



Life with Green Technology

Financial Results for Q2 FY2019

(September 1, 2018 – November 30, 2018)

January 10, 2019

 **SankyoTateyama, Inc.**

(Billion JPY)

	Q2 FY2018 Results	Q2 FY2019 Targets	Q2 FY2019 Results	Change from Plan	Year-on-Year Change
Net sales	161.8	173.0	170.0	-2.9 (-1.7%)	+8.2 (+5.1%)
Operating income	1.6	1.4	1.2	-0.1 (-13.1%)	-0.4 (-28.3%)
Ordinary income	2.0	1.5	1.4	-0.0 (-3.6%)	-0.5 (-28.7%)
Quarterly net income attributable to owners of parent	1.1	0.3	0.2	-0.0 (-26.8%)	-0.9 (-81.2%)

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

Comparison with plan

- Net sales and operating income fell slightly below their respective Q2 targets set in the plan.
- > While the non-construction materials segments faced difficulties arising from competition and external environmental factors, the construction materials segment attained a considerable improvement in earnings.

Year-on-Year comparison

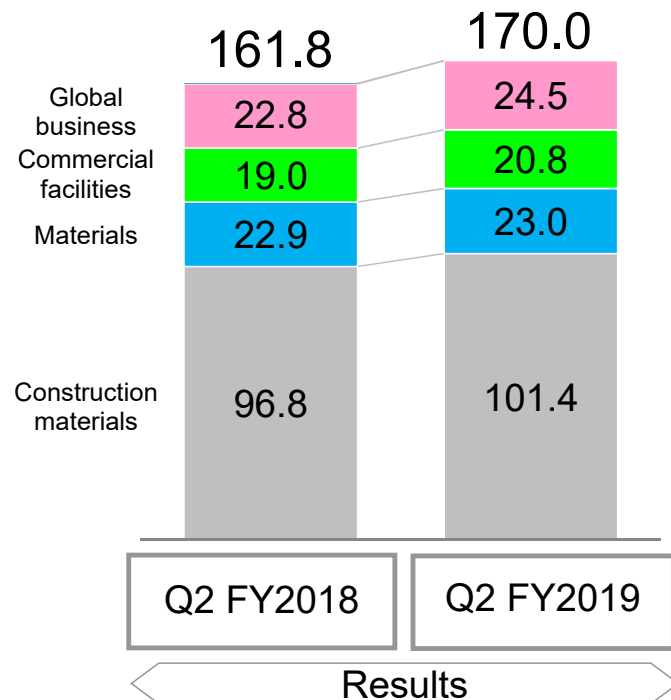
- Net sales climbed in all the segments.
 - Operating income jumped substantially in the construction materials segment despite a rise in the aluminum ingots price.
- On the other hand, it dropped in the other segments as a whole, due mainly to the competition, surging material prices and additional goodwill amortization of overseas subsidiaries for past fiscal years.

Full-year performance and dividend forecasts

- The full-year performance forecast is kept on hold.
- The dividend forecast remains unchanged. (Interim dividend of 10 yen per share and year-end dividend of 5 yen per share)

Net sales

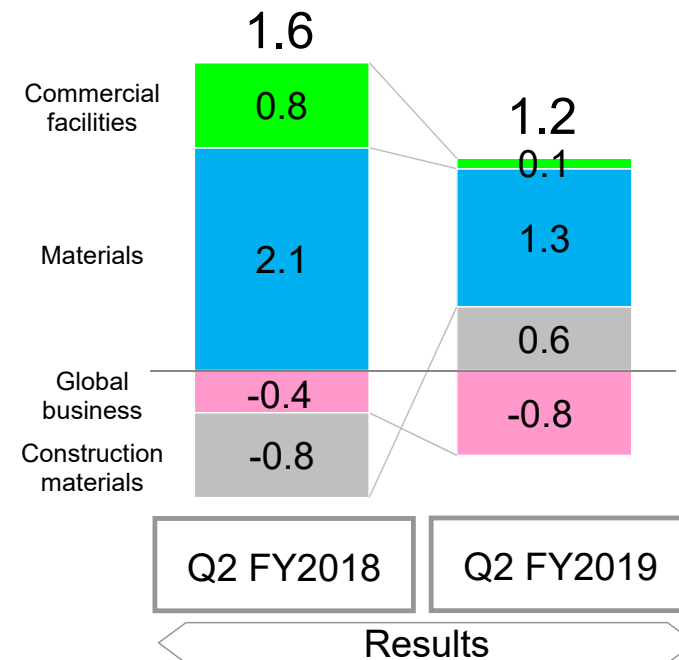
170.0 billion JPY
Year-on-Year **+8.2 billion JPY**
(+ **5.1%**)



