



Life with Green Technology

# Financial Results for FY2019

July 11, 2019

 SankyoTateyama, Inc

(Billion JPY)

	FY2018 Results	FY2019 Plan(*1)	FY2019 Results	Change from Plan	Year-on-year Change
<b>Net sales</b>	<b>328.4</b>	<b>338.0</b>	<b>337.7</b>	<b>-0.2</b> (-0.1%)	<b>9.3</b> (2.9%)
<b>Operating income</b>	<b>1.2</b> (0.4%)	<b>0.3</b>	<b>0.7</b> (0.2%)	<b>0.4</b> (146.1%)	<b>-0.4</b> (-38.6%)
<b>Ordinary income</b>	<b>1.5</b> (0.5%)	<b>0.4</b>	<b>0.6</b> (0.2%)	<b>0.2</b> (54.0%)	<b>-0.9</b> (-59.9%)
<b>Quarterly net income attributable to owners of parent</b>	<b>-0.7</b> (-0.2%)	<b>-1.4</b>	<b>-1.4</b> (-0.4%)	<b>-0.0</b> -	<b>-0.6</b> -

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

\*1 Reflecting the revision made on April 4, 2019

## Change from Plan

- Net sales almost reached the planned level.
- Operating income increased after income improvement in the construction materials segment.

## Year-on-year Change

- Net sales increased in three segments, excluding the materials segment.
- Operating income plunged after a slowdown in the materials, commercial facilities and global business segments while the construction materials segment achieved considerable improvement to reach profitability.

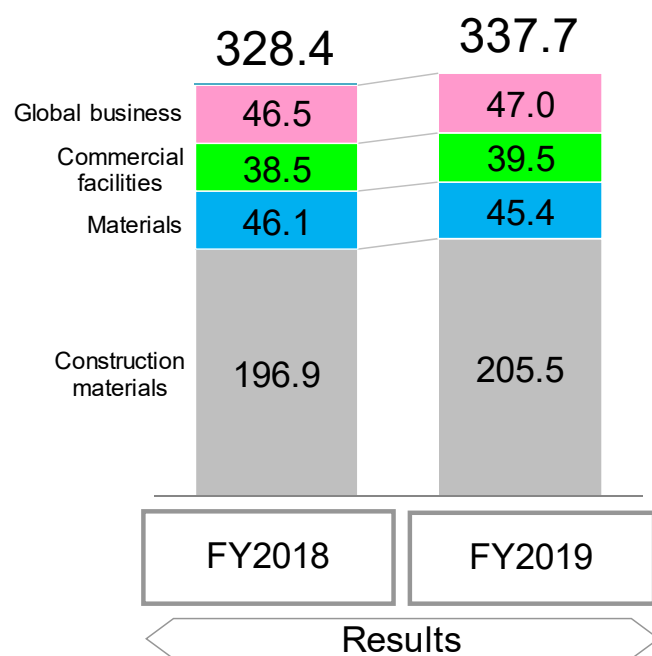
## Dividend

Interim: 10 JPY per share (paid), Year-end: 5 JPY per share (planned)

## Net sales

# 337.7 billion JPY

Year-on-Year **+9.3 billion JPY**  
**(+2.9%)**

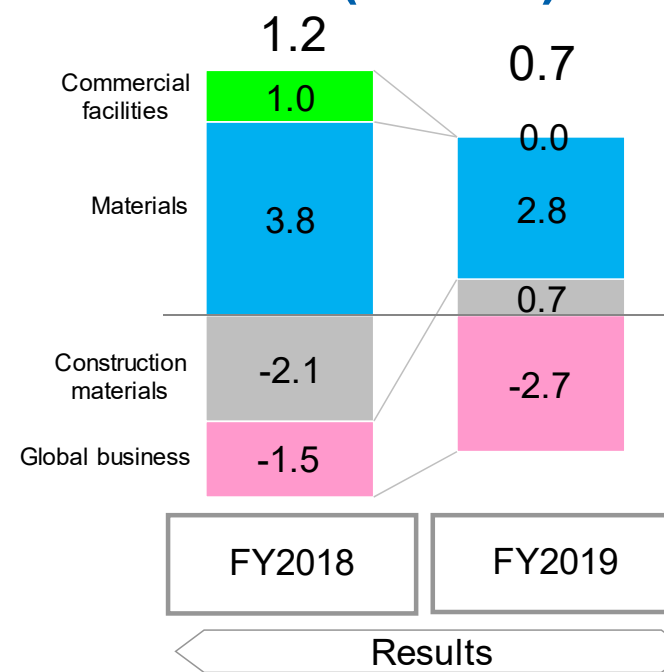


- Sales grew in the construction materials, commercial facilities and global business segments

