



Life with Green Technology

Financial Results for 2Q FY2018 **(September 1, 2017 – November 30, 2017)**

January 11, 2018

 **SankyoTateyama, Inc.**

Basic policy of the mid-term management plan (FY2016 to FY2018) formulated to achieve “VISION2020”

Strengthen the earnings structure of domestic business and achieve growth strategies



Promote measures focused on “Strengthen remodeling/renovation business,” “Strengthen non-construction materials businesses,” and “Develop global business”



[2Q FY2018 consolidated results]

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

	FY2017 2Q	FY2018 2Q	Year-on-year
Net sales	158.3 billion JPY	161.8 billion JPY	+3.4 billion JPY (+2.2%)
Operating income	4.0 billion JPY	1.6 billion JPY	-2.3 billion JPY (-58.0%)
Ordinary income	4.0 billion JPY	2.0 billion JPY	-2.0 billion JPY (-49.9%)
Net income attributable to the parent company	2.0 billion JPY	1.1 billion JPY	-0.8 billion JPY (-42.6%)
Interim dividend	15 JPY per share	15 yen per share	—

Summary of Financial Results for 2Q FY2018

[Net sales] (year-on-year +3.4 billion JPY, vs. planned -5.1 billion JPY)

Year-on-year: Net sales increased by capturing demand in the transportation and general machinery fields for the materials business, expanding business area in the commercial facilities business, and capturing demand in the transportation field for global business.

vs. Planned: Net sales did not meet the target due to the continued intensely competitive environment in the buildings and housing markets in the construction materials business.

[Operating income] (year-on-year -2.3 billion JPY, vs. planned -0.6 billion JPY)

Year-on-year and vs. Planned: Operating income decreased due to factors including the continued intensely competitive environment in the buildings and housing markets and the rising price of aluminum ingot.

(million JPY)

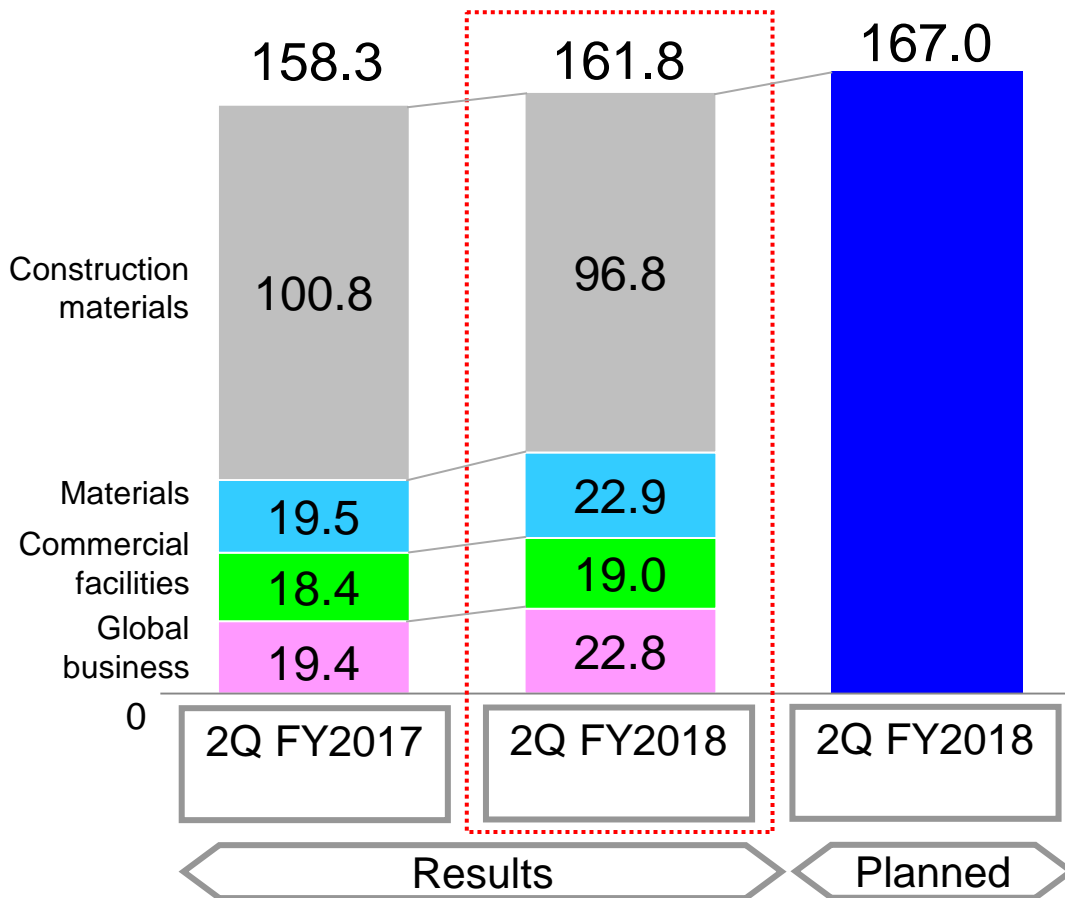
	FY2017 2Q results	FY2018 2Q results	Year-on-year	FY2018 2Q planned	vs. Planned
Net sales	158,367	161,820	+3,452 +2.2%	167,000	-5,179 -3.1%
Operating income	4,039 (2.6%)	1,696 (1.0%)	-2,343 -58.0%	2,300 (1.4%)	-603 -26.2%
Ordinary income	4,044 (2.6%)	2,026 (1.3%)	-2,018 -49.9%	2,200 (1.3%)	-173 -7.9%

*Figures in parentheses are sales ratios.