- Net sales grew in all the four business segments.

Operating income

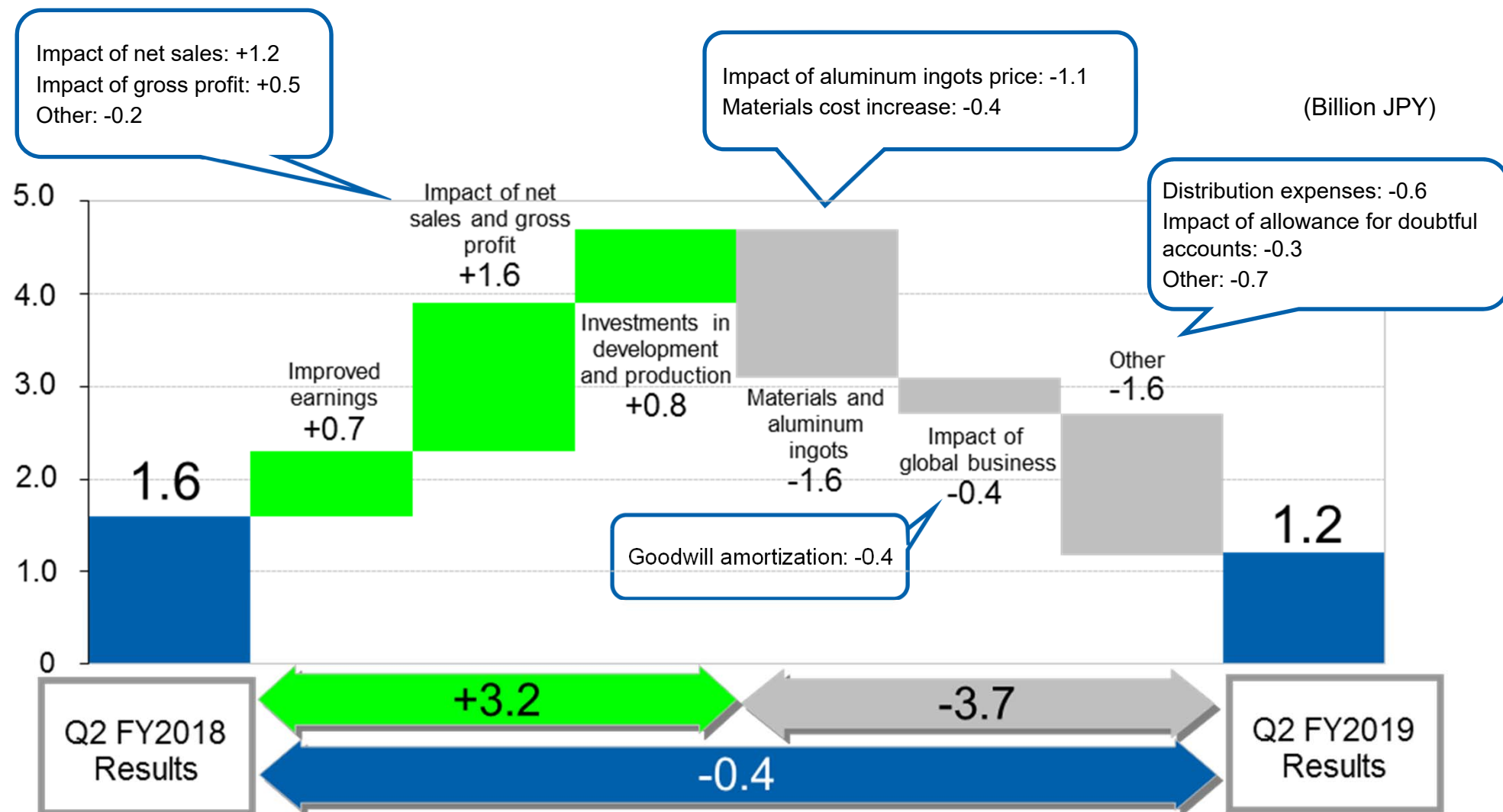
1.2 billion JPY
Year-on-Year **-0.4 billion JPY**
(-**28.3%**)