## Operating income

# 0.7 billion JPY

Year-on-Year **-0.4 billion JPY**  
**(-38.6%)**

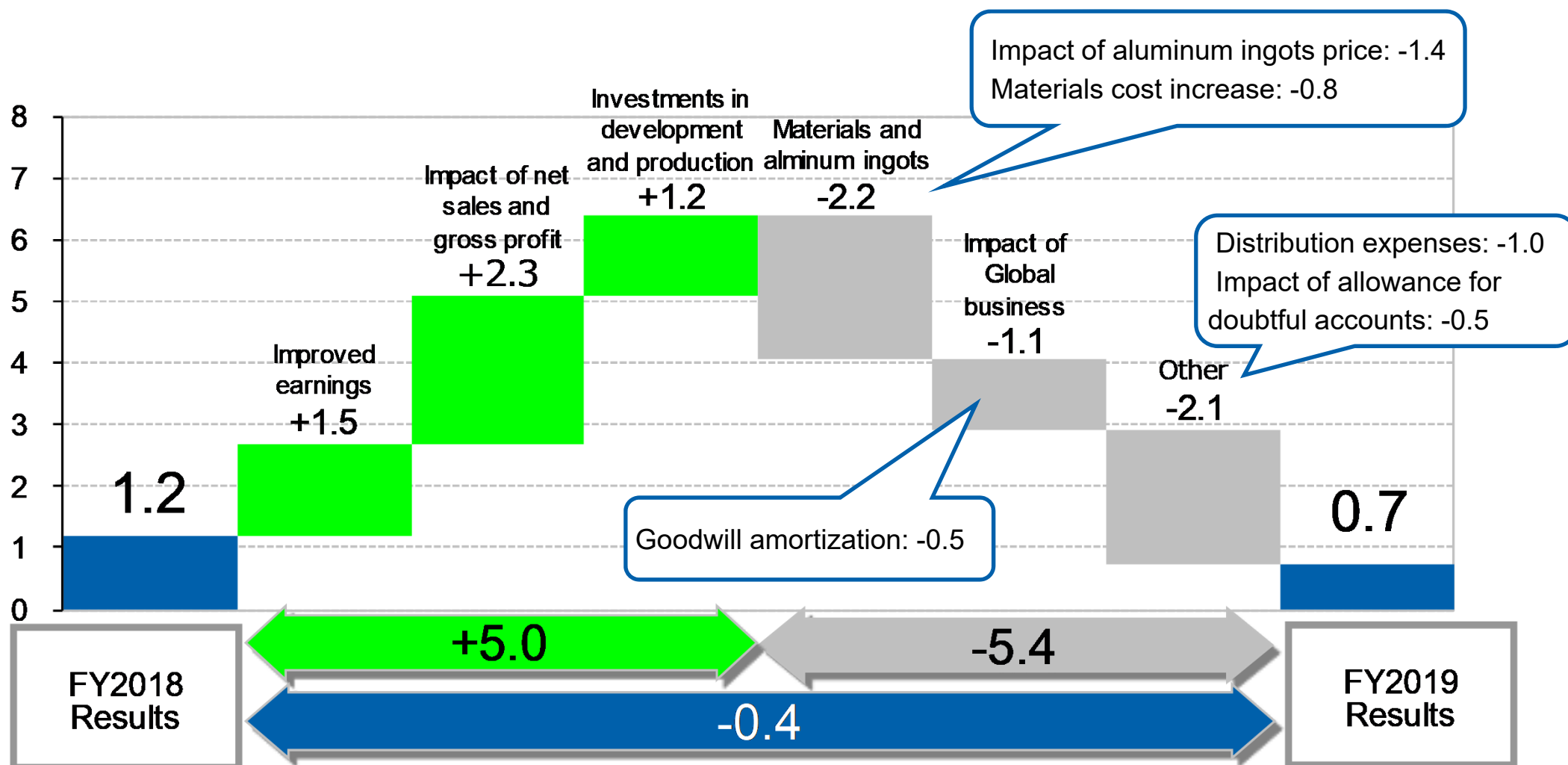


- Profitability was quickly attained in the construction materials segment.
- Operating income declined in the materials, commercial facilities and global business segments.

# Factors for Change in Operating Income Year-on-Year Comparison

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(Billion JPY)



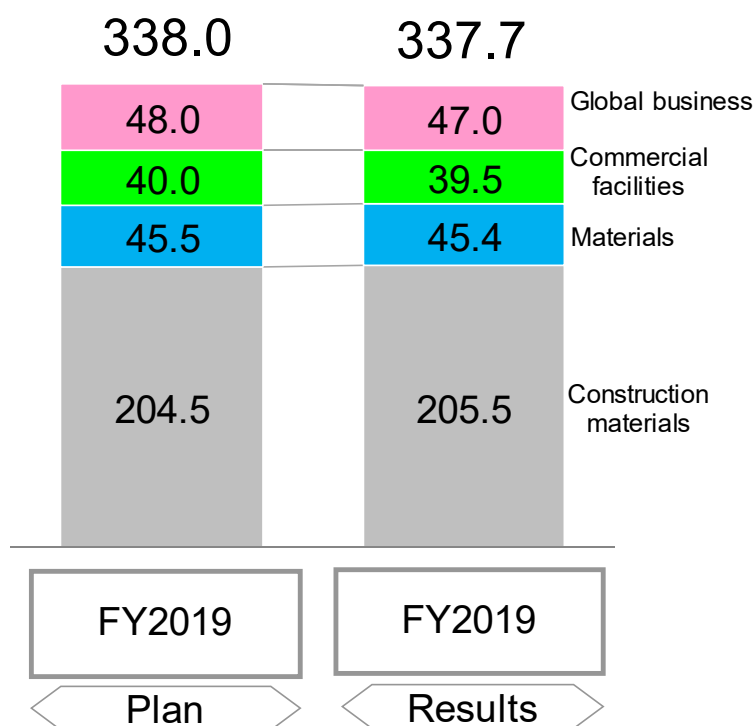
\* Amounts are rounded down to the nearest 100 million JPY.

