



Life with Green Technology

Financial Results for 2Q FY2020

(September 1, 2019 – November 30, 2019)

January 9, 2020

 **SankyoTateyama, Inc.**

Summary of Financial Results for 2Q FY2020

✓ Sales down, profits up YoY for 2Q FY2020

✓ Sales decreased by approx. 8 billion yen (-4.7%)

Sales in Global and Materials businesses fell precipitously due to the market deceleration stemming from U.S.-China trade friction and other factors. Sales in Commercial facilities business fell as well, due to withholding of the launching of new retail stores. Sales in Construction materials business decreased slightly, mainly owing to a slump in the construction market and the last year's convergence of disaster recovery demand.

✓ Operating income increased by approx. 1.7 billion yen (+144.7%)

Profits decreased in Materials and Global businesses mainly due to a decline in their sales. Profits rose dramatically in Construction materials business, due to improved profitability in manufacturing and sales in an integrated manner, continued efforts to re-price some products, and aluminum ingot prices remaining at a low level compared to last fiscal year.

(Billion JPY)

	FY2020 2Q	FY2019 2Q	Year-on-year Change		FY2020 2Q	Change from Plan	
	Results	Results		%	Plan		%
Net sales	161.9	170.0	▲8.0	▲4.7%	167.0	▲5.0	▲0.3%
Operating income	2.9	1.2	+1.7	+144.7%	2.9	+0.0	+2.6%
Operating margin	1.8%	0.7%		+1.1p	1.7%		+0.1p
Ordinary income	2.9	1.4	+1.4	+102.8%	2.8	+0.1	+4.7%
Quarterly net income attributable to owners of parent	1.1	0.2	+0.8	+402.6%	1.2	▲0.0	▲8.1%

* Amounts are rounded down to the nearest 100 million JPY

Full-year performance forecast

No plans to revise the forecasts at this time, given uncertainties over the future of overseas markets and the domestic construction market, among other factors.

Dividend

Per share

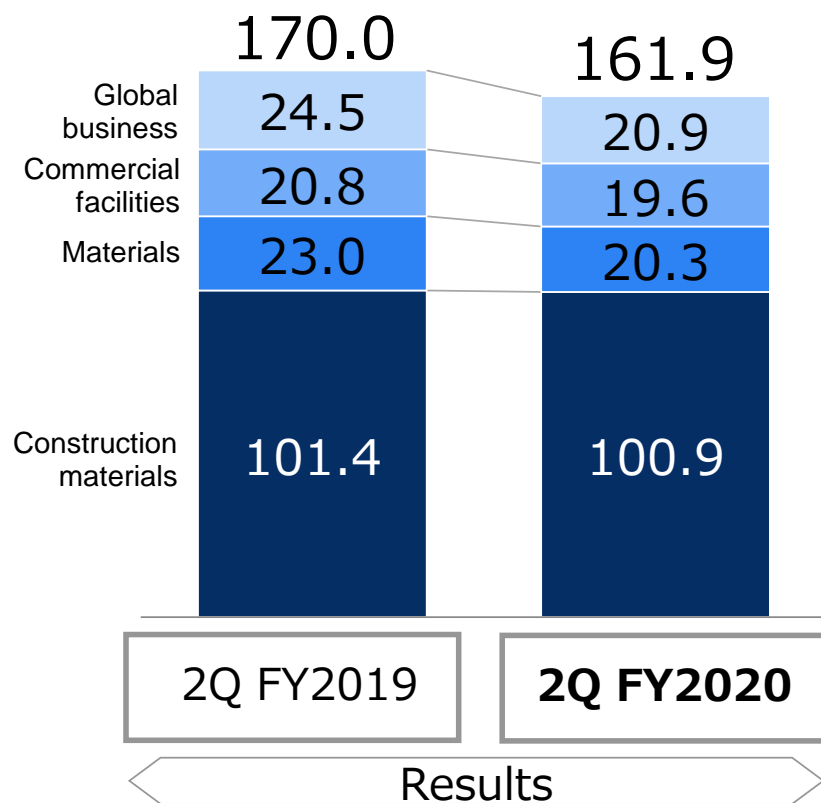
Interim: 10 yen

Year-end: 5 yen (Planned)