- Profitability was attained in the construction materials segment.
- Operating income declined in the materials, commercial facilities and global business segments.

Factors for Year-on-Year Change in Operating Income

Life with Green Technology

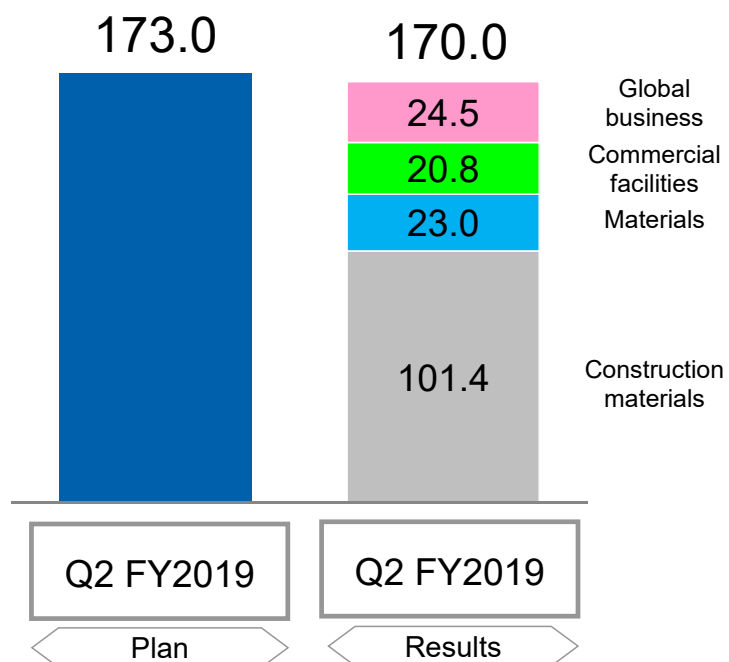


*Amounts are rounded down to the nearest 100 million JPY.

Net sales

Lower by

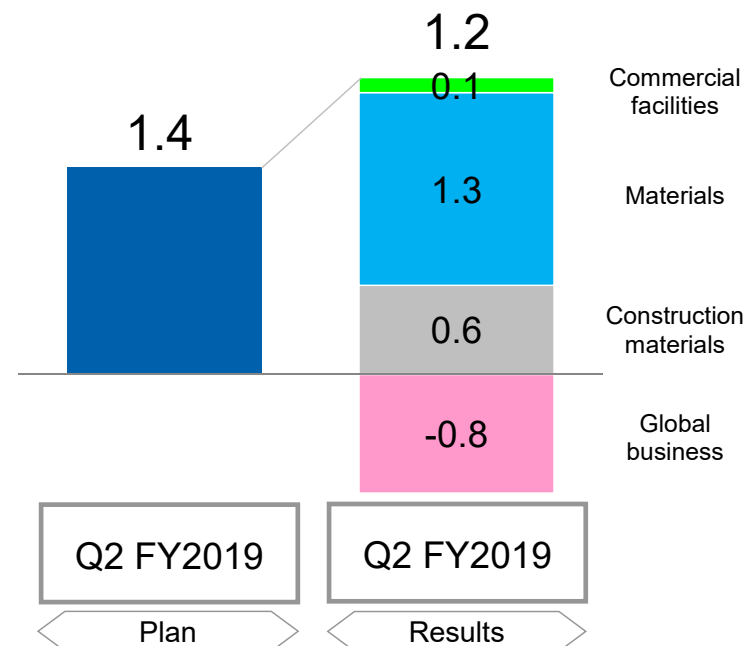
2.9 billion JPY (1.7%)