# Review of Consolidated Financial Results FY2019: Comparison with Plan

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## Net sales

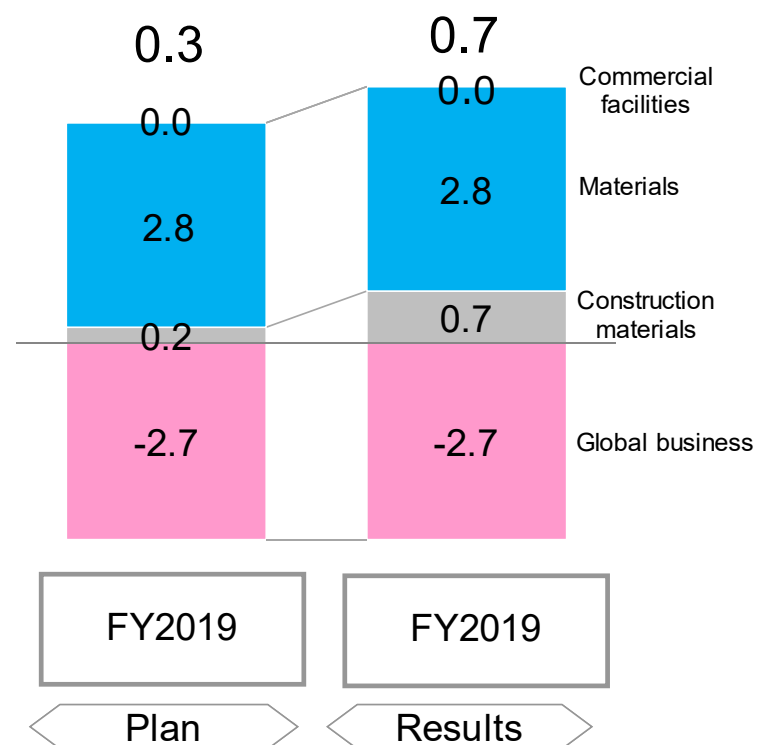
Lower by **0.2 billion JPY**  
-0.1%



- The planned level was almost achieved.

## Operating income

Higher by **0.4 billion JPY**  
146.1%



- Income improved in the construction materials segment.

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

## [2Q FY2020 plan ]

(Billion JPY)

	2Q FY2019 Results	2Q FY2020 Plan	Year-on-year
Net sales	170.0	<b>167.0</b>	▲3.0
Operating income	1.2	<b>2.9</b>	1.6
Ordinary income	1.4	<b>2.8</b>	1.3
Net income attributable to owners of the parent	0.2	<b>1.2</b>	0.9

## [FY2020 plan (full year) ]

(Billion JPY)

	FY2019 Results	FY2020 Plan	Year-on-year
Net sales	337.7	<b>338.0</b>	0.2
Operating income	0.7	<b>4.0</b>	3.2
Ordinary income	0.6	<b>3.7</b>	3.0
Net income attributable to owners of the parent	▲ 1.4	<b>1.4</b>	2.8

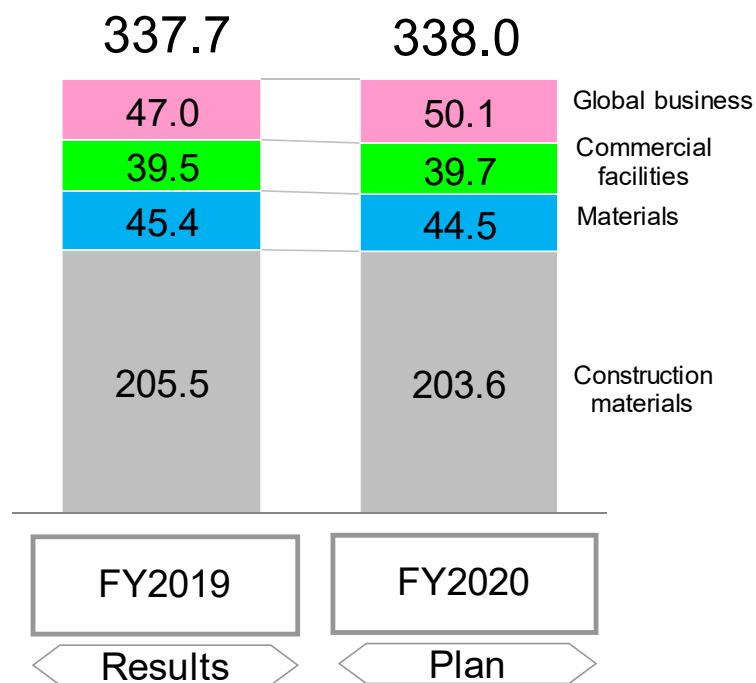
\* Amounts are rounded down to the nearest 100 million JPY; rates are rounded off.

