

Life with Green Technology

Financial Results for 1Q FY2019

(June 1, 2018 – August 31, 2018)

October 4, 2018

 **SankyoTateyama, Inc.**

Summary of Financial Results for 1Q FY2019 (June 1, 2018 – August 31, 2018)

Financial Results for 1Q FY2019

Net sales

79.3 billion JPY

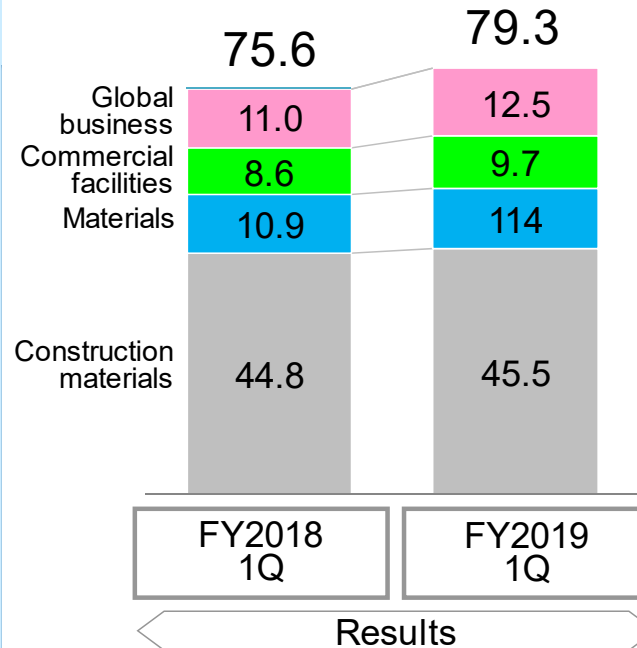
Year on Year +3.7 billion JPY
(+4.9%)

Operating loss

- 0.6 billion JPY

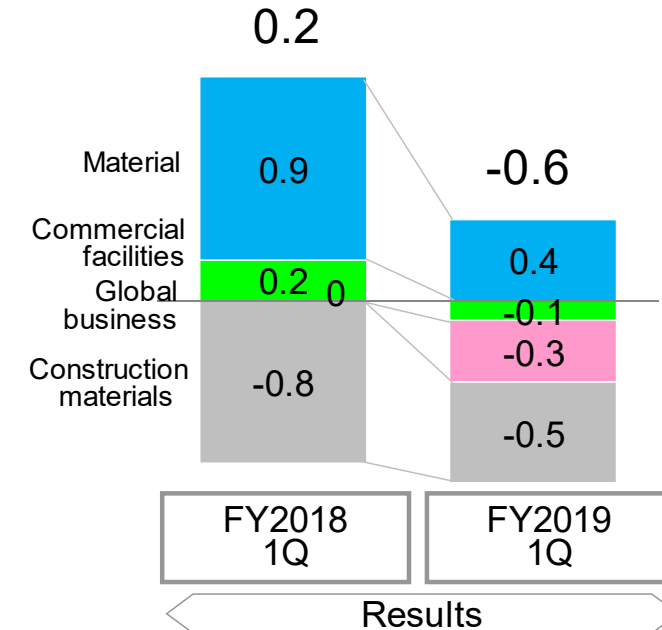
Year on Year -0.9 billion JPY
(-)