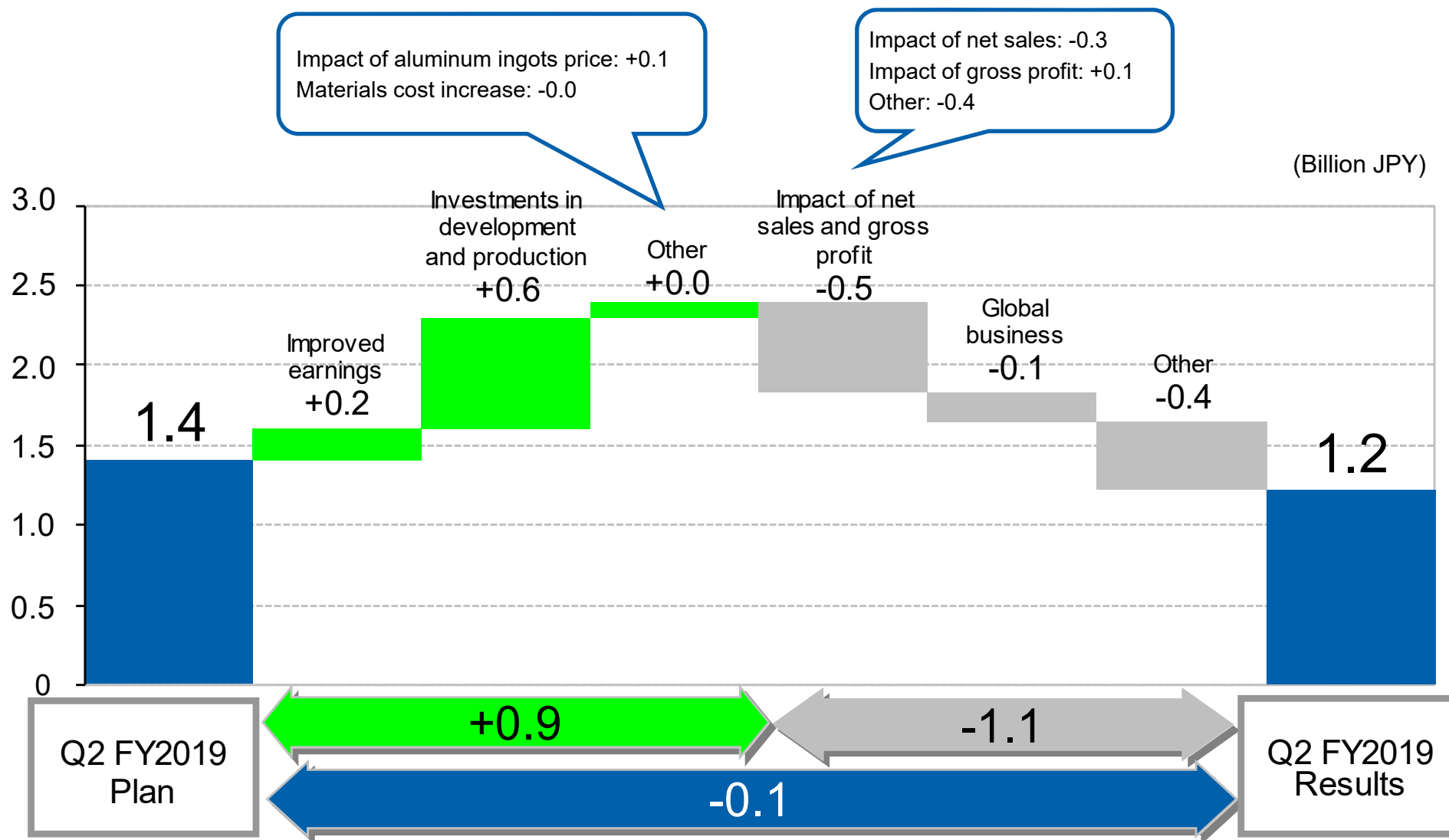
Operating income

Lower by

0.1 billion JPY (13.1%)