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

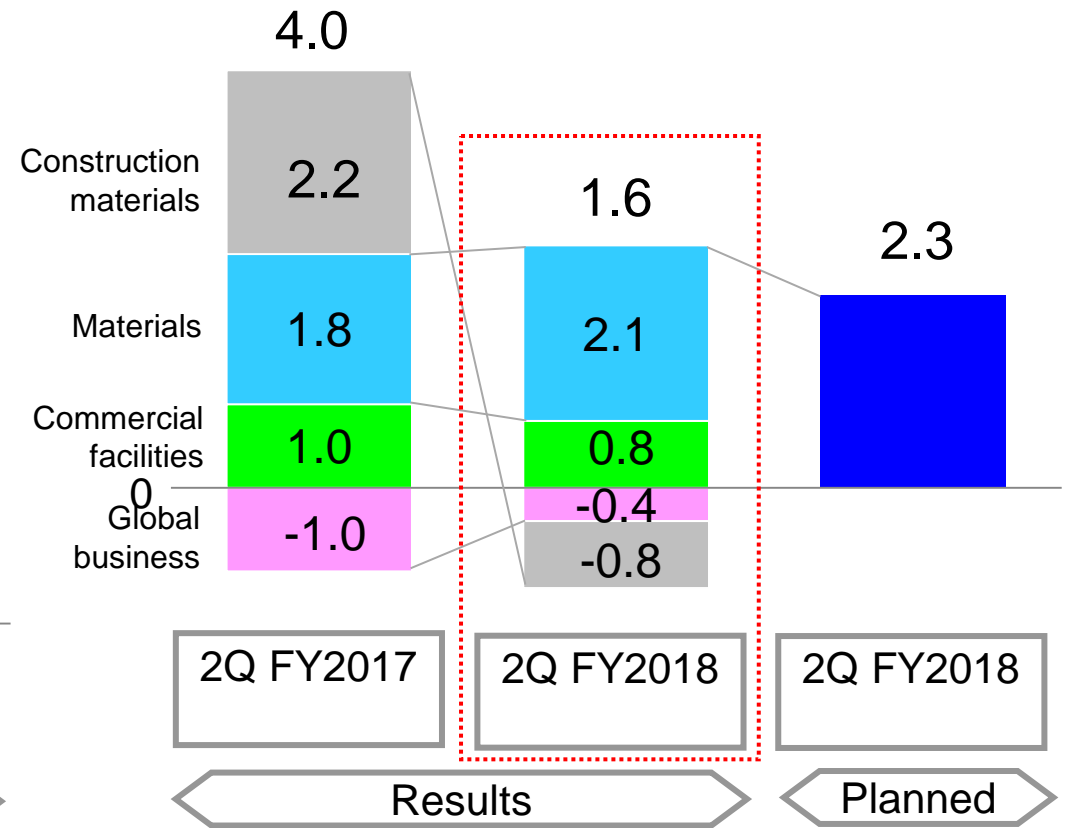
Net sales

(billion JPY)



Operating income

(billion JPY)

