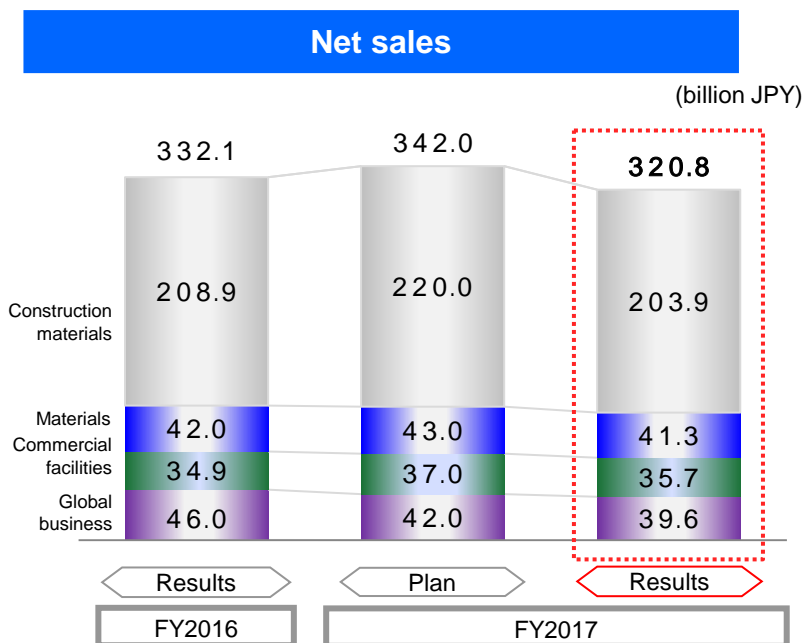
- Operating income fell vs. the planned level due to factors including a decrease in sales in the construction materials business and one-time expenses in the global business.

Net income attributable to the parent company (-1.8 billion JPY)

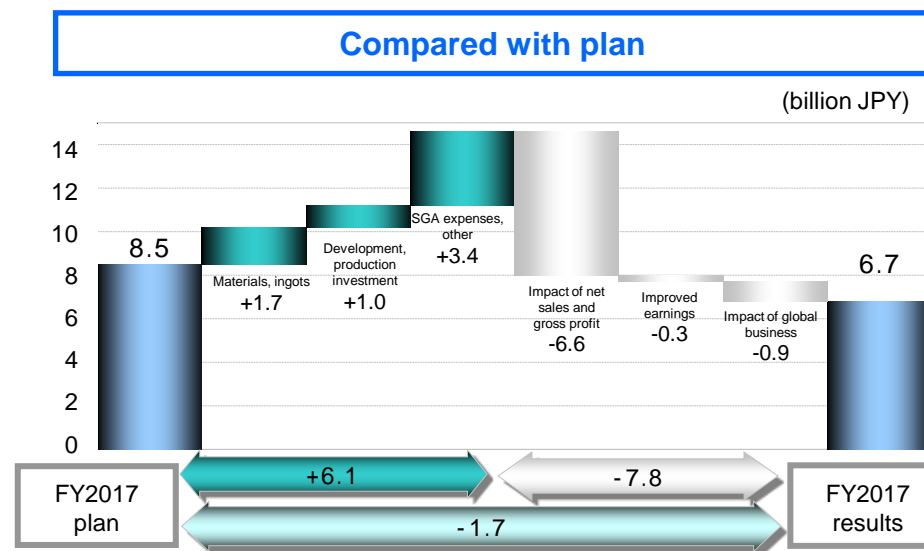
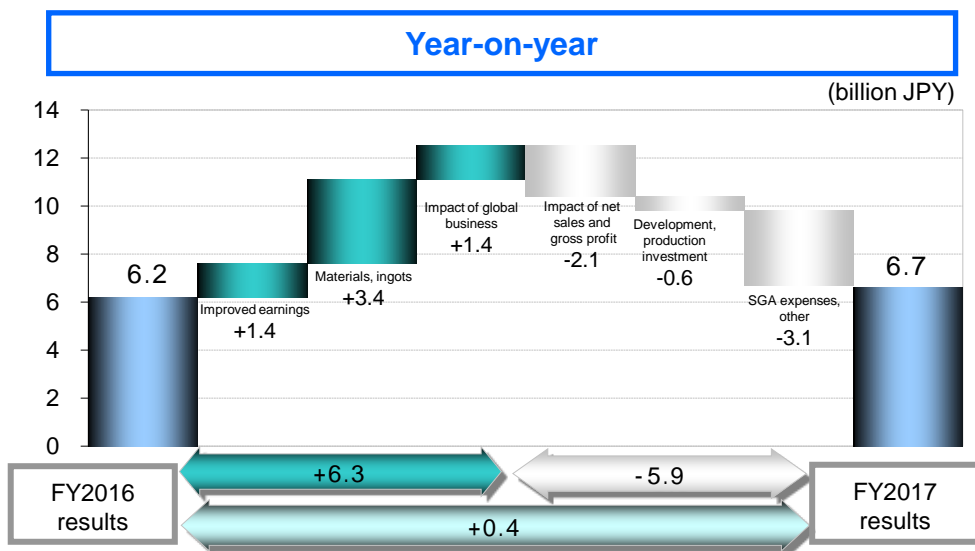
- This net income fell vs. the planned level due to factors including expenses for part of facilities of subsidiaries in Europe and impairment loss of goodwill of part of subsidiaries in Thailand.