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



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SankyoAlumi

2018 Commendation of the Minister of the Environment for Global Warming Prevention Activity



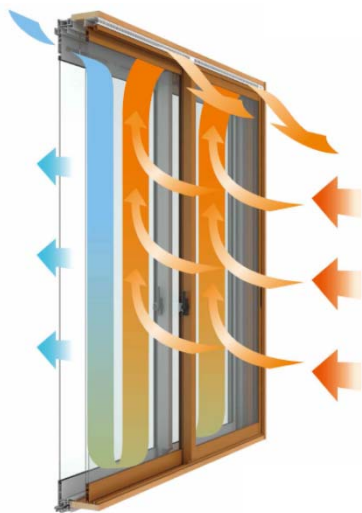
Minister of the Environment

Technology development & commercialization

Window frame with dynamic insulation wins 2018 Commendation of the Minister of the Environment for Global Warming Prevention Activity

At the Ministry of the Environment, the Minister of the Environment commends groups and individuals who have made an outstanding achievement in specific fields of activities carried out for the prevention of global warming.

Our efforts regarding the development of window systems with dynamic insulation were recently awarded a 2018 Commendation of the Minister of the Environment for Global Warming Prevention Activity in the category of technology development and commercialization.



Dynamic Insulation (DI) Window (see diagram on left)

It is a window with ultra-high heat insulation performance. Outdoor air taken in for 24-hour ventilation of the residential building is circulated inside the double-pane window to minimize heat dissipation from the window.

* The DI Window takes advantage of the achievements of research and development in the Strategic Innovation Program for Energy Conservation Technologies, which is a subsidy program operated by the New Energy and Industrial Technology Development Organization (NEDO). A fundamental patent for it has been obtained.

SankyoAlumi Construction Materials

1. Prices of exterior items to be revised in March 2019



- Given that recent rises in prices of raw and other materials and distribution costs have severely affected production expenses, we will be revising the prices of our exterior products.

Target products: All exterior products
 Price increase ratio: Approximately 5%
 Effective date: March 1, 2019

2. More orders gained for exterior products, e.g. fences and carports



Product Example: "FREINA" sectional fence

- We received increased orders for fences, carports and other exterior products for the purpose of recovery and reconstruction after natural disasters that occurred last year.

Orders for fences increased around 20% Year-on-Year.

(The most recent demand was around 30% higher than in the same period a year earlier.)

* We are planning to make capital investment aimed at extending production lines for aluminum fences, given that the replacement of concrete block walls with aluminum fences is expected to continue.

Orders for carports increased nearly 10% Year-on-Year.

Orders for terraces and sunrooms grew approximately 5% Year-on-Year.

References

	FY2016	FY2017	FY2018
[Construction materials business (housing) index] The number of new housing starts (April-September)	500 thousand units (+6.0% YoY)	497 thousand units (-0.7% YoY)	491 thousand units (-1.1% YoY)
The number of new housing starts [owner-occupied houses](April-September)	153 thousand units (+3.0% YoY)	148 thousand units (-3.0% YoY)	146 thousand units (-1.2% YoY)
The number of new housing starts [house for rent](April-September)	218 thousand units (+11.1% YoY)	214 thousand units (-1.7% YoY)	208 thousand units (-2.8% YoY)
[Construction materials business (building) index] Floor area of non-wooden structure starts(April-September)	40,194 thousand m ² (+1.4% YoY)	41,004 thousand m ² (+2.0% YoY)	39,276 thousand m ² (-4.2% YoY)
[Materials business index] Aluminum extrusion weight [excluding sashes and doors](April-September)	169.6 thousand tons (+4.5% YoY)	179.3 thousand tons (+5.7% YoY)	175.9 thousand tons (-1.9% YoY)
[Commercial facilities business index] The number of new building starts [stores] (April-September)	4,427 buildings (-4.3% YoY)	4,048 buildings (-8.6% YoY)	3,973 buildings (-1.9% YoY)
[Aluminum ingot (The Nikkei)] Average prices for the period from April to September	219.2JPY/kg (-20.2% YoY)	273.9JPY/kg (+24.9% YoY)	299.2JPY/kg (+9.2% YoY)

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

Net Sales

101.4 billion JPY

Year-on-Year **+4.6 billion JPY**
(+4.8%)

Large-scale projects in building business increased.