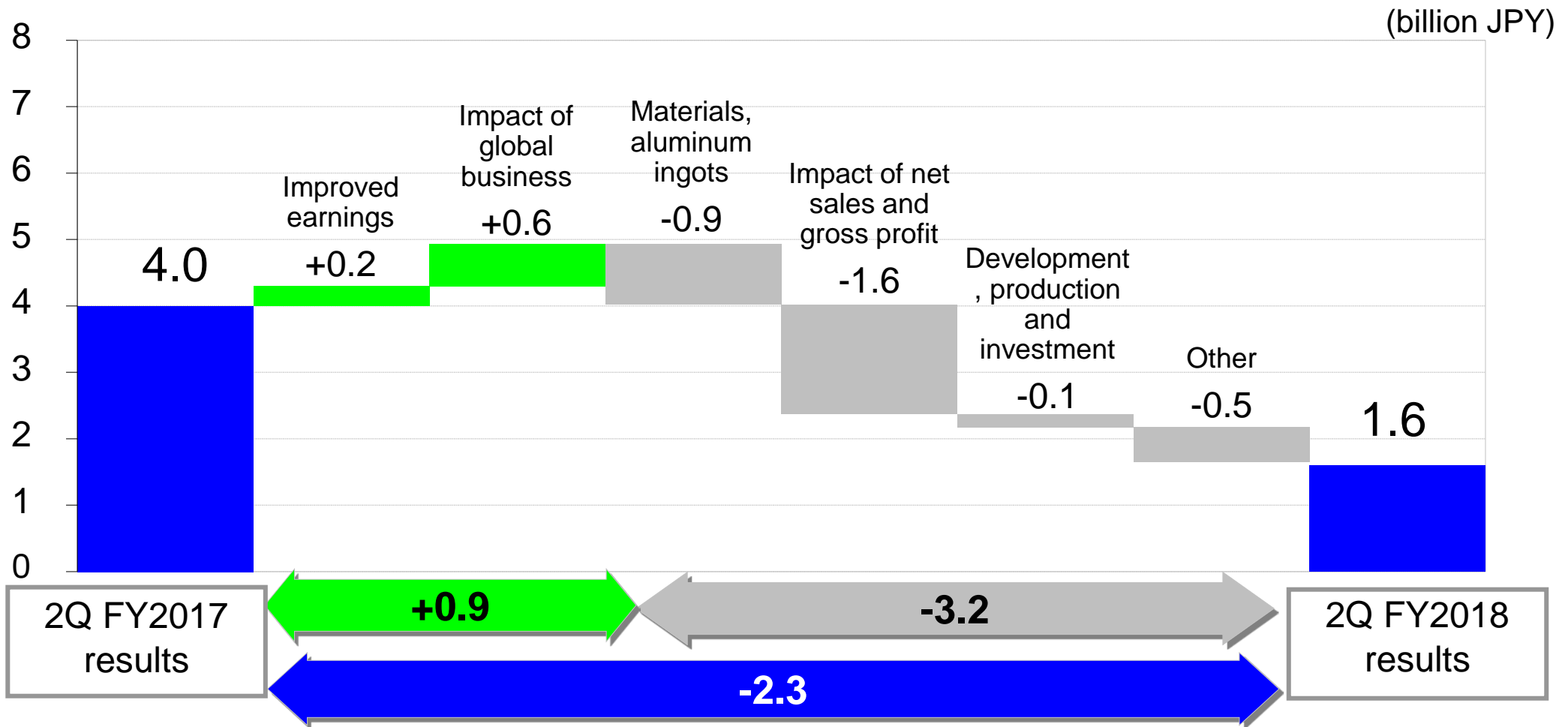


*Amounts are rounded down to the nearest 100 million JPY.

Operating Income Change Factors

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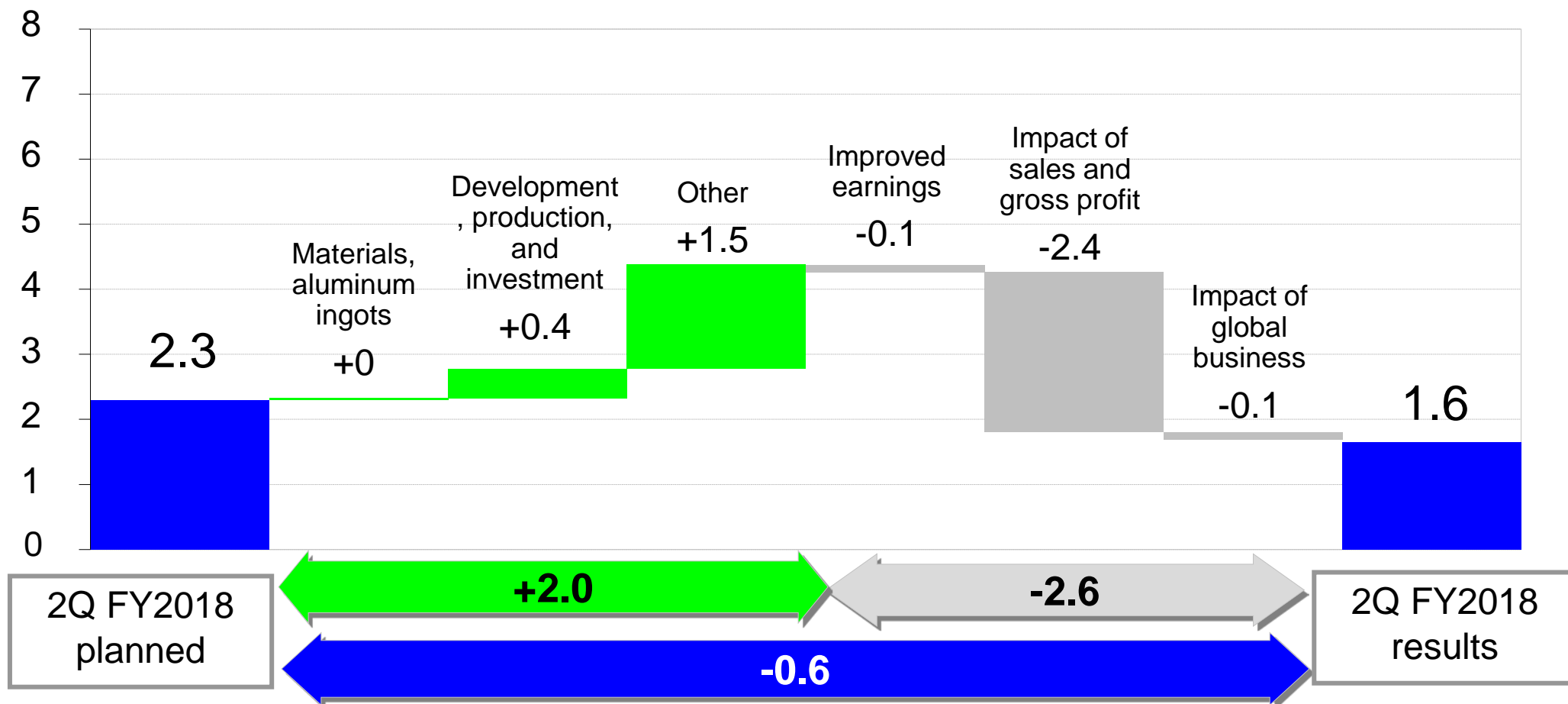
[Year-on-year]