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

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



Operating income change factors



1-3. FY2017 Consolidated results (Balance Sheet)

(billion JPY)

	End of FY2016	End of FY2017	YoY		End of FY2016	End of FY2017	YoY
Cash and deposits	27.3	21.7	-5.5	Notes and accounts payable-trade	52.3	56.8	4.5
Notes and accounts receivable-trade	52.2	53.4	1.1	Short-term loans payable	12.3	9.0	-3.2
Inventories	37.4	38.8	1.4	Other current liabilities	29.7	22.1	-7.6
Allowance for doubtful accounts	-1.7	-1.5	0.1	Long-term loans and bonds payable	50.2	54.0	3.7
Other	7.6	7.8	0.1	Other non-current liabilities	29.8	27.8	-1.9
Total current assets	123.0	120.4	-2.6	Total liabilities	174.5	169.9	-4.5
Buildings and structures	27.3	26.6	-0.7	Shareholders' equity	77.5	78.4	0.8
Land	54.8	54.4	-0.4	Accumulated other comprehensive income	0.3	3.1	2.8
Other tangible non-current assets	24.5	25.6	1.1	Non-controlling interests	2.2	2.5	0.3
Investment securities	14.7	17.5	2.8				
Allowance for doubtful accounts	-1.3	-1.2	0.1				
Other non-current assets	11.5	10.6	-0.8				
Total non-current assets	131.6	133.7	2.1	Total net assets	80.1	84.1	4.0
Total assets	254.6	254.1	-0.4	Total liabilities and net assets	254.6	254.1	-0.4

* 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.

Summary of results

Current assets (-2.6 billion JPY)

- Cash and deposits: cash flow from operations +7.1 billion JPY; cash flow used in investment activities -11.4 billion JPY; cash flow from financing activities -1.0 billion JPY
- +2.5 billion JPY from factors including increase in accounts receivable-trade and increase in inventories; +0.3 billion JPY from other

Non-current assets (+2.1 billion JPY)

- Results included +2.8 billion JPY due to sale of investment securities (include changes in fair value)

Liabilities (-4.5 billion JPY)

- Increase in notes and accounts payable-trade: +4.5 billion JPY
- Long-term, short-term loans payable: +0.4 billion JPY; other: -9.5 billion JPY

Net assets (+4.0 billion JPY)

- Net income attributable to the parent company: +2.1 billion JPY
 - Decrease in retained earnings due to payment of dividends: -1.1 billion JPY
- Accumulated other comprehensive income: +2.8 billion JPY

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

(billion JPY)

	FY2016	FY2017	YoY
Net income before income taxes and minority interests	3.0	4.8	1.8
Depreciation expense	8.1	8.4	0.3
Increase (decrease) in accounts receivable-trade	5.7	-1.4	-7.1
Increase (decrease) in inventories	3.3	-1.6	-4.9
Increase (decrease) in accounts payable-trade	-5.7	4.7	10.4
Payment of income taxes	-0.8	-3.9	-3.0
Other	1.9	-3.9	-5.9
Cash flow from/used in operating activities	15.7	7.1	-8.5
Purchase of tangible non-current assets	-9.8	-9.0	0.8
Sale of tangible non-current assets	0.7	0.3	-0.3
Other	-2.0	-2.7	-0.7
Cash flow from/used in investing activities	-11.1	-11.4	-0.3
Net increase (decrease) in short-term loans payable	-26.1	-3.2	22.9
Proceeds from long-term loans payable	17.8	16.4	-1.4
Repayment of long-term loans payable	-12.8	-12.7	0
Proceeds from issue of bonds	15.0	-	-15.0
Payment of dividends	-1.1	-1.1	0
Other	-0.4	-0.4	0
Cash flow from financing activities	-7.6	-1.0	6.6
Effect of exchange rate change on cash and cash equivalents	-0.7	-0.2	0.4
Net increase (decrease) in cash and cash equivalents	-3.8	-5.6	-1.8
Starting balance of cash and cash equivalents	30.1	26.3	-3.7
New consolidated subsidiaries and merger	0	-	0
Ending balance of cash and cash equivalents	26.3	20.7	-5.6

*Amounts are rounded down to the nearest million JPY.

Summary of Results

Cash flow from/used in operating activities (-8.5 billion JPY)
Gain of 7.1 billion JPY due to factors including net income before taxes of 4.8 billion JPY and depreciation expense of 8.4 billion JPY despite an increase in accounts payable-trade of 1.4 billion JPY, an increase in inventories of 1.6 billion JPY, and paying income and other taxes of 3.9 billion JPY.