Sales of exterior business strengthened.

Operating Income

0.6 billion JPY

Year-on-Year **+1.5 billion JPY**
(-)

Despite the impact of aluminum ingots price rose, turned into profit thanks to revising price of some products and profit improvement by production department.

Business Environment

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

The number of new housing starts (YoY)

Whole	-1.1%
Owner-occupied house	-1.2%

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

Floor area of non-wooden structure starts (YoY)

-4.2%

Shipment weight of Aluminum construction materials for buildings (YoY)

+3.3%

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

Aluminum ingot price (Nikkei Aluminum average, YoY)

+9.2%

Source: Statistics by Japan Aluminum Association

Intensely competitive environment

Rising raw material costs

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

Net Sales

23.0 billion JPY

Year-on-Year **+0.1 billion JPY**
(+0.7%)

Net sales increased thanks to sales which linked with the aluminum ingot market.

Operating Income

1.3 billion JPY

Year-on-Year **-0.7 billion JPY**
(-37.3%)

Customer orders decreased due to inventory adjustment in extruded shapes market and competitive effect.

Business Environment

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

Domestic aluminum
extrusion weight
(excluding sashes and doors)

YoY **-1.9%**

Source: statistics by Japan Aluminum Association

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

Domestic aluminum
extrusion weight
(general machinery)

YoY **+6.0%**

Source: statistics by Japan Aluminum Association

**Increase
in general
machinery**

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

Net Sales

20.8 billion JPY

Year-on-Year **+1.7 billion JPY**
(+9.3%)

Net sales increased thanks to taking over store business from Kokuyo Co., Ltd.

Operating Income

0.1 billion JPY

Year-on-Year **-0.7 billion JPY**
(80.7%)

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

Business Environment

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

The number of new building starts (stores)

YoY **-1.9%**

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

Retail sales amount (Whole)

YoY **+1.7%**

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

Increase in remodeling investment

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

Net Sales

24.5 billion JPY

Year-on-Year **+1.6 billion JPY**
(+7.3%)

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

Operating Loss

- 0.8 billion JPY

Year-on-Year **-0.4 billion JPY**
(-)

The conditional purchase consideration payment of the subsidiary in Thailand finalized and amortization of goodwill for the previous years occurred due to additional recognition of goodwill.(it appropriated on 1Q FY2019)

Business Environment

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

GDP growth rate

Eurozone **+2.0%**
ASEAN5 * **+5.3%**

Source: IMF World Economic Outlook (Oct 2018)

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

Economic growth

Demand for aluminum Extrusion materials in Europe

YoY **+2.1%**

Source: Statistics by Japan Aluminum Association

Increase in Demand for aluminum

Number of auto mobiles sales in ASEAN5 *

YoY **+10.0%**

Source: ASEAN AUTOMOTIVE FEDERATION

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

Total asset increased by 4.2 billion Year-on-Year.

- Assets increased by 4.2 billion JPY due to factors including accounts receivable-trade(+6.3 billion JPY), inventories (+3.9 billion JPY), goodwill (+0.7 billion JPY) and short-term deposits paid (-7.4 billion JPY).
- Liabilities increased by 3.3 billion JPY due to factors including accounts payable(+1.9 billion JPY), advance received(+1.4 billion JPY), supplying short-term working capital and funds for FY2019 (+12.5 billion JPY), repayment of long-term debt(-6.5 billion JPY) and redemption of convertible bonds(-7.5 billion JPY).
- Net asset increased by 0.9 billion JPY.