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

[vs. Planned]

(billion JPY)



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

Total assets increased by 11.5 billion JPY year-on year.

- Current assets increased by 9.4 billion JPY due to factors including 6.2 billion JPY increase in inventories.
- Fixed assets increased 2.1 billion JPY due to factors including 1.4 billion increase in investment securities
- Liabilities increased by 8.5 billion JPY due to factors including 5.3 increase in long-term loans.
- Net assets increased by 3.0 billion JPY year-on-year to 87.2 billion JPY.

(billion JPY)

	End of FY2017	End of Q2 FY2018	YoY		End of FY2017	End of Q2 FY2018	YoY
Cash and deposits	21.7	21.6	-0.1	Notes and accounts payable-trade	56.8	58.8	1.9
Notes and accounts receivable-trade	53.4	56.3	2.9	Short-term loans and bonds payable	9.0	8.2	-0.8
Inventories	38.8	45.1	6.2	Other current liabilities	22.1	23.4	1.3
Allow ance for doubtful accounts	-1.5	-1.3	0.1	Long-term loans and bonds payable	54.0	59.3	5.3
Other	7.8	8.1	0.3	Other fixed liabilities	27.8	28.5	0.6
Current assets: Total	120.4	129.8	9.4	Liabilities: Total	169.9	178.5	8.5
Buildings and structures	26.6	26.3	-0.3	Shareholders' equity	78.4	78.9	0.5
Land	54.4	54.5	0.1	Accumulated other comprehensive income	3.1	5.5	2.3
Other tangible fixed assets	25.6	26.5	0.9	Non-controlling interests	2.5	2.6	0.1
Investment securities	17.5	19.0	1.4				
Allow ance for doubtful accounts	-1.2	-1.0	0.2				
Other fixed assets	10.6	10.3	-0.2				
Fixed assets: Total	133.7	135.8	2.1	Net assets: Total	84.1	87.2	3.0
Assets: Toatl	254.1	265.7	11.5	Liabilities and net assets: Total	254.1	265.7	11.5

* Long-term loans and bonds payable include current portions of long-term loans and bonds payable.

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

Cash Flow Statement

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(billion JPY)

	2Q FY2017	2Q FY2018	Year-on-year
Net income before income taxes and minority interests	3.8	1.8	-2.0
Depreciation expense	3.9	4.1	0.1
Change in accounts receivable-trade	-1.9	-2.3	-0.4
Change in inventories	-4.0	-5.5	-1.4
Change in accounts payable-trade	2.9	1.5	-1.3
Payment of taxes	-2.4	-1.1	1.3
Other	-0.6	3.4	4.0
Cash flow from/used in operating activities	1.6	1.8	0.2
Purchase of tangible fixed assets	-4.2	-5.8	-1.6
Other	-0.3	0.0	0.4
Cash flow from/used in investing activities	-4.6	-5.7	-1.1
Change in short-term loans payable	2.3	-0.8	-3.2
Proceeds from long-term loans payable	10.2	10.9	0.7
Repayment of long-term loans payable	-6.8	-5.6	1.1
Other	-0.8	-0.8	0.0
Cash flow from financing activities	4.9	3.6	-1.3
Net increase (decrease) in cash and cash equivalents	1.4	-0.0	-1.5
Starting balance of cash and cash equivalents	26.3	20.7	-5.6
Ending balance of cash and cash equivalents	27.8	20.6	-7.1

[Cash flow from/used in operating activities]

Gain of 1.8 billion JPY due to net income before income taxes and minority interests, depreciation expense, and others

[Cash flow from/used in investing activities]

Expenditure of 5.7 billion JPY due to factors including expenditures on purchase of tangible fixed assets