Net sales

161.9 billion JPY

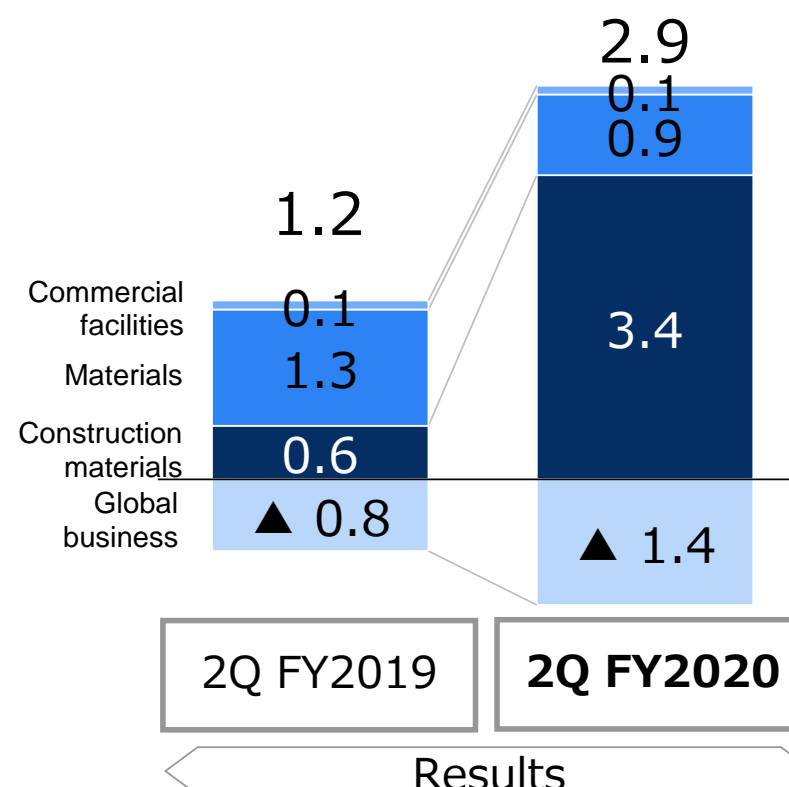
YoY **▲ 8.0** billion JPY
(**▲ 4.7%**)



