



Life with Green Technology

Financial Results for Q3 FY2019

(December 1, 2018 – February 28, 2019)

April 4, 2019

 **SankyoTateyama, Inc.**

Summary of Financial Results for Q3 FY2019

Life with Green Technology

(Billion JPY)

	3Q FY2018 Results	3Q FY2019 Results	Year-on-year Change
Net sales	241.1	251.9	10.8 4.5%
Operating income	0.8 (0.4%)	0.5 (0.2%)	-0.3 -38.9%
Ordinary income	1.3 (0.5%)	0.7 (0.3%)	-0.5 -41.5%
Quarterly net income attributable to owners of parent	0.2 (0.1%)	-0.4 (-0.2%)	-0.6 -

*Amounts are rounded down to the nearest 100 million JPY
Figures in parentheses are sales ratios.

- Net sales rose. The materials segment saw a slight sales decline while the construction materials, commercial facilities and global business segments achieved sales growth.
- Operating income contracted. While the construction materials segment was profitable, the competitive environment in the non-construction materials segment, soaring materials, changes in overseas business circumstances and addition of goodwill amortization concerning overseas subsidiaries for past fiscal years had negative impacts.

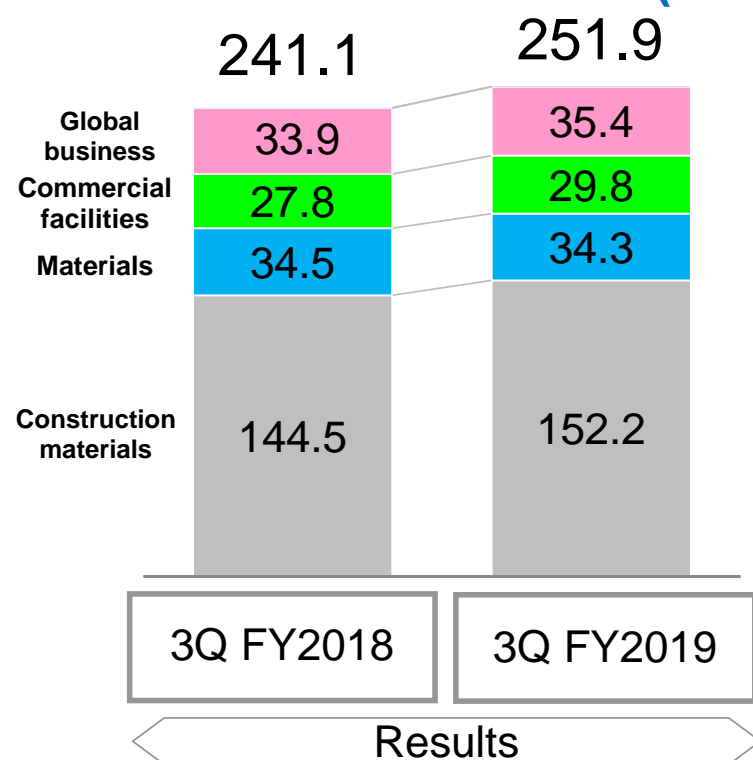
Review of Consolidated Financial Results for Q3 FY2019: Year-on-Year Comparison

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Net sales

251.9 billion JPY

Year-on-Year **+10.8** billion JPY
(+ 4.5%)

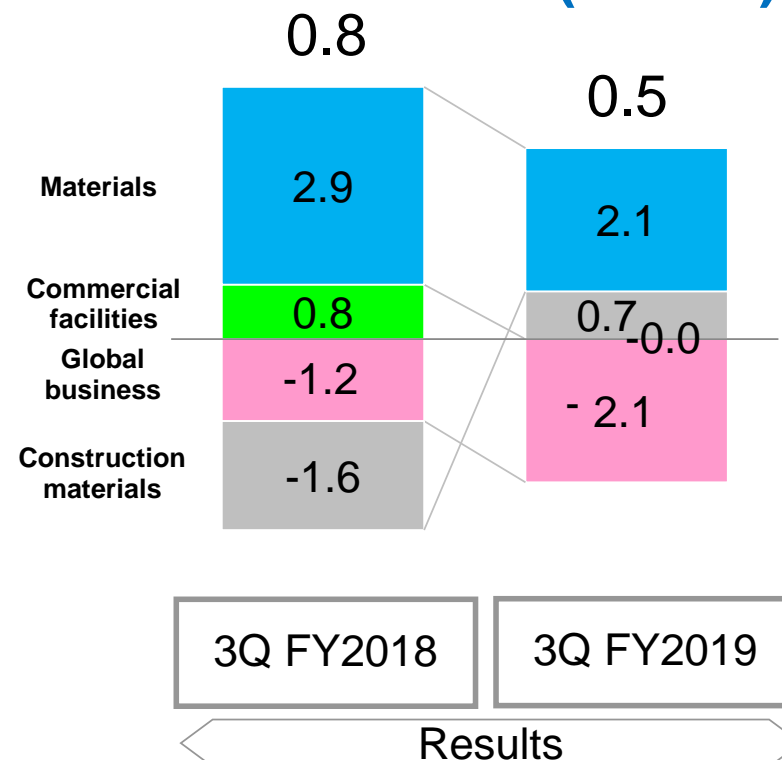


- Sales grew in the construction materials, commercial facilities and global business segments while they fell slightly in the materials segment.