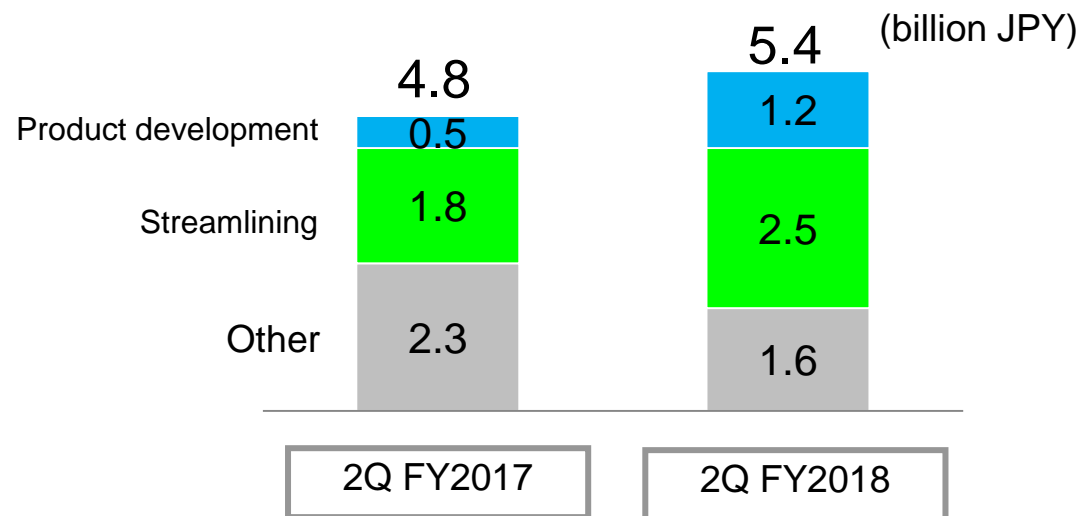
[Cash flow from financing activities]

Gain of 3.6 billion JPY due to factors including proceeds from long-term loans payable

As a result, balance of cash and cash equivalents decreased by 90 million JPY.

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

2Q year-on-year



<Breakdown>

		Results	
	Product development	0.5	1.2
Production-related	Streamlining, improvement	0.4	1.0
	Repairs, etc.	1.3	1.4
Other	Software	0.2	0.4
	Overseas subsidiaries	1.6	0.8
	Other	0.3	0.4
Total		4.8	5.4
Depreciation expense		3.9	4.1

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

[Financial indicators]

(billion JPY)

	End of FY2017 results	End of 2Q FY2018 results	Year-on-year
Equity	81.6	84.5	2.9
Capital adequacy ratio	32.1%	31.8%	-0.3p
Interest-bearing debt	63.0	67.5	4.5
Interest-bearing debt ratio	77.3%	79.9%	2.6p
ROA	2.7%	0.8%	-1.9p

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

* Equity: net assets – non-controlling interests
 Capital adequacy ratio: equity / total assets
 Interest-bearing: short-term loans + long-term loans + corporate bonds
 Interest-bearing ratio: total amount of interest-bearing debt / equity
 ROA: ordinary income / ((starting total assets + ending total assets) / 2)

[Preconditions for FY2018 plan and 2Q FY2018 results]

		2Q FY2017 results	Preconditions for FY2018 plan	2Q FY2018 results	Premise of revision of FY2018 forecast
Aluminum ingots (Nikkei Aluminum average)		219.2 JPY/kg	270 JPY/kg	274.1 JPY/kg	284.5 JPY/kg
Exchange rates	USD	105.3 JPY	115 JPY	111.1 JPY	112 JPY
	EURO	118.1 JPY	122 JPY	126.3 JPY	132 JPY
	THB	3.0 JPY	3.2 JPY	3.3 JPY	3.4 JPY
	CNY	15.9 JPY	17 JPY	16.4 JPY	17 JPY

* Aluminum ingot results are average prices for the period from April 2017 to September 2017.

* Foreign exchange rates are average exchange rates for the term.

[Scope of consolidation and equity method]

(Unit: company)

	FY2017	2Q FY2018	Year-on year
Consolidated subsidiaries	49	49	—
Equity method-applied companies	7	7	—
Total	56	56	—

[Status of personnel (regular employees)]

(Unit: person)

	End of FY2017	2Q FY2018	Year-on-year
Sankyo Tateyama	5,620	5,600	-20
Other consolidated subsidiaries	5,753	5,612	-141
Total	11,373	11,212	-161

[Capital investment forecast] (billion JPY)

	FY2018
Amount of capital investment	11.0
Depreciation expense	9.4

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

Revision of Financial Forecast for FY2018

Revision of FY2018 Consolidated Financial Forecast

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	FY2018 Initial forecast	FY2018 Revision of forecast	vs. Initial forecast
Net sales	338.0 billion JPY	336.0 billion JPY	-2.0 billion JPY -0.6%
Operating income	4.3 billion JPY (1.3%)	2.5 billion JPY (0.7%)	-1.8 billion JPY -41.9%
Ordinary income	4.0 billion JPY (1.2%)	2.8 billion JPY (0.8%)	-1.2 billion JPY -30.0%
Net income attributable to the parent company	2.0 billion JPY (0.6%)	1.2 billion JPY (0.4%)	-0.8 billion JPY -40.0%
Net income per share	63.71 JPY	38.24 JPY	—

Dividend	Interim forecast: 15 JPY End forecast: 20 JPY Total forecast: 35 JPY	Interim result: 15 JPY End result: undetermined Total: undetermined	—
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* Figures in parentheses are sales ratio.