Net Sales



Operating income

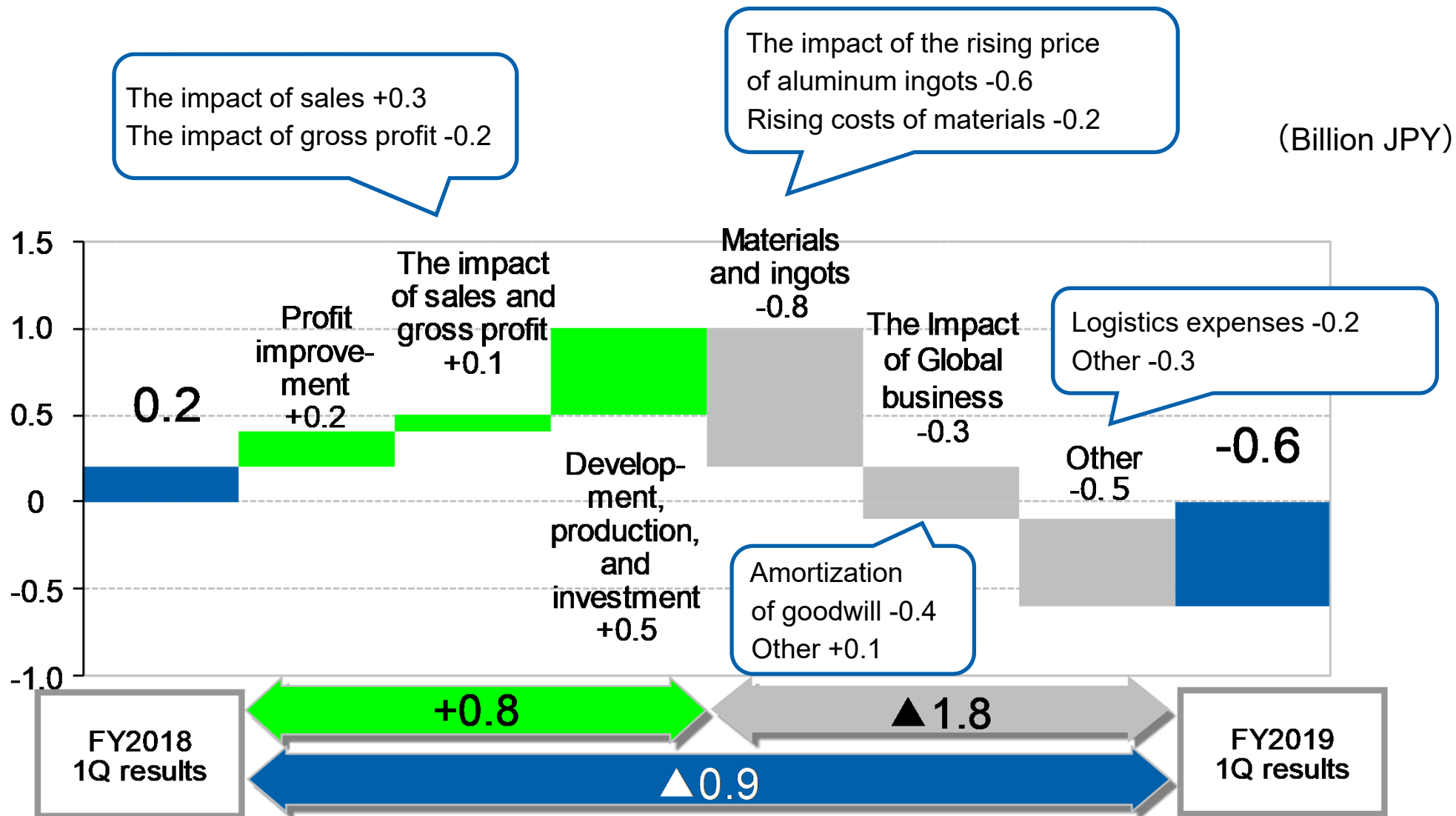
(Billion JPY)



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

- Net sales increased in all segments.
- Operating loss improved in Construction materials business. However, operating income decreased in Material business, Commercial facilities business and Global business.

Year on Year Operating Income Change Factors



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

References

| | FY2016 | FY2017 | FY2018 |
|---|---|---|---|
| [Construction materials business (housing) index] The number of new housing starts (April-June) | 247 thousand units (+4.9% yoy) | 250 thousand units (+1.1% yoy) | 245 thousand units (-2.0% yoy) |
| The number of new housing starts [owner-occupied houses](April-June) | 74 thousand units (+2.1% yoy) | 74 thousand units (-0.5% yoy) | 72 thousand units (-2.5% yoy) |
| The number of new housing starts [house for rent](April-June) | 105 thousand units (+11.0% yoy) | 105 thousand units (+0.3% yoy) | 101 thousand units (-3.5% yoy) |
| [Construction materials business (building) index] Floor area of non-wooden structure starts(April-June) | 20,667 thousand m ² (-0.5% yoy) | 21,043 thousand m ² (+1.8% yoy) | 19,939 thousand m ² (-5.2% yoy) |
| [Materials business index] Aluminum extrusion weight [excluding sashes and doors](April-June) | 83.7 thousand tons (+4.3% yoy) | 90.5 thousand tons (+8.1% yoy) | 90.2 thousand tons (-0.4% yoy) |
| [Commercial facilities business index] The number of new building starts [stores] (April-June) | 2,177 buildings (-8.3% yoy) | 2,045 buildings (-6.1% yoy) | 2,001 buildings (-2.2% yoy) |
| [Aluminum ingot (The Nikkei)] Average prices for the period from April to June | 223.3JPY/kg (-25.3% yoy) | 269.2JPY/kg (+20.6% yoy) | 309.7JPY/kg (+15.0% yoy) |

*YoY are a comparison between FY2018 and FY2019 for the period from April to June.