Operating income

0.5 billion JPY

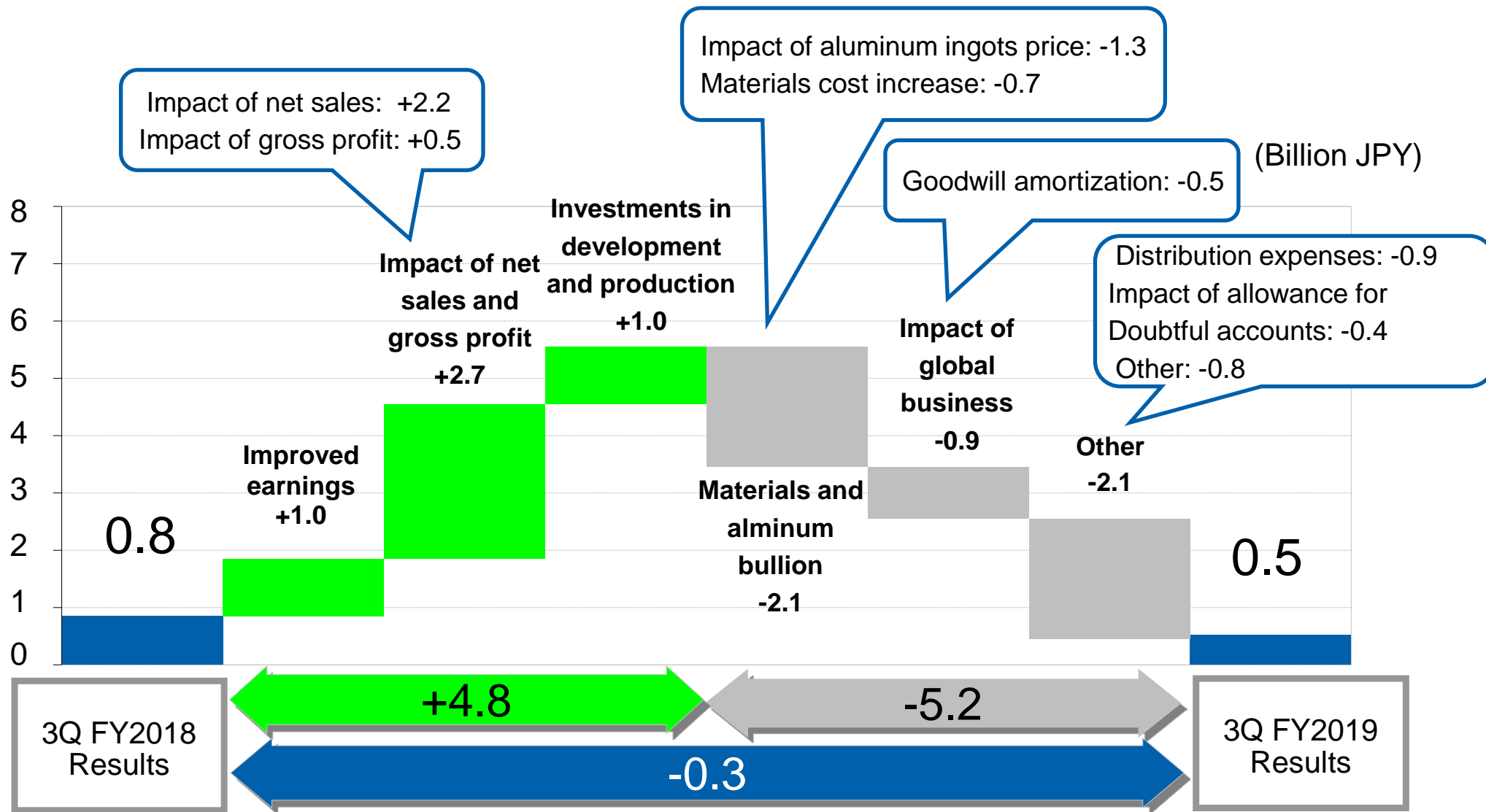
Year-on-Year **-0.3** billion JPY
(-38.9%)



• Profitability was achieved 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

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

(Billion JPY)