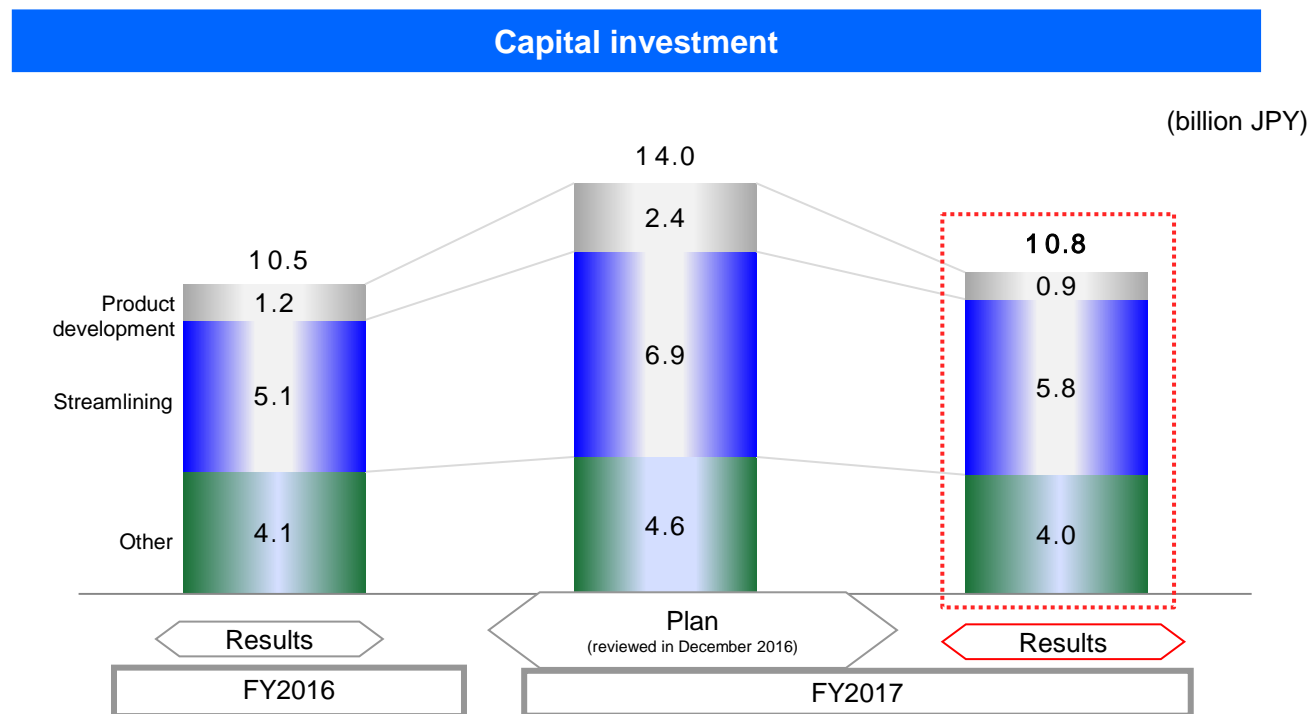
Cash flow from/used in investing activities (-0.3 billion JPY)
Expenditures of 11.4 billion JPY due to factors including expenditures of 9.0 billion JPY on purchase of tangible non-current assets.

Cash flow from financing activities (+6.6 billion JPY)
Expenditures of 1.0 billion JPY due to payment of dividends of 1.1 billion JPY and other factors.

Balance of cash and cash equivalents decreased by 5.6 billion JPY.

*Amounts are rounded down to the nearest million JPY.