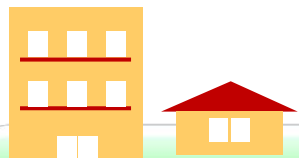
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References

	FY2015	FY2016	FY2017
[Construction materials business (housing) index] The number of new housing starts (April- September)	472 thousand units (+6.9% yoy)	500 thousand units (+6.0% yoy)	497 thousand units (-0.7 yoy)
The number of new housing starts [owner-occupied houses] (April-September)	148 thousand units (+3.5% yoy)	153 thousand units (+3.0% yoy)	148 thousand units (-3.0% yoy)
The number of new housing starts [houses for rent] (April-September)	196 thousand units (+10.8% yoy)	218 thousand units (+11.1% yoy)	214 thousand units (-1.7% yoy)
[Materials business (building) index] Floor area of non-wooden structure starts (April-September)	39,820 thousand m ² (-0.2% yoy)	40,194 thousand m ² (+0.9% yoy)	41,004 thousand m ² (+2.0% yoy)
[Materials business index] Aluminum extrusion weight [excluding sashes and doors] (April-September)	160.5 thousand tons (-0.6% yoy)	169.6 thousand tons (+5.7% yoy)	179.3 thousand tons (+5.7% yoy)
[Commercial facilities business index] The number of new building starts [stores] (April-September)	4,626 buildings (-7.8% yoy)	4,427 buildings (-4.3% yoy)	4,048 buildings (-8.6% yoy)
Aluminum ingot [Nikkei Aluminum average] (April-September)	274.7 JPY/kg (+0.4% yoy)	219.2 JPY/kg (-20.2% yoy)	274.1 JPY/kg (+25.0 yoy)

[Construction materials market]

The number of new housing starts (owner-occupied houses), the main market for housing business, decreased. Shipment weight of aluminum construction materials for buildings decreased. Aluminum ingot price increased.



The number of new housing starts (whole)

-0.7% YoY

Source: Report of Statistical Survey of Construction Starts by the Ministry of Land, Infrastructure, Transport and Tourism

Intensely competitive environment



The number of new housing starts (owner-occupied houses)

-3.0% YoY

Source: Report of Statistical Survey of Construction Starts by the Ministry of Land, Infrastructure, Transport and Tourism

*YoY are a comparison between FY2017 and FY2018 for the period from April to September.

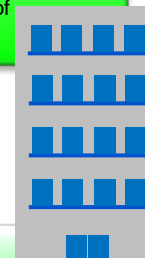
Construction materials business

Floor area of non-wooden structure starts

+2.0% YoY

Source: Report of Statistical Survey of Construction Starts by the Ministry of Land, Infrastructure, Transport and Tourism

Intensely competitive environment



Shipment weight of Aluminum construction materials for buildings

-1.0% YoY

Source: Statistics by Japan Sash Manufacturers Association

Rising raw material costs

Aluminum ingot price (Nikkei Aluminum average)

+25.0% YoY

Source: statistics by Japan Aluminum Association



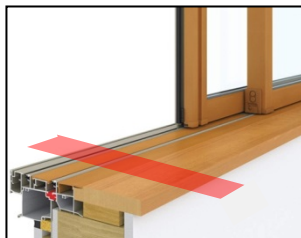
Housing construction materials

High-spec Sash

ALGEO

アルジオ

Applied to **ZEH**
(Net, zero, energy house)



- “ALGEO” sash made from aluminum composite resin with a high adoption rate for highly functional houses

Happier tomorrow

NOVARIS

NOVARIS remodeled front door



- “NOVARIS” remodeled front door selling well with 20% increase year-on-year

Exterior construction materials

Multi-purpose roof “ATLADE”

Carport “SKYLEAD”



- New products released in October 2017
Multi-purpose roof “ATLADE”
Carport “SKYLEAD”
selling well



- Campaign “Carport Grand Prix” was held to appeal new products.

[Material market]
Sales maintained robust due to factors including increased capital investment.

**Domestic aluminum extrusion weight
(excluding sashes and doors)**

+5.7% YoY

Source: Statistics by Japan Aluminum Association



**Increase in
capital
investment**

**Domestic aluminum extrusion weight
(general machinery)**

+13.4% YoY

Source: Statistics by Japan Aluminum Association



**Increase in
general
machinery**

**Material
business**

*YoY are a comparison between
FY2017 and FY2018 for the period
from April to September.