## Net sales

# 338.0 billion JPY

Year-on-Year **+0.2 billion JPY**

(Billion JPY)

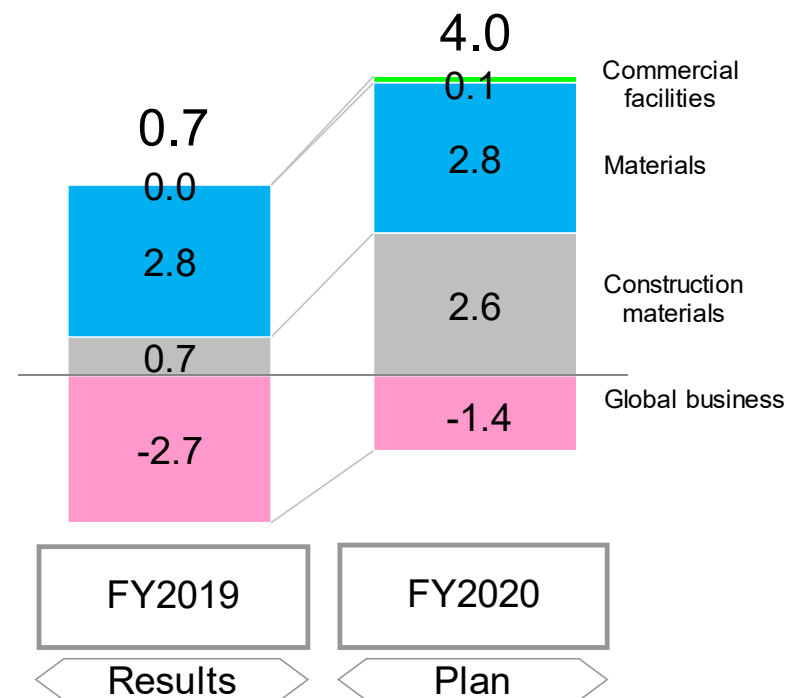


## Operating income

# 4.0 billion JPY

Year-on-Year **+3.2 billion JPY**

(Billion JPY)