Operating income

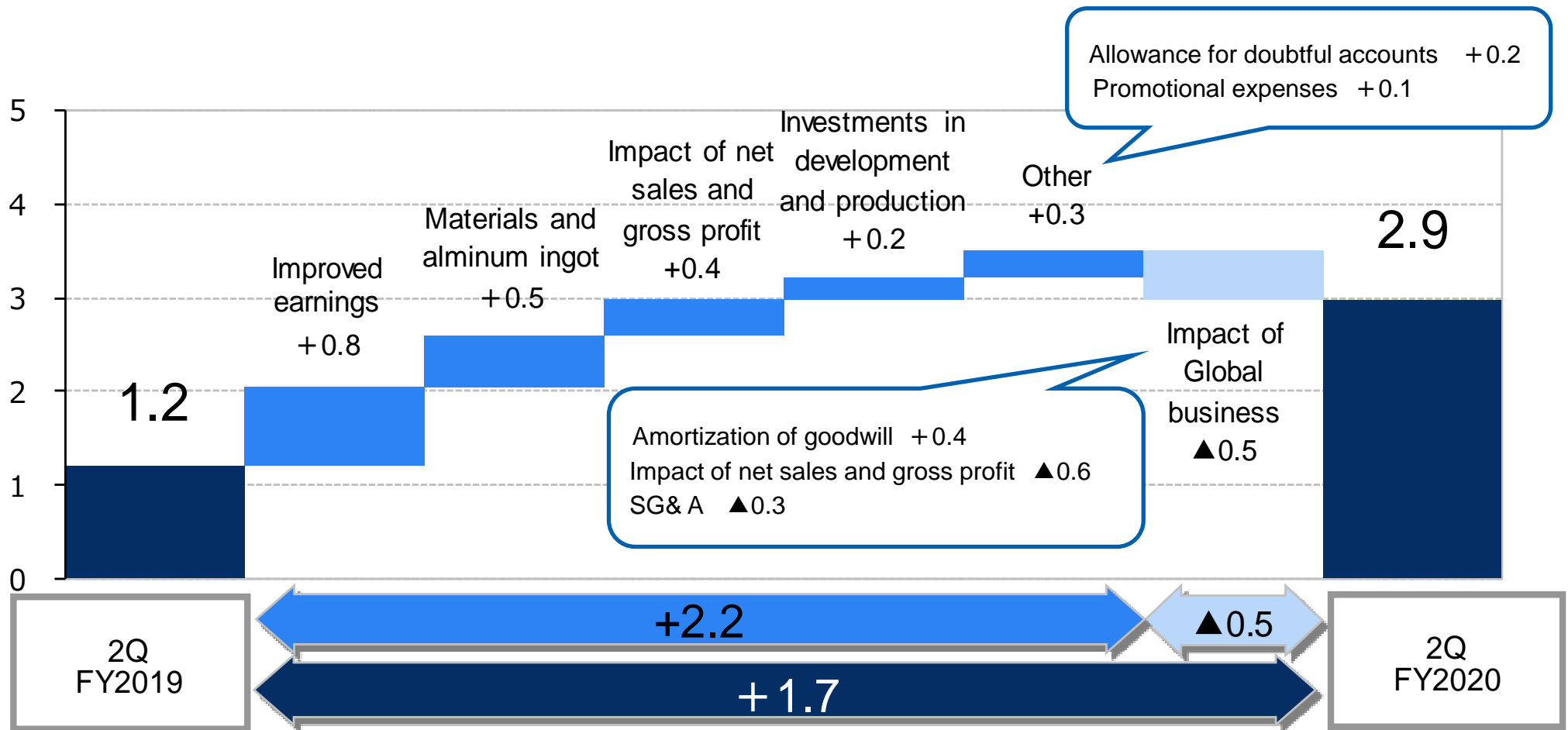
2.9 billion JPY

YoY **+1.7** billion JPY
(**+144.7%**)



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

(Billion JPY)

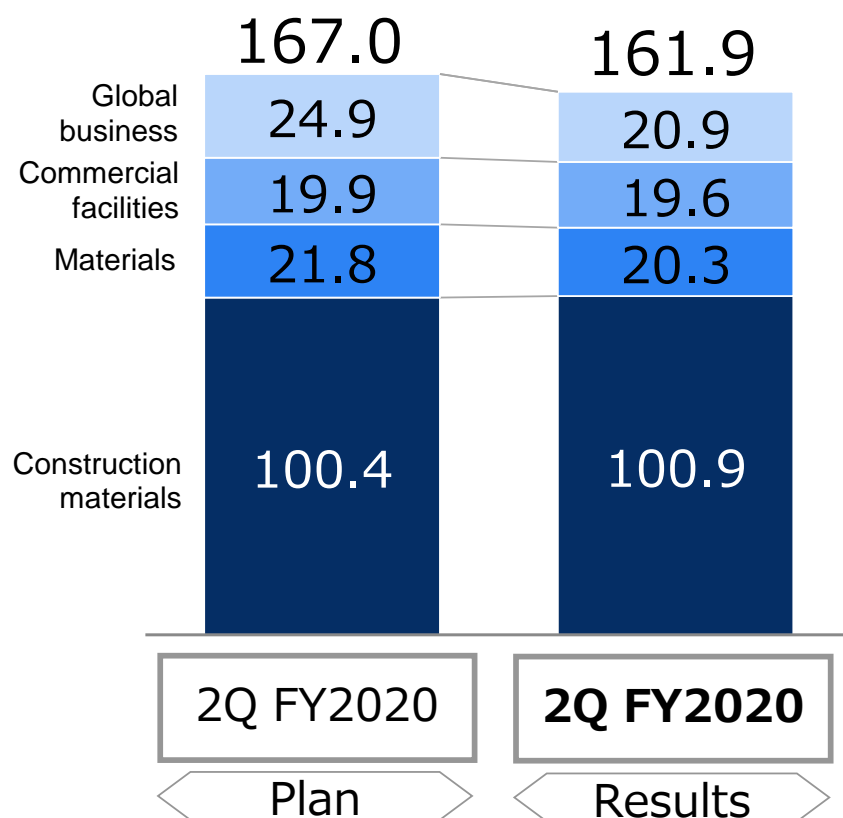


※ Increase / decrease in profits from Global business are consolidated into “Impact of Global business”