Financial Results for 1Q FY2019

Net sales

45.5 billion JPY

Year on Year +0.6 billion JPY
(+1.5%)

Operating loss

-0.5 billion JPY

Year on Year +0.3 billion JPY
(-)

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

Business Environment

The number of new housing starts (Year on Year)

Whole **-2.0%**
Owner-occupied houses **-2.5%**

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

Floor area of non-wooden structure starts

Year on Year **-5.2%**

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

Intensely competitive environment

Aluminum ingot price (Nikkei Aluminum average)

Year on Year **+15.0%**

Source: Statistics by Japan Aluminum Association

Rising raw material costs

Shipment weight of Aluminum construction materials for buildings

Year on Year **+4.8%**

Source: Current Production Statistics by Ministry of Economy, Trade and Industry

Factors of results

[Net sales]

- Large-scale projects in building business increased.
- Sales of exterior business increased.

【Operating loss】

- Aluminum ingots price rose.
- Revising price of some products and profit improvement by production department.

*YoY are a comparison between FY2018 and FY2019 for the period from April to June.

Financial Results for 1Q FY2019

Net sales

11.4 billion JPY

Year on Year +0.4 billion JPY
(+4.3%)

Operating income

0.4 billion JPY

Year on Year -0.4 billion JPY
(- 50.7%)

Business Environment

Domestic aluminum
extrusion weight
(excluding sashes and doors)

Year on Year **-0.4%**

Source: statistics by Japan Aluminum Association

**Decrease
in electric
machinery,
transportation
machinery, etc**

Domestic aluminum
extrusion weight
(general machinery)

Year on Year **+10.2%**

Source: statistics by Japan Aluminum Association

**Increase
in general
machinery**

Factors of results

[Net sales]

- Net sales increased linking with the aluminum ingot market.
- Customer orders decreased due to inventory adjustment in extruded shapes market.

【Operating income】

- Inventory adjustment in extruded shapes market created competitive environment.

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

*YoY are a comparison between FY2018 and FY2019 for the period from April to June.

Financial Results for 1Q FY2019

Net sales

9.7 billion JPY

Year on Year +1.0 billion JPY
(+12.4%)

Operating loss

- 0.1 billion JPY

Year on Year -0.3 billion JPY
(-)

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

Business Environment

The number of new building starts (stores)

Year on Year **-2.2%**

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

Decrease in the number of newly opened stores

The amount of Retail sales (Whole)

Year on Year **+1.3%**

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

Increase in remodeling investment

Factors of results

[Net sales]

- Net sales increased thanks to business succession store business from Kokuyo Co., Ltd.

[Operating loss]

- Selling, general, and administrative expense related taking over store business from Kokuyo Co., Ltd., logistics and other costs increased.

Financial Results for 1Q FY2019

Net sales

12.5 billion JPY

Year on Year +1.4 billion JPY
(+13.4%)

Operating loss

- 0.3 billion JPY

Year on Year -0.3 billion JPY
(-)

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

Business Environment

GDP growth rate

Eurozone **+2.3%**

ASEAN5* **+5.3%**

Source: IMF, World Economic Outlook
(Apr 2018)

**Economic
growth**

**Increase in
Demand
for aluminum**

* ASEAN5 consists of Indonesia, Malaysia, Philippines, Thailand, and Vietnam.

Demand for aluminum Extrusion materials in Europe

Year on Year **+3.0%**
(April - June)

Source: Statistics by Japan Aluminum Association

Number of auto- mobiles sales in ASEAN5*

Year on Year **+7.7%**
(April - June)

Source: ASEAN AUTOMOTIVE FEDERATION

Factors of results

[Net sales]

- Net sales increased thanks to efforts to capture demand mainly in transportation field in Europe, foreign exchange fluctuations, and other factors.

【Operating loss】

- The conditional acquisition of the subsidiary in Thailand was fixed and amortization of goodwill in the previous years generated due to additional recognition of goodwill.

| | | 1Q FY2018 Results | 1Q FY2019 Results | Premise of revision of FY2019 forecast |
|--------------------------------------|-----|----------------------|----------------------|---|
| Aluminum ingot price (The Nikkei) | | 269.2 JPY/kg | 309.7 JPY/kg | 300 JPY/kg |
| Exchange rates | USD | 111.1 JPY | 109.1 JPY | 105 JPY |
| | EUR | 122.3 JPY | 130.0 JPY | 130 JPY |
| | THB | 3.2 YPY | 3.4 JPY | 3.2 JPY |
| | CNY | 16.2 JPY | 17.1 JPY | 17 JPY |

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

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

[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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