1-5.
FY2017
Capital
investment
results



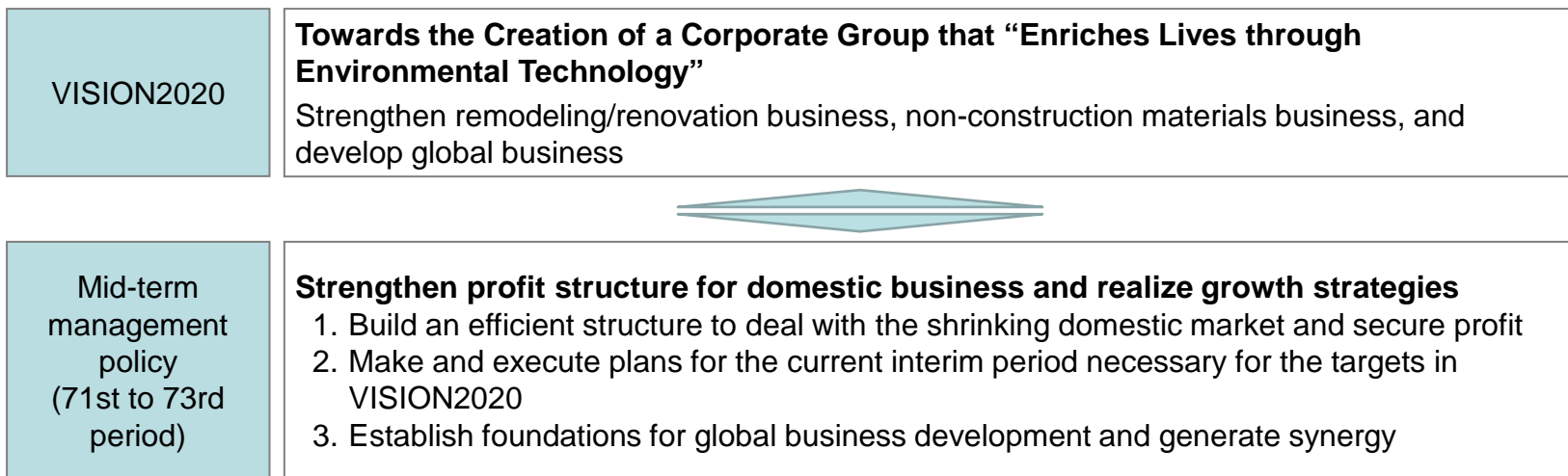
《Breakdown》

Product development		1.2	2.4	0.9
Production related	Streamlining, improvement	2.6	3.1	2.3
	Repairs, etc.	2.5	3.8	3.5
Other	Software	0.5	0.9	0.5
	Overseas subsidies	2.9	2.9	2.6
	Other	0.7	0.9	0.8
Total		10.5	14.0	10.8

Depreciation expense	8.1	8.6	8.4
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2. Summary of FY2018 Plan

2-1.
FY2018
Management
policy



73rd period Management policy	To achieve VISION2020 and develop business after 2020, the Group will improve the profitability of the existing businesses and create new value in growth areas.
Construction materials business	<ul style="list-style-type: none"> • Increase the Group’s share by improving market competitiveness • Improve profitability by further cost improvement
Materials business	<ul style="list-style-type: none"> • Build business foundations in global markets and improve profitability in Japan • Proactively develop growing business areas and create synergies with global business
Commercial facilities business	<ul style="list-style-type: none"> • Demonstrate comprehensive strength by strengthening cooperation with subsidiaries • Respond flexibly to changes in market environments and customers’ needs and improve profitability
Global business	<ul style="list-style-type: none"> • Accomplish thorough measures to improve profits • Harvest synergies

2-2.

FY2018 plan

(billion JPY)

	FY2017 Results	FY2018 Planned	Year-on-year	
			Change	%
Net sales	320.8	338.0	17.1	5.4%
Gross profit	72.9	—	—	—
Gross profit margin	22.7%	—	—	—
Operating income	6.7	4.3	-2.4	-36.0%
Operating income margin	2.1%	1.3%	—	-0.8p
Ordinary income	6.8	4.0	-2.8	-41.6%
Net income attributable to the parent company	2.1	2.0	-0.1	-5.8%

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

Preconditions for the plan

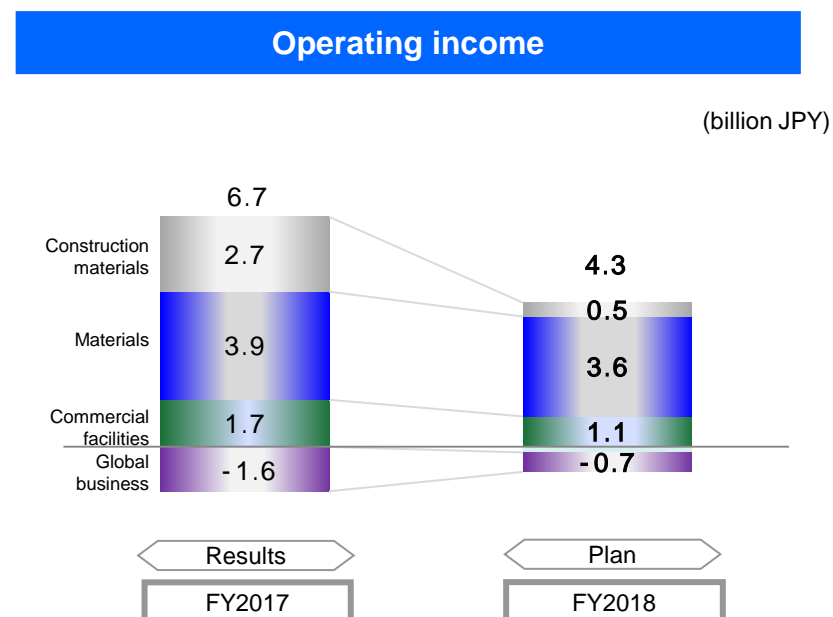
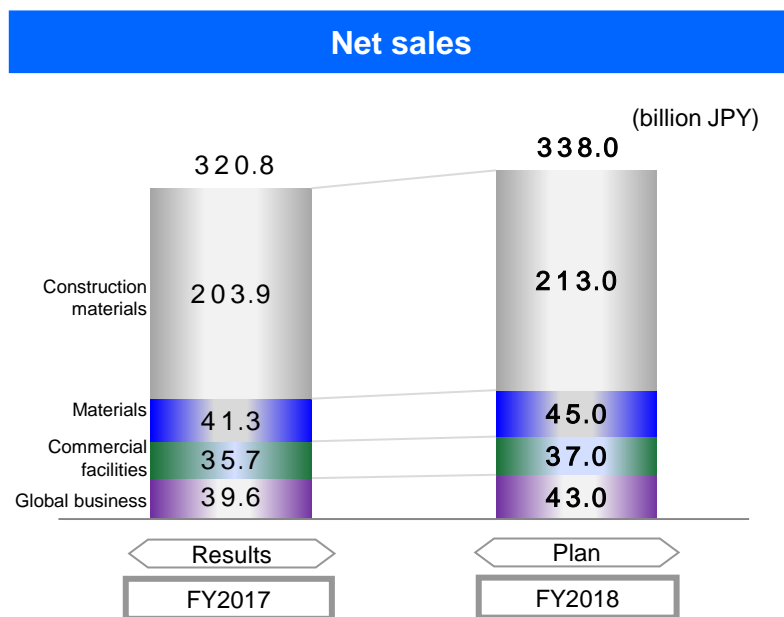
[Preconditions for FY2018 plan]