	End of FY2018	End of 2Q FY2019	Year on year		End of FY2018	End of 2Q FY2019	Year on year
Cash and deposits	23.6	26.3	2.6	Notes and accounts payable- trade	59.4	61.4	1.9
Notes and accounts receivable-trade	5.4	60.1	6.3	Short-term loans payable	8.8	12.0	3.2
Inventories	43.6	47.6	3.9	Other current liabilities	18.9	20.7	1.8
Allowance for doubtful accounts	-1.1	-1.3	-0.1	Long-term loans and bonds payable	69.8	66.3	-3.5
Other	14.0	6.2	-7.7	Other non-current liabilities	26.1	25.9	-0.1
Total current assets	134.0	139.1	5.0	Total liabilities	183.1	186.5	3.3
Buildings and structures	25.8	25.2	-0.6	Shareholders' equity	76.5	76.6	0.1
Land	54.3	54.3	0.0	Accumulated other comprehensive income	6.8	7.5	0.7
Other tangible non-current assets	25.9	25.1	-0.8	Non-controlling interests	2.7	2.8	0.1
Investment securities	18.8	18.5	-0.3				
Allowance for doubtful accounts	-0.9	-0.8	0.1				
Other non-current assets	11.1	11.9	0.8				
Total non-current assets	135.2	134.4	-0.8	Total net assets	86.0	87.0	0.9
Total assets	269.2	273.5	4.2	Total liabilities and net assets	269.2	273.5	4.2

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

	2Q FY2018	2Q FY2019	Year on year
Net income before income taxes and minority interests	1.8	1.3	-0.4
Depreciation expense	4.1	4.1	-0.0
Increase (decrease) in accounts receivable-trade	-2.3	-6.2	-3.9
Increase (decrease) in inventories	-5.5	-3.7	1.7
Increase (decrease) in accounts payable-trade	1.5	1.9	0.3
Payment of income taxes	-1.1	-0.3	0.8
Other	3.4	3.6	0.2
Cash flow from/used in operating activities	1.8	0.6	-1.1
Purchase of tangible non-current assets	-5.8	-3.4	2.4
Purchase of contingent consideration in subsidiaries	—	-1.3	-1.3
Other	0.0	-0.0	-0.1
Cash flow from/used in investing activities	-5.7	-4.7	0.9
Net increase (decrease) in short-term loans payable	-0.8	3.2	4.0
Proceeds from long-term loans payable	10.9	10.4	-0.5
Repayment of long-term loans payable	-5.6	-6.5	-0.8
Redemption of bonds	—	-7.5	-7.5
Payment of dividends	-0.6	-0.0	0.6
Other	-0.2	-0.3	-0.0
Cash flow from financing activities	3.6	-0.6	-4.2
Net increase (decrease) in cash and cash equivalents	-0.0	-4.6	-4.6
Starting balance of cash and cash equivalents	20.7	30.0	9.3
New consolidated subsidiaries and merger	—	—	—
Ending balance of cash and cash equivalents	20.6	25.3	4.7

Cash flows from operating activities

Gain of 0.6 billion JPY due to factors including net income before taxes and depreciation expense despite an increase in account payable-trade and paying income and other taxes.