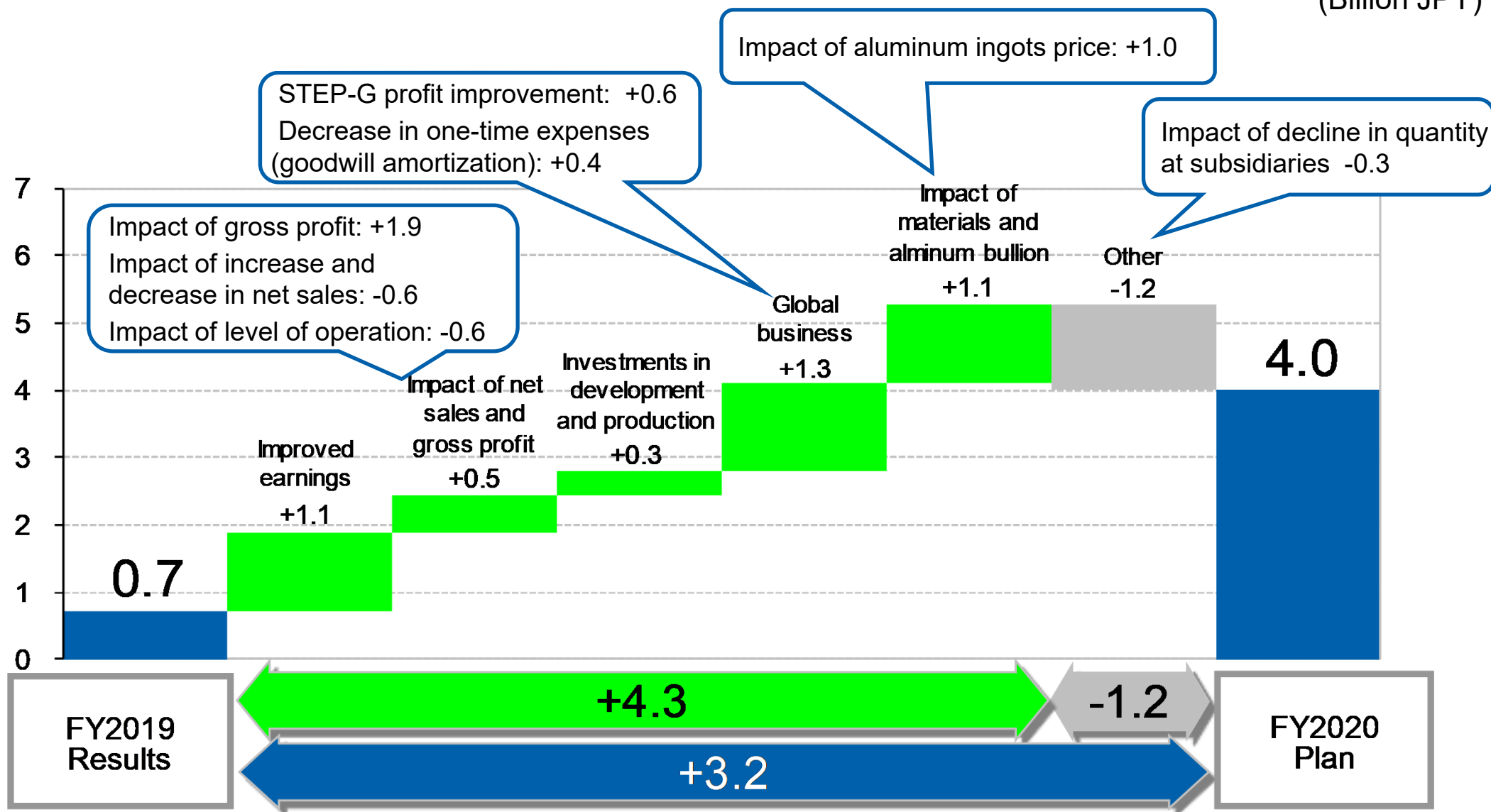


\* Amounts are rounded down to the nearest 100 million JPY.

# Factors for Change in Operating Income Year-on-Year Comparison

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(Billion JPY)



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

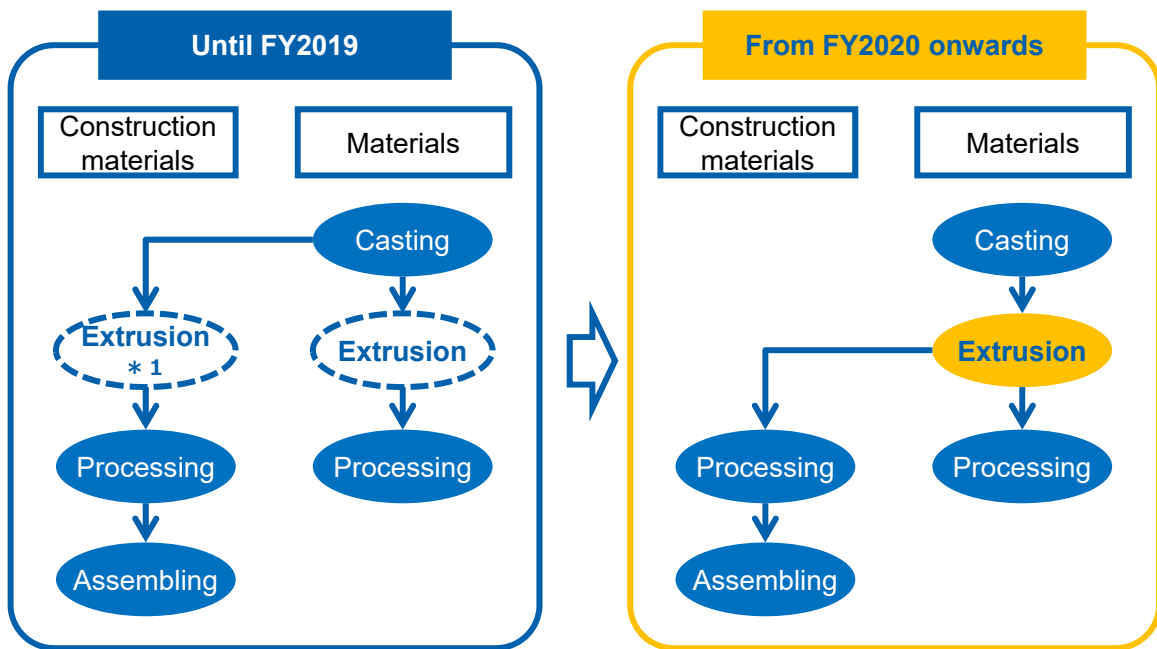


## Concentrating extrusion processes in the materials segment to increase overall group productivity

Purpose:

The group's extrusion processes were operated in the construction materials segment and in the materials segment. They will be concentrated in the materials segment with a view toward total optimization in terms of production facilities and production staff assignment.

The key extrusion plant of the construction materials segment\*1, namely the Imizu Plant, is transferred to the materials segment on June 1, 2019.