Aluminum ingots (Nikkei aluminum average) : 270 JPY/kg

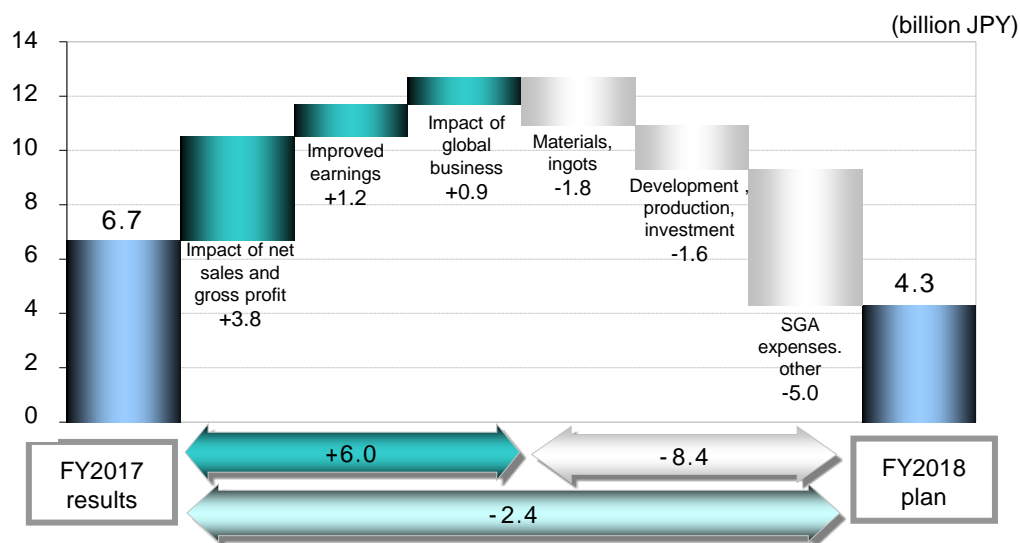
Exchange rates: 115 JPY/USD, 122 JPY/EUR, 3.2 JPY/THB, 17 JPY/CNY

*Amounts are rounded down to the nearest million JPY.

2-3. FY2018 Plan Breakdown of net sales and operating income



Operating income change factors (billion JPY)