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

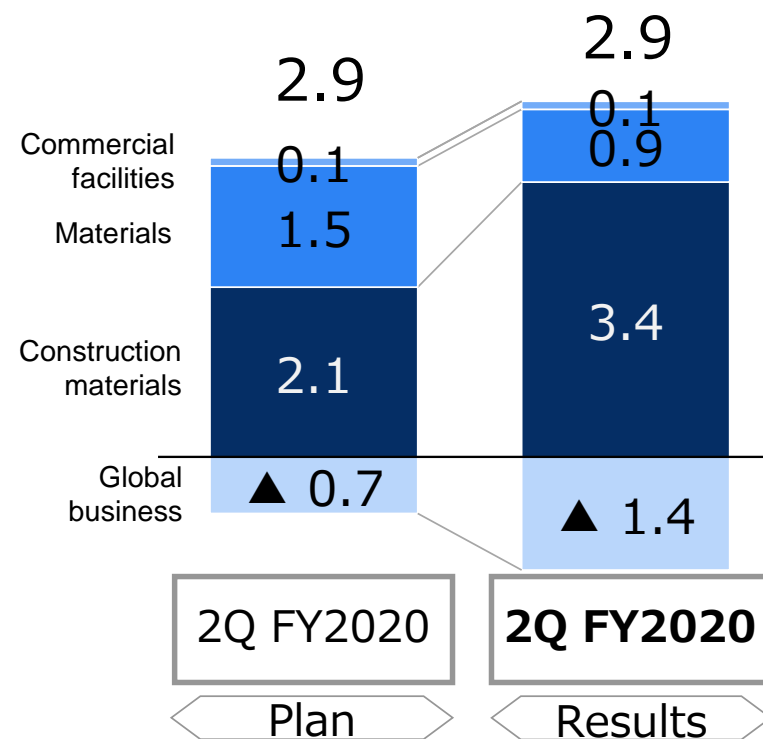
Net sales

Change from Plan **▲ 5.0 billion JPY**
(**▲ 3.0%**)



Operating income

Change from Plan **+ 0 billion JPY**
(**+ 2.6%**)