\*1 Overview of the Imizu Plant



Number of press : 15 (total 21 in Japan)  
 Number of employees: Approx. 800  
 Capacity: Extrusion: Approx. 100,000 tons per year  
 Coating : Approx. 100,000 tons per year

## Basic Policies for the Mid-term Management Plan: “Reform and Value Creation” Toward a Business Portfolio with Stability and Growth Potential

1. Improve profitability   2. Expand growth businesses and global synergies   3. Open up next business fields

	FY2019		▷	FY2020		▷	Billion JPY
	Mid-term Plan	Results		Mid-term Plan	Forecast		FY2021
Net sales	347.0	337.7		350.0	338.0		Mid-term Plan 355.0
Operating income	1.9	0.7		5.0	4.0		8.0

### Results for FY2019 and Current Statuses of Individual Segments towards the FY2020 Plan:

#### <Construction materials>

Following profit improvement, price revision, increased product appeal and stabilization of the ingot price, operating income is estimated to surpass the level envisioned in the plan.

⇒ Produce greater positive effect

#### <Materials>

Due to the US-China trade frictions and shrinkage of the extrusion market, performance fell below the plan.

⇒ Concentrate extrusion functions to increase efficiency and boost extra value with a view towards re-growth.

#### <Commercial facilities>

Affected by the slowdown of new retail store launches and soaring SG&A expenses, performance failed to reach the planned level.

⇒ Help to create a shop that can be operated by a small number of staff and broaden the range of items to strengthen the earning structure.

#### <Global business>

Promising demand was captured although the plan was not fulfilled for reason of changes in market situations in Europe and in Thailand.

⇒ Increase productivity and enhance actions to obtain customers.



Continue to carry out measures towards the accomplishment of the plan in FY2020 → FY2021.

# References

	FY2016	FY2017	FY2018
[Construction materials segment (housing) index] Number of new housing starts (April – March)	974thousand units (+5.8% yoy)	946thousand units (–2.8% yoy)	953thousand units (+0.7% yoy)
Number of new housing starts [owner-occupied houses] (April – March)	292thousand units (-34.5% yoy)	282 thousand units (-3.3% yoy)	288 thousand units (+2.0% yoy)
Number of new housing starts [houses for rent] (April – March)	427 thousand units (+11.4% yoy)	410 thousand units (-4.0% yoy)	390 thousand units (-4.9% yoy)
[Materials segment (building) index] Floor area of non-wooden structure starts (April- March)	77,475 thousand m <sup>2</sup> (+2.9% yoy)	78,137 thousand m <sup>2</sup> (+0.9% yoy)	75,285 thousand m <sup>2</sup> (-3.6 %yoy)
[Materials segment index] Aluminum extrusion weight [excluding sashes and doors] (April- March)	353.8 thousand tons (+5.5% yoy)	366.1thousand tons (+3.5% yoy)	361.2 thousand tons (-1.3% yoy)
[Commercial facilities segment index] Number of new building starts [stores] (April- March)	8,346buildings (-11.6 yoy)	7,856 buildings (-5.9% yoy)	7,384 buildings (-6.0% yoy)
Aluminum ingot [Source: Nikkei] (average during April- March)	235.5 JPY/kg (-7.4% yoy)	281.9JPY/kg (+19.7% yoy)	284.0 JPY/kg (+0.7% yoy)

Figures in parentheses are sales ratios.

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

## Net sales

**205.5 billion JPY**

**Year-on-Year +8.6 billion JPY**  
**(+4.4%)**

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

## Operating income

**0.7 billion JPY**

**Year-on-Year +2.8 billion JPY**  
**(-)**

- Profitability attained mainly due to growth in sales, revision to prices of some products and profit improvement in the production section

## Business environment

Number of new housing starts

whole **+0.7%**

owner-occupied houses **+2.0%**

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

Floor area of non-wooden structure starts

**-3.6%**

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

Sales weight of aluminum sash for buildings

**4.6%**

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

Aluminum ingot price  
(Source: Nikkei)

**+0.7%**

Source: Statistics by Japan Aluminum Association

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

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

## Net sales

**45.4 billion JPY**

Year-on-Year **-0.7 billion JPY**  
**(-1.6%)**

- Slumping demand in the extrusion market and decline in the amount of orders received due to inventory adjustment

## Operating income

**2.8 billion JPY**

Year-on-Year **-1.0 billion JPY**  
**(-26.5%)**

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

## Business environment

Domestic aluminum extrusion weight  
(excluding sashes and doors)

**-1.3%**

Source: Statistics by Japan Aluminum Association

Domestic aluminum extrusion weight  
(general machinery)

**-1.7%**

Source: Statistics by Japan Aluminum Association

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

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

## Net sales

**39.5 billion JPY**

**Year-on-Year +0.9 billion JPY  
(+2.5%)**

- Acquisition of store business from Kokuyo

## Operating income

**-0.0 billion JPY**

**Year-on-Year -1.0 billion JPY  
(-95.5%)**

- Decline in new store launches by retailers and a competitive environment as a result, surging material prices and distribution expenses
- Hike in SG&A expenses regarding takeover of the acquired business

## Business environment

Number of new building starts (stores)

**-6.0%**

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

Retail sales amount (whole)

**-7.4%**

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-March.