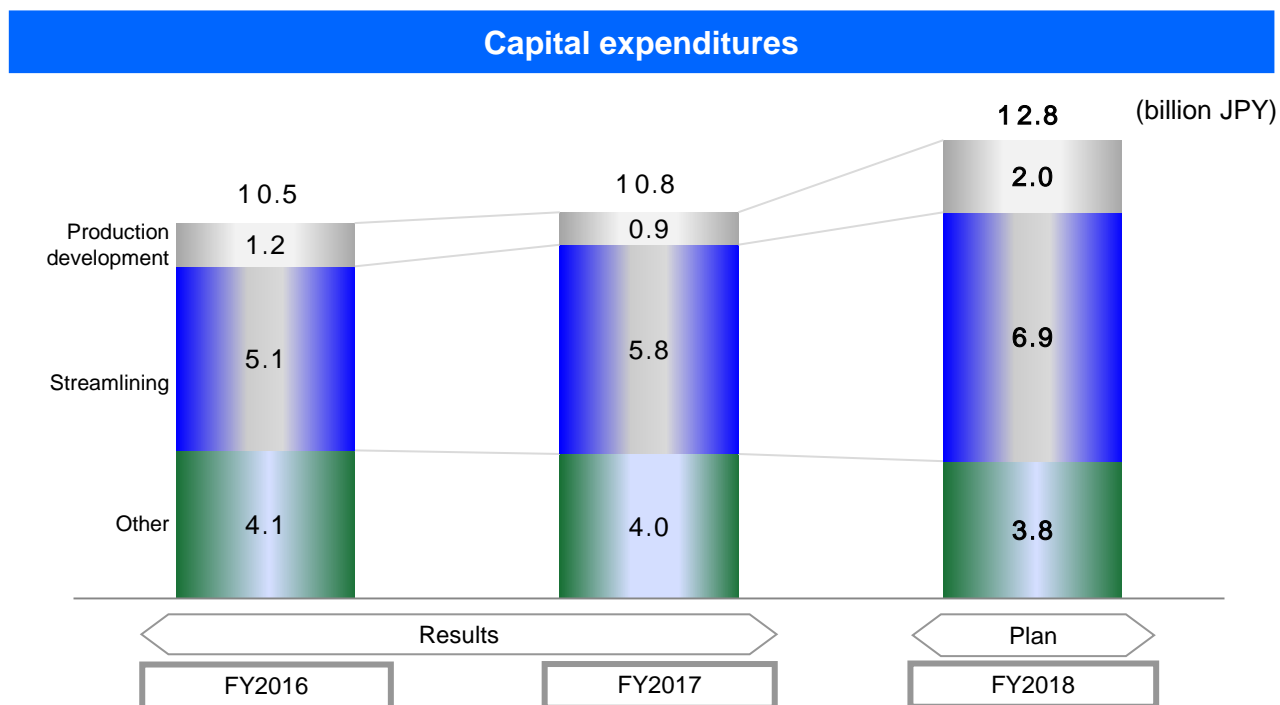


Summary of breakdown (compared to FY2017)

- Sales (+17.1 billion JPY)
 - Construction materials business: Increase due to sales expansion focused on new products.
 - Materials business: Increase due to sales increase linked with the ingot market, improvement of production base for growth areas, and attraction of demand for the transportation area.
 - Commercial facilities business: Increase due to the expansion of product range and strengthening relationships with customers.
 - Global business: Increase due to capturing demands for growth areas and the realization of synergies.
- Operating income (-2.4 billion JPY)
 - Construction materials business: Decrease due to rising prices of aluminum ingots and increases in investment and expenses for sales expansion.
 - Materials business: Decrease due to increases in investment and expenses for the sales expansion and development of growth areas.
 - Commercial facilities business: Decrease due to an increase in expenses to strengthen relationships with customers.
 - Global business: Increase by continued promotion of measures to improve profit.

*Amounts are rounded down to the nearest million JPY.

2-4.
FY2018
Capital
investment plan



《Breakdown》

Product development		1.2	0.9	2.0
Production related	Streamlining, improvement	2.6	2.3	3.7
	Repairs, etc.	2.5	3.5	3.2
Other	Software	0.5	0.5	0.9
	Overseas subsidiaries	2.9	2.6	2.1
	Other	0.7	0.8	0.7
Total		10.5	10.8	12.8

Depreciation expense	8.1	8.4	9.6
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3. Reference

3-1. FY2017 Business environment Strategic indicators

[Business environments]

	FY2014	FY2015	FY2016
[Construction materials business (housing) index] Number of new housing starts (Apr-Mar)	880 thousand units (-10.8% yoy)	921 thousand units (+4.6% yoy)	974 thousand units (+5.8% yoy)
Number of new housing starts [house for rent] (Apr-Mar)	358 thousand units (-3.1% yoy)	384 thousand units (+7.1% yoy)	427 thousand units (+11.4% yoy)
[Construction materials business (buildings) index] Floor area of non-wooden structure starts (Apr-Mar)	78,137 thousand m ² (-9.6% yoy)	75,285 thousand m ² (-3.6% yoy)	77,475 thousand m ² (+2.9% yoy)
[Materials business index] Aluminum extrusion weight [excluding sashes and doors] (Apr-Mar)	354.6 thousand tons (-2.9% yoy)	333.5 thousand tons (-6.0% yoy)	353.8 thousand tons (+6.1% yoy)
[Commercial facilities business index] Number of new building starts [stores] (Apr-Mar)	9,512 buildings (-6.0% yoy)	8,603 buildings (-9.6% yoy)	8,346 buildings (-3.0% yoy)
Aluminum ingots [Nikkei aluminum average] (Apr-Mar)	293.1 JPY/kg (+22.0% yoy)	254.4 JPY/kg (-13.2% yoy)	235.5 JPY/kg (-7.4% yoy)

[Strategic indicators]

	Results for FY2016	Results for FY2017	Targets for FY2020
Strengthen remodeling/renovation business	21.3%	20.9%	30% or more
Strengthen non-construction materials business	36.7%	36.0%	40% or more
Global business development	15.1%	13.3%	20% or more

* The target to strengthen remodeling/renovation business is a ratio to sales of construction materials segment.

* The target to strengthen non-construction materials business and the target of global business development are ratios to consolidated sales of the Group.