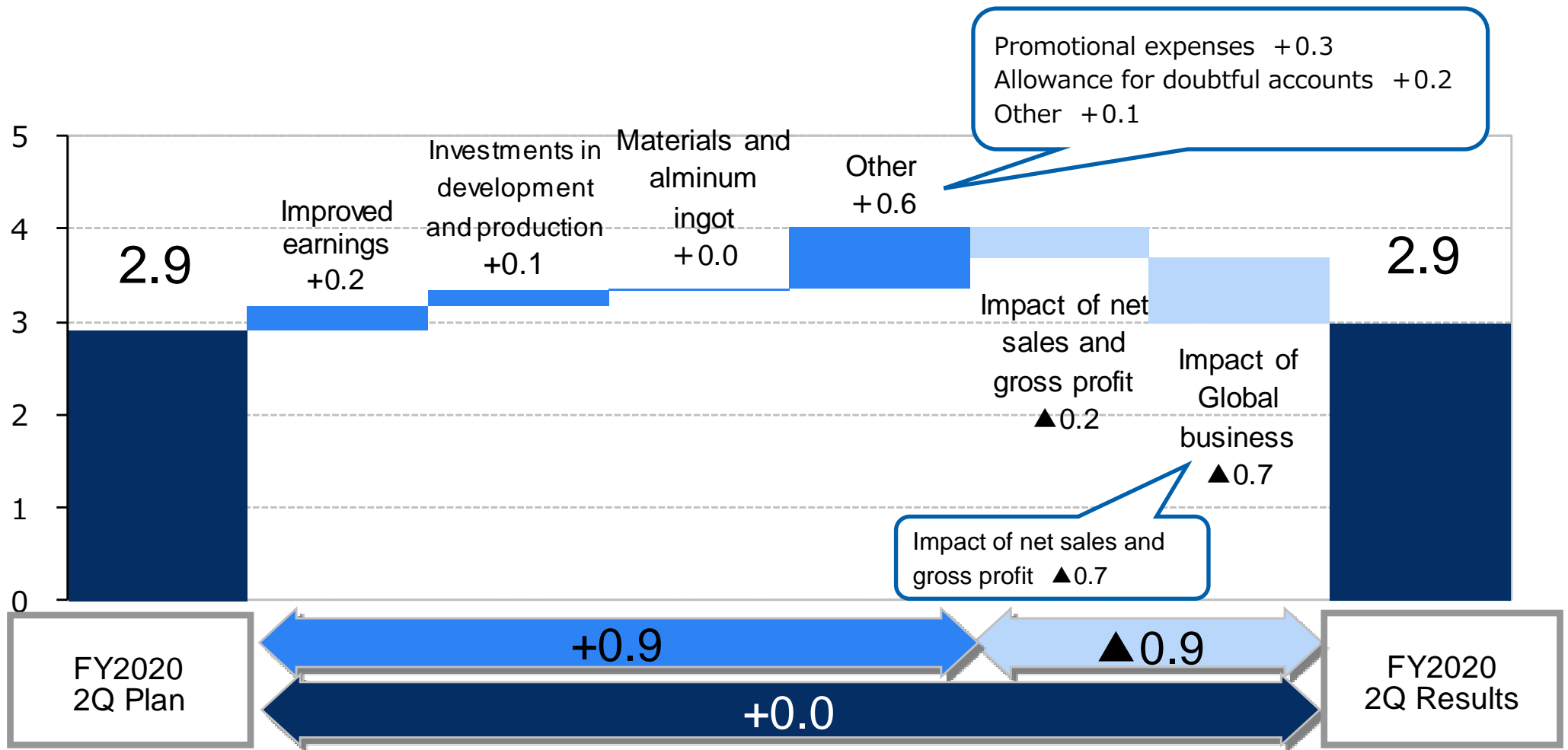


* Amounts are rounded down to the nearest 100 million JPY.

Factors for Change from Plan in Operating Income

Life with Green Technology

(Billion JPY)



※Increase / decrease in profits from Global business are consolidated into “Impact of Global business”

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

The Global business segment is comprised of overseas subsidiaries, chief of which are STEP-G (Europe) and Thai Metal Aluminium (Thailand) which we acquired in 2015. Although the Thailand business marks firm performance, this segment remains in the red, largely due to the performance of the European subsidiary.

(Billion yen)

FY2020	2Q Target	2Q Results	Difference
Operating Income	-0.7	-1.4	-0.7



-0.7 billion yen change from 2Q FY2020 target
 Loss on European subsidiary STEP-G continues to expand
 <Primary cause is decreased product volume due to market slump>

[Global Business – Recent Initiatives]

<Strengthening EV Industry Measures>

- (1) European subsidiary to begin shipment of EV components to Volkswagen Group from 2020
- (2) Received order for EV components from another automotive manufacturer

<Creating In-Group Synergy>

- (1) Received order for railway-use structural components from Hitachi, Ltd. through cooperation between STEP-G and domestic Materials business
- (2) Customers in the Materials business expanded into ASEAN -> Increased order with Thailand subsidiary thanks to cooperation between Materials and Global business



Continuing to focus on bringing Global business segment back into the black by FY2022

	FY2019	FY2018	FY2017
[Construction materials business (housing) index] The number of new housing starts (April-September)	467 thousand units (-5.0% yoy)	491 thousand units (-1.1% yoy)	497 thousand units (-0.7% yoy)
The number of new housing starts [owner-occupied houses](April-September)	153 thousand units (+4.4% yoy)	146 thousand units (-27.3% yoy)	202 thousand units (-2.1% yoy)
The number of new housing starts [house for rent](April-September)	175 thousand units (-15.7% yoy)	208 thousand units (-2.8% yoy)	214 thousand units (-1.7% yoy)
[Construction materials business (building) index] Floor area of non-wooden structure starts (April-September)	37,755 thousand m² (-3.9% yoy)	39,276 thousand m ² (-4.2% yoy)	41,004 thousand m ² (+2.0% yoy)
[Materials business index] Aluminum extrusion weight [excluding sashes and doors](April-September)	176.1 thousand tons (+0.1% yoy)	175.9 thousand tons (-1.9% yoy)	179.3 thousand tons (+5.7% yoy)
[Commercial facilities business index] The number of new building starts [stores] (April-September)	3,573 buildings (-10.1% yoy)	3,973 buildings (-1.9% yoy)	4,048 buildings (-8.6% yoy)
[Aluminum ingot (The Nikkei)] Average prices for the period from April to September	247.9 JPY/kg (-17.2% yoy)	299.2 JPY/kg (+9.2% yoy)	273.9 JPY/kg (+24.9% yoy)

Figures in parentheses are year-on-year.