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

## Net sales

**47.0 billion JPY**

Year-on-Year **+0.5 billion JPY**

**(+1.1%)**

- Capturing of demand in the transport sector and others

## Operating income

**-2.7 billion JPY**

Year-on-Year **-1.1 billion JPY**

**(-)**

- Slowdown of the European economy and changes in the business environment

- 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

Gross Domestic Product (GDP)

(Jan.-Dec. 2017)

(Jan.-Dec. 2018)

(Jan.-Dec. 2019)

Eurozone

2.3%

1.8%

1.2%

ASEAN

5.3%

5.2%

5.1%

Source: World Economic  
Outlook Database  
April 2019



## Total assets decreased 6.8 billion JPY from the end of the preceding fiscal year to 262.4 billion JPY.

### • Assets

declined 6.8 billion JPY from the end of the preceding fiscal year, chiefly due to

Increase in cash and deposits: +2.9 billion JPY

Increase in inventories: +1.7 billion JPY

Decrease in short-term deposits: -7.4 JPY

Decrease in investment securities following market price plunge: -2.6 billion JPY

### • Liabilities

fell 2.8 billion JPY from the end of the preceding fiscal year, chiefly due to Increase in notes and accounts payable – trade: +3.7 billion JPY

Repayment of convertible bonds: -7.5 billion JPY

### • Net assets

fell 3.9 billion JPY from the end of the preceding fiscal year, chiefly due to

Net income: -1.4 billion JPY

Accumulated other comprehensive income: -2.3 billion JPY

(Billion JPY)

	End of FY2018	End of FY2019	Year-on-Year		End of FY2018	End of FY2019	Year-on-Year
Cash and deposits	23.6	26.6	2.9	Trade payables	59.4	63.1	3.7
Trade receivables	53.7	54.5	0.8	Short-term borrowings	28.6	17.3	-11.2
Inventories	43.6	45.4	1.7	Other current liabilities	18.9	20.8	1.9
Allowance for doubtful accounts	-1.1	-1.2	0.0	Long-term loans and bonds payable	50.0	52.5	2.5
Other	14.0	6.5	-7.5	Other non-current liabilities	26.1	26.4	0.2
<b>Total current assets</b>	<b>134.0</b>	<b>132.0</b>	<b>-1.9</b>	<b>Total liabilities</b>	<b>183.1</b>	<b>180.3</b>	<b>-2.8</b>
Buildings and structures	25.8	24.5	-1.3	Shareholders' equity	76.5	74.6	-1.8
Land	54.3	54.2	0.0	Accumulated other comprehensive income	6.8	4.4	-2.3
Other tangible assets	25.9	24.3	-1.6	Non-controlling interests	2.7	2.9	0.2
Investment securities	18.8	16.2	-2.6				
Allowance for doubtful accounts	-0.9	-0.6	0.3				
Other non-current assets	11.1	11.6	0.5				
<b>Total non-current assets</b>	<b>135.2</b>	<b>130.4</b>	<b>-4.8</b>	<b>Total net assets</b>	<b>86.0</b>	<b>82.0</b>	<b>-3.9</b>
<b>Total assets</b>	<b>269.2</b>	<b>262.4</b>	<b>-6.8</b>	<b>Total liabilities and net assets</b>	<b>269.2</b>	<b>262.4</b>	<b>-6.8</b>

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

(Billion JPY)

	FY2018	FY2019	Year-on-Year
Profit (loss) before income taxes	1.0	-0.4	-1.5
Depreciation	8.9	8.5	-0.3
Decrease (increase) in trade receivables	0.1	-0.9	-1.1
Decrease (increase) in inventories	-3.4	-1.9	1.4
Increase (decrease) in trade payables	2.0	3.8	1.7
Income taxes paid	-2.0	-0.9	1.0
Other, net	0.6	4.5	3.9
<b>Net cash provided by (used in) operating activities</b>	<b>7.5</b>	<b>12.6</b>	<b>5.1</b>
Purchase of property, plant and equipment	-9.8	-6.0	3.8
Payment for acquisition of subsidiary shares with conditions	-	-1.3	-1.3
Payments for acquisition of businesses	-1.6	-	1.6
Other, net	-0.9	-0.1	0.7
<b>Net cash provided by (used in) investing activities</b>	<b>-12.4</b>	<b>-7.5</b>	<b>4.8</b>
Net increase (decrease) in short-term loans	-0.2	-4.0	-3.7
Proceeds from long-term borrowings	24.2	16.0	-8.1
Repayments of long-term borrowings	-11.4	-13.2	-1.8
Redemption of bonds	-	-7.5	-7.5
Dividends paid	-1.1	-0.3	0.7
Other, net	2.5	-0.4	-3.0
<b>Net cash provided by (used in) financing activities</b>	<b>13.9</b>	<b>-9.5</b>	<b>-23.4</b>
Net increase (decrease) in cash and cash equivalents	9.3	-4.4	-13.7
Cash and cash equivalents at beginning of period	20.7	30.0	9.3
Cash and cash equivalents at end of period	30.0	25.6	-4.4