* The target to strengthen non-construction materials business includes the impact of aluminum ingot prices, and the target of global business development includes the impact of foreign exchange rates.

SankyoAlumi

PICK UP TOPICS

For a detached house

“ALGEO” sash made from aluminum composite resin
Easy-to-clean “Flat rail” at a high adoption rate

High-spec sash
ALGEO
アルジオ

Applied to **ZEH**
(Net Zero Energy House)

Easy-to-clean
Flat rail



1

No grooves in the bottom rail
Easy to clean



Considerate function

2

Not only for a terrace type
Also available for a window-type



Wide range of size variation

3

Flat rail
Available for various types



Available in a fire protection zone

Adoption rate
About **50%***

* Accumulated in the 72 period

Adoption rate:
Plan at the beginning of the year: 30%



Major initiatives taken to expand sales of ALGEO

October 2015 “ALGEO” was released.

October 2016 “Fire-proof window ALGEO” was released.

April 2017 Other types of “Flat rail” were added.

(ALGEO single sliding window and fire-proof ALGEO double sliding window, etc.)

“Kitchen door for ventilation (sliding window type)” now on sale

With a quick wipe



“ALGEO” sash made from aluminum composite resin is a high-spec sash providing excellent heat insulation, “high-level durability” against a typhoon or a heavy rain, as well as “considerate functions” of easy to open and close as well as easy to clean for residents.

SankyoAlumi

PICK UP TOPICS

Remodeled in a day

“NOVARIS remodeled front door” selling well

Happier tomorrow!
NOVARIS
NOVARIS remodeled front door



Popular touch-sensor lock
Adoption rate
About 70%

1

Installation is improved.



Reflecting operators' opinions

- Installation time is shortened.

2

Product capability is upgraded.
<convenience and design>



Reflecting users' opinions

- Reasonable battery-powered touch-sensor lock
- A variety of designs

3

Strengthened sales



First campaign
March 1 to May 31

- Sales campaign for NOVARIS was carried out.

Year-on-year
130%*

* For the single month of May 2017



Further initiatives for sales expansion of NOVARIS

From Jun. 1

“Quotation simulation for NOVARIS” is disclosed on the web.

*Jun. to Jul. Workshops for distributors were conducted.



Offering maximum convenience for operators

Jul. 3 to Aug. 31

“Second NOVARIS campaign” is carried out.



Second campaign for growing demand

Aug. 1

“NOVARIS apartment door” is to be launched.



Enhance remodeling products



SankyoAlumi

PICK UP TOPICS

Sash for building

Our specialized sashes were adopted by “GINZA SIX” that opened at Ginza 6-chome, Tokyo on April 20, 2017.



Natural ventilation function
Windows installed with horizontal ventilation slit

1

Four sides of 2F to 7F of the building are covered with our specialized horizontally-linked FIX windows and panel units.

2

The vertical line of FIX window is 50 mm width.



Slim and sharp design

Design project manager / Mori Building Co., Ltd., Research Institute of Architecture
Design and manager / Ginza 6-chome Urban Area Redevelopment Project JV (Kajima Corporation and Taniguchi Architectural Design Laboratory)
Contractor / Kajima Corporation



SankyoMaterial

PICK UP TOPICS

Provide next generation's materials

Adopted for the interior of the talked-about resort train



Following the case for the cruise train in 2013 "Nanatsuboshi in Kyushu," SankyoMaterial's aluminum alloy extrusion was adopted for the interior of two types of trains; one is *D&S SWEET TRAIN "Aru Ressha (a certain train)" and the other is a super express train "Kawasemi Yamasemi" operated by JR Kyushu.



*The above are photos of component materials adopted for Cruise Train "Nanatsuboshi in Kyushu" in 2013.

* "D" stands for Design and "S" stands for Story. This is a special train with the concept of "enjoy Kyushu by train with decorative and story-telling interior" operated by JR Kyushu.



JR KYUSHU SWEET TRAIN "Aru Ressha"

Operation started on August 8, 2015



Super express train "Kawasemi Yamasemi"