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

Net sales

100.9 billion JPY

YoY **▲ 0.5 billion JPY**
(▲ 0.5%)

- Last-minute demand and reactionary decrease from consumption tax hike
- Last year's convergence of disaster recovery demand in the exterior construction segment

Operating income

3.4 billion JPY

YoY **+ 2.7 billion JPY**
(420.7%)

- Improved profitability in manufacturing and sales in an integrated manner + re-pricing of some products
- Aluminum ingot prices remain at low level

Business Environment

Number of new housing starts

Whole **▲ 5.0%**
Owner-occupied houses **+ 4.4%**

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

Floor area of non-wooden structure starts

▲ 3.9%

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

Sales weight of aluminum sash for buildings

▲ 1.6%

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

Aluminum ingot price
(Source: Nikkei)

▲ 17.2%

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

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

Net sales

20.3 billion JPY

YoY **▲2.7** billion JPY
(**▲11.8%**)

- Decrease in demand for general machinery due to impact from U.S.-China trade friction
- Reduced sales tied to the aluminum ingot market

Operating income

0.9 billion JPY

YoY **▲0.4** billion JPY
(**▲32.3%**)

- Downturn in rate of operation alongside reduced order volume, etc.

Business Environment

Domestic aluminum extrusion weight
(excluding sashes and doors)

+0.1%

Source: Statistics by Japan Aluminum Association

Domestic aluminum extrusion weight
(general machinery)

▲17.9%

Source: Statistics by Japan Aluminum Association

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

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

Net sales

19.6 billion JPY

YoY **▲ 1.1 billion JPY**
(▲ 5.7%)

• Decreased demand for launching of new retail stores

Operating income

0.1 billion JPY

YoY **▲ 0.0 billion JPY**
(▲ 19.4%)

• Decrease in profit stemming from decreased sales
• Improved profits thanks to strengthening of sales to specialty store customers, increased demand prior to consumption tax hike, and streamlining of operations.

Business Environment

Number of new building starts (stores)

▲ 10.1%

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

Retail sales amount (whole)

+ 1.8%

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-September.

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

Net sales

20.9 billion JPY

YoY **▲ 3.5 billion JPY**
(▲ 14.6%)

- Firm performance in Thailand
- Decreased volume in sales to auto industry customers in Europe

Operating income

▲ 1.4 billion JPY

YoY **▲ 0.5 billion JPY**
(- %)

- Downturn in rate of operation due to decreased sales at European subsidiary

Business Environment

Car production

	YoY	Germany	Thailand
(Jan.-Mar. 2019)	▲ 11.3%	4.0%	
(Apr.-Jun. 2019)	▲ 13.3%	▲ 2.4%	
(Jul.-Sep. 2019)	▲ 0.6%	▲ 7.5%	

Source: VDA

Gross Domestic Product(GDP)

	YoY	Euro area	Germany	Thailand
(Jan.-Mar. 2019)	0.4%	0.5%	2.8%	
(Apr.-Jun. 2019)	0.2%	▲ 0.2%	2.3%	
(Jul.-Sep. 2019)	0.2%	0.1%	2.4%	

Source: EUROSTAT

Source: NESDC

- ◇ Total assets increased 5.8 billion yen from the end of the previous fiscal year.
Equity ratio is 30.0%

(Billion JPY)

	End of 2Q FY2020	End of FY2019	YoY		End of 2Q FY2020	End of FY2019	YoY
Cash and deposits	26.3	26.6	▲ 0.3	Notes and accounts payable-trade	62.7	63.1	▲ 0.4
Notes and accounts receivable-trade	58.2	54.5	3.6	Short-term loans and bonds payable	26.6	17.3	9.2
Inventories	47.4	45.4	1.9	Other current liabilities	24.2	20.8	3.4
Allowance for doubtful accounts	▲ 1.1	▲ 1.2	0.0	Long-term loans and bonds payable	45.4	52.5	▲ 7.1
Other	6.9	6.5	0.4	Other fixed liabilities	25.5	26.4	▲ 0.8
Current assets: Total	137.7	132.0	5.7	Liabilities: Total	184.6	180.3	4.3
Buildings and structures	24.3	24.5	▲ 0.1	Shareholders' equity	75.5	74.6	0.9
Land	54.1	54.2	▲ 0.1	Accumulated other comprehensive income	4.9	4.4	0.4
Other tangible fixed assets	24.1	24.3	▲ 0.2	Non-controlling interests	3.1	2.9	0.1
Investment securities	17.1	16.2	0.9				
Allowance for doubtful accounts	▲ 0.5	▲ 0.6	0.0				
Other intangible fixed assets	11.3	11.6	▲ 0.3				
Fixed assets: Total	130.5	130.4	0.1	Net assets: Total	83.6	82.0	1.5
Assets: Total	268.3	262.4	5.8	Liabilities and net assets: Total	268.3	262.4	5.8