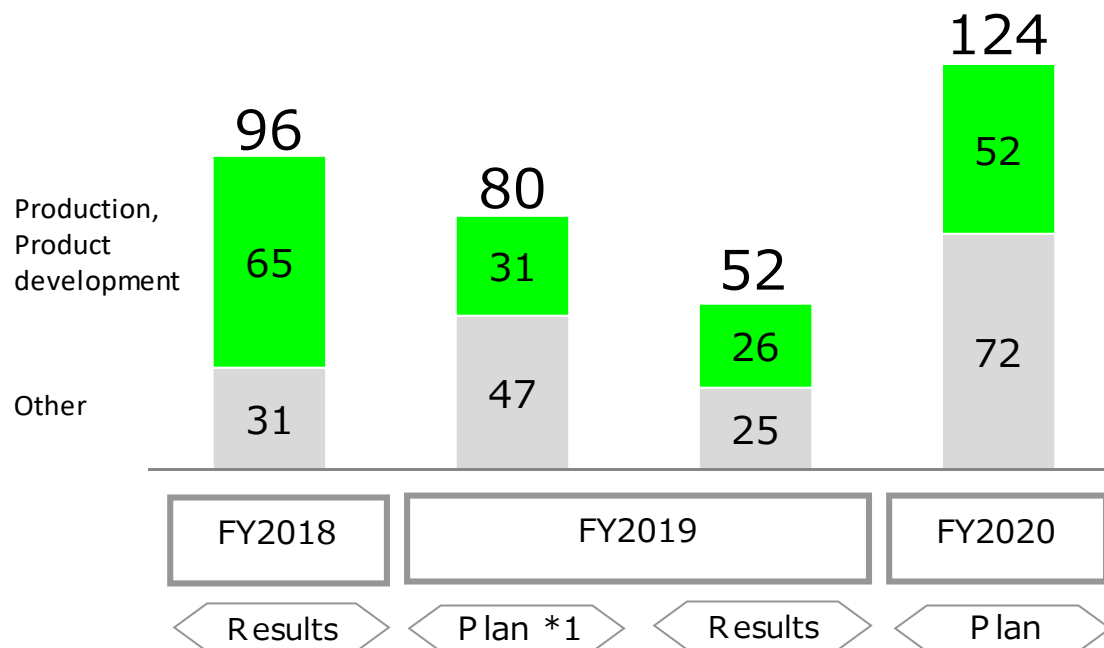
[Cash flows from operating activities]  
Gains of 12.6 billion JPY due to factors including increases in depreciation expenses and accounts payable - trade

[Cash flows from investing activities]  
Expenditures of 7.5 billion JPY due to factors including payment for acquisition of subsidiary shares with conditions and purchase of property, plant and equipment

[Cash flows from financing activities]  
Expenditures of 9.5 billion JPY due to factors including repayment of convertible bonds

Balance of cash and cash equivalents decreased by 4.4 billion JPY.

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



Production, Product development	Product development, Streamlining	35	16	11	26
	Repairs, etc.	29	15	14	25
Other	Software	6	13	2	17
	Overseas subsidies	16	28	18	48
	Other	8	6	5	6
Total		96	80	52	124
Depreciation expense		89	85	85	87

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

\*1 Reflecting the revision made on 2Q closing

## [Financial indicators]

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

	End of FY2018 results	End of FY2019 results	Year-on-Year
Equity	83.3	79.1	▲4.2
Capital adequacy ratio	31.0%	30.2%	▲0.8p
Interest-bearing debt	78.6	69.9	▲8.7
Interest-bearing debt ratio	94.4%	88.4%	▲6.0p

\* 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 FY2020 plan ,FY2018 results and FY2019 results]

		FY2018 results	FY2019 forecast (*1)	FY2018 results	FY2020 forecast
Aluminum ingot price (The Nikkei)		281.9JPY/kg	300.0 JPY/kg	284.0 JPY/kg	245.0 JPY/kg
Exchange rates	USD	110.9 JPY	110.0JPY	110.9JPY	110.0 JPY
	EUR	129.7 JPY	130.0 JPY	128.4 JPY	125.0 JPY
	THB	3.4JPY	3.4 JPY	3.4 JPY	3.5 JPY
	CNY	16.7 JPY	17.0 JPY	16.5 JPY	16.0 JPY

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

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

\*1 FY2019 forecast is a revised plan for FY2019 2Q

## [Scope of consolidation and equity method]

	End of FY2018	End of FY2019	Year-on-Year
Consolidated subsidiaries	50	50	—
Equity method-applied companies	7	7	—
Total	57	57	—

## [Status of personnel (regular employees)]

	End of FY2018	End of FY2019	Year-on-Year
Sankyo Tateyama	5,654	5,469	▲ 185
Other consolidated subsidiaries	5,602	5,719	117
Total	11,256	11,188	▲ 68

[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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