Materials for train



**Tokyu's Izu express train
"THE ROYAL EXPRESS"**
was put into operation in July 2017.

**Our materials were adopted
for interior of the train**



Letter of appreciation
given by Tokyu Corporation

Co-designed with customers

Flexible structure to be used
for any angle of coffered ceiling

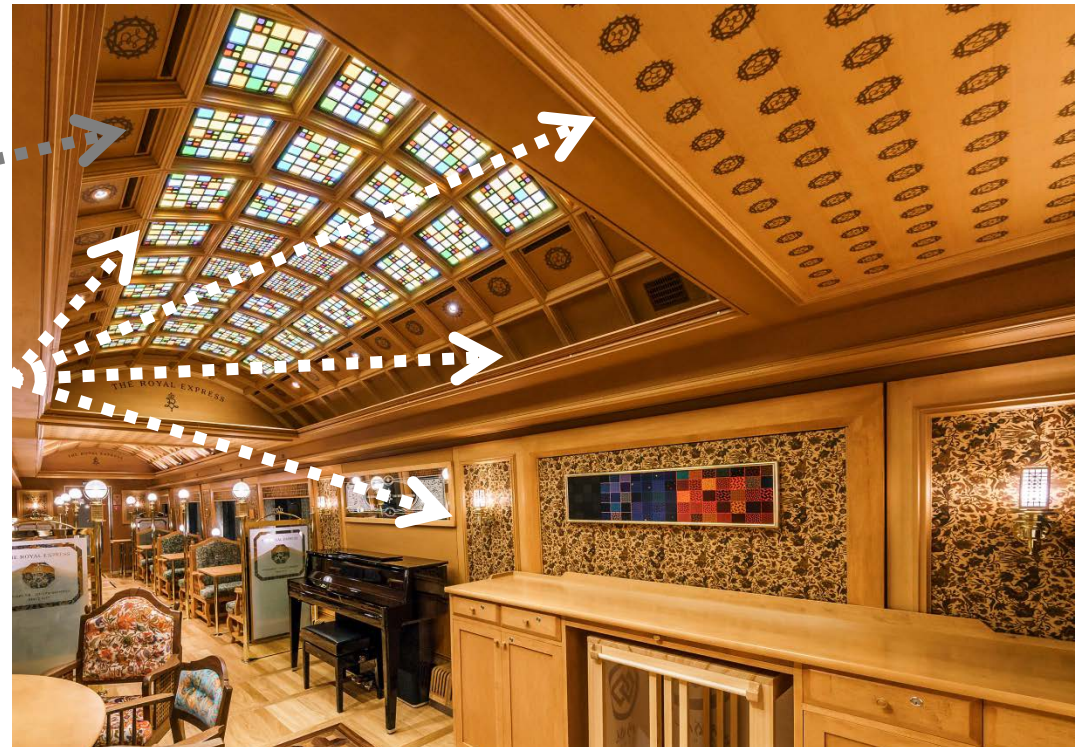


Aluminum extrusion materials made by the Company

Reference

Other cases of our materials designed by Mr. Eiji Mitooka
adopted for resort trains

- Cruise Train "Nanatsuboshi in Kyushu" in 2013
- JR KYUSHU SWEET TRAIN "Aru Ressha" in 2015
- Super Express "Kawasemi Yamasemi" in 2017



[Commercial facilities market]

While the number of newly opened stores continued to decrease, demand for remodeling continued to be strong.

The number of new building starts
(stores)

-8.6% YoY

Source: Report of Statistical Survey of Construction Starts by the Ministry of Land, Infrastructure, Transport and Tourism

Retail sales amount (Whole)

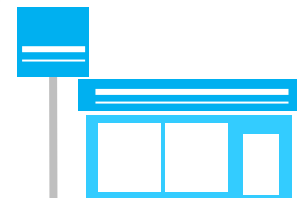
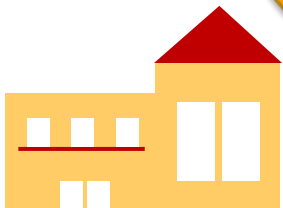
+2.2% YoY

Source: Report of Current Survey of Commerce by Ministry of Economy, Trade and Industry

**Commercial
facilities
business**

**Decrease in
the number of
newly opened
stores**

**Increase in
remodeling
investment**



*YoY is a comparison between FY2017 and FY2018 for the period from April to September.

Business succession

Tateyama Advance Company to take over store business from Kokuyo Co., Ltd. as of January 1, 2018

◆ Business to take over

Store business that Kokuyo Co., Ltd. holds, such as sales of fixtures for stores.

◆ Purpose of takeover

As part of initiatives to strengthen non-construction materials business (materials business and commercial facilities business), aiming to further expand commercial facilities business area.