Operation started on March 4, 2017

Window architrave

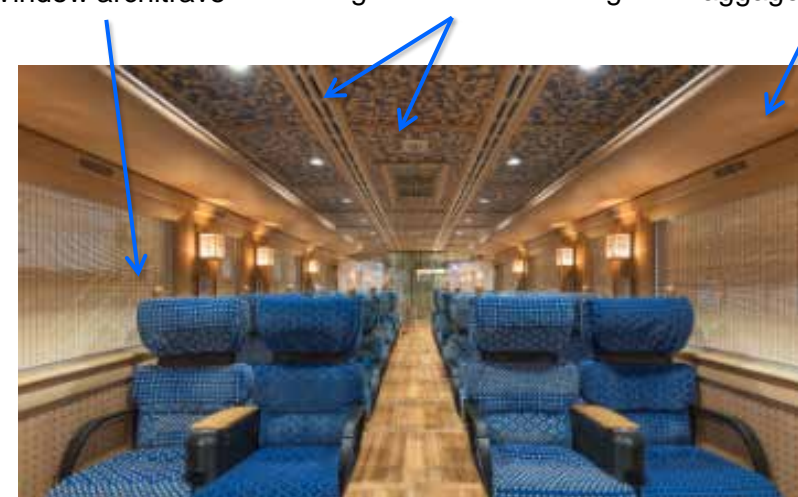
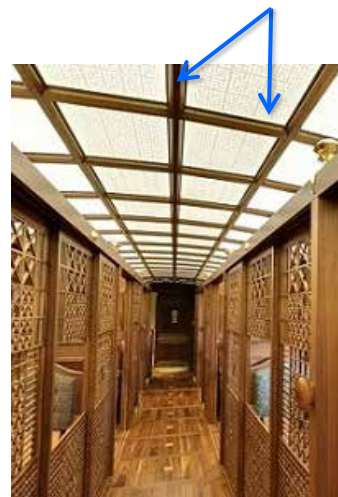
Decorative molding

Light ceiling

Window architrave

Ceiling decorative molding

Baggage rack cover



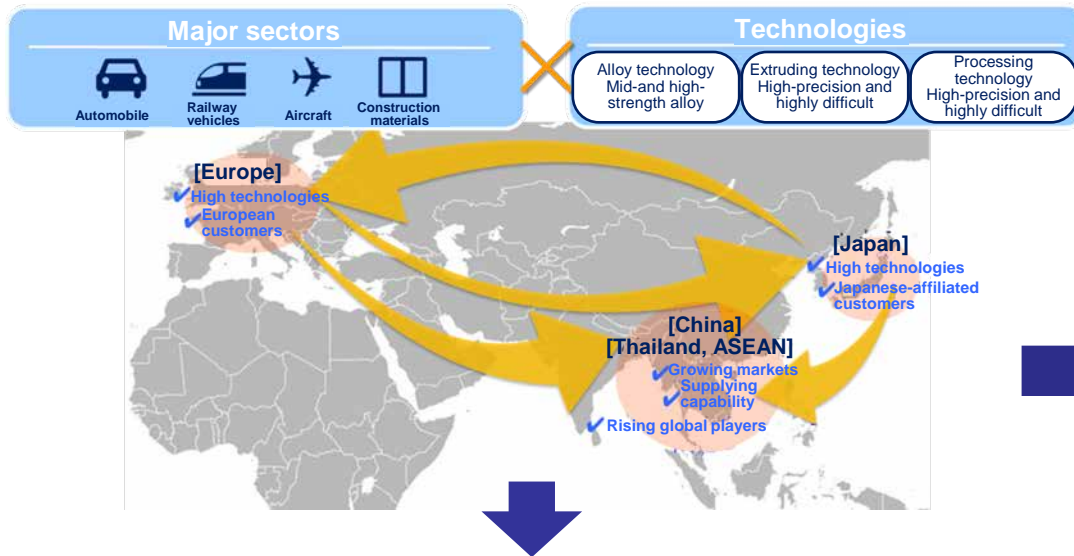
Global business

PICK UP TOPICS

Initiatives to create global synergies

Supply materials for transportation equipment as a global supplier

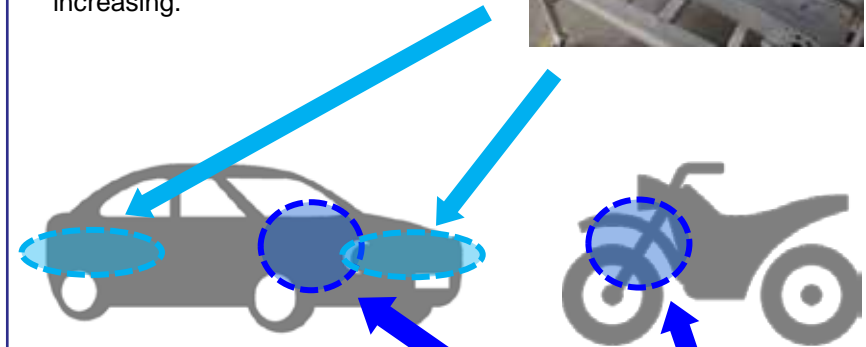
- By collaborating with the Group companies in Japan, Europe, Thailand, and China, we achieve synergies to be a global player. We are promoting the supply of materials for transportation equipment such as railway vehicles and automobiles.
- By sharing technologies between the Group companies, we have established the product supply system in every area to make an optimal response to customers' needs.



Automobile parts

<Example: bumper beam>

Bumper framework to protect the body by absorbing impact. For the purpose of reducing the weight of a vehicle, the use of aluminum is increasing.



<Example: ABS block>

Material used for ABS (Anti-lock Brake System) which prevents tires from being locked when stepping on the brake. This is an important component to control brake force and improve safe driving.



Materials for railway vehicles

<Example: railway vehicle structure, body, parts for bogie>



[Notes regarding these documents]

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