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

Statement of Cash Flows

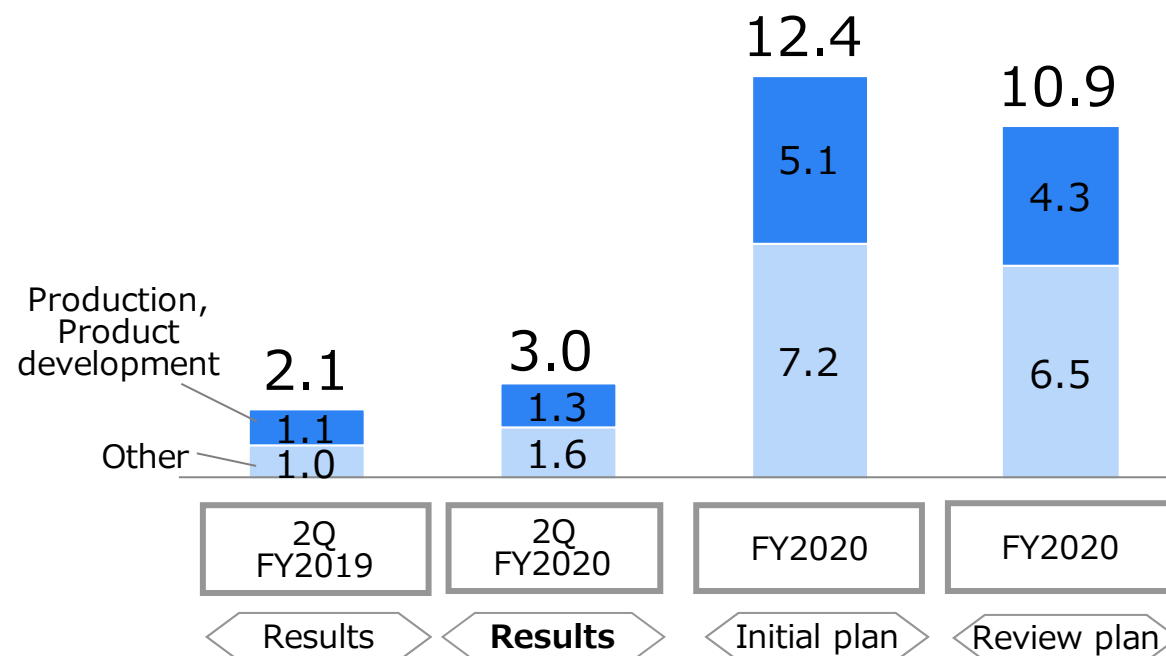
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(Billion JPY)

	2Q FY2020	2Q FY2019	YoY
Profit (loss) before income taxes	2.7	1.3	1.3
Depreciation	3.8	4.1	▲ 0.2
Decrease (increase) in trade receivables	▲ 3.9	▲ 6.2	2.3
Decrease (increase) in inventories	▲ 1.7	▲ 3.7	2.0
Increase (decrease) in trade payables	▲ 0.2	1.9	▲ 2.1
Income taxes paid	▲ 0.9	▲ 0.3	▲ 0.6
Other, net	2.4	3.6	▲ 1.1
	2.1	0.6	1.5
Purchase of tangible fixed assets	▲ 2.8	▲ 3.4	0.5
Payments for conditional acquisition of subsidiary shares	-	▲ 1.3	1.3
Payments for transfer of business	▲ 1.2	-	▲ 1.2
Other, net	▲ 0.5	-	▲ 0.5
	▲ 4.6	▲ 4.7	0.1
Net increase (decrease) in short-term loans	1.3	3.2	▲ 1.9
Proceeds from long-term borrowings	7.7	10.4	▲ 2.7
Repayments of long-term borrowings	▲ 6.6	▲ 6.5	0.0
Redemption of bonds	-	▲ 7.5	7.5
Dividends paid	▲ 0.1	-	▲ 0.1
Other, net	▲ 0.2	▲ 0.3	0.0
	1.9	▲ 0.6	2.6
Net increase (decrease) in cash and cash equivalents	▲ 0.6	▲ 4.6	4.0
Cash and cash equivalents at beginning of period	25.6	30.0	▲ 4.4
Cash and cash equivalents at end of period	24.9	25.3	▲ 0.3

◇ Operating activities CF + 2.1 billion yen.
Cash and cash equivalents decreased by 0.6 billion yen.