◆ Measure for takeover

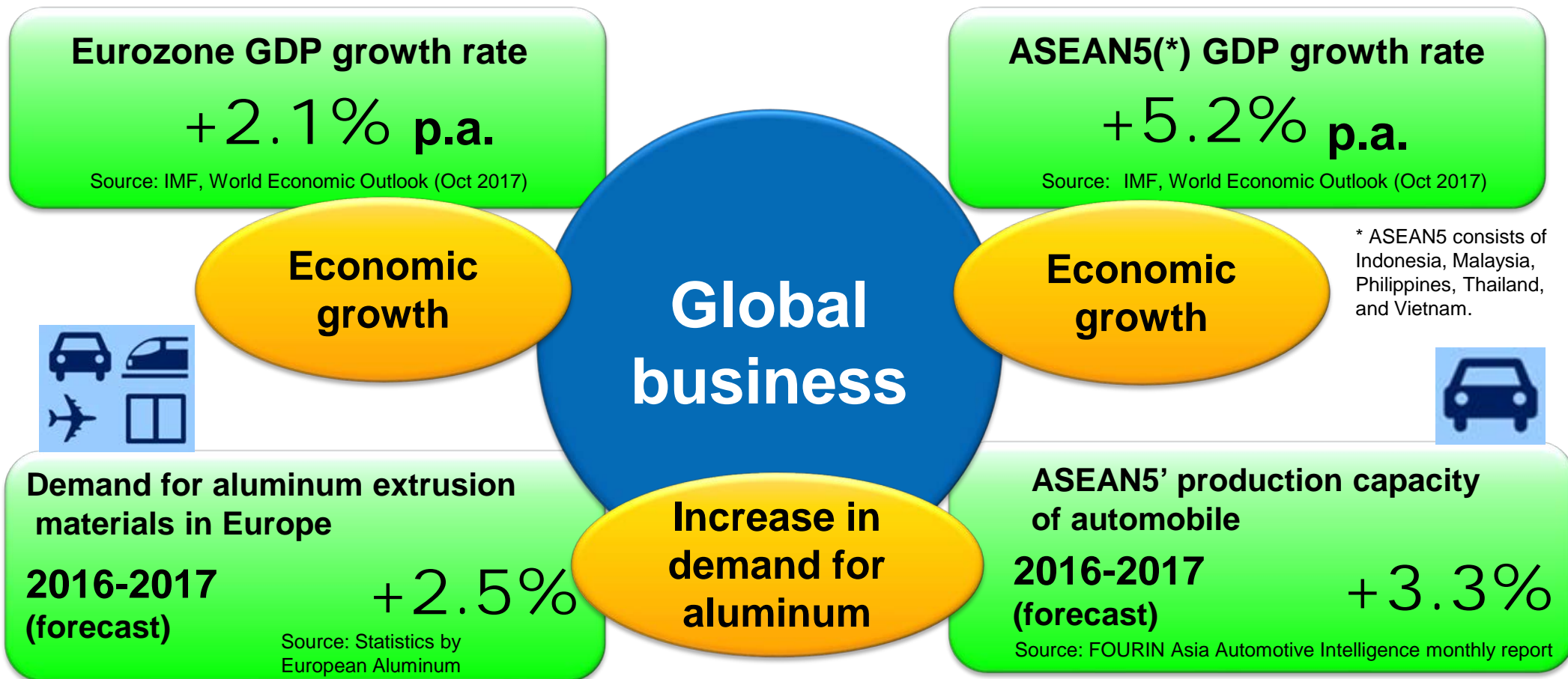
For smooth succession, establishment of internal organization, allocation of personnel, business design, and verification of operation will be promoted.

[Europe area]

The Eurozone economy has been enjoying steady growth.
Demand for aluminum extrusion shapes has increased.

[ASEAN area]

The ASEAN area has maintained steady economic growth.
The automobile production volume has increased.



Global synergy

Amid rapidly increasing adoption of aluminum materials for automobile, our Group has strengthened and promoted the steady and global supply system in each area.

- Knowhow within the Group to produce parts for automobile is shared and developed globally.
- Integrates material development, billet casting, extrusion, and processing in each area.
- Responds promptly to high demand by costumers in each area and supplies high-quality products.

[Practical examples]

SEP-G

[Aluminum bumper (reinforcement)]

- Integrated production of aluminum billet casting, extruded shapes, processing (bending, holing) for the provision of products
- Strengthening of steady and global supply system is in progress.



Sankyo Tateyama Alloy (Thailand)

[3000 series aluminum alloy billets]

- Casts 3000 series aluminum billets in mass production to be used for multi-hole pipes for automobiles, and ships to customers in Thailand.
- With high cleanliness and inspection accuracy of billets, meets customers' needs.



[Notes regarding these documents]

These documents contain 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, changes in demand trends, and intensified price competition for the products and services of the Sankyo Tateyama Group, as well as price fluctuations of items such as aluminum ingots.

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