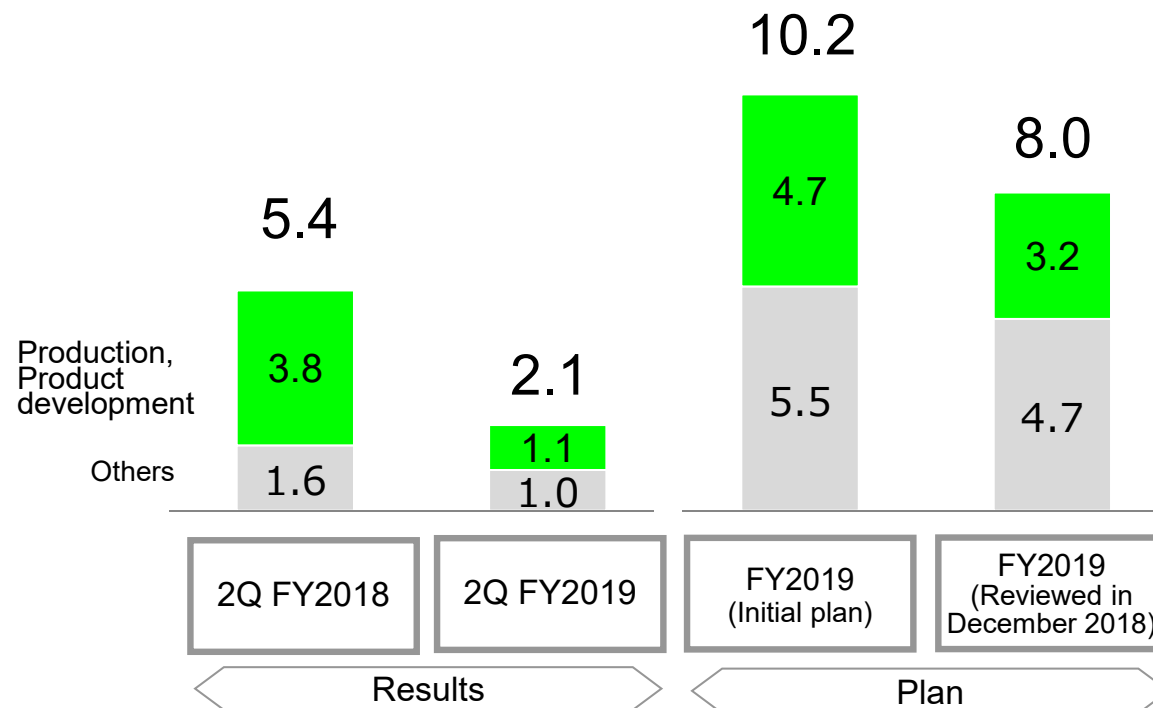
Cash flows from investing activities

Expenditures of -4.7 billion JPY due to factors including on purchase of tangible non-current assets and purchase of contingent consideration in subsidiaries.

Cash flows from financing activities

Expenditures of -0.6 billion JPY due to factors including supplying short-term working capital and year fund despite repayment of long-term loans payable and Redemption of bonds.

Balance of cash and cash equivalents decreased by 4.6 billion JPY.



Production, Product development,	Product development, Streamlining	2.3	0.6	2.3	1.6
	Repairs, etc.	1.4	0.5	2.4	1.6
Other	Software	0.4	0.1	1.2	1.3
	Overseas subsidies	0.8	0.7	3.6	2.8
	Other	0.4	0.2	0.5	0.6
Total		5.4	2.1	10.2	8.0
Depreciation expense		4.1	4.1	8.9	8.5

[Financial indicators]

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

	End of FY2018 results	End of 2Q FY2019 results	Year-on-Year
Equity	83.3	84.1	+0.8
Capital adequacy ratio	31.0%	30.8%	-0.2p
Interest-bearing debt	78.6	78.3	▲0.3
Interest-bearing debt ratio	94.4%	93.1%	-1.3p

* 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

[Preconditions for FY2019 plan and 2Q FY2019 results]

		2Q FY2018 results	2Q FY2019 results	FY2019 forecast
Aluminum ingot price (The Nikkei)		273.9 JPY/kg	299.2 JPY/kg	300.0 JPY/kg
Exchange rates	USD	111.1 JPY	110.3 JPY	110.0 JPY
	EUR	126.3 JPY	129.8 JPY	130.0 JPY
	THB	3.3 JPY	3.4 JPY	3.4 JPY
	CNY	16.4 JPY	16.7 JPY	17.0 JPY

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

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

[Scope of consolidation and equity method]

	End of FY2018	2Q FY2019	Year-on-Year
Consolidated subsidiaries	50	49	▲ 1
Equity method-applied companies	7	7	—
Total	57	56	▲ 1

[Status of personnel (regular employees)]

	End of FY2018	2Q FY2019	Year-on-Year
Sankyo Tateyama	5,654	5,572	▲ 82
Other consolidated subsidiaries	5,602	5,676	74
Total	11,256	11,248	▲ 8

[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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