	FY2019 Forecast previously announced	FY2019 Forecast after revision	Change
Net sales	347.0	338.0	-9.0 (-2.6%)
Operating income	1.9	0.3	-1.6 (-84.2%)
Ordinary income	2.0	0.4	-1.6 (-80.0%)
Net income attributable to owners of parent	0.2	-1.4	-1.6 (-)

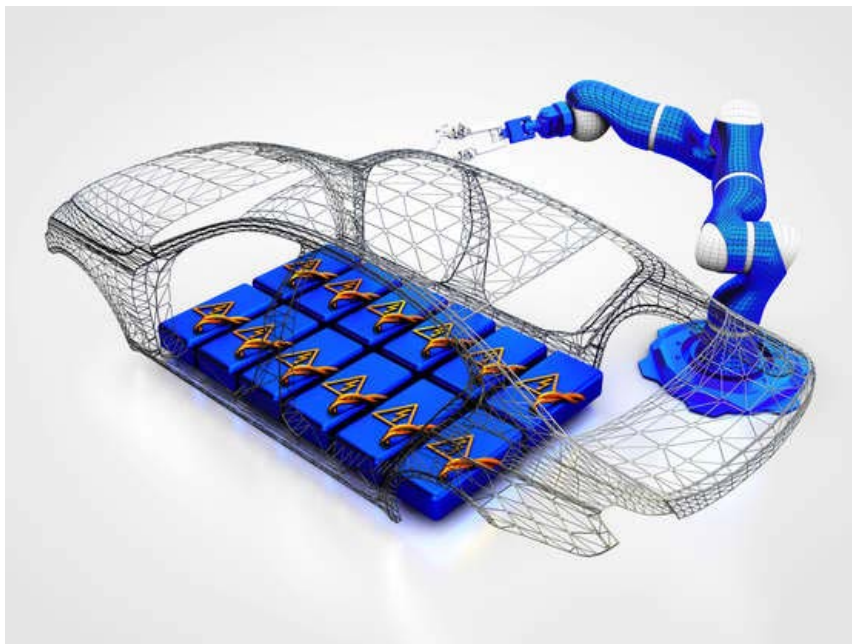
* Figures in parentheses are sales ratios.

[Reason for Revision]

While the performance of the construction material segment has been rallying, mainly in the brisk area of exterior, net sales and operating income are falling below their targets amid the economic slowdown in Europe affecting the global business segment, toughening of automotive exhaust regulations and declining investment by retailers in the commercial facilities segment. In view of these events, net sales, operating income, ordinary income and net income attributable to owners of parent are now expected to run behind their respective levels in the previously announced forecast. The performance forecast has been revised for this reason.

1. Subsidiary in Europe got order of components for the battery frame of electric vehicles from Volkswagen group

STEP-G (consolidated subsidiary of Sankyo Tateyama, Inc) got the order of components for the battery frame of electric vehicles from Volkswagen group which is the largest European car manufacturer.



The components will be used for the MEB* – modular system for manufacturing electric vehicles – which is currently being developed by Volkswagen. The order includes extrusion, further processing and surface treatment. STEP-G offers Volkswagen the finished part. The components will be manufactured with the fully automated production line and the total around 100,000 tons will leave the STEP-G plant in Bonn.

STEP-G recommended itself as a global partner with many years of experience in safety-relevant components. Now STEP-G expands its focus also on electric-vehicle components as a multinational manufacturer.

* MEB – (German: Modularer Elektrobaukasten) Modular platform for electric vehicle for next generation electric vehicle which announced and developed Volkswagen group in 2018. By spreading batteries over the floor of vehicle, it realizes long cruising and flat floor.

2. Subsidiary in Europe takes over aluminum billet casting business

To increase the supply capacity of extruded products to the transport sector including automobiles, aircraft and rolling stock, subsidiary STEP-G signed the agreements to acquire the casting business on 26th March, 2019 from Aluwerk Hettstedt GmbH, manufacturer of cast billets and extrusion profiles in Germany and the corresponding distribution activities of RMG Metallfachhandel GmbH. It's expected closing of the transaction on 01st July, 2019