(Billion JPY)



		2Q FY2019	2Q FY2020	FY2020	FY2020
		Results	Results	Initial plan	Review plan
Production, Product development	Product development, Streamlining	0.6	0.7	2.6	2.2
	Repairs, etc.	0.5	0.6	2.5	2.0
Other	Software	0.1	0.1	1.7	1.5
	Overseas subsidies	0.7	1.4	4.8	4.4
	Other	0.2	0.1	0.6	0.5
Total		2.1	3.0	12.4	10.9
Depreciation expense		4.1	3.8	8.7	8.3

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

[Financial indicators]

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

	End of 2Q FY2020 Results	End of FY2019 Results	YoY
Equity	80.5	79.1	1.4
Capital adequacy ratio	30.0%	30.2%	▲0.2p
Interest-bearing dept	72.0	69.9	2.1
Interest-bearing dept ratio	89.5%	88.4%	1.1p

* 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 ,FY2020 results and FY2019 results]

		2Q FY2020 Results	2Q FY2019 Results	FY2020 forecast
Aluminum ingot price (Nikkei Aluminium average)		247.9 JPY/kg	299.2 JPY/kg	245.0 JPY/kg
Exchange rates	USD	108.6 JPY	110.3 JPY	110.0 JPY
	EURO	121.4 JPY	129.8 JPY	125.0 JPY
	THB	3.5 JPY	3.4 JPY	3.5 JPY
	CNY	15.7 JPY	16.7 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.

【 Scope of consolidation and equity method】

	End of 2Q FY2020	End of FY2019	YoY
Consolidated subsidiaries	49	50	▲ 1
Equity method-applied companies	7	7	0
Total	56	57	▲ 1

【 Status of personnel (regular employees)】

	End of 2Q FY2020	End of FY2019	YoY
Sankyo Tateyama, Inc.	5,333	5,469	▲ 136
Other consolidated subsidiaries	5,727	5,719	8
Total	11,060	11,188	▲ 128



**SankyoTateyama’s
“Commitment to Health and Productivity Management”**

Established the “Commitment to Health and Productivity Management” to create a comfortable workplace environment that gives employees peace of mind, based on our belief that employee health is a vital part of business infrastructure.

[Commitment to Health and Productivity Management]

SankyoTateyama promises to promote healthy and productivity management and undertake the following initiatives to create a comfortable and healthy workplace environment that gives employees peace of mind.

1. We will aim to ensure employees’ physical and mental health through health-related policies and measures.
2. We will work to improve the working environment by promoting work-life balance.
3. We will create an office culture that empowers diverse human resources, as a way to promote workplace diversity.

[Actionable Goals]

- | | |
|---|---|
| <ol style="list-style-type: none"> 1. Have all employees undergo their annual health check before the deadline 2. Have all employees undergo secondary screening after the health check 3. Have at least 95% of employees complete their stress check 4. Augment the health consultation system | <ol style="list-style-type: none"> 5. Implement training opportunities themed around health 6. Have employees use at least five days of annual paid leave 7. Cut back long working hours 8. Have persons with disabilities comprise 2.2% or more of total employees |
|---|---|

[Framework for Implementation]

Appointed the executive officer in charge of HR as Chief Health Management Officer and established the Health Management Promotion Committee to act as the organizational body in charge of drafting, implementing, and verifying the impact of health management policies.



SDGs (Sustainable Development Goals) contain the ideal of a world where all people can enjoy rich and healthy lives, many of which overlap with our management philosophy and the purposes of our CSR activities. We will continue to contribute to achieving SDGs through our daily business activities.

Sankyo Tateyama Management Philosophy

Based on cooperation encompassing clients, local communities and employees, we create new value and contribute to realizing a world of well-being by giving customers delight and satisfaction

CSR Activities

ESG	CSR	SDGs
E Environment	Harmony with environment Promoting environmental conservation activities Promoting development of eco-friendly products	
S Society	Harmony with society Increasing communication with stakeholders Promoting community-based social contribution activities Respect for humanity Promoting diversity Improving mental and physical health	
G Governance	Healthy corporate activities Promoting customer satisfaction improvement activities Developing and providing products that satisfy customer demands Enhancing corporate governance Enhancing risk management Promoting compliance Enhancing information security	

[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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