References

	FY2016	FY2017	FY2018
[Construction materials business (housing) index] Number of new housing starts (April – December)	751 thousand units (+6.6% yoy)	741 thousand units (-1.3% yoy)	737 thousand units (-0.5% yoy)
Number of new housing starts [owner-occupied houses] (April-December)	229 thousand units (+3.6% yoy)	221 thousand units (-3.3% yoy)	222 thousand units (+0.5% yoy)
Number of new housing starts [houses for rent] (April-December)	331 thousand units (+11.8% yoy)	323 thousand units (-2.4% yoy)	309 thousand units (-4.3% yoy)
[Materials business (building) index] Floor area of non-wooden structure starts (April-December)	58,631 thousand m ² (+1.9% yoy)	59,678 thousand m ² (+1.8% yoy)	58,069 thousand m ² (-2.7% yoy)
[Materials business index] Aluminum extrusion weight [excluding sashes and doors] (April-December)	261.1 thousand tons (+4.9% yoy)	274.2 thousand tons (+5.0% yoy)	270.4 thousand tons (-1.4% yoy)
[Commercial facilities business index] Number of new building starts [stores] (April-December)	6,557 buildings (-2.9 yoy)	6,100 buildings (-7.0% yoy)	5,847 buildings (-4.1% yoy)
Aluminum ingot [Source: Nikkei] (average during April-December)	225.6 JPY/kg (-13.9% yoy)	279.6 JPY/kg (+23.9% yoy)	292.7 JPY/kg (+4.7% yoy)

Figures in parentheses are sales ratios.

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

Net sales

152.2 billion JPY
Year-on-Year **+7.6 billion JPY**
(+ 5.3%)

- Increase in large projects in buildings domain, and demand growth, strengthening of sales in exterior construction materials and other factors

Operating income

0.7 billion JPY
Year-on-Year **+2.4 billion JPY**
(-)

- Sales hike, revision to prices of some products and improved profitability in the production department and others

Business environment

Number of new housing starts

whole **-0.5%**
owner-occupied houses **+0.5%**

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

New housing constructions currently start on an upward trend

Floor area of non-wooden structure starts

-2.7%

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

Sales weight of aluminum sash for buildings

+4.3%

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

Rise in sales volume

Aluminum ingot price
(Source: Nikkei)

+4.7%

Source: Statistics by Japan Aluminum Association

Rising raw material costs

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

Net sales

34.3 billion JPY
Year-on-Year **-0.2 billion JPY**
(-0.7%)

- Decrease in amount of orders received following inventory adjustment in extruded shapes market

Operating income

2.1 billion JPY
Year-on-Year **-0.7 billion JPY**
(-26.8%)

- Decrease in amount of orders received for extruded shapes and a competitive environment in extruded shapes market

Business environment

Domestic aluminum extrusion weight
(excluding sashes and doors)

-1.4%

Source: Statistics by Japan Aluminum Association

Shrinkage in
demand for
electric and
transport
machinery

Domestic aluminum extrusion weight
(general machinery)

+2.5%

Source: Statistics by Japan Aluminum Association

Growth in demand
for general
machinery

* Percentage figures represent the year-on-year change in cumulative total during April-December.

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

Net sales

29.8 billion JPY

Year-on-Year **+1.9 billion JPY**
(+ 7.0%)

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

Operating Loss

-0.0 billion JPY

Year-on-Year **-0.9 billion JPY**
(-)

- Decline in new store launches by retailers and a competitive environment as a result
- Surging material prices and logistics expenses
- SG&A expenses incurred for the acquisition process and others

Business environment

Number of new building starts
(stores)

-4.1%

Decrease in
number of
newly opened
stores

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

Retail sales amount (whole)

+1.8%

Increase in
remodeling
investment

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

* Percentage figures represent the year-on-year change in cumulative total during April-December.

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

Net sales

35.4 billion JPY

Year-on-Year **+1.4 billion JPY**
(+4.3%)

- Capturing of demand in the transport sector and impact of foreign exchange rates and others

Operating Loss

2.1 billion JPY

Year-on-Year **-0.9 billion JPY**
(-)

- Changes in business environment following a slowdown of the European economy
- Amortization of goodwill for a subsidiary based in Thailand for past fiscal years (which occurred in the first quarter of FY2019) and others

Business Environment

GDP growth rate
Eurozone
(Annualized quarter-to-quarter change)

(April-June)	+1.7%
(July-September)	+0.6%
(October-December)	+0.9%

Source: Eurostat

Monthly new passenger vehicle registrations in the EU

(YoY change)

(August)	+31.2%
(September)	-23.5%
(October)	-7.3%
(November)	-8.0%
(December)	-8.4%

Slowdown of European economy

Source: ACEA Economic and Market Report
EU Automotive Industry
Full-year 2018

[Actual figures of indicators]

		FY2017	FY2018	Assumption for FY2019 (full year)
Aluminum ingot price (Source: Nikkei)		279.6 JPY per kg	292.7 JPY per kg	300 JPY per kg
Foreign exchange rates	USD	111.7 JPY	111.1 JPY	110 JPY
	EUR	128.5 JPY	129.5 JPY	130 JPY
	THB	3.3 JPY	3.4 JPY	3.4 JPY
	CNY	16.6 JPY	16.6 JPY	17.0 JPY

* The actual aluminum ingot price represents the average during April-December.

* The actual foreign exchange rate represents the average during April-